



September 15, 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  
2017 SEP 15 AM 3:38  
DIVISION OF  
ACCOUNTING & FINANCE

**Re: Florida Public Utilities Company (Electric and Gas Divisions) and the Florida Division of Chesapeake Utilities Corporation 2nd Quarter 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 2nd Quarter Earnings Surveillance Reports 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

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 RATE OF RETURN REPORT SUMMARY  
 For the 12 Months Ending June 30, 2017

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	\$ 10,428,724	\$ (280,392)	\$ 10,148,332	\$ 1,139,748	\$ 11,288,080
AVERAGE RATE BASE	\$ 228,035,268	\$ 614,388	\$ 228,649,656	\$ (26,024,295)	\$ 202,625,361
AVERAGE RATE OF RETURN	4.57%		4.44%		5.57%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 10,428,724	\$ (334,895)	\$ 10,093,829	\$ 1,139,748	\$ 11,233,577
YEAR-END RATE BASE	\$ 225,324,971	\$ 1,297,095	\$ 226,622,066	\$ (25,454,421)	\$ 201,167,645
YEAR-END RATE OF RETURN	4.63%		4.45%		5.58%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>			<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>		
LOW	5.81%		A. INCL ACQUISITION ADJUSTMENT		6.79%
MIDPOINT	6.26%		B. EXCL ACQUISITION ADJUSTMENT		9.67%
HIGH	6.71%				

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*  
 Signature

9/14/17  
 Date

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 AVERAGE RATE OF RETURN  
 For the 12 Months Ending June 30, 2017  
 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	\$ 290,538,372	\$ (71,685,708)	\$ 218,852,663	\$ -	\$ 5,482,763	\$ 224,335,427	\$ 3,699,841	\$ 228,035,268
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 384,446	\$ 384,446
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (4,038,093)	\$ 1,126,649	\$ (2,911,445)			\$ (2,911,445)		\$ (2,911,445)
4) ELIMINATE UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -		\$ -
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS						\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (6,507,775)	\$ 1,126,649	\$ (5,381,127)	\$ -	\$ -	\$ (5,381,127)	\$ 5,995,515	\$ 614,388
FPSC ADJUSTED	\$ 284,030,596	\$ (70,559,059)	\$ 213,471,537	\$ -	\$ 5,482,763	\$ 218,954,300	\$ 9,695,356	\$ 228,649,656
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 284,030,596	\$ (70,559,059)	\$ 213,471,537	\$ -	\$ 5,482,763	\$ 218,954,300	\$ 9,695,356	\$ 228,649,656
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							\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (34,972,755)	\$ 8,948,460	\$ (26,024,295)	\$ -	\$ -	\$ (26,024,295)	\$ -	\$ (26,024,295)
PRO FORMA ADJUSTED	\$ 249,057,841	\$ (61,610,599)	\$ 187,447,242	\$ -	\$ 5,482,763	\$ 192,930,005	\$ 9,695,356	\$ 202,625,361



FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending June 30, 2017  
 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
PER BOOKS	\$ 302,457,401	\$ (75,068,439)	\$ 227,388,962	\$ -	\$ 3,089,885	\$ 230,478,846	\$ (5,153,875)	\$ 225,324,971
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 391,780	\$ 391,780
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (3,427,800)	\$ 1,191,729	\$ (2,236,071)			\$ (2,236,071)		\$ (2,236,071)
4) ELIM. UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -		\$ -
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS						\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (5,897,482)	\$ 1,191,729	\$ (4,705,753)	\$ -	\$ -	\$ (4,705,753)	\$ 6,002,849	\$ 1,297,095
FPSC ADJUSTED	\$ 296,559,918	\$ (73,876,710)	\$ 222,683,208	\$ -	\$ 3,089,885	\$ 225,773,093	\$ 848,973	\$ 226,622,066
COMP RATE ADJ REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR COMP RATE ADJ REVENUE	\$ 296,559,918	\$ (73,876,710)	\$ 222,683,208	\$ -	\$ 3,089,885	\$ 225,773,093	\$ 848,973	\$ 226,622,066
PROFORMA ADJUSTMENTS								
ELIM. ACQUISITION ADJUSTMENT	\$ (35,297,727)	\$ 9,843,306	\$ (25,454,421)			\$ (25,454,421)		\$ (25,454,421)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (35,297,727)	\$ 9,843,306	\$ (25,454,421)	\$ -	\$ -	\$ (25,454,421)	\$ -	\$ (25,454,421)
PRO FORMA ADJUSTED	\$ 261,262,191	\$ (64,033,404)	\$ 197,228,787	\$ -	\$ 3,089,885	\$ 200,318,672	\$ 848,973	\$ 201,167,645

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending June 30, 2017  
 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	81,715,347	25,903,667	23,703,431	9,721,058	7,215,063	4,743,404				71,286,623	10,428,724
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNC AND INTEREST ADJ.						440,764				440,764	(440,764)
2) ELIMINATE FUEL REVENUES AND EXPENSES	(21,130,802)	(21,024,005)			(107,091)	113				(21,130,982)	180
3) ELIMINATE CONSERVATION	(4,904,787)	(4,879,662)			(24,548)	(223)				(4,904,432)	(355)
4)NON-UTILITY DEPRECIATION EXPENSE				(173,030)		66,747				(106,284)	106,284
5) ELIMINATE AEP REVENUES AND EXPENSES	(78,834)			(78,442)		(151)				(78,593)	(241)
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TOTAL FPSC ADJUSTMENTS	(26,114,423)	(25,903,667)	-	(251,472)	(131,638)	507,250	-	-	-	(25,779,528)	(334,895)
FPSC ADJUSTED	55,600,924	-	23,703,431	9,469,586	7,083,425	5,250,654	-	-	-	45,507,095	10,093,829
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED FOR FLEX RATE REVENUES	55,600,924	-	23,703,431	9,469,586	7,083,425	5,250,654	-	-	-	45,507,095	10,093,829
ELIMINATE ACQUISITION AMORTIZATION				(1,789,692)		649,944				(1,139,748)	1,139,748
ELIMINATE TRANSACT./TRANSIT. AMORTIZATION				-		-				-	-
				-		-				-	-
				-		-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	(1,789,692)	-	649,944	-	-	-	(1,139,748)	1,139,748
PRO FORMA ADJUSTED	55,600,924	-	23,703,431	7,679,894	7,083,425	5,900,598	-	-	-	44,367,347	11,233,577

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 CAPITAL STRUCTURE  
 For the 12 Months Ending June 30, 2017  
 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	\$ 103,661,516		\$ 103,661,516	\$ 1,739,033	\$ (2,469,682)	\$ 102,930,867	45.02%	9.85%	4.43%	10.85%	4.88%	11.85%	5.33%
LONG TERM DEBT - CU	\$ 32,839,036		\$ 32,839,036	\$ 550,910		\$ 33,389,946	14.60%	4.66%	0.68%	4.66%	0.68%	4.66%	0.68%
SHORT TERM DEBT	\$ 41,976,398		\$ 41,976,398	\$ 704,199		\$ 42,680,597	18.67%	1.77%	0.33%	1.77%	0.33%	1.77%	0.33%
LONG TERM DEBT - FC	\$ 5,360,527		\$ 5,360,527	\$ 89,928		\$ 5,450,455	2.38%	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	\$ 7,662,498		\$ 7,662,498			\$ 7,662,498	3.35%	2.38%	0.08%	2.38%	0.08%	2.38%	0.08%
DEFERRED INCOME TAXES	\$ 36,535,293		\$ 36,535,293			\$ 36,535,293	15.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.73%	0.00%	6.18%	0.00%	6.63%	0.00%
TOTAL AVERAGE	\$ 228,035,268	\$ -	\$ 228,035,268	\$ 3,084,070	\$ (2,469,682)	\$ 228,649,656	100.00%		5.81%		6.26%		6.71%

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	\$ 101,485,205		\$ 101,485,205	\$ 2,139,352	\$ (2,469,682)	\$ 101,154,875	44.64%	9.85%	4.40%	10.85%	4.84%	11.85%	5.29%
LONG TERM DEBT - CU	\$ 40,316,781		\$ 40,316,781	\$ 849,897		\$ 41,166,678	18.17%	3.57%	0.65%	3.57%	0.65%	3.57%	0.65%
SHORT TERM DEBT	\$ 31,630,650		\$ 31,630,650	\$ 666,788		\$ 32,297,438	14.25%	2.17%	0.31%	2.17%	0.31%	2.17%	0.31%
LONG TERM DEBT - FC	\$ 5,253,237		\$ 5,253,237	\$ 110,742		\$ 5,363,979	2.37%	12.25%	0.29%	12.25%	0.29%	12.25%	0.29%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,954,449		\$ 7,954,449			\$ 7,954,449	3.51%	2.29%	0.08%	2.29%	0.08%	2.29%	0.08%
DEFERRED INCOME TAXES	\$ 38,684,648		\$ 38,684,648			\$ 38,684,648	17.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.65%	0.00%	6.09%	0.00%	6.54%	0.00%
TOTAL YEAR-END	\$ 225,324,970	\$ -	\$ 225,324,970	\$ 3,766,779	\$ (2,469,682)	\$ 226,622,067	100.00%		5.73%		6.17%		6.62%