



September 15, 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) and the Florida Division of Chesapeake Utilities Corporation 2nd 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 and the Florida Division of Chesapeake Utilities Corporation hereby submits the original and four copies of the required 2nd 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  
 INDIANTOWN DIVISION  
 RATE OF RETURN REPORT SUMMARY  
 June 30, 2017

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ (43,887)	\$ (31,029)	\$ (74,916)	\$ 30,541	\$ (44,375)
AVERAGE RATE BASE	\$ 2,514,739	\$ (80,401)	\$ 2,434,338	\$ (426,765)	\$ 2,007,573
AVERAGE RATE OF RETURN	-1.75%		-3.08%		-2.21%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ (43,887)	\$ (32,175)	\$ (76,062)	\$ 30,541	\$ (45,521)
YEAR-END RATE BASE	\$ 2,464,102	\$ (107,755)	\$ 2,356,347	\$ (401,905)	\$ 1,954,442
YEAR-END RATE OF RETURN	-1.78%		-3.23%		-2.33%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	5.90%				
MIDPOINT	6.36%				
HIGH	6.82%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
A.	INCL ACQUISITION ADJUSTMENT				-9.09%
B.	EXCL ACQUISITION ADJUSTMENT				-7.45%

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

*Michael Cassel*  
 Signature

9/14/17  
 Date

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 AVERAGE RATE OF RETURN  
 For the 12 Months Ending June 30, 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	3,362,942	(1,246,269)	2,116,673	-	(1,405)	2,115,268	399,472	2,514,739
FPSC ADJUSTMENTS:								
REMOVE NET UNRECOVERED CONSERVATION			-			-	(80,401)	(80,401)
TOTAL FPSC ADJUSTMENTS			-				(80,401)	(80,401)
FPSC ADJUSTED	3,362,942	(1,246,269)	2,116,673	-	(1,405)	2,115,268	319,071	2,434,338
PROFORMA ADJUSTMENTS								
Remove Acquisition Adjustment	(745,800)	319,035	(426,765)			(426,765)		(426,765)
TOTAL PRO FORMA ADJUSTMENTS	(745,800)	319,035	(426,765)			(426,765)		(426,765)
PRO FORMA ADJUSTED	2,617,142	(927,234)	1,689,908		(1,405)	1,688,503	319,071	2,007,573

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 AVERAGE RATE OF RETURN  
 For the 12 Months Ending June 30, 2017  
 INCOME STATEMENT

SCHEDULE 2  
 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	\$ 317,306	\$ 24,791	\$ 266,920	\$ 129,894	\$ 34,330	\$ (94,742)				\$ 361,193	\$ (43,887)
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$ (168)				\$ (168)	\$ 168
2) Elim. Conservation Rev. & Exp.	\$ (22,848)	\$ (22,537)			\$ (113)	\$ 1				\$ (22,849)	\$ 1
3) Elimination of Revenue Taxes	\$ (1,580)				\$ (1,580)	\$ -				\$ (1,580)	\$ -
4) Income Tax Effective Rate Adjustment						\$ 31,198				\$ 31,198	\$ (31,198)
5) Remove Swing Service	\$ (2,296)	\$ (2,254)			\$ (11)	\$ (0)				\$ (2,296)	\$ (0)
TOTAL FPSC ADJUSTMENTS	\$ (26,494)	\$ (24,791)	\$ -	\$ -	\$ (1,705)	\$ 31,031	\$ -	\$ -	\$ -	\$ 4,535	\$ (31,029)
FPSC ADJUSTED	\$ 290,812	\$ -	\$ 266,920	\$ 129,894	\$ 32,625	\$ (63,711)	\$ -	\$ -	\$ -	\$ 365,728	\$ (74,916)
PROFORMA ADJUSTMENTS											
Remove Acquisition Adjustment Amortization				\$ (49,720)		\$ 19,179				\$ (30,541)	\$ 30,541
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ (49,720)	\$ -	\$ 19,179	\$ -	\$ -	\$ -	\$ (30,541)	\$ 30,541
PRO FORMA ADJUSTED	\$ 290,812	\$ -	\$ 266,920	\$ 80,174	\$ 32,625	\$ (44,532)	\$ -	\$ -	\$ -	\$ 335,187	\$ (44,375)

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending June 30, 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	\$ 3,365,831	\$ (1,323,594)	\$ 2,042,237	\$ -	\$ 873	\$ 2,043,110	\$ 420,992	\$ 2,464,102
FPSC ADJUSTMENTS:								
REMOVE NET UNREC. CONSERVATION			\$ -			\$ -	\$ (107,755)	\$ (107,755)
TOTAL FPSC ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (107,755)	\$ (107,755)
FPSC ADJUSTED	\$ 3,365,831	\$ (1,323,594)	\$ 2,042,237	\$ -	\$ 873	\$ 2,043,110	\$ 313,237	\$ 2,356,347
PROFORMA ADJUSTMENTS								
Remove Acquisition Adjustment	\$ (745,800)	\$ 343,895	\$ (401,905)			\$ (401,905)		\$ (401,905)
TOTAL PRO FORMA ADJUSTMENTS	\$ (745,800)	\$ 343,895	\$ (401,905)	\$ -	\$ -	\$ (401,905)	\$ -	\$ (401,905)
PRO FORMA ADJUSTED	\$ 2,620,031	\$ (979,699)	\$ 1,640,332	\$ -	\$ 873	\$ 1,641,205	\$ 313,237	\$ 1,954,442

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending June 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	\$ 317,306	\$ 24,791	\$ 266,920	\$ 129,894	\$ 34,330	\$ (94,742)				\$ 361,193	\$ (43,887)
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$ 978				\$ 978	\$ (978)
2) Elim. Conservation Rev & Exp.	\$ (22,648)	\$ (22,537)			\$ (113)	\$ 1				\$ (22,649)	\$ 1
3) Elimination of Revenue Taxes	\$ (1,580)				\$ (1,580)	\$ -				\$ (1,580)	\$ -
4) Income Tax Effective Rate Adjustment						\$ 31,198				\$ 31,198	\$ (31,198)
5) Remove Swing Service	\$ (2,268)	\$ (2,254)			\$ (11)	\$ (0)				\$ (2,268)	\$ (0)
						\$ -				\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ (26,494)	\$ (24,791)	\$ -	\$ -	\$ (1,705)	\$ 32,177	\$ -	\$ -	\$ -	\$ 5,681	\$ (32,175)
FPSC ADJUSTED	\$ 290,812	\$ -	\$ 266,920	\$ 129,894	\$ 32,625	\$ (62,565)	\$ -	\$ -	\$ -	\$ 366,874	\$ (76,062)
PROFORM ADJUSTMENTS											
Remove Acquisition Adjustment Amortization				\$ (49,720)		\$ 19,179				\$ (30,541)	\$ 30,541
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ (49,720)	\$ -	\$ 19,179	\$ -	\$ -	\$ -	\$ (30,541)	\$ 30,541
PRO FORMA ADJUSTED	\$ 290,812	\$ -	\$ 266,920	\$ 80,174	\$ 32,625	\$ (43,386)	\$ -	\$ -	\$ -	\$ 336,333	\$ (45,521)

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	\$ 1,161,406	\$ -	\$ 1,161,406	\$ -	\$ (45,736)	\$ 1,115,670	45.83%	10.50%	4.81%	11.50%	5.27%	12.50%	5.73%
LONG TERM DEBT	\$ 409,974	\$ -	\$ 409,974	\$ -	\$ (16,144)	\$ 393,830	16.18%	4.66%	0.75%	4.66%	0.75%	4.66%	0.75%
SHORT TERM DEBT	\$ 470,296	\$ -	\$ 470,296	\$ -	\$ (18,521)	\$ 451,775	18.56%	1.77%	0.33%	1.77%	0.33%	1.77%	0.33%
SHORT TERM DEBT REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 8,287	\$ -	\$ 8,287	\$ -	\$ -	\$ 8,287	0.34%	2.08%	0.01%	2.08%	0.01%	2.08%	0.01%
DEFERRED INCOME TAXES	\$ 464,776	\$ -	\$ 464,776	\$ -	\$ -	\$ 464,776	19.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.89%	0.00%	6.35%	0.00%	6.81%	0.00%
<b>TOTAL AVERAGE</b>	<b>\$ 2,514,739</b>	<b>\$ -</b>	<b>\$ 2,514,739</b>	<b>\$ -</b>	<b>\$ (80,401)</b>	<b>\$ 2,434,338</b>	<b>100.00%</b>		<b>5.90%</b>		<b>6.36%</b>		<b>6.82%</b>

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	\$ 1,108,861	\$ -	\$ 1,108,861	\$ -	\$ (61,717)	\$ 1,047,144	44.44%	10.50%	4.67%	11.50%	5.11%	12.50%	5.55%
LONG TERM DEBT	\$ 481,552	\$ -	\$ 481,552	\$ -	\$ (26,802)	\$ 454,750	19.30%	3.57%	0.69%	3.57%	0.69%	3.57%	0.69%
SHORT TERM DEBT	\$ 345,607	\$ -	\$ 345,607	\$ -	\$ (19,236)	\$ 326,371	13.85%	2.17%	0.30%	2.17%	0.30%	2.17%	0.30%
SHORT TERM DEBT REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 8,147	\$ -	\$ 8,147	\$ -	\$ -	\$ 8,147	0.35%	2.11%	0.01%	2.11%	0.01%	2.11%	0.01%
DEFERRED INCOME TAXES	\$ 519,935	\$ -	\$ 519,935	\$ -	\$ -	\$ 519,935	22.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.66%	0.00%	6.10%	0.00%	6.54%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$ 2,464,102</b>	<b>\$ -</b>	<b>\$ 2,464,102</b>	<b>\$ -</b>	<b>\$ (107,755)</b>	<b>\$ 2,356,347</b>	<b>100.00%</b>		<b>5.67%</b>		<b>6.11%</b>		<b>6.55%</b>

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	\$ 1,161,406	\$ -	\$ 1,161,406	\$ -	\$ (288,501)	\$ 872,905	43.48%	10.50%	4.57%	11.50%	5.00%	12.50%	5.44%
LONG TERM DEBT	\$ 409,974	\$ -	\$ 409,974	\$ -	\$ (101,840)	\$ 308,134	15.35%	4.66%	0.71%	4.66%	0.71%	4.66%	0.71%
SHORT TERM DEBT	\$ 470,296	\$ -	\$ 470,296	\$ -	\$ (116,825)	\$ 353,471	17.61%	1.77%	0.31%	1.77%	0.31%	1.77%	0.31%
SHORT TERM DEBT REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 8,287	\$ -	\$ 8,287	\$ -	\$ -	\$ 8,287	0.41%	2.08%	0.01%	2.08%	0.01%	2.08%	0.01%
DEFERRED INCOME TAXES	\$ 464,776	\$ -	\$ 464,776	\$ -	\$ -	\$ 464,776	23.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.59%	0.00%	6.02%	0.00%	6.46%	0.00%
<b>TOTAL AVERAGE</b>	<b>\$ 2,514,739</b>	<b>\$ -</b>	<b>\$ 2,514,739</b>	<b>\$ -</b>	<b>\$ (507,166)</b>	<b>\$ 2,007,573</b>	<b>100.00%</b>		<b>5.60%</b>		<b>6.03%</b>		<b>6.47%</b>

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	\$ 1,108,861	\$ -	\$ 1,108,861	\$ -	\$ (291,910)	\$ 816,951	41.80%	10.50%	4.39%	11.50%	4.81%	12.50%	5.22%
LONG TERM DEBT	\$ 481,552	\$ -	\$ 481,552	\$ -	\$ (126,769)	\$ 354,783	18.15%	3.57%	0.65%	3.57%	0.65%	3.57%	0.65%
SHORT TERM DEBT	\$ 345,607	\$ -	\$ 345,607	\$ -	\$ (90,982)	\$ 254,625	13.03%	2.17%	0.28%	2.17%	0.28%	2.17%	0.28%
SHORT TERM DEBT REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 8,147	\$ -	\$ 8,147	\$ -	\$ -	\$ 8,147	0.42%	2.11%	0.01%	2.11%	0.01%	2.11%	0.01%
DEFERRED INCOME TAXES	\$ 519,935	\$ -	\$ 519,935	\$ -	\$ -	\$ 519,935	26.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.32%	0.00%	5.74%	0.00%	6.15%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$ 2,464,102</b>	<b>\$ -</b>	<b>\$ 2,464,102</b>	<b>\$ -</b>	<b>\$ (509,661)</b>	<b>\$ 1,954,442</b>	<b>100.00%</b>		<b>5.33%</b>		<b>5.75%</b>		<b>6.18%</b>