



May 13, 2016

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FLORIDA PUBLIC SERVICE  
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DIVISION OF  
ACCOUNTING & FINANCE

**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), Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation 4th Quarter 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 (Gas and Electric Divisions), FPUC-Fort Meade, FPUC-Indiantown Division and the Florida Division of Chesapeake Utilities Corporation hereby submit the original and four (4) copies of the required 1st Quarter (March 2016) Earnings Surveillance Reports for 2016.

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: Cheryl Bulecza-Banks  
Bart Fletcher

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 RATE OF RETURN REPORT SUMMARY  
 For the 12 Months Ending March 31, 2016

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 9,429,659	\$ (126,660)	\$ 9,302,999	\$ 1,139,748	\$ 10,442,747
AVERAGE RATE BASE	\$ 194,710,787	\$ 1,713,008	\$ 196,423,795	\$ (27,448,980)	\$ 168,974,815
AVERAGE RATE OF RETURN	4.84%		4.74%		6.18%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 9,429,659	\$ (127,774)	\$ 9,301,885	\$ 1,139,748	\$ 10,441,633
YEAR-END RATE BASE	\$ 218,653,461	\$ 499,464	\$ 219,152,925	\$ (26,879,106)	\$ 192,273,819
YEAR-END RATE OF RETURN	4.31%		4.24%		5.43%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>			<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>		
LOW	6.03%		A.	INCL ACQUISITION ADJUSTMENT	7.02%
MIDPOINT	6.48%		B.	EXCL ACQUISITION ADJUSTMENT	10.61%
HIGH	6.94%				

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.

Michael Cassel  
 Director - Regulatory Affairs

*Michael Cassel per MJC*  
 Signature

5/12/16  
 Date

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 AVERAGE RATE OF RETURN  
 For the 12 Months Ending March 31, 2016  
 RATE BASE

SCHEDULE 2  
 PAGE 1 OF 2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$ 247,404,032	\$ (63,846,116)	\$ 183,557,916	\$ -	\$ 10,390,119	\$ 193,948,035	\$ 762,752	\$ 194,710,787
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 457,223	\$ 457,223
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (2,718,738)	\$ 973,183	\$ (1,745,555)			\$ (1,745,555)		\$ (1,745,555)
4) ELIMINATE UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -	\$ (140,047)	\$ (140,047)
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS	\$ -	\$ -	\$ -			\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (5,188,420)	\$ 973,183	\$ (4,215,237)	\$ -	\$ -	\$ (4,215,237)	\$ 5,928,245	\$ 1,713,008
FPSC ADJUSTED	\$ 242,215,612	\$ (62,872,933)	\$ 179,342,679	\$ -	\$ 10,390,119	\$ 189,732,798	\$ 6,690,997	\$ 196,423,795
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 242,215,612	\$ (62,872,933)	\$ 179,342,679	\$ -	\$ 10,390,119	\$ 189,732,798	\$ 6,690,997	\$ 196,423,795
PROFORMA ADJUSTMENTS			\$ -			\$ -		\$ -
			\$ -			\$ -		\$ -
ELIM. ACQUISITION ADJUSTMENT	\$ (34,160,325)	\$ 6,711,345	\$ (27,448,980)			\$ (27,448,980)		\$ (27,448,980)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (34,160,325)	\$ 6,711,345	\$ (27,448,980)	\$ -	\$ -	\$ (27,448,980)	\$ -	\$ (27,448,980)
PRO FORMA ADJUSTED	\$ 208,055,287	\$ (56,161,588)	\$ 151,893,699	\$ -	\$ 10,390,119	\$ 162,283,818	\$ 6,690,997	\$ 168,974,815



FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending March 31, 2016  
 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	\$ 265,318,567	\$ (66,484,140)	\$ 198,834,427	\$ -	\$ 12,218,184	\$ 211,052,611	\$ 7,600,850	\$ 218,653,461
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 432,266	\$ 432,266
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (3,221,957)	\$ 1,034,826	\$ (2,187,131)			\$ (2,187,131)		\$ (2,187,131)
4) ELIM. UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -	\$ (887,058)	\$ (887,058)
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS	\$ -	\$ -	\$ -			\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (5,691,639)	\$ 1,034,826	\$ (4,656,813)	\$ -	\$ -	\$ (4,656,813)	\$ 5,156,277	\$ 499,464
FPSC ADJUSTED	\$ 259,626,928	\$ (65,449,314)	\$ 194,177,614	\$ -	\$ 12,218,184	\$ 206,395,798	\$ 12,757,127	\$ 219,152,925
COMP RATE ADJ REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR COMP RATE ADJ REVENUE	\$ 259,626,928	\$ (65,449,314)	\$ 194,177,614	\$ -	\$ 12,218,184	\$ 206,395,798	\$ 12,757,127	\$ 219,152,925
PROFORMA ADJUSTMENTS								
ELIM. ACQUISITION ADJUSTMENT	\$ (34,485,297)	\$ 7,606,191	\$ (26,879,106)			\$ (26,879,106)		\$ (26,879,106)
ELIM. REG ASSET-TRANSCN & TRNSITN CSTS	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (34,485,297)	\$ 7,606,191	\$ (26,879,106)	\$ -	\$ -	\$ (26,879,106)	\$ -	\$ (26,879,106)
PRO FORMA ADJUSTED	\$ 225,141,631	\$ (57,843,123)	\$ 167,298,508	\$ -	\$ 12,218,184	\$ 179,516,692	\$ 12,757,127	\$ 192,273,819



FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 CAPITAL STRUCTURE  
 For the 12 Months Ending March 31, 2016  
 FPSC ADJUSTED BASIS

SCHEDULE 4

AVERAGE	ADJUSTMENTS						RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$ 89,817,809		\$ 89,817,809	\$ 2,335,523	\$ (2,469,682)	\$ 89,683,650	45.66%	9.85%	4.50%	10.85%	4.95%	11.85%	5.41%
LONG TERM DEBT - CU	\$ 33,522,065		\$ 33,522,065	\$ 871,671		\$ 34,393,736	17.51%	4.97%	0.87%	4.97%	0.87%	4.97%	0.87%
SHORT TERM DEBT	\$ 32,270,369		\$ 32,270,369	\$ 839,123		\$ 33,109,492	16.86%	1.32%	0.22%	1.32%	0.22%	1.32%	0.22%
LONG TERM DEBT - FC	\$ 5,244,553		\$ 5,244,553	\$ 136,373		\$ 5,380,926	2.74%	12.63%	0.35%	12.63%	0.35%	12.63%	0.35%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,650,243		\$ 7,650,243			\$ 7,650,243	3.90%	2.36%	0.09%	2.36%	0.09%	2.36%	0.09%
DEFERRED INCOME TAXES	\$ 26,205,747		\$ 26,205,747			\$ 26,205,747	13.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.94%	0.00%	6.39%	0.00%	6.85%	0.00%
TOTAL AVERAGE	\$ 194,710,787	\$ -	\$ 194,710,787	\$ 4,182,690	\$ (2,469,682)	\$ 196,423,795	100.00%		6.03%		6.48%		6.94%

YEAR-END	ADJUSTMENTS						RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$ 96,003,713		\$ 96,003,713	\$ 1,601,315	\$ (2,469,682)	\$ 95,135,345	43.41%	9.85%	4.28%	10.85%	4.71%	11.85%	5.14%
LONG TERM DEBT - CU	\$ 32,966,537		\$ 32,966,537	\$ 549,873		\$ 33,516,409	15.29%	5.09%	0.78%	5.09%	0.78%	5.09%	0.78%
SHORT TERM DEBT	\$ 43,641,537		\$ 43,641,537	\$ 727,928		\$ 44,369,465	20.25%	0.98%	0.20%	0.98%	0.20%	0.98%	0.20%
LONG TERM DEBT - FC	\$ 5,397,597		\$ 5,397,597	\$ 90,031		\$ 5,487,628	2.50%	12.52%	0.31%	12.52%	0.31%	12.52%	0.31%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,595,725		\$ 7,595,725			\$ 7,595,725	3.47%	2.38%	0.08%	2.38%	0.08%	2.38%	0.08%
DEFERRED INCOME TAXES	\$ 33,048,353		\$ 33,048,353			\$ 33,048,353	15.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.57%	0.00%	6.00%	0.00%	6.43%	0.00%
TOTAL YEAR-END	\$ 218,653,461	\$ -	\$ 218,653,461	\$ 2,969,146	\$ (2,469,682)	\$ 219,152,925	100.00%		5.65%		6.08%		6.51%