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2018 APR -3 PM 3:27
DIVISION OF
ACCOUNTING & FINANCE

April 3, 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) 4th Quarter/Year End
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 Year End 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
 December 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	\$ (80,590)	\$ 15,749	\$ (64,841)	\$ 30,541	\$ (34,301)
AVERAGE RATE BASE	\$ 2,506,252	\$ -	\$ 2,506,252	\$ (401,905)	\$ 2,104,347
AVERAGE RATE OF RETURN	<u>-3.22%</u>		<u>-2.59%</u>		<u>-1.63%</u>
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ (80,590)	\$ 15,081	\$ (65,509)	\$ 30,541	\$ (34,968)
YEAR-END RATE BASE	\$ 2,508,501	\$ -	\$ 2,508,501	\$ (377,045)	\$ 2,131,456
YEAR-END RATE OF RETURN	<u>-3.21%</u>		<u>-2.61%</u>		<u>-1.64%</u>

**III. REQUIRED RATES OF RETURN
 AVERAGE CAPITAL STRUCTURE
 (FPSC ADJUSTED BASIS)**

LOW	5.77%
MIDPOINT	6.21%
HIGH	6.65%

**IV. EARNED RETURN ON EQUITY
 (FPSC ADJUSTED BASIS)**

A.	INCL ACQUISITION ADJUSTMENT	-8.49%
B.	EXCL ACQUISITION ADJUSTMENT	-6.51%

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)
 Signature

4/2/18
 Date

FLORIDA PUBLIC UTILITIES COMPANY
 INDIANTOWN DIVISION
 AVERAGE RATE OF RETURN
 For the 12 Months Ending December 31, 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	3,373,459	(1,320,964)	2,052,475	-	34,443	2,086,918	419,334	2,506,252
FPSC ADJUSTMENTS: REMOVE NET UNRECOVERED CONSERVATION								
TOTAL FPSC ADJUSTMENTS	-	-	-	-	-	-	-	-
FPSC ADJUSTED	3,373,459	(1,320,964)	2,052,475	-	34,443	2,086,918	419,334	2,506,252
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	2,627,659	(977,069)	1,650,570	-	34,443	1,685,013	419,334	2,104,347

FLORIDA PUBLIC UTILITIES COMPANY
 INDIANTOWN DIVISION
 AVERAGE RATE OF RETURN
 For the 12 Months Ending December 31, 2017
 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	\$ 332,944	\$ 66,180	\$ 225,525	\$ 129,536	\$ 35,366	\$ (43,073)				\$ 413,534	\$ (80,560)
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$ (279)				\$ (279)	\$ 279
2) Elim. Conservation Rev & Exp.	\$ (52,403)	\$ (52,142)			\$ (262)	\$ 0				\$ (52,404)	\$ 1
3) Elimination of Revenue Taxes	\$ (1,853)				\$ (1,853)	\$ -				\$ (1,853)	\$ -
4) Income Tax Effective Rate Adjustment						\$ (15,469)				\$ (15,469)	\$ 15,469
5) Remove Swing Service	\$ (14,109)	\$ (14,038)			\$ (71)	\$ (0)				\$ (14,109)	\$ (0)
TOTAL FPSC ADJUSTMENTS	\$ (68,165)	\$ (66,180)	\$ -	\$ -	\$ (1,966)	\$ (15,747)	\$ -	\$ -	\$ -	\$ (83,914)	\$ 15,749
FPSC ADJUSTED	\$ 264,779	\$ -	\$ 225,525	\$ 129,536	\$ 33,380	\$ (58,820)	\$ -	\$ -	\$ -	\$ 329,620	\$ (64,811)
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	\$ 264,779	\$ -	\$ 225,525	\$ 79,816	\$ 33,380	\$ (39,641)	\$ -	\$ -	\$ -	\$ 299,080	\$ (34,301)

FLORIDA PUBLIC UTILITIES COMPANY
 INDIANTOWN DIVISION
 YEAR END RATE OF RETURN
 For the 12 Months Ending December 31, 2017
 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	\$ 3,565,985	\$ (1,384,875)	\$ 2,181,110	\$ -	\$ 8,671	\$ 2,189,781	\$ 318,719	\$ 2,508,501
FPSC ADJUSTMENTS:								
REMOVE NET UNREC. CONSERVATION			\$ -			\$ -		\$ -
TOTAL FPSC ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FPSC ADJUSTED	\$ 3,565,985	\$ (1,384,875)	\$ 2,181,110	\$ -	\$ 8,671	\$ 2,189,781	\$ 318,719	\$ 2,508,501
PROFORMA ADJUSTMENTS								
Remove Acquisition Adjustment	\$ (745,800)	\$ 368,755	\$ (377,045)			\$ (377,045)		\$ (377,045)
TOTAL PRO FORMA ADJUSTMENTS	\$ (745,800)	\$ 368,755	\$ (377,045)	\$ -	\$ -	\$ (377,045)	\$ -	\$ (377,045)
PRO FORMA ADJUSTED	\$ 2,820,185	\$ (1,016,120)	\$ 1,804,065	\$ -	\$ 8,671	\$ 1,812,736	\$ 318,719	\$ 2,131,456

FLORIDA PUBLIC UTILITIES COMPANY
 INDIANTOWN DIVISION
 YEAR END RATE OF RETURN
 For the 12 Months Ending December 31, 2017
 INCOME STATEMENT

SCHEDULE 3
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	(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	\$ 332,944	\$ 66,180	\$ 225,525	\$ 129,536	\$ 35,366	\$ (43,073)				\$ 413,534	\$ (80,590)
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$ 389				\$ 389	\$ (389)
2) Elim. Conservation Rev & Exp.	\$ (52,403)	\$ (52,142)			\$ (262)	\$ 0				\$ (52,404)	\$ 1
3) Elimination of Revenue Taxes	\$ (1,653)				\$ (1,653)	\$ -				\$ (1,653)	\$ -
4) Income Tax Effective Rate Adjustment	\$ (14,109)	\$ (14,038)			\$ (71)	\$ (15,469)				\$ (15,469)	\$ 15,469
5) Remove Swing Service						\$ (0)				\$ (14,109)	\$ (0)
						\$ -				\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ (68,165)	\$ (66,180)	\$ -	\$ -	\$ (1,966)	\$ (15,080)	\$ -	\$ -	\$ -	\$ (63,246)	\$ 15,081
FPSC ADJUSTED	\$ 264,779	\$ -	\$ 225,525	\$ 129,536	\$ 33,380	\$ (58,153)	\$ -	\$ -	\$ -	\$ 330,288	\$ (65,509)
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	\$ 264,779	\$ -	\$ 225,525	\$ 79,816	\$ 33,380	\$ (38,974)	\$ -	\$ -	\$ -	\$ 299,747	\$ (34,968)

AVERAGE	ADJUSTMENTS					BALANCE	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$1,102,702	\$ -	\$ 1,102,702	\$ -	\$ -	\$ 1,102,702	44.00%	10.50%	4.62%	11.50%	5.06%	12.50%	5.50%
LONG TERM DEBT	\$ 428,669	\$ -	\$ 428,669	\$ -	\$ -	\$ 428,669	17.10%	4.44%	0.76%	4.44%	0.76%	4.44%	0.76%
SHORT TERM DEBT	\$ 453,470	\$ -	\$ 453,470	\$ -	\$ -	\$ 453,470	18.09%	2.09%	0.38%	2.09%	0.38%	2.09%	0.38%
SHORT TERM DEBT REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$8,389	\$ -	\$ 8,389	\$ -	\$ -	\$ 8,389	0.33%	2.04%	0.01%	2.04%	0.01%	2.04%	0.01%
DEFERRED INCOME TAXES	\$513,022	\$ -	\$ 513,022	\$ -	\$ -	\$ 513,022	20.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.78%	0.00%	6.20%	0.00%	6.64%	0.00%
TOTAL AVERAGE	\$ 2,506,252	\$ -	\$ 2,506,252	\$ -	\$ -	\$ 2,506,252	100.00%		5.77%		6.21%		6.65%

YEAR-END	ADJUSTMENTS					BALANCE	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$ 1,089,120	\$ -	\$ 1,089,120	\$ -	\$ -	\$ 1,089,120	43.42%	10.50%	4.56%	11.50%	4.99%	12.50%	5.43%
LONG TERM DEBT	\$ 436,629	\$ -	\$ 436,629	\$ -	\$ -	\$ 436,629	17.41%	4.10%	0.71%	4.10%	0.71%	4.10%	0.71%
SHORT TERM DEBT	\$ 557,185	\$ -	\$ 557,185	\$ -	\$ -	\$ 557,185	22.21%	1.60%	0.36%	1.60%	0.36%	1.60%	0.36%
SHORT TERM DEBT REFINANCED LTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 8,467	\$ -	\$ 8,467	\$ -	\$ -	\$ 8,467	0.34%	2.02%	0.01%	2.02%	0.01%	2.02%	0.01%
DEFERRED INCOME TAXES	\$417,100	\$ -	\$ 417,100	\$ -	\$ -	\$ 417,100	16.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	5.63%	0.00%	6.06%	0.00%	6.50%	0.00%
TOTAL YEAR-END	\$ 2,508,501	\$ -	\$ 2,508,501	\$ -	\$ -	\$ 2,508,501	100.00%		5.64%		6.07%		6.51%