

March 31, 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
FLORIDA PUBLIC SERVICE
COMMISSION
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DIVISION OF
ACCOUNTING & FINANCE

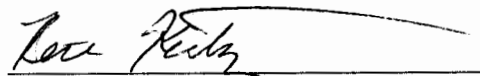
**Re: Florida Public Utilities Company (Electric and Gas Divisions) 4th Quarter/Year End
2016 Surveillance Reports**

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 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: Bart Fletcher

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

SCHEDULE 1


	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 10,257,212	\$ (324,089)	\$ 9,933,123	\$ 1,139,748	\$ 11,072,871
AVERAGE RATE BASE	\$ 220,238,059	\$ 768,161	\$ 221,006,220	\$ (26,594,169)	\$ 194,412,051
AVERAGE RATE OF RETURN	4.66%		4.49%		5.70%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 10,257,212	\$ (356,535)	\$ 9,900,677	\$ 1,139,748	\$ 11,040,425
YEAR-END RATE BASE	\$ 235,662,770	\$ 1,218,217	\$ 236,880,987	\$ (26,024,295)	\$ 210,856,692
YEAR-END RATE OF RETURN	4.35%		4.18%		5.24%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)		
LOW	5.76%		A.	INCL ACQUISITION ADJUSTMENT	6.99%
MIDPOINT	6.20%		B.	EXCL ACQUISITION ADJUSTMENT	10.12%
HIGH	6.64%				

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

Signature

Michael Cassel 

Date

3/30/17

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

	(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	\$ 273,504,455	\$ (68,254,298)	\$ 205,250,157	\$ -	\$ 8,623,898	\$ 213,874,055	\$ 6,364,004	\$ 220,238,059
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 406,735	\$ 406,735
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (3,299,851)	\$ 1,069,486	\$ (2,230,365)			\$ (2,230,365)		\$ (2,230,365)
4) ELIMINATE UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -	\$ (549,596)	\$ (549,596)
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS						\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (5,769,533)	\$ 1,069,486	\$ (4,700,047)	\$ -	\$ -	\$ (4,700,047)	\$ 5,468,208	\$ 768,161
FPSC ADJUSTED	\$ 267,734,921	\$ (67,184,812)	\$ 200,550,109	\$ -	\$ 8,623,898	\$ 209,174,008	\$ 11,832,212	\$ 221,006,220
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 267,734,921	\$ (67,184,812)	\$ 200,550,109	\$ -	\$ 8,623,898	\$ 209,174,008	\$ 11,832,212	\$ 221,006,220
PROFORMA ADJUSTMENTS			\$ -			\$ -		\$ -
			\$ -			\$ -		\$ -
ELIM. ACQUISITION ADJUSTMENT	\$ (34,647,783)	\$ 8,053,614	\$ (26,594,169)			\$ (26,594,169)		\$ (26,594,169)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (34,647,783)	\$ 8,053,614	\$ (26,594,169)	\$ -	\$ -	\$ (26,594,169)	\$ -	\$ (26,594,169)
PRO FORMA ADJUSTED	\$ 233,087,138	\$ (59,131,198)	\$ 173,955,940	\$ -	\$ 8,623,898	\$ 182,579,839	\$ 11,832,212	\$ 194,412,051

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 YEAR END RATE OF RETURN
 For the 12 Months Ending December 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	\$ 294,872,214	\$ (71,225,019)	\$ 223,647,195	\$ -	\$ 1,770,312	\$ 225,417,507	\$ 10,245,262	\$ 235,662,770
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 342,036	\$ 342,036
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (3,357,775)	\$ 1,092,569	\$ (2,265,206)			\$ (2,265,206)		\$ (2,265,206)
4) ELIM. UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS						\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (5,827,457)	\$ 1,092,569	\$ (4,734,888)	\$ -	\$ -	\$ (4,734,888)	\$ 5,953,105	\$ 1,218,217
FPSC ADJUSTED	\$ 289,044,757	\$ (70,132,450)	\$ 218,912,307	\$ -	\$ 1,770,312	\$ 220,682,620	\$ 16,198,367	\$ 236,880,987
COMP RATE ADJ REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR COMP RATE ADJ REVENUE	\$ 289,044,757	\$ (70,132,450)	\$ 218,912,307	\$ -	\$ 1,770,312	\$ 220,682,620	\$ 16,198,367	\$ 236,880,987
PROFORMA ADJUSTMENTS								
ELIM. ACQUISITION ADJUSTMENT	\$ (34,972,755)	\$ 8,948,460	\$ (26,024,295)			\$ (26,024,295)		\$ (26,024,295)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS	\$ (34,972,755)	\$ 8,948,460	\$ (26,024,295)	\$ -	\$ -	\$ (26,024,295)	\$ -	\$ (26,024,295)
TOTAL PRO FORMA ADJUSTMENTS	\$ (34,972,755)	\$ 8,948,460	\$ (26,024,295)	\$ -	\$ -	\$ (26,024,295)	\$ -	\$ (26,024,295)
PRO FORMA ADJUSTED	\$ 254,072,002	\$ (61,183,990)	\$ 192,888,012	\$ -	\$ 1,770,312	\$ 194,658,325	\$ 16,198,367	\$ 210,856,692

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 CAPITAL STRUCTURE
 For the 12 Months Ending December 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	\$ 98,189,939		\$ 98,189,939	\$ 1,776,572	\$ (2,469,682)	\$ 97,496,829	44.12%	9.85%	4.35%	10.85%	4.79%	11.85%	5.23%
LONG TERM DEBT - CU	\$ 31,328,892		\$ 31,328,892	\$ 566,840		\$ 31,895,732	14.43%	4.93%	0.71%	4.93%	0.71%	4.93%	0.71%
SHORT TERM DEBT	\$ 44,075,291		\$ 44,075,291	\$ 797,464		\$ 44,872,755	20.30%	1.52%	0.31%	1.52%	0.31%	1.52%	0.31%
LONG TERM DEBT - FC	\$ 5,359,294		\$ 5,359,294	\$ 96,968		\$ 5,456,262	2.47%	12.46%	0.31%	12.46%	0.31%	12.46%	0.31%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,608,185		\$ 7,608,185			\$ 7,608,185	3.44%	2.40%	0.08%	2.40%	0.08%	2.40%	0.08%
DEFERRED INCOME TAXES	\$ 33,676,458		\$ 33,676,458			\$ 33,676,458	15.24%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.68%	0.00%	6.12%	0.00%	6.56%	0.00%
TOTAL AVERAGE	\$ 220,238,059	\$ -	\$ 220,238,059	\$ 3,237,843	\$ (2,469,682)	\$ 221,006,220	100.00%		5.76%		6.20%		6.64%

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	\$ 106,114,792		\$ 106,114,792	\$ 2,065,705	\$ (2,469,682)	\$ 105,710,815	44.63%	9.85%	4.40%	10.85%	4.84%	11.85%	5.29%
LONG TERM DEBT - CU	\$ 28,578,532		\$ 28,578,532	\$ 556,331		\$ 29,134,863	12.30%	5.12%	0.63%	5.12%	0.63%	5.12%	0.63%
SHORT TERM DEBT	\$ 49,384,090		\$ 49,384,090	\$ 961,345		\$ 50,345,435	21.25%	1.30%	0.28%	1.30%	0.28%	1.30%	0.28%
LONG TERM DEBT - FC	\$ 5,369,121		\$ 5,369,121	\$ 104,519		\$ 5,473,640	2.31%	12.35%	0.29%	12.35%	0.29%	12.35%	0.29%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,637,736		\$ 7,637,736			\$ 7,637,736	3.22%	2.39%	0.08%	2.39%	0.08%	2.39%	0.08%
DEFERRED INCOME TAXES	\$ 38,578,499		\$ 38,578,499			\$ 38,578,499	16.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.60%	0.00%	6.04%	0.00%	6.49%	0.00%
TOTAL YEAR-END	\$ 235,662,770	\$ -	\$ 235,662,770	\$ 3,687,900	\$ (2,469,682)	\$ 236,880,987	100.00%		5.68%		6.12%		6.57%