



**GUNSTER**  
FLORIDA'S LAW FIRM FOR BUSINESS

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FLORIDA PUBLIC SERVICE  
COMMISSION  
Writer's E-Mail Address: bkeating@gunster.com  
2018 AUG 29 PM 1:21  
DIVISION OF  
ACCOUNTING & FINANCE

August 29, 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) 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 and the Florida Division of Chesapeake Utilities Corporation hereby submit the original and four copies of the required 2<sup>nd</sup> Quarter Earnings Surveillance Reports for 2018.

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

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 RATE OF RETURN REPORT SUMMARY  
 June 30, 2018

SCHEDULE 1

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
NET OPERATING INCOME	\$ 5,138,990	(\$704,342)	\$4,434,648	\$0	\$4,434,648
AVERAGE RATE BASE	\$69,196,222	(\$234,940)	\$88,961,282	\$0	\$88,961,282
AVERAGE RATE OF RETURN	5.76%		4.98%		4.98%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$5,138,990	(\$707,459)	\$4,431,531	\$0	\$4,431,531
YEAR-END RATE BASE	\$93,563,414	(\$113,325)	\$93,450,088	\$0	\$93,450,088
YEAR-END RATE OF RETURN	5.49%		4.74%		4.74%

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)	
LOW	5.35%	A. INCL COMP RATE ADJ REVENUES 8.93%
MIDPOINT	5.77%	B. EXCL COMP RATE ADJ REVENUES 8.93%
HIGH	6.19%	

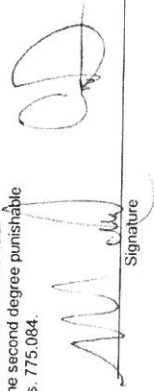
I am aware that Section 837.06, Florida Statutes, provides:

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

Signature

Date



CHESAPEAKE UTILITIES CORPORATION  
FLORIDA DIVISION  
AVERAGE RATE OF RETURN  
For the 12 Months Ending June 30, 2018  
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	\$110,373,956	(\$32,035,539)	\$78,338,400	\$0	\$12,026,182	\$90,364,582	(\$1,168,360)	\$89,196,222
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL								
ELIMINATE ACQUISITION ADJ.	\$0	\$0	\$0			\$0	\$4,979	\$4,979
ELIM. FRANCHISE/CONSENT	(\$14,132)	\$12,971	(\$1,161)			(\$1,161)		(\$1,161)
ELIM. COMMON PLANT	(\$186,980)	\$80,689	(\$106,291)			(\$106,291)		(\$106,291)
FLEXIBLE GAS SERVICE	(\$259,136)	\$135,673	(\$123,463)			(\$123,463)	(\$9,004)	(\$132,467)
TOTAL FPSC ADJUSTMENTS	(\$460,248)	\$229,333	(\$230,915)	\$0	\$0	(\$230,915)	(\$4,025)	(\$234,940)
FPSC ADJUSTED	\$109,913,688	(\$31,806,203)	\$78,107,485	\$0	\$12,026,182	\$90,133,667	(\$1,172,385)	\$88,961,282
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$109,913,688	(\$31,806,203)	\$78,107,485	\$0	\$12,026,182	\$90,133,667	(\$1,172,385)	\$88,961,282
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$109,913,688	(\$31,806,203)	\$78,107,485	\$0	\$12,026,182	\$90,133,667	(\$1,172,385)	\$88,961,282

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**AVERAGE RATE OF RETURN**  
 For the 12 Months Ending June 30, 2018  
 INCOME STATEMENT

SCHEDULE 2  
 PAGE 2 OF 2

	(1) OPERATING REVENUES	(2) O & M GAS EXPENSE	(3) O & M OTHER	(4) DEPREC. & AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) D.I.T. (NET)	(8) I.T.C. (NET)	(9) GAINLOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	\$23,360,394	\$ 2,920,045	\$8,807,453	\$3,118,063	\$1,929,288	\$1,446,555				\$ 18,221,404	\$5,138,990
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$307,818				\$307,818	(\$307,818)
2) Acquisition adjust.						\$0				\$0	\$0
3) Elim. Property Tax - Common Plant				(\$420)	(\$1,830)	\$464				(\$1,367)	\$1,367
4) Elim. amort orig costs			(\$9)			\$106				(\$314)	\$314
5) Elim. Economic Dev. Expense						\$2				(\$7)	\$7
6) Elim. Depreciation Exp. Common Plant				(\$17,358)		\$4,399				(\$12,959)	\$12,959
7) Elim. Non-utility O & M			\$0			\$0				\$0	\$0
8) Elim. Ind. Assoc dues			(\$9,119)			\$2,311				(\$6,808)	\$6,808
9) Elim charitable contributions			\$0			\$0				\$0	\$0
10) Elim. Social Activities			(\$14,240)			\$3,609				(\$10,631)	\$10,631
11) Elim. promotional expenses			(\$1,384)			\$351				(\$1,033)	\$1,033
12) Elim. Civic Dues			\$0			\$0				\$0	\$0
13) Interest Income	\$3,761					\$953				\$953	\$2,808
14) Elim. Rev Related Taxes (Franchise & PSC Assess)	(\$609,692)				(\$609,692)	\$0				(\$609,692)	\$0
15) Elim. Conservation Rev & Exp.	(\$1,306,861)	(\$1,300,322)			(\$6,541)	\$0				(\$1,306,861)	\$1
16) Elim. Swing Service Expenses	(\$1,627,872)	(\$1,619,723)			(\$6,188)	\$10				(\$1,627,901)	\$29
18) Elim. Flexible Gas Service	(\$169,650)		(\$48,949)	(\$10,946)	(\$2,912)	(\$27,079)				(\$89,896)	(\$79,764)
19) Out of Period Adjustments			\$0			\$0				\$0	\$0
20) Provision for Rate Refund	(\$472,461)					(\$119,745)				(\$119,745)	(\$352,716)
21) Provision for Rate Refund Protected Amortization	(\$169,059)			(\$169,059)		\$0				(\$169,059)	\$0
22) Provision for Rate Refund Unprotected Amortization	\$18,854			\$18,854		\$0				\$18,854	\$0
TOTAL FPSC ADJUSTMENTS	(\$4,332,979)	(\$2,920,045)	(\$73,701)	(\$178,928)	(\$629,163)	\$173,200				(\$3,628,638)	(\$704,342)
FPSC ADJUSTED	\$19,027,415	\$0	\$8,733,753	\$2,939,134	\$1,300,125	\$1,619,755				\$14,592,767	\$4,434,648
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$19,027,415	\$0	\$8,733,753	\$2,939,134	\$1,300,125	\$1,619,755				\$14,592,767	\$4,434,648
PROFORMA ADJUSTMENTS											
TOTAL PROFORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0				\$0	\$0
PROFORMA ADJUSTED	\$19,027,415	\$0	\$8,733,753	\$2,939,134	\$1,300,125	\$1,619,755				\$14,592,767	\$4,434,648

CHESAPEAKE UTILITIES CORPORATION  
FLORIDA DIVISION  
YEAR END RATE OF RETURN  
For the 12 Months Ending June 30, 2018  
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	\$122,011,478	(\$32,956,750)	\$89,054,729	\$0	\$1,694,922	\$90,749,650	\$2,813,763	\$93,563,414
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL								
ELIM. FRANCHISE/CONSENT	(\$14,132)	\$13,181	(\$851)			(\$951)	\$140,879	\$140,879
ELIM. COMMON PLANT	(\$193,299)	\$82,616	(\$110,683)			(\$110,683)		(\$951)
FLEXIBLE GAS SERVICE	(\$299,136)	\$125,570	(\$133,567)			(\$133,567)	(\$9,004)	(\$110,683)
TOTAL FPSC ADJUSTMENTS	(\$466,566)	\$221,367	(\$245,201)	\$0	\$0	(\$245,201)	\$131,875	(\$142,571)
FPSC ADJUSTED	\$121,544,911	(\$32,735,383)	\$88,809,528	\$0	\$1,694,922	\$90,504,450	\$2,945,639	\$93,450,088
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$121,544,911	(\$32,735,383)	\$88,809,528	\$0	\$1,694,922	\$90,504,450	\$2,945,639	\$93,450,088
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$121,544,911	(\$32,735,383)	\$88,809,528	\$0	\$1,694,922	\$90,504,450	\$2,945,639	\$93,450,088

	(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	\$23,360,394	\$ 2,920,045	\$8,807,453	\$3,118,063	\$1,929,288	\$1,446,555				\$ 18,221,404	\$5,138,990
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$ 310,935				\$310,935	(\$310,935)
2) Acquisition adjust.						\$0				\$0	\$0
3) Elim. Property Tax - Common Plant					(\$1,830)	\$464				(\$1,367)	\$1,367
4) Elim. Amort. Org. Costs				(\$420)		\$106				(\$314)	\$314
5) Elim. Economic Dev. Expense			(\$9)			\$2				(\$7)	\$7
6) Elim. Depreciation Exp. Common Plant			\$0	(\$17,358)		\$4,399				(\$12,959)	\$12,959
7) Elim. Non-utility O & M			\$0			\$0				\$0	\$0
8) Elim. Ind. Assoc. dues			(\$9,119)			\$2,311				(\$6,808)	\$6,808
9) Elim. charitable contributions			\$0			\$0				\$0	\$0
10) Elim. Social Activities			(\$14,240)			\$3,609				(\$10,631)	\$10,631
11) Elim. promotional expenses			(\$1,384)			\$351				(\$1,033)	\$1,033
12) Elim. Civic Dues			\$0			\$0				\$0	\$0
13) Interest Income	\$3,761					\$953				\$953	\$2,808
14) Elim. Rev Related Taxes (Franchise & PSC Assess)	(\$609,692)				(\$609,692)	\$0				(\$609,692)	\$0
15) Elim. Conservation Rev & Exp.	(\$1,306,861)	(\$1,300,322)			(\$6,541)	\$0				(\$1,306,862)	\$1
16) Elim. Swing Service Expenses	(\$1,627,872)	(\$1,619,723)			(\$8,188)	\$10				(\$1,627,901)	\$29
18) Elim. Flexible Gas Service	(\$169,650)		(\$48,949)		(\$2,912)	(\$27,079)				(\$89,886)	(\$79,764)
19) Out of Period Adjustments			\$0			\$0				\$0	\$0
20) Provision for Rate Refund	\$ (472,461)					(\$119,745)				(\$119,745)	(\$352,716)
21) Provision for Rate Refund Protected Amortization	\$ (169,059)			\$ (169,059)		\$0				(\$169,059)	\$0
22) Provision for Rate Refund Unprotected Amortization	\$ 18,854			\$ 18,854		\$0				\$18,854	\$0
TOTAL FPSC ADJUSTMENTS	(\$4,332,979)	(\$2,920,045)	(\$73,701)	(\$178,928)	(\$629,163)	\$176,317	\$0	\$0	\$0	(\$3,625,520)	(\$707,459)
FPSC ADJUSTED	\$19,027,415	\$0	\$8,733,753	\$2,939,134	\$1,300,125	\$1,622,872	\$0	\$0	\$0	\$14,595,884	\$4,431,531
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$19,027,415	\$0	\$8,733,753	\$2,939,134	\$1,300,125	\$1,622,872	\$0	\$0	\$0	\$14,595,884	\$4,431,531
PROFORM ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$19,027,415	\$0	\$8,733,753	\$2,939,134	\$1,300,125	\$1,622,872	\$0	\$0	\$0	\$14,595,884	\$4,431,531

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	\$37,413,066	\$0	\$37,413,066	\$0	(\$125,514)	\$37,287,553	41.91%	9.80%	4.11%	10.80%	4.53%	11.80%	4.95%
LONG TERM DEBT	\$16,292,558	\$0	\$16,292,558	\$0	(\$54,658)	\$16,237,900	18.25%	4.13%	0.75%	4.13%	0.75%	4.13%	0.75%
SHORT TERM DEBT	\$16,325,034	\$0	\$16,325,034	\$0	(\$54,768)	\$16,270,266	18.29%	2.52%	0.46%	2.52%	0.46%	2.52%	0.46%
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	\$1,111,135	\$0	\$1,111,135	\$0	\$0	\$1,111,135	1.25%	2.41%	0.03%	2.41%	0.03%	2.41%	0.03%
DEFERRED INCOME TAXES	\$18,054,429	\$0	\$18,054,429	\$0	\$0	\$18,054,429	20.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	5.32%	0.00%	5.74%	0.00%	6.16%	0.00%
TOTAL AVERAGE	\$89,196,222	\$0	\$89,196,222	\$0	(\$234,940)	\$88,961,282	100.00%		5.35%		5.77%		6.19%

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	\$38,665,818	\$0	\$38,665,818	\$0	(\$58,733)	\$38,607,085	41.31%	9.80%	4.05%	10.80%	4.46%	11.80%	4.87%
LONG TERM DEBT	\$18,230,936	\$0	\$18,230,936	\$0	(\$27,693)	\$18,203,243	19.48%	3.67%	0.71%	3.67%	0.71%	3.67%	0.71%
SHORT TERM DEBT	\$17,709,801	\$0	\$17,709,801	\$0	(\$26,901)	\$17,682,900	18.92%	2.29%	0.43%	2.29%	0.43%	2.29%	0.43%
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	\$1,143,101	\$0	\$1,143,101	\$0	\$0	\$1,143,101	1.22%	2.34%	0.03%	2.34%	0.03%	2.34%	0.03%
DEFERRED INCOME TAXES	\$17,813,759	\$0	\$17,813,759	\$0	\$0	\$17,813,759	19.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	5.19%	0.00%	5.60%	0.00%	6.01%	0.00%
TOTAL YEAR-END	\$93,563,414	\$0	\$93,563,414	\$0	(\$113,327)	\$93,450,087	100.00%		5.22%		5.63%		6.04%