



March 14, 2019

**VIA ELECTRONIC MAIL**

Ms. Shari Cornelius  
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 4th Quarter 2018 Surveillance Reports**

Dear Ms. Cornelius:

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 required 4th Quarter Earnings Surveillance Reports for 2018 for the FPU electric and natural gas divisions and the Chesapeake division.

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  
Curt Mouring

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 RATE OF RETURN REPORT SUMMARY  
 December 31, 2018

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	\$ (104,283)	\$ 13,851	\$ (90,432)	\$ 37,118	\$ (53,313)
AVERAGE RATE BASE	\$ 1,995,680	\$ (24,373)	\$ 1,971,307	\$ (352,185)	\$ 1,619,122
AVERAGE RATE OF RETURN	-5.23%		-4.59%		-3.29%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ (104,283)	\$ 13,537	\$ (90,746)	\$ 37,118	\$ (53,627)
YEAR-END RATE BASE	\$ 2,062,868	\$ -	\$ 2,062,868	\$ (327,325)	\$ 1,735,543
YEAR-END RATE OF RETURN	-5.06%		-4.40%		-3.09%

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)
LOW	A. INCL ACQUISITION ADJUSTMENT -14.73%
MIDPOINT	B. EXCL ACQUISITION ADJUSTMENT -12.02%
HIGH	

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  
 Assistant Vice President, Regulatory Affairs



Signature  
 Date 3/13/19

	(1) PLANT IN SERVICE	(2) ACQUIRED DEPRECIATION & AMORTIZATION	(3) PLANT IN SERVICE	(4) NET PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	3,612,011	(1,442,898)	2,169,075	-	10,674	2,179,749	(194,089)	1,985,690
FISC ADJUSTMENTS: REMOVE NET UNRECOVERED CONSERVATION	-	-	-	-	-	-	(24,379)	(24,379)
TOTAL FISC ADJUSTMENTS	-	-	-	-	-	-	(24,379)	(24,379)
FISC ADJUSTED	3,612,011	(1,442,898)	2,169,075	-	10,674	2,179,749	(218,468)	1,971,337
PRO FORMA ADJUSTMENTS Remove Acquisition Adjustment	(745,900)	393,615	(352,185)	-	-	(352,185)	-	(352,185)
TOTAL PRO FORMA ADJUSTMENTS	(745,900)	393,615	(352,185)	-	-	(352,185)	-	(352,185)
PRO FORMA ADJUSTED	2,866,211	(1,049,371)	1,816,890	-	10,674	1,827,564	(218,468)	1,619,122

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 AVERAGE RATE OF RETURN  
 For the 12 Months Ending December 31, 2018  
 INCOME STATEMENT

SCHEDULE 2  
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	(1) OPERATING REVENUES	(2) O & M GAS EXPENSE	(3) O & M OTHER	(4) DEPRECI- & AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) D.L.T. (NET)	(8) I.T.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	\$ 281,575	\$ 18,589	\$ 203,903	\$ 198,801	\$ 37,403	\$ (90,029)	-	-	\$ 365,856	\$ (104,293)	
FISC ADJUSTMENTS:											
1) Interest Synchronization	\$ (10,087)	\$ (10,087)			\$ (50)	\$ 2,751			\$ 2,751	\$ (2,751)	
2) Elim. Corporation Rev. & Exp	\$ (1,350)				\$ (1,380)	\$ 0			\$ (1,380)	\$ (1,380)	
3) Elimination of Revenue Taxes						\$ (12,916)			\$ (12,916)	\$ 12,916	
4) Income Tax Effective Rate Adjustment	\$ (8,708)	\$ (8,522)			\$ (44)	\$ (36)			\$ (8,622)	\$ (1,065)	
5) Revenue Tax Expense				\$ 22		\$ (6)			\$ 24	\$ (24)	
6) Amortization of Unrecorded Deferred Taxes not booked				\$ (5,108)		\$ 1,285			\$ (3,819)	\$ 3,819	
7) Amortization of Precluded Deferred Taxes not booked											
TOTAL FISC ADJUSTMENTS	\$ (20,155)	\$ (18,559)	\$ -	\$ (5,076)	\$ (1,484)	\$ (8,917)			\$ (34,056)	\$ 13,657	
FISC ADJUSTED	\$ 261,390	\$ -	\$ 203,903	\$ 191,725	\$ 35,919	\$ (89,726)			\$ 331,822	\$ (90,632)	
PROFORMA ADJUSTMENTS											
Remove Acquisition Adjustment Amortization	\$ -	\$ -	\$ -	\$ (48,720)	\$ -	\$ 12,602			\$ (37,118)	\$ 37,118	
TOTAL PROFORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ (48,720)	\$ -	\$ 12,602			\$ (37,118)	\$ 37,118	
PROFORMA ADJUSTED	\$ 261,390	\$ -	\$ 203,903	\$ 82,005	\$ 35,919	\$ (77,124)			\$ 294,709	\$ (53,513)	

	(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	\$ 3,619,940	\$ (1,500,467)	\$ 2,119,473	\$ -	\$ 8,356	\$ 2,127,829	\$ (64,951)	\$ 2,062,888
FPSC ADJUSTMENTS:								
REMOVE NET LINE & CONSERVATION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FPSC ADJUSTED	\$ 3,619,940	\$ (1,500,467)	\$ 2,119,473	\$ -	\$ 8,356	\$ 2,127,829	\$ (64,951)	\$ 2,062,888
PROFORMA ADJUSTMENTS:								
Remove Acquisition Adjustment	\$ (745,800)	\$ 418,475	\$ (327,325)	\$ -	\$ -	\$ (327,325)	\$ -	\$ (327,325)
TOTAL PRO FORMA ADJUSTMENTS	\$ (745,800)	\$ 418,475	\$ (327,325)	\$ -	\$ -	\$ (327,325)	\$ -	\$ (327,325)
PRO FORMA ADJUSTED	\$ 2,874,140	\$ (1,081,992)	\$ 1,792,148	\$ -	\$ 8,356	\$ 1,800,504	\$ (64,951)	\$ 1,735,543

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending December 31, 2018  
 INCOME STATEMENT

	(1) OPERATING REVENUES	(2) O & M GAS EXPENSE	(3) O & M OTHER	(4) DEPREC. & AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) D.L.T. (NET)	(8) I.T.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	\$ 261,575	\$ 18,559	\$ 203,803	\$ 136,801	\$ 37,403	\$ (30,809)	-	-	\$ 365,858	\$ (104,283)	
EPSC ADJUSTMENTS:											
1) Rate Reconciliation & Eop	\$ (10,087)	\$ (10,037)			\$ (50)	\$ 3,665			\$ 3,065	\$ (3,665)	
2) Elimination of Revenue Taxes	\$ (1,380)				\$ (1,380)	0			\$ (10,087)	\$ 0	
3) Elimination of Revenue Taxes	\$ (8,708)	\$ (8,522)			\$ (44)	\$ (12,918)			\$ (1,380)	\$ 12,918	
4) Income Tax Effective Rate Adjustment						\$ (8)			\$ (8,602)	\$ (108)	
5) Remove Swing Service				\$ 32		\$ (8)			\$ (8,602)	\$ (124)	
6) Amortization of Unpotential Deferred Taxes not booked				\$ (5,108)		\$ 1,266			\$ (3,842)	\$ 3,813	
7) Amortization of Protected Deferred Taxes not booked						-			\$ -	\$ -	
TOTAL EPSC ADJUSTMENTS	\$ (20,185)	\$ (18,559)	\$ -	\$ (5,076)	\$ (1,484)	\$ (8,603)	-	-	\$ (33,721)	\$ 13,537	
EPSC ADJUSTED	\$ 241,390	\$ -	\$ 203,803	\$ 131,725	\$ 35,919	\$ (39,412)	-	-	\$ 332,136	\$ (90,746)	
PROFORM ADJUSTMENTS											
Remove Acquisition Adjustment Amortization	\$ -	\$ -	\$ -	\$ (49,720)	\$ -	\$ 12,802	-	-	\$ (37,118)	\$ 37,118	
TOTAL PRO FORM ADJUSTMENTS	\$ -	\$ -	\$ -	\$ (49,720)	\$ -	\$ 12,802	-	-	\$ (37,118)	\$ 37,118	
PRO FORM ADJUSTED	\$ 241,390	\$ -	\$ 203,803	\$ 82,005	\$ 35,919	\$ (26,610)	-	-	\$ 295,017	\$ (53,627)	

AVERAGE	PER BOOKS	ADJUSTMENTS NON-UTILITY BOOKS	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT			MIDPOINT			HIGH POINT		
								COST RATE (%)	WEIGHTED COST (%)		COST RATE (%)	WEIGHTED COST (%)		COST RATE (%)	WEIGHTED COST (%)	
COMMON EQUITY	\$807,311	\$ -	\$ 807,311	\$ -	\$ (12,479)	\$ 794,833	40.52%	10.50%	4.23%	11.50%	4.64%	12.50%	5.04%			
LONG TERM DEBT	\$ 374,905	\$ -	\$ 374,905	\$ -	\$ (5,794)	\$ 369,111	18.72%	4.04%	0.76%	4.04%	0.76%	4.04%	0.76%			
SHORT TERM DEBT	\$ 394,661	\$ -	\$ 394,661	\$ -	\$ (6,100)	\$ 388,561	19.71%	2.94%	0.58%	2.94%	0.58%	2.94%	0.58%			
SHORT TERM DEBT REFINANCED L.T.D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
CUSTOMER DEPOSITS	\$ 8,441	\$ -	\$ 8,441	\$ -	\$ -	\$ 8,441	0.43%	2.06%	0.01%	2.06%	0.01%	2.06%	0.01%			
DEFERRED INCOME TAXES	\$ 410,362	\$ -	\$ 410,362	\$ -	\$ -	\$ 410,362	20.82%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.57%	0.00%	5.98%	0.00%	6.38%	0.00%			
TOTAL AVERAGE	\$ 1,995,680	\$ -	\$ 1,995,680	\$ -	\$ (24,373)	\$ 1,971,307	100.00%		5.58%		5.99%		6.39%			

YEAR-END	PER BOOKS	ADJUSTMENTS NON-UTILITY BOOKS	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT			MIDPOINT			HIGH POINT		
								COST RATE (%)	WEIGHTED COST (%)		COST RATE (%)	WEIGHTED COST (%)		COST RATE (%)	WEIGHTED COST (%)	
COMMON EQUITY	\$778,946	\$ -	\$ 778,946	\$ -	\$ (0)	\$ 778,946	37.78%	10.50%	3.96%	11.50%	4.34%	12.50%	4.72%			
LONG TERM DEBT	\$ 416,187	\$ -	\$ 416,187	\$ -	\$ -	\$ 416,187	20.18%	3.43%	0.69%	3.43%	0.69%	3.43%	0.69%			
SHORT TERM DEBT	\$ 436,764	\$ -	\$ 436,764	\$ -	\$ -	\$ 436,764	21.17%	2.50%	0.53%	2.50%	0.53%	2.50%	0.53%			
SHORT TERM DEBT REFINANCED L.T.D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
CUSTOMER DEPOSITS	\$ 8,560	\$ -	\$ 8,560	\$ -	\$ -	\$ 8,560	0.41%	2.04%	0.01%	2.04%	0.01%	2.04%	0.01%			
DEFERRED INCOME TAXES	\$ 422,411	\$ -	\$ 422,411	\$ -	\$ -	\$ 422,411	20.48%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.18%	0.00%	5.56%	0.00%	5.94%	0.00%			
TOTAL YEAR-END	\$ 2,062,868	\$ -	\$ 2,062,868	\$ -	\$ (0)	\$ 2,062,868	100.00%		5.19%		5.57%		5.95%			