



September 15, 2016

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FLORIDA PUBLIC SERVICE
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DIVISION OF
ACCOUNTING & FINANCE

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), Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, 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 (Gas and Electric Divisions), FPUC-Fort Meade, FPUC-Indiantown Division and the Florida Division of Chesapeake Utilities Corporation hereby submit the original and four (4) copies of the required 2nd Quarter (June 2016) Earnings Surveillance Reports for 2016.

As always, please don't hesitate to let me know if you have any questions.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

cc: Cheryl Bulecza-Banks
Bart Fletcher

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 RATE OF RETURN REPORT SUMMARY
 June 30, 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 | \$ (46,680) | \$128 | (\$46,552) | \$ (29,235) | (\$75,788) |
| AVERAGE RATE BASE | \$676,253 | (\$148,194) | \$528,059 | \$618,738 | \$1,146,797 |
| AVERAGE RATE OF RETURN | -6.90% | | -8.82% | | -6.61% |
| II. YEAR-END RATE OF RETURN (JURISDICTIONAL) | | | | | |
| NET OPERATING INCOME | (\$46,680) | \$509 | (\$46,171) | (\$29,235) | (\$75,406) |
| YEAR-END RATE BASE | \$822,041 | (\$183,882) | \$638,158 | \$594,941 | \$1,233,099 |
| YEAR-END RATE OF RETURN | -5.68% | | -7.24% | | -6.12% |
| III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS) | | | | | |
| LOW | 5.50% | | | | |
| MIDPOINT | 5.94% | | | | |
| HIGH | 6.38% | | | | |
| IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS) | | | | | |
| | | | A. | RETURN ON COMMON EQUITY | -22.75% |

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

9/14/16
 Date

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 AVERAGE RATE OF RETURN
 For the 12 Months Ending June 30, 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 | \$ 665,340 | \$ (421,989) | \$ 243,351 | \$ - | \$ 155,771 | \$ 399,122 | \$ 277,131 | \$ 676,253 |
| FPSC ADJUSTMENTS: | | | | | | | | |
| REMOVE CONS. & PGA UNDER-RECOVERY | | | \$ - | | | \$ - | | \$ - |
| CORRECT RECORDING OF ACQUISITION | | \$ (1,698) | \$ (1,698) | | | \$ (1,698) | \$ (146,496) | \$ (146,496) |
| TOTAL FPSC ADJUSTMENTS | \$ - | \$ (1,698) | \$ (1,698) | \$ - | \$ - | \$ (1,698) | \$ (146,496) | \$ (148,194) |
| FPSC ADJUSTED | \$ 665,340 | \$ (423,687) | \$ 241,653 | \$ - | \$ 155,771 | \$ 397,424 | \$ 130,635 | \$ 528,059 |
| PROFORMA ADJUSTMENTS | | | | | | | | |
| RECORD ACQUISITION ADJUSTMENT | \$ 713,930 | \$ (95,192) | \$ 618,738 | | | \$ 618,738 | | \$ 618,738 |
| TOTAL PRO FORMA ADJUSTMENTS | \$ 713,930 | \$ (95,192) | \$ 618,738 | \$ - | \$ - | \$ 618,738 | \$ - | \$ 618,738 |
| PRO FORMA ADJUSTED | \$ 1,379,270 | \$ (518,879) | \$ 860,391 | \$ - | \$ 155,771 | \$ 1,016,162 | \$ 130,635 | \$ 1,146,797 |

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 AVERAGE RATE OF RETURN
 For the 12 Months Ending June 30, 2016
 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 | \$ 350,898 | \$ 162,201 | \$ 207,700 | \$ 18,387 | \$ 42,837 | \$ (33,547) | | | | \$ 397,578 | \$ (46,680) |
| FPSC ADJUSTMENTS: | | | | | | | | | | | |
| 1) Interest Synchronization | | | | | | \$ 298 | | | | \$ 298 | \$ (298) |
| 2) Correct Depreciation of Acquisition | | | | \$ 132 | | \$ (51) | | | | \$ 81 | \$ (81) |
| 3) Elim. Conservation Rev & Exp. | \$ (16,014) | \$ (15,933) | | | \$ (80) | \$ (0) | | | | \$ (16,013) | \$ (1) |
| 4) Elim. PGA Revenues & Expense | \$ (146,609) | \$ (146,298) | | | \$ (1,167) | \$ 319 | | | | \$ (147,116) | \$ 507 |
| TOTAL FPSC ADJUSTMENTS | \$ (162,623) | \$ (162,201) | \$ - | \$ 132 | \$ (1,247) | \$ 565 | \$ - | \$ - | \$ - | \$ (162,751) | \$ 128 |
| FPSC ADJUSTED | \$ 188,275 | \$ - | \$ 207,700 | \$ 18,519 | \$ 41,590 | \$ (32,982) | \$ - | \$ - | \$ - | \$ 234,827 | \$ (46,552) |
| 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 | \$ 188,275 | \$ - | \$ 207,700 | \$ 66,114 | \$ 41,590 | \$ (51,341) | \$ - | \$ - | \$ - | \$ 264,063 | \$ (75,788) |

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 YEAR END RATE OF RETURN
 For the 12 Months Ending June 30, 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 | \$ 680,226 | \$ (435,001) | \$ 245,225 | \$ - | \$ 226,697 | \$ 471,921 | \$ 350,120 | \$ 822,041 |
| FPSC ADJUSTMENTS: | | | | | | | | |
| CORRECT RECORDING OF ACQUISITION | | \$ (517) | \$ (517) | | | \$ (517) | | \$ (517) |
| REMOVE CONS. & PGA UNDER-RECOVERIES | | | \$ - | | | \$ - | \$ (183,365) | \$ (183,365) |
| TOTAL FPSC ADJUSTMENTS | \$ - | \$ (517) | \$ (517) | \$ - | \$ - | \$ (517) | \$ (183,365) | \$ (183,882) |
| FPSC ADJUSTED | \$ 680,226 | \$ (435,519) | \$ 244,707 | \$ - | \$ 226,697 | \$ 471,404 | \$ 166,755 | \$ 638,158 |
| PROFORMA ADJUSTMENTS | | | | | | | | |
| RECORD ACQUISITION ADJUSTMENT | \$ 713,930 | \$ (118,989) | \$ 594,941 | | | \$ 594,941 | | \$ 594,941 |
| TOTAL PRO FORMA ADJUSTMENTS | \$ 713,930 | \$ (118,989) | \$ 594,941 | \$ - | \$ - | \$ 594,941 | \$ - | \$ 594,941 |
| PRO FORMA ADJUSTED | \$ 1,394,156 | \$ (554,508) | \$ 839,648 | \$ - | \$ 226,697 | \$ 1,066,345 | \$ 166,755 | \$ 1,233,099 |

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 YEAR END RATE OF RETURN
 For the 12 Months Ending June 30, 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 | \$ 350,898 | \$ 162,201 | \$ 207,700 | \$ 18,387 | \$ 42,837 | \$ (33,547) | | | | \$ 397,578 | \$ (46,680) |
| FPSC ADJUSTMENTS: | | | | | | | | | | | |
| 1) Interest Synchronization | | | | | | (\$83) | | | | \$ (83) | \$ 83 |
| 2) Correct Depreciation of Acquisition | | | | \$ 132 | | \$ (51) | | | | \$ 81 | \$ (81) |
| 3) Elim. Conservation Rev & Exp. | \$ (16,014) | \$ (15,933) | | | \$ (80) | \$ (0) | | | | \$ (16,013) | \$ (1) |
| 4) Elim. PGA Revenues & Expense | \$ (146,609) | \$ (146,268) | | | \$ (1,167) | \$ 319 | | | | \$ (147,116) | \$ 507 |
| TOTAL FPSC ADJUSTMENTS | \$ (162,623) | \$ (162,201) | \$ - | \$ 132 | \$ (1,247) | \$ 184 | \$ - | \$ - | \$ - | \$ (163,132) | \$ 509 |
| FPSC ADJUSTED | \$ 188,275 | \$ 0 | \$ 207,700 | \$ 18,519 | \$ 41,590 | \$ (33,363) | \$ - | \$ - | \$ - | \$ 234,446 | \$ (46,171) |
| 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 | \$ 188,275 | \$ 0 | \$ 207,700 | \$ 66,114 | \$ 41,590 | \$ (51,723) | \$ - | \$ - | \$ - | \$ 263,681 | \$ (75,406) |

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 CAPITAL STRUCTURE
 June 30, 2016
 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 | \$312,875 | \$0 | \$312,875 | \$0 | (\$82,001) | \$230,874 | 43.72% | 10.00% | 4.37% | 11.00% | 4.81% | 12.00% | 5.25% |
| LONG TERM DEBT | \$124,442 | \$0 | \$124,442 | \$0 | (\$32,615) | \$91,827 | 17.39% | 4.95% | 0.86% | 4.95% | 0.86% | 4.95% | 0.86% |
| SHORT TERM DEBT | \$128,114 | \$0 | \$128,114 | \$0 | (\$33,578) | \$94,536 | 17.90% | 1.38% | 0.25% | 1.38% | 0.25% | 1.38% | 0.25% |
| 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 | \$23,224 | \$0 | \$23,224 | \$0 | \$0 | \$23,224 | 4.40% | 0.56% | 0.02% | 0.56% | 0.02% | 0.56% | 0.02% |
| DEFERRED INCOME TAXES | \$87,598 | \$0 | \$87,598 | \$0 | \$0 | \$87,598 | 16.59% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TAX CREDITS - WEIGHTED COST | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0.00% | 5.48% | 0.00% | 5.92% | 0.00% | 6.36% | 0.00% |
| TOTAL AVERAGE | \$676,253 | \$0 | \$676,253 | \$0 | (\$148,194) | \$528,059 | 100.00% | | 5.50% | | 5.94% | | 6.38% |

| 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 | \$380,552 | \$0 | \$380,552 | \$0 | (\$99,867) | \$280,685 | 43.98% | 10.00% | 4.40% | 11.00% | 4.84% | 12.00% | 5.28% |
| LONG TERM DEBT | \$142,064 | \$0 | \$142,064 | \$0 | (\$37,281) | \$104,783 | 16.42% | 5.06% | 0.83% | 5.06% | 0.83% | 5.06% | 0.83% |
| SHORT TERM DEBT | \$178,091 | \$0 | \$178,091 | \$0 | (\$46,735) | \$131,356 | 20.58% | 1.16% | 0.24% | 1.16% | 0.24% | 1.16% | 0.24% |
| 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 | \$16,136 | \$0 | \$16,136 | \$0 | \$0 | \$16,136 | 2.53% | 0.81% | 0.02% | 0.81% | 0.02% | 0.81% | 0.02% |
| DEFERRED INCOME TAXES | \$105,198 | \$0 | \$105,198 | \$0 | \$0 | \$105,198 | 16.48% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TAX CREDITS - WEIGHTED COST | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0.00% | 5.47% | 0.00% | 5.91% | 0.00% | 6.35% | 0.00% |
| TOTAL YEAR-END | \$822,041 | \$0 | \$822,041 | \$0 | (\$183,883) | \$638,158 | 100.00% | | 5.49% | | 5.93% | | 6.37% |

FLORIDA PUBLIC UTILITIES COMPANY
 FT. MEADE DIVISION
 CAPITAL STRUCTURE PROFORMA
 June 30, 2016
 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 | \$312,875 | \$0 | \$312,875 | \$0 | \$260,371 | \$573,246 | 49.99% | 10.00% | 5.00% | 11.00% | 5.50% | 12.00% | 6.00% |
| LONG TERM DEBT | \$124,442 | \$0 | \$124,442 | \$0 | \$103,559 | \$228,001 | 19.88% | 4.95% | 0.98% | 4.95% | 0.98% | 4.95% | 0.98% |
| SHORT TERM DEBT | \$128,114 | \$0 | \$128,114 | \$0 | \$106,614 | \$234,728 | 20.47% | 1.38% | 0.28% | 1.38% | 0.28% | 1.38% | 0.28% |
| 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 | \$23,224 | \$0 | \$23,224 | \$0 | \$0 | \$23,224 | 2.03% | 0.56% | 0.01% | 0.56% | 0.01% | 0.56% | 0.01% |
| DEFERRED INCOME TAXES | \$87,598 | \$0 | \$87,598 | \$0 | \$0 | \$87,598 | 7.64% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TAX CREDITS - WEIGHTED COST | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0.00% | 6.26% | 0.00% | 6.76% | 0.00% | 7.26% | 0.00% |
| TOTAL AVERAGE | \$676,253 | \$0 | \$676,253 | \$0 | \$470,544 | \$1,146,797 | 100.00% | | 6.27% | | 6.77% | | 7.27% |

| 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 | \$380,552 | \$0 | \$380,552 | \$0 | \$223,245 | \$603,797 | 48.97% | 10.00% | 4.90% | 11.00% | 5.39% | 12.00% | 5.88% |
| LONG TERM DEBT | \$142,064 | \$0 | \$142,064 | \$0 | \$83,339 | \$225,403 | 18.28% | 5.06% | 0.92% | 5.06% | 0.92% | 5.06% | 0.92% |
| SHORT TERM DEBT | \$178,091 | \$0 | \$178,091 | \$0 | \$104,474 | \$282,565 | 22.92% | 1.16% | 0.27% | 1.16% | 0.27% | 1.16% | 0.27% |
| 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 | \$16,136 | \$0 | \$16,136 | \$0 | \$0 | \$16,136 | 1.31% | 0.81% | 0.01% | 0.81% | 0.01% | 0.81% | 0.01% |
| DEFERRED INCOME TAXES | \$105,198 | \$0 | \$105,198 | \$0 | \$0 | \$105,198 | 8.53% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TAX CREDITS - WEIGHTED COST | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0.00% | 6.09% | 0.00% | 6.58% | 0.00% | 7.07% | 0.00% |
| TOTAL YEAR-END | \$822,041 | \$0 | \$822,041 | \$0 | \$411,058 | \$1,233,099 | 100.00% | | 6.10% | | 6.59% | | 7.08% |