



GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
Writer's E-Mail Address: bkeating@gunster.com
2018 AUG 29 PM 1:21
DIVISION OF
ACCOUNTING & FINANCE

August 29, 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) and Florida Division of Chesapeake Utilities Corporation 2nd 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 and the Florida Division of Chesapeake Utilities Corporation hereby submit the original and four copies of the required 2nd Quarter Earnings Surveillance Reports for 2018.

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

SCHEDULE 1

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 RATE OF RETURN REPORT SUMMARY
 For the 12 Months Ending June 30, 2018

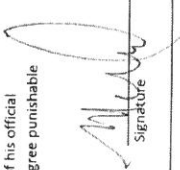
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
NET OPERATING INCOME	\$ 13,900,259	\$ (2,274,958)	\$ 11,625,301	\$ 1,139,748	\$ 12,765,049
AVERAGE RATE BASE	\$ 226,922,051	\$ 635,674	\$ 227,557,726	\$ (24,884,547)	\$ 202,673,179
AVERAGE RATE OF RETURN	6.13%		5.11%		6.30%


II. YEAR-END 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	\$ 13,900,259	\$ (2,330,681)	\$ 11,569,578	\$ 1,139,748	\$ 12,709,326
YEAR-END RATE BASE	\$ 228,354,271	\$ 1,303,457	\$ 229,657,728	\$ (24,314,673)	\$ 205,343,055
YEAR-END RATE OF RETURN	6.09%		5.04%		6.19%

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	A.	B.
LOW	5.63%	INCL ACQUISITION ADJUSTMENT 8.59%
MIDPOINT	6.05%	EXCL ACQUISITION ADJUSTMENT 11.95%
HIGH	6.47%	

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.


 Signature


 Date

Michael Cassel
 Director - Regulatory Affairs

FLORIDA PUBLIC UTILITIES COMPANY

NATURAL GAS

AVERAGE RATE OF RETURN

For the 12 Months Ending June 30, 2018

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	\$ 312,236,235	\$ (78,695,176)	\$ 233,541,059	\$ -	\$ 2,614,981	\$ 236,156,040	\$ (9,233,989)	\$ 226,922,051
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383,600	\$ 383,600
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)	\$ -	\$ -	\$ (2,469,682)	\$ -	\$ (2,469,682)
3) ELIM. NON-UTILITY PLANT	\$ (4,121,854)	\$ 1,232,542	\$ (2,889,312)	\$ -	\$ -	\$ (2,889,312)	\$ -	\$ (2,889,312)
4) ELIMINATE UNDER-RECOVERIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (6,591,536)	\$ 1,232,542	\$ (5,358,994)	\$ -	\$ -	\$ (5,358,994)	\$ 5,994,669	\$ 635,674
FPSC ADJUSTED	\$ 305,644,699	\$ (77,462,634)	\$ 228,182,065	\$ -	\$ 2,614,981	\$ 230,797,046	\$ (3,239,320)	\$ 227,557,726
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES PROFORMA ADJUSTMENTS	\$ 305,644,699	\$ (77,462,634)	\$ 228,182,065	\$ -	\$ 2,614,981	\$ 230,797,046	\$ (3,239,320)	\$ 227,557,726
ELIM. ACQUISITION ADJUSTMENT	\$ (35,622,699)	\$ 10,738,152	\$ (24,884,547)	\$ -	\$ -	\$ (24,884,547)	\$ -	\$ (24,884,547)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (35,622,699)	\$ 10,738,152	\$ (24,884,547)	\$ -	\$ -	\$ (24,884,547)	\$ -	\$ (24,884,547)
PRO FORMA ADJUSTED	\$ 270,022,000	\$ (66,724,482)	\$ 203,297,518	\$ -	\$ 2,614,981	\$ 205,912,499	\$ (3,239,320)	\$ 202,673,179

	(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	\$ 83,881,012	\$ 25,286,613	\$ 23,161,559	\$ 10,157,430	\$ 8,050,173	\$ 3,324,977				\$ 69,980,753	\$ 13,900,259
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNC AND INTEREST ADJ.											
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (21,659,924)	\$ (21,561,396)			\$ (120,036)	\$ 1,329,174				\$ 1,329,174	\$ (1,329,174)
3) ELIMINATE CONSERVATION	\$ (3,731,730)	\$ (3,725,217)			\$ (18,677)	\$ 5,451				\$ (21,675,981)	\$ 16,057
4) NON-UTILITY DEPRECIATION EXPENSE				\$ (143,339)		\$ 3,083				\$ (3,740,811)	\$ 9,081
5) ELIMINATE AEP REVENUES AND EXPENSES	\$ (97,490)			\$ (97,004)	\$ (3,939,291)	\$ 36,329				\$ (107,010)	\$ 107,010
6) ELIMINATE REVENUE RELATED TAXES	\$ (3,939,291)					\$ (123)				\$ (97,127)	\$ (363)
7) PROVISION FOR RATE REFUND-ANNUAL	\$ (1,443,398)					\$ (365,829)				\$ (3,939,291)	\$ (1,077,569)
8) PROV. FOR RATE REFUND PROTECTED AMT.	\$ (419,231)			\$ (419,231)						\$ (419,231)	\$ -
9) PROV. FOR RATE REFUND UNPROTECTED AMT.	\$ 145,844			\$ 145,844						\$ 145,844	\$ -
TOTAL FPSC ADJUSTMENTS	\$ (31,145,220)	\$ (25,286,613)	\$ -	\$ (513,730)	\$ (4,078,004)	\$ 1,008,086	\$ -	\$ -	\$ -	\$ (28,870,262)	\$ (2,274,958)
FPSC ADJUSTED	\$ 52,735,792	\$ -	\$ 23,161,559	\$ 9,643,700	\$ 3,972,169	\$ 4,333,063	\$ -	\$ -	\$ -	\$ 41,110,491	\$ 11,625,301
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	\$ -					\$ -				\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 52,735,792	\$ -	\$ 23,161,559	\$ 9,643,700	\$ 3,972,169	\$ 4,333,063	\$ -	\$ -	\$ -	\$ 41,110,491	\$ 11,625,301
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	\$ 52,735,792	\$ -	\$ 23,161,559	\$ 7,854,008	\$ 3,972,169	\$ 4,983,007	\$ -	\$ -	\$ -	\$ 39,970,743	\$ 12,765,049

	(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	\$ 322,435,755	\$ (82,739,609)	\$ 239,696,146	\$ -	\$ 2,544,128	\$ 242,240,274	\$ (13,886,002)	\$ 228,354,271
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS								
2) ELIMINATE GOODWILL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 393,753	\$ 393,753
	\$ (2,469,682)	\$ -	\$ (2,469,682)	\$ -	\$ -	\$ (2,469,682)	\$ -	\$ (2,469,682)
3) ELIM. NON-UTILITY PLANT	\$ -	\$ 1,278,836	\$ (2,231,684)	\$ -	\$ -	\$ (2,231,684)	\$ -	\$ (2,231,684)
4) ELIM. UNDER-RECOVERIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (5,980,201)	\$ 1,278,836	\$ (4,701,366)	\$ -	\$ -	\$ (4,701,366)	\$ 6,004,822	\$ 1,303,457
FPSC ADJUSTED	\$ 316,455,554	\$ (81,460,774)	\$ 234,994,781	\$ -	\$ 2,544,128	\$ 237,538,908	\$ (7,881,180)	\$ 229,657,728
COMP RATE ADJ REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR COMP RATE ADJ REVENUE PROFORMA ADJUSTMENTS	\$ 316,455,554	\$ (81,460,774)	\$ 234,994,781	\$ -	\$ 2,544,128	\$ 237,538,908	\$ (7,881,180)	\$ 229,657,728
ELIM. ACQUISITION ADJUSTMENT	\$ (35,947,671)	\$ 11,632,998	\$ (24,314,673)	\$ -	\$ -	\$ (24,314,673)	\$ -	\$ (24,314,673)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (35,947,671)	\$ 11,632,998	\$ (24,314,673)	\$ -	\$ -	\$ (24,314,673)	\$ -	\$ (24,314,673)
PRO FORMA ADJUSTED	\$ 280,507,883	\$ (69,827,776)	\$ 210,680,108	\$ -	\$ 2,544,128	\$ 213,224,235	\$ (7,881,180)	\$ 205,343,055

	(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	83,881,012	25,286,613	23,161,559	10,157,430	8,050,173	3,324,977				69,980,753	13,900,259
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNC AND INTEREST ADJ.						1,384,897				1,384,897	(1,384,897)
2) ELIMINATE FUEL REVENUES AND EXPENSES	(21,659,924)	(21,561,396)		(120,036)	(120,036)	5,451				(21,675,981)	16,057
3) ELIMINATE CONSERVATION	(3,731,730)	(3,725,217)		(18,677)	(18,677)	3,083				(3,740,811)	9,081
4)NON-UTILITY DEPRECIATION EXPENSE				(143,339)		36,329				(107,010)	107,010
5) ELIMINATE AEP REVENUES AND EXPENSES	(97,490)			(97,004)	(3,939,291)	(123)				(97,127)	(363)
6) ELIMINATE REVENUE RELATED TAXES	(3,939,291)									(3,939,291)	
7)PROVISION FOR RATE REFUND	\$ (1,443,398)					(365,829)				(365,829)	(1,077,569)
8)PROV. FOR RATE REFUND PROTECTED AMT.	\$ (419,231)			\$ (419,231)						(419,231)	
9)PROV. FOR RATE REFUND UNPROTECTED AMT.	\$ 145,844			\$ 145,844						145,844	
TOTAL FPSC ADJUSTMENTS	(31,145,220)	(25,286,613)	-	(513,730)	(4,078,004)	1,063,808	-	-	-	(28,814,539)	(2,330,681)
FPSC ADJUSTED	52,735,792	-	23,161,559	9,643,700	3,972,169	4,388,785	-	-	-	41,166,214	11,569,578
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED FOR FLEX RATE REVENUES	52,735,792	-	23,161,559	9,643,700	3,972,169	4,388,785	-	-	-	41,166,214	11,569,578
ELIMINATE ACQUISITION AMORTIZATION				(1,789,692)		649,944				(1,139,748)	1,139,748
ELIMINATE TRANSACT./TRANSIT. AMORTIZATION				(1,789,692)							
TOTAL PRO FORMA ADJUSTMENTS						649,944					
PRO FORMA ADJUSTED	52,735,792	-	23,161,559	7,854,008	3,972,169	5,038,729	-	-	-	40,026,466	12,709,326

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 CAPITAL STRUCTURE
 For the 12 Months Ending June 30, 2018
 FPSC ADJUSTED BASIS

	ADJUSTMENTS		ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
<u>AVERAGE</u>													
COMMON EQUITY	\$ 95,404,104	\$ -	\$ 95,404,104	\$ 1,646,523	\$ (2,469,682)	\$ 94,580,945	41.56%	9.85%	4.09%	10.85%	4.51%	11.85%	4.93%
LONG TERM DEBT - CU	\$ 37,616,679	\$ -	\$ 37,616,679	\$ 649,204	\$ -	\$ 38,265,883	16.82%	4.16%	0.70%	4.16%	0.70%	4.16%	0.70%
SHORT TERM DEBT	\$ 41,629,177	\$ -	\$ 41,629,177	\$ 718,453	\$ -	\$ 42,347,630	18.61%	2.52%	0.47%	2.52%	0.47%	2.52%	0.47%
LONG TERM DEBT - FC	\$ 5,282,954	\$ -	\$ 5,282,954	\$ 91,175	\$ -	\$ 5,374,129	2.36%	12.07%	0.29%	12.07%	0.29%	12.07%	0.29%
SHORT TERM DEBT - REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,970,030	\$ -	\$ 7,970,030	\$ -	\$ -	\$ 7,970,030	3.50%	2.39%	0.08%	2.39%	0.08%	2.39%	0.08%
DEFERRED INCOME TAXES	\$ 39,019,108	\$ -	\$ 39,019,108	\$ -	\$ -	\$ 39,019,108	17.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.55%	0.00%	5.97%	0.00%	6.39%	0.00%
TOTAL AVERAGE	\$ 226,922,052	\$ -	\$ 226,922,052	\$ 3,105,355	\$ (2,469,682)	\$ 227,557,725	100.00%		5.63%		6.05%		6.47%

	ADJUSTMENTS		ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
<u>YEAR-END</u>													
COMMON EQUITY	\$ 92,969,125	\$ -	\$ 92,969,125	\$ 1,941,756	\$ (2,469,682)	\$ 92,441,199	40.25%	9.85%	3.96%	10.85%	4.37%	11.85%	4.77%
LONG TERM DEBT - CU	\$ 39,788,373	\$ -	\$ 39,788,373	\$ 831,021	\$ -	\$ 40,619,394	17.69%	3.67%	0.65%	3.67%	0.65%	3.67%	0.65%
SHORT TERM DEBT	\$ 42,581,919	\$ -	\$ 42,581,919	\$ 889,367	\$ -	\$ 43,471,286	18.93%	2.35%	0.44%	2.35%	0.44%	2.35%	0.44%
LONG TERM DEBT - FC	\$ 5,314,282	\$ -	\$ 5,314,282	\$ 110,994	\$ -	\$ 5,425,276	2.36%	11.98%	0.28%	11.98%	0.28%	11.98%	0.28%
SHORT TERM DEBT - REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 8,135,885	\$ -	\$ 8,135,885	\$ -	\$ -	\$ 8,135,885	3.54%	2.34%	0.08%	2.34%	0.08%	2.34%	0.08%
DEFERRED INCOME TAXES	\$ 39,564,689	\$ -	\$ 39,564,689	\$ -	\$ -	\$ 39,564,689	17.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.33%	0.00%	5.74%	0.00%	6.14%	0.00%
TOTAL YEAR-END	\$ 228,354,272	\$ -	\$ 228,354,272	\$ 3,773,138	\$ (2,469,682)	\$ 229,657,728	100.00%		5.41%		5.82%		6.22%