



March 31, 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 MAR 31 PM 4: 00  
DIVISION OF  
ACCOUNTING & FINANCE

**Re: Florida Public Utilities Company (Electric and Gas Divisions) 4<sup>th</sup> Quarter/Year End  
2016 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 2016.

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  
 December 31, 2016

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	\$ 4,109,446	(\$143,866)	\$3,965,580	\$0	\$3,965,580
AVERAGE RATE BASE	\$69,355,200	(\$864,563)	\$68,490,638	\$0	\$68,490,638
AVERAGE RATE OF RETURN	5.93%		5.79%		5.79%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$4,109,446	(\$157,635)	\$3,951,811	\$0	\$3,951,811
YEAR-END RATE BASE	\$73,975,120	(\$641,287)	\$73,333,833	\$0	\$73,333,833
YEAR-END RATE OF RETURN	5.56%		5.39%		5.39%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	5.25%				
MIDPOINT	5.67%				
HIGH	6.10%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
		A.	INCL COMP RATE ADJ REVENUES		11.07%
		B.	EXCL COMP RATE ADJ REVENUES		11.07%

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

*Mike Cassel* (MIC)  
 Signature

3/31/17  
 Date

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**AVERAGE RATE OF RETURN**  
 For the 12 Months Ending December 31, 2016  
 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	\$94,019,208	(\$29,244,158)	\$64,775,050	\$0	\$2,561,246	\$67,336,296	\$2,018,904	\$69,355,200
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL							(\$520,564)	(\$520,564)
ELIMINATE ACQUISITION ADJ.	\$0	\$0	\$0			\$0		\$0
ELIM. FRANCHISE/CONSENT	(\$14,132)	\$12,341	(\$1,791)			(\$1,791)		(\$1,791)
ELIM. COMMON PLANT	(\$269,819)	\$75,234	(\$194,585)			(\$194,585)		(\$194,585)
FLEXIBLE GAS SERVICE	(\$259,136)	\$120,518	(\$138,618)			(\$138,618)	(\$9,004)	(\$147,622)
			\$0			\$0		\$0
TOTAL FPSC ADJUSTMENTS	(\$543,087)	\$208,093	(\$334,994)	\$0	\$0	(\$334,994)	(\$529,568)	(\$864,563)
FPSC ADJUSTED	\$93,476,121	(\$29,036,065)	\$64,440,056	\$0	\$2,561,246	\$67,001,302	\$1,489,336	\$68,490,638
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$93,476,121	(\$29,036,065)	\$64,440,056	\$0	\$2,561,246	\$67,001,302	\$1,489,336	\$68,490,638
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$93,476,121	(\$29,036,065)	\$64,440,056	\$0	\$2,561,246	\$67,001,302	\$1,489,336	\$68,490,638

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**AVERAGE RATE OF RETURN**  
 For the 12 Months Ending December 31, 2016  
**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	\$20,638,197	\$ 1,782,666	\$8,299,351	\$2,674,834	\$1,845,394	\$1,926,506				\$16,528,751	\$4,109,446
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$116,524				\$116,524	(\$116,524)
2) Acquisition adjust.						\$0				\$0	\$0
3) Elim. Property Tax - Common Plant					(\$3,018)	\$1,164				(\$1,854)	\$1,854
4) Elim. amort org costs				(\$420)		\$162				(\$258)	\$258
5) Elim Economic Dev. Expense			(\$9)			\$4				(\$6)	\$6
6) Elim. Depreciation Exp. Common Plant				(\$15,363)		\$5,926				(\$9,437)	\$9,437
7) Elim. Non-utility O & M			\$0			\$0				\$0	\$0
8) Elim. Ind. Assoc dues			(\$3,525)			\$1,360				(\$2,165)	\$2,165
9) Elim charitable contributions			\$0			\$0				\$0	\$0
10) Elim. Social Activities			(\$28,107)			\$10,842				(\$17,265)	\$17,265
11) Elim. promotional expenses			(\$3,235)			\$1,248				(\$1,987)	\$1,987
12) Elim. Civic Dues			\$0			\$0				\$0	\$0
13) Interest Income	\$593					\$229				\$229	\$364
14) Elim. Rev Related Taxes (Franchise & PSC Assess)	(\$562,313)				(\$562,313)	\$0				(\$562,313)	\$0
15) Elim. Conservation Rev & Exp.	(\$1,791,793)	(\$1,782,666)			(\$8,968)	(\$61)				(\$1,791,695)	(\$98)
16) Elim. PGA Expenses		\$0				\$0				\$0	\$0
17) Elim. PGA Revenues	\$0					\$0				\$0	\$0
18) Elim. Flexible Gas Service	(\$156,600)		(\$45,184)	(\$10,104)	(\$2,688)	(\$38,044)				(\$96,020)	(\$60,580)
19) Out of Period Adjustments			\$0			\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$2,510,113)	(\$1,782,666)	(\$80,060)	(\$25,886)	(\$576,967)	\$99,352	\$0	\$0	\$0	(\$2,366,247)	(\$143,866)
FPSC ADJUSTED	\$18,128,084	\$0	\$8,219,292	\$2,648,947	\$1,268,407	\$2,025,858	\$0	\$0	\$0	\$14,162,504	\$3,965,580
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					#REF!				#REF!	#REF!
ADJUSTED FOR COMP RATE ADJ REVENUES	\$18,128,084	\$0	\$8,219,292	\$2,648,947	\$1,268,407	#REF!	\$0	\$0	\$0	#REF!	#REF!
PROFORMA ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$18,128,084	\$0	\$8,219,292	\$2,648,947	\$1,268,407	#REF!	\$0	\$0	\$0	#REF!	#REF!

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending December 31, 2016  
 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	\$99,313,079	(\$29,780,518)	\$69,532,561	\$0	\$2,892,861	\$72,425,421	\$1,549,698	\$73,975,120
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL							(\$347,178)	(\$347,178)
ELIM. FRANCHISE/CONSENT	(\$14,132)	\$12,551	(\$1,581)			(\$1,581)		(\$1,581)
ELIM. COMMON PLANT	(\$226,896)	\$76,939	(\$149,957)			(\$149,957)		(\$149,957)
FLEXIBLE GAS SERVICE	(\$259,136)	\$125,570	(\$133,567)			(\$133,567)	(\$9,004)	(\$142,571)
TOTAL FPSC ADJUSTMENTS	(\$500,165)	\$215,060	(\$285,104)	\$0	\$0	(\$285,104)	(\$356,182)	(\$641,287)
FPSC ADJUSTED	\$98,812,914	(\$29,565,458)	\$69,247,456	\$0	\$2,892,861	\$72,140,317	\$1,193,516	\$73,333,833
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$98,812,914	(\$29,565,458)	\$69,247,456	\$0	\$2,892,861	\$72,140,317	\$1,193,516	\$73,333,833
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$98,812,914	(\$29,565,458)	\$69,247,456	\$0	\$2,892,861	\$72,140,317	\$1,193,516	\$73,333,833

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending December 31, 2016  
 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	\$20,638,197	\$ 1,782,666	\$8,299,351	\$2,674,834	\$1,845,394	\$1,926,506				\$16,528,751	\$4,109,446
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$130,292				\$130,292	(\$130,292)
2) Acquisition adjust.						\$0				\$0	\$0
3) Elim. Property Tax - Common Plant					(\$3,018)	\$1,164				(\$1,854)	\$1,854
4) Elim. Amort. Org. Costs				(\$420)		\$162				(\$258)	\$258
5) Elim Economic Dev. Expense			(\$9)			\$4				(\$6)	\$6
6) Elim. Depreciation Exp. Common Plant			\$0	(\$15,363)		\$5,926				(\$9,437)	\$9,437
7) Elim. Non-utility O & M			\$0			\$0				\$0	\$0
8) Elim. Ind. Assoc dues			(3,525)			\$1,360				(\$2,165)	\$2,165
9) Elim charitable contributions			\$0			\$0				\$0	\$0
10) Elim. Social Activities			(\$28,107)			\$10,842				(\$17,265)	\$17,265
11) Elim. promotional expenses			(\$3,235)			\$1,248				(\$1,987)	\$1,987
12) Elim. Civic Dues			\$0			\$0				\$0	\$0
13) Interest Income	\$593					\$229				\$229	\$364
14) Elim. Rev Related Taxes (Franchise & PSC Assess)	(\$562,313)				(\$562,313)	\$0				(\$562,313)	\$0
15) Elim. Conservation Rev & Exp.	(\$1,791,793)	(\$1,782,666)			(\$8,968)	(\$61)				(\$1,791,695)	(\$98)
16) Elim. PGA Expenses		\$0				\$0				\$0	\$0
17) Elim. PGA Revenues	\$0					\$0				\$0	\$0
18) Elim. Flexible Gas Service	(\$156,600)		(\$45,184)	(\$10,104)	(\$2,688)	(\$38,044)				(\$96,020)	(\$60,580)
19) Out of Period Adjustments			\$0			\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$2,510,113)	(\$1,782,666)	(\$80,060)	(\$25,886)	(\$576,987)	\$113,121	\$0	\$0	\$0	(\$2,352,478)	(\$157,635)
FPSC ADJUSTED	\$18,128,084	\$0	\$8,219,292	\$2,648,947	\$1,268,407	\$2,039,627	\$0	\$0	\$0	\$14,176,273	\$3,951,811
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$18,128,084	\$0	\$8,219,292	\$2,648,947	\$1,268,407	\$2,039,627	\$0	\$0	\$0	\$14,176,273	\$3,951,811
PROFORM ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$18,128,084	\$0	\$8,219,292	\$2,648,947	\$1,268,407	\$2,039,627	\$0	\$0	\$0	\$14,176,273	\$3,951,811

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	\$29,618,420	\$0	\$29,618,420	\$0	(\$478,827)	\$29,139,593	42.55%	9.80%	4.17%	10.80%	4.59%	11.80%
LONG TERM DEBT	\$10,565,113	\$0	\$10,565,113	\$0	(\$170,801)	\$10,394,312	15.18%	4.93%	0.75%	4.93%	0.75%	4.93%	0.75%
SHORT TERM DEBT	\$13,295,053	\$0	\$13,295,053	\$0	(\$214,934)	\$13,080,119	19.10%	1.52%	0.29%	1.52%	0.29%	1.52%	0.29%
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	\$1,060,164	\$0	\$1,060,164	\$0	\$0	\$1,060,164	1.55%	2.30%	0.04%	2.30%	0.04%	2.30%	0.04%
DEFERRED INCOME TAXES	\$14,814,277	\$0	\$14,814,277	\$0	\$0	\$14,814,277	21.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$2,173	\$0	\$2,173	\$0	\$0	\$2,173	0.00%	5.21%	0.00%	5.63%	0.00%	6.06%	0.00%
<b>TOTAL AVERAGE</b>	<b>\$69,355,200</b>	<b>\$0</b>	<b>\$69,355,200</b>	<b>\$0</b>	<b>(\$864,562)</b>	<b>\$68,490,638</b>	<b>100.00%</b>		<b>5.25%</b>		<b>5.67%</b>		<b>6.10%</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	\$32,013,374	\$0	\$32,013,374	\$0	(\$362,279)	\$31,651,095	43.16%	9.80%	4.23%	10.80%	4.66%	11.80%
LONG TERM DEBT	\$9,756,461	\$0	\$9,756,461	\$0	(\$110,409)	\$9,646,052	13.15%	5.12%	0.67%	5.12%	0.67%	5.12%	0.67%
SHORT TERM DEBT	\$14,898,502	\$0	\$14,898,502	\$0	(\$168,600)	\$14,729,902	20.09%	1.30%	0.26%	1.30%	0.26%	1.30%	0.26%
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	\$1,073,896	\$0	\$1,073,896	\$0	\$0	\$1,073,896	1.46%	2.27%	0.03%	2.27%	0.03%	2.27%	0.03%
DEFERRED INCOME TAXES	\$16,236,790	\$0	\$16,236,790	\$0	\$0	\$16,236,790	22.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	(\$3,903)	\$0	(\$3,903)	\$0	\$0	(\$3,903)	-0.01%	5.16%	0.00%	5.59%	0.00%	6.02%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$73,975,120</b>	<b>\$0</b>	<b>\$73,975,120</b>	<b>\$0</b>	<b>(\$641,288)</b>	<b>\$73,333,832</b>	<b>100.00%</b>		<b>5.19%</b>		<b>5.62%</b>		<b>6.05%</b>