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DIVISION OF
ACCOUNTING & FINANCE

April 3, 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) 4th Quarter/Year End
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 Year End 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
 FT. MEADE DIVISION
 RATE OF RETURN REPORT SUMMARY
 December 31, 2017

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	\$ (17,131)	(\$1,679)	(\$18,810)	\$ (29,235)	(\$48,046)
AVERAGE RATE BASE	\$883,521	(\$56,255)	\$827,266	\$547,346	\$1,374,612
AVERAGE RATE OF RETURN	-1.94%		-2.27%		-3.50%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	(\$17,131)	(\$1,543)	(\$18,674)	(\$29,235)	(\$47,910)
YEAR-END RATE BASE	\$906,177	\$139	\$906,316	\$523,548	\$1,429,864
YEAR-END RATE OF RETURN	-1.89%		-2.06%		-3.35%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					
LOW	4.98%				
MIDPOINT	5.37%				
HIGH	5.77%				
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)					
A.	RETURN ON COMMON EQUITY				-8.33%

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.

Mika Cassel
 Director, Regulatory Affairs

Michael Cassel (Signature)

4/3/18 (Date)

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
AVERAGE RATE OF RETURN
 For the 12 Months Ending December 31, 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	\$ 1,042,205	\$ (449,850)	\$ 592,355	\$ -	\$ 39,860	\$ 632,215	\$ 251,305	\$ 883,521
FPSC ADJUSTMENTS:								
REMOVE CONS. & PGA UNDER-RECOVERY			\$ -			\$ -	\$ -	\$ -
CORRECT RECORDING OF ACQUISITION		\$ (123)	\$ (123)			\$ (123)	\$ (56,132)	\$ (56,132)
TOTAL FPSC ADJUSTMENTS	\$ -	\$ (123)	\$ (123)	\$ -	\$ -	\$ (123)	\$ (56,132)	\$ (56,255)
FPSC ADJUSTED	\$ 1,042,205	\$ (449,973)	\$ 592,232	\$ -	\$ 39,860	\$ 632,093	\$ 195,173	\$ 827,266
PROFORMA ADJUSTMENTS								
RECORD ACQUISITION ADJUSTMENT	\$ 713,930	\$ (166,584)	\$ 547,346			\$ 547,346		\$ 547,346
TOTAL PRO FORMA ADJUSTMENTS	\$ 713,930	\$ (166,584)	\$ 547,346	\$ -	\$ -	\$ 547,346	\$ -	\$ 547,346
PRO FORMA ADJUSTED	\$ 1,756,135	\$ (616,557)	\$ 1,139,578	\$ -	\$ 39,860	\$ 1,179,438	\$ 195,173	\$ 1,374,612

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
AVERAGE RATE OF RETURN
 For the 12 Months Ending December 31, 2017
 INCOME STATEMENT

SCHEDULE 2
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	(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	\$ 263,060	\$ 68,534	\$ 199,223	\$ 29,263	\$ 1,950	\$ (18,779)				\$ 280,191	\$ (17,131)
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$1,671				\$ 1,671	\$ (1,671)
2) Correct Depreciation of Acquisition				\$ 187		(72)				115	(115)
3) Elim. Conservation Rev & Exp.	\$ (14,310)	\$ (14,236)			\$ (72)	(1)				(14,309)	(1)
4) Elim. PGA Revenues & Expense	\$ (54,201)	\$ (54,298)			\$ (60)	68				(54,310)	109
TOTAL FPSC ADJUSTMENTS	\$ (88,511)	\$ (68,534)	\$ -	\$ 187	\$ (151)	\$ 1,666	\$ -	\$ -	\$ -	\$ (66,832)	\$ (1,679)
FPSC ADJUSTED	\$ 194,549	\$ -	\$ 199,223	\$ 29,450	\$ 1,799	\$ (17,113)	\$ -	\$ -	\$ -	\$ 213,359	\$ (18,810)
PROFORMA ADJUSTMENTS											
1) Amortize Acquisition Adjustment				\$ 47,595		(18,360)				29,235	(29,235)
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ 47,595	\$ -	(18,360)	\$ -	\$ -	\$ -	\$ 29,235	\$ (29,235)
PRO FORMA ADJUSTED	\$ 194,549	\$ -	\$ 199,223	\$ 77,046	\$ 1,799	\$ (35,473)	\$ -	\$ -	\$ -	\$ 242,595	\$ (48,046)

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 YEAR END RATE OF RETURN
 For the 12 Months Ending December 31, 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	\$ 1,120,258	\$ (460,705)	\$ 659,553	\$ -	\$ 44,696	\$ 704,249	\$ 201,929	\$ 906,178
FPSC ADJUSTMENTS:								
CORRECT RECORDING OF ACQUISITION		\$ 139	\$ 139			\$ 139		\$ 139
REMOVE CONS. & PGA UNDER-RECOVERIES			\$ -			\$ -	\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ -	\$ 139	\$ 139	\$ -	\$ -	\$ 139	\$ -	\$ 139
FPSC ADJUSTED	\$ 1,120,258	\$ (460,566)	\$ 659,692	\$ -	\$ 44,696	\$ 704,388	\$ 201,929	\$ 906,317
PROFORMA ADJUSTMENTS								
RECORD ACQUISITION ADJUSTMENT	\$ 713,930	\$ (190,382)	\$ 523,548			\$ 523,548		\$ 523,548
TOTAL PRO FORMA ADJUSTMENTS	\$ 713,930	\$ (190,382)	\$ 523,548	\$ -	\$ -	\$ 523,548	\$ -	\$ 523,548
PRO FORMA ADJUSTED	\$ 1,834,188	\$ (650,948)	\$ 1,183,240	\$ -	\$ 44,696	\$ 1,227,936	\$ 201,929	\$ 1,429,865

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 YEAR END RATE OF RETURN
 For the 12 Months Ending December 31, 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	\$ 263,060	\$ 68,534	\$ 199,223	\$ 29,263	\$ 1,950	\$ (18,779)				\$ 280,191	\$ (17,131)
FPSC ADJUSTMENTS:						\$ 1,535				\$ 1,535	\$ (1,535)
1) Interest Synchronization				\$ 187		\$ (72)				\$ 115	\$ (115)
2) Correct Depreciation of Acquisition						\$ (1)				\$ (14,309)	\$ (1)
3) Elim. Conservation Rev & Exp.	\$ (14,310)	\$ (14,236)			\$ (72)	\$ (1)				\$ (14,309)	\$ (1)
4) Elim. PGA Revenues & Expense	\$ (54,201)	\$ (54,298)			\$ (80)	\$ 68				\$ (54,310)	\$ 109
TOTAL FPSC ADJUSTMENTS	\$ (68,511)	\$ (68,534)	\$ -	\$ 187	\$ (151)	\$ 1,530	\$ -	\$ -	\$ -	\$ (66,968)	\$ (1,543)
FPSC ADJUSTED	\$ 194,549	\$ 0	\$ 199,223	\$ 29,450	\$ 1,799	\$ (17,249)	\$ -	\$ -	\$ -	\$ 213,223	\$ (18,674)
PROFORM ADJUSTMENTS											
1) Amortize Acquisition Adjustment				\$ 47,595		\$ (18,360)				\$ 29,235	\$ (29,235)
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ 47,595	\$ -	\$ (18,360)	\$ -	\$ -	\$ -	\$ 29,235	\$ (29,235)
PRO FORMA ADJUSTED	\$ 194,549	\$ 0	\$ 199,223	\$ 77,046	\$ 1,799	\$ (35,609)	\$ -	\$ -	\$ -	\$ 242,459	\$ (47,910)

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 CAPITAL STRUCTURE
 December 31, 2017
 FPSC ADJUSTED BASIS

SCHEDULE 4

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	\$358,495	\$0	\$358,495	\$0	(\$31,254)	\$327,241	39.56%	10.00%	3.96%	11.00%	4.35%	12.00%
LONG TERM DEBT	\$139,362	\$0	\$139,362	\$0	(\$12,150)	\$127,213	15.38%	4.44%	0.68%	4.44%	0.68%	4.44%	0.68%
SHORT TERM DEBT	\$147,425	\$0	\$147,425	\$0	(\$12,852)	\$134,573	16.27%	2.09%	0.34%	2.09%	0.34%	2.09%	0.34%
SHORT TERM DEBT REFINANCED LTD	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$14,845	\$0	\$14,845	\$0	\$0	\$14,845	1.79%	-0.04%	0.00%	-0.04%	0.00%	-0.04%	0.00%
DEFERRED INCOME TAXES	\$223,394	\$0	\$223,394	\$0	\$0	\$223,394	27.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	4.98%	0.00%	5.37%	0.00%	5.77%	0.00%
TOTAL AVERAGE	\$883,521	\$0	\$883,521	\$0	(\$56,256)	\$827,266	100.00%		4.98%		5.37%		5.77%

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	\$359,451	\$0	\$359,451	\$0	\$73	\$359,524	39.67%	10.00%	3.97%	11.00%	4.36%	12.00%
LONG TERM DEBT	\$144,104	\$0	\$144,104	\$0	\$29	\$144,133	15.90%	4.10%	0.65%	4.10%	0.65%	4.10%	0.65%
SHORT TERM DEBT	\$183,892	\$0	\$183,892	\$0	\$37	\$183,929	20.29%	1.60%	0.32%	1.60%	0.32%	1.60%	0.32%
SHORT TERM DEBT REFINANCED LTD	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$14,679	\$0	\$14,679	\$0	\$0	\$14,679	1.62%	-0.04%	0.00%	-0.04%	0.00%	-0.04%	0.00%
DEFERRED INCOME TAXES	\$204,051	\$0	\$204,051	\$0	\$0	\$204,051	22.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	4.94%	0.00%	5.33%	0.00%	5.73%	0.00%
TOTAL YEAR-END	\$906,177	\$0	\$906,177	\$0	\$139	\$906,316	100.00%		4.94%		5.33%		5.73%