

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

April 3, 2018

VIA HAND DELIVERY

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

Re: Florida Public Utilities Company (Electric and Gas Divisions) 4th Quarter/Year End 2017 Surveillance Reports

Dear Mr. Maurey:

In accordance with Rules 25-6.1352(3) and 25-7.1352(3), F.A.C., Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation hereby submits the original and four copies of the required Year End Earnings Surveillance Reports for 2017.

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

Sincerely,

Bei

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 December 31, 2017

SCHEDULE 1

Date

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
NET OPERATING INCOME	\$ 2,901,690	(\$26,945)	\$2,874,745	\$0	\$2,874,745
AVERAGE RATE BASE	\$78,393,297	(\$5,236,440)	\$73,155,857	<u>\$0</u>	\$73,156,857
AVERAGE RATE OF RETURN	3.70%		3.93%		3.93%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$2,901,690	(\$48,143)	\$2,853,547	<u>\$0</u>	\$2,853,547
YEAR-END RATE BASE	\$80,971,183	(\$5,756,226)	\$75,214,957	<u>\$0_</u>	\$75,214,957
YEAR-END RATE OF RETURN	3.58%		3.79%		3.79%
<u></u>		IV. FINAN			

III. REQUIRED RATES OF RETURN		IV. FINANCIAL INTEGRITTINDICATORS		
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)		A. TIE WITH AFUDC	3.83	
		B. TIE WITHOUT AFUDC	3.83	
LOW	5.14%	C. AFUDC TO NET INCOME	0.00	
MIDPOINT	5.55%	D. INTERNALLY GENERATED FUNDS	(30.76)	
HIGH	5.96%	E. LTD TO TOTAL INVESTOR FUNDS	22.23	
		F. STD TO TOTAL INVESTOR FUNDS	22.66	
		G. RETURN ON COMMON EQUITY	6.29	

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

Michael Cassel (mil)

FLORIDA PUBLIC UTILITIES COMPANY

ELECTRIC

AVERAGE RATE OF RETURN

For the 12 Months Ending December 31, 2017

RATE BASE

		,					1	
	(1)	(2) ACCUMULATED	(3)	(4) NET PROPERTY	(5) CONSTRUCTION	(6) NET	(7)	(8)
	PLANT IN SERVICE	DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	HELD FOR FUTURE USE	WORK IN PROGRESS	UTILITY PLANT	CAPITAL	TOTAL RATE BASE
PER BOOKS	\$126,108,844	(\$61,626,754)	\$64,482,090	\$0	\$2,813,426	\$67,295,516	\$11,097,781	\$78,393,297
FPSC ADJUSTMENTS:						,		
			\$0			\$0		\$0
1) ELIM. NON UTILITY PLANT	\$0	\$0	\$0			\$0		\$0
2) REGULATORY LIAB - PENSION AMORT			\$O			\$0	\$0	\$0
3) REGULATORY ASSET - LITIGATION COSTS			\$0			\$0	(\$0)	(\$0)
4) ELIMINATE NET UNDERRECOVERY						\$0	(\$5,008,072)	(\$5,008,072)
5) DEFERRED RATE CASE EXPENSE							(\$228,368)	(\$228,368)
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	(\$5,236,440)	(\$5,236,440)
FPSC ADJUSTED	\$126,108,844	(\$61,626,754)	\$64,482,090	\$0	\$2,813,426	\$67,295,516	\$5,861,341	\$73,156,857
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$126,108,844	(\$61,626,754)	\$64,482,090	\$0	\$2,813,426	\$67,295,516	\$5,861,341	\$73,156,857
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$126,108,844	(\$61,626,754)	\$64,482,090	\$0	\$2,813,426	\$67,295,516	\$5,861,341	\$73,156,857

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FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN For the 12 Months Ending December 31, 2017												-			6				CHEDULE 2 AGE 2 OF 2
INCOME STATEMENT			,	,															
		. *													2				
	(1)		(2)		(3)		(4)		(5)		(6)	7)	(8)	(9) N/LOS5		(10) TOTAL		(11) NET
	DPERATING REVENUES		O & M FUEL EXPENSE		O & M OTHER		DEPREC. &		AXES OTHER		COME TAXES	I.T. IET)		Г.С. ЕТ)	ON OSITION		OPERATING EXPENSES		INCOME
PER BOOKS	\$ 88,624,895	\$	62,091,828	\$	11,262,618	\$	4,136,593	\$	7,023,695	\$	1,208,471					\$	85,723,205	\$	2,901,690
FPSC ADJUSTMENTS:									• •										
1) INCOME TAX SYNCH ADJUSTMENT	-									\$	(3,950)					\$	(3,950)	\$	3,950
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (61,552,820)	\$	(61,459,520)					\$	(45,163)	\$	(18,569)					\$	(61,523,252)	\$	(29,568)
3) ELIMINATE CONSERVATION	\$ (634,924)	\$	(632,308)					\$	(457)	\$	(833)					\$	(633,598)	\$	(1,326)
4)NON-UTILITY DEPRECIATION EXPENSE						\$	-			\$	-					\$	-	\$	-
S) ELIMINATE REVENUE RELATED TAXES (FRANCHISE	(5 7 6 6 7 7 1							÷	(5 762 172)	\$						s	/5 762 172)	<i>.</i>	
& GROSS RECEIPTS)	\$ (5,762,172)							Ş	(5,762,172)	ş S	-					ş S	(5,762,172)	\$ \$	•
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										\$						\$	-	\$	-
										\$	-					\$		\$	
TOTAL FPSC ADJUSTMENTS	\$ (67,949,916)	\$	(62,091,828)	\$	-	\$	-	\$	(5,807,792)	\$	(23,351)	\$	\$	-	\$ -	\$	(67,922,971)	\$	(26,945)
FPSC ADJUSTED	\$ 20,674,979	\$		\$	11,262,618	\$	4,136,593	\$	1,215,903	\$	1,185,120	\$	\$		\$ -	\$	17,800,234	\$	2,874,745
PRO FORMA ADJUSTMENTS																			
																\$	-	\$	-
	 					_									 				
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$	-	\$		\$		\$	-	\$		\$ -	\$	-	\$ -	\$	<u>.</u>	\$	-
PRO FORMA ADJUSTED	 \$20,674,979		\$0		\$11,262,618		\$4,136,593	_	\$1,215,903		\$1,185,120	 \$0		\$0	 \$0		\$17,800,234		\$2,874,745

ELORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END ANTE OF RETURN For the 12 Months Ending December 31, 2017 RATE BASE								SCHEDULE 3 PAGE 1 OF 2
	(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
PER BOOKS	\$131,665,518	(\$62,660,458)	\$69,005,059	\$0	\$582,918	\$69,587,978	\$11,383,205	\$80,971,183
FPSC ADJUSTMENTS:								
 ELIM. NON UTILITY PLANT 2) OUT OF PERIOD LITIGATION A.DJ 3) ELIMINATION OF UNDER-REGOVERY 4) DEFERRED RATE CASE EXPENSE 	S	8	0\$			8 8 8 8 8	\$0 \$5,576,795} (\$179,431)	\$0 \$0 (\$5,576,795) (\$179,431)
TOTAL FPSC ADJUSTMENTS	\$	\$0	\$0	\$0	\$0	\$0	(\$5,756,226)	(\$5,756,226)
FPSC ADJUSTED	\$131,665,518	(\$62,660,458)	\$69,005,059	\$0	\$582,918	\$69,587,978	\$5,626,979	\$75,214,957
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$131,665,518	(\$62,660,458)	\$69,005,059	\$0	\$582,918	\$69,587,978	\$5,626,979	\$75,214,957
PROFORMA ADJUSTMENTS								Ş
TOTAL PRO FORMA ADJUSTMENTS	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$ \$
PRO FORMA ADJUSTED	\$131,665,518	(\$62,660,458)	\$69,005,059	0\$	\$582,918	\$69,587,978	\$5,626,979	\$75,214,957

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending December 31, 2017			•										•	st y					SCHEDULE 3 PAGE 2 OF 2
INCOME STATEMENT		•												1					
		(1)		(2)	(3)		(4)		(5)		(6)	(7	7)	(8)	9) I/LOSS		(10) TOTAL		(11) NET
		OPERATING REVENUES		O & M FUEL EXPENSE	 O & M OTHER		DEPREC. &		XES OTHER		COME TAXES CURRENT	D.I (NE		T.C. Net)	on Dsition		OPERATING EXPENSES		OPERATING INCOME
PER 800KS	\$	88,624,895	\$	62,091,828	\$ 11,262,618	\$	4,136,593	\$	7,023,695	\$	1,208,471					\$	85,723,205	\$	2,901,690
FPSC ADJUSTMENTS:											17,248						17.240		(17,040)
1) INCOME TAX SYNCH ADJUSTMENT 2) ELIMINATE FUEL REVENUES AND EXPENSES	\$	(61,552,820)	\$	(61,459,520)				\$	(45,163)	\$ \$	(18,569)					\$ \$	17,248 (61,523,252)	\$ \$	(17,248) (29,568)
3) ELIMINATE CONSERVATION	\$	(634,924)	ŝ	(632,308)				ŝ	(45,105) (457)	\$	(18,505) (833)					\$	(633,598)	\$	(1,326)
4)NON-UTILITY DEPRECIATION EXPENSE	•	(004,024)	*	(052,500)		s		*	(151)	Ś	-					Ś	(055,550,	ŝ	(1,520)
S) ELIMINATE REVENUE RELATED TAXES						÷				•						*		*	
(FRANCHISE & GROSS RECEIPTS)	\$	(\$,762,172)						\$	(5,762,172)	\$	-					\$	(5,762,172)	\$	-
										\$	-					\$		\$	-
										\$	-					\$	-	\$	-
										\$	-					\$	-	\$	-
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										\$	-					Ş	-	\$	-
TOTAL FPSC ADJUSTMENTS	\$	(67,949,916)	\$	(62,091,828)	\$ -	\$		\$	(5,807,792)	\$	(2,154)	\$	-	\$ -	\$ -	\$	(67,901,773)	\$	(48,143)
FPSC ADJUSTED	\$	20,674,979	\$		\$ 11,262,618	\$	4,136,593	\$	1,215,903	\$	1,206,317	\$	-	\$ -	\$ -	\$	17,821,432	\$	2,853,547
PRO FORMA ADJUSTMENTS																			
																\$		\$	-
TOTAL PRO FORMA ADJUSTMENTS	\$		\$		\$ -	\$		\$	-	\$	-	\$	-	\$ -	\$ -	\$		\$	
PRO FORMA ADJUSTED		\$20,674,979	_	\$0	 \$11,262,618	_	\$4,136,593		\$1,215,903		\$1,206,317		\$0	 \$0	 \$0		\$17,821,432		\$2,853,547

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC CAPITAL STRUCTURE December 31, 2017 FPSC ADJUSTED BASIS

							LO	WPOINT	M	IDPOINT	н	GH POINT
		ADJUSTMENTS					COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
		ADJUSTED				RATIO	RATE	COST	RATE	COST	RATE	COST
AVERAGE	PER BOOKS	NON-UTILITY BOOK5	PRO-RATA	SPECIFIC	BALANCE	(%)	· (%)	(%)	(%)	(%)	(%)	(%)
-										· · · ·		
COMMON EQUITY	\$32,877,109	\$32,877,109	(\$2,885,537)		\$29,991,572	41.00%	9.25%	3.79%	10.25%	4.20%	11.25%	4.61%
LONG TERM DEBT - CU	\$11,683,957	\$11,683,957	(1,025,470)		\$10,658,487	14.57%	4.44%	0.65%	4.44%	0.65%	4.44%	0.65%
SHORT TERM DEBT	\$13,520,215	\$13,520,215	(1,186,634)		\$12,333,581	16.86%	2.09%	0.35%	2.09%	0.35%	2.09%	0.35%
LONG TERM DEBT - FC	\$1,581,446	\$1,581,446	(138,799)		\$1,442,647	1.97%	12.25%	0.24%	12.25%	0.24%	12.25%	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	\$3,232,988	\$3,232,988			\$3,232,988	4.42%	2.44%	0.11%	2.44%	0.11%	2.44%	0.11%
DEFFERED INCOME TAXES	\$15,497,582	\$15,497,582			\$15,497,582	21.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0	\$0			\$0	0.00%	5.03%	0.00%	5.44%	0.00%	5.85%	0.00%
TOTAL AVERAGE	\$78,393,297	\$0 \$78,393,297	(\$5,236,440)	\$0	\$73,156,857	100.00%		5.14%		5.55%		5.96%
TOTAL AVERAGE	\$78,393,297	÷v \$78,393,297	(\$5,236,440)	\$0	\$13,130,837	100.00%		5.14%		2.33%	1	3.30%

								1.0		M	DPOINT	HIC	SH POINT
YEAR-END	PER BOOKS	ADJUSTMENTS	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	\$32,106,723		\$32,106,723	(2,987,669)	\$0	\$29,119,054	38.71%	9.25%	3.58%	10.25%	3.97%	11.25%	4.36%
LONG TERM DEBT - CU	\$11,687,044		\$11,687,044	(1,087,530)		\$10,599,514	14.09%	4.10%	0.58%	4.10%	0.58%	4.10%	0.58%
SHORT TERM DEBT	\$16,425,537		\$16,425,537	(1,528,467)		\$14,897,070	19.81%	1.60%	0.32%	1.60%	0.32%	1.60%	0.32%
LONG TERM DEBT - FC	\$1,639,484		\$1,639,484	(152,561)		\$1,486,923	1.98%	12.15%	0.24%	12.15%	0.24%	12.15%	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	\$3,214,373		\$3,214,373			\$3,214,373	4.27%	2.45%	0.10%	2.45%	0.10%	2.45%	0.10%
DEFFERED INCOME TAXES	\$15,898,022		\$15,898,022			\$15,898,022	21.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0		\$D			\$0	0.00%	4.72%	0.00%	5.11%	0.00%	5.50%	0.00%
TOTAL YEAR-END	\$80,971,183	\$0	\$80,971,183	(\$5,756,226)	\$0	\$75,214,957	100.00%		4.82%		5.21%		5.60%