



December 14, 2017

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FLORIDA PUBLIC SERVICE
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DIVISION OF
ACCOUNTING & FINANCE

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) 3rd Quarter 2017
Surveillance Report**

Dear Mr. Maurey:

In accordance with Rules 25-6.1352(3), F.A.C., Florida Public Utilities Company hereby submits the original and four copies of the 3rd Quarter Earnings Surveillance Report 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 September 30, 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	\$ 10,674,410	\$ (129,097)	\$ 10,545,313	\$ 1,139,748	\$ 11,685,061
AVERAGE RATE BASE	\$ 229,349,686	\$ 608,698	\$ 229,958,384	\$ (25,739,358)	\$ 204,219,026
AVERAGE RATE OF RETURN	4.65%		4.59%		5.72%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 10,674,410	\$ (208,163)	\$ 10,466,247	\$ 1,139,748	\$ 11,605,995
YEAR-END RATE BASE	\$ 228,809,988	\$ 1,300,600	\$ 230,110,589	\$ (25,169,484)	\$ 204,941,105
YEAR-END RATE OF RETURN	4.67%		4.55%		5.66%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)		
LOW	5.82%		A. INCL ACQUISITION ADJUSTMENT		7.10%
MIDPOINT	6.27%		B. EXCL ACQUISITION ADJUSTMENT		10.03%
HIGH	6.72%				

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

12/13/17
 Date

	(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	\$ 297,342,936	\$ (73,330,625)	\$ 224,012,311	\$ -	\$ 3,797,980	\$ 227,810,291	\$ 1,539,395	\$ 229,349,686
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 372,228	\$ 372,228
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (4,061,018)	\$ 1,156,101	\$ (2,904,917)			\$ (2,904,917)		\$ (2,904,917)
4) ELIMINATE UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -		\$ -
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS						\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (6,530,700)	\$ 1,156,101	\$ (5,374,599)	\$ -	\$ -	\$ (5,374,599)	\$ 5,983,297	\$ 608,698
FPSC ADJUSTED	\$ 290,812,235	\$ (72,174,524)	\$ 218,637,712	\$ -	\$ 3,797,980	\$ 222,435,692	\$ 7,522,693	\$ 229,958,384
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 290,812,235	\$ (72,174,524)	\$ 218,637,712	\$ -	\$ 3,797,980	\$ 222,435,692	\$ 7,522,693	\$ 229,958,384
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	\$ 255,676,994	\$ (62,778,641)	\$ 192,898,354	\$ -	\$ 3,797,980	\$ 196,696,334	\$ 7,522,693	\$ 204,219,026

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 YEAR END RATE OF RETURN
 For the 12 Months Ending September 30, 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	\$ 307,019,083	\$ (76,783,523)	\$ 230,235,560	\$ -	\$ 2,915,250	\$ 233,150,810	\$ (4,340,822)	\$ 228,809,988
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 383,203	\$ 383,203
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (3,462,825)	\$ 1,238,836	\$ (2,223,989)			\$ (2,223,989)		\$ (2,223,989)
4) ELIM. UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -		\$ -
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
5) ELIMINATE DEFERRED ENVIRONMENTAL COSTS						\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (5,932,507)	\$ 1,238,836	\$ (4,693,671)	\$ -	\$ -	\$ (4,693,671)	\$ 5,994,272	\$ 1,300,600
FPSC ADJUSTED	\$ 301,086,576	\$ (75,544,687)	\$ 225,541,889	\$ -	\$ 2,915,250	\$ 228,457,139	\$ 1,653,450	\$ 230,110,589
COMP RATE ADJ REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR COMP RATE ADJ REVENUE	\$ 301,086,576	\$ (75,544,687)	\$ 225,541,889	\$ -	\$ 2,915,250	\$ 228,457,139	\$ 1,653,450	\$ 230,110,589
PROFORMA ADJUSTMENTS								
ELIM. ACQUISITION ADJUSTMENT	\$ (35,460,213)	\$ 10,290,729	\$ (25,169,484)			\$ (25,169,484)		\$ (25,169,484)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (35,460,213)	\$ 10,290,729	\$ (25,169,484)	\$ -	\$ -	\$ (25,169,484)	\$ -	\$ (25,169,484)
PRO FORMA ADJUSTED	\$ 265,626,363	\$ (65,253,958)	\$ 200,372,405	\$ -	\$ 2,915,250	\$ 203,287,655	\$ 1,653,450	\$ 204,941,105

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 YEAR END RATE OF RETURN
 For the 12 Months Ending September 30, 2017
 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	82,178,192	25,836,249	23,165,316	10,012,884	7,406,895	5,082,438				71,503,782	10,674,410
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNC AND INTEREST ADJ.						327,142				327,142	(327,142)
2) ELIMINATE FUEL REVENUES AND EXPENSES	(21,127,161)	(21,017,923)			(112,008)	1,069				(21,128,862)	1,701
3) ELIMINATE CONSERVATION	(4,840,822)	(4,818,326)			(24,227)	668				(4,841,886)	1,064
4)NON-UTILITY DEPRECIATION EXPENSE				(189,626)		73,148				(116,478)	116,478
5) ELIMINATE AEP REVENUES AND EXPENSES	(86,170)			(85,739)		(166)				(85,905)	(265)
6) ELIMINATE REVENUE RELATED TAXES	(3,294,005)				(3,294,005)	-				(3,294,005)	-
						-				-	-
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TOTAL FPSC ADJUSTMENTS	(29,348,158)	(25,836,249)	-	(275,365)	(3,430,240)	401,860	-	-	-	(29,139,995)	(208,163)
FPSC ADJUSTED	52,830,034	-	23,165,316	9,737,519	3,976,655	5,484,298	-	-	-	42,363,787	10,466,247
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	-									-	-
ADJUSTED FOR FLEX RATE REVENUES	52,830,034	-	23,165,316	9,737,519	3,976,655	5,484,298	-	-	-	42,363,787	10,466,247
ELIMINATE ACQUISITION AMORTIZATION				(1,789,692)		649,944				(1,139,748)	1,139,748
ELIMINATE TRANSACT./TRANSIT. AMORTIZATION				-		-				-	-
						-				-	-
						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	(1,789,692)	-	649,944	-	-	-	(1,139,748)	1,139,748
PRO FORMA ADJUSTED	52,830,034	-	23,165,316	7,947,827	3,976,655	6,134,242	-	-	-	41,224,039	11,605,995

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 CAPITAL STRUCTURE
 For the 12 Months Ending September 30, 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	\$ 103,915,847		\$ 103,915,847	\$ 1,741,916	\$ (2,469,682)	\$ 103,188,081	44.87%	9.85%	4.42%	10.85%	4.87%	11.85%	5.32%
LONG TERM DEBT - CU	\$ 34,327,090		\$ 34,327,090	\$ 575,417		\$ 34,902,507	15.18%	4.54%	0.69%	4.54%	0.69%	4.54%	0.69%
SHORT TERM DEBT	\$ 40,075,160		\$ 40,075,160	\$ 671,770		\$ 40,746,930	17.72%	1.93%	0.34%	1.93%	0.34%	1.93%	0.34%
LONG TERM DEBT - FC	\$ 5,325,920		\$ 5,325,920	\$ 89,277		\$ 5,415,197	2.36%	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	\$ 7,726,312		\$ 7,726,312			\$ 7,726,312	3.36%	2.37%	0.08%	2.37%	0.08%	2.37%	0.08%
DEFERRED INCOME TAXES	\$ 37,979,356		\$ 37,979,356			\$ 37,979,356	16.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.74%	0.00%	6.19%	0.00%	6.64%	0.00%
TOTAL AVERAGE	\$ 229,349,686	\$ -	\$ 229,349,686	\$ 3,078,380	\$ (2,469,682)	\$ 229,958,384	100.00%		5.82%		6.27%		6.72%

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	\$ 95,755,100		\$ 95,755,100	\$ 2,005,215	\$ (2,469,682)	\$ 95,290,633	41.41%	9.85%	4.08%	10.85%	4.49%	11.85%	4.91%
LONG TERM DEBT - CU	\$ 37,506,421		\$ 37,506,421	\$ 785,426		\$ 38,291,846	16.64%	3.77%	0.63%	3.77%	0.63%	3.77%	0.63%
SHORT TERM DEBT	\$ 41,459,368		\$ 41,459,368	\$ 868,204		\$ 42,327,572	18.39%	1.68%	0.31%	1.68%	0.31%	1.68%	0.31%
LONG TERM DEBT - FC	\$ 5,321,531		\$ 5,321,531	\$ 111,439		\$ 5,432,970	2.36%	12.20%	0.29%	12.20%	0.29%	12.20%	0.29%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,843,892		\$ 7,843,892			\$ 7,843,892	3.41%	2.34%	0.08%	2.34%	0.08%	2.34%	0.08%
DEFERRED INCOME TAXES	\$ 40,923,676		\$ 40,923,676			\$ 40,923,676	17.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.31%	0.00%	5.72%	0.00%	6.14%	0.00%
TOTAL YEAR-END	\$ 228,809,988	\$ -	\$ 228,809,988	\$ 3,770,284	\$ (2,469,682)	\$ 230,110,589	100.00%		5.39%		5.80%		6.22%