

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

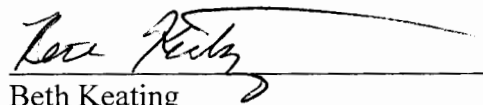
**Re: Florida Public Utilities Company (Electric and Gas Divisions) 4th Quarter/Year End
2016 Surveillance Reports**

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
 INDIANTOWN DIVISION
 RATE OF RETURN REPORT SUMMARY
 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	\$ (50,771)	\$ (24,183)	\$ (74,954)	\$ 30,541	\$ (44,414)
AVERAGE RATE BASE	\$ 2,565,665	\$ (66,916)	\$ 2,498,749	\$ (451,625)	\$ 2,047,124
AVERAGE RATE OF RETURN	-1.98%		-3.00%		-2.17%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ (50,771)	\$ (25,645)	\$ (76,416)	\$ 30,541	\$ (45,876)
YEAR-END RATE BASE	\$ 2,578,638	\$ (58,614)	\$ 2,520,024	\$ (426,765)	\$ 2,093,259
YEAR-END RATE OF RETURN	-1.97%		-3.03%		-2.19%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					
LOW	6.00%				
MIDPOINT	6.46%				
HIGH	6.92%				
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)					
A.			INCL ACQUISITION ADJUSTMENT		-8.95%
B.			EXCL ACQUISITION ADJUSTMENT		-7.37%

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.

Mike Cassel
 Director, Regulatory Affairs

Mike Cassel 
 Signature

3/31/17
 Date

FLORIDA PUBLIC UTILITIES COMPANY
 INDIANTOWN DIVISION
 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	3,353,654	(1,183,791)	2,169,863	-	51,593	2,221,456	344,209	2,965,665
FPSC ADJUSTMENTS								
REMOVE NET UNRECOVERED CONSERVATION			-				(66,916)	(66,916)
TOTAL FPSC ADJUSTMENTS							(66,916)	(66,916)
FPSC ADJUSTED	3,353,654	(1,183,791)	2,169,863	-	51,593	2,221,456	277,293	2,498,749
PROFORMA ADJUSTMENTS								
Remove Acquisition Adjustment	(745,800)	294,175	(451,625)			(451,625)		(451,625)
TOTAL PRO FORMA ADJUSTMENTS	(745,800)	294,175	(451,625)			(451,625)		(451,625)
PRO FORMA ADJUSTED	2,607,854	(889,616)	1,718,238		51,593	1,769,831	277,293	2,047,124

FLORIDA PUBLIC UTILITIES COMPANY
 INDIANTOWN DIVISION
 AVERAGE RATE OF RETURN
 For the 12 Months Ending December 31, 2016
 INCOME STATEMENT

SCHEDULE 2
 PAGE 2 OF 2

	(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	\$ 380,666	\$ 27,543	\$ 309,433	\$ 129,669	\$ 33,937	\$ (89,145)				\$ 411,437	\$ (50,771)
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$ (468)				\$ (468)	\$ 468
2) Elim. Conservation Rev & Exp	\$ (27,680)	\$ (27,543)			\$ (139)	\$ 1				\$ (27,681)	\$ 1
3) Elimination of Revenue Taxes	\$ (1,803)				\$ (1,803)	\$ -				\$ (1,803)	\$ -
4) Income Tax Effective Rate Adjustment						\$ 24,652				\$ 24,652	\$ (24,652)
5) Remove PGA						\$ -				\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ (29,483)	\$ (27,543)	\$ -	\$ -	\$ (1,942)	\$ 24,185	\$ -	\$ -	\$ -	\$ (5,300)	\$ (24,183)
FPSC ADJUSTED	\$ 331,183	\$ -	\$ 309,433	\$ 129,669	\$ 31,995	\$ (64,960)	\$ -	\$ -	\$ -	\$ 406,137	\$ (74,954)
PROFORMA ADJUSTMENTS											
Remove Acquisition Adjustment Amortization				\$ (49,720)		\$ 19,179				\$ (30,541)	\$ 30,541
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ (49,720)	\$ -	\$ 19,179	\$ -	\$ -	\$ -	\$ (30,541)	\$ 30,541
PRO FORMA ADJUSTED	\$ 331,183	\$ -	\$ 309,433	\$ 79,949	\$ 31,995	\$ (45,781)	\$ -	\$ -	\$ -	\$ 375,597	\$ (44,414)

FLORIDA PUBLIC UTILITIES COMPANY
 INDIANTOWN DIVISION
 YEAR END RATE OF RETURN
 For the 12 Months Ending December 31, 2016
 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	\$ 3,361,706	\$ (1,258,207)	\$ 2,103,498	\$ -	\$ 1,547	\$ 2,105,045	\$ 473,593	\$ 2,578,638
FPSC ADJUSTMENTS:								
REMOVE NET UNREC. CONSERVATION			\$ -			\$ -	\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (58,614)	\$ (58,614)	\$ (58,614)
FPSC ADJUSTED	\$ 3,361,706	\$ (1,258,207)	\$ 2,103,498	\$ -	\$ 1,547	\$ 2,105,045	\$ 414,979	\$ 2,520,024
PROFORMA ADJUSTMENTS								
Remove Acquisition Adjustment	\$ (745,800)	\$ 319,035	\$ (426,765)			\$ (426,765)		\$ (426,765)
TOTAL PRO FORMA ADJUSTMENTS	\$ (745,800)	\$ 319,035	\$ (426,765)	\$ -	\$ -	\$ (426,765)	\$ -	\$ (426,765)
PRO FORMA ADJUSTED	\$ 2,615,906	\$ (939,172)	\$ 1,676,733	\$ -	\$ 1,547	\$ 1,678,280	\$ 414,979	\$ 2,093,259

FLORIDA PUBLIC UTILITIES COMPANY
 INDIANTOWN DIVISION
 YEAR END RATE OF RETURN
 For the 12 Months Ending December 31, 2016
 INCOME STATEMENT

SCHEDULE 3
 PAGE 2 OF 2

	(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	\$ 360,666	\$ 27,543	\$ 309,433	\$ 129,669	\$ 33,937	\$ (89,145)				\$ 411,437	\$ (50,771)
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$ 994				\$ 994	\$ (994)
2) Elim. Conservation Rev & Exp.	\$ (27,680)	\$ (27,543)			\$ (139)	\$ 1				\$ (27,681)	\$ 1
3) Elimination of Revenue Taxes	\$ (1,803)				\$ (1,803)	\$ -				\$ (1,803)	\$ -
4) Income Tax Effective Rate Adjustment						\$ 24,652				\$ 24,652	\$ (24,652)
5) Remove PGA						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ (29,483)	\$ (27,543)	\$ -	\$ -	\$ (1,942)	\$ 25,647	\$ -	\$ -	\$ -	\$ (3,838)	\$ (25,645)
FPSC ADJUSTED	\$ 331,183	\$ -	\$ 309,433	\$ 129,669	\$ 31,995	\$ (63,498)	\$ -	\$ -	\$ -	\$ 407,599	\$ (76,416)
PROFORM ADJUSTMENTS											
Remove Acquisition Adjustment Amortization				\$ (49,720)		\$ 19,179				\$ (30,541)	\$ 30,541
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ (49,720)	\$ -	\$ 19,179	\$ -	\$ -	\$ -	\$ (30,541)	\$ 30,541
PRO FORMA ADJUSTED	\$ 331,183	\$ -	\$ 309,433	\$ 79,949	\$ 31,995	\$ (44,319)	\$ -	\$ -	\$ -	\$ 377,059	\$ (45,876)

AVERAGE	ADJUSTMENTS						LOW POINT		MIDPOINT		HIGH POINT		
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$ 1,192,582	\$ -	\$ 1,192,582	\$ -	\$ (37,060)	\$ 1,155,522	46.24%	10.50%	4.86%	11.50%	5.32%	12.50%	5.78%
LONG TERM DEBT	\$ 425,403	\$ -	\$ 425,403	\$ -	\$ (13,220)	\$ 412,183	16.50%	4.93%	0.81%	4.93%	0.81%	4.93%	0.81%
SHORT TERM DEBT	\$ 535,324	\$ -	\$ 535,324	\$ -	\$ (16,636)	\$ 518,688	20.76%	1.52%	0.32%	1.52%	0.32%	1.52%	0.32%
SHORT TERM DEBT REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,920	\$ -	\$ 7,920	\$ -	\$ -	\$ 7,920	0.32%	2.09%	0.01%	2.09%	0.01%	2.09%	0.01%
DEFERRED INCOME TAXES	\$ 404,436	\$ -	\$ 404,436	\$ -	\$ -	\$ 404,436	16.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.99%	0.00%	6.45%	0.00%	6.91%	0.00%
TOTAL AVERAGE	\$ 2,565,665	\$ -	\$ 2,565,665	\$ -	\$ (66,916)	\$ 2,498,749	100.00%		6.00%		6.46%		6.92%

YEAR-END	ADJUSTMENTS						LOW POINT		MIDPOINT		HIGH POINT		
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$ 1,165,775	\$ -	\$ 1,165,775	\$ -	\$ (33,112)	\$ 1,132,663	44.95%	10.50%	4.72%	11.50%	5.17%	12.50%	5.62%
LONG TERM DEBT	\$ 355,284	\$ -	\$ 355,284	\$ -	\$ (10,091)	\$ 345,193	13.70%	5.12%	0.70%	5.12%	0.70%	5.12%	0.70%
SHORT TERM DEBT	\$ 542,533	\$ -	\$ 542,533	\$ -	\$ (15,411)	\$ 527,123	20.92%	1.30%	0.27%	1.30%	0.27%	1.30%	0.27%
SHORT TERM DEBT REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 8,194	\$ -	\$ 8,194	\$ -	\$ -	\$ 8,194	0.33%	2.02%	0.01%	2.02%	0.01%	2.02%	0.01%
DEFERRED INCOME TAXES	\$ 506,852	\$ -	\$ 506,852	\$ -	\$ -	\$ 506,852	20.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.69%	0.00%	6.14%	0.00%	6.59%	0.00%
TOTAL YEAR-END	\$ 2,578,638	\$ -	\$ 2,578,638	\$ -	\$ (58,614)	\$ 2,520,024	100.00%		5.70%		6.15%		6.60%