

Writer's E-Mail Address: ljaber@gunster.com

December 14, 2017

VIA HAND DELIVERY

Mr. Andrew Maurey, Director Division of Accounting and Finance Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850

RECEIVED COMMISSION 2017 DÉC 14 PH 4: 09 CCOUNTING & FILLAND

Re: Florida Public Utilities Company (Electric and Gas Divisions) 3rd Quarter 2017 Surveillance Report

Dear Mr. Maurey:

In accordance with Rules 25-6.1352(3), F.A.C., Florida Public Utilities Company hereby submits the original and four copies of the 3rd Quarter Earnings Surveillance Report for 2017.

As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

Beth Keating Gunster, Yoakley & Stewart, P.A. 215 South Monroe St., Suite 601 Tallahassee, FL 32301 (850) 521-1706

cc: Bart Fletcher

215 South Monroe Street, Suite 601 Tallahassee, FL 32301-1804 p 850-521-1980 f 850-576-0902 GUNSTER.COM Fort Lauderdale | Jacksonville | Miami | Orlando | Palm Beach | Stuart | Tallahassee | Tampa | The Florida Keys | Vero Beach | West Palm Beach FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC

RATE OF RETURN REPORT SUMMARY

September 30, 2017

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADIUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
NET OPERATING INCOME	\$ 2,908,421	(\$26,873)	\$2,881,548	<u> </u>	\$2,881,548
AVERAGE RATE BASE	\$76,454,774	(\$4,643,713)	\$71,811,061	<u>\$0</u>	\$71,811,061
AVERAGE RATE OF RETURN	3.80%		4.01%		4.01%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$2,908,421	(\$43,249)	\$2,865,172	\$0	\$2,865,172
YEAR-END RATE BASE	\$79,305,343	(\$5,047,749)	\$74,257,595	\$0	\$74,257,595
YEAR-END RATE OF RETURN	3.67%		3.86%		3.85%
III. REQUIRED RATES OF RETURN			TAL INTEGRITY INDICATORS		
AVERAGE CAPITAL STRUCTURE		A, THE WITH	HAFUDC	4.18	

B. TIE WITHOUT AFUDC

C. AFUDC TO NET INCOME

D. INTERNALLY GENERATED FUNDS

E. LTD TO TOTAL INVESTOR FUNDS

F. STD TO TOTAL INVESTOR FUNDS

G. RETURN ON COMMON EQUITY

4.18

0.00

81.43

21.59

21,82

6.48

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082, s. 775.083. or s. 775.084.

Mike Cassel

Director-Regulatory Affairs

(FPSC ADJUSTED BASIS)

LOW

HIGH

MIDPOINT

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12/13/17

5.18%

5.59%

6.01%

AVERAGE RATE OF RETURN For the 12 Months Ending September 30, 2017 RATE BASE	FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC
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PRO FORMA ADJUSTED	TOTAL PRO FORMA ADJUSTMENTS	PROFORMA ADJUSTMENTS	ADJUSTED FOR FLEX RATE REVENUES	FLEX RATE REVENUES	FPSC ADJUSTED	OJ DEFERRED RALE CASE EXPENSE TOTAL FPSC ADJUSTMENTS	4) ELIMINATE NET UNDERRECOVERY 5)ADJUST TAX STEP UP TO STIPULATION 6) DECEMBED BATE CASE EXCENSE	2) REGULATORY LIAB - PENSION AMORT 3) REGULATORY ASSET - LITIGATION COSTS	1) ELIM. NON UTILITY PLANT	FPSC ADJUSTMENTS:	PER BOOKS		
\$123,522,706	\$0	·	\$123,522,706	\$0	\$123,522,706	\$0			\$0		\$123,522,706	PLANT IN SERVICE	(I)
(\$60,943,852)	¢\$		(\$60,943,852)	\$0	(\$60,943,852)	9\$			ŚO		(\$60,943,852)	DEPRECIATION & AMORTIZATION	(2) ACCUMULATED
\$62,578,854	\$0		\$62,578,854	\$0	\$62,578,854	\$0		0\$ 50	\$0		\$62,578,854	PLANT IN SERVICE	(3)
\$0	\$0		\$0	\$0	0\$	Şo					\$0	HELD FOR FUTURE USE	(4) NET PROPERTY
\$3,122,620	\$0		\$3,122,620	\$0	\$3,122,620	\$0					\$3,122,620	WORK IN PROGRESS	(5) CONSTRUCTION
\$65,701,475	\$0		\$65,701,475	\$0	\$65,701,475	\$0 \$0	\$0	\$	50 50		\$65,701,475	UTILITY PLANT	(6) NET
\$6,109,586	0\$		\$6,109,586	\$0	\$6,109,586	(\$252,837) (\$4,643,713)	(\$4,390,876) \$0	\$0 (\$2)			\$10,753,299	CAPITAL	(7)
\$71,811,061	\$0		\$71,811,061	\$0	\$71,811,061	(\$252,837) (\$4,643,713)	(\$4,390,876) \$0	(\$0)	8 8		\$7Ê,454,774	TOTAL RATE BASE	(8)

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PRO FORMA ADJUSTED	TOTAL PRO FORMA ADJUSTMENTS	FPSC ADIUSTED PRO FORMA ADJUSTIMENTS	TOTAL FPSC ADJUSTMENTS						& GROSS RECEIPTS)	4)NON-UTRUTY DEPRECIATION EXPENSE 5) ELIMINATE REVENUE RELATED TAXES (FRANCHISE	3) ELIMINATE CONSERVATION	1) INCOME TAX SYNCH ADJUSTMENT 2) ELIMINATE FUEL REVENUES AND EXPENSES	FPSC ADJUSTMENTS:	PER BOOKS			FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN For the 12 Months Ending September 30, 2017 INCOME STATEMENT
\$20,330,798	ا ین -	\$ 20,330,798	\$ (66,836,497)						- \$ (5,704,204)	Π		\$ (60.455.617)		\$ 87,167,295	OPERATING REVENUES	(1)	
	~	to) \$ (61,056,596)						2		- - - -) <u>\$</u> (60.379.775)		\$ 61,056,596	O & M FUEL EXPENSE	(2)	
\$11,133,302	د ا	<u>\$ 11,133,302</u>	\$									<u>.</u>		5 \$ 11,133,302	O & M OTHER	(3)	
\$4,015,346	\$	\$ 4,015,346	\$							\$				\$ 4,015,346	DEPREC, & AMORTIZATION	(4)	
\$1,077,252	\$	<u>\$ 1,077,252 </u> <u>\$</u>	\$ (5,749,126) \$	ç, çç	en e	× 43	ý, ví		\$ (5,704,204) \$		(487)			\$ 6,826,378	TAXES OTHER THAN INCOME	(5)	
\$1,223,350		1,223,350	3 (3,902)			,				,		\$ 7,969 \$		\$ 1,227,252	INCOME TAXES CURRENT	(6)	
\$0	\$	د ې -	\$												D.I.T. (NET)	9	
Şo	· ·	ب ه ا	\$												LT.C. (NET)	(8)	
\$0	\$,	\$	\$												DISPOSITION	(9)	
\$17,449,250	το το	\$ 17,449,250	\$ {66,809,624}	م ه مه ۱	•• •		• •		\$ (5,704,204)	<u>د</u> ه ۱	\$ (677,064)	\$ 7,969		\$ 84,258,874	OPERATING EXPENSES	(10)	
\$2,881,548	, , , ,	<u>\$</u> 2,881,548	\$ (26,873)	to io	• • • •	, do	€ α €Ω	. «s	,	ې ۲	886 \$ (Te>/er)	-		\$ 2,908,421	NET OPERATING INCOME	(11)	SCHEDULE 2 PAGE 2 OF 2

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FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending September 30, 2017

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RATE BASE

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) PLANT IN SERVICE	(4) NET PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
					The differences			I I I I I I I I I I I I I I I I I I I
PER BOOKS	\$126,296,074	(\$62,454,653)	\$63,841,421	\$0	\$5,211,386	\$69,052,806	\$10,252,537	\$79,305,343
FPSC ADJUSTMENTS:								
1) ELIM. NON UTILITY PLANT 2) OUT OF PERIOD LITIGATION ADJ	\$0	\$0	\$0			\$0 \$0	(\$0)	\$0 (\$0)
3) ELIMINATION OF UNDER-RECOVERY						\$0	(\$4,843,849)	(\$4,843,849)
4) DEFERRED RATE CASE EXPENSE						\$0	(\$203,900)	(\$203,900)
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	(\$5,047,749)	(\$5,047,749)
FPSC ADJUSTED	\$126,296,074	(\$62,4\$4,653)	\$63,841,421	\$0	\$5,211,386	\$69,052,806	\$5,204,788	\$74,257,595
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$126,296,074	(\$62,454,653)	\$63,841,421	\$0	\$5,211,386	\$69,052,806	\$5,204,788	\$74,257,595
PROFORMA ADJUSTMENTS								\$0
								\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$126,296,074	(\$62,454,653)	\$63,841,421	\$0	\$5,211,386	\$69,052,806	\$5,204,788	\$74,257,595
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FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending September 30, 2017 INCOME STATEMENT

	(1)	(2)		(3)		(4)		(5)		(6)	(7)		(8)	(9) //GAIN			(10) TOTAL		(11) NET
	OPERATING	D & M FUEL		0 & M	0	DEPREC. &	TA	XES OTHER	IN	COME TAXES	D.I.T.		I.T.C.	ON	N	c	PERATING		OPERATING
	 REVENUES	 EXPENSE		OTHER	AM	ORTIZATION	_TH/	AN INCOME		CURRENT	(NET)	(NET)	DISPOS	ITION		EXPENSES		INCOME
PER BOOKS	\$ 87,167,295	\$ 61,056,596	\$	11,133,302	\$	4,015,346	\$	6,826,378	\$	1,227,252						\$	84,258,874	\$	2,908,421
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT									s	24,346						Ś	24,346	\$	(24,346)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (60,455,617)	\$ (60,379,776)					\$	(44,436)	\$	(12,115)						\$	(60,436,326)	\$	(19,291)
3) ELIMINATE CONSERVATION	\$ (676,676)	\$ (676,820)					\$	(487)	\$	243						\$	(677,064)	\$	388
4)NON-UTILITY DEPRECIATION EXPENSE					\$	-			\$	-						\$	•	\$	-
5) ELIMINATE REVENUE RELATED TAXES (FRANCHISE & GROSS RECEIPTS)	\$ (5,704,204)						\$	(5,704,204)	\$	-						\$	(5,704,204)	\$	-
									\$	-						\$	-	\$	-
									\$	-						\$	-	\$	-
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									\$	-						\$		\$	-
TOTAL FPSC ADJUSTMENTS	\$ (66,836,497)	\$ (61,056,596)	\$	-	\$	-	\$	(5,749,126)	\$	12,474	\$	-	\$ -	\$		\$	(66,793,248)	\$	(43,249)
FPSC ADJUSTED	\$ 20,330,798	\$ -	\$	11,133,302	\$	4,015,346	\$	1,077,252	\$	1,239,726	\$	<u>. </u>	\$	\$		\$	17,465,626	\$	2,865,172
PRO FORMA ADJUSTMENTS																			
																\$	-	\$	-
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ 	\$	-	\$		\$	-	\$		\$	-	\$ -	\$	-	\$	-	\$	-
PRO FORMA ADJUSTED	 \$20,330,798	 \$0	_	\$11,133,302		\$4,015,346	_	\$1,077,252	-	\$1,239,726		\$0	\$0		\$0		\$17,465,626		\$2,865,172

								LOV	V POINT	M	DPOINT	HIG	H POINT
AVERAGE	PER BOOKS	ADJUSTMENTS	ADJUSTED BOOKS	PRO-RATA	5PECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$32,710,509		\$32,710,509	{\$2,627,667}		\$30,082,842	41.89%	9.25%	3.88%	10.25%	4.29%	11.25%	4.71%
LONG TERM DEBT - CU	\$10,945,209		\$10,945,209	(879,239)		\$10,065,970	14.02%	4.54%	0.64%	4.54%	0.64%	4.54%	0.64%
SHORT TERM DEBT	\$12,614,812		\$12,614,812	(1,013,360)		\$11,601,452	16.16%	1.93%	0.31%	1.93%	0.31%	1.93%	0.31%
LONG TERM DEBT - FC	\$1,536,720		\$1,536,720	(123,446)		\$1,413,273	1.97%	12.30%	0.24%	12.30%	0.24%	12.30%	0.24%
SHORT TERM DEBT - REFINANCED LTD	\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,225,642		\$3,225,642			\$3,225,642	4.49%	2.40%	0.11%	2.40%	0.11%	2.40%	0.11%
DEFFERED INCOME TAXES	\$15,421,882		\$15,421,882			\$15,421,882	21.48%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0		\$0			\$0	0.00%	5.07%	0.00%	5.48%	0.00%	5.90%	0.00%
	-												
TOTAL AVERAGE	\$76,454,774	\$0	\$76,454,774	(\$4,643,712)	\$0	\$71,811,061	100.00%		5.18%		5.59%		6.01%

								LO		м	DPOINT	ню	
	_	ADJUSTMENTS	ADJUSTED				RATIO	CO5T RATE	WEIGHTED COST	COST	WEIGHTED	COST	WEIGHTED
YEAR-END	PER BOOKS	NON-UTILITY	BOOKS	PRO-RATA	SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
COMMON EQUITY	\$31,683,171		\$31,683,171	(2,684,632)	\$0	\$28,998,539	39.05%	9.25%	3.61%	10.25%	4.00%	11.25%	4.39%
LONG TERM DEBT - CU	\$12,570,771		\$12,570,771	(1,065,167)		\$11,505,604	15.49%	3.77%	0.58%	3.77%	0.58%	3.77%	0.58%
SHORT TERM DEBT	\$13,717,956		\$13,717,956	(1,162,373)		\$12,555,583	16.91%	1.68%	0.28%	1.68%	0.28%	1.68%	0.28%
LONG TERM DEBT - FC	\$1,600,018		\$1,600,018	(135,575)		\$1,464,442	1.97%	12.20%	0.24%	12.20%	0.24%	12.20%	0.24%
SHORT TERM DEBT - REFINANCED LTD	\$0		\$0			\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,274,053		\$3,274,053			\$3,274,053	4.41%	2.37%	0.10%	2.37%	0.10%	2.37%	0.10%
DEFFERED INCOME TAXES	\$16,459,374		\$16,459,374			\$16,459,374	22.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0		\$0			\$0	0.00%	4.71%	0.00%	5.10%	0.00%	5.49%	0.00%
TOTAL YEAR-END	\$79,305,343	\$0	\$79,305,343	(\$5,047,748)	\$0	\$74,257,595	100.00%		4.81%		5.20%		5.59%

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