



May 15, 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
2017 MAY 15 PM 1:40
DIVISION OF
ACCOUNTING & FINANCE

**Re: Florida Public Utilities Company (Electric and Gas Divisions) 1st Quarter 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 hereby submits the original and four copies of the required 1st Quarter 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
 NATURAL GAS
 RATE OF RETURN REPORT SUMMARY
 For the 12 Months Ending March 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 | \$ 10,219,681 | \$ (396,858) | \$ 9,822,823 | \$ 1,139,748 | \$ 10,962,571 |
| AVERAGE RATE BASE | \$ 225,501,760 | \$ 634,219 | \$ 226,135,979 | \$ (26,309,232) | \$ 199,826,747 |
| AVERAGE RATE OF RETURN | 4.53% | | 4.34% | | 5.49% |
| II. YEAR-END RATE OF RETURN (JURISDICTIONAL) | | | | | |
| NET OPERATING INCOME | \$ 10,219,681 | \$ (458,594) | \$ 9,761,087 | \$ 1,139,748 | \$ 10,900,835 |
| YEAR-END RATE BASE | \$ 230,033,906 | \$ 1,265,635 | \$ 231,299,540 | \$ (25,739,358) | \$ 205,560,182 |
| YEAR-END RATE OF RETURN | 4.44% | | 4.22% | | 5.30% |
| III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS) | | | IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS) | | |
| LOW | 5.78% | | A. | INCL ACQUISITION ADJUSTMENT | 6.63% |
| MIDPOINT | 6.23% | | B. | EXCL ACQUISITION ADJUSTMENT | 9.57% |
| HIGH | 6.67% | | | | |

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.

Michael Cassel
 Director - Regulatory Affairs

Michael Cassel (Signature)
 Signature

5/15/17
 Date

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 AVERAGE RATE OF RETURN
 For the 12 Months Ending March 31, 2017
 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 | \$ 282,052,900 | \$ (69,964,664) | \$ 212,088,236 | \$ - | \$ 7,647,157 | \$ 219,735,394 | \$ 5,766,366 | \$ 225,501,760 |
| FPSC ADJUSTMENTS: | | | | | | | | |
| 1) ELIMINATIONS TO NON-UTILITY MATERIALS | \$ - | \$ - | \$ - | | | \$ - | \$ 401,517 | \$ 401,517 |
| 2) ELIMINATE GOODWILL | \$ (2,469,682) | \$ - | \$ (2,469,682) | | | \$ (2,469,682) | | \$ (2,469,682) |
| | \$ - | \$ - | \$ - | | | \$ - | | \$ - |
| 3) ELIM. NON-UTILITY PLANT | \$ (4,006,458) | \$ 1,097,774 | \$ (2,908,684) | | | \$ (2,908,684) | | \$ (2,908,684) |
| 4) ELIMINATE UNDER-RECOVERIES | \$ - | \$ - | \$ - | | | \$ - | | \$ - |
| | \$ - | \$ - | \$ - | | | \$ - | \$ - | \$ - |
| 5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS | | | | | | \$ - | \$ 5,611,069 | \$ 5,611,069 |
| TOTAL FPSC ADJUSTMENTS | \$ (6,476,140) | \$ 1,097,774 | \$ (5,378,366) | \$ - | \$ - | \$ (5,378,366) | \$ 6,012,586 | \$ 634,219 |
| FPSC ADJUSTED | \$ 275,576,760 | \$ (68,866,891) | \$ 206,709,870 | \$ - | \$ 7,647,157 | \$ 214,357,027 | \$ 11,778,952 | \$ 226,135,979 |
| FLEX RATE REVENUES | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| ADJUSTED FOR FLEX RATE REVENUES | \$ 275,576,760 | \$ (68,866,891) | \$ 206,709,870 | \$ - | \$ 7,647,157 | \$ 214,357,027 | \$ 11,778,952 | \$ 226,135,979 |
| PROFORMA ADJUSTMENTS | | | \$ - | | | \$ - | | \$ - |
| | | | \$ - | | | \$ - | | \$ - |
| ELIM. ACQUISITION ADJUSTMENT | \$ (34,810,269) | \$ 8,501,037 | \$ (26,309,232) | | | \$ (26,309,232) | | \$ (26,309,232) |
| ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS | | | | | | | \$ - | \$ - |
| TOTAL PRO FORMA ADJUSTMENTS | \$ (34,810,269) | \$ 8,501,037 | \$ (26,309,232) | \$ - | \$ - | \$ (26,309,232) | \$ - | \$ (26,309,232) |
| PRO FORMA ADJUSTED | \$ 240,766,491 | \$ (60,365,854) | \$ 180,400,638 | \$ - | \$ 7,647,157 | \$ 188,047,795 | \$ 11,778,952 | \$ 199,826,747 |

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 YEAR END RATE OF RETURN
 For the 12 Months Ending March 31, 2017
 RATE BASE

SCHEDULE 3
 PAGE 1 OF 2

| | (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 | \$ 297,183,725 | \$ (73,466,064) | \$ 223,717,661 | \$ - | \$ 4,276,356 | \$ 227,994,017 | \$ 2,039,889 | \$ 230,033,906 |
| FPSC ADJUSTMENTS: | | | | | | | | |
| 1) ELIMINATIONS TO NON-UTILITY MATERIALS | \$ - | \$ - | \$ - | | | \$ - | \$ 356,412 | \$ 356,412 |
| 2) ELIMINATE GOODWILL | \$ (2,469,682) | \$ - | \$ (2,469,682) | | | \$ (2,469,682) | | \$ (2,469,682) |
| | \$ - | \$ - | \$ - | | | \$ - | | \$ - |
| 3) ELIM. NON-UTILITY PLANT | \$ (3,374,138) | \$ 1,141,973 | \$ (2,232,165) | | | \$ (2,232,165) | | \$ (2,232,165) |
| 4) ELIM. UNDER-RECOVERIES | \$ - | \$ - | \$ - | | | \$ - | | \$ - |
| | \$ - | \$ - | \$ - | | | \$ - | \$ - | \$ - |
| 5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS | | | | | | \$ - | \$ 5,611,069 | \$ 5,611,069 |
| TOTAL FPSC ADJUSTMENTS | \$ (5,843,820) | \$ 1,141,973 | \$ (4,701,847) | \$ - | \$ - | \$ (4,701,847) | \$ 5,967,481 | \$ 1,265,635 |
| FPSC ADJUSTED | \$ 291,339,905 | \$ (72,324,090) | \$ 219,015,815 | \$ - | \$ 4,276,356 | \$ 223,292,170 | \$ 8,007,370 | \$ 231,299,540 |
| COMP RATE ADJ REVENUES | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| ADJUSTED FOR COMP RATE ADJ REVENUE | \$ 291,339,905 | \$ (72,324,090) | \$ 219,015,815 | \$ - | \$ 4,276,356 | \$ 223,292,170 | \$ 8,007,370 | \$ 231,299,540 |
| PROFORMA ADJUSTMENTS | | | | | | | | |
| ELIM. ACQUISITION ADJUSTMENT | \$ (35,135,241) | \$ 9,395,883 | \$ (25,739,358) | | | \$ (25,739,358) | | \$ (25,739,358) |
| ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS | | | | | | | \$ - | \$ - |
| TOTAL PRO FORMA ADJUSTMENTS | \$ (35,135,241) | \$ 9,395,883 | \$ (25,739,358) | \$ - | \$ - | \$ (25,739,358) | \$ - | \$ (25,739,358) |
| PRO FORMA ADJUSTED | \$ 256,204,664 | \$ (62,928,207) | \$ 193,276,457 | \$ - | \$ 4,276,356 | \$ 197,552,812 | \$ 8,007,370 | \$ 205,560,182 |

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 CAPITAL STRUCTURE
 For the 12 Months Ending March 31, 2017
 FPSC ADJUSTED BASIS

SCHEDULE 4

| AVERAGE | ADJUSTMENTS | | | | | | RATIO (%) | LOW POINT | | MIDPOINT | | HIGH POINT | |
|----------------------------------|-----------------------|----------------|-----------------------|---------------------|-----------------------|-----------------------|----------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | PER BOOKS | NON-UTILITY | ADJUSTED BOOKS | PRO-RATA | SPECIFIC | BALANCE | | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) |
| | COMMON EQUITY | \$ 101,756,287 | | \$ 101,756,287 | \$ 1,729,084 | \$ (2,469,682) | | \$ 101,015,689 | 44.67% | 9.85% | 4.40% | 10.85% | 4.85% |
| LONG TERM DEBT - CU | \$ 30,552,808 | | \$ 30,552,808 | \$ 519,166 | | \$ 31,071,974 | 13.74% | 4.87% | 0.67% | 4.87% | 0.67% | 4.87% | 0.67% |
| SHORT TERM DEBT | \$ 44,976,582 | | \$ 44,976,582 | \$ 764,260 | | \$ 45,740,842 | 20.23% | 1.62% | 0.33% | 1.62% | 0.33% | 1.62% | 0.33% |
| LONG TERM DEBT - FC | \$ 5,378,339 | | \$ 5,378,339 | \$ 91,391 | | \$ 5,469,730 | 2.42% | 12.41% | 0.30% | 12.41% | 0.30% | 12.41% | 0.30% |
| SHORT TERM DEBT - REFINANCED LTD | \$ - | | \$ - | \$ - | | \$ - | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CUSTOMER DEPOSITS | \$ 7,609,283 | | \$ 7,609,283 | | | \$ 7,609,283 | 3.37% | 2.39% | 0.08% | 2.39% | 0.08% | 2.39% | 0.08% |
| DEFERRED INCOME TAXES | \$ 35,228,460 | | \$ 35,228,460 | | | \$ 35,228,460 | 15.58% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TAX CREDITS - WEIGHTED COST | \$ - | | \$ - | | | \$ - | 0.00% | 5.70% | 0.00% | 6.15% | 0.00% | 6.59% | 0.00% |
| TOTAL AVERAGE | \$ 225,501,760 | \$ - | \$ 225,501,760 | \$ 3,103,901 | \$ (2,469,682) | \$ 226,135,979 | 100.00% | | 5.78% | | 6.23% | | 6.67% |

| YEAR-END | ADJUSTMENTS | | | | | | RATIO (%) | LOW POINT | | MIDPOINT | | HIGH POINT | |
|----------------------------------|-----------------------|----------------|-----------------------|---------------------|-----------------------|-----------------------|----------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | PER BOOKS | NON-UTILITY | ADJUSTED BOOKS | PRO-RATA | SPECIFIC | BALANCE | | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) |
| | COMMON EQUITY | \$ 105,627,109 | | \$ 105,627,109 | \$ 2,148,510 | \$ (2,469,682) | | \$ 105,305,937 | 45.53% | 9.85% | 4.48% | 10.85% | 4.94% |
| LONG TERM DEBT - CU | \$ 27,429,013 | | \$ 27,429,013 | \$ 557,921 | | \$ 27,986,933 | 12.10% | 5.03% | 0.61% | 5.03% | 0.61% | 5.03% | 0.61% |
| SHORT TERM DEBT | \$ 45,251,656 | | \$ 45,251,656 | \$ 920,442 | | \$ 46,172,098 | 19.96% | 1.51% | 0.30% | 1.51% | 0.30% | 1.51% | 0.30% |
| LONG TERM DEBT - FC | \$ 5,331,400 | | \$ 5,331,400 | \$ 108,443 | | \$ 5,439,843 | 2.35% | 12.30% | 0.29% | 12.30% | 0.29% | 12.30% | 0.29% |
| SHORT TERM DEBT - REFINANCED LTD | \$ - | | \$ - | \$ - | | \$ - | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CUSTOMER DEPOSITS | \$ 7,728,586 | | \$ 7,728,586 | | | \$ 7,728,586 | 3.34% | 2.36% | 0.08% | 2.36% | 0.08% | 2.36% | 0.08% |
| DEFERRED INCOME TAXES | \$ 38,666,142 | | \$ 38,666,142 | | | \$ 38,666,142 | 16.72% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TAX CREDITS - WEIGHTED COST | \$ - | | \$ - | | | \$ - | 0.00% | 5.68% | 0.00% | 6.14% | 0.00% | 6.60% | 0.00% |
| TOTAL YEAR-END | \$ 230,033,906 | \$ - | \$ 230,033,906 | \$ 3,735,316 | \$ (2,469,682) | \$ 231,299,540 | 100.00% | | 5.76% | | 6.22% | | 6.68% |