Florida Public Utilities Company
Minimum Filing Requirements
Before the Florida Public Service Commission
Docket No. 070304-EI
Volume II: Schedules E-G

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FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC DIVISION

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 070304-EI

MINIMUM FILING REQUIREMENTS
SCHEDULE E – COST OF SERVICE AND RATE DESIGN SCHEDULES

AUGUST 2007

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 070304-EI

MINIMUM FILING REQUIREMENTS

COST OF SERVICE AND RATE DESIGN SCHEDULES

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FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION:

Provide under separate cover at a minimum a cost of service study that allocates production and transmission plant on the average of the twelve monthly coincident peaks and 1/13 weighted average demand (12 CP and 1/13th) method. if a cost study based on a methodology other than the 12 CP and 1/13th was approved in the company's last rate case, provide that cost study as well. All studies filed should be at both present and proposed rates. In any cost of service study filed, the average of 12 monthly peaks method should be used for the jurisdictional separation of the production and transmission plant and expenses unless the FERC has approved another method in the utility's latest wholesale rate case. The minimum distribution system concept should not be used. The jurisdictional rate base and net operating income in the studies must equal the fully adjusted rate base in Schedule --- and the fully adjusted net operating income in Schedule ---. The cost of service analysis should be done separately for each rate class. If it is not possible to separate the costs of the lighting classes, the lighting classes can be combined.

Costs and revenues for fuel, energy conservation, oil backout, franchise fees, and other items not recovered through base rates must be excluded from the cost of service study. Costs for service charges should be allocated consistently with the allocation of the collection of the revenues from these charges. Any other miscellaneous revenue should be allocated consistently with the allocation of the expense associated with the facilities used or services purchased.

If a historic test year is used, the twelve monthly peaks should be the hour of each month having the highest FIRM load, (i.e., exclude the load of non-firm customers in determining the peak hours).

Type of Data Shown:
Projected Test Year 12/31/2008
Projected Prior Year 12/31/2007

Witness: Mark Cutshaw

INFORMATION PROVIDED UNDER SEPARATE COVER PAGE 222

Supporting Schedules:

Recap Schedules:

Schedule E-2 | EXPLANATION OF VARIATIONS FROM COST OF SERVICE STUDY APPROVED IN COMPANY'S LAST RATE CASE | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Explain the differences between the cost of service study approved in the company's last rate case and that same study filed as part of Schedule E-1 in this rate case (e.g., classification of plant, allocation factor used for certain plant or expenses, etc.)

Type of Data Shown:
Projected Test Year 12/31/2008
Projected Prior Year 12/31/2007
Witness: Mark Cutshaw

The cost of service study prepared for this rate case uses a model based in Microsoft Excel that employs the same allocation methods utilized in the last rate case.

The cost of service study is performed on consolidated electricity operations for both the Northeast and Northwest operating divisions. This method uses consolidated rate base, income statement, allocation factors and billing determinants.

Supporting Schedules:

Recap Schedules:

Schedule E-3a | COST OF SERVICE STUDY - ALLOCATION OF RATE BASE COMPONENTS TO RATE SCHEDULE | Page 1 of 2

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each cost of service study filed, provide the allocation of rate base components as listed below to rate schedules.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Allocation Method: See Cost of Service Study.

Line No.		Total Company Amount	%	Residential Service Amount	%	General Service Amount	%	General -Demand Amount	%	General Dem. Large Amount	%	General Large Demand 1 Amount	%
1	ELECTRIC RATE BASE												
2													
3	TRANSMISSION												
4	DEMAND	4,522,159	100.00%	1,325,450	29.31%	214,688	4.75%	549,304	12.15%	246,706	5.46%	2,184,618	48.31%
5	ENERGY	-		-		-		-		-		-	
6													
7	DISTRIBUTION:												
8	PRIMARY - DEMAND	17,993,544	100.00%	10,136,126	56.33%	1,709,797	9.50%	4,147,952	23.05%	1,785,760	9.92%	-	0.00%
9	SECONDARY - DEMAND	9,905,569	100.00%	5,484,435	55.37%	1,071,308	10.82%	2,494,654	25.18%	720,885	7.28%	-	0.00%
10	SERVICES	4,425,096	100.00%	3,763,588	85.05%	545,053	12.32%	113,013	2.55%	3,129	0.07%	313	0.01%
11	METERS	1,808,374	100.00%	814,593	45.05%	501,770	27.75%	372,297	20.59%	77,131	4.27%	42,583	2.35%
12													
13	TOTAL DISTRIBUTION	34,132,583	100.00%	20,198,742	59.18%	3,827,929	11.21%	7,127,917	20.88%	2,586,904	7.58%	42,896	0.13%
14													
15	CUSTOMER BILLING	2,217,785	100.00%	1,738,080	78.37%	251,714	11.35%	78,287	3.53%	2,167	0.10%	36,123	1.63%
16													
17	CUSTOMER - OTHER	(27,867)	100.00%	(23,701)	85.05%	(3,432)	12.32%	(712)	2.55%	(20)	0.07%	(2)	0.01%
18													
19	REVENUE RELATED	(71,260)	100.00%	(40,230)	56.46%	(7,722)	10.84%	(11,470)	16.10%	(3,176)	4.46%	(2,648)	3.72%
20													
21	CUSTOMER DIRECT												
22	OUTDOOR LIGHTING	1,511,173	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
23	STREET LIGHTING	736,422	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
24													
25	TOTAL RATE BASE	43,020,996	100.00%	23,198,340	53.92%	4,283,176	9.96%	7,743,326	18.00%	2,832,581	6.58%	2,260,987	5.26%

FLORIDA PUBLIC SERVICE COMMISS

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Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each cost of service study filed, provide the allocation of rate base components as listed below to rate schedules.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Allocation Method: See Cost of Service

Line No.		Total Outdoor Lighting Amount	%	OL Amount	%	OL-2 Amount	%	Total Street Lighting Amount	%	SL-2 Amount	%	SL-3 Amount	%
1	ELECTRIC RATE BASE												
2													
3	TRANSMISSION												
4	DEMAND	1,017	0.02%	262	0.01%	756	0.02%	377	0.01%	144	0.00%	233	0.01%
5	ENERGY	-		-		-		-		-		-	
6													
7	DISTRIBUTION:												
8	PRIMARY - DEMAND	156,104	0.87%	40,128	0.22%	115,976	0.64%	57,805	0.32%	22,037	0.12%	35,767	0.20%
9	SECONDARY - DEMAND	97,999	0.99%	25,191	0.25%	72,808	0.74%	36,289	0.37%	13,835	0.14%	22,454	0.23%
10	SERVICES	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
11	METERS	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
12													
13	TOTAL DISTRIBUTION	254,103	0.74%	65,319	0.19%	188,784	0.55%	94,093	0.28%	35,872	0.11%	58,221	0.17%
14													
15	CUSTOMER BILLING	110,716	4.99%	40,639	1.83%	70,077	3.16%	698	0.03%	181	0.01%	517	0.02%
16													
17	CUSTOMER - OTHER	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
18													
19	REVENUE RELATED	(4,682)	6.57%	(1,108)	1.56%	(3,573)	5.01%	(1,332)	1.87%	(241)	0.34%	(1,091)	1.53%
20													
21	CUSTOMER DIRECT												
22	OUTDOOR LIGHTING	1,511,173	100.00%	62,039	4.11%	1,449,134	95.89%	-	0.00%	-	0.00%	-	0.00%
23	STREET LIGHTING	-	0.00%	-	0.00%	-	0.00%	736,422	100.00%	110,481	15.00%	625,941	85.00%
24													
25	TOTAL RATE BASE	1,872,328	4.35%	167,150	0.39%	1,705,178	3.96%	830,258	1.93%	146,437	0.34%	683,821	1.59%

Schedule E-3b

COST OF SERVICE STUDY - ALLOCATION OF EXPENSE COMPONENTS TO RATE SCHEDULE

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each cost of service study filed, provide the allocation of expense components as listed below to rate schedules.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Allocation Method: See Cost of Service Study.

Line No.		Total Company Amount	%	Residential Service Amount	%	General Service Amount	%	General -Demand Amount	%	General Dem. Large Amount	%	General Large Demand 1 Amount	%
1	**TOTAL EXPENSE COMPONENTS**												
2													
3	O&M	10,081,391	100.00%	6,204,088	61.54%	1,112,608	11.04%	1,395,919	13.85%	459,372	4.56%	223,463	2.22%
4	DEPRECIATION	3,064,247	100.00%	1,695,922	55.35%	303,583	9.91%	517,436	16.89%	180,472	5.89%	111,003	3.62%
5	TAXES OTHER THAN INCOME TAX	4,287,783	100.00%	2,200,731	51.33%	631,334	14.72%	656,912	15.32%	219,250	5.11%	346,744	8.09%
6													
7	**TOTAL EXPENSES**	17,433,421	100.00%	10,100,740	57.94%	2,047,524	11.74%	2,570,267	14.74%	859,094	4.93%	681,210	3.91%
8													
9													
10	**OPERATION AND**												
11	**MAINTENANCE EXPENSE**												
12													
13	TRANSMISSION												
14	DEMAND	305,404	100.00%	89,514	29.31%	14,499	4.75%	37,097	12.15%	16,661	5.46%	147,538	48.31%
15	ENERGY	-		-		-		-		-		-	
16													
17	DISTRIBUTION:												
18	PRIMARY - DEMAND	2,967,025	100.00%	1,671,385	56.33%	281,935	9.50%	683,972	23.05%	294,461	9.92%	-	0.00%
19	SECONDARY - DEMAND	1,426,761	100.00%	841,851	59.00%	141,733	9.93%	330,039	23.13%	95,372	6.68%	-	0.00%
20	CUSTOMER - RELATED	-		-		-		-		-		-	
21	SERVICES	125,972	100.00%	107,140	85.05%	15,516	12.32%	3,217	2.55%	89	0.07%	9	0.01%
22	METERS	661,325	100.00%	297,898	45.05%	183,498	27.75%	136,150	20.59%	28,207	4.27%	15,573	2.35%
23													
24	TOTAL DISTRIBUTION	5,181,082	100.00%	2,918,273	56.33%	622,682	12.02%	1,153,378	22.26%	418,129	8.07%	15,582	0.30%
25													
26	CUSTOMER ACCOUNTS EXPENSE												
27	METER READING EXPENSES	315,817	100.00%	265,117	83.95%	38,395	12.16%	11,941	3.78%	331	0.10%	33	0.01%
28	CUST. RECORDS & COLLECTIONS	868,756	100.00%	680,845	78.37%	98,602	11.35%	30,667	3.53%	849	0.10%	14,150	1.63%
29	MISC. CUSTOMER ACCOUNTS	100,983	100.00%	79,141	78.37%	11,461	11.35%	3,565	3.53%	99	0.10%	1,645	1.63%
30	SUPERVISION	133,861	100.00%	106,741	79.74%	15,459	11.55%	4,808	3.59%	133	0.10%	1,648	1.23%
31													
32	TOTAL CUSTOMER ACCOUNTS	1,419,418	100.00%	1,131,844	79.74%	163,917	11.55%	50,981	3.59%	1,411	0.10%	17,476	1.23%
33													
34	A&G RELATED TO CUST. ACCOUNTS	2,059,124	100.00%	1,641,945	79.74%	237,791	11.55%	73,957	3.59%	2,048	0.10%	25,353	1.23%
35	CUSTOMER - OTHER	184,168	100.00%	156,637	85.05%	22,685	12.32%	4,703	2.55%	130	0.07%	13	0.01%
36	REVENUE - RELATED	470,947	100.00%	265,874	56.46%	51,035	10.84%	75,803	16.10%	20,993	4.46%	17,501	3.72%
37													
38	CUSTOMER DIRECT												
39	OUTDOOR LIGHTING	335,283	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
40	STREET LIGHTING	125,964	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
	TOTAL O&M EXPENSE	10,081,391	100.00%	6,204,088	61.54%	1,112,608	11.04%	1,395,919	13.85%	459,372	4.56%	223,463	2.22%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each cost of service study filed, provide the allocation of expense components as listed below to rate schedules.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Allocation Method: See Cost of Service Study.

Line No.		Total Outdoor Lighting Amount	%	OL Amount	%	OL-2 Amount	%	Total Street Lighting Amount	%	SL-2 Amount	%	SL-3 Amount	%
1	**TOTAL EXPENSE COMPONENTS**												
2													
3	O&M	535,993	5.32%	79,139	0.79%	456,854	4.53%	149,949	1.49%	26,177	0.26%	123,772	1.23%
4	DEPRECIATION	175,694	5.73%	14,655	0.48%	161,039	5.26%	80,138	2.62%	13,499	0.44%	66,639	2.17%
5	TAXES OTHER THAN INCOME TAX	177,777	4.15%	38,986	0.91%	138,791	3.24%	55,035	1.28%	9,892	0.23%	45,143	1.05%
6													
7	**TOTAL EXPENSES**	889,464	5.10%	132,781	0.76%	756,684	4.34%	285,122	1.64%	49,567	0.28%	235,554	1.35%
8													
9													
10	**OPERATION AND**												
11	**MAINTENANCE EXPENSE**												
12													
13	TRANSMISSION												
14	DEMAND	69	0.02%	18	0.01%	51	0.02%	25	0.01%	10	0.00%	16	0.01%
15	ENERGY	-		-		-		-		-		-	
16													
17	DISTRIBUTION:												
18	PRIMARY - DEMAND	25,741	0.87%	6,617	0.22%	19,124	0.64%	9,532	0.32%	3,634	0.12%	5,898	0.20%
19	SECONDARY - DEMAND	12,965	0.91%	3,333	0.23%	9,632	0.68%	4,801	0.34%	1,830	0.13%	2,971	0.21%
20	CUSTOMER - RELATED	-		-		-		-		-		-	
21	SERVICES	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
22	METERS	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
23													
24	TOTAL DISTRIBUTION	38,706	0.75%	9,950	0.19%	28,756	0.56%	14,333	0.28%	5,464	0.11%	8,868	0.17%
25													
26	CUSTOMER ACCOUNTS EXPENSE												
27	METER READING EXPENSES	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
28	CUST. RECORDS & COLLECTIONS	43,370	4.99%	15,919	1.83%	27,451	3.16%	273	0.03%	71	0.01%	203	0.02%
29	MISC. CUSTOMER ACCOUNTS	5,041	4.99%	1,850	1.83%	3,191	3.16%	32	0.03%	8	0.01%	24	0.02%
30	SUPERVISION	5,041	3.77%	1,850	1.38%	3,191	2.38%	32	0.02%	8	0.01%	24	0.02%
31													
32	TOTAL CUSTOMER ACCOUNTS	53,452	3.77%	19,620	1.38%	33,832	2.38%	337	0.02%	87	0.01%	250	0.02%
33													
34	A&G RELATED TO CUST. ACCOUNTS	77,542	3.77%	28,462	1.38%	49,080	2.38%	489	0.02%	126	0.01%	362	0.02%
35	CUSTOMER - OTHER	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
36	REVENUE - RELATED	30,941	6.57%	7,325	1.56%	23,616	5.01%	8,801	1.87%	1,591	0.34%	7,210	1.53%
37													
38	CUSTOMER DIRECT												
39	OUTDOOR LIGHTING	335,283	100.00%	13,765	4.11%	321,519	95.89%	-	0.00%	-	0.00%	-	0.00%
40	STREET LIGHTING	-	0.00%	-	0.00%	-	0.00%	125,964	100.00%	18,898	15.00%	107,067	85.00%
	TOTAL O&M EXPENSE	535,993	5.32%	79,139	0.79%	456,854	4.53%	149,949	1.49%	26,177	0.26%	123,772	1.23%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each cost of service study filed, provide the allocation of expense components as listed below to rate schedules.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Allocation Method: See Cost of Service Study.

Line No.		Total Company Amount	%	Residential Service Amount	%	General Service Amount	%	General -Demand Amount	%	General Dem. Large Amount	%	General Large Demand 1 Amount	%
41	**DEPRECIATION EXPENSE**												
42													
43	TRANSMISSION												
44	DEMAND	214,962	100.00%	63,006	29.31%	10,205	4.75%	26,111	12.15%	11,727	5.46%	103,846	48.31%
45	ENERGY	-		-		-		-		-		-	
46													
47	DISTRIBUTION:												
48	PRIMARY - DEMAND	1,026,355	100.00%	578,166	56.33%	97,527	9.50%	236,600	23.05%	101,860	9.92%	-	0.00%
49	SECONDARY - DEMAND	901,861	100.00%	532,137	59.00%	89,590	9.93%	208,619	23.13%	60,285	6.68%	-	0.00%
50	CUSTOMER - RELATED	-		-		-		-		-		-	
51	SERVICES	326,504		277,695		40,217		8,339		231		23	
52	METERS	144,059	100.00%	64,892	45.05%	39,972	27.75%	29,658	20.59%	6,144	4.27%	3,392	2.35%
53													
54	TOTAL DISTRIBUTION	2,398,779	100.00%	1,452,891	60.57%	267,306	11.14%	483,216	20.14%	168,520	7.03%	3,415	0.14%
55													
56	CUSTOMER BILLING	229,712	100.00%	180,025	78.37%	26,072	11.35%	8,109	3.53%	224	0.10%	3,742	1.63%
57													
58	CUSTOMER - OTHER	-		-		-		-		-		-	
59													
60	REVENUE RELATED	-		-		-		-		-		-	
61													
62	CUSTOMER DIRECT												
63	OUTDOOR LIGHTING	147,079	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
64	STREET LIGHTING	73,716	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
65													
66	**TOTAL DEPRECIATION EXPENSE**	3,064,247	100.00%	1,695,922	55.35%	303,583	9.91%	517,436	16.89%	180,472	5.89%	111,003	3.62%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each cost of service study filed, provide the allocation of expense components as listed below to rate schedules.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Allocation Method: See Cost of Service Study.

Line No.		Total Outdoor Lighting Amount	%	OL Amount	%	OL-2 Amount	%	Total Street Lighting Amount	%	SL-2 Amount	%	SL-3 Amount	%
41	**DEPRECIATION EXPENSE**												
42													
43	TRANSMISSION												
44	DEMAND	48	0.02%	12	0.01%	36	0.02%	18	0.01%	7	0.00%	11	0.01%
45	ENERGY	-		-		-		-		-		-	
46													
47	DISTRIBUTION:												
48	PRIMARY - DEMAND	8,904	0.87%	2,289	0.22%	6,615	0.64%	3,297	0.32%	1,257	0.12%	2,040	0.20%
49	SECONDARY - DEMAND	8,195	0.91%	2,107	0.23%	6,089	0.68%	3,035	0.34%	1,157	0.13%	1,878	0.21%
50	CUSTOMER - RELATED	-		-		-		-		-		-	
51	SERVICES	-		-		-		-		-		-	
52	METERS	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
53													
54	TOTAL DISTRIBUTION	17,100	0.71%	4,396	0.18%	12,704	0.53%	6,332	0.26%	2,414	0.10%	3,918	0.16%
55													
56	CUSTOMER BILLING	11,468	4.99%	4,209	1.83%	7,258	3.16%	72	0.03%	19	0.01%	54	0.02%
57													
58	CUSTOMER - OTHER	-		-		-		-		-		-	
59													
60	REVENUE RELATED	-		-		-		-		-		-	
61													
62	CUSTOMER DIRECT												
63	OUTDOOR LIGHTING	147,079	100.00%	6,038	4.11%	141,040	95.89%	-	0.00%	-	0.00%	-	0.00%
64	STREET LIGHTING	-	0.00%	-	0.00%	-	0.00%	73,716	100.00%	11,059	15.00%	62,656	85.00%
65													
66	**TOTAL DEPRECIATION EXPENSE**	175,694	5.73%	14,655	0.48%	161,039	5.26%	80,138	2.62%	13,499	0.44%	66,639	2.17%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each cost of service study filed, provide the allocation of expense components as listed below to rate schedules.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Allocation Method: See Cost of Service Study.

Line No.		Total Company Amount	%	Residential Service Amount	%	General Service Amount	%	General -Demand Amount	%	General Dem. Large Amount	%	General Large Demand 1 Amount	%
67	**TAXES OTHER THAN INCOME TAX**												
68													
69	TRANSMISSION												
70	DEMAND	47,318	100.00%	13,869	29.31%	2,246	4.75%	5,748	12.15%	2,581	5.46%	22,859	48.31%
71	ENERGY	-		-		-		-		-		-	
72													
73	DISTRIBUTION												
74	PRIMARY - DEMAND	252,608	100.00%	142,299	56.33%	24,004	9.50%	58,232	23.05%	25,070	9.92%	-	0.00%
75	SECONDARY - DEMAND	179,279	100.00%	105,782	59.00%	17,809	9.93%	41,471	23.13%	11,984	6.68%	-	0.00%
76	CUSTOMER - RELATED	-		-		-		-		-		-	
77	SERVICES	58,820	100.00%	50,027	85.05%	7,245	12.32%	1,502	2.55%	42	0.07%	4	0.01%
78	METERS	38,959	100.00%	17,549	45.05%	10,810	27.75%	8,021	20.59%	1,662	4.27%	917	2.35%
79													
80	TOTAL DISTRIBUTION	529,667		315,658		59,868		109,226		38,757		922	
81													
82	CUSTOMER BILLING	209,207	100.00%	163,956	78.37%	23,745	11.35%	7,385	3.53%	204	0.10%	3,408	1.63%
83													
84	CUSTOMER - OTHER	-		-		-		-		-		-	
85													
86	REVENUE RELATED	3,467,063	100.00%	1,707,248	49.24%	545,475	15.73%	534,553	15.42%	177,707	5.13%	319,556	9.22%
87													
88	CUSTOMER DIRECT												
89	OUTDOOR LIGHTING	23,209	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
90	STREET LIGHTING	11,320	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
91													
92	**TOTAL TAXES OTHER THAN INCOME**	4,287,783	100.00%	2,200,731	51.33%	631,334	14.72%	656,912	15.32%	219,250	5.11%	346,744	8.09%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each cost of service study filed, provide the allocation of expense components as listed below to rate schedules.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Allocation Method: See Cost of Service Study.

Line No.		Total Outdoor Lighting Amount	%	OL Amount	%	OL-2 Amount	%	Total Street Lighting Amount	%	SL-2 Amount	%	SL-3 Amount	%
												Page A6	
67	**TAXES OTHER THAN INCOME TAX**												
68													
69	TRANSMISSION												
70	DEMAND	11	0.02%	3	0.01%	8	0.02%	4	0.01%	2	0.00%	2	0.01%
71	ENERGY	-		-		-		-		-		-	
72													
73	DISTRIBUTION												
74	PRIMARY - DEMAND	2,192	0.87%	563	0.22%	1,628	0.64%	812	0.32%	309	0.12%	502	0.20%
75	SECONDARY - DEMAND	1,629	0.91%	419	0.23%	1,210	0.68%	603	0.34%	230	0.13%	373	0.21%
76	CUSTOMER - RELATED	-		-		-		-		-		-	
77	SERVICES	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
78	METERS	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
79													
80	TOTAL DISTRIBUTION	3,821		982		2,839		1,415		539		875	
81													
82	CUSTOMER BILLING	10,444	4.99%	3,834	1.83%	6,610	3.16%	66	0.03%	17	0.01%	49	0.02%
83													
84	CUSTOMER - OTHER	-		-		-		-		-		-	
85													
86	REVENUE RELATED	140,293	4.05%	33,215	0.96%	107,078	3.09%	42,231	1.22%	7,636	0.22%	34,595	1.00%
87													
88	CUSTOMER DIRECT												
89	OUTDOOR LIGHTING	23,209	100.00%	953	4.11%	22,256	95.89%	-	0.00%	-	0.00%	-	0.00%
90	STREET LIGHTING	-	0.00%	-	0.00%	-	0.00%	11,320	100.00%	1,698	15.00%	9,622	85.00%
91													
92	**TOTAL TAXES OTHER THAN INCOME**	177,777	4.15%	38,986	0.91%	138,791	3.24%	55,035	1.28%	9,892	0.23%	45,143	1.05%

Supporting Schedules: C-1

Recap Schedules: E-6a

Schedule E-4a

COST OF SERVICE STUDY - FUNCTIONALIZATION AND CLASSIFICATION OF RATE BASE

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Functionalize and classify test year rate base by primary account (plant balances, accumulated depreciation and CWIP). The account balances in the B Schedules and those used in the cost of service study must be equal.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Account	Total Company Amount	%	Transmission Demand Amount	%	Transmission Energy Amount	%	Primary Demand Amount	%	Secondary Demand Amount	%	Distribution Customer Amount	%	Services Amount	%
ELECTRIC RATE BASE														
PLANT IN SERVICE	81,437,513	100.00%	7,105,037	8.72%	-	0.00%	29,537,569	36.27%	23,036,554	28.29%	-	0.00%	8,602,945	10.56%
LESS:														
ACCUM. PROV. FOR DEPREC.	(36,302,038)	100.00%	(2,543,210)	7.01%	-	0.00%	(11,122,283)	30.64%	(12,057,492)	33.21%	-	0.00%	(4,166,711)	11.48%
CUSTR ADVANCES FOR CONST.	(878,824)	100.00%	-	0.00%	-	0.00%	-	0.00%	(878,824)	100.00%	-	0.00%	-	0.00%
PLUS:														
WORKING CAPITAL ALLOWANCE	(1,310,654)	100.00%	(46,211)	3.53%	-	0.00%	(448,944)	34.25%	(215,885)	16.47%	-	0.00%	(19,061)	1.45%
CWIP	75,000	100.00%	6,543	8.72%	-	0.00%	27,203	36.27%	21,216	28.29%	-	0.00%	7,923	10.56%
TOTAL RATE BASE	43,020,997		4,522,159		-		17,993,544		9,905,569		-		4,425,096	

* Detailed Functionalization for Plant in Service and Accumulated Provision for Depreciation is provided in the Cost Study Report attached to Schedule E-1.

PLANT IN SERVICE														
TRANSMISSION	7,105,037	100.00%	7,105,037	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
DISTRIBUTION	65,743,649	100.00%	-	0.00%	-	0.00%	27,812,937	42.31%	22,238,602	33.83%	-	0.00%	8,555,826	13.01%
GENERAL PLANT	3,422,186	100.00%	-	0.00%	-	0.00%	687,173	20.08%	317,941	9.29%	-	0.00%	18,774	0.55%
COMMON PLANT	1,853,396	100.00%	-	0.00%	-	0.00%	372,161	20.08%	172,191	9.29%	-	0.00%	10,168	0.55%
TRANSPORTATION EQUIPMENT	3,313,245	100.00%	-	0.00%	-	0.00%	665,297	20.08%	307,820	9.29%	-	0.00%	18,177	0.55%
TOTAL PLANT IN SERVICE	81,437,513	100.00%	7,105,037	8.72%	-	0.00%	29,537,569	36.27%	23,036,554	28.29%	-	0.00%	8,602,945	10.56%
ACCUMULATED PROVISION FOR DEPRECIATION														
TRANSMISSION	(2,543,210)	100.00%	(2,543,210)	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
DISTRIBUTION	(29,219,179)	100.00%	-	0.00%	-	0.00%	(10,210,724)	34.95%	(11,635,732)	39.82%	-	0.00%	(4,141,806)	14.17%
GENERAL PLANT	(1,965,984)	100.00%	-	0.00%	-	0.00%	(394,768)	20.08%	(182,651)	9.29%	-	0.00%	(10,786)	0.55%
COMMON PLANT	(660,224)	100.00%	-	0.00%	-	0.00%	(132,573)	20.08%	(61,339)	9.29%	-	0.00%	(3,622)	0.55%
TRANSPORTATION EQUIPMENT	(1,913,441)	100.00%	-	0.00%	-	0.00%	(384,218)	20.08%	(177,770)	9.29%	-	0.00%	(10,497)	0.55%
TOTAL ACCUM. PROV. FOR DEPR.	(36,302,039)	100.00%	(2,543,210)	7.01%	-	0.00%	(11,122,283)	30.64%	(12,057,492)	33.21%	-	0.00%	(4,166,711)	11.48%

Schedule E-4a

COST OF SERVICE STUDY - FUNCTIONALIZATION AND CLASSIFICATION OF RATE BASE

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Functionalize and classify test year rate base by primary account (plant balances, accumulated depreciation and CWIP). The account balances in the B Schedules and those used in the cost of service study must be equal.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Account	Meters		Customer Distribution OL		Customer Distribution SL		Customer Billing		Customer Other		Revenue Related	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
ELECTRIC RATE BASE												
PLANT IN SERVICE	3,933,362	4.83%	2,522,440	3.10%	1,344,982	1.65%	5,354,624	6.58%	-	0.00%	-	0.00%
LESS:												
ACCUM. PROV. FOR DEPREC.	(2,028,545)	5.59%	(962,858)	2.65%	(590,738)	1.63%	(2,830,202)	7.80%	-	0.00%	-	0.00%
CUSTR ADVANCES FOR CONST.	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
PLUS:												
WORKING CAPITAL ALLOWANCE	(100,066)	7.63%	(50,732)	3.87%	(19,060)	1.45%	(311,569)	23.77%	(27,867)	2.13%	(71,260)	5.44%
CWIP	3,622	4.83%	2,323	3.10%	1,239	1.65%	4,931	6.58%	-	0.00%	-	0.00%
TOTAL RATE BASE	1,808,374		1,511,173		736,422		2,217,785		(27,867)		(71,260)	

* Detailed Functionalization for Plant in Se

PLANT IN SERVICE

TRANSMISSION	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
DISTRIBUTION	3,539,542	5.38%	2,324,655	3.54%	1,272,086	1.93%	-	0.00%	-	0.00%	-	0.00%
GENERAL PLANT	156,916	4.59%	78,807	2.30%	29,045	0.85%	2,133,530	62.34%	-	0.00%	-	0.00%
COMMON PLANT	84,983	4.59%	42,680	2.30%	15,730	0.85%	1,155,482	62.34%	-	0.00%	-	0.00%
TRANSPORTATION EQUIPMENT	151,921	4.59%	76,298	2.30%	28,120	0.85%	2,065,611	62.34%	-	0.00%	-	0.00%
TOTAL PLANT IN SERVICE	3,933,362	4.83%	2,522,440	3.10%	1,344,982	1.65%	5,354,624	6.58%	-	0.00%	-	0.00%

ACCUMULATED PROVISION FOR DEP

TRANSMISSION	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
DISTRIBUTION	(1,820,390)	6.23%	(858,318)	2.94%	(552,209)	1.89%	-	0.00%	-	0.00%	-	0.00%
GENERAL PLANT	(90,145)	4.59%	(45,273)	2.30%	(16,686)	0.85%	(1,225,675)	62.34%	-	0.00%	-	0.00%
COMMON PLANT	(30,273)	4.59%	(15,204)	2.30%	(5,603)	0.85%	(411,611)	62.34%	-	0.00%	-	0.00%
TRANSPORTATION EQUIPMENT	(87,736)	4.59%	(44,063)	2.30%	(16,240)	0.85%	(1,192,917)	62.34%	-	0.00%	-	0.00%
TOTAL ACCUM. PROV. FOR DEPR.	(2,028,545)	5.59%	(962,858)	2.65%	(590,738)	1.63%	(2,830,202)	7.80%	-	0.00%	-	0.00%

Supporting Schedules: E-3a, B-1

Recap Schedules: E-3a

Schedule E-4b

COST OF SERVICE STUDY - FUNCTIONALIZATION AND CLASSIFICATION OF EXPENSES

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Functionalize and classify test year operating expenses by primary account (depreciation expense, operation and maintenance expense, and any other expense items). The balances in the C Schedules and those used in the cost of service study must be equal.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.	Account	Total Company Amount	%	Transmission Demand Amount	%	Transmission Energy Amount	%	Primary Demand Amount	%	Secondary Demand Amount	%	Distribution Customer Amount	%	Services Amount	%
1	**EXPENSE ITEMS**														
2															
3	O&M	10,081,391	100.00%	305,404	3.03%	-	0.00%	2,967,025	29.43%	1,426,761	14.15%	-	0.00%	125,972	1.25%
4	DEPRECIATION	3,064,247	100.00%	214,962	7.02%	-	0.00%	1,026,355	33.49%	901,861	29.43%	-	0.00%	326,504	10.66%
5	TAXES OTHER THAN INCOME	2,374,713	100.00%	47,318	1.99%	-	0.00%	252,608	10.64%	179,279	7.55%	-	0.00%	58,820	2.48%
6															
7	**TOTAL EXPENSES**	15,520,351	100.00%	567,684	3.66%	-	0.00%	4,245,988	27.36%	2,507,901	16.16%	-	0.00%	511,297	3.29%
8															
9															
10															
11															
12	**O&M EXPENSES**														
13															
14	TRANSMISSION - OPERATION	74,558	100.00%	74,558	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
15	DISTRIBUTION - OPERATION	1,421,893	100.00%	-	0.00%	-	0.00%	502,643	35.35%	218,172	15.34%	-	0.00%	58,566	4.12%
16	TRANSMISSION - MAINTENANCE	189,917	100.00%	189,917	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
17	DISTRIBUTION - MAINTENANCE	2,597,998	100.00%	-	0.00%	-	0.00%	1,640,954	63.16%	773,628	29.78%	-	0.00%	-	0.00%
18	TOTAL CUSTOMER ACCOUNTS EXP	1,636,082	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
19	TOTAL CUST SERV & INFO	-		-		-		-		-		-		-	
20	TOTAL CUST SALES EXPENSE	184,168	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
21	ADMINISTRATIVE AND GENERAL - OPERATION	3,795,641	100.00%	40,929	1.08%	-	0.00%	787,056	20.74%	418,133	11.02%	-	0.00%	66,413	1.75%
22	MAINTENANCE OF GENERAL PLANT	181,134	100.00%	-	0.00%	-	0.00%	36,372	20.08%	16,828	9.29%	-	0.00%	994	0.55%
23															
24	**TOTAL O&M EXPENSES**	10,081,391	100.00%	305,404	3.03%	-	0.00%	2,967,025	29.43%	1,426,761	14.15%	-	0.00%	125,972	1.25%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Functionalize and classify test year operating expenses by primary account (depreciation expense, operation and maintenance expense, and any other expense items). The balances in the C Schedules and those used in the cost of service study must be equal.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.	Account	Meters Amount	Meters %	Customer Distribution OL Amount	Customer Distribution OL %	Customer Distribution SL Amount	Customer Distribution SL %	Customer Billing Amount	Customer Billing %	Customer Other Amount	Customer Other %	Revenue Related Amount	Revenue Related %
1	**EXPENSE ITEMS**												
2													
3	O&M	661,325	6.56%	335,283	3.33%	125,964	1.25%	3,478,542	34.50%	184,168	1.83%	470,947	4.67%
4	DEPRECIATION	144,059	4.70%	147,079	4.80%	73,716	2.41%	229,712	7.50%	-	0.00%	-	0.00%
5	TAXES OTHER THAN INCOME	38,959	1.64%	23,209	0.98%	11,320	0.48%	209,207	8.81%	-	0.00%	1,553,993	65.44%
6													
7	**TOTAL EXPENSES**	844,342	5.44%	505,571	3.26%	211,000	1.36%	3,917,461	25.24%	184,168	1.19%	2,024,940	13.05%
8													
9													
10													
11													
12	**O&M EXPENSES**												
13													
14	TRANSMISSION - OPERATION	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
15	DISTRIBUTION - OPERATION	444,816	31.28%	169,319	11.91%	28,377	2.00%	-	0.00%	-	0.00%	-	0.00%
16	TRANSMISSION - MAINTENANCE	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
17	DISTRIBUTION - MAINTENANCE	44,675	1.72%	76,514	2.95%	62,227	2.40%	-	0.00%	-	0.00%	-	0.00%
18	TOTAL CUSTOMER ACCOUNTS EXP	-	0.00%	-	0.00%	-	0.00%	1,419,418	86.76%	-	0.00%	216,664	13.24%
19	TOTAL CUST SERV & INFO	-		-		-		-		-		-	
20	TOTAL CUST SALES EXPENSE	-	0.00%	-	0.00%	-	0.00%	-	0.00%	184,168	100.00%	-	0.00%
21	ADMINISTRATIVE AND GENERAL - OPERATION	163,528	4.31%	85,279	2.25%	33,823	0.89%	1,946,198	51.27%	-	0.00%	254,283	6.70%
22	MAINTENANCE OF GENERAL PLANT	8,305	4.59%	4,171	2.30%	1,537	0.85%	112,927	62.34%	-	0.00%	-	0.00%
23													
24	**TOTAL O&M EXPENSES**	661,325	6.56%	335,283	3.33%	125,964	1.25%	3,478,542	34.50%	184,168	1.83%	470,947	4.67%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Functionalize and classify test year operating expenses by primary account (depreciation expense, operation and maintenance expense, and any other expense items). The balances in the C Schedules and those used in the cost of service study must be equal.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.	Account	Total Company Amount	%	Transmission Demand Amount	%	Transmission Energy Amount	%	Primary Demand Amount	%	Secondary Demand Amount	%	Distribution Customer Amount	%	Services Amount	%
25	**DEPRECIATION EXPENSE**														
26															
27	TRANSMISSION	214,962	100.00%	214,962	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
28	DISTRIBUTION	2,480,827	100.00%	-	0.00%	-	0.00%	952,368	38.39%	867,630	34.97%	-	0.00%	324,483	13.08%
29	GENERAL PLANT	236,949	100.00%	-	0.00%	-	0.00%	47,579	20.08%	22,014	9.29%	-	0.00%	1,300	0.55%
30	COMMON PLANT	131,509	100.00%	-	0.00%	-	0.00%	26,407	20.08%	12,218	9.29%	-	0.00%	721	0.55%
31	TRANSPORTATION EQUIPMENT	-		-		-		-		-		-		-	
32															
33	**TOTAL DEPRECIATION EXPENSE**	3,064,247	100.00%	214,962	7.02%	-	0.00%	1,026,355	33.49%	901,861	29.43%	-	0.00%	326,504	10.66%
34															
35															
36															
37															
38	**TAXES OTHER THAN INCOME**														
39															
40	FEDERAL UNEMPLOYMENT	1,483	100.00%	-	0.00%	-	0.00%	298	20.08%	138	9.29%	-	0.00%	8	0.55%
41	STATE UNEMPLOYMENT	1,132	100.00%	-	0.00%	-	0.00%	227	20.08%	105	9.29%	-	0.00%	6	0.55%
42	FICA	275,755	100.00%	-	0.00%	-	0.00%	55,371	20.08%	25,619	9.29%	-	0.00%	1,513	0.55%
43	STATE INTANGIBLE	-		-		-		-		-		-		-	
44	REGULATORY ASSESSMENT FEE	9,379	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
45	REAL AND PERSONAL PROPERTY	549,956	100.00%	47,981	8.72%	-	0.00%	199,470	36.27%	155,568	28.29%	-	0.00%	58,097	10.56%
46	STATE GROSS RECEIPTS	1,544,614	100.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
47	EMERGENCY EXCISE TAX	(8,261)	100.00%	(721)	8.72%	-	0.00%	(2,996)	36.27%	(2,337)	28.29%	-	0.00%	(873)	10.56%
48	OCCUPATIONAL LICENSE	656	100.00%	57	8.72%	-	0.00%	238	36.27%	186	28.29%	-	0.00%	69	10.56%
49															
50	**TOTAL TAXES OTHER THAN INCOME**	2,374,713	100.00%	47,318	1.99%	-	0.00%	252,608	10.64%	179,279	7.55%	-	0.00%	58,820	2.48%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Functionalize and classify test year operating expenses by primary account (depreciation expense, operation and maintenance expense, and any other expense items). The balances in the C Schedules and those used in the cost of service study must be equal.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.	Account	Meters Amount	Meters %	Customer Distribution OL Amount	Customer Distribution OL %	Customer Distribution SL Amount	Customer Distribution SL %	Customer Billing Amount	Customer Billing %	Customer Other Amount	Customer Other %	Revenue Related Amount	Revenue Related %
25	**DEPRECIATION EXPENSE**												
26													
27	TRANSMISSION	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
28	DISTRIBUTION	127,164	5.13%	138,594	5.59%	70,588	2.85%	-	0.00%	-	0.00%	-	0.00%
29	GENERAL PLANT	10,865	4.59%	5,457	2.30%	2,011	0.85%	147,724	62.34%	-	0.00%	-	0.00%
30	COMMON PLANT	6,030	4.59%	3,028	2.30%	1,116	0.85%	81,988	62.34%	-	0.00%	-	0.00%
31	TRANSPORTATION EQUIPMENT	-		-		-		-		-		-	
32													
33	**TOTAL DEPRECIATION EXPENSE**	144,059	4.70%	147,079	4.80%	73,716	2.41%	229,712	7.50%	-	0.00%	-	0.00%
34													
35													
36													
37													
38	**TAXES OTHER THAN INCOME**												
39													
40	FEDERAL UNEMPLOYMENT	68	4.59%	34	2.30%	13	0.85%	924	62.34%	-	0.00%	-	0.00%
41	STATE UNEMPLOYMENT	52	4.59%	26	2.30%	10	0.85%	706	62.34%	-	0.00%	-	0.00%
42	FICA	12,644	4.59%	6,350	2.30%	2,340	0.85%	171,917	62.34%	-	0.00%	-	0.00%
43	STATE INTANGIBLE	-		-		-		-		-		-	
44	REGULATORY ASSESSMENT FEE	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	9,379	100.00%
45	REAL AND PERSONAL PROPERTY	26,562	4.83%	17,034	3.10%	9,083	1.65%	36,160	6.58%	-	0.00%	-	0.00%
46	STATE GROSS RECEIPTS	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	1,544,614	100.00%
47	EMERGENCY EXCISE TAX	(399)	4.83%	(256)	3.10%	(136)	1.65%	(543)	6.58%	-	0.00%	-	0.00%
48	OCCUPATIONAL LICENSE	32	4.83%	20	3.10%	11	1.65%	43	6.58%	-	0.00%	-	0.00%
49													
50	**TOTAL TAXES OTHER THAN INCOME**	38,959	1.64%	23,209	0.98%	11,320	0.48%	209,207	8.81%	-	0.00%	1,553,993	65.44%

Supporting Schedules: E-3b, C-1

Recap Schedules:

Schedule E-5 | SOURCE AND AMOUNT OF REVENUES - AT PRESENT AND PROPOSED RATES | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule by rate class which identifies the source and amount of ALL revenue INCLUDED IN THE COST OF SERVICE STUDY. The base rate revenue from retail sales of electricity must equal that shown on MFR Schedule E-13a. The revenue from service charges must equal that shown on MFR Schedule E-13b. The total revenue for the retail system must equal that shown on MFR Schedule —.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Account Number	Description of Source	Total Company	Residential Service	General Service	General -Demand	General Large Demand	General Large Demand 1	Total Outdoor Lighting	OL	OL-2	Total Street Lighting	SL-2	SL-3
	PRESENT REVENUES												
44**1	BASE REVENUES	13,027,278	7,354,580	1,411,715	2,096,846	580,698	484,098	855,889	202,635	653,254	243,452	44,019	199,433
44**3	GROSS RECEIPTS REVENUES	1,544,614	872,015	167,384	248,618	68,852	57,398	101,481	24,026	77,455	28,866	5,219	23,646
44**4	FRANCHISE FEE REVENUES	1,913,070	829,938	377,075	284,426	108,437	261,809	38,196	9,043	29,153	13,190	2,385	10,805
451, 4511, 4512	SERVICE REVENUES	225,209	191,543	27,740	5,752	159	16	0	0	0	0	0	0
450	RENT	119,269	70,374	11,848	27,589	7,973	0	1,084	279	805	401	153	248
4566, 4563, 4562, 4561	MISC and UNBILLED	15,392	6,457	1,113	3,295	1,649	2,733	105	27	78	39	15	24
450	OTHER	342,133	290,987	42,142	8,738	242	24	0	0	0	0	0	0
	TOTAL REVENUES AT PRESENT RATES	17,186,965	9,615,894	2,039,016	2,675,263	768,010	806,079	996,755	236,009	760,745	285,948	51,791	234,157
	PROPOSED REVENUES												
44**1	BASE REVENUES	18,225,053	10,443,504	2,115,616	2,935,584	871,047	484,098	1,027,067	243,161	783,905	348,136	62,947	285,189
44**3	GROSS RECEIPTS REVENUES	1,544,614	885,110	179,303	248,797	73,823	41,028	87,046	20,608	66,438	29,505	5,335	24,170
44**4	FRANCHISE FEE REVENUES	1,913,070	829,938	377,075	284,426	108,437	261,809	38,196	9,043	29,153	13,190	2,385	10,805
451, 4511, 4512	SERVICE REVENUES	274,408	233,387	33,800	7,008	194	19	-	-	-	-	-	-
450	RENT	119,269	70,374	11,848	27,589	7,973	-	1,084	279	805	401	153	248
4566, 4563, 4562, 4561	MISC and UNBILLED	18,403	7,720	1,331	3,939	1,972	3,268	126	32	94	47	18	29
450	OTHER	342,133	290,987	42,142	8,738	242	24	-	-	-	-	-	-
	TOTAL REVENUES AT PROPOSED RATES	22,436,950	12,761,020	2,761,114	3,516,081	1,063,688	790,247	1,153,518	273,124	880,395	391,279	70,837	320,442

Supporting Schedules: E-13a, E-13b, E-13c

Recap Schedules: E-6a, E-6b

Schedule E-6a

COST OF SERVICE STUDY - RATES OF RETURN BY RATE SCHEDULE (PRESENT RATES)

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each allocation method used for production and transmission costs, show the revenue, expense, and rate of return data indicated below for each rate schedule for the test year.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.	RATE OF RETURN SUMMARY PRESENT RATES	Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	Total Outdoor Lighting	OL	OL-2	Total Street Lighting	SL-2	SL-3
1	TOTAL OPERATING REVENUES	17,186,965	9,615,894	2,039,016	2,675,263	768,010	806,079	996,755	236,009	760,745	285,948	51,791	234,157
2													
3	OPERATING EXPENSES												
4	OPERATION & MAINTENANCE	10,081,391	6,204,088	1,112,608	1,395,919	459,372	223,463	535,993	79,139	456,854	149,949	26,177	123,772
5	DEPRECIATION	3,418,847	1,843,851	329,087	592,990	218,591	175,188	178,108	15,276	162,832	81,032	13,839	67,192
6	TAXES OTHER THAN INCOME	4,287,783	2,200,731	631,334	656,912	219,250	346,744	177,777	38,986	138,791	55,035	9,892	45,143
7													
8	TOTAL OPERATING EXPENSES	17,788,021	10,248,669	2,073,029	2,645,821	897,213	745,395	891,878	133,401	758,477	286,015	49,908	236,108
9													
10	OPERATING INCOME	(601,057)	(632,775)	(34,013)	29,442	(129,203)	60,684	104,876	102,608	2,268	(68)	1,883	(1,951)
11													
12	TOTAL INCOME TAXES	(807,397)	(336,823)	(58,073)	(172,031)	(86,794)	(146,144)	(5,496)	(1,413)	(4,084)	(2,035)	(776)	(1,259)
13													
14	NET OPERATING INCOME	206,341	(295,952)	24,059	201,473	(42,409)	206,828	110,373	104,021	6,352	1,968	2,659	(691)
15													
16													
17													
18	ELECTRIC RATE BASE	43,020,996	23,198,340	4,283,176	7,743,326	2,832,581	2,260,987	1,872,328	167,150	1,705,178	830,258	146,437	683,821
19													
20													
21	RATE OF RETURN (PERCENT)	0.48%	-1.28%	0.56%	2.60%	-1.50%	9.15%	5.89%	62.23%	0.37%	0.24%	1.82%	-0.10%
22													
23	RATE OF RETURN INDEX (PRESENT RATES)	1.00	(2.66)	1.17	5.42	(3.12)	19.07	12.29	129.75	0.78	0.49	3.79	(0.21)
24													
25	REQUIRED NET OPERATING INCOME	206,341	111,266	20,543	37,139	13,586	10,844	8,980	802	8,179	3,982	702	3,280
26	(Equalized Rate of Return)	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%
27													
28	NET OPERATING INCOME EXCESS OR DEFICIENCY	-	(407,217)	3,516	164,334	(55,995)	195,984	101,393	103,219	(1,827)	(2,015)	1,956	(3,971)
29	REVENUE EXPANSION FACTOR = 1.6077												
30	REVENUE EXCESS OR DEFICIENCY	-	(654,687)	5,653	264,202	(90,023)	315,085	163,010	165,946	(2,937)	(3,239)	3,145	(6,384)
31													
32	Required Increase due to Service Charges and Other Revenues	52,129	43,039	6,268	1,899	357	538	21	5	15	8	3	5
33	Required Increase in Base Revenues	(52,129)	(697,726)	(615)	262,303	(90,381)	314,547	162,989	165,941	(2,952)	(3,246)	3,143	(6,389)
34													
35	BASE REVENUES	13,027,278	7,354,580	1,411,715	2,096,846	580,698	484,098	855,889	202,635	653,254	243,452	44,019	199,433
36													
37	TOTAL REVENUE % INCREASE IN BASE REVENUES	0.0%	8.9%	-0.4%	-12.6%	15.5%	-65.1%	-19.0%	-81.9%	0.4%	1.3%	-7.1%	3.2%
38	BASE REVENUE % INCREASE IN BASE REVENUES	0.4%	9.5%	0.0%	-12.5%	15.6%	-65.0%	-19.0%	-81.9%	0.5%	1.3%	-7.1%	3.2%
39	REVENUE INCREASE INDEX	1.00	23.71	0.11	(31.26)	38.90	(162.38)	(47.59)	(204.65)	1.13	3.33	(17.84)	8.01

Supporting Schedules: E-3a, E-3b, E-5, E-13

Recap Schedules:

Schedule E-6b

COST OF SERVICE STUDY - RATES OF RETURN BY RATE SCHEDULE (PROPOSED RATES)

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each allocation method used for production and transmission costs, show the revenue, expense, and rate of return data indicated below for each rate schedule for the test year.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.	RATE OF RETURN SUMMARY PROPOSED RATES	Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	Total Outdoor Lighting	OL	OL-2	Total Street Lighting	SL-2	SL-3
1	TOTAL OPERATING REVENUES	22,436,949	12,761,020	2,761,114	3,516,081	1,063,688	790,247	1,153,518	273,124	880,395	391,279	70,837	320,442
2													
3	OPERATING EXPENSES												
4	OPERATION & MAINTENANCE	10,081,391	5,967,096	1,112,239	1,539,723	523,318	210,463	557,340	70,002	487,338	171,212	29,849	141,362
5	DEPRECIATION	3,418,847	1,818,263	328,829	609,085	225,557	173,919	179,820	13,947	165,873	83,374	14,243	69,131
6	TAXES OTHER THAN INCOME	4,287,783	2,190,601	643,090	671,751	230,596	329,119	164,814	34,338	130,477	57,812	10,376	47,436
7													
8	TOTAL OPERATING EXPENSES	17,788,021	9,975,960	2,084,158	2,820,558	979,471	713,501	901,975	118,287	783,688	312,399	54,469	257,930
9													
10	NET OPERATING INCOME	4,648,928	2,785,061	676,957	695,523	84,217	76,746	251,543	154,837	96,706	78,881	16,369	62,512
11													
12	TOTAL INCOME TAXES	1,177,048	980,725	137,362	85,281	77,894	(160,952)	19,252	(56,430)	75,682	37,486	4,790	32,697
13													
14	NET INCOME	3,471,880	1,804,336	539,594	610,242	6,323	237,699	232,292	211,267	21,025	41,394	11,579	29,815
15													
16													
17													
18	ELECTRIC RATE BASE	43,020,996	22,950,694	4,280,127	7,898,707	2,899,608	2,249,486	1,889,525	154,478	1,735,047	852,849	150,331	702,518
19													
20													
21	RATE OF RETURN (PERCENT)	8.07%	7.86%	12.61%	7.73%	0.22%	10.57%	12.29%	136.76%	1.21%	4.85%	7.70%	4.24%
22													
23	RATE OF RETURN INDEX	1.00	0.97	1.56	0.96	0.03	1.31	1.52	16.95	0.15	0.60	0.95	0.53
24													

Supporting Schedules: E-5, E-4a

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of the current cost of providing the services listed in Schedule E-13b. At a minimum, this documentation should include an estimate of all labor, transportation, customer accounting and overhead costs incurred in providing the service. Also provide a short narrative on the tasks involved in performing the service.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Derivation of Hourly Costs

1. Labor Rates

Actual hourly rates as of December 31, 2006 were used as a basis of determining the cost of the required activities. These Rates were adjusted for non-productive time (vacation and sick time) and further adjusted for overhead costs (payroll taxes, pension, workman's comp insurance and employee medical insurance).

2. Category Labor Rates

Administrative Labor

The average hourly wage of the Electric Operations Managers and the Customer Service Managers:

Average Hourly Rate			=	32.47
Non-Productive Time Adjustment	32.47	10.47%	=	3.40
Overhead Cost Adjustment (includes non-productive time adj.	35.87	25.82%	=	9.26
Total Administrative Hourly Labor Cost				45.13

Clerical Labor

The hourly wage of the staff handling these services:

Average Hourly Rate			=	13.83
Non-Productive Time Adjustment	13.83	10.47%	=	1.45
Overhead Cost Adjustment (includes non-productive time adj.	15.28	25.82%	=	3.94
Total Administrative Hourly Labor Cost				19.22

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of the current cost of providing the services listed in Schedule E-13b. At a minimum, this documentation should include an estimate of all labor, transportation, customer accounting and overhead costs incurred in providing the service. Also provide a short narrative on the tasks involved in performing the service.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.						
32	Service Labor					
33						
34	The average hourly wage for the Service Department Personnel					
35	that normally perform the necessary activities in the field:					
36						
37	Average Hourly Rate				=	21.43
38	Non-Productive Time Adjustment		21.43	10.47%	=	2.24
39	Overhead Cost Adjustment (includes non-productive time adj.		23.67	25.82%	=	6.11
40						
41	Total Administrative Hourly Labor Cost					29.79
42						
43	Construction Labor					
44						
45	The average hourly wage of construction personnel					
46	involved customer service activities:					
47						
48	Average Hourly Rate				=	23.79
49	Non-Productive Time Adjustment		23.79	10.47%	=	2.49
50	Overhead Cost Adjustment (includes non-productive time adj.		26.28	25.82%	=	6.79
51						
52	Total Administrative Hourly Labor Cost					33.07
53						
54						
55						
56	3. Transportation rate					
57	The actual average hourly transportation rate **for 2006**					
58						
59						
60	Hourly Transportation Rate				=	$10.43

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of the current cost of providing the services listed in Schedule E-13b. At a minimum, this documentation should include an estimate of all labor, transportation, customer accounting and overhead costs incurred in providing the service. Also provide a short narrative on the tasks involved in performing the service.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.

Derivation of Costs for Proposed Service Charges

It is proposed to have six (6) different categories of service charges as described below. This will modify two (2) service charges, eliminate one (1) existing service charge and retain four (4) service charges.

The Administrative, Clerical, Service Construction, and Transportation time in hours for each activity was determined by the Director, Northwest Florida

A description of each type of activity along with the derivation of their respective costs of labor and transportation follows:

1) Initial Establishment of Services

At the customer's request, an order is created by the Customer Service Representative to have power connected. Once we receive notification that the customer's premise is ready to have power , the order is routed to service personnel who go to the location and connect the service or change from temporary to permanent and set a meter. The order is returned to the office for input into the billing system.

	Time	Hourly Cost	Cost	
Administrative Labor	0.17 hours @	45.13	7.67	
Clerical Labor	0.25 hours @	19.22	4.81	
Service Labor	1.00 hours @	29.79	29.79	
Transportation	1.00 hours @	10.43	10.43	
				Service Charge
	Total Cost		52.69	**$53.00**

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of the current cost of providing the services listed in Schedule E-13b. At a minimum, this documentation should include an estimate of all labor, transportation, customer accounting and overhead costs incurred in providing the service. Also provide a short narrative on the tasks involved in performing the service.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.

2) Re-Establish Service or Make Changes to an existing Account

At the customer's request, an order is created by the Customer Service Representative to have power turned on. The order is routed to service personnel who go to the location and set or read a meter. The order is returned to the office for input into the billing system.

	Time	Hourly Cost	Cost	
Administrative Labor	0.00 hours @	45.13	0.00	
Clerical Labor	0.16 hours @	19.22	3.08	
Service Labor	0.50 hours @	29.79	14.89	
Transportation	0.50 hours @	10.43	5.22	
				Service Charge
		Total Cost	23.18	**$23.00**

3) Temporary Disconnect Then Reconnect Service

At the customer's request, an order is created by the Customer Service Representative to have power temporally disconnected and then reconnected at customer's request. The order is then routed to service personnel who go to the site and disconnect and then return to the site to reconnect when requested by customer. Order is returned to office for input into the billing system.

	Time	Hourly Cost	Cost	
Administrative Labor	0.00 hours @	45.13	0.00	
Clerical Labor	0.05 hours @	19.22	0.96	
Service Labor	0.80 hours @	29.79	23.83	
Transportation	0.80 hours @	10.43	8.34	
				Service Charge
		Total Cost	33.13	**$33.00**

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of the current cost of providing the services listed in Schedule E-13b. At a minimum, this documentation should include an estimate of all labor, transportation, customer accounting and overhead costs incurred in providing the service. Also provide a short narrative on the tasks involved in performing the service.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.

4) Reconnect After Disconnect for Violation of rules shown in Section - 13 Discontinuance of Service (Normal Hours)

After the disconnected customer has corrected the rule violation a service order is created to by a Customer Service representative and routed to a service person who goes back to the customer's location and reconnects the service. The order is returned to the office so that a service charge can be put into the billing system.

	Time	Hourly Cost	Cost	
Administrative Labor	0.19 hours @	45.13	8.57	
Clerical Labor	0.19 hours @	19.22	3.65	
Service Labor	0.80 hours @	29.79	23.83	
Transportation	0.80 hours @	10.43	8.34	
				Service Charge
	Total Cost		44.40	**$44.00**

5) Reconnect After Disconnect for Violation of rules shown in Section - 13 Discontinuance of Service (After Hours)

	Time	Hourly Cost	Cost	
Administrative Labor	0.19 hours @	45.13	8.57	
Clerical Labor	0.25 hours @	19.22	4.81	
Service Labor	0.40 hours @	29.79	11.91	
Construction	1.50 hours @	33.07	49.60	
Transportation	1.90 hours @	10.43	19.82	
				Service Charge
	Total Cost		94.71	**$95.00**

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of the current cost of providing the services listed in Schedule E-13b. At a minimum, this documentation should include an estimate of all labor, transportation, customer accounting and overhead costs incurred in providing the service. Also provide a short narrative on the tasks involved in performing the service.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.

6) Temporary Service

At the customer's request for service, an order is created by the Customer Service Representative to run temporary service. When we receive notification that the customer's premise is ready to have power, the order is routed to service personnel who go to the location and connect the service and set a meter. The order is returned to office for input into the billing system. A return field trip is required to remove service and meter.

	Time	Hourly Cost	Cost
Administrative Labor	0.25 hours @	45.13	11.28
Clerical Labor	0.40 hours @	19.22	7.69
Construction	0.75 hours @	33.07	24.80
Transportation	0.75 hours @	10.43	7.82
			0.00
Total Cost		51.59	**Service Charge** **$52.00**

7) Collection Charge

If a customer does not pay their monthly bill by the date due, a collection notice is issued. The notice is routed to service personnel who go to the location in an attempt to collect the amount due. Communication with office personnel is established in order to avoid collection calls if bills have been paid. The order is returned to the office for input into the billing system.

	Time	Hourly Cost	Cost
Administrative Labor	0.00 hours @	45.13	0.00
Clerical Labor	0.10 hours @	19.22	1.92
Service Labor	0.30 hours @	29.79	8.94
Transportation	0.30 hours @	10.43	3.13
			Service Charge
Total Cost		13.99	**$14.00**

Schedule E-8 | COMPANY-PROPOSED ALLOCATION OF THE RATE INCREASE BY RATE CLASS | Page 1 of 1

FLORIDA PUBLIC SERVICE CO EXPLANATION: Provide a schedule which shows the company proposed increase in revenue by rate schedule and the present and company-proposed class rates of return under the proposed cost of service study. Provide justification for every class not left at the system rate of return. If the increase from service charges by rate class does not equal that shown on Schedule E-13b or if the increase from sales of electricity does not equal that shown on Schedule E-13a, provide an explanation.

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate Class	Present ROR	Present Index	Present Base Revenues	Present Fuel Revenues	Increase from Service Charges	Increase from Other Rev.	Increase in Base Revenues*	Increase in Total Revenues	Base Revenue % Increase in Rev. W/Fuel	Base Revenue % Increase in Rev. W/O Fuel	Total Revenue % Increase in Rev. W/Fuel	Total Revenue % Increase in Rev. W/O Fuel	Company Proposed ROR**	Company Proposed Index
Total Company	0.48%	1.00	13,027,278	44,884,527	49,119	3,011	5,197,775	5,249,905	9.0%	39.9%	9.1%	40.3%	0.48%	1.00
Residential Service	-1.28%	(2.66)	7,354,580	19,969,427	41,776	1,263	3,088,924	3,131,963	11.3%	42.0%	11.5%	42.6%	-1.28%	(2.66)
General Service	0.56%	1.17	1,411,715	3,379,468	6,050	218	703,902	710,170	14.7%	49.9%	14.8%	50.3%	0.56%	1.17
General Demand	2.60%	5.42	2,096,846	10,011,130	1,254	644	838,738	840,637	6.9%	40.0%	6.9%	40.1%	2.60%	5.42
General Demand Large	-1.50%	(3.12)	580,698	5,050,869	35	323	290,349	290,706	5.2%	50.0%	5.2%	50.1%	-1.50%	(3.12)
General Large Demand	9.15%	19.07	484,098	6,101,359	3	535	-	538	0.0%	0.0%	0.0%	0.1%	9.15%	19.07
Total Outdoor Lighting	5.89%	12.29	855,889	276,318	-	21	171,178	171,198	15.1%	20.0%	15.1%	20.0%	5.89%	12.29
OL	62.23%	129.75	202,635	71,030	-	5	40,527	40,532	14.8%	20.0%	14.8%	20.0%	62.23%	129.75
OL-2	0.37%	0.78	653,254	205,289	-	15	130,651	130,666	15.2%	20.0%	15.2%	20.0%	0.37%	0.78
Total Street Lighting	0.24%	0.49	243,452	95,955	-	8	104,684	104,692	30.8%	43.0%	30.8%	43.0%	0.24%	0.49
SL-2	1.82%	3.79	44,019	36,582	-	3	18,928	18,931	23.5%	43.0%	23.5%	43.0%	1.82%	3.79
SL-3	-0.10%	(0.21)	199,433	59,373	-	5	85,756	85,761	33.1%	43.0%	33.1%	43.0%	-0.10%	(0.21)
										0.25				

*Proposed Rates are developed by scaling up all prices by the same percentage, and adjusting to account for the 1 1/2 rule.

**Individual class rates of return do not equal the system rate of return due to adjustments to account for the 1 1/2 rule.

Supporting Schedules: E-6, E-13a, E-13b

Recap Schedules:

Schedule E-9 | COST OF SERVICE - LOAD DATA | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the load data below by rate schedule. Any other load data used to develop demand allocation factors for cost of service studies submitted in this proceeding should also be provided. Average number of customers and annual MWH should be in agreement with the company's forecast in Schedules E-15.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.	Rate Class	(1) Annual MWH Sales	(2) Annual MWH Unbilled	(3) Annual MWH Total	(4) Output to Line MWH*	(5) Class NCP KW*	(6) CP Winter KW*	(7) CP Summer KW*	(8) Average 12 CP KW*	(9) Average Demand KW*	(10) 12 CP & 1/13 Weighted Average Demand*	(11) Average Number of Customers
	Total Company	780,004	452	780,456	811,273	183,292	NA	NA	134,846	92,466	131,597	31,370
	Residential Service	325,395	188	325,584	340,346	88,868	NA	NA	65,602	38,852	63,544	24,058
	General Service	56,102	32	56,135	58,677	29	NA	NA	20	13	10,292	3,484
	General Service Demand	166,195	96	166,291	173,647	16,489	NA	NA	11,700	7,523	26,334	722
	General Service Demand Large	83,849	49	83,898	86,923	40,429	NA	NA	30,027	22,541	11,827	20
	General Service Demand Large 1	141,186	82	141,268	144,070	35,916	NA	NA	27,497	22,813	19,532	2
	Total Outdoor Lighting	5,310	3	5,313	5,554	352	NA	NA	0	163	49	3,065
	OL	1,365	1	1,366	1,428	0	NA	NA	0	0	13	1,125
	OL-2	3,945	2	3,947	4,126	352	NA	NA	0	163	36	1,940
	Total Street Lighting	1,966	1	1,967	2,057	1,210	NA	NA	0	561	18	19
	SL-1	0	-	0	0	0	NA	NA	0	0	0	0
	SL-2	750	0	750	784	1,017	NA	NA	0	471	7	5
	SL-3	1,217	1	1,217	1,273	193	NA	NA	0	90	11	14
	Total Company	780,004	452	780,456	811,273	183,292			134,846	92,466	131,597	31,370

Supporting Schedules: E-15, E16

Recap Schedules:

Schedule E-10 | COST OF SERVICE STUDY - DEVELOPMENT OF ALLOCATION FACTORS | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Derive each allocation factor used in the cost of service study. Provide supporting data and any workpapers used in deriving these allocation factors, and a brief narrative description of the development of each allocation factor.

Type of Data Shown:
Projected Test Year 12/31/200
Witness: Mark Cutshaw

13a EXPLANATION: Provide a listing (including a descriptive title) of each allocation factor (raw values and percentages) used in each cost of service study submitted in this rate proceeding.

This information is provided in the Cost Study Report attached to Schedule E-1

13b EXPLANATION: Provide a listing (including a descriptive title) of each allocation factor (raw values and percentages) used in each cost of service study submitted in this rate proceeding.

This information is provided in the Cost Study Report attached to Schedule E-1

Supporting Schedules:

Recap Schedules:

Schedule E-11 | DEVELOPMENT OF COINCIDENT AND NONCOINCIDENT DEMANDS FOR COST STUDY | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a description of how coincident and noncoincident demands for the test year were developed. Include an explanation of how the demands at the meter for each class were developed and how they were expanded from the meter level to generation level. Provide the workpapers for the actual calculations. If a methodology other than the application of ratios of class' coincident and noncoincident load to actual MWH sales is used to derive projected demands, please provide justification for the use of that methodology.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Coincident demands were developed by rate class for the test year by use of load factor ratios calculated by using Gulf Power Company's load research results from the years 1999, 2001, and 2002-2003. The load factor ratios used are the average of such values by class for the three years.

Noncoincident class maximum demands were developed by application of coincident factor ratios to the class coincident demands. Gulf Power Company's load research data was used to calculate the coincidence factors. The coincidence factors used are the three-year average of such values by class.

Both coincident and noncoincident demands were derived at the customer meter level and expanded to the supply level by use of estimated loss factors. Schedule E-17 discusses the derivation of the loss factors.

Details of the development of the demand factors are provided in the Cost Study Report attached to Schedule E-1.

Supporting Schedules:

Recap Schedules:

Schedule E-12 | ADJUSTMENT TO TEST YEAR UNBILLED REVENUE | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule showing the calculation of the adjustment by rate class to the test year amount of unbilled revenue for the effect of the proposed rate increase. The calculation of test year unbilled revenue at present rates is provided in Schedule C-11.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

	(1)	(2)	(3)	(4)	(5)	(6)	
	Sales of Electricity (excluding unbilled)			Unbilled Sales			
					Base Revenues		
Rate Class	Proposed Base Revenue (000's)	kWh	Per Unit $/KWH col(1)/col(2)	kWh	Proposed col(3)*col(4)	Present Revenue	Percent Increase
Total Company	18,225,053	780,004,211	0.0234	451,813	10,557	7,546	39.9%
Residential Service	10,443,504	325,395,385	0.0321	188,483	6,049	4,324	39.9%
General Service	2,115,616	56,102,488	0.0377	32,497	1,225	876	39.9%
General Demand	2,935,584	166,194,581	0.0177	96,267	1,700	1,215	39.9%
General Demand Large	871,047	83,849,371	0.0104	48,569	505	361	39.9%
General Large Demand	484,098	141,186,123	0.0034	81,781	280	200	39.9%
Total Outdoor Lighting	1,027,067	5,309,998	0.1934	3,076	595	425	39.9%
OL	243,161	1,364,976	0.1781	791	141	101	39.9%
OL-2	783,905	3,945,022	0.1987	2,285	454	325	39.9%
Total Street Lighting	348,136	1,966,265	0.1771	1,139	202	144	39.9%
SL-2	62,947	749,614	0.0840	434	36	26	39.9%
SL-3	285,189	1,216,651	0.2344	705	165	118	39.9%
Total Company		780,004,211					

Note: The Net Unbilled sales are computed in total then spread to rate classes on basis of MWH sales.
The projected unbilled revenues was computed by multiplying the present unbilled revenues by the overall projected increase in total base revenues.

Supporting Schedules: E-9, E-18

Recap Schedules:

Schedule E-13a

REVENUE FROM SALE OF ELECTRICITY BY RATE SCHEDULE

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Compare jurisdictional revenue excluding service charges by rate schedule under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, the revenue and billing determinant information shall be shown separately for the transfer group and not be included under either the new or old classification. Provide the calculation of the revenue from fuel, ECCR, oil backout, including the factors used for the test year.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

			Present Rates				Proposed Rates				Increase Base		Increase Total	
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Rate	kWh	Fuel Charge ($/kWh)	Base Revenue	Fuel	Conservation $/kWh	Total Revenues	Base Revenue	Fuel	Conservation $/kWh	Total Revenues	(8) - (1)	(15) / (1)	(14) - (7)	(17) / (7)
Total Company	780,004,211		13,027,278	44,884,527	417,473	58,329,277	18,225,053	44,884,527	417,473	63,527,052	5,197,775	39.9%	5,197,775	8.9%
Residential Service	325,395,385	0.0614	7,354,580	19,969,427	172,275	27,496,282	10,443,504	19,969,427	172,275	30,585,206	3,088,924	42.0%	3,088,924	11.2%
General Service	56,102,488	0.0602	1,411,715	3,379,468	29,867	4,821,050	2,115,616	3,379,468	29,867	5,524,952	703,901	49.9%	703,901	14.6%
General Demand	166,194,581	0.0602	2,096,846	10,011,130	88,477	12,196,453	2,935,584	10,011,130	88,477	13,035,192	838,738	40.0%	838,738	6.9%
General Demand Large	83,849,371	0.0602	580,698	5,050,869	44,639	5,676,206	871,047	5,050,869	44,639	5,966,555	290,349	50.0%	290,349	5.1%
General Large Demand	141,186,123	0.0432	484,098	6,101,359	78,658	6,664,115	484,098	6,101,359	78,658	6,664,115	-	0.0%	-	0.0%
Total Outdoor Lighting	5,309,998	0.0520	855,889	276,318	2,598	1,134,806	1,027,067	276,318	2,598	1,305,983	171,178	20.0%	171,178	15.1%
OL	1,364,976	0.0520	202,635	71,030	668	274,332	243,161	71,030	668	314,859	40,527	20.0%	40,527	14.8%
OL-2	3,945,022	0.0520	653,254	205,289	1,930	860,473	783,905	205,289	1,930	991,124	130,651	20.0%	130,651	15.2%
Total Street Lighting	1,966,265	0.0488	243,452	95,955	958	340,364	348,136	95,955	958	445,049	104,684	43.0%	104,684	30.8%
SL-2	749,614	0.0488	44,019	36,582	365	80,966	62,947	36,582	365	99,894	18,928	43.0%	18,928	23.4%
SL-3	1,216,651	0.0488	199,433	59,373	593	259,399	285,189	59,373	593	345,155	85,756	43.0%	85,756	33.1%

Supporting Schedules: E-5, E-8, E-13c

Recap Schedules:

Schedule E-13b

REVENUES BY RATE SCHEDULE - SERVICE CHARGES (ACCOUNT 451)

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule of revenues from all service charges (initial connection, etc.) under present and proposed rates.

Type of Data Shown:
Projected Test Year 12/31/2008
Historic Year 12/31/2006
Witness: Mark Cutshaw

Type of Service Charge*	Division	Number of Transactions	Present Charge	Proposed Charge	Revenues at Present Charges	Revenues at Proposed Charges	Increase Dollars	Increase Percent
1	All	805	44.00	53.00	35,420	42,665	7,245	20.45%
2	All	5,395	19.00	23.00	102,505	124,085	21,580	21.05%
3	All	196	27.00	33.00	5,292	6,468	1,176	22.22%
4	All	972	37.00	44.00	35,964	42,768	6,804	18.92%
5	All	68	60.00	95.00	4,080	6,460	2,380	58.33%
6	All	152	44.00	52.00	6,688	7,904	1,216	18.18%
7	All	3,487	11.50	14.00	40,101	48,818	8,718	21.74%
8	All	541	Per Statute	Per Statute	16,518	16,518	-	0.00%
TOTAL		11,616			246,568	295,686	49,119	19.92%

*1 Initial Establishment of Service
2 Re-establish Service or Make Changes to Existing Account
3 Temporary Disconnect Then Reconnect Service Due To Customer Request
4 Reconnect After Disconnect for Rule Violation(normal hours)
5 Reconnect After Disconnect for Rule Violation(after hours)
6 Temporary Service - this charge is used in conjunction with the temporary service fee when running a temporary service
7 Collection Charge
8 Returned Check Charge

Supporting Schedules: E-7

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historic test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedules E-15.

PROVIDE TOTAL NUMBER OF BILLS, MWH's, AND BILLING KWH FOR EACH RATE SCHEDULE (INCLUDING STANDARD AND TIME OF USE CUSTOMERS) AND TRANSFER GROUP.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

	Determinants					Present Revenue Calculation							
Type of Charge	Customers	kWh	kW	kVar	CP kW	$/Cust-Mo	$/kWh	$/kW	$/kVar	Purchase Power	Conservation Charge	Production Demand	Base Revenue
Residential													
Fernandina Beach													-
Marianna													-
Consolidated	24,058	325,395,385	-	-		10.00	0.01373	-	-	0.04844	0.00060		7,354,580
General Service													
Consolidated	3,484	56,102,488	-	-		14.00	0.01473	-	-	0.04710	0.00060		1,411,715
General Service Demand *													
Consolidated	722	166,194,581	537,577	-		44.00	0.00232	2.48000	-	0.04483	0.00060		2,093,364
General Service Large Demand **													
Consolidated	20	83,849,371	178,818	-		75.00	0.00086	2.89000	-	0.04249	0.00060		580,698
General Service Large Demand 1													
Consolidated	2	141,186,123	417,249	9,911	######	600.00	-	1.12000	0.24000	0.03224	0.00060	7.22	484,098
Total	28,286	772,727,947	1,133,645	9,911	######								11,924,455

* GSD Customers served at the primary level receive a discount. In 2006 this discount was estimated at $3,482
** GSLD Customers served at the primary level receive a discount. In 2006 this discount was estimated as $28,570

Supporting Schedules: E-15 Recap Schedules: E-13a

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historic test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedules E-15.

PROVIDE TOTAL NUMBER OF BILLS, MWH's, AND BILLING KWH FOR EACH RATE SCHEDULE (INCLUDING STANDARD AND TIME OF USE CUSTOMERS) AND TRANSFER GROUP.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

	Determinants					Proposed Revenue Calculation									Percent Increase	
Type of Charge	Customers	kWh	kW	kVar	CP kW	$/Cust-Mo	$/kWh	$/kW	$/kVar	Purchase Power	Conservation Charge	Production Demand	Base Revenue	Total Revenues	Base Revenues	Total Revenues
Residential																
Consolidated	24,058	325,395,385	-	-		14.00	0.01967	-	-	0.06137	0.00050	-	10,443,504	30,575,629	42.0%	31.2%
General Service																
Consolidated	3,484	56,102,488	-	-		21.00	0.02206	-	-	0.04710	0.00050	-	2,115,617	4,786,095	49.9%	17.1%
General Service Demand *																
Consolidated	722	166,194,581	537,577	-		62.00	0.00323	3.47	-	0.04483	0.00060	-	2,935,584	10,485,804	40.2%	8.7%
General Service Large Demand **																
Consolidated	20	83,849,371	178,818	-		113.00	0.00113	4.34	-	0.04249	0.00070	-	871,047	4,492,502	50.0%	7.1%
General Service Large Demand 1																
Consolidated	2	141,186,123	417,249	9,911	155,914	600.00	-	1.12	0.24	0.03224	0.00060	7.22	486,469	6,248,723	0.5%	0.0%
Total	28,286	772,727,947	1,133,645	9,911	155,914								16,852,221	56,588,753	41.3%	19.2%

* GSD Customers served at the primary level receive a discount. In 2006 this discount was estimated at $3,482 and in 2008 at $3,417. These discounts are subtracted from the base revenue calculated from the determinants.

** GSLD Customers served at the primary level receive a discount. In 2006 this discount was estimated as $28,570 and in 2008 at $26,912. These discount amounts are subtracted from the base revenue calculated from the determinants.

Supporting Schedules: E-15

Recap Schedules: E-13a

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Calculate revenue under present and proposed rates for the test year for each lighting schedule. Show revenues from charges for all types of lighting fixtures, poles and conductors. Poles should be listed separately from fixtures. Show separately revenues from customers who own facilities as well as those who do not. Annual KWH's must agree with the data provided in Schedule E-15c.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Type of Facility	Annual Billing Items	Est. Monthly KWH	Annual KWH	Present Rates - Outdoor Lighting Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	$ Total Revenue	Proposed Rates - Outdoor Lighting Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	$ Total Revenue	Percent Increase
100w HPS Cobra Head-OL	22,365	41	492	$5.31	$1.23	$0.79	$7.33	$163,935	$6.37	$1.48	$0.95	$8.80	$196,723	20.00%
175w MV Cobra Head -OL	5,844	72	864	$2.11	$2.16	$0.41	$4.68	$27,350	$2.53	$2.59	$0.49	$5.62	$32,820	20.00%
400w MV Cobra Head-OL	305	154	1,848	$5.77	$4.62	$0.71	$11.10	$3,386	$6.92	$5.54	$0.85	$13.32	$4,063	20.00%
1000w HPS Flood -OL2	150	414	4,969	$14.20	$12.15	$1.81	$28.16	$4,233	$17.04	$14.58	$2.17	$33.79	$5,079	20.00%
1000w MH Flood - OL2	2,768	414	4,969	$13.18	$12.15	$1.68	$27.01	$74,761	$15.82	$14.58	$2.02	$32.41	$89,713	20.00%
1000w MH Vert Shoebox - OL2	135	414	4,969	$18.47	$12.15	$2.22	$32.84	$4,432	$22.16	$14.58	$2.66	$39.41	$5,319	20.00%
100w HPS Amer Rev-OL2	1,301	42	503	$7.02	$1.23	$0.95	$9.20	$11,966	$8.42	$1.48	$1.14	$11.04	$14,359	20.00%
100w HPS Cobra Head-OL2	11,994	42	503	$5.31	$1.23	$0.79	$7.33	$87,915	$6.37	$1.48	$0.95	$8.80	$105,498	20.00%
100w HPS SP2 Spectra -OL2	113	42	503	$15.76	$1.23	$2.61	$19.60	$2,225	$18.91	$1.48	$3.13	$23.52	$2,669	20.00%
100w MH SP2 Spectra -OL2	269	42	503	$15.64	$1.23	$1.82	$18.69	$5,026	$18.77	$1.48	$2.18	$22.43	$6,031	20.00%
150w HPS Acorn-OL2	777	62	748	$12.50	$1.83	$1.51	$15.84	$12,309	$15.00	$2.20	$1.81	$19.01	$14,771	20.00%
150w HPS ALN 440 -OL2	816	62	748	$18.60	$1.83	$2.16	$22.59	$18,432	$22.32	$2.20	$2.59	$27.11	$22,119	20.00%
150w HPS Am Rev-OL2	1,282	62	748	$7.20	$1.83	$0.94	$9.97	$12,784	$8.64	$2.20	$1.13	$11.96	$15,340	20.00%
175w MH ALN 440 -OL2	37	73	871	$18.72	$2.13	$2.20	$23.05	$848	$22.46	$2.56	$2.64	$27.66	$1,018	20.00%
175w MH Shoebox -OL2	4,497	73	871	$14.41	$2.13	$1.78	$18.32	$82,384	$17.29	$2.56	$2.14	$21.98	$98,861	20.00%
200w HPS Cobra Head -OL2	3,399	83	994	$8.08	$2.43	$0.35	$10.86	$36,911	$9.70	$2.92	$0.42	$13.03	$44,293	20.00%
250w HPS Cobra Head -OL2	736	103	1,239	$9.72	$3.03	$1.21	$13.96	$10,277	$11.66	$3.64	$1.45	$16.75	$12,333	20.00%
250w HPS Flood -OL2	3,336	103	1,239	$7.36	$3.03	$1.11	$11.50	$38,369	$8.83	$3.64	$1.33	$13.80	$46,042	20.00%
250w MH Shoebox-OL2	213	103	1,239	$15.33	$3.03	$1.98	$20.34	$4,326	$18.40	$3.64	$2.38	$24.41	$5,191	20.00%
400w HPS Cobra Head -OL2	1,436	166	1,988	$7.31	$4.86	$1.11	$13.28	$19,065	$8.77	$5.83	$1.33	$15.94	$22,878	20.00%
400w HPS Flood - OL2	63	166	1,988	$11.34	$4.86	$1.37	$17.57	$1,114	$13.61	$5.83	$1.64	$21.08	$1,337	20.00%
400w MH Flood OL2	4,914	166	1,988	$7.64	$4.86	$1.15	$13.65	$67,078	$9.17	$5.83	$1.38	$16.38	$80,493	20.00%
10' Alum Deco Base-OL2	1,210			$11.64			$11.64	$14,080	$13.97			$13.97	$16,896	20.00%
13' Decorative Concrete-OL2	179			$8.94			$8.94	$1,600	$10.73			$10.73	$1,920	20.00%
18' Fiberglass Round-OL2	2,274			$5.93			$5.93	$13,485	$7.12			$7.12	$16,182	20.00%
20' Decorative Concrete-OL2	5,599			$10.13			$10.13	$56,720	$12.16			$12.16	$68,064	20.00%
30' Wood Pole Std-OL2	17,574			$3.35			$3.35	$58,872	$4.02			$4.02	$70,646	20.00%
35' Concrete Square-OL2	1,442			$9.89			$9.89	$14,259	$11.87			$11.87	$17,110	20.00%
40' Wood Pole Std - OL2	6			$6.76			$6.76	$41	$8.11			$8.11	$50	20.00%
30' Wood pole	2,307			$3.53			$3.53	$8,143	$4.24			$4.24	$9,771	20.00%
Total Base Revenue Calculated								$856,325					$1,027,590	
Correction Factor													(523)	
Total Base Revenue													1,027,067	

Supporting Schedules:

Recap Schedules: E-13a

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Calculate revenue under present and proposed rates for the test year for each lighting schedule. Show revenues from charges for all types of lighting fixtures, poles and conductors. Poles should be listed separately from fixtures. Show separately revenues from customers who own facilities as well as those who do not. Annual KWH's must agree with the data provided in Schedule E-15.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

				Present Rates - Street Lighting					Proposed Rates - Street Lighting					
Type of Facility	Annual Billing Items	Est. Monthly KWH	Annual KWH	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	$ Total Revenue	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	$ Total Revenue	Percent Increase
175w MV Cobra Head - SL1-2	4,849	72	864	$0.61	$2.16	$0.92	$3.69	$17,893	$0.87	$3.09	$1.32	$5.28	$25,587	43.00%
400w MV Cobra Head - SL1-3	70	154	1,848	$1.02	$4.62	$1.05	$6.69	$468	$1.46	$6.61	$1.50	$9.57	$670	43.00%
175w MV Cobra Head -SL2	5,376	72	864	$0.61	$2.16	$0.92	$3.69	$19,837	$0.87	$3.09	$1.32	$5.28	$28,368	43.00%
400w MV Cobra Head -SL2	870	154	1,848	$1.02	$4.62	$1.05	$6.69	$5,820	$1.46	$6.61	$1.50	$9.57	$8,323	43.00%
1000w MH Flood -SL3	135	414	4,973	$8.42	$12.15	$5.17	$25.74	$3,477	$12.04	$17.37	$7.39	$36.81	$4,972	43.00%
100w HPS Amer -SL3	49	42	503	$4.55	$1.23	$2.89	$8.67	$426	$6.51	$1.76	$4.13	$12.40	$609	43.00%
100w HPS Cobra Head- SL3	14,201	42	503	$3.32	$1.23	$2.12	$6.67	$94,724	$4.75	$1.76	$3.03	$9.54	$135,455	43.00%
150w HPS Acorn -SL3	258	62	749	$7.95	$1.83	$4.68	$14.46	$3,729	$11.37	$2.62	$6.69	$20.68	$5,332	43.00%
150w HPS Amer Rev -SL3	988	62	749	$4.44	$1.83	$3.26	$9.53	$9,420	$6.35	$2.62	$4.66	$13.63	$13,470	43.00%
175w MH ALN 440 -SL3	135	73	872	$16.97	$2.13	$1.30	$20.40	$2,755	$24.27	$3.05	$1.86	$29.17	$3,940	43.00%
200w HPS Cobra Head -SL3	3,623	83	995	$4.26	$2.43	$2.19	$8.88	$32,175	$6.09	$3.47	$3.13	$12.70	$46,010	43.00%
250w HPS Cobra Head -SL3	2,667	103	1,240	$4.08	$3.03	$3.00	$10.11	$26,959	$5.83	$4.33	$4.29	$14.46	$38,551	43.00%
250w HPS Flood - SL3	258	103	1,240	$7.00	$3.03	$4.10	$14.13	$3,643	$10.01	$4.33	$5.86	$20.21	$5,210	43.00%
400w HPS Cobra Head -SL3	212	166	1,989	$4.77	$4.86	$3.36	$12.99	$2,751	$6.82	$6.95	$4.80	$18.58	$3,935	43.00%
400w MH Flood -SL3	84	166	1,989	$7.31	$4.86	$8.82	$20.99	$1,761	$10.45	$6.95	$12.61	$30.02	$2,518	43.00%
10' Alum Deco Base-SL3	111			$11.31			$11.31	$1,250	$16.17			$16.17	$1,787	43.00%
13' Deco Concrete - SL3	12			$7.85			$7.85	$96	$11.23			$11.23	$138	43.00%
18' Fiberglass Round-SL3	1,038			$5.78			$5.78	$5,997	$8.27			$8.27	$8,576	43.00%
20' Decorative Concrete-SL3	246			$8.68			$8.68	$2,132	$12.41			$12.41	$3,048	43.00%
30' Wood Pole Std - SL3	2,023			$2.78			$2.78	$5,624	$3.98			$3.98	$8,042	43.00%
35' Concrete Square-SL3	270			$9.71			$9.71	$2,623	$13.89			$13.89	$3,751	43.00%
Total Base Revenue Calculated								$243,560					$348,291	
Correction Factor													(155)	
Total Base Revenue													348,136	

Supporting Schedules:

Recap Schedules: E-13a

Schedule E-14

PROPOSED TARIFF SHEETS AND SUPPORT FOR CHARGES

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION:

Provide proposed tariff sheets highlighting changes in legislative format from existing tariff provisions. For each charge, reference by footnote unit costs as shown on Schedules E-6b and E-7, if applicable. Indicate whether unit costs are calculated at the class or system rate of return. On separate attachment explain any differences between unit costs and proposed charges. Provide the derivation (calculation and assumptions) of all charges and credits other than those for which unit costs are calculated in these MFR schedules, including those charges and credits the company proposes to continue at the present level. Workpapers for street and outdoor lighting rates, T-O-U rates and standard energy charges shall be furnished under separate cover to staff, Commissioners, Commission Clerk and upon request to other parties to this docket.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Tariffs with Tracked Changes	Page 38
Tariffs, Final Version	Page 121

Supporting Schedules:

Recap Schedules:

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised~~Original~~ Sheet No. 1
Cancels Original Sheet No. 1

F. P. S. C. ELECTRIC TARIFF

SECOND REVISED VOLUME NO. I

OF

FLORIDA PUBLIC UTILITIES COMPANY

FILED WITH

FLORIDA PUBLIC SERVICE COMMISSION

Issued by: John T. English, President Effective: May 1, 2008~~April 15, 2004~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised~~Original~~ Sheet No. 2
Cancels Original Sheet No. 2

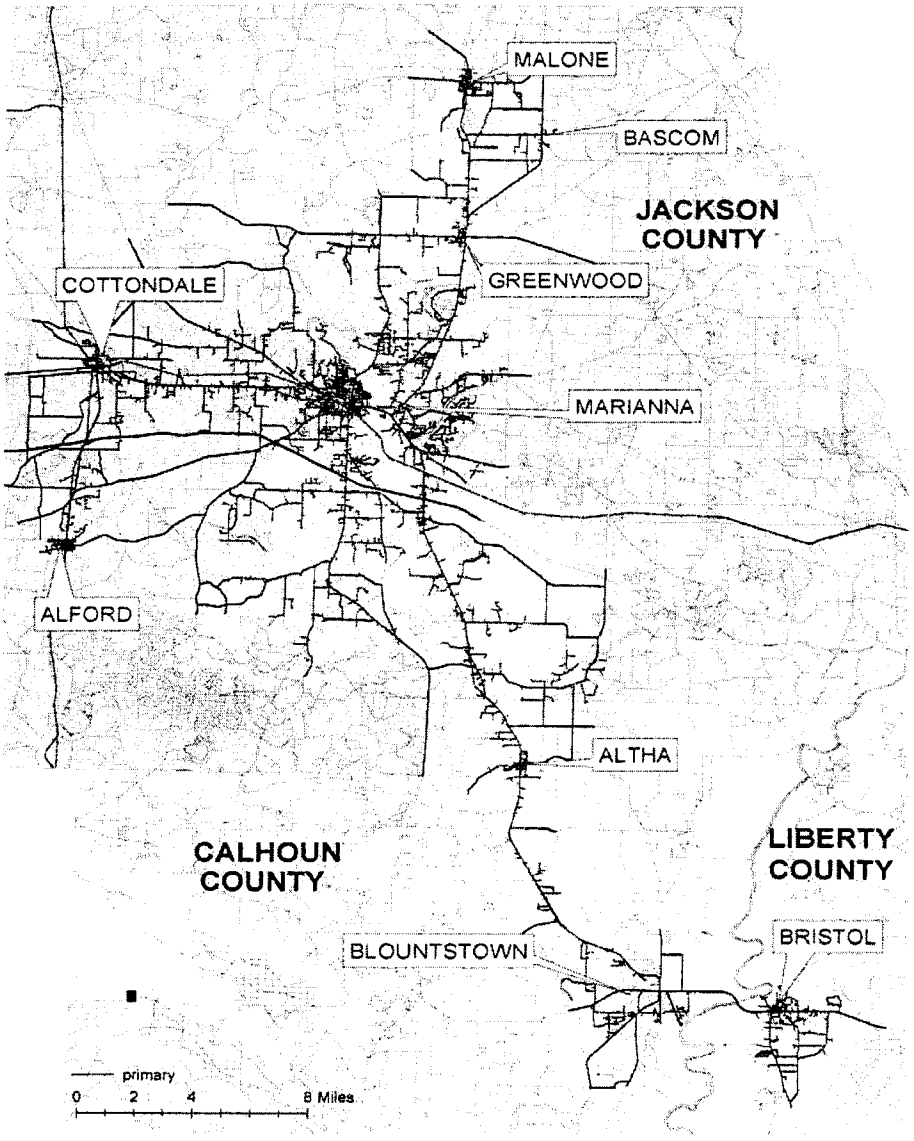
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Cancels Original Sheet No. 3

Northwest Florida Division Service Map
Parts of Jackson, Calhoun and Liberty Counties

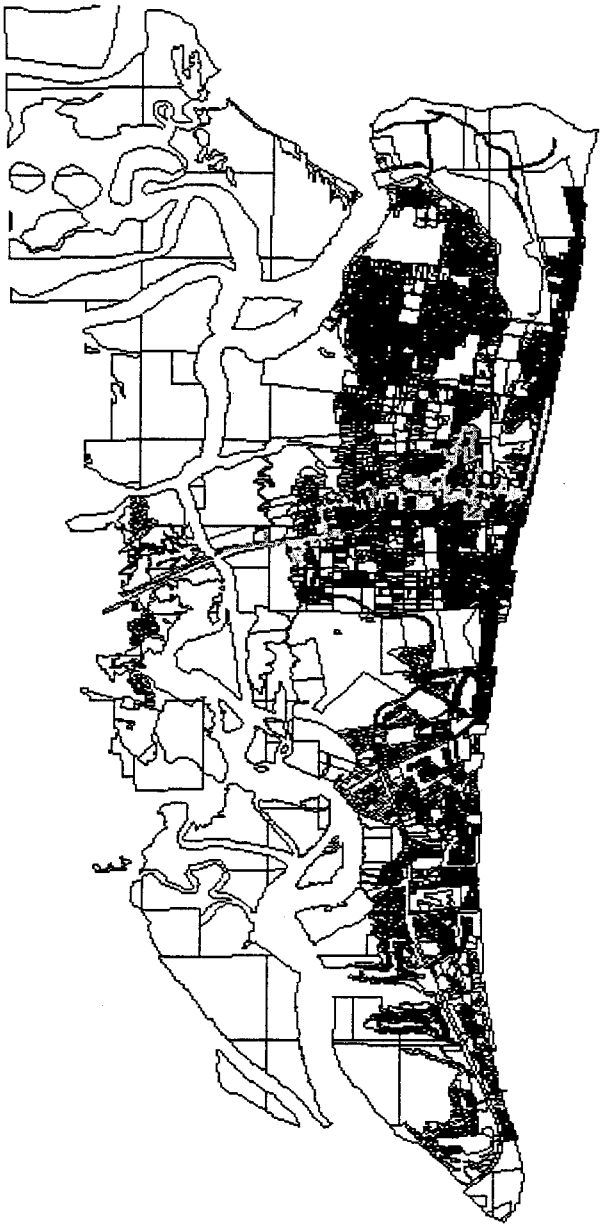


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Florida Public Utilities Company
F.P.S.C. Electric Tariff
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First Revised ~~Original~~ Sheet No. 4
Cancels Original Sheet No. 4

Northeast Florida Division Service Map
Amelia Island located in Nassau County



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First Revised ~~Original~~ Sheet No. 5
Cancels Original Sheet No. 5

Territory Served

As indicated on the System Maps, two areas are served with electricity, both of which are located in the northern part of Florida.

The Northwest Florida Division serves various communities in Jackson, Calhoun and Liberty Counties.

The Northeast Florida Division serves Amelia Island, located in Nassau County.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
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First Revised ~~Original~~ Sheet No. 6
Cancels Original Sheen No. 6

Miscellaneous General Information

Florida Public Utilities Company was incorporated under the Laws of Florida in 1924 and adopted its present corporate name in 1927.

It is principally engaged in the distribution and sale of natural gas, electricity and water. Its operations are entirely within the State of Florida

The general office of the Company is located at:

401 South Dixie Highway
West Palm Beach, Florida 33401-5886

Division offices are located at:

2825 Pennsylvania Avenue
Marianna, Florida 32446-4004

And

911 South 8th Street
Fernandina Beach, Florida 32034-3706

Communications covering rates should be addressed to:

Florida Public Utilities Company
P. O. Box 3395
West Palm Beach, Florida 33402-3395

Florida Public Utilities Company
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TECHNICAL TERMS AND ABBREVIATIONS

When used in the rules and regulations or the rate schedules contained in this volume, the following terms shall have the meanings defined below:

A. Company - Florida Public Utilities Company acting through its duly authorized officers or employees within the scope of their respective duties.

B. Applicant - any person, firm, or corporation applying for electric service from the Company at one location.

C. Customer - any person, firm, or corporation purchasing electric service at one location from the Company under Rules and Regulations of the Company.

D. Service Classification

(1) Residential Service - service to Customer supplied for residential purposes in a single family dwelling unit or household. Residential service shall also apply to energy used in commonly-owned facilities in condominium and cooperative apartment buildings subject to the following criteria:

1. 100% of the energy is used exclusively for the co-owners' benefit.

2. None of the energy is used in any endeavor which sells or rents a commodity or provided service for a fee.

3. Each point of delivery will be separately metered and billed.

4. A responsible legal entity is established as the Customer to whom the Company can render its bills for said service.

(2) ~~(2)~~ Commercial Service - service to Customers engaged in selling, servicing, warehousing, or distributing a commodity, in some business activity or in a profession, or in some form of economic or social activity (offices, stores, clubs, hotels, etc.) and for purposes that do not come directly under another classification of service. A premise which might otherwise, except for business activity conducted thereon, be entitled to Residential Service shall be classified as Commercial unless that portion of said premise use solely for residential purposes is metered separately.

(3) Industrial Service - service to Customers engaged in a process which creates or changes raw or unfinished material into another form or product. (Factories, mills, machine shops, mines, oil plants, refineries, creameries, canning, and packing plants, shipyards, etc., i.e., in extractive, fabricating, or processing activities.)

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~~Florida Public Utilities Company~~
~~P.P.C. Electric Tariff~~ ~~Original Sheet No. 7.1~~
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~~Technical Terms and Abbreviations (continued)~~

~~(1)Industrial Service service to Customers engaged in a process which creates or changes raw or unfinished material into another form or product. (Factories, mills, machine shops, mines, oil wells, refineries, pumping plants, creameries, canning and packing plants, shipyards, etc., i.e., in extractive, fabricating, or processing activities.)~~

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Technical Terms and Abbreviations (continued)

E. Service Line - all wiring between the Company's main line or substation transformer terminals and the point of connection to Customers service entrance.

F. Single Service - one set of facilities over which Customer may receive electric power.

G. KW or Kilowatt - one thousand (1,000) watts.

H. KWh or Kilowatt-hour - one thousand (1,000) watt-hours.

I. Energy - current consumed, expressed in kilowatt-hours.

J. BTU or British Thermal Unit - the amount of heat required to raise the temperature of one (1) pound of water one degree Fahrenheit (1°F) at sixty degrees Fahrenheit (60°F).

K. Horsepower - the nameplate rating of motors or its equivalent in other apparatus. For conversion purposes, on horsepower shall be considered as equivalent to 0.75 kilowatts.

L. Candlepower - one-tenth of the manufacturer's rating in lumens.

M. Connected Load - sum of the ratings of the electric power consuming apparatus connected to the installation or system, or part of either, under consideration.

N. Demand - the load at the terminals of an installation or system averaged over a specified period of time. Demand is expressed in kilowatts, kilovolt-amperes, or other suitable units.

O. Power Factor - ratio of kilowatts to kilovolt-amperes.

P. Month - the period between any two (2) regular readings of Company's meters at approximately thirty (30) day intervals.

Florida Public Utilities Company
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INDEX OF RULES AND REGULATIONS

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RULES AND REGULATIONS

Applicable to Electric Service and Electric Rate Schedules

1. General

Company shall furnish service under its rate schedules and these Rules and Regulations as approved from time to time by the Florida ~~Railroad and~~ Public Service ~~Utilities~~ Commission and in effect at this time. These Rules and Regulations shall govern all service except as specifically modified by the terms and conditions of the rate schedules or written contracts. Copies of currently effective Rules and Regulations are available at the office of Company

Unless otherwise specifically provided in any applicable rate schedule or in a contract by or with Company, the term of any agreement shall become operative on the day the Customer's installation is connected to Company's facilities for the purpose of taking electric energy and shall continue for a period of one (1) year and continuously thereafter until cancelled by three (3) or more days' notice by either party.

2. Application for Service

An application for service will be required by Company from each Applicant. Such application shall contain the information necessary to determine the type of service desired and the conditions under which service will be rendered. If necessary, the application or contract for service shall be in writing.

The application or depositing of any sum of money by the Applicant shall not require company to render service until the expiration of such time as may be reasonable required by Company to determine if Applicant has complied with the provisions of these Rules and Regulations and as may reasonably be required by Company to install the required facilities.

3. Election of Rate Schedules

Optional rates are available for certain classes of customers. These optional rates and the conditions under which they are applicable are set forth in Company's rate schedules.

Upon application for service or upon request, Applicant or Customer shall elect the applicable rate schedule best suited to his requirements. Company will assist in making such election but does not guarantee that Customers will be served under the most favorable rate schedule at all times. Company shall not be held

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RULES AND REGULATIONS (Continued)

3. Election of Rate Schedules (Continued)

~~rate schedule at all times. Company shall not be held~~ responsible to notify Customers of the most favorable rates schedule and will not refund the difference in charge under different rate schedules to the same class of service.

Upon notification of any material changes in Customer's installation or load conditions, Company will assist in determining if a change in rates is desirable, but unless required by substantial changes in the Customer's installation, not more than (1) such change in rates will be made within any twelve (12) month period.

Company will require a written contract with special guarantee from Applicants whose characteristics of load would require excessive investment in facilities of whose requirements for service are of a special nature.

4. Customer Deposits

A. Deposit Required

Residential
An initial deposit or suitable guarantee to cover the payment of bills will~~may~~ be required of the Applicant or Customer before service will be supplied. Such initial deposit shall not exceed an amount necessary to cover charges for service for two billing months.

Non-Residential Service
An initial deposit based on the previous customer's average two month's billings at the same location, or in the case of the establishment of a new account, based on an estimated two month's billing will~~may~~ be required of the Applicant or Customer before service will be supplied.

B. Establishment of Credit

In lieu of cash deposit a customer may:

(1) Furnish a satisfactory guarantor to secure payment of bills for the service requested, such guarantor to be a customer of the Company with a satisfactory payment record. Guarantors providing security for payment of residential customers' bills shall only be liable for bills contracted at the service address contained in the contract of guaranty.

(2) Furnish an irrevocable letter of credit from a bank.

(3) Furnish a surety bond.

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RULES AND REGULATIONS (Continued)

4. Customer Deposits (Continued)

C. Refund of Deposits

After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility shall refund the residential customer's deposits and shall, at its option either refund or pay the higher rate of interest specified below for nonresidential deposits, providing the customer has not, in the preceding 12 months, (a) made more than one late payment of a bill (after the expiration of 20 days from the date of mailing or delivery by the utility), (b) paid with a check refused by a bank, (c) been disconnected for non-payment, or at any time,(d) tampered with the meter, or (e) used service in a fraudulent or unauthorized manner. Company may, at its option, refund a deposit in less than 23 months.

D. Interest on Deposits

Company shall pay a minimum interest on deposits of 6 percent per annum. The Company shall pay an interest rate of 7 percent per annum on deposits of nonresidential customers qualifying under Section (c) above when the Company elects not to refund such deposit after 23 months. No customer shall be entitled to receive interest on his deposit until and unless a customer relationship and the deposit have been in existence for a continuous period of six months, then he shall be entitled to receive interest from the day of the commencement of the customer relationship and the placement of deposit. Deposits shall cease to bear interest upon discontinuance of service.

E. New or Additional Deposits

Company may require, upon reasonable written notice of not less than 30 days, such notice being separate and apart from any bill for service, a new deposit where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of the required deposit shall not exceed an amount equal to the average actual charges for service for two billing periods for the 12-month period immediately prior to the date of notice. In the event the customer has had service for less than 12 months, then the Company shall base its new or additional deposit upon the average actual monthly billing available.

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RULES AND REGULATIONS (Continued)

4. Customer Deposits (Continued)

F. Retention of Deposits

Retention by Company, prior to final settlement, of said deposit shall not be considered as a payment or part payment of any bill for service. Company shall, however, apply said deposit against unpaid bills for service. In such case, Customer shall be required to restore deposit to original amount.

~~D.~~G. Refund of Deposit When Service is Discontinued

Upon discontinuance of service, the deposit and accrued interest shall be credited against the final account and the balance, if any, shall be returned promptly to the customer, but in no event later than fifteen (15) days after service is discontinued.

RULES AND REGULATIONS (Continued)

5. Customer' Facilities

Customer shall make or procure satisfactory conveyance to Company of all necessary easement and rights-of-way, including right of convenient access to Company's property, for furnishing adequate and continuous service or the removal of Company's property upon termination of service.

Customer should furnish Company a description of the load to be connected prior to wiring his premises or purchasing any electric equipment. Company will then furnish customer such information as characteristics of service which is or will be available at the point of delivery.

All wiring and equipment beyond Company's meter and accessories thereto, necessary to utilize service furnished by Company, shall be installed by and belong to the Customer and be maintained at his expense. Customer shall bring his wiring to a point of connection to Company's service lines at a location satisfactory to Company.

All wiring and electric equipment shall conform to the requirements of the National Electrical Code as adopted by Company and local ordinances, if any.

Company reserves the right to inspect and approve the installation of all wiring and equipment to utilize Company's service; but such inspection or failure to make inspection or the fact that Company may connect to such installation shall not make Company liable for any loss or damage which may be occasioned by the use of such installation or equipment used therefrom or of Company's service.

Customer shall install only such motors or other apparatus or appliances as are suitable for operation with the character of the service supplied by Company, and electric energy must not be used in such a manner as to cause detrimental voltage fluctuations or disturbances in Company's distribution system.

All apparatus used by Customer shall be of such type as to secure the highest practicable commercial efficiency, power factor and proper balancing of phases. Motors which are frequently started or motors arranged for automatic control must be equipped with controlling devices, approved by Company, to give maximum starting torque with minimum current flow.

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RULES AND REGULATIONS (Continued)

6. Service Connections

A. General

Company reserves the right to designate the location of the point of connection, transformers and meters and to determine the amount of space which must be left unobstructed for the installation and maintenance thereof. Applicant may request an alternation of such a designation but, if consented to by Company, the excess cost of such revised designation over and above the cost of the original Company design shall be borne by Applicant.

Company reserves the right to postpone to a more favorable season the extension of lines and connection of services during seasons of the year when climatic conditions would cause abnormally high construction costs.

B. Overhead Service in Overhead Zone

Customer's wiring must be brought outside the building wall nearest Company's service wires so as to be readily accessible thereto or to transformer terminals if located close to the wall. All connections between the service entrance and meter location shall comply with local ordinances and shall be in rigid conduit or cable approved by Company. Company will furnish, install and maintain the service conductors to the point of connection to Customer's facilities.

C. Underground Service in Overhead Zone

Customers desiring an underground service in an overhead zone may make application for service with the Company. The Company will install and own the underground service from the meter location to the pole from which connection is to be made, including the necessary run of cable or conduit up the side of the pole. The Customer will pay in advance to the Company the estimated difference in the cost of the underground service and or equivalent overhead service.

D. Underground Service in Underground Residential Distribution Systems

The service connection to the building normally will be at the point of the building nearest the point at which the underground system enters the property to be served. If such service connection point on any building is more than seventy-five (75) feet, measured at right angles, from the serving property line, the Customer will pay the difference between an underground service and an equivalent overhead service for all service line in excess of seventy five (75) feet.

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RULES AND REGULATIONS (Continued)

~~D. Underground Service in Underground Residential Distribution Systems (Continued)~~

~~overhead service for all service line in excess of seventy five (75) feet.~~

~~E.~~E. Underground Service in Underground Zone (Other Than Residential Areas)

Where service is supplied from an underground distribution system, at Company's choice, Company will provide and install the cable conduit or ducts from its manhole or street connection box or main feed lines in street to the property line adjoining the property to be served.

The Customer shall supply and install the cable conduit or ducts from the property line into the building, terminating said conduit or ducts inside the building wall at a point located by the Company inspector. The Customer shall make arrangements with the Company for Company to supply and install continuous run of cable conductors from the manhole or street connection box to the inside of the building wall. Customer shall be charged for materials, labor, and other expenses incurred from the portion of cable installed inside the building.

Where Company is required by governmental or other valid authority to install underground distribution, and abandon overhead distribution, Company shall not be required to bear any of the cost of making the necessary changes on Customer's premises. If, however, Company elects to change an existing Customer's service from overhead to underground, Company shall bear the cost of disconnecting the Customer's service from the overhead system and reconnecting it to the underground system unless such change is necessitated by a change in the Customer's requirements.

7. Line Extensions

A. Overhead Extensions

(1) Free Extensions

(a) Company shall make extensions to or alterations in its facilities in accordance with Rule 25-6.064 of Florida Public Service Commission, these Rules and Regulations and free of charge to provide service to an applicant or group of applicants located within the Company's service area when the estimated total non-fuel revenue for the first four (4) years from the Applicant or Applicants equals or exceeds the estimated cost of the necessary includable construction; provided, however,

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that the patronage or demand will be of such permanency as to warrant the expenditure involved.

RULES AND REGULATIONS (Continued)

~~provided, however, that the patronage or demand will be of such permanency as to warrant the expenditure involved.~~

(b) The formula used to calculate the maximum amount of no-charge extension or alteration will be as follows:

(1) for customers in rate classes that pay only energy charges, i.e., do not pay demand charges:

maximum amount = 4 X (non-fuel energy charge KWH)
(estimated annual KWH usage)

(2) for customers in classes that pay both energy charges and demand charges:

maximum amount = 4 X (non-fuel energy charge KWH)
(estimated annual KWH usage)
+ 4 X (estimated annual demand charge revenue from sales over new line)

(2) Other Extensions

When the line extension or alteration required in order to furnish service within Company's service area is a reasonable extension of the Company's facilities but greater than the free construction specified above, and the Applicant or Applicants shall contract to use service for at least four (4) years, such extension or alteration shall be made subject to the following condition;

(a) Applicant or Applicants shall make a non-refundable contribution in aid of construction $(CIAC)_{OH}$ prior to commencement of construction, in an amount equal to the amount that the estimated cost to provide the extension or alteration exceeds the maximum amount of the no-charge extension or alteration as determined in A(b)(1) or A(b)(2) above.

B. Underground Extension

(1) New residential subdivisions and multiple-occupancy buildings.

(a) Company shall make underground extension of its facilities to serve new residential subdivisions or new multiple-occupancy buildings, in accordance with the provisions of the "Rules for Residential Electric Underground Service" of the Florida Public Service Commission; provided that the Applicant or Applicants, in accordance with the Rules ~~of the Florida Public Service Commission, will pay to the Company in an~~

amount equal to the difference in cost between an underground system (exclusive of supply system feeders) and an equivalent overhead system.

RULES AND REGULATIONS (Continued)

~~of the Florida Public Service Commission, will pay to the Company in an amount equal to the difference in cost between an underground system (exclusive of supply system feeders) and an equivalent overhead system.~~

(2) Residential, commercial, industrial extensions

(a) Company shall make underground extensions or alterations in its facilities in accordance with Rule 25-6.064 of Florida Public Service Commission and these Rules and Regulations to provide underground service to an applicant or group of applicants, within the Company's service area provided that the applicant, or group of applicants, pay the Company a contribution in aid of underground construction $(CIAC)_{UG}$ in an amount equal to the estimated difference in cost to provide underground service instead of overhead service to the Applicant(s) plus the amount, if any, by which the estimated cost to provide an overhead service exceeds the maximum amount of no-charge construction $(CIAC)_{OH}$ as determined in A(2) above.

(b) The following formula shall be used to determine the contribution in aid of underground construction with all cost based on Rule 25-6.0342, FAC, Electric Infrastructure Storm Hardening:

$(CIAC)_{UG}$ = (estimated cost to provide underground service facilities including distribution line, transformer, service drop and other necessary fixtures) minus (the estimated cost to provide service using overhead facilities) plus $(CIAC)_{OH}$.

RULES AND REGULATIONS (Continued)

UNDERGROUND ELECTRIC DISTRIBUTION FACILITY CHARGES

DEFINITIONS
The following words and terms used under this Part shall have the meaning indicated:

(1) Applicant: The Applicant is the person or entity seeking the undergrounding of existing or newly planned electric distribution facilities by the Company. When a developer requests local government development approval, the local government shall not be deemed the applicant for purposes of this rule.

(2) Commission: Florida Public Service Commission.

(3) Cost Estimate: A non-refundable deposit charged an Applicant by the Company for the purpose of preparing a binding cost estimate of the amount required for the Company to construct or convert particular distribution facilities as underground.

(4) Company: Florida Public Utilities Company.

(5) Distribution Facilities: All electrical equipment of the Company required to deliver electricity to homes and businesses.

(6) Facility Charge: That charge required to be paid by an Applicant for the Company to construct or convert particular distribution facilities as underground.

(7) High Density Subdivision: A subdivision having a density of six (6) or more dwelling units per acre.

(8) Low Density Subdivision: A subdivision having a density of at least 1.5 dwelling units per acre but less than six (6) dwelling units per acre.

(9) Overhead: Pertains to distribution facilities consisting of conductors, switches, transformers, etc. which are installed above ground on supporting poles.

(10) Underground: Pertains to distribution facilities consisting of conductors, switches, transformers, etc. which are installed below or on the ground.

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RULES AND REGULATIONS (Continued)

GENERAL

(1) APPLICATION
This tariff section applies to request for underground electric distribution facilities offered in lieu of overhead facilities. The installation of underground distribution lines in new residential subdivisions is not covered in this section of the tariff. These installations are covered under "Rules of the Florida Public Service Commission", Chapter 25-6, Part V, "Rules for Residential Electric Underground Extensions", and the Company's "Rules and Regulations", Item 7.

(2) APPLICATION REQUEST
An applicant shall submit a request in writing for the Company to develop a cost estimate to accomplish the undergrounding of particular electric facilities. The request shall be accompanied by an appropriate deposit and shall specify the following information:
(a) the area(s) being sought to be undergrounded
(b) a list of all electric customers affected
(c) an estimated time frame for undergrounding to be accomplished
(d) details of any construction by the Applicant
(e) any other pertinent information which the Applicant possesses that may assist the Company in preparing an appropriate cost estimate

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RULES AND REGULATIONS (Continued)

COST ESTIMATE DEPOSITS

(1) NON-BINDING COST ESTIMATES
The Company will provide a non-binding cost estimate related to the request at no cost to the Applicant. The non-binding cost estimate shall be an order of magnitude estimate to assist the requestor in determining whether to go forward with a binding cost estimate.

(2) BINDING COST ESTIMATES
Upon the payment of a non-refundable deposit, as specified below, the Company shall provide an applicant with a binding cost estimate specifying the facility charge required for the installation. The facility charge to be collected pursuant to a binding cost estimate from an applicant shall not be subject to increase or refund unless the project scope is enlarged or reduced, or the project is not completed at the request of the applicant.

The deposit shall be forfeited, and the binding cost estimate provided to an Applicant shall be considered expired, if the Applicant does not enter into a contract for the installation of the requested underground electric distribution within 180 days of delivery of the binding cost estimate by the Company. For good cause the Company may extend the 180 day time limit.

The deposit for a binding cost estimate, which approximates the engineering costs for underground facilities associated with preparing the requested estimate, shall be calculated as follows:

I. New Construction (Excluding New Residential Subdivisions)

Facilities Classification	Deposit Amount
Urban Commercial	$3,715 per overhead primary mile~~0.42 X the proposed linear footage of trench~~
Urban Residential	$2,565 per overhead primary mile~~0.29 X the proposed linear footage of trench~~
Rural Residential	$1,946 per overhead primary mile~~0.22 X the proposed linear footage of trench~~

II. Conversions

Facilities Classification	Deposit Amount
Urban Commercial	$5,750 per overhead primary mile~~0.65 X the proposed linear footage of trench~~
Urban Residential	$4,511 per overhead primary mile~~0.51 X the proposed linear footage of trench~~
Rural Residential	$3,273 per overhead primary mile~~0.37 X the proposed linear footage of trench~~
Low Density Subdivision	$18~~33~~.00 per lot
High Density Subdivision	$17~~10~~.00 per lot

The deposit must be paid to the Company to initiate the estimating process. The deposit will be applied in the calculation of the facility charge to be required for the installation of underground distribution

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RULES AND REGULATIONS (Continued)

CONSTRUCTION CONTRACT

(1) GENERAL
Upon acceptance by the Applicant of a binding cost estimate, the Applicant shall execute a contract with the Company to perform the construction of the underground distribution facilities. The contract shall specify the type and character of system to be provided; establish the facility charge to be paid by Applicant prior to commencement of construction; specify details of construction to be performed by Applicant, if any; and address those other terms and conditions described in Part (4) below.

(2) FACILITIES CHARGE
The charge shall be calculated in accordance with the appropriate formula described below with all cost based on Rule 25-6.0342, FAC, Electric Infrastructure Storm Hardening:

(a) NEW CONSTUCTION
Charge =
Estimated cost of construction of underground facilities including underground service laterals to customers' meters;
Minus, estimated construction cost of overhead facilities including overhead service drops to customers' meters;
Minus, qualifying cost estimate deposit.

(b) CONVERSION
Charge =
Remaining book value of existing overhead facilities to be removed;
Plus, removal cost of existing overhead facilities;
Minus, salvage value of existing overhead facilities;
Plus, estimated cost of construction of underground facilities including underground service laterals to customers' meters;
Minus, estimated construction cost of overhead facilities including overhead service drops to customers' meters;
Minus, qualifying cost estimated deposit.

RULES AND REGULATIONS (Continued)

(3) CONSTRUCTION BY APPLICANT

If agreed upon by the Applicant and the Company, the Applicant may construct or install portions of the underground system as long as such work meets the Company's engineering and construction standards. The Company will own and maintain the completed distribution facilities upon accepting the system as operational. The type of system provided will be determined by the Company's standards.

Any facilities provided by the Applicant will be inspected by Company inspectors prior to acceptance. Any deficiencies discovered as a result of these inspections will be corrected by the applicant at his sole expense, including the costs incurred by performing the inspections. Corrections must be made in a timely manner by the Applicant; otherwise the Company will undertake the correction and bill the Applicant for all costs of such correction. These costs shall be additional to the original binding cost estimate.

(4) OTHER TERMS AND CONDITIONS

(a) Easements: Easements satisfactory to both the Company and the Customer must be provided for by the Applicant prior to commencement of construction at no expense to the Company. Additional easements are not required when facilities are to be located on private property wholly within an area covered by a recorded subdivision utility easement, namely a reservation and recorded plat of an easement for public utility purposes and where underground electrical facilities are not prohibited. Where underground distribution facilities for serving more than one customer are located on private property, easements are required.

Secondary voltage underground facilities wholly within one property for the purpose of serving only one customer do not require easements. All primary voltage underground facilities require easements. Easements are not required for facilities in public rights-of-way.

RULES AND REGULATIONS (Continued)

(b) Scheduling, Clearing, and Grading: Rights-of-way and easements suitable to the Company must be furnished by the Applicant in a reasonable time to meet service requirements and must be cleared of trees, tree stumps, paving and other obstruction, staked to show property lines and final grade and must be graded to within six (6) inches of final grade by the Applicant before the Company will commence construction, all at no charge to the Company. Such clearing and grading must be maintained by the Applicant during construction by the Company. Grade stakes must be provided at transformer, pullbox, and switch locations.

(c) Restoration: All removal and restoration of buildings, roads, driveways, sidewalks, patios, fences, ditches, landscaping, sprinkler systems, other utilities, etc. shall be the full responsibility of the Applicant and shall cause no cost to the Company. Removal of all construction debris not belonging to the Company shall be the responsibility of the Applicant or other.

(d) Other Joint Users on the Company Poles: Applicant must make arrangements with all other overhead utilities and third parties to remove their overhead facilities from the Company's poles prior to construction or to concurrently convert their facilities to underground or remove them at no cost to the Company. The Applicant shall produce, if requested by the Company, executed agreements with all joint users guaranteeing this requirement.

(e) Affected Electric Customers: Applicant must make arrangements with all affected Company customers to, in a timely fashion, prepare their premises and service entrance for underground electrical service from the new underground distribution system. All customers affected by the undergrounding request must agree to accept underground service. This customer conversion will be at no cost to the Company.

(f) Damage to Company's Underground Facilities: The Applicant shall be responsible to ensure the Company's distribution system, once installed, is not damaged, destroyed, or otherwise disturbed during the construction of the project. This responsibility shall extend not only to those in his employ, but also to his subcontractors, and he shall be responsible for the full cost of repairing such damage.

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RULES AND REGULATIONS (Continued)

8. Metering

Company will provide each Customer with a meter or meters for each applicable rate schedule.

Customer, acting jointly with Company, may install, maintain and operate at his expense such check measuring equipment as desired provided that such equipment shall be so installed as not to interfere with operation of Company's equipment and that no electric energy shall be remetered for resale to another or others.

Before installation and periodically thereafter, each meter shall be tested and adjusted using methods and accuracy limits prescribed or approved by the Florida Public Service Commission. Periodic test and inspection intervals shall not exceed the maximum period allowed by the Florida Public Service Commission.

If on test the meter is found to be in error in excess of prescribed accuracy limits, fast or slow, the amount of refund or charge to the Customer shall be determined by methods prescribed or approved by the Florida Public Service Commission.

In the event of stoppage or failure of any meter to register, customer may be billed for such period on an estimated consumption based upon his use of electric energy in a similar period of like use or on the basis of check meter readings, if available and accurate.

Meters in use shall be tested at the request of Customer and in his presence, if desired, provided only one (1) such test shall be made free of charge within a twelve (12) month period, and provided Customer shall pay the cost of any additional test within this period unless meter is shown to be inaccurate in excess of the tolerances set forth by the Florida Public Service Commission. If the customer requests a test more frequently, the company may require a deposit, not to exceed $50.00, to defray the cost of testing.

9. Billing and Collecting

Each Customer's meter will be read at regular intervals and bills will be rendered on a monthly basis or periodically in accordance with the terms of the applicable rate schedule. Bills will be rendered as soon as practical after determination of their amount and shall be due and payable at the office of Company within twenty (20) days after date of bill. Failure to receive a bill will not entitle Customer to any discount or to the omission of any charge for nonpayment within the time specified.

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RULES AND REGULATIONS (Continued)

9. Billing and Collecting (continued)

A separate bill will be rendered for each meter used by Customer unless, for the convenience of Company, multiple meters are used for measurement of the same class of service, in which case a bill will be rendered for the total amount registered by all meters. If Company, (as it may under unusual circumstances), permits more than one Customer to be served through one meter, the minimum bill and the first billing block kilowatt-hours of the applicable rate schedule shall be multiplied by the number of Customer so served and the number of kilowatt-hours in each succeeding block of the rate schedule shall be increased in the same proportion.

Billings in general will be based on meter readings but bills will be adjusted to compensate for errors in meter registration, in the reading thereof, or in the application of meter reading ~~rate~~ schedules to intervals five (5) days greater or lesser than a month.

In case of tampering or unauthorized use, probable consumption will be billed as determined by the maximum quantity of electric energy estimated to have been consumed by the various appliances of Customer and a bill will be rendered for a period encompassing six (6) months prior to the detection of such abuse and /or disconnection for cause.

10. Customer's Liabilities

Company shall have the right to enter the premises of Customer at all reasonable hours for the purpose of making such inspection of Customer's installation as may be necessary for the proper application of Company's rate schedules and Rules and Regulations; for installing, removing, testing, or replacing its apparatus or property; for reading meters; and for the entire removal of Company's property in event of termination of service to Customer for any reason.

All property of Company installed in or upon Customer's premises used and useful in supplying service is placed there under Customer's protection. All reasonable care shall be exercised to prevent loss of or damage to such property and, ordinary wear and tear excepted, Customer will be held liable for any such loss of property or damage thereto and shall pay to Company the cost of necessary repairs or replacements.

Customer will be held responsible for breaking the seals, tampering or interfering with Company's meter or meters or other equipment of Company installed on customer's premises, and no one except employees of Company will be allowed to make any repairs or adjustments to any meter or other piece of apparatus belonging to Company except in case of emergency.

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RULES AND REGULATIONS (Continued)

10. Customers Liabilities (continued)

~~equipment of Company installed on customer's premises, and no one except employees of Company will be allowed to make any repairs or adjustments to any meter or other piece of apparatus belonging to Company except in case of emergency.~~

Customer shall not materially increase load without first notifying Company and obtaining consent.

Company shall have the right, if necessary, to construct its poles, lines and circuits on Customer's property, and to place its transformers and other apparatus on the property or within the buildings of Customer, at a point or points convenient for such purpose and Customer shall provide suitable space for such installation.

11. Company's Liabilities

Company will use reasonable diligence in furnishing as uniform a supply of electric energy as practicable, except where rate schedules provide otherwise. Company may interrupt its service hereunder, however, for the purpose of making necessary alterations and repairs, but only for such time as may be reasonable or unavoidable, and Company shall give to those Customers it knows may be seriously affected, except in case of emergency, reasonable notice of its intention so to do, and shall endeavor to arrange such interruption so as to inconvenience Customer as little as possible.

Whenever Company deems an emergency warrants interruption or limitation in the service being rendered, such interruption or limitation shall not constitute a breach of contract and shall not render Company liable for damages suffered thereby or excuse Customer from further fulfillment of the contract.

In the event that the supply of electric energy shall be interrupted from causes other than the foregoing or force majeure and such interruption is due to the negligence of Company and Company is liable because thereof, that liability shall be limited to twice the amount which Customer would have paid for electric energy during the period of such interruption. However, Company shall not be liable to Customer for any loss, injury or damage resulting from use of Customer's equipment or from the use of electric service furnished by Company or from the connection of Company's facilities with Customer's wiring and appliances.

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RULES AND REGULATIONS (Continued)

12. Force Majeure

Except for payment of bills due, neither the Company nor the Customer shall be liable in damage to the other for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, unforeseeable or unusual weather conditions, washouts, arrests and restraint of rules and peoples, civil disturbances, explosions, breakage or accident to machinery or electric lines, temporary failure of electric supply, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated, or otherwise, and whether caused or occasioned by or happening on account of the act or omission of Company or Customer or any other person or concern not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

13. Discontinuance of Service

The Company reserves the right, but assumes no liability for failure so to do, to discontinue service to any Customer for cause as follows:

A. Without notice,

(1) if a dangerous condition exists on Customer's premises in wiring or energy-consuming devices.

(2) because of a fraudulent use of the service or tampering with Company's equipment.

(3) upon request by Customer, subject to any existing agreement between Customer and Company as to unexpired term of service.

B. After five (5) working days' (any day on which the utility's business office is open and the U.S. Mail is delivered) notice in writing,

(1) for nonpayment of bill for electric service.

(2) when Company has reasonable evidence that Customer has been previously disconnected for nonpayment at present or other location and is receiving service for his own use under a different name in order to avoid past due payments to Company.

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RULES AND REGULATIONS (Continued)

~~(2) when Company has reasonable evidence that Customer has been previously disconnected for nonpayment at present or other location and is receiving service for his own use under a different name in order to avoid past due payments to Company.~~

(3) for refusal or failure to make a deposit or increase a deposit, when requested, to assure payment of bills.

(4) for a violation of these Rules and Regulations which Customer refuses or neglects to correct.

C. Discontinuance of Service When That Service is Medically Essential:

For purposes of this section, a Medically Essential Service Customer is a residential customer whose electric service is medically essential, as affirmed through the certificate of a doctor of medicine licensed to practice in the State of Florida. Service is "medically essential" if the customer has continuously operating electric-powered medical equipment necessary to sustain the life of or avoid serious medical complications requiring immediate hospitalization of the customer or another permanent resident at the service address. The physician's certificate shall explain briefly and clearly, in non-medical terms, why continuance of electric service is medically essential, and shall be consistent with the requirements of the Company's tariff. A customer who is certified as a Medically Essential Service Customer must renew such certification periodically through the procedures outlined above. The Company may require certification no more frequently than 12 months.

The Company shall provide Medically Essential Service Customers with a limited extension of time, not to exceed thirty (30) days, beyond the date service would normally be subject to disconnection for non-payment of bills (following the requisite notice pursuant to Rule 25-6.105(5) of the Florida Administrative Code). The Company shall provide the Medically Essential Service Customer with written notice specifying the date of disconnection based on the limited extension. The Medically Essential Service Customer shall be responsible for making mutually satisfactory arrangements to ensure payment within this additional extension of time for service provided by the Company and for which payment is past due, or to make other arrangements for meeting medically essential needs.

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RULES AND REGULATIONS (Continued)

No later than 12 noon one day prior to the scheduled disconnection of service of a Medically Essential Service Customer, the Company shall attempt to contact such customer by telephone in order to provide notice of the scheduled disconnect date. If the Medically Essential Service Customer does not have a telephone number listed on the account, or if the utility cannot reach such customer or other adult resident of the premises by telephone by the specified time, a field representative will be sent to the residence to attempt to contact the Medically Essential Service Customer, no later than 4 PM of the day prior to scheduled disconnection. If contact is not made, however, the company may leave written notification at the residence advising the Medically Essential Service Customer of the scheduled disconnect date; thereafter, the Company may disconnect service on the specified date. The Company will grant special consideration to a Medically Essential Service Customer in the application of Rule 26-6.097(3) of the Florida Administrative Code.

In the event that a customer is certified as a Medically Essential customer, the customer shall remain solely responsible for any backup equipment and/or power supply and a planned course of action in the event of a power outage. The Company does not assume, and expressly disclaims, any obligation or duty; to monitor the health or condition of the person requiring medically essential service; to insure continuous service; to call, contact, or otherwise advise of service interruptions; or, except expressly provided by this section, to take any other action (or refrain from any action) that differs from the normal operation of the Company.

14. Reconnection of Service

When service shall have been discontinued for any of the reasons set forth in these Rules and Regulations, Company shall not be required to restore service until the following conditions have been met by the Customer:

A. Where service was discontinued without notice,

(1) The dangerous condition shall be removed and, if the Customer had been warned of the condition a reasonable time before the discontinuance and had failed to remove the dangerous condition, a reconnection fee shall be paid.

(2) all bills for service due Company by reason of fraudulent use or tampering shall be paid, a deposit to guarantee the payment of future bills shall be made, and a reconnection fee shall be paid.

(3) if reconnection is requested on the same premises after discontinuance, a reconnection fee shall be paid.

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RULES AND REGULATIONS (Continued)

~~(2) all bills for service due Company by reason of fraudulent use or tampering shall be paid, a deposit to guarantee the payment of future bills shall be made, and a reconnection fee shall be paid.~~

~~(3) if reconnection is requested on the same premises after discontinuance, a reconnection fee shall be paid.~~

B. Where service was discontinued with notice,

(1) satisfactory arrangements for payment of all bills for service then due shall be made and a reconnection fee shall be paid.

(2) a satisfactory arrangement for the payment of bills then due under a different name shall be made and a reconnection fee shall be paid.

(3) a satisfactory guarantee of payment for all future bills shall be furnished and a reconnection fee shall be paid.

(4) the violation of these Rules and Regulations shall be corrected and a reconnection fee shall be paid.

The reconnection fee as required under items A and B above shall be as follows:

During Normal Business Hours	$~~44~~37.00
After Normal Business Hours	$~~93~~60.00

15. Termination of Service

Subject to any existing agreement between Customer and Company, if Customer wishes the electric service to be terminated, he shall give notice at the office of the Company at least three (3) days prior to the time that such termination shall become effective. Customer will be held liable both for any electric energy that may pass through the meter and safe custody of the Company's property until three (3) days after such notice shall have been given, provided that the meter and/or other movable equipment shall not have been removed within that time by the Company.

If Customer wishes Company's property to be removed, he shall give notice at the office of the Company at least ten (10) days prior to the time that such removal must be made.

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First Revised ~~Original~~ Sheet No. 22
Cancels Original Sheet No. 22

RULES AND REGULATIONS (Continued)

16. Limitations of Supply

Company reserves the right, subject to regulatory authority having jurisdiction, to limit, restrict or refuse service that will result in additions to its distribution system and/or production capacity and/or alterations in its contractual requirements of supply from non-affiliated companies that may jeopardize service to existing Customers.

17. Temporary Service

The Company upon request will supply temporary service when company's distribution system is nearby the requested location.

When the temporary service is to be later replaced with a permanent service, the Company will install a ~~temporary pole,~~ service drop, meter and other facilities as may be necessary to the customers temporary service pole and remove same at the termination of temporary service. To recover the cost of installing and removing such temporary service, an advance of $200~~150~~.00 per service to the applicant will be applied. For underground temporary service using customer provided wire, an advance of $170~~110~~.00 per service will be required. Should the company be required to install an additional pole, an additional $200.00 will be added to the advance per service.

When the temporary service will not be replaced by a permanent service or when the location is such that multiple temporary poles and/or extensive facilities are required, the Company will estimate the cost of installing and removing the temporary facilities and the advance charge to the applicant will be that cost estimate.

The rate schedule for temporary service shall be that which is applicable to the class of service for that customer.

18. Fees for Initial Connections

In addition to the deposit or suitable guarantee to cover the payment of bills as required by the Rules and Regulations, each Applicant or Customer shall pay an initial turn-on connection fee of $52~~44~~.00.

19. Re-establish or Make Change to Account

There shall be a charge to re-establish or change any account to which service is currently rendered under any of the Company' rate schedules in the amount of $23~~19~~.00. Should it be necessary, at the customer's request, to disconnect and then reconnect the service to the account, the customer shall pay a temporary disconnect then reconnect fee in the amount of $33~~27~~.00.

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RULES AND REGULATIONS (Continued)

20. Returned Check Charge

The service charge for each worthless check shall be determined in accordance with Section 68.065, Florida Statues. As of October 1, 1996, Section 68.065, F.S., provided for a service charge of $25.00, if the face value does not exceed $50.00, $30.00, if the face value exceeds $50.00 but does not exceed $300.00 and $40.00, or 5 percent of the face amount of the check, whichever is greater if the face value exceeds $300.00. Such service charge shall be added to the customer's bill for electric service for each check dishonored by the bank upon which it is drawn. Termination of service shall not be made for failure to pay the returned check charge.

21. Late Payment Charge

A bill shall be considered past due upon the expiration of twenty (20) days from the date the bill is generated ~~of mailing or other delivery thereof~~ by Company. The balance of all past due charges for services rendered are subject to a Late Payment charge of 1.5% or $5.00, whichever is greater, except the accounts of federal, state, and local governmental entities, agencies, and instrumentalities. A Late Payment Charge shall be applied to the accounts of federal, state, and local governmental entities, agencies and instrumentalities at a rate no greater than allowed, and in a manner permitted by applicable law.

22. Measuring Customer Service

(1) All energy sold to customer, except that sold under flat rate schedule, shall be measured by commercially acceptable measuring devices owned and maintained by the Company, except where it is impractical to meter loads, such as street lighting, temporary or special installations, in which case the consumption may be calculated, or billed on demand or connected load rate or as provided in Company's filed tariff.

(2) When there is more than one meter at a location the metering equipment shall be so tagged or plainly marked as to indicate the circuit metered. Where similar types of meters record difference quantities, (kilowatt hours and relative power, for example), metering equipment shall be tagged or plainly marked to indicate what the meters are recording.

(3) Meters which are not direct reading shall have the multiplier plainly marked on the meter. All charts taken from recording meters shall be marked with the date of the record, the meter number, customer, and chart multiplier. The register ratio shall be marked on all meter registers. The watt-hour constant for the meter itself shall be placed on all watt-hour meters.

(4) Metering equipment shall not be set "fast" or "slow" to compensate for supply transformer or line losses.

(5)

(a) Individual electric metering by Company shall be required for each separate occupancy unit of new commercial establishments, residential buildings, condominiums, cooperatives, marinas, and trailer, mobile home and recreational vehicle parks for which construction is commenced after January 1, 1981. Individual electric meters shall not, however, be required:

(Continued on Sheet No. 22.2)

RULES AND REGULATIONS (Continued)

1. In those portions of a commercial establishment where the floor space dimensions or physical configuration of the units are subject to alteration, as evidenced by non-structural element partition walls, unless the utility determines that adequate provisions can be made to modify the metering to accurately reflect such alterations;

2. For electricity used in central heating, ventilating and air conditioning systems, or electric back up service to storage heating and cooling systems;

3. For electricity used in specialized-use housing accommodations such as hospitals, nursing homes, living in facilities located on the same premises as, and operated in conjunction with, a nursing home or other health care facility providing at least the same level and types of services as a nursing home, convalescent homes, facilities certified under chapter 651, Florida Statutes, college dormitories, convents, sorority houses, fraternity houses, motels, hotels, and similar facilities.

4. For separate, specially-designated areas for overnight occupancy at trailer, mobile home and recreational vehicle parks where permanent residency is not established and for marinas were living aboard is prohibited by ordinance, deed restriction, or other permanent means.

5. For new and existing time-share plans, provided that all of the occupancy units which are served by the master meter or meters are committed to a timeshare plan as defined in Section 721, Florida Statutes, and none of the occupancy units are used for permanent occupancy. When a time-share plan is converted from individual metering to master metering, the customer must reimburse the utility for the costs incurred by the utility for the conversion. These costs shall include, but not be limited to, the undepreciated cost of any existing distribution equipment which is removed or transferred to the ownership of the customer, plus the cost of removal or relocation of any distribution equipment, less the salvage value of any removed equipment.

(b) For purpose of this rule:

1. "Occupancy unit" means that portion of any commercial establishment, single and multi-unit residential building, or trailer, mobile home or recreational vehicle park, or marina which is set apart from the rest of such facility by clearly determinable boundaries as described in the rental, lease, or ownership agreement for such unit.

2. "Time-sharing plan" means any arrangement, plan, scheme or similar device, whether by membership, agreement, tenancy in common, sale, lease, deed, rental agreement, license, or right-to-use agreement or by any other means,

(Continued on Sheet No. 22.3)

RULES AND REGULATIONS (Continued)

whereby a purchaser, in exchange for a consideration, receives a right to use accommodations or facilities, or both, for a specific period of times less than a full year during any given year, but not necessarily for consecutive years, and which extends for a period of more than three years.

3. The construction of a new commercial establishment, residential building, marina, or trailer, mobile home or recreational vehicle park shall be deemed to commence on the date when the building structure permit is issued.

4. The individual metering requirement is waived for any time sharing facility for which construction was commenced before December 23, 1982, in which separate occupancy units were not metered in accordance with subsection (5)(a).

5. "Overnight Occupancy" means use of an occupancy unit for a short term such as per day or per week where permanent residency is not established.

6. The term "cost" as used herein means only those charges specifically authorized by the electric utility's tariff, including but not limited to the customer, energy, demand, fuel, and conservation charges made by the Company plus applicable taxes and fees to customer of record responsible for the master meter payments. The term does not include late payment charges, returned check charges, the cost of distribution system behind the master meter, the cost of billing, and other such costs.

(6)

(a) Where individual metering is not required under Subsection (5)(a) and master metering is used in lieu thereof, reasonable apportionment methods, including sub-metering, may be used by customer of record or the owner of such facility solely for the purpose of allocating the cost of the electricity billed by the Company.

(b) Any fees or charges allocated by customer of record for electricity billed to customer's account by Company, whether based on the use of sub-metering or any other allocation method, shall be determined in a manner which reimburses the customer of record for no more than the customer's actual cost of electricity.

~~(Continued on Sheet No. 22.4)~~

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Reserved For Future Use

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First Revised ~~Original~~ Sheet No. 25
Cancels Original Sheet No. 25

RATE SCHEDULE RS
RESIDENTIAL SERVICE

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable for service to a single family dwelling unit occupied by one family or household and for energy used in commonly-owned facilities in condominium and cooperative apartment buildings.

Character of Service
Single-phase service at nominal secondary voltage of 115/230 volts; three-phase service if available.

Limitations of Service
The maximum size of any individual single-phase motor hereunder shall not exceed five (5) horsepower.

The Company shall not be required to construct any additional facilities for the purpose of supplying three-phase service unless the revenue to be derived therefrom shall be sufficient to yield the Company a fair return on the value of such additional facilities.

Monthly Rate
Customer Facilities Charge:
$14~~6~~.00 per customer per month

Base Energy Charge:
All KWH 1.967~~373~~¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge.

(Continued on Sheet No. 26)

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First Revised ~~Original~~ Sheet No. 26
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RATE SCHEDULE RS
RESIDENTIAL SERVICE

(Continued from Sheet No. 25)

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Average Billing Plan (Optional)

Year-round residential customers with a zero balance due to ~~Company determined satisfactory payment record~~ Company and a minimum of 12 months billing history at their current residence may, at their option, elect to pay for their residentially metered electric service by a special payment method called the "Average Billing Plan". The Plan will apply only to metered service on this rate. Qualified customers electing the Plan will be enrolled contingent upon receipt and approval by the Company of a written application on the Company's standard form.

Under the Average Billing Plan, the customer will receive a monthly bill which has been determined by the following method: The previous 12 months average KWH is calculated at the currently effective rate. To this amount is applied an adjustment percentage of any deferred balance (debit or credit), which is the cumulative difference between prior actual billings and average billing amounts. The total of the averaged bill, plus the adjustment percentage of the deferred amount, is rounded to the nearest $5.00 dollars for the current month's average billing amount. Extraneous charges (balances, taxes, deposit interest credit, etc.) are then added to arrive at the current amount due. ~~The adjustment percentage of applied deferred is contingent upon deferred balances according to the following: $0 to $199.99 10%, $200 $299.99 20%, $300 or more 20%.~~

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

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First Revised ~~Original~~ Sheet No. 28
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RATE SCHEDULE OL
OUTDOOR LIGHTING SERVICE
(CLOSED TO NEW INSTALLATIONS)

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to any customer for non-metered outdoor lighting service.

Character of Service
Lighting service from dusk to dawn.

Limitations of Service
Service is limited to lighting by mercury vapor lamps of 7,000 or 20,000 lumens mounted on wood poles.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Lamp Size Lumens	KWH/Mo. Estimate	Facilities Charge	Maintenance Charge	Energy Charge	Total Charge
7,000	72	$2.53~~11~~	$0.49~~8~~	$2.59~~16~~	$54.62~~8~~
20,000	154	$65.92~~77~~	$0.85~~74~~	$54.54~~62~~	$134.32~~10~~

Charges for other Company-owned facilities:
Each wood pole and overhead span of wire installed: $~~43~~.24~~53~~

For concrete or fiberglass poles and/or underground conductors etcetera, the customer shall pay a lump sum amount equal to the estimated differential cost between the special system and the equivalent overhead-wood pole system.

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The above rates times the number of lamps connected.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 28.1)

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RATE SCHEDULE OL
OUTDOOR LIGHTING SERVICE

(Continued from Sheet No. 28.0)

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Term of Service
Service under this rate schedule shall be by written contract for a period of two or more years.

Terms and Conditions

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

2. The charges set forth above cover the initial installation of overhead lines, poles and fixture assembly including bracket, and maintenance including lamp renewals due to burn outs only. Lamp renewals and other necessary service will be performed only during regular daytime working hours as soon as practical after notification of the necessity by the customer.

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First Revised ~~Original~~ Sheet No. 29
Cancels Original Sheet No. 29

RATE SCHEDULE OL-2
HIGH PRESSURE SODIUM VAPOR and Metal Halide OUTDOOR LIGHTING SERVICE

Availability

Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to any customer for non-metered outdoor lighting service.

Character of Service

Lighting service from dusk to dawn.

Limitations of Service

Service is limited to lighting by high-pressure sodium vapor or metal halide lamps mounted on company poles. Company-owned facilities will be installed only on Company-owned poles.

Monthly Rate

When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Type Facility	Lamp Lumens	Size Watts	KWH/Mo. Estimate	Facilities Charge	Maintenance Charge	Energy Charge	Total Charge
High Pressure Sodium Lights							
Acorn	16,000	150	61	$15~~2~~.00~~50~~	$1.81~~61~~	$2~~1~~.20~~83~~	$1~~95~~.01~~84~~
ALN 440	16,000	150	61	$22~~10~~.32~~60~~	$2.59~~16~~	$2~~1~~.20~~83~~	$2~~72~~.11~~59~~
Amer. Rev.	9,500	100	41	$~~8~~7.42~~02~~	$1~~0~~.14~~95~~	$1.48~~33~~	$11~~9~~.04~~20~~
Amer. Rev.	16,000	150	61	$~~8~~7.64~~20~~	$1~~0~~.13~~94~~	$2~~1~~.20~~83~~	$11~~9~~.96~~87~~
Cobra Head	9,500	100	41	$~~6~~6.37~~1~~	$0.99~~76~~	$1.48~~22~~	$~~8~~7.80~~33~~
Cobra Head	22,000	200	81	$~~9~~8.70~~08~~	$0.42~~35~~	$2.92~~43~~	$13~~0~~.03~~86~~
Cobra Head	28,500	250	101	$11~~9~~.66~~72~~	$1.45~~21~~	$3.64~~03~~	$16~~3~~.75~~96~~
Cobra Head	50,000	400	162	$~~8~~7.77~~31~~	$1.33~~11~~	$5~~4~~.83~~86~~	$15~~2~~.94~~28~~
Flood	28,500	250	101	$~~8~~7.83~~36~~	$1.33~~11~~	$3.64~~03~~	$13~~1~~.80~~50~~
Flood	50,000	400	162	$13~~4~~.61~~34~~	$1.64~~07~~	$5~~4~~.83~~86~~	$21~~7~~.08~~57~~
Flood	130,000	1,000	405	$17~~4~~.04~~20~~	$2~~1~~.17~~81~~	$14~~2~~.58~~15~~	$33~~28~~.79~~16~~
SP2 Spectra	9,500	100	41	$18~~5~~.91~~76~~	$3~~2~~.13~~61~~	$1.48~~23~~	$23~~1~~.52~~60~~
Metal Halide Lights							
ALN 440	16,000	175	71	$22~~10~~.46~~72~~	$2.64~~20~~	$2.56~~13~~	$27~~3~~.66~~05~~
Flood	50,000	400	162	$~~8~~7.17~~64~~	$1.38~~15~~	$5~~4~~.83~~86~~	$16~~3~~.38~~65~~
Flood	130,000	1,000	405	$15~~2~~.82~~16~~	$2~~1~~.02~~60~~	$14~~2~~.58~~15~~	$32~~87~~.41~~01~~
Shoebox	16,000	175	71	$17~~4~~.29~~41~~	$2~~1~~.14~~76~~	$2.56~~13~~	$21~~10~~.98~~32~~
Shoebox	28,500	250	101	$18~~5~~.40~~33~~	$2~~1~~.38~~98~~	$3.64~~03~~	$24~~0~~.41~~34~~
SP2 Spectra	9,500	100	41	$18~~5~~.77~~64~~	$2~~1~~.18~~02~~	$1.48~~23~~	$22~~8~~.43~~69~~
Vertical Shoebox	130,000	1,000	405	$22~~4~~8.16~~47~~	$2.66~~22~~	$14~~2~~.58~~15~~	$39~~2~~.41~~04~~

(Continued on Sheet No. 29.1)

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RATE SCHEDULE OL-2
HIGH PRESSURE SODIUM VAPOR and METAL HALIDE
OUTDOOR LIGHTING SERVICE

(Continued from Sheet No. 29.0)

Charges for other Company-owned facilities:

1)	30' Wood Pole	$~~4.62~~3.85
2)	40' Wood Pole	$~~6.11~~5.76
3)	18' Fiberglass	$~~7.12~~6.93
4)	13' Decorative Concrete	$~~10.73~~9.34
5)	20' Decorative Concrete	$~~12.16~~10.13
6)	35' Concrete	$~~11.87~~9.88
7)	10' Deco Base Aluminum	$~~13.97~~6.64

For the poles shown above that are served from an underground system, the Company will provide up to one hundred (100) feet of conductor to service each fixture. The customer will provide and install the necessary conduit system to Company specifications.

Purchased Power Charges

Purchased power charges are adjusted annually by the Florida Public Service Commission. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 41

Conservation Costs

See Sheet No. 41

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 29.2)

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RATE SCHEDULE OL-2
HIGH PRESSURE SODIUM VAPOR and METAL HALIDE
OUTDOOR LIGHTING SERVICE

(Continued from Sheet No. 29.1)

Term of Service

Service under this rate schedule shall be by written contract for a period of five or more years.

Terms and Conditions

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

2. The charges set forth above cover the initial installation of overhead lines, poles and fixture assembly including bracket, and maintenance including lamp renewals due to burn outs only.

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First Revised ~~Original~~ Sheet No. 30
Cancels Original Sheet No. 30

RATE SCHEDULE GS
GENERAL SERVICE - NON-DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial lighting, heating, cooking and small power loads aggregating 25 KW or less. Sports or athletic fields operated by non-profit organizations and having less than 300 KW of connected load will be served under the transitional rate of this rate schedule, unless such organizations, at their options, take service under the GSD rate schedule.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point.

Monthly Rate
Customer Facilities Charge:
$21~~14~~.00 per customer per month

Base Energy Charge:
All KWH 2~~1~~.206~~4736~~¢/KWH

Transitional Rate for Non-Profit Sports Fields
Monthly Rate
Customer Facilities Charge:
$27~~18~~.08 per customer per month

Base Energy Charge: ~~4~~3.8660~~2440~~¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 31)

Issued by: John T. English, President Effective: May 1, 2008~~April 15, 2004~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
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First Revised ~~Original~~ Sheet No. 31
Cancels Original Sheet No. 31

RATE SCHEDULE GS
GENERAL SERVICE - NON-DEMAND

(Continued from Sheet No. 30)

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
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First Revised ~~Original~~ Sheet No. 32
Cancels Original Sheet No. 32

RATE SCHEDULE GSD
GENERAL SERVICE - DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 25 KW but less than 500 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 25 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
$6~~244~~.00 per customer per month

Demand Charge:
Each KW of Billing Demand $ 3~~2~~.4~~748~~/KW

Base Energy Charge
All KWH 0.3230~~3320~~¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet No. 41

(Continued on Sheet No. 33)

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised ~~Original~~ Sheet No. 33
Cancels Original Sheet No. 33

MARIANNA DIVISION
RATE SCHEDULE GSD
GENERAL SERVICE - DEMAND

(Continued from Sheet No. 32)

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Billing Demand
The billing demand in any month shall be the greatest of the following:
(a) The highest fifteen-minute average load for the current month, as registered by a demand meter or indicator.

(b) The highest fifteen-minute average load for the current month after adjustment for power factor, in accordance with the Power Factor Clause of this schedule.

(c) For those customers electing to take service under this rate schedule in lieu of the otherwise applicable rate schedule the billing demand shall be as in either (a) or (b) above, but not less than 20 KW.

Terms of Service
Not less than one year.

Power Factor of Clause
The Company reserves the right to measure power factor and if it is less than 85%, adjust the maximum demand for any month by multiplying the measured demand by 85% and dividing by the actual power factor.

Transformer Ownership Discount
If the customer elects to take service at the available primary voltage and furnish and maintain any transformers required, the monthly demand charge will be reduced by fifty five (55) cents per kilowatt. Such customers will be metered at primary voltage and in recognition of estimated average transformation losses of 1% the KW and KWH measured units shall be multiplied by a factor of 0.99 for billing purposes.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 34
Cancels Original Sheet No. 34

RATE SCHEDULE GSLD
GENERAL SERVICE - LARGE DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
$11375.00 per customer per month

Demand Charge:
Each KW of Billing Demand $ 12.3489/KW

Base Energy Charge
All KWH 0.11308860¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet No. 41

(Continued on Sheet No. 34.1)

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RATE SCHEDULE GSLD
GENERAL SERVICE - LARGE DEMAND

(Continued from Sheet No. 34.0)

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Billing Demand
The billing demand in any month shall be the greatest of the following:
(a) The highest fifteen-minute average load for the current month, as registered by a demand meter or indicator.

(b) The highest fifteen-minute average load for the current month after adjustment for power factor, in accordance with the Power Factor Clause of this schedule.

(c) For those customers electing to take service under this rate schedule in lieu of the otherwise applicable rate schedule the billing demand shall be as in either (a) or (b) above, but not less than 400 KW.

Terms of Service
Not less than one year.

Power Factor of Clause
The Company reserves the right to measure power factor and if it is less than 85%, adjust the maximum demand for any month by multiplying the measured demand by 85% and dividing by the actual power factor.

Transformer Ownership Discount
If the customer elects to take service at the available primary voltage and furnish and maintain any transformers required, the monthly demand charge will be reduced by fifty five (55) cents per kilowatt. Such customers will be metered at primary voltage and in recognition of estimated average transformation losses of 1% the KW and KWH measured units shall be multiplied by a factor of 0.99 for billing purposes.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

RATE SCHEDULE GSLD 1
GENERAL SERVICE - LARGE DEMAND 1

Availability
Available within the territory served by the Company in Jackson, Calhoun, and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial services of customers contracting for at least 5,000 kilowatts of electric service.

Character of Service
Three-phase, 60 hertz, electric service delivered and metered at a single point at the available transmission voltage, nominally 69,000 volts or higher.

Monthly Rate

Customer Facilities Charge Per Customer Per Month	$600.00
Transmission Demand Charge:	$1.12/KW of NCP Billing Demand
Reactive Demand Charge:	$0.24/kVar of Excess Reactive Demand
Production Demand Charge:	Purchased Power Demand Charge See Sheet No. 41
Energy Charge:	Purchased Power Energy Charge See Sheet No. 41

NOTE: The Production Demand Charge for the GSLD class will recover the Jacksonville Electric Authority Demand Charge or Southern Company Charge to FPUC plus line losses and applicable taxes. This charge is applied to the customer's demand at the time of the system's monthly coincident peak (CP demand).

Purchased Power Energy Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally year in January. For correct purchased power energy costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill is the sum of the Transmission Demand Charge and the Customer Charge.

Terms of Payment
Bills are rendered net and due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 35.1)

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First Revised ~~Original~~ Sheet No. 35.1
Cancels Original Sheet No. 35.1

RATE SCHEDULE GSLD 1
GENERAL SERVICE - LARGE DEMAND 1

(Continued from Sheet No. 35.0)

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

CP Billing Demand
The CP Billing Demand in any month shall be the customer's greatest fifteen-minute average load as registered by FPUC's demand meter.

NCP Billing Demand
The NCP Billing Demand in any month shall be the customer's greatest fifteen-minute average load as registered by FPUC's demand meter, but not less than 5,000 KW.

Excess Reactive Demand
The Excess Reactive Demand in any month shall be any lagging kVar during the period of FPUC's system maximum demand in excess of one-half of the CP Billing Demand in that month.

Term of Service
Contract for service hereunder shall be for a period of not less than one year.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

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First Revised ~~Original~~ Sheet No. 36
Cancels Original Sheet No. 36

RATE SCHEDULE - SB
STANDBY SERVICE

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable only to customers which are self-generators with capabilities of serving the customer's full electronic power requirements and that require backup and/or maintenance service on a firm basis. This rate schedule is not applicable to self-generating customers for supplemental service.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage. The contract demand shall not exceed the KW capacity of customer's generator.

Monthly Rate
Customer Facilities Charge:
(a) For those customers who have contracted for standby service capacity of less than 500 KW - the GSD customer facilities charge plus $25.00.

(b) For those customers who have contracted for standby service of 500 KW or greater - the GSLD customer facilities charge plus $25.00.

Local Facilities Charge:
(a) For those customers who have contracted for standby service capacity of less than 500 KW - $1.76~~89~~/KW.

(b) For those customers who have contracted for standby service of 500 KW or greater - $0.43~~50~~/KW.

Purchased Power Charges
Demand and energy used by the customer in any month shall be charged at the then currently effective rates of the Company's wholesale supplier adjusted for estimated line losses and applicable taxes. Such charges will consist of Coincident Peak (CP) Demand charge and an energy charge. The CP Demand shall be the customer's measured KW coincident in time with that of the Company's maximum monthly demand at the substation serving the system to which the customer is connected. The energy charge shall be applied to the measured KWH during the billing period and shall be based on the actual energy charge (including fuel charges) of the Company's wholesale supplier during the billing period.

The currently effective rates of the Company's wholesale supplier would result in the following demand and energy charges for purchased power after adjustment for estimated line losses and applicable taxes. These are shown for illustrative purposes only. Actual purchased power rates in effect at the time of use shall be used for determining the monthly unit charges.

CP Demand Charge - Each KW of CP Demand	$7~~6~~.22~~87~~/KW
Energy Charge - All	3~~8~~.223~~813~~¢

(Continued on Sheet No. 36.1)

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised ~~Original~~ Sheet No. 36.1
Cancels Original Sheet No. 36.1

RATE SCHEDULE SB
STANDBY SERVICE

(Continued from Sheet No. 36.0)

Minimum Bill

The minimum monthly bill shall consist of the above Customer Charge plus the Local Facilities charge for the currently effective Contract Demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Conservation Costs

See Sheet No. 41

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rate share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Contract Demand

The Contract Demand shall be that KW demand as specified in the contract for service with the customer and shall represent the maximum demand that customer requires for backup and maintenance service. The specified Contract Demand shall not exceed the KW capacity of customer's generator. The Contract Demand level may be periodically renegotiated if required, but not more than once a year. In the event that customer's maximum measured 15-minute average load in any month exceeds the specified Contract Demand by an amount greater than five (5) percent, that maximum demand shall be used as the Contract Demand for billing of the Local Facilities Charge in the current month and th succeeding eleven (11) months.

CP Demand

The CP billing demand shall be the greater of the following:

(a) The 15-minute average load for the current month, as measured by a demand meter, at the time of the Company's maximum demand for the current month at the substation serving the system to which the customer is connected.

(b) Seventy-five (75) percent of the maximum CP demand established in the preceding eleven (11) months.

(Continued on Sheet No. 36.2)

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
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First Revised ~~Original~~ Sheet No. 36.2
Cancels Original Sheet No. 36.2

MARIANNA DIVISION
RATE SCHEDULE -SB
STANDBY SERVICE

(Continued from Sheet No. 36.1)

Terms of Service

By written contract for an initial period of not less than five (5) years.

Power Factor Clause

The Company reserves the right to take service at the available primary voltage and furnish and maintain any transformers required, the local facilities charge will be reduced by the following amounts:

(a) For those customers who have contracted for standby service capacity of less than 500 KW - the GSD transformer ownership discount divided by the ratio of the 100% ratcheted KW to billing KW.

(b) For those customers who have contracted for standby service capacity of 500 KW or greater - the GSLD transformer ownership discount divided by the ratio of the 100 percent ratcheted KW to billing KW.

Such customers will be metered at primary voltage and in recognition of estimated average transformation losses of 1%, the KW and KWH measured units shall be multiplied by a factor of 0.99 for billing purposes.

Special Metering Requirements

Service under this rate schedule requires the use of time-of-day metering. Customer will be required to pay a one-time Contribution-in-Aid-of-Construction prior to the initiation of service equal to the difference in cost between that of the time-of-day meter and that of the otherwise standard meter. Company will notify customer of the amount of Contribution required prior to the execution of the contract for service. No Contribution will be required in the event customer has previously paid for the cost of time-of-day metering under the Company's cogeneration tariff and that same meter can be utilized without modification for metering under this Standby Service Rate Schedule.

Transfer to Full Requirements Service

In the event of changed circumstances in customer's operations or generating capabilities, customer may, on twelve (12) advance written notice to Company, transfer to the applicable full requirements rate schedule, provided however, that no such transfers shall be accepted as long as continued backup and maintenance service is required. Company may waive the 12-months notice requirement when the Company has in place facilities that will allow serving customer's full requirements.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

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Florida Public Utilities Company
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Second Revised Volume No. I

First Revised ~~Original~~ Sheet No. 37.1
Cancels Original Sheet No. 37.1

RATE SCHEDULE SL1-2
MERCURY VAPOR STREET LIGHTING SERVICE
(CLOSED TO NEW INSTALLATIONS)

Availability
Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to municipal customer for mercury vapor street lighting service.

Character of Service
Lighting service from dusk to dawn.

Limitations of Service
Service is limited to lighting by mercury vapor lamps of 7,000 or 20,000 lumens mounted on wood poles.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Lamp Size Lumens	KWH/Mo. Estimate	Facilities Charge	Maintenance Charge	Energy Charge	Total Charge
7,000	72	$0.~~8761~~	$~~14~~.~~3292~~	$~~32~~.~~0916~~	$~~53~~.~~2869~~
20,000	154	$1.~~4642~~	$1.~~5066~~	$~~64~~.~~6162~~	$~~96~~.~~5769~~

Charges for other Company-owned facilities:
Each wood pole and overhead span of wire installed: $~~43~~.~~2453~~

For concrete or fiberglass poles and/or underground conductors, etcetera, the customer shall pay a lump sum amount equal to the estimated differential cost between the special system and the equivalent overhead-wood pole system.

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The above rates times the number of lamps connected.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 37.2)

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised ~~Original~~ Sheet No. 37.2
Cancels Original Sheet No. 37.2

RATE SCHEDULE SL1-2
MERCURY VAPOR STREET LIGHTING SERVICE
(CLOSED TO NEW INSTALLATIONS)

(Continued from Sheet No. 37.1)

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Terms of Service
Service under this rate schedule shall be by written contract for a period of two or more years.

Terms and Conditions
1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

2. The charges set forth above cover the initial installation of overhead lines, poles and fixture assembly including bracket, and maintenance including lamp renewals due to burn outs only. However, Company shall not be required to replace existing street lighting fixtures with service under this rate.

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
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First Revised ~~Original~~ Sheet No. 37.3
Cancels Original Sheet No. 37.3

RATE SCHEDULE SL-3
HIGH PRESSURE SODIUM VAPOR and METAL HALIDE
STREET LIGHTING SERVICE

Availability
Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable for lighting of public ways and areas.

Character of Service
Lighting service from dusk to dawn.

Limitations of Service
Service is limited to lighting by high pressure sodium vapor or metal halide lamps mounted on company poles. Company-owned facilities will be installed only on Company-owned poles. Customer-owned facilities will be installed only on customer-owned poles.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Type Facility	Lamp Lumens	Size Watts	KWH/Mo. Estimate	Facilities Charge	Maintenance Charge	Energy Charge	Total Charge
High Pressure Sodium Lights							
Acorn	16,000	150	61	$11~~7~~.3795	$6~~4~~.6968	$2~~4~~.6283	$20~~14~~.6846
~~ALN 440~~	~~16,000~~	~~150~~	~~61~~	~~$20.27~~	~~$3.11~~	~~$1.83~~	~~$25.21~~
Amer. Rev.	9,500	100	41	$6~~4~~.5155	$4~~2~~.1389	$1.7622	$12~~6~~.4067
Amer. Rev.	16,000	150	61	$6~~4~~.3544	$4~~3~~.6626	$2~~4~~.6283	$13~~9~~.6353
Cobra Head	9,500	100	41	$4~~3~~.7532	$3~~2~~.0342	$1.7623	$9~~6~~.5467
Cobra Head	22,000	200	81	$6~~4~~.0926	$3~~2~~.1343	$3~~2~~.4743	$12~~8~~.7088
Cobra Head	28,500	250	101	$5~~4~~.8308	$4~~3~~.2960	$4~~3~~.3303	$14~~0~~.4611
Cobra Head	50,000	400	162	$8~~4~~.8277	$4~~3~~.8036	$6~~4~~.9506	$19~~2~~.5819
Flood	28,500	250	101	$10~~7~~.0160	$5~~4~~.8610	$4~~3~~.3303	$20~~14~~.2113
~~Flood~~	~~50,000~~	~~400~~	~~162~~	~~$16.56~~	~~$1.75~~	~~$4.86~~	~~$17.17~~
~~Flood~~	~~130,000~~	~~1,000~~	~~405~~	~~$13.20~~	~~$2.26~~	~~$12.15~~	~~$27.61~~
~~SP2 Spectra~~	~~9,500~~	~~100~~	~~41~~	~~$17.03~~	~~$2.64~~	~~$1.23~~	~~$20.90~~
Metal Halide Lights							
ALN 440	16,000	175	71	$24~~16~~.2797	$1.8620	$3~~2~~.0513	$29~~0~~.1740
Flood	50,000	400	162	$10~~7~~.4531	$12~~8~~.6182	$6~~4~~.9586	$30~~0~~.0299
Flood	130,000	1,000	405	$12~~8~~.0142	$7~~5~~.3917	$17~~2~~.3715	$36~~5~~.8174
~~Shoebox~~	~~16,000~~	~~175~~	~~71~~	~~$8.52~~	~~$5.08~~	~~$2.13~~	~~$15.74~~
~~Shoebox~~	~~26,500~~	~~250~~	~~101~~	~~$14.30~~	~~$2.31~~	~~$3.02~~	~~$19.72~~
~~SP2 Spectra~~	~~9,500~~	~~100~~	~~41~~	~~$17.03~~	~~$2.64~~	~~$1.23~~	~~$20.90~~
~~Vertical Shoebox~~	~~130,000~~	~~1,000~~	~~405~~	~~$13.15~~	~~$2.76~~	~~$12.15~~	~~$32.08~~

(Continued on Sheet No. 37.4)

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Cancels Original Sheet No. 37.4

RATE SCHEDULE SL-3
HIGH PRESSURE SODIUM VAPOR and METAL HALIDE
STREET LIGHTING SERVICE

(Continued from Sheet No. 37.3)

Charges for other Company-owned facilities:

1)	30' Wood Pole	$~~3.9878~~
2)	40' Wood Pole	$~~6.8085~~
3)	18' Fiberglass	$~~5.2778~~
4)	13' Decorative Concrete	$~~17.2385~~
5)	20' Decorative Concrete	$~~20.4168~~
6)	35' Concrete	$~~39.8971~~
7)	10' Deco Base Aluminum	$~~1.1731~~

For the poles shown above that are served from an underground system, the Company will provide up to one hundred (100) feet of conductor to service each fixture. The customer will provide and install the necessary conduit system to Company specifications.

Purchased Power Charges

Purchased power charges are adjusted annually by the Florida Public Service Commission. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 41

Conservation Costs

See Sheet No. 41

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. The percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Terms and Conditions

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

2. The charges set forth above cover the initial installation of overhead lines, poles and fixture assembly including bracket, and maintenance including lamp renewals due to burn outs only.

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First Revised ~~Original~~ Sheet No. 40
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Third Revised Sheet No. 41
Cancels Second Sheet No. 41

RATE ADJUSTMENT RIDER - NORTHWEST FLORIDA DIVISION

Applicability

Electric service under all rate schedules for the Northwest Florida Division, which specify that rates are subject to adjustment in accordance with the provisions of the Company's Rate Adjustment Rider.

Total Purchased Power Cost Recovery Clause

The total purchased power cost adjustment shall be applied to each kilowatt hour delivered and shall be computed in accordance with the formula prescribed by the Florida Public Service commission. The total purchased power cost adjustment for the period January 1, 2007 through December 31, 2007 is as follows:

Rate Class	Rate Schedule	Levelized Adjustment
Residential	RS	4.420¢/KWH
General Service	GS	4.366¢/KWH
General Service-Demand	GSD	4.177¢/KWH
Outdoor Lighting	OL, OL-2	3.447¢/KWH
Street Lighting	SL1-2, SL-3	3.463¢/KWH
General Service-Large Demand	GSLD	4.001¢/KWH
General Service-Large Demand 1	GSLD 1	Not Applicable At This Time

Energy Conservation Cost Recovery Clause

Each base energy rate per KWH of the above rate schedules for the period January 1, 2007 through December 31, 2007 shall be increased by 0.060¢/KWH of sales to recover conservation related expenditures by the Company. This adjustment is determined in accordance with the formula and procedures specified by the Florida Public Service Commission.

Tax Cost Recovery

There will be added to all bills rendered for electric service a proportionate share of all license fees and taxes imposed by any governmental authorities after November 1, 1946, to an extent sufficient to cover excess increased taxes or license fees.

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F.P.S.C. Electric Tariff
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Third Revised Sheet No. 41.1
Cancels Second Sheet No. 41.1

RATE ADJUSTMENT RIDER - NORTHEAST FLORIDA DIVISION

APPLICABILITY

Electric service under all rate schedules for the Northeast Florida Division which specify that rates are subject to adjustment in accordance with the provisions of the Company's Rate Adjustment Rider.

TOTAL PURCHASED POWER COST RECOVERY CLAUSE

The total purchased power cost adjustment shall be applied to each kilowatt - hour delivered and shall be computed in accordance with the formula prescribed by the Florida Public Service Commission. The total purchased power cost adjustment for the period January 1, 2007 through December 31, 2007 is as follows:

Rate Class	Rate Schedule	Levelized Adjustment
Residential	RS	5.170¢/KWH
General Service	GS	5.056¢/KWH
General Service-Demand	GSD	4.812¢/KWH
General Service-Large Demand	GSLD	4.850¢/KWH
Outdoor Lighting	OL, OL-2	3.684¢/KWH
Street Lighting	SL-2, SL-3	3.697¢/KWH
General Service-Large Demand 1	GSLD 1	CP Demand $7.22/KW* Energy 3.231¢/KWH*

*Estimated for informational purposes only.
Monthly rate will be billed at actual cost.

ENERGY CONSERVATION COST RECOVERY CLAUSE

Each base energy rate per KWH of the above rate schedules for the period January 1, 2007 through December 31, 2007 shall be increased by 0.060¢/KWH of sales to recover conservation related expenditures by the Company. This adjustment is determined in accordance with the formula and procedures specified by the Florida Public Service Commission.

TAX COST RECOVERY

There will be added to all bills rendered for electric service a proportionate share of all license fees and taxes imposed by any governmental authorities after January 1, 1945, to an extent sufficient to cover excess increased taxes or license fees.

FLORIDA PUBLIC UTILITIES COMPANY

EXTENSION OF FACILITIES AGREEMENT

This Agreement, executed in duplicate as of the ____ day of _____ , 20____, by and between Florida Public Utilities Company, a Florida Corporation, hereinafter referred to as the "Company", party of the first part, and _____ hereinafter referred to as the "Customer", party of the second part, witnesseth:

Whereas, the customer is desirous of securing an extension or increase of the facilities of the Company as hereinafter described; and whereas, the Company is willing to make such extension or increase;

Now, therefore, in consideration of the respective and mutual covenants and agreements contained herein and hereinafter set forth, the parties hereto agree with each other as follows:

1. The Company will extend or increase its facilities as follows:

The Company will commence the extension or increase of its facilities forthwith after the execution of this Agreement and use its best efforts to complete the extension or increase of its facilities as soon as reasonably possible; provided, however, that the parties expressly agree that the Company shall not be liable or responsible for any delay caused by or resulting from shortages or unavailability of material or labor, or from any other hindrance or delay beyond the control of the Company.

2. To compensate the Company for the cost and expense of the aforesaid extension or increase of its facilities, the Customer simultaneously with the execution of this Agreement has paid to the Company the sum of $_____, the receipt of which hereby is acknowledged by the Company. The parties agree that said sum was paid by the Customer to and received by the Company without the right of any rebate, credit, reduction or adjustment in favor of either party.

3. The parties agree that the Company shall at all times have title to and keep ownership and control in and over the aforesaid extended or increased facilities, including but not limited to all new materials and equipment installed therein; and the parties agree further that the Company shall have the sole and exclusive right to use the extended or increased facilities for the purpose of serving other customers of the Company.

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First Revised ~~Original~~ Sheet No. 42.1
Cancels Original Sheet No. 42.1

EXTENSION OF FACILITIES AGREEMENT
(Continued)

4. After the extension or increase of the facilities described above, the Customer agrees that subject to all applicable terms, provisions, rights, duties and penalties, the Customer will in the usual manner and at the usual times pay for the utilities and services delivered to the Customer by means of the extended or increased facilities at the regular franchise or at special contract rates, whichever is applicable.

5. The parties agree that no representation, warranty, conditions or agreement of any kind or nature whatsoever shall be binding upon either of the parties hereto unless incorporated in this Agreement; and the parties agree further that this Agreement covers and includes the entire agreement between the parties. The parties agree that all covenants and agreements contained herein shall extend to, be obligatory upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns; provided, however, that the Customer may not transfer or assign all or any part of this Agreement or any right which he may obtain hereunder without first obtaining the written consent of the Company.

In witness whereof, the parties hereto have executed this Agreement as of the day and year hereinbefore first written.

Customer_____ FLORIDA PUBLIC UTILITIES COMPANY

By_____ By _____
Title Its Agent

Issued by: John T. English, President Effective: May 1, 2008~~April 15, 2004~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised ~~Original~~ Sheet No. 43
Cancels Original Sheet No. 43

FLORIDA PUBLIC UTILITIES COMPANY

DEPOSIT OF FACILITIES AGREEMENT

This Agreement, executed in duplicate as of the ____ day of _____ , 20____, by and between Florida Public Utilities Company, a Florida Corporation, hereinafter referred to as the "Company", party of the first part, and _____ hereinafter referred to as the "Customer", party of the second part, witnesseth:

Whereas, the customer is desirous of securing an extension or increase of the facilities of the Company as hereinafter described; and whereas, the Company is willing to make such extension or increase;

Now, therefore, in consideration of the respective and mutual covenants and agreements contained herein and hereinafter set forth, the parties hereto agree with each other as follows:

1. The Company will extend or increase its facilities as follows:

The Company will commence the extension or increase of its facilities forthwith after the execution of this Agreement and use its best efforts to complete the extension or increase of its facilities as soon as reasonably possible; provided, however, that the parties expressly agree that the Company shall not be liable or responsible for any delay caused by or resulting from shortages or unavailability of material or labor, or from any other hindrance or delay beyond the control of the Company.

2. To compensate the Company for the cost and expense of the aforesaid extension or increase of its facilities in accordance with the Company's Rules and Regulations for extensions, the Customer simultaneously with the execution of this Agreement has paid to the Company the sum of $_____, the receipt of which hereby is acknowledged by the Company. The parties agree that said sum was paid by the Customer to and received by the Company in accordance with the Company's Rules and Regulations for service requiring extension of facilities within the service area of the Company in _____ County, Florida. The Company's Rules and Regulations as filed with and approved by the Florida Public Service Commission are made a part of this Agreement.

3. The parties agree that the Company shall at all times have title to and keep ownership and control in and over the aforesaid extended or increased

Issued by: John T. English, President Effective: May 1, 2008~~April 15, 2004~~

DEPOSIT OF FACILITIES AGREEMENT
(Continued)

facilities, including but not limited to all new materials and equipment installed therein; and the parties agree further that the Company shall have the sole and exclusive right to use the extended or increased facilities for the purpose of serving other customers of the Company.

4. After the extension or increase of the facilities described above, the Customer agrees that subject to all applicable terms, provisions, rights, duties and penalties, the Customer will in the usual manner and at the usual times pay for the utilities and services delivered to the Customer by means of the extended or increased facilities in accordance with the Company's tariffs filed with and approved by the Florida Public Service Commission.

5. The parties agree that no representation, warranty, conditions or agreement of any kind or nature whatsoever shall be binding upon either of the parties hereto unless incorporated in this Agreement; and the parties agree further that this Agreement covers and includes the entire agreement between the parties. The parties agree that all covenants and agreements contained herein shall extend to, be obligatory upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns; provided, however, that the Customer may not transfer or assign all or any part of this Agreement or any right which he may obtain hereunder without first obtaining the written consent of the Company.

In witness whereof, the parties hereto have executed this Agreement as of the day and year hereinbefore first written.

Customer_____ FLORIDA PUBLIC UTILITIES COMPANY

By_____ By _____
Title Its Agent

Florida Public Utilities Company
F.P.S.C. Electric Tariff
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First Revised ~~Original~~ Sheet No. 44
Cancels Original Sheet No. 44

CONTRACTS AND AGREEMENTS

Container Corporation of America
Agreement dated December 15, 1992

ITT Rayonier, Inc., Fernandina Division
Agreement dated April 1, 1982

Original Volume 1

INTERCONNECTION OF SMALL PHOTOVOLTAIC SYSTEMS

STANDARD INTERCONNECTION AGREEMENT

ORIGINAL VOLUME NO. 1

OF

FLORIDA PUBLIC UTILTIES COMPANY

FILED WITH

FLORIDA PUBLIC SERVICE COMMISSION

Original Volume 1

FLORIDA PUBLIC UTILITIES COMPANY

STANDARD INTECONNECTION AGREEMENT FOR SMALL PHOTOVOLTAIC SYSTEMS

This agreement made and entered into as of this _____ day of _____, _____ by and between _____ hereinafter known at the "Customer" and Florida Public Utilities Company hereinafter know as the "Company". This agreement is made in accordance with Florida Public Commission Rule 25-6.065 F.A.C., Interconnection of Small Photovoltaic Systems (SPS) and under the terms and conditions as approved by the Florida Public Service Commission pursuant to Rule 25-6.065(2), F.A.C.

1. The Customer's SPS installation is within the Company service territory and is located at _____ and should be installed and operational by _____, _____.

2. Customer will ensure the installation will meet or exceed all requirements noted below, will provide the Company with reasonable notification prior to the operation of the SPS and will assist the Company in verifying that the installation complies with the agreement prior to operating in parallel with the Company's electric system.

3. The Customer's SPS installation is described as follows:
   a. Equipment Manufacturers Name and Address:
      _____
      _____
      _____
      _____

b. Manufacturers Reference Number, Serial Number, Type, Style, Model, Etc.

_____

_____

_____

c. Name Plate Rating (KW and Voltage):

_____

_____

4. During construction and installation of the SPS, the Customer is responsible for compliance with the following codes and standards:
   a. Florida Public Utilities Company Rules and Regulations for Electric Service.
   b. Applicable city, county, state, and federal construction codes and standards.
   c. IEEE Standard 929, "Recommended Practice for Utility Interface of Photovoltaic Systems" published April 3, 2000.
   d. IEEE Standard 1262-1995, "Recommended Practice for Qualification of Photovoltaic Modules, published April 12, 1996.
   e. UL Standard 1741, "Standard for Safety for Static Inverters and Charge Controllers for use in Photovoltaic Systems", published January 17, 2001.
   f. UL Standard 1703, "Standard for Safety: Flat Plate Photovoltaic Modules and Panels", published August 1, 1986
   g. IEC Standard 61646, "Recommended Practice for Qualification of Photovoltaic Modules", published November 1996.

5. The customer will, in accordance with Rule 25-6.035(2)(b), F.A.C., obtain all necessary inspections, certificates and approvals from local code officials and will provide documentation to the Company regarding such inspections. The Company may request the Customer provide notice of inspections and testing times in order that Company personnel may be present.

6. The customer will, in accordance with Rule 25-6.035(2)(c), F.A.C, prior to operation of the SPS, acquire and maintain a general insurance liability rider for personal and property damage in the amount of up to $100,000 per occurrence. A homeowner's policy that furnishes at least this level of liability coverage will meet the requirement. Documentation of this will be provided to the company prior to parallel operation.
7. The customer will, in accordance with Rule 25-6.035(2)(d), F.A.C., pay the Company $120 for the processing of the application of the interconnection agreement
8. The customer will install, in accordance with Rule 26-6.035(3)(a), at the customers expense, a manual, visible load break type disconnect switch to provide a separation point between the AC power output of the installation and the Company's electric system. The manual disconnect switch shall be mounted separate from the meter socket and be readily accessible to the Company. The switch shall have a locking mechanism capable of being locked in the open position by the Company. The Company may open and lock the switch, with or without notice, should conditions require this action.
9. Prior to parallel operation of the SPS, in accordance with Rule 25-6.035(2)(e), F.A.C., Company representatives will inspect the installation to verify that all inspection and insurance requirements have been documented and that the system meets all requirements for parallel operation with the Company's electric system. Once the Company has inspected and verified that the installation meets all requirements for parallel operation with the electric system, the Company will issue a written authorization, within 10 days, that parallel operation can begin provided the system remains in compliance with all applicable codes and standards.
10. After initial startup of the installation, in accordance with Rule 25-6.035(2)(f), F.A.C., the Customer is responsible for maintaining protective devices, inverters, system components, generating equipment and other accessories in proper working order that complies with the above-mentioned requirements. Inspections, maintenance and testing in accordance with

manufacturers guidelines must be followed to insure the system is operating properly, safely and is adequately protected during both normal and abnormal operating conditions. Should any modification, component replacement or operational problem occur, the Customer must notify the Company and allow its representatives to inspect, at the Company's discretion and expense, the installation prior to the system being operated in parallel to the electric system. The Company, as necessary, may perform periodic inspections of the installation at it's own expense.

11. The Company will install a single, bi-directional meter, at the Company's expense, for the purpose of metering the net consumption of the installation. This will be the standard metering method for all installations. Under the standard installation, if in any billing cycle there results a net delivery of energy to the Company, the credit will be carried forward for the following 11 months or until the Customer's consumption negates the credit, which ever comes first. Should a credit exist after the 11th month in which the credit occurred, the Company will cancel the credit.

    Should the Company estimate that a net delivery of energy will occur on a routine basis or at Customer request; additional metering may be installed to separately register the consumption and delivery of energy. The cost of the additional metering will be at the sole expense of the Company. Consumption of energy will be billed at the normal retail rate for the facility. The delivery of energy will be credited in accordance with the Schedule COG-1 rate for that facility. The monthly bill will reflect the net difference between the charge for the consumption of energy by the Customer at the normal retail rate and the credit for the delivery of energy to the Company at the Schedule COG-1 rate.

12. The Company retains the right to disconnect from the installation for any of the following reasons.
    a. Company system emergencies, maintenance or safety requirements.

b. Hazardous, disruptive or adverse conditions on the Company's system caused by the operation of the Customers generating or protective equipment associated with the installation

c. Failure of the customer to maintain the required insurance.

13. The Customer agrees to indemnify and hold harmless the Company, its subsidiaries or affiliates, and their respective employees, officers and directors, against any and all liability, loss, damage, cost or expense which the Company, it subsidiaries, affiliates, and their respective employees, officers and directors may hereafter incur, suffer or be required to pay by reason of negligence on the part of the Customer under the obligations of this agreement. The Company agrees to indemnify and hold harmless the Customer, against any and all liability, loss, damage, cost or expense which the Customer may hereafter incur, suffer or be required to pay by reason of negligence on the part of the Company under the obligations of this agreement.

14. Communications, either emergency or routine, related to this agreement or operation of the installation shall be made to the following parties:

Company:

_____

_____

_____

_____

_____

Customer:

_____

_____

_____

_____

_____

Original Volume 1

IN WITNESS WHEREOF, the Customer and the Company execute this Agreement this _____ day of _____, _____.

ATTEST:

_____

FLORIDA PUBLIC UTILITIES COMPANY

By: _____

Title: _____

Date: _____

ATTEST:

_____

_____

CUSTOMER

By: _____

Title: _____

Date: _____

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 1
Cancels Original Sheet No. 1

F. P. S. C. ELECTRIC TARIFF

SECOND REVISED VOLUME NO. I

OF

FLORIDA PUBLIC UTILITIES COMPANY

FILED WITH

FLORIDA PUBLIC SERVICE COMMISSION

Issued by: John T. English, President

Effective: May 1, 2008

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 2
Cancels Original Sheet No. 2

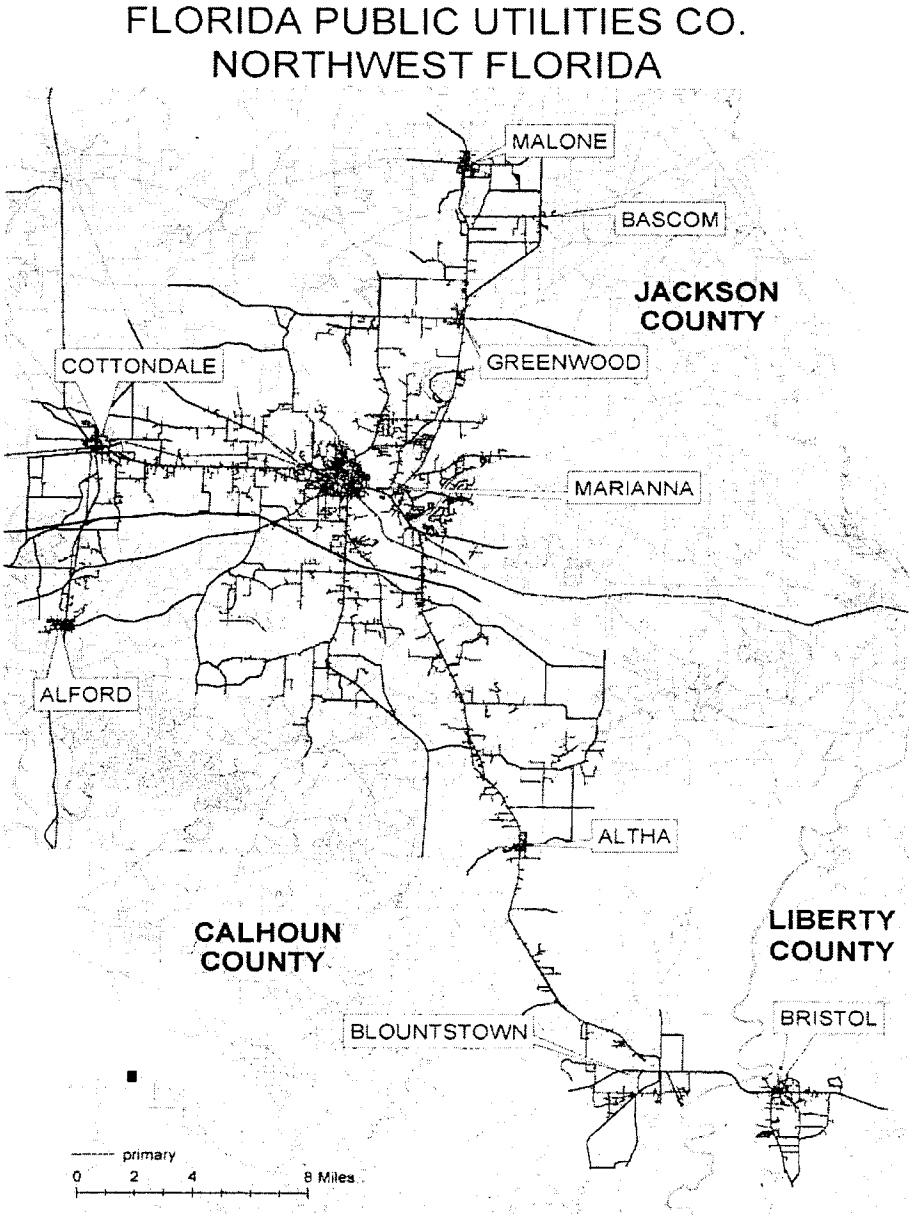
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First Revised Sheet No. 3
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Northwest Florida Division Service Map
Parts of Jackson, Calhoun and Liberty Counties



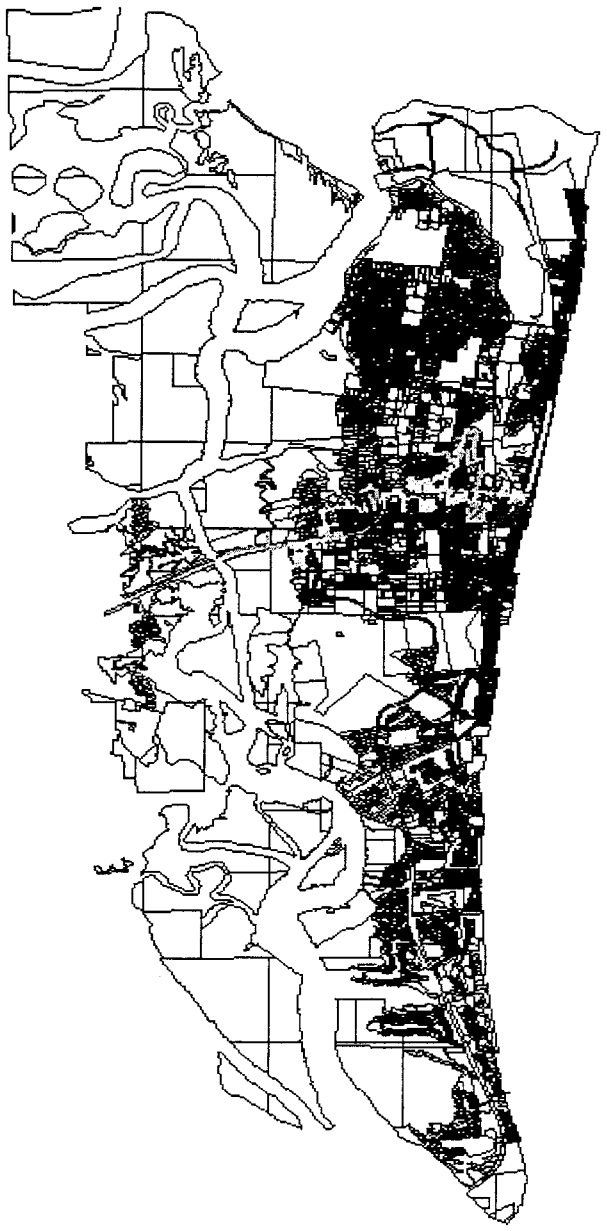
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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 4
Cancels Original Sheet No. 4

Northeast Florida Division Service Map
Amelia Island located in Nassau County



Territory Served

As indicated on the System Maps, two areas are served with electricity, both of which are located in the northern part of Florida.

The Northwest Florida Division serves various communities in Jackson, Calhoun and Liberty Counties.

The Northeast Florida Division serves Amelia Island, located in Nassau County.

Florida Public Utilities Company
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First Revised Sheet No. 6
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Miscellaneous General Information

Florida Public Utilities Company was incorporated under the Laws of Florida in 1924 and adopted its present corporate name in 1927.

It is principally engaged in the distribution and sale of natural gas, electricity and water. Its operations are entirely within the State of Florida

The general office of the Company is located at:

401 South Dixie Highway
West Palm Beach, Florida 33401-5886

Division offices are located at:

2825 Pennsylvania Avenue
Marianna, Florida 32446-4004

And

911 South 8th Street
Fernandina Beach, Florida 32034-3706

Communications covering rates should be addressed to:

Florida Public Utilities Company
P. O. Box 3395
West Palm Beach, Florida 33402-3395

TECHNICAL TERMS AND ABBREVIATIONS

When used in the rules and regulations or the rate schedules contained in this volume, the following terms shall have the meanings defined below:

A. Company - Florida Public Utilities Company acting through its duly authorized officers or employees within the scope of their respective duties.

B. Applicant - any person, firm, or corporation applying for electric service from the Company at one location.

C. Customer - any person, firm, or corporation purchasing electric service at one location from the Company under Rules and Regulations of the Company.

D. Service Classification

(1) Residential Service - service to Customer supplied for residential purposes in a single family dwelling unit or household. Residential service shall also apply to energy used in commonly-owned facilities in condominium and cooperative apartment buildings subject to the following criteria:

1. 100% of the energy is used exclusively for the co-owners' benefit.

2. None of the energy is used in any endeavor which sells or rents a commodity or provided service for a fee.

3. Each point of delivery will be separately metered and billed.

4. A responsible legal entity is established as the Customer to whom the Company can render its bills for said service.

(2) Commercial Service - service to Customers engaged in selling, servicing, warehousing, or distributing a commodity, in some business activity or in a profession, or in some form of economic or social activity (offices, stores, clubs, hotels, etc.) and for purposes that do not come directly under another classification of service. A premise which might otherwise, except for business activity conducted thereon, be entitled to Residential Service shall be classified as Commercial unless that portion of said premise use solely for residential purposes is metered separately.

(3) Industrial Service - service to Customers engaged in a process which creates or changes raw or unfinished material into another form or product. (Factories, mills, machine shops, mines, oil plants, refineries, creameries, canning, and packing plants, shipyards, etc., i.e., in extractive, fabricating, or processing activities.)

Technical Terms and Abbreviations (continued)

E. Service Line - all wiring between the Company's main line or substation transformer terminals and the point of connection to Customers service entrance.

F. Single Service - one set of facilities over which Customer may receive electric power.

G. KW or Kilowatt - one thousand (1,000) watts.

H. KWh or Kilowatt-hour - one thousand (1,000) watt-hours.

I. Energy - current consumed, expressed in kilowatt-hours.

J. BTU or British Thermal Unit - the amount of heat required to raise the temperature of one (1) pound of water one degree Fahrenheit (1°F) at sixty degrees Fahrenheit (60°F).

K. Horsepower - the nameplate rating of motors or its equivalent in other apparatus. For conversion purposes, on horsepower shall be considered as equivalent to 0.75 kilowatts.

L. Candlepower - one-tenth of the manufacturer's rating in lumens.

M. Connected Load - sum of the ratings of the electric power consuming apparatus connected to the installation or system, or part of either, under consideration.

N. Demand - the load at the terminals of an installation or system averaged over a specified period of time. Demand is expressed in kilowatts, kilovolt-amperes, or other suitable units.

O. Power Factor - ratio of kilowatts to kilovolt-amperes.

P. Month - the period between any two (2) regular readings of Company's meters at approximately thirty (30) day intervals.

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Cancels Original Sheet No. 9

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Issued by: John T. English, President

Effective: May 1, 2008

RULES AND REGULATIONS

Applicable to Electric Service and Electric Rate Schedules

1. General

Company shall furnish service under its rate schedules and these Rules and Regulations as approved from time to time by the Florida Public Service Commission and in effect at this time. These Rules and Regulations shall govern all service except as specifically modified by the terms and conditions of the rate schedules or written contracts. Copies of currently effective Rules and Regulations are available at the office of Company

Unless otherwise specifically provided in any applicable rate schedule or in a contract by or with Company, the term of any agreement shall become operative on the day the Customer's installation is connected to Company's facilities for the purpose of taking electric energy and shall continue for a period of one (1) year and continuously thereafter until cancelled by three (3) or more days' notice by either party.

2. Application for Service

An application for service will be required by Company from each Applicant. Such application shall contain the information necessary to determine the type of service desired and the conditions under which service will be rendered. If necessary, the application or contract for service shall be in writing.

The application or depositing of any sum of money by the Applicant shall not require company to render service until the expiration of such time as may be reasonable required by Company to determine if Applicant has complied with the provisions of these Rules and Regulations and as may reasonably be required by Company to install the required facilities.

3. Election of Rate Schedules

Optional rates are available for certain classes of customers. These optional rates and the conditions under which they are applicable are set forth in Company's rate schedules.

Upon application for service or upon request, Applicant or Customer shall elect the applicable rate schedule best suited to his requirements. Company will assist in making such election but does not guarantee that Customers will be served under the most favorable rate schedule at all times. Company shall not be held

RULES AND REGULATIONS (Continued)

3. Election of Rate Schedules (Continued)

responsible to notify Customers of the most favorable rates schedule and will not refund the difference in charge under different rate schedules to the same class of service.

Upon notification of any material changes in Customer's installation or load conditions, Company will assist in determining if a change in rates is desirable, but unless required by substantial changes in the Customer's installation, not more than (1) such change in rates will be made within any twelve (12) month period.

Company will require a written contract with special guarantee from Applicants whose characteristics of load would require excessive investment in facilities of whose requirements for service are of a special nature.

4. Customer Deposits

A. Deposit Required

Residential
An initial deposit or suitable guarantee to cover the payment of bills will be required of the Applicant or Customer before service will be supplied. Such initial deposit shall not exceed an amount necessary to cover charges for service for two billing months.

Non-Residential Service
An initial deposit based on the previous customer's average two month's billings at the same location, or in the case of the establishment of a new account, based on an estimated two month's billing will be required of the Applicant or Customer before service will be supplied.

B. Establishment of Credit

In lieu of cash deposit a customer may:

(1) Furnish a satisfactory guarantor to secure payment of bills for the service requested, such guarantor to be a customer of the Company with a satisfactory payment record. Guarantors providing security for payment of residential customers' bills shall only be liable for bills contracted at the service address contained in the contract of guaranty.

(2) Furnish an irrevocable letter of credit from a bank.

(3) Furnish a surety bond.

RULES AND REGULATIONS (Continued)

4. Customer Deposits (Continued)

C. Refund of Deposits

After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility shall refund the residential customer's deposits and shall, at its option either refund or pay the higher rate of interest specified below for nonresidential deposits, providing the customer has not, in the preceding 12 months, (a) made more than one late payment of a bill (after the expiration of 20 days from the date of mailing or delivery by the utility), (b) paid with a check refused by a bank, (c) been disconnected for non-payment, or at any time,(d) tampered with the meter, or (e) used service in a fraudulent or unauthorized manner. Company may, at its option, refund a deposit in less than 23 months.

D. Interest on Deposits

Company shall pay a minimum interest on deposits of 6 percent per annum. The Company shall pay an interest rate of 7 percent per annum on deposits of nonresidential customers qualifying under Section (c) above when the Company elects not to refund such deposit after 23 months. No customer shall be entitled to receive interest on his deposit until and unless a customer relationship and the deposit have been in existence for a continuous period of six months, then he shall be entitled to receive interest from the day of the commencement of the customer relationship and the placement of deposit. Deposits shall cease to bear interest upon discontinuance of service.

E. New or Additional Deposits

Company may require, upon reasonable written notice of not less than 30 days, such notice being separate and apart from any bill for service, a new deposit where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of the required deposit shall not exceed an amount equal to the average actual charges for service for two billing periods for the 12-month period immediately prior to the date of notice. In the event the customer has had service for less than 12 months, then the Company shall base its new or additional deposit upon the average actual monthly billing available.

RULES AND REGULATIONS (Continued)

4. Customer Deposits (Continued)

F. Retention of Deposits

Retention by Company, prior to final settlement, of said deposit shall not be considered as a payment or part payment of any bill for service. Company shall, however, apply said deposit against unpaid bills for service. In such case, Customer shall be required to restore deposit to original amount.

G. Refund of Deposit When Service is Discontinued

Upon discontinuance of service, the deposit and accrued interest shall be credited against the final account and the balance, if any, shall be returned promptly to the customer, but in no event later than fifteen (15) days after service is discontinued.

RULES AND REGULATIONS (Continued)

5. Customer' Facilities

Customer shall make or procure satisfactory conveyance to Company of all necessary easement and rights-of-way, including right of convenient access to Company's property, for furnishing adequate and continuous service or the removal of Company's property upon termination of service.

Customer should furnish Company a description of the load to be connected prior to wiring his premises or purchasing any electric equipment. Company will then furnish customer such information as characteristics of service which is or will be available at the point of delivery.

All wiring and equipment beyond Company's meter and accessories thereto, necessary to utilize service furnished by Company, shall be installed by and belong to the Customer and be maintained at his expense. Customer shall bring his wiring to a point of connection to Company's service lines at a location satisfactory to Company.

All wiring and electric equipment shall conform to the requirements of the National Electrical Code as adopted by Company and local ordinances, if any.

Company reserves the right to inspect and approve the installation of all wiring and equipment to utilize Company's service; but such inspection or failure to make inspection or the fact that Company may connect to such installation shall not make Company liable for any loss or damage which may be occasioned by the use of such installation or equipment used therefrom or of Company's service.

Customer shall install only such motors or other apparatus or appliances as are suitable for operation with the character of the service supplied by Company, and electric energy must not be used in such a manner as to cause detrimental voltage fluctuations or disturbances in Company's distribution system.

All apparatus used by Customer shall be of such type as to secure the highest practicable commercial efficiency, power factor and proper balancing of phases. Motors which are frequently started or motors arranged for automatic control must be equipped with controlling devices, approved by Company, to give maximum starting torque with minimum current flow.

RULES AND REGULATIONS (Continued)

6. Service Connections

A. General

Company reserves the right to designate the location of the point of connection, transformers and meters and to determine the amount of space which must be left unobstructed for the installation and maintenance thereof. Applicant may request an alternation of such a designation but, if consented to by Company, the excess cost of such revised designation over and above the cost of the original Company design shall be borne by Applicant.

Company reserves the right to postpone to a more favorable season the extension of lines and connection of services during seasons of the year when climatic conditions would cause abnormally high construction costs.

B. Overhead Service in Overhead Zone

Customer's wiring must be brought outside the building wall nearest Company's service wires so as to be readily accessible thereto or to transformer terminals if located close to the wall. All connections between the service entrance and meter location shall comply with local ordinances and shall be in rigid conduit or cable approved by Company. Company will furnish, install and maintain the service conductors to the point of connection to Customer's facilities.

C. Underground Service in Overhead Zone

Customers desiring an underground service in an overhead zone may make application for service with the Company. The Company will install and own the underground service from the meter location to the pole from which connection is to be made, including the necessary run of cable or conduit up the side of the pole. The Customer will pay in advance to the Company the estimated difference in the cost of the underground service and or equivalent overhead service.

D. Underground Service in Underground Residential Distribution Systems

The service connection to the building normally will be at the point of the building nearest the point at which the underground system enters the property to be served. If such service connection point on any building is more than seventy-five (75) feet, measured at right angles, from the serving property line, the Customer will pay the difference between an underground service and an equivalent overhead service for all service line in excess of seventy five (75) feet.

RULES AND REGULATIONS (Continued)

E. Underground Service in Underground Zone (Other Than Residential Areas)

Where service is supplied from an underground distribution system, at Company's choice, Company will provide and install the cable conduit or ducts from its manhole or street connection box or main feed lines in street to the property line adjoining the property to be served.

The Customer shall supply and install the cable conduit or ducts from the property line into the building, terminating said conduit or ducts inside the building wall at a point located by the Company inspector. The Customer shall make arrangements with the Company for Company to supply and install continuous run of cable conductors from the manhole or street connection box to the inside of the building wall. Customer shall be charged for materials, labor, and other expenses incurred from the portion of cable installed inside the building.

Where Company is required by governmental or other valid authority to install underground distribution, and abandon overhead distribution, Company shall not be required to bear any of the cost of making the necessary changes on Customer's premises. If, however, Company elects to change an existing Customer's service from overhead to underground, Company shall bear the cost of disconnecting the Customer's service from the overhead system and reconnecting it to the underground system unless such change is necessitated by a change in the Customer's requirements.

7. Line Extensions

A. Overhead Extensions

(1) Free Extensions

(a) Company shall make extensions to or alterations in its facilities in accordance with Rule 25-6.064 of Florida Public Service Commission, these Rules and Regulations and free of charge to provide service to an applicant or group of applicants located within the Company's service area when the estimated total non-fuel revenue for the first four (4) years from the Applicant or Applicants equals or exceeds the estimated cost of the necessary includable construction; provided, however, that the patronage or demand will be of such permanency as to warrant the expenditure involved.

RULES AND REGULATIONS (Continued)

(b) The formula used to calculate the maximum amount of no-charge extension or alteration will be as follows:

(1) for customers in rate classes that pay only energy charges, i.e., do not pay demand charges:

maximum amount = 4 X (non-fuel energy charge KWH) (estimated annual KWH usage)

(2) for customers in classes that pay both energy charges and demand charges:

maximum amount = 4 X (non-fuel energy charge KWH) (estimated annual KWH usage) + 4 X (estimated annual demand charge revenue from sales over new line)

(2) Other Extensions

When the line extension or alteration required in order to furnish service within Company's service area is a reasonable extension of the Company's facilities but greater than the free construction specified above, and the Applicant or Applicants shall contract to use service for at least four (4) years, such extension or alteration shall be made subject to the following condition;

(a) Applicant or Applicants shall make a non-refundable contribution in aid of construction $(CIAC)_{OH}$ prior to commencement of construction, in an amount equal to the amount that the estimated cost to provide the extension or alteration exceeds the maximum amount of the no-charge extension or alteration as determined in A(b)(1) or A(b)(2) above.

B. Underground Extension

(1) New residential subdivisions and multiple-occupancy buildings.

(a) Company shall make underground extension of its facilities to serve new residential subdivisions or new multiple-occupancy buildings, in accordance with the provisions of the "Rules for Residential Electric Underground Service" of the Florida Public Service Commission; provided that the Applicant or Applicants, in accordance with the Rules of the Florida Public Service Commission, will pay to the Company in an amount equal to the difference in cost between an underground system (exclusive of supply system feeders) and an equivalent overhead system.

RULES AND REGULATIONS (Continued)

(2) Residential, commercial, industrial extensions

(a) Company shall make underground extensions or alterations in its facilities in accordance with Rule 25-6.064 of Florida Public Service Commission and these Rules and Regulations to provide underground service to an applicant or group of applicants, within the Company's service area provided that the applicant, or group of applicants, pay the Company a contribution in aid of underground construction $(CIAC)_{UG}$ in an amount equal to the estimated difference in cost to provide underground service instead of overhead service to the Applicant(s) plus the amount, if any, by which the estimated cost to provide an overhead service exceeds the maximum amount of no-charge construction $(CIAC)_{OH}$ as determined in A(2) above.

(b) The following formula shall be used to determine the contribution in aid of underground construction with all cost based on Rule 25-6.0342, FAC, Electric Infrastructure Storm Hardening:

$(CIAC)_{UG}$ = (estimated cost to provide underground service facilities including distribution line, transformer, service drop and other necessary fixtures) minus (the estimated cost to provide service using overhead facilities) plus $(CIAC)_{OH}$.

RULES AND REGULATIONS (Continued)

UNDERGROUND ELECTRIC DISTRIBUTION FACILITY CHARGES

DEFINITIONS

The following words and terms used under this Part shall have the meaning indicated:

(1) Applicant: The Applicant is the person or entity seeking the undergrounding of existing or newly planned electric distribution facilities by the Company. When a developer requests local government development approval, the local government shall not be deemed the applicant for purposes of this rule.

(2) Commission: Florida Public Service Commission.

(3) Cost Estimate: A non-refundable deposit charged an Applicant by the Company for the purpose of preparing a binding cost estimate of the amount required for the Company to construct or convert particular distribution facilities as underground.

(4) Company: Florida Public Utilities Company.

(5) Distribution Facilities: All electrical equipment of the Company required to deliver electricity to homes and businesses.

(6) Facility Charge: That charge required to be paid by an Applicant for the Company to construct or convert particular distribution facilities as underground.

(7) High Density Subdivision: A subdivision having a density of six (6) or more dwelling units per acre.

(8) Low Density Subdivision: A subdivision having a density of at least 1.5 dwelling units per acre but less than six (6) dwelling units per acre.

(9) Overhead: Pertains to distribution facilities consisting of conductors, switches, transformers, etc. which are installed above ground on supporting poles.

(10) Underground: Pertains to distribution facilities consisting of conductors, switches, transformers, etc. which are installed below or on the ground.

RULES AND REGULATIONS (Continued)

GENERAL

(1) APPLICATION
This tariff section applies to request for underground electric distribution facilities offered in lieu of overhead facilities. The installation of underground distribution lines in new residential subdivisions is not covered in this section of the tariff. These installations are covered under "Rules of the Florida Public Service Commission", Chapter 25-6, Part V, "Rules for Residential Electric Underground Extensions", and the Company's "Rules and Regulations", Item 7.

(2) APPLICATION REQUEST
An applicant shall submit a request in writing for the Company to develop a cost estimate to accomplish the undergrounding of particular electric facilities. The request shall be accompanied by an appropriate deposit and shall specify the following information:
(a) the area(s) being sought to be undergrounded
(b) a list of all electric customers affected
(c) an estimated time frame for undergrounding to be accomplished
(d) details of any construction by the Applicant
(e) any other pertinent information which the Applicant possesses that may assist the Company in preparing an appropriate cost estimate

RULES AND REGULATIONS (Continued)

COST ESTIMATE DEPOSITS

(1) NON-BINDING COST ESTIMATES
The Company will provide a non-binding cost estimate related to the request at no cost to the Applicant. The non-binding cost estimate shall be an order of magnitude estimate to assist the requestor in determining whether to go forward with a binding cost estimate.

(2) BINDING COST ESTIMATES
Upon the payment of a non-refundable deposit, as specified below, the Company shall provide an applicant with a binding cost estimate specifying the facility charge required for the installation. The facility charge to be collected pursuant to a binding cost estimate from an applicant shall not be subject to increase or refund unless the project scope is enlarged or reduced, or the project is not completed at the request of the applicant.

The deposit shall be forfeited, and the binding cost estimate provided to an Applicant shall be considered expired, if the Applicant does not enter into a contract for the installation of the requested underground electric distribution within 180 days of delivery of the binding cost estimate by the Company. For good cause the Company may extend the 180 day time limit.

The deposit for a binding cost estimate, which approximates the engineering costs for underground facilities associated with preparing the requested estimate, shall be calculated as follows:

I. New Construction (Excluding New Residential Subdivisions)

Facilities Classification	Deposit Amount
Urban Commercial	$3,715 per overhead primary mile
Urban Residential	$2,565 per overhead primary mile
Rural Residential	$1,946 per overhead primary mile

II. Conversions

Facilities Classification	Deposit Amount
Urban Commercial	$5,750 per overhead primary mile
Urban Residential	$4,511 per overhead primary mile
Rural Residential	$3,273 per overhead primary mile
Low Density Subdivision	$18.00 per lot
High Density Subdivision	$17.00 per lot

The deposit must be paid to the Company to initiate the estimating process. The deposit will be applied in the calculation of the facility charge to be required for the installation of underground distribution facilities.

RULES AND REGULATIONS (Continued)

CONSTRUCTION CONTRACT

(1) GENERAL
Upon acceptance by the Applicant of a binding cost estimate, the Applicant shall execute a contract with the Company to perform the construction of the underground distribution facilities. The contract shall specify the type and character of system to be provided; establish the facility charge to be paid by Applicant prior to commencement of construction; specify details of construction to be performed by Applicant, if any; and address those other terms and conditions described in Part (4) below.

(2) FACILITIES CHARGE
The charge shall be calculated in accordance with the appropriate formula described below with all cost based on Rule 25-6.0342, FAC, Electric Infrastructure Storm Hardening:

(a) NEW CONSTUCTION
Charge =
Estimated cost of construction of underground facilities including underground service laterals to customers' meters;
Minus, estimated construction cost of overhead facilities including overhead service drops to customers' meters;
Minus, qualifying cost estimate deposit.

(b) CONVERSION
Charge =
Remaining book value of existing overhead facilities to be removed;
Plus, removal cost of existing overhead facilities;
Minus, salvage value of existing overhead facilities;
Plus, estimated cost of construction of underground facilities including underground service laterals to customers' meters;
Minus, estimated construction cost of overhead facilities including overhead service drops to customers' meters;
Minus, qualifying cost estimated deposit.

RULES AND REGULATIONS (Continued)

(3) CONSTRUCTION BY APPLICANT

If agreed upon by the Applicant and the Company, the Applicant may construct or install portions of the underground system as long as such work meets the Company's engineering and construction standards. The Company will own and maintain the completed distribution facilities upon accepting the system as operational. The type of system provided will be determined by the Company's standards.

Any facilities provided by the Applicant will be inspected by Company inspectors prior to acceptance. Any deficiencies discovered as a result of these inspections will be corrected by the applicant at his sole expense, including the costs incurred by performing the inspections. Corrections must be made in a timely manner by the Applicant; otherwise the Company will undertake the correction and bill the Applicant for all costs of such correction. These costs shall be additional to the original binding cost estimate.

(4) OTHER TERMS AND CONDITIONS

(a) Easements: Easements satisfactory to both the Company and the Customer must be provided for by the Applicant prior to commencement of construction at no expense to the Company. Additional easements are not required when facilities are to be located on private property wholly within an area covered by a recorded subdivision utility easement, namely a reservation and recorded plat of an easement for public utility purposes and where underground electrical facilities are not prohibited. Where underground distribution facilities for serving more than one customer are located on private property, easements are required.

Secondary voltage underground facilities wholly within one property for the purpose of serving only one customer do not require easements. All primary voltage underground facilities require easements. Easements are not required for facilities in public rights-of-way.

RULES AND REGULATIONS (Continued)

(b) Scheduling, Clearing, and Grading: Rights-of-way and easements suitable to the Company must be furnished by the Applicant in a reasonable time to meet service requirements and must be cleared of trees, tree stumps, paving and other obstruction, staked to show property lines and final grade and must be graded to within six (6) inches of final grade by the Applicant before the Company will commence construction, all at no charge to the Company. Such clearing and grading must be maintained by the Applicant during construction by the Company. Grade stakes must be provided at transformer, pullbox, and switch locations.

(c) Restoration: All removal and restoration of buildings, roads, driveways, sidewalks, patios, fences, ditches, landscaping, sprinkler systems, other utilities, etc. shall be the full responsibility of the Applicant and shall cause no cost to the Company. Removal of all construction debris not belonging to the Company shall be the responsibility of the Applicant or other.

(d) Other Joint Users on the Company Poles: Applicant must make arrangements with all other overhead utilities and third parties to remove their overhead facilities from the Company's poles prior to construction or to concurrently convert their facilities to underground or remove them at no cost to the Company. The Applicant shall produce, if requested by the Company, executed agreements with all joint users guaranteeing this requirement.

(e) Affected Electric Customers: Applicant must make arrangements with all affected Company customers to, in a timely fashion, prepare their premises and service entrance for underground electrical service from the new underground distribution system. All customers affected by the undergrounding request must agree to accept underground service. This customer conversion will be at no cost to the Company.

(f) Damage to Company's Underground Facilities: The Applicant shall be responsible to ensure the Company's distribution system, once installed, is not damaged, destroyed, or otherwise disturbed during the construction of the project. This responsibility shall extend not only to those in his employ, but also to his subcontractors, and he shall be responsible for the full cost of repairing such damage.

RULES AND REGULATIONS (Continued)

8. Metering

Company will provide each Customer with a meter or meters for each applicable rate schedule.

Customer, acting jointly with Company, may install, maintain and operate at his expense such check measuring equipment as desired provided that such equipment shall be so installed as not to interfere with operation of Company's equipment and that no electric energy shall be remetered for resale to another or others.

Before installation and periodically thereafter, each meter shall be tested and adjusted using methods and accuracy limits prescribed or approved by the Florida Public Service Commission. Periodic test and inspection intervals shall not exceed the maximum period allowed by the Florida Public Service Commission.

If on test the meter is found to be in error in excess of prescribed accuracy limits, fast or slow, the amount of refund or charge to the Customer shall be determined by methods prescribed or approved by the Florida Public Service Commission.

In the event of stoppage or failure of any meter to register, customer may be billed for such period on an estimated consumption based upon his use of electric energy in a similar period of like use or on the basis of check meter readings, if available and accurate.

Meters in use shall be tested at the request of Customer and in his presence, if desired, provided only one (1) such test shall be made free of charge within a twelve (12) month period, and provided Customer shall pay the cost of any additional test within this period unless meter is shown to be inaccurate in excess of the tolerances set forth by the Florida Public Service Commission. If the customer requests a test more frequently, the company may require a deposit, not to exceed $50.00, to defray the cost of testing.

9. Billing and Collecting

Each Customer's meter will be read at regular intervals and bills will be rendered on a monthly basis or periodically in accordance with the terms of the applicable rate schedule. Bills will be rendered as soon as practical after determination of their amount and shall be due and payable at the office of Company within twenty (20) days after date of bill. Failure to receive a bill will not entitle Customer to any discount or to the omission of any charge for nonpayment within the time specified.

RULES AND REGULATIONS (Continued)

9. Billing and Collecting (continued)

A separate bill will be rendered for each meter used by Customer unless, for the convenience of Company, multiple meters are used for measurement of the same class of service, in which case a bill will be rendered for the total amount registered by all meters. If Company, (as it may under unusual circumstances), permits more than one Customer to be served through one meter, the minimum bill and the first billing block kilowatt-hours of the applicable rate schedule shall be multiplied by the number of Customer so served and the number of kilowatt-hours in each succeeding block of the rate schedule shall be increased in the same proportion.

Billings in general will be based on meter readings but bills will be adjusted to compensate for errors in meter registration, in the reading thereof, or in the application of meter reading schedules to intervals five (5) days greater or lesser than a month.

In case of tampering or unauthorized use, probable consumption will be billed as determined by the maximum quantity of electric energy estimated to have been consumed by the various appliances of Customer and a bill will be rendered for a period encompassing six (6) months prior to the detection of such abuse and /or disconnection for cause.

10. Customer's Liabilities

Company shall have the right to enter the premises of Customer at all reasonable hours for the purpose of making such inspection of Customer's installation as may be necessary for the proper application of Company's rate schedules and Rules and Regulations; for installing, removing, testing, or replacing its apparatus or property; for reading meters; and for the entire removal of Company's property in event of termination of service to Customer for any reason.

All property of Company installed in or upon Customer's premises used and useful in supplying service is placed there under Customer's protection. All reasonable care shall be exercised to prevent loss of or damage to such property and, ordinary wear and tear excepted, Customer will be held liable for any such loss of property or damage thereto and shall pay to Company the cost of necessary repairs or replacements.

Customer will be held responsible for breaking the seals, tampering or interfering with Company's meter or meters or other equipment of Company installed on customer's premises, and no one except employees of Company will be allowed to make any repairs or adjustments to any meter or other piece of apparatus belonging to Company except in case of emergency.

RULES AND REGULATIONS (Continued)

10. Customers Liabilities (continued)

Customer shall not materially increase load without first notifying Company and obtaining consent.

Company shall have the right, if necessary, to construct its poles, lines and circuits on Customer's property, and to place its transformers and other apparatus on the property or within the buildings of Customer, at a point or points convenient for such purpose and Customer shall provide suitable space for such installation.

11. Company's Liabilities

Company will use reasonable diligence in furnishing as uniform a supply of electric energy as practicable, except where rate schedules provide otherwise. Company may interrupt its service hereunder, however, for the purpose of making necessary alterations and repairs, but only for such time as may be reasonable or unavoidable, and Company shall give to those Customers it knows may be seriously affected, except in case of emergency, reasonable notice of its intention so to do, and shall endeavor to arrange such interruption so as to inconvenience Customer as little as possible.

Whenever Company deems an emergency warrants interruption or limitation in the service being rendered, such interruption or limitation shall not constitute a breach of contract and shall not render Company liable for damages suffered thereby or excuse Customer from further fulfillment of the contract.

In the event that the supply of electric energy shall be interrupted from causes other than the foregoing or force majeure and such interruption is due to the negligence of Company and Company is liable because thereof, that liability shall be limited to twice the amount which Customer would have paid for electric energy during the period of such interruption. However, Company shall not be liable to Customer for any loss, injury or damage resulting from use of Customer's equipment or from the use of electric service furnished by Company or from the connection of Company's facilities with Customer's wiring and appliances.

RULES AND REGULATIONS (Continued)

12. Force Majeure

Except for payment of bills due, neither the Company nor the Customer shall be liable in damage to the other for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, unforeseeable or unusual weather conditions, washouts, arrests and restraint of rules and peoples, civil disturbances, explosions, breakage or accident to machinery or electric lines, temporary failure of electric supply, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated, or otherwise, and whether caused or occasioned by or happening on account of the act or omission of Company or Customer or any other person or concern not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

13. Discontinuance of Service

The Company reserves the right, but assumes no liability for failure so to do, to discontinue service to any Customer for cause as follows:

A. Without notice,

(1) if a dangerous condition exists on Customer's premises in wiring or energy-consuming devices.

(2) because of a fraudulent use of the service or tampering with Company's equipment.

(3) upon request by Customer, subject to any existing agreement between Customer and Company as to unexpired term of service.

B. After five (5) working days' (any day on which the utility's business office is open and the U.S. Mail is delivered) notice in writing,

(1) for nonpayment of bill for electric service.

(2) when Company has reasonable evidence that Customer has been previously disconnected for nonpayment at present or other location and is receiving service for his own use under a different name in order to avoid past due payments to Company.

RULES AND REGULATIONS (Continued)

(3) for refusal or failure to make a deposit or increase a deposit, when requested, to assure payment of bills.

(4) for a violation of these Rules and Regulations which Customer refuses or neglects to correct.

C. Discontinuance of Service When That Service is Medically Essential:

For purposes of this section, a Medically Essential Service Customer is a residential customer whose electric service is medically essential, as affirmed through the certificate of a doctor of medicine licensed to practice in the State of Florida. Service is "medically essential" if the customer has continuously operating electric-powered medical equipment necessary to sustain the life of or avoid serious medical complications requiring immediate hospitalization of the customer or another permanent resident at the service address. The physician's certificate shall explain briefly and clearly, in non-medical terms, why continuance of electric service is medically essential, and shall be consistent with the requirements of the Company's tariff. A customer who is certified as a Medically Essential Service Customer must renew such certification periodically through the procedures outlined above. The Company may require certification no more frequently than 12 months.

The Company shall provide Medically Essential Service Customers with a limited extension of time, not to exceed thirty (30) days, beyond the date service would normally be subject to disconnection for non-payment of bills (following the requisite notice pursuant to Rule 25-6.105(5) of the Florida Administrative Code). The Company shall provide the Medically Essential Service Customer with written notice specifying the date of disconnection based on the limited extension. The Medically Essential Service Customer shall be responsible for making mutually satisfactory arrangements to ensure payment within this additional extension of time for service provided by the Company and for which payment is past due, or to make other arrangements for meeting medically essential needs.

RULES AND REGULATIONS (Continued)

No later than 12 noon one day prior to the scheduled disconnection of service of a Medically Essential Service Customer, the Company shall attempt to contact such customer by telephone in order to provide notice of the scheduled disconnect date. If the Medically Essential Service Customer does not have a telephone number listed on the account, or if the utility cannot reach such customer or other adult resident of the premises by telephone by the specified time, a field representative will be sent to the residence to attempt to contact the Medically Essential Service Customer, no later than 4 PM of the day prior to scheduled disconnection. If contact is not made, however, the company may leave written notification at the residence advising the Medically Essential Service Customer of the scheduled disconnect date; thereafter, the Company may disconnect service on the specified date. The Company will grant special consideration to a Medically Essential Service Customer in the application of Rule 26-6.097(3) of the Florida Administrative Code.

In the event that a customer is certified as a Medically Essential customer, the customer shall remain solely responsible for any backup equipment and/or power supply and a planned course of action in the event of a power outage. The Company does not assume, and expressly disclaims, any obligation or duty; to monitor the health or condition of the person requiring medically essential service; to insure continuous service; to call, contact, or otherwise advise of service interruptions; or, except expressly provided by this section, to take any other action (or refrain from any action) that differs from the normal operation of the Company.

14. Reconnection of Service

When service shall have been discontinued for any of the reasons set forth in these Rules and Regulations, Company shall not be required to restore service until the following conditions have been met by the Customer:

A. Where service was discontinued without notice,

(1) The dangerous condition shall be removed and, if the Customer had been warned of the condition a reasonable time before the discontinuance and had failed to remove the dangerous condition, a reconnection fee shall be paid.

(2) all bills for service due Company by reason of fraudulent use or tampering shall be paid, a deposit to guarantee the payment of future bills shall be made, and a reconnection fee shall be paid.

(3) if reconnection is requested on the same premises after discontinuance, a reconnection fee shall be paid.

RULES AND REGULATIONS (Continued)

B. Where service was discontinued with notice,

(1) satisfactory arrangements for payment of all bills for service then due shall be made and a reconnection fee shall be paid.

(2) a satisfactory arrangement for the payment of bills then due under a different name shall be made and a reconnection fee shall be paid.

(3) a satisfactory guarantee of payment for all future bills shall be furnished and a reconnection fee shall be paid.

(4) the violation of these Rules and Regulations shall be corrected and a reconnection fee shall be paid.

The reconnection fee as required under items A and B above shall be as follows:

During Normal Business Hours	$44.00
After Normal Business Hours	$93.00

15. Termination of Service

Subject to any existing agreement between Customer and Company, if Customer wishes the electric service to be terminated, he shall give notice at the office of the Company at least three (3) days prior to the time that such termination shall become effective. Customer will be held liable both for any electric energy that may pass through the meter and safe custody of the Company's property until three (3) days after such notice shall have been given, provided that the meter and/or other movable equipment shall not have been removed within that time by the Company.

If Customer wishes Company's property to be removed, he shall give notice at the office of the Company at least ten (10) days prior to the time that such removal must be made.

RULES AND REGULATIONS (Continued)

16. Limitations of Supply

Company reserves the right, subject to regulatory authority having jurisdiction, to limit, restrict or refuse service that will result in additions to its distribution system and/or production capacity and/or alterations in its contractual requirements of supply from non-affiliated companies that may jeopardize service to existing Customers.

17. Temporary Service

The Company upon request will supply temporary service when company's distribution system is nearby the requested location.

When the temporary service is to be later replaced with a permanent service, the Company will install a service drop, meter and other facilities as may be necessary to the customers temporary service pole and remove same at the termination of temporary service. To recover the cost of installing and removing such temporary service, an advance of $200.00 per service to the applicant will be applied. For underground temporary service using customer provided wire, an advance of $170.00 per service will be required. Should the company be required to install an additional pole, an additional $200.00 will be added to the advance per service.

When the temporary service will not be replaced by a permanent service or when the location is such that multiple temporary poles and/or extensive facilities are required, the Company will estimate the cost of installing and removing the temporary facilities and the advance charge to the applicant will be that cost estimate.

The rate schedule for temporary service shall be that which is applicable to the class of service for that customer.

18. Fees for Initial Connections

In addition to the deposit or suitable guarantee to cover the payment of bills as required by the Rules and Regulations, each Applicant or Customer shall pay an initial turn-on connection fee of $52.00.

19. Re-establish or Make Change to Account

There shall be a charge to re-establish or change any account to which service is currently rendered under any of the Company' rate schedules in the amount of $23.00. Should it be necessary, at the customer's request, to disconnect and then reconnect the service to the account, the customer shall pay a temporary disconnect then reconnect fee in the amount of $33.00.

RULES AND REGULATIONS (Continued)

20. Returned Check Charge

The service charge for each worthless check shall be determined in accordance with Section 68.065, Florida Statues. As of October 1, 1996, Section 68.065, F.S., provided for a service charge of $25.00, if the face value does not exceed $50.00, $30.00, if the face value exceeds $50.00 but does not exceed $300.00 and $40.00, or 5 percent of the face amount of the check, whichever is greater if the face value exceeds $300.00. Such service charge shall be added to the customer's bill for electric service for each check dishonored by the bank upon which it is drawn. Termination of service shall not be made for failure to pay the returned check charge.

21. Late Payment Charge

A bill shall be considered past due upon the expiration of twenty (20) days from the date the bill is generated by Company. The balance of all past due charges for services rendered are subject to a Late Payment charge of 1.5% or $5.00, whichever is greater, except the accounts of federal, state, and local governmental entities, agencies, and instrumentalities. A Late Payment Charge shall be applied to the accounts of federal, state, and local governmental entities, agencies and instrumentalities at a rate no greater than allowed, and in a manner permitted by applicable law.

22. Measuring Customer Service

(1) All energy sold to customer, except that sold under flat rate schedule, shall be measured by commercially acceptable measuring devices owned and maintained by the Company, except where it is impractical to meter loads, such as street lighting, temporary or special installations, in which case the consumption may be calculated, or billed on demand or connected load rate or as provided in Company's filed tariff.

(2) When there is more than one meter at a location the metering equipment shall be so tagged or plainly marked as to indicate the circuit metered. Where similar types of meters record difference quantities, (kilowatt hours and relative power, for example), metering equipment shall be tagged or plainly marked to indicate what the meters are recording.

(3) Meters which are not direct reading shall have the multiplier plainly marked on the meter. All charts taken from recording meters shall be marked with the date of the record, the meter number, customer, and chart multiplier. The register ratio shall be marked on all meter registers. The watt-hour constant for the meter itself shall be placed on all watt-hour meters.

(4) Metering equipment shall not be set "fast" or "slow" to compensate for supply transformer or line losses.

(5)

(a) Individual electric metering by Company shall be required for each separate occupancy unit of new commercial establishments, residential buildings, condominiums, cooperatives, marinas, and trailer, mobile home and recreational vehicle parks for which construction is commenced after January 1, 1981. Individual electric meters shall not, however, be required:

(Continued on Sheet No. 22.2)

RULES AND REGULATIONS (Continued)

1. In those portions of a commercial establishment where the floor space dimensions or physical configuration of the units are subject to alteration, as evidenced by non-structural element partition walls, unless the utility determines that adequate provisions can be made to modify the metering to accurately reflect such alterations;

2. For electricity used in central heating, ventilating and air conditioning systems, or electric back up service to storage heating and cooling systems;

3. For electricity used in specialized-use housing accommodations such as hospitals, nursing homes, living in facilities located on the same premises as, and operated in conjunction with, a nursing home or other health care facility providing at least the same level and types of services as a nursing home, convalescent homes, facilities certified under chapter 651, Florida Statutes, college dormitories, convents, sorority houses, fraternity houses, motels, hotels, and similar facilities.

4. For separate, specially-designated areas for overnight occupancy at trailer, mobile home and recreational vehicle parks where permanent residency is not established and for marinas were living aboard is prohibited by ordinance, deed restriction, or other permanent means.

5. For new and existing time-share plans, provided that all of the occupancy units which are served by the master meter or meters are committed to a timeshare plan as defined in Section 721, Florida Statutes, and none of the occupancy units are used for permanent occupancy. When a time-share plan is converted from individual metering to master metering, the customer must reimburse the utility for the costs incurred by the utility for the conversion. These costs shall include, but not be limited to, the undepreciated cost of any existing distribution equipment which is removed or transferred to the ownership of the customer, plus the cost of removal or relocation of any distribution equipment, less the salvage value of any removed equipment.

(b) For purpose of this rule:

1. "Occupancy unit" means that portion of any commercial establishment, single and multi-unit residential building, or trailer, mobile home or recreational vehicle park, or marina which is set apart from the rest of such facility by clearly determinable boundaries as described in the rental, lease, or ownership agreement for such unit.

2. "Time-sharing plan" means any arrangement, plan, scheme or similar device, whether by membership, agreement, tenancy in common, sale, lease, deed, rental agreement, license, or right-to-use agreement or by any other means,

(Continued on Sheet No. 22.3)

RULES AND REGULATIONS (Continued)

whereby a purchaser, in exchange for a consideration, receives a right to use accommodations or facilities, or both, for a specific period of times less than a full year during any given year, but not necessarily for consecutive years, and which extends for a period of more than three years.

3. The construction of a new commercial establishment, residential building, marina, or trailer, mobile home or recreational vehicle park shall be deemed to commence on the date when the building structure permit is issued.

4. The individual metering requirement is waived for any time sharing facility for which construction was commenced before December 23, 1982, in which separate occupancy units were not metered in accordance with subsection (5)(a).

5. "Overnight Occupancy" means use of an occupancy unit for a short term such as per day or per week where permanent residency is not established.

6. The term "cost" as used herein means only those charges specifically authorized by the electric utility's tariff, including but not limited to the customer, energy, demand, fuel, and conservation charges made by the Company plus applicable taxes and fees to customer of record responsible for the master meter payments. The term does not include late payment charges, returned check charges, the cost of distribution system behind the master meter, the cost of billing, and other such costs.

(6)

(a) Where individual metering is not required under Subsection (5)(a) and master metering is used in lieu thereof, reasonable apportionment methods, including sub-metering, may be used by customer of record or the owner of such facility solely for the purpose of allocating the cost of the electricity billed by the Company.

(b) Any fees or charges allocated by customer of record for electricity billed to customer's account by Company, whether based on the use of sub-metering or any other allocation method, shall be determined in a manner which reimburses the customer of record for no more than the customer's actual cost of electricity.

RULES AND REGULATIONS (Continued)

22. Service Charges

A. Initial establishment of service	$53.00
B. Re-establish Or Change Account	$23.00
C. Temporary disconnect then reconnect Service	$33.00
D Re-connect service after being disconnected for rule violation	
Normal Business Hours	$44.00
After Normal Business Hours	$95.00
E. Connect and then disconnect temporary Service	$51.00
F. Collection Charge	$14.00

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Cancels Original Sheet No. 24

Reserved For Future Use

RATE SCHEDULE RS
RESIDENTIAL SERVICE

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable for service to a single family dwelling unit occupied by one family or household and for energy used in commonly-owned facilities in condominium and cooperative apartment buildings.

Character of Service
Single-phase service at nominal secondary voltage of 115/230 volts; three-phase service if available.

Limitations of Service
The maximum size of any individual single-phase motor hereunder shall not exceed five (5) horsepower.

The Company shall not be required to construct any additional facilities for the purpose of supplying three-phase service unless the revenue to be derived therefrom shall be sufficient to yield the Company a fair return on the value of such additional facilities.

Monthly Rate
Customer Facilities Charge:
$14.00 per customer per month

Base Energy Charge:
All KWH 1.967¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge.

(Continued on Sheet No. 26)

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RATE SCHEDULE RS
RESIDENTIAL SERVICE

(Continued from Sheet No. 25)

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Average Billing Plan (Optional)

Year-round residential customers with a zero balance due to Company and a minimum of 12 months billing history at their current residence may, at their option, elect to pay for their residentially metered electric service by a special payment method called the "Average Billing Plan". The Plan will apply only to metered service on this rate. Qualified customers electing the Plan will be enrolled contingent upon receipt and approval by the Company of a written application on the Company's standard form.

Under the Average Billing Plan, the customer will receive a monthly bill which has been determined by the following method: The previous 12 months average KWH is calculated at the currently effective rate. To this amount is applied an adjustment percentage of any deferred balance (debit or credit), which is the cumulative difference between prior actual billings and average billing amounts. The total of the averaged bill, plus the adjustment percentage of the deferred amount, is rounded to the nearest $5.00 dollars for the current month's average billing amount. Extraneous charges (balances, taxes, deposit interest credit, etc.) are then added to arrive at the current amount due.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

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Reserved For Future Use

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First Revised Sheet No. 28
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RATE SCHEDULE OL
OUTDOOR LIGHTING SERVICE
(CLOSED TO NEW INSTALLATIONS)

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to any customer for non-metered outdoor lighting service.

Character of Service
Lighting service from dusk to dawn.

Limitations of Service
Service is limited to lighting by mercury vapor lamps of 7,000 or 20,000 lumens mounted on wood poles.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Lamp Size Lumens	KWH/Mo. Estimate	Facilities Charge	Maintenance Charge	Energy Charge	Total Charge
7,000	72	$2.53	$0.49	$2.59	$5.62
20,000	154	$6.92	$0.85	$5.54	$13.32

Charges for other Company-owned facilities:
Each wood pole and overhead span of wire installed: $4.24

For concrete or fiberglass poles and/or underground conductors etcetera, the customer shall pay a lump sum amount equal to the estimated differential cost between the special system and the equivalent overhead-wood pole system.

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The above rates times the number of lamps connected.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 28.1)

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RATE SCHEDULE OL
OUTDOOR LIGHTING SERVICE

(Continued from Sheet No. 28.0)

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Term of Service
Service under this rate schedule shall be by written contract for a period of two or more years.

Terms and Conditions

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

2. The charges set forth above cover the initial installation of overhead lines, poles and fixture assembly including bracket, and maintenance including lamp renewals due to burn outs only. Lamp renewals and other necessary service will be performed only during regular daytime working hours as soon as practical after notification of the necessity by the customer.

RATE SCHEDULE OL-2
HIGH PRESSURE SODIUM VAPOR and Metal Halide
OUTDOOR LIGHTING SERVICE

Availability
Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to any customer for non-metered outdoor lighting service.

Character of Service
Lighting service from dusk to dawn.

Limitations of Service
Service is limited to lighting by high-pressure sodium vapor or metal halide lamps mounted on company poles. Company-owned facilities will be installed only on Company-owned poles.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Type Facility	Lamp Lumens	Size Watts	KWH/Mo. Estimate	Facilities Charge	Maintenance Charge	Energy Charge	Total Charge
High Pressure Sodium Lights							
Acorn	16,000	150	61	$15.00	$1.81	$2.20	$19.01
ALN 440	16,000	150	61	$22.32	$2.59	$2.20	$27.11
Amer. Rev.	9,500	100	41	$8.42	$1.14	$1.48	$11.04
Amer. Rev.	16,000	150	61	$8.64	$1.13	$2.20	$11.96
Cobra Head	9,500	100	41	$6.37	$0.95	$1.48	$8.80
Cobra Head	22,000	200	81	$9.70	$0.42	$2.92	$13.03
Cobra Head	28,500	250	101	$11.66	$1.45	$3.64	$16.75
Cobra Head	50,000	400	162	$8.77	$1.33	$5.83	$15.94
Flood	28,500	250	101	$8.83	$1.33	$3.64	$13.80
Flood	50,000	400	162	$13.61	$1.64	$5.83	$21.08
Flood	130,000	1,000	405	$17.04	$2.17	$14.58	$33.79
SP2 Spectra	9,500	100	41	$18.91	$3.13	$1.48	$23.52
Metal Halide Lights							
ALN 440	16,000	175	71	$22.46	$2.64	$2.56	$27.66
Flood	50,000	400	162	$9.17	$1.38	$5.83	$16.38
Flood	130,000	1,000	405	$15.82	$2.02	$14.58	$32.41
Shoebox	16,000	175	71	$17.29	$2.14	$2.56	$21.98
Shoebox	28,500	250	101	$18.40	$2.38	$3.64	$24.41
SP2 Spectra	9,500	100	41	$18.77	$2.18	$1.48	$22.43
Vertical Shoebox	130,000	1,000	405	$22.16	$2.66	$14.58	$39.41

(Continued on Sheet No. 29.1)

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RATE SCHEDULE OL-2
HIGH PRESSURE SODIUM VAPOR and METAL HALIDE
OUTDOOR LIGHTING SERVICE

(Continued from Sheet No. 29.0)

Charges for other Company-owned facilities:

1)	30' Wood Pole	$4.02
2)	40' Wood Pole	$8.11
3)	18' Fiberglass	$7.12
4)	13' Decorative Concrete	$10.73
5)	20' Decorative Concrete	$12.16
6)	35' Concrete	$11.87
7)	10' Deco Base Aluminum	$13.97

For the poles shown above that are served from an underground system, the Company will provide up to one hundred (100) feet of conductor to service each fixture. The customer will provide and install the necessary conduit system to Company specifications.

Purchased Power Charges
Purchased power charges are adjusted annually by the Florida Public Service Commission. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The above rates times the number of lamps connected.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 29.2)

Issued by: John T. English, President

Effective: May 1, 2008

RATE SCHEDULE OL-2
HIGH PRESSURE SODIUM VAPOR and METAL HALIDE
OUTDOOR LIGHTING SERVICE

(Continued from Sheet No. 29.1)

Term of Service

Service under this rate schedule shall be by written contract for a period of five or more years.

Terms and Conditions

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

2. The charges set forth above cover the initial installation of overhead lines, poles and fixture assembly including bracket, and maintenance including lamp renewals due to burn outs only.

RATE SCHEDULE GS
GENERAL SERVICE - NON-DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial lighting, heating, cooking and small power loads aggregating 25 KW or less. Sports or athletic fields operated by non-profit organizations and having less than 300 KW of connected load will be served under the transitional rate of this rate schedule, unless such organizations, at their options, take service under the GSD rate schedule.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point.

Monthly Rate
Customer Facilities Charge:
$21.00 per customer per month

Base Energy Charge:
All KWH 2.206¢/KWH

Transitional Rate for Non-Profit Sports Fields
Monthly Rate
Customer Facilities Charge:
$27.08 per customer per month

Base Energy Charge: 4.8660¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 31)

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RATE SCHEDULE GS
GENERAL SERVICE - NON-DEMAND

(Continued from Sheet No. 30)

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

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First Revised Sheet No. 32
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RATE SCHEDULE GSD
GENERAL SERVICE - DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 25 KW but less than 500 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 25 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
$62.00 per customer per month

Demand Charge:
Each KW of Billing Demand $ 3.47/KW

Base Energy Charge
All KWH 0.3230¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet No. 41

(Continued on Sheet No. 33)

Issued by: John T. English, President

Effective: May 1, 2008

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Cancels Original Sheet No. 33

MARIANNA DIVISION
RATE SCHEDULE GSD
GENERAL SERVICE - DEMAND

(Continued from Sheet No. 32)

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Billing Demand
The billing demand in any month shall be the greatest of the following:
(a) The highest fifteen-minute average load for the current month, as registered by a demand meter or indicator.

(b) The highest fifteen-minute average load for the current month after adjustment for power factor, in accordance with the Power Factor Clause of this schedule.

(c) For those customers electing to take service under this rate schedule in lieu of the otherwise applicable rate schedule the billing demand shall be as in either (a) or (b) above, but not less than 20 KW.

Terms of Service
Not less than one year.

Power Factor of Clause
The Company reserves the right to measure power factor and if it is less than 85%, adjust the maximum demand for any month by multiplying the measured demand by 85% and dividing by the actual power factor.

Transformer Ownership Discount
If the customer elects to take service at the available primary voltage and furnish and maintain any transformers required, the monthly demand charge will be reduced by fifty five (55) cents per kilowatt. Such customers will be metered at primary voltage and in recognition of estimated average transformation losses of 1% the KW and KWH measured units shall be multiplied by a factor of 0.99 for billing purposes.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

RATE SCHEDULE GSLD
GENERAL SERVICE - LARGE DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
$113.00 per customer per month

Demand Charge:
Each KW of Billing Demand $ 4.34/KW

Base Energy Charge
All KWH 0.1130¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet No. 41

(Continued on Sheet No. 34.1)

RATE SCHEDULE GSLD
GENERAL SERVICE - LARGE DEMAND

(Continued from Sheet No. 34.0)

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Billing Demand
The billing demand in any month shall be the greatest of the following:
(a) The highest fifteen-minute average load for the current month, as registered by a demand meter or indicator.

(b) The highest fifteen-minute average load for the current month after adjustment for power factor, in accordance with the Power Factor Clause of this schedule.

(c) For those customers electing to take service under this rate schedule in lieu of the otherwise applicable rate schedule the billing demand shall be as in either (a) or (b) above, but not less than 400 KW.

Terms of Service
Not less than one year.

Power Factor of Clause
The Company reserves the right to measure power factor and if it is less than 85%, adjust the maximum demand for any month by multiplying the measured demand by 85% and dividing by the actual power factor.

Transformer Ownership Discount
If the customer elects to take service at the available primary voltage and furnish and maintain any transformers required, the monthly demand charge will be reduced by fifty five (55) cents per kilowatt. Such customers will be metered at primary voltage and in recognition of estimated average transformation losses of 1% the KW and KWH measured units shall be multiplied by a factor of 0.99 for billing purposes.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

RATE SCHEDULE GSLD 1
GENERAL SERVICE - LARGE DEMAND 1

Availability
Available within the territory served by the Company in Jackson, Calhoun, and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial services of customers contracting for at least 5,000 kilowatts of electric service.

Character of Service
Three-phase, 60 hertz, electric service delivered and metered at a single point at the available transmission voltage, nominally 69,000 volts or higher.

Monthly Rate

Customer Facilities Charge Per Customer Per Month	$600.00
Transmission Demand Charge:	$1.12/KW of NCP Billing Demand
Reactive Demand Charge:	$0.24/kVar of Excess Reactive Demand
Production Demand Charge:	Purchased Power Demand Charge See Sheet No. 41
Energy Charge:	Purchased Power Energy Charge See Sheet No. 41

NOTE: The Production Demand Charge for the GSLD class will recover the Jacksonville Electric Authority Demand Charge or Southern Company Charge to FPUC plus line losses and applicable taxes. This charge is applied to the customer's demand at the time of the system's monthly coincident peak (CP demand).

Purchased Power Energy Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally year in January. For correct purchased power energy costs included in the tariff, see Sheet No. 41.

Minimum Bill
The minimum monthly bill is the sum of the Transmission Demand Charge and the Customer Charge.

Terms of Payment
Bills are rendered net and due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 35.1)

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RATE SCHEDULE GSLD 1
GENERAL SERVICE - LARGE DEMAND 1

(Continued from Sheet No. 35.0)

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

CP Billing Demand
The CP Billing Demand in any month shall be the customer's greatest fifteen-minute average load as registered by FPUC's demand meter.

NCP Billing Demand
The NCP Billing Demand in any month shall be the customer's greatest fifteen-minute average load as registered by FPUC's demand meter, but not less than 5,000 KW.

Excess Reactive Demand
The Excess Reactive Demand in any month shall be any lagging kVar during the period of FPUC's system maximum demand in excess of one-half of the CP Billing Demand in that month.

Term of Service
Contract for service hereunder shall be for a period of not less than one year.

Terms and Conditions
Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

RATE SCHEDULE - SB
STANDBY SERVICE

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable only to customers which are self-generators with capabilities of serving the customer's full electronic power requirements and that require backup and/or maintenance service on a firm basis. This rate schedule is not applicable to self-generating customers for supplemental service.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage. The contract demand shall not exceed the KW capacity of customer's generator.

Monthly Rate

Customer Facilities Charge:

(a) For those customers who have contracted for standby service capacity of less than 500 KW - the GSD customer facilities charge plus $25.00.

(b) For those customers who have contracted for standby service of 500 KW or greater - the GSLD customer facilities charge plus $25.00.

Local Facilities Charge:

(a) For those customers who have contracted for standby service capacity of less than 500 KW - $1.76/KW.

(b) For those customers who have contracted for standby service of 500 KW or greater - $0.43/KW.

Purchased Power Charges

Demand and energy used by the customer in any month shall be charged at the then currently effective rates of the Company's wholesale supplier adjusted for estimated line losses and applicable taxes. Such charges will consist of Coincident Peak (CP) Demand charge and an energy charge. The CP Demand shall be the customer's measured KW coincident in time with that of the Company's maximum monthly demand at the substation serving the system to which the customer is connected. The energy charge shall be applied to the measured KWH during the billing period and shall be based on the actual energy charge (including fuel charges) of the Company's wholesale supplier during the billing period.

The currently effective rates of the Company's wholesale supplier would result in the following demand and energy charges for purchased power after adjustment for estimated line losses and applicable taxes. These are shown for illustrative purposes only. Actual purchased power rates in effect at the time of use shall be used for determining the monthly unit charges.

CP Demand Charge - Each KW of CP Demand	$7.22/KW
Energy Charge - All	3.223¢

(Continued on Sheet No. 36.1)

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 36.1
Cancels Original Sheet No. 36.1

RATE SCHEDULE SB
STANDBY SERVICE

(Continued from Sheet No. 36.0)

Minimum Bill

The minimum monthly bill shall consist of the above Customer Charge plus the Local Facilities charge for the currently effective Contract Demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Conservation Costs

See Sheet No. 41

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rate share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Contract Demand

The Contract Demand shall be that KW demand as specified in the contract for service with the customer and shall represent the maximum demand that customer requires for backup and maintenance service. The specified Contract Demand shall not exceed the KW capacity of customer's generator. The Contract Demand level may be periodically renegotiated if required, but not more than once a year. In the event that customer's maximum measured 15-minute average load in any month exceeds the specified Contract Demand by an amount greater than five (5) percent, that maximum demand shall be used as the Contract Demand for billing of the Local Facilities Charge in the current month and th succeeding eleven (11) months.

CP Demand

The CP billing demand shall be the greater of the following:

(a) The 15-minute average load for the current month, as measured by a demand meter, at the time of the Company's maximum demand for the current month at the substation serving the system to which the customer is connected.

(b) Seventy-five (75) percent of the maximum CP demand established in the preceding eleven (11) months.

(Continued on Sheet No. 36.2)

Issued by: John T. English, President

Effective: May 1, 2008

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 36.2
Cancels Original Sheet No. 36.2

MARIANNA DIVISION
RATE SCHEDULE -SB
STANDBY SERVICE

(Continued from Sheet No. 36.1)

Terms of Service

By written contract for an initial period of not less than five (5) years.

Power Factor Clause

The Company reserves the right to take service at the available primary voltage and furnish and maintain any transformers required, the local facilities charge will be reduced by the following amounts:

(a) For those customers who have contracted for standby service capacity of less than 500 KW - the GSD transformer ownership discount divided by the ratio of the 100% ratcheted KW to billing KW.

(b) For those customers who have contracted for standby service capacity of 500 KW or greater - the GSLD transformer ownership discount divided by the ratio of the 100 percent ratcheted KW to billing KW.

Such customers will be metered at primary voltage and in recognition of estimated average transformation losses of 1%, the KW and KWH measured units shall be multiplied by a factor of 0.99 for billing purposes.

Special Metering Requirements

Service under this rate schedule requires the use of time-of-day metering. Customer will be required to pay a one-time Contribution-in-Aid-of-Construction prior to the initiation of service equal to the difference in cost between that of the time-of-day meter and that of the otherwise standard meter. Company will notify customer of the amount of Contribution required prior to the execution of the contract for service. No Contribution will be required in the event customer has previously paid for the cost of time-of-day metering under the Company's cogeneration tariff and that same meter can be utilized without modification for metering under this Standby Service Rate Schedule.

Transfer to Full Requirements Service

In the event of changed circumstances in customer's operations or generating capabilities, customer may, on twelve (12) advance written notice to Company, transfer to the applicable full requirements rate schedule, provided however, that no such transfers shall be accepted as long as continued backup and maintenance service is required. Company may waive the 12-months notice requirement when the Company has in place facilities that will allow serving customer's full requirements.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 37
Cancels Original Sheet NO. 37

Reserved for Future Use

RATE SCHEDULE SL1-2
MERCURY VAPOR STREET LIGHTING SERVICE
(CLOSED TO NEW INSTALLATIONS)

Availability
Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to municipal customer for mercury vapor street lighting service.

Character of Service
Lighting service from dusk to dawn.

Limitations of Service
Service is limited to lighting by mercury vapor lamps of 7,000 or 20,000 lumens mounted on wood poles.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Lamp Size Lumens	KWH/Mo. Estimate	Facilities Charge	Maintenance Charge	Energy Charge	Total Charge
7,000	72	$0.87	$1.32	$3.09	$5.28
20,000	154	$1.46	$1.50	$6.61	$9.57

Charges for other Company-owned facilities:
Each wood pole and overhead span of wire installed: $4.24

For concrete or fiberglass poles and/or underground conductors, etcetera, the customer shall pay a lump sum amount equal to the estimated differential cost between the special system and the equivalent overhead-wood pole system.

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill
The above rates times the number of lamps connected.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 37.2)

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 37.2
Cancels Original Sheet No. 37.2

RATE SCHEDULE SL1-2
MERCURY VAPOR STREET LIGHTING SERVICE
(CLOSED TO NEW INSTALLATIONS)

(Continued from Sheet No. 37.1)

Purchased Power Costs
See Sheet No. 41

Conservation Costs
See Sheet No. 41

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Terms of Service
Service under this rate schedule shall be by written contract for a period of two or more years.

Terms and Conditions
1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

2. The charges set forth above cover the initial installation of overhead lines, poles and fixture assembly including bracket, and maintenance including lamp renewals due to burn outs only. However, Company shall not be required to replace existing street lighting fixtures with service under this rate.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 37.3
Cancels Original Sheet No. 37.3

RATE SCHEDULE SL-3
HIGH PRESSURE SODIUM VAPOR and METAL HALIDE STREET LIGHTING SERVICE

Availability

Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable for lighting of public ways and areas.

Character of Service

Lighting service from dusk to dawn.

Limitations of Service

Service is limited to lighting by high pressure sodium vapor or metal halide lamps mounted on company poles. Company-owned facilities will be installed only on Company-owned poles. Customer-owned facilities will be installed only on customer-owned poles.

Monthly Rate

When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Type Facility	Lamp Lumens	Size Watts	KWH/Mo. Estimate	Facilities Charge	Maintenance Charge	Energy Charge	Total Charge
High Pressure Sodium Lights							
Acorn	16,000	150	61	$11.37	$6.69	$2.62	$20.68
Amer. Rev.	9,500	100	41	$6.51	$4.13	$1.76	$12.40
Amer. Rev.	16,000	150	61	$6.35	$4.66	$2.62	$13.63
Cobra Head	9,500	100	41	$4.75	$3.03	$1.76	$9.54
Cobra Head	22,000	200	81	$6.09	$3.13	$3.47	$12.70
Cobra Head	28,500	250	101	$5.83	$4.29	$4.33	$14.46
Cobra Head	50,000	400	162	$6.82	$4.80	$6.95	$18.58
Flood	28,500	250	101	$10.01	$5.86	$4.33	$20.21
Metal Halide Lights							
ALN 440	16,000	175	71	$24.27	$1.86	$3.05	$29.17
Flood	50,000	400	162	$10.45	$12.61	$6.95	$30.02
Flood	130,000	1,000	405	$12.04	$7.39	$17.37	$36.81

(Continued on Sheet No. 37.4)

RATE SCHEDULE SL-3
HIGH PRESSURE SODIUM VAPOR and METAL HALIDE
STREET LIGHTING SERVICE

(Continued from Sheet No. 37.3)

Charges for other Company-owned facilities:

1)	30' Wood Pole	$3.98
2)	40' Wood Pole	$9.80
3)	18' Fiberglass	$8.27
4)	13' Decorative Concrete	$11.23
5)	20' Decorative Concrete	$12.41
6)	35' Concrete	$13.89
7)	10' Deco Base Aluminum	$16.17

For the poles shown above that are served from an underground system, the Company will provide up to one hundred (100) feet of conductor to service each fixture. The customer will provide and install the necessary conduit system to Company specifications.

Purchased Power Charges

Purchased power charges are adjusted annually by the Florida Public Service Commission. For current purchased power costs included in the tariff, see Sheet No. 41.

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 41

Conservation Costs

See Sheet No. 41

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. The percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Terms and Conditions

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

2. The charges set forth above cover the initial installation of overhead lines, poles and fixture assembly including bracket, and maintenance including lamp renewals due to burn outs only.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 38
Cancels Original Sheet No. 38

Reserved for Future Use

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 39
Cancels Original Sheet No. 39

Reserved for Future Use

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 40
Cancels Original Sheet No. 40

Reserved for Future Use

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

Third Revised Sheet No. 41
Cancels Second Sheet No. 41

RATE ADJUSTMENT RIDER - NORTHWEST FLORIDA DIVISION

Applicability

Electric service under all rate schedules for the Northwest Florida Division, which specify that rates are subject to adjustment in accordance with the provisions of the Company's Rate Adjustment Rider.

Total Purchased Power Cost Recovery Clause

The total purchased power cost adjustment shall be applied to each kilowatt hour delivered and shall be computed in accordance with the formula prescribed by the Florida Public Service commission. The total purchased power cost adjustment for the period January 1, 2007 through December 31, 2007 is as follows:

Rate Class	Rate Schedule	Levelized Adjustment
Residential	RS	4.420¢/KWH
General Service	GS	4.366¢/KWH
General Service-Demand	GSD	4.177¢/KWH
Outdoor Lighting	OL, OL-2	3.447¢/KWH
Street Lighting	SL1-2, SL-3	3.463¢/KWH
General Service-Large Demand	GSLD	4.001¢/KWH
General Service-Large Demand 1	GSLD 1	Not Applicable At This Time

Energy Conservation Cost Recovery Clause

Each base energy rate per KWH of the above rate schedules for the period January 1, 2007 through December 31, 2007 shall be increased by 0.060¢/KWH of sales to recover conservation related expenditures by the Company. This adjustment is determined in accordance with the formula and procedures specified by the Florida Public Service Commission.

Tax Cost Recovery

There will be added to all bills rendered for electric service a proportionate share of all license fees and taxes imposed by any governmental authorities after November 1, 1946, to an extent sufficient to cover excess increased taxes or license fees.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

Third Revised Sheet No. 41.1
Cancels Second Sheet No. 41.1

RATE ADJUSTMENT RIDER - NORTHEAST FLORIDA DIVISION

APPLICABILITY

Electric service under all rate schedules for the Northeast Florida Division which specify that rates are subject to adjustment in accordance with the provisions of the Company's Rate Adjustment Rider.

TOTAL PURCHASED POWER COST RECOVERY CLAUSE

The total purchased power cost adjustment shall be applied to each kilowatt - hour delivered and shall be computed in accordance with the formula prescribed by the Florida Public Service Commission. The total purchased power cost adjustment for the period January 1, 2007 through December 31, 2007 is as follows:

Rate Class	Rate Schedule	Levelized Adjustment
Residential	RS	5.170¢/KWH
General Service	GS	5.056¢/KWH
General Service-Demand	GSD	4.812¢/KWH
General Service-Large Demand	GSLD	4.850¢/KWH
Outdoor Lighting	OL, OL-2	3.684¢/KWH
Street Lighting	SL-2, SL-3	3.697¢/KWH
General Service-Large Demand 1	GSLD 1	CP Demand $7.22/KW* Energy 3.231¢/KWH*

*Estimated for informational purposes only.
Monthly rate will be billed at actual cost.

ENERGY CONSERVATION COST RECOVERY CLAUSE

Each base energy rate per KWH of the above rate schedules for the period January 1, 2007 through December 31, 2007 shall be increased by 0.060¢/KWH of sales to recover conservation related expenditures by the Company. This adjustment is determined in accordance with the formula and procedures specified by the Florida Public Service Commission.

TAX COST RECOVERY

There will be added to all bills rendered for electric service a proportionate share of all license fees and taxes imposed by any governmental authorities after January 1, 1945, to an extent sufficient to cover excess increased taxes or license fees.

FLORIDA PUBLIC UTILITIES COMPANY

EXTENSION OF FACILITIES AGREEMENT

This Agreement, executed in duplicate as of the ____ day of _____ , 20____, by and between Florida Public Utilities Company, a Florida Corporation, hereinafter referred to as the "Company", party of the first part, and _____ hereinafter referred to as the "Customer", party of the second part, witnesseth:

Whereas, the customer is desirous of securing an extension or increase of the facilities of the Company as hereinafter described; and whereas, the Company is willing to make such extension or increase;

Now, therefore, in consideration of the respective and mutual covenants and agreements contained herein and hereinafter set forth, the parties hereto agree with each other as follows:

1. The Company will extend or increase its facilities as follows:

The Company will commence the extension or increase of its facilities forthwith after the execution of this Agreement and use its best efforts to complete the extension or increase of its facilities as soon as reasonably possible; provided, however, that the parties expressly agree that the Company shall not be liable or responsible for any delay caused by or resulting from shortages or unavailability of material or labor, or from any other hindrance or delay beyond the control of the Company.

2. To compensate the Company for the cost and expense of the aforesaid extension or increase of its facilities, the Customer simultaneously with the execution of this Agreement has paid to the Company the sum of $_____, the receipt of which hereby is acknowledged by the Company. The parties agree that said sum was paid by the Customer to and received by the Company without the right of any rebate, credit, reduction or adjustment in favor of either party.

3. The parties agree that the Company shall at all times have title to and keep ownership and control in and over the aforesaid extended or increased facilities, including but not limited to all new materials and equipment installed therein; and the parties agree further that the Company shall have the sole and exclusive right to use the extended or increased facilities for the purpose of serving other customers of the Company.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 42.1
Cancels Original Sheet No. 42.1

EXTENSION OF FACILITIES AGREEMENT
(Continued)

4. After the extension or increase of the facilities described above, the Customer agrees that subject to all applicable terms, provisions, rights, duties and penalties, the Customer will in the usual manner and at the usual times pay for the utilities and services delivered to the Customer by means of the extended or increased facilities at the regular franchise or at special contract rates, whichever is applicable.

5. The parties agree that no representation, warranty, conditions or agreement of any kind or nature whatsoever shall be binding upon either of the parties hereto unless incorporated in this Agreement; and the parties agree further that this Agreement covers and includes the entire agreement between the parties. The parties agree that all covenants and agreements contained herein shall extend to, be obligatory upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns; provided, however, that the Customer may not transfer or assign all or any part of this Agreement or any right which he may obtain hereunder without first obtaining the written consent of the Company.

In witness whereof, the parties hereto have executed this Agreement as of the day and year hereinbefore first written.

Customer_____ FLORIDA PUBLIC UTILITIES COMPANY

By_____ By _____
Title Its Agent

Issued by: John T. English, President

Effective: May 1, 2008

FLORIDA PUBLIC UTILITIES COMPANY

DEPOSIT OF FACILITIES AGREEMENT

This Agreement, executed in duplicate as of the ____ day of _____ , 20____, by and between Florida Public Utilities Company, a Florida Corporation, hereinafter referred to as the "Company", party of the first part, and _____ hereinafter referred to as the "Customer", party of the second part, witnesseth:

Whereas, the customer is desirous of securing an extension or increase of the facilities of the Company as hereinafter described; and whereas, the Company is willing to make such extension or increase;

Now, therefore, in consideration of the respective and mutual covenants and agreements contained herein and hereinafter set forth, the parties hereto agree with each other as follows:

1. The Company will extend or increase its facilities as follows:

The Company will commence the extension or increase of its facilities forthwith after the execution of this Agreement and use its best efforts to complete the extension or increase of its facilities as soon as reasonably possible; provided, however, that the parties expressly agree that the Company shall not be liable or responsible for any delay caused by or resulting from shortages or unavailability of material or labor, or from any other hindrance or delay beyond the control of the Company.

2. To compensate the Company for the cost and expense of the aforesaid extension or increase of its facilities in accordance with the Company's Rules and Regulations for extensions, the Customer simultaneously with the execution of this Agreement has paid to the Company the sum of $_____, the receipt of which hereby is acknowledged by the Company. The parties agree that said sum was paid by the Customer to and received by the Company in accordance with the Company's Rules and Regulations for service requiring extension of facilities within the service area of the Company in _____ County, Florida. The Company's Rules and Regulations as filed with and approved by the Florida Public Service Commission are made a part of this Agreement.

3. The parties agree that the Company shall at all times have title to and keep ownership and control in and over the aforesaid extended or increased

DEPOSIT OF FACILITIES AGREEMENT
(Continued)

facilities, including but not limited to all new materials and equipment installed therein; and the parties agree further that the Company shall have the sole and exclusive right to use the extended or increased facilities for the purpose of serving other customers of the Company.

4. After the extension or increase of the facilities described above, the Customer agrees that subject to all applicable terms, provisions, rights, duties and penalties, the Customer will in the usual manner and at the usual times pay for the utilities and services delivered to the Customer by means of the extended or increased facilities in accordance with the Company's tariffs filed with and approved by the Florida Public Service Commission.

5. The parties agree that no representation, warranty, conditions or agreement of any kind or nature whatsoever shall be binding upon either of the parties hereto unless incorporated in this Agreement; and the parties agree further that this Agreement covers and includes the entire agreement between the parties. The parties agree that all covenants and agreements contained herein shall extend to, be obligatory upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns; provided, however, that the Customer may not transfer or assign all or any part of this Agreement or any right which he may obtain hereunder without first obtaining the written consent of the Company.

In witness whereof, the parties hereto have executed this Agreement as of the day and year hereinbefore first written.

Customer_____ FLORIDA PUBLIC UTILITIES COMPANY

By_____ By _____
Title Its Agent

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Second Revised Volume No. I

First Revised Sheet No. 44
Cancels Original Sheet No. 44

CONTRACTS AND AGREEMENTS

Container Corporation of America
Agreement dated December 15, 1992

ITT Rayonier, Inc., Fernandina Division
Agreement dated April 1, 1982

Original Volume 1

INTERCONNECTION OF SMALL PHOTOVOLTAIC SYSTEMS

STANDARD INTERCONNECTION AGREEMENT

ORIGINAL VOLUME NO. 1

OF

FLORIDA PUBLIC UTILTIES COMPANY

FILED WITH

FLORIDA PUBLIC SERVICE COMMISSION

Original Volume 1

FLORIDA PUBLIC UTILITIES COMPANY

STANDARD INTECONNECTION AGREEMENT FOR SMALL PHOTOVOLTAIC SYSTEMS

This agreement made and entered into as of this _____ day of _____, _____ by and between _____ hereinafter known at the "Customer" and Florida Public Utilities Company hereinafter know as the "Company". This agreement is made in accordance with Florida Public Commission Rule 25-6.065 F.A.C., Interconnection of Small Photovoltaic Systems (SPS) and under the terms and conditions as approved by the Florida Public Service Commission pursuant to Rule 25-6.065(2), F.A.C.

1. The Customer's SPS installation is within the Company service territory and is located at _____ and should be installed and operational by _____, _____.

2. Customer will ensure the installation will meet or exceed all requirements noted below, will provide the Company with reasonable notification prior to the operation of the SPS and will assist the Company in verifying that the installation complies with the agreement prior to operating in parallel with the Company's electric system.

3. The Customer's SPS installation is described as follows:
   a. Equipment Manufacturers Name and Address:
      _____
      _____
      _____
      _____

b. Manufacturers Reference Number, Serial Number, Type, Style, Model, Etc.

_____

_____

_____

c. Name Plate Rating (KW and Voltage):

_____

_____

4. During construction and installation of the SPS, the Customer is responsible for compliance with the following codes and standards:
   a. Florida Public Utilities Company Rules and Regulations for Electric Service.
   b. Applicable city, county, state, and federal construction codes and standards.
   c. IEEE Standard 929, "Recommended Practice for Utility Interface of Photovoltaic Systems" published April 3, 2000.
   d. IEEE Standard 1262-1995, "Recommended Practice for Qualification of Photovoltaic Modules, published April 12, 1996.
   e. UL Standard 1741, "Standard for Safety for Static Inverters and Charge Controllers for use in Photovoltaic Systems", published January 17, 2001.
   f. UL Standard 1703, "Standard for Safety: Flat Plate Photovoltaic Modules and Panels", published August 1, 1986
   g. IEC Standard 61646, "Recommended Practice for Qualification of Photovoltaic Modules", published November 1996.

5. The customer will, in accordance with Rule 25-6.035(2)(b), F.A.C., obtain all necessary inspections, certificates and approvals from local code officials and will provide documentation to the Company regarding such inspections. The Company may request the Customer provide notice of inspections and testing times in order that Company personnel may be present.

6. The customer will, in accordance with Rule 25-6.035(2)(c), F.A.C, prior to operation of the SPS, acquire and maintain a general insurance liability rider for personal and property damage in the amount of up to $100,000 per occurrence. A homeowner's policy that furnishes at least this level of liability coverage will meet the requirement. Documentation of this will be provided to the company prior to parallel operation.
7. The customer will, in accordance with Rule 25-6.035(2)(d), F.A.C., pay the Company $120 for the processing of the application of the interconnection agreement
8. The customer will install, in accordance with Rule 26-6.035(3)(a), at the customers expense, a manual, visible load break type disconnect switch to provide a separation point between the AC power output of the installation and the Company's electric system. The manual disconnect switch shall be mounted separate from the meter socket and be readily accessible to the Company. The switch shall have a locking mechanism capable of being locked in the open position by the Company. The Company may open and lock the switch, with or without notice, should conditions require this action.
9. Prior to parallel operation of the SPS, in accordance with Rule 25-6.035(2)(e), F.A.C., Company representatives will inspect the installation to verify that all inspection and insurance requirements have been documented and that the system meets all requirements for parallel operation with the Company's electric system. Once the Company has inspected and verified that the installation meets all requirements for parallel operation with the electric system, the Company will issue a written authorization, within 10 days, that parallel operation can begin provided the system remains in compliance with all applicable codes and standards.
10. After initial startup of the installation, in accordance with Rule 25-6.035(2)(f), F.A.C., the Customer is responsible for maintaining protective devices, inverters, system components, generating equipment and other accessories in proper working order that complies with the above-mentioned requirements. Inspections, maintenance and testing in accordance with

manufacturers guidelines must be followed to insure the system is operating properly, safely and is adequately protected during both normal and abnormal operating conditions. Should any modification, component replacement or operational problem occur, the Customer must notify the Company and allow its representatives to inspect, at the Company's discretion and expense, the installation prior to the system being operated in parallel to the electric system. The Company, as necessary, may perform periodic inspections of the installation at it's own expense.

11. The Company will install a single, bi-directional meter, at the Company's expense, for the purpose of metering the net consumption of the installation. This will be the standard metering method for all installations. Under the standard installation, if in any billing cycle there results a net delivery of energy to the Company, the credit will be carried forward for the following 11 months or until the Customer's consumption negates the credit, which ever comes first. Should a credit exist after the 11th month in which the credit occurred, the Company will cancel the credit.

    Should the Company estimate that a net delivery of energy will occur on a routine basis or at Customer request; additional metering may be installed to separately register the consumption and delivery of energy. The cost of the additional metering will be at the sole expense of the Company. Consumption of energy will be billed at the normal retail rate for the facility. The delivery of energy will be credited in accordance with the Schedule COG-1 rate for that facility. The monthly bill will reflect the net difference between the charge for the consumption of energy by the Customer at the normal retail rate and the credit for the delivery of energy to the Company at the Schedule COG-1 rate.

12. The Company retains the right to disconnect from the installation for any of the following reasons.
    a. Company system emergencies, maintenance or safety requirements.

b. Hazardous, disruptive or adverse conditions on the Company's system caused by the operation of the Customers generating or protective equipment associated with the installation

c. Failure of the customer to maintain the required insurance.

13. The Customer agrees to indemnify and hold harmless the Company, its subsidiaries or affiliates, and their respective employees, officers and directors, against any and all liability, loss, damage, cost or expense which the Company, it subsidiaries, affiliates, and their respective employees, officers and directors may hereafter incur, suffer or be required to pay by reason of negligence on the part of the Customer under the obligations of this agreement. The Company agrees to indemnify and hold harmless the Customer, against any and all liability, loss, damage, cost or expense which the Customer may hereafter incur, suffer or be required to pay by reason of negligence on the part of the Company under the obligations of this agreement.

14. Communications, either emergency or routine, related to this agreement or operation of the installation shall be made to the following parties:

Company:

_____

_____

_____

_____

_____

Customer:

_____

_____

_____

_____

_____

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IN WITNESS WHEREOF, the Customer and the Company execute this Agreement this _____ day of _____, _____.

ATTEST:

_____

FLORIDA PUBLIC UTILITIES COMPANY

By: _____

Title: _____

Date: _____

ATTEST:

_____

_____

CUSTOMER

By: _____

Title: _____

Date: _____

Schedule E-14 Supplemental

E-14 Supplemental: Design of Unit Charges for Florida Public Utilities

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Residential

		Customers	kWh	kW	kVar	
Determinants	Fernandina Beach	13,556	179,912,096	0	0	
	Marianna	10,502	145,483,288	0	0	
		$/Cust-Mo	$/kWh	$/kW	$/kVar	Base Revenue
Current Rates	Fernandina Beach	$10.00	$0.013730	$0.00	$0.00	$4,096,908
	Marianna	$10.00	$0.013730	$0.00	$0.00	$3,257,672
Total Company		$10.00	$0.01373	$0.00	$0.00	$7,354,580
Cost of Service Results		$13.94	$0.01224	$0.00	$0.00	$8,009,267
New Rates	Proposed	$14.00	$0.01967	$0.00	$0.00	$10,443,504

General Service

		Customers	kWh	kW	kVar	
Determinants	Fernandina Beach	1,439	27,301,043	0	0	
	Marianna	*2,045*	*28,801,445*	*0*	*0*	
		$/Cust-Mo	$/kWh	$/kW	$/kVar	Base Revenue
Current Rates	Fernandina Beach	$14.00	$0.01473	$0.00	$0.00	$643,973
	Marianna	$14.00	$0.01473	$0.00	$0.00	$767,742
Total Company		$14.00	$0.01473	$0.00	$0.00	$1,411,715
Cost of Service Results		*$18.10*	*$0.01158*	*$0.00*	*$0.00*	*$1,406,062*
New Rates	Proposed	$21.00	$0.02206	$0.00	$0.00	$2,115,617

General Service Demand

		Customers	kWh	kW	kVar	
Determinants	Fernandina Beach	300	78,009,522	*227,147*	*0*	
	Marianna	422	88,185,059	310,431	0	
		$/Cust-Mo	$/kWh	$/kW	$/kVar	Base Revenue
Current Rates	Fernandina Beach	$44.00	$0.00232	$2.48	$0.00	$902,698
	Marianna	$44.00	$0.00232	$2.48	$0.00	$1,197,493
Total Company		$44.00	$0.00232	$2.48	$0.00	$2,100,191
Cost of Service Results		$38.60	$0.00323	$1.65	$0.00	$1,756,408
New Rates	Proposed*	$62.00	$0.00323	$3.47	$0.00	$2,935,584

Schedule E-14 Supplemental

E-14 Supplemental: Design of Unit Charges for Florida Public Utilities

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

General Service Large Demand

		Customers	kWh	kW	kVar	
Determinants	Fernandina Beach	7	23,711,620	54,454	0	
	Marianna	13	60,137,751	124,364	0	
		$/Cust-Mo	$/kWh	$/kW	$/kVar	Base Revenue
Current Rates	Fernandina Beach	$75.00	$0.00086	$2.89	$0.00	$184,064
	Marianna	$75.00	$0.00086	$2.89	$0.00	$422,831
Total Company		$75.00	$0.00086	$2.89	$0.00	$606,896
Cost of Service Results		$176.60	$0.00203	$3.52	$0.00	$841,637
New Rates	Proposed**	$113.00	$0.00113	$4.34	$0.00	$871,047

General Service Large Demand 1

		Customers	kWh	NCP kW	kVar	CP kW	
Determinants	Fernandina Beach	2	141,186,123	417,249	9,911	176,448	
	Marianna	0	0	0	0	0	
		$/Cust-Mo	$/kWh	$/kW	$/kVar		Base Revenue
Current Rates	Fernandina Beach	$600.00	$0.00000	$1.12	$0.24		$484,098
	Marianna	$0.00	$0.00000	$0.00	$0.00		$0
Total Company		$600.00	$0.00000	$1.12	$0.24		$484,098
Cost of Service Results		$4,803.66	$0.00000	$0.13	$0.00		$168,696
New Rates	Proposed	$600.00	$0.00000	$1.12	$0.24		$484,098

The "Cost of Service Results" are the unitized costs from the cost of service study at the current revenue levels.
The "Proposed" rates were generated by scaling up the current rates by the percentage markup for the class.

The customer charges were rounded to the nearest dollar and the energy charges adjusted to obtain the revenue requirement (i.e., to account for the rounding of the customer charge).

* The base revenues reflect the application of the tariff to the billing determinants less an estimated dscount of $3,417 to customers in this tariff receiving power at the primary level.

** The base revenues reflect the application of the tariff to the billing determinants less an estimated discount of $26,912 to customers in this tariff receiving power at the primary level.

Supporting Schedules: E-15

Recap Schedules: E-13a

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

The forecasting methods used to derive the projected billing determinants are described in Schedule F-9.

Supporting Schedules: F-9

Recap Schedules:

Schedule E-15a

BILLING DETERMINANTS - NUMBER OF BILLS

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION:

Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Historic Year Ended 12/31/2005
Historic Year Ended 12/31/2006
Projected Prior Year Ended 12/31/2007
Witness: Mark Cutshaw

Line No.			RS	GS	GSD	GSLD	GSLD1	OL	OL-2	SL1-2	SL-3	TOTAL SYSTEM
1												
2												
3	2005	Number of Bills	277,431	40,625	8,343	206	24	13,500	22,527	60	166	362,882
4												
5		Average No. of Bills	23,119	3,385	695	17	2	1,125	1,877	5	14	30,240
6												
7												
8												
9												
10	2006	Number of Bills	281,444	40,927	8,393	240	24	13,500	22,776	60	168	367,532
11												
12		Average No. of Bills	23,454	3,411	699	20	2	1,125	1,898	5	14	30,628
13												
14												
15												
16	2007	Number of Bills	285,067	41,368	8,531	240	24	13,500	23,028	60	170	371,987
17												
18		Average No. of Bills	23,756	3,447	711	20	2	1,125	1,919	5	14	30,999

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.			RS	GS	GSD	GSLD	GSLD1	OL	OL-2	SL1-2	SL-3	TOTAL SYSTEM
1												
2												
3												
4	2008	NUMBER OF BILLS										
5		January	23,916	3,479	720	20	2	1,125	1,940	5	14	31,222
6		February	23,851	3,464	719	20	2	1,125	1,940	5	14	31,140
7		March	23,998	3,471	716	20	2	1,125	1,940	5	14	31,292
8		April	23,987	3,478	723	20	2	1,125	1,940	5	14	31,295
9		May	24,045	3,486	720	20	2	1,125	1,940	5	14	31,356
10		June	24,082	3,490	721	20	2	1,125	1,940	5	14	31,399
11		July	24,119	3,475	725	20	2	1,125	1,940	5	14	31,426
12		August	24,122	3,475	730	20	2	1,125	1,940	5	14	31,434
13		September	24,086	3,483	723	20	2	1,125	1,940	5	14	31,398
14		October	24,171	3,493	723	20	2	1,125	1,940	5	14	31,493
15		November	24,173	3,507	725	20	2	1,125	1,940	5	14	31,511
16		December	24,140	3,507	724	20	2	1,125	1,940	5	14	31,477
17												
18		Total No. of Bills	288,690	41,809	8,669	240	24	13,500	23,279	60	172	376,443
19												
20		Average No. of Bills	24,058	3,484	722	20	2	1,125	1,940	5	14	31,370
21												
22	Percent Increase (Decrease) 2005/2006		1.45%	0.74%	0.60%	16.50%	0.00%	0.00%	1.10%	0.00%	1.13%	1.28%
23												
24	Percent Increase (Decrease) 2006/2007		1.29%	1.08%	1.64%	0.00%	0.00%	0.00%	1.10%	0.00%	1.13%	1.21%
25												
26	Percent Increase (Decrease) 2007/2008		1.27%	1.07%	1.62%	0.00%	0.00%	0.00%	1.09%	0.00%	1.12%	1.20%
27												
28	Average Annual Compound Growth Rate 2007/2005		1.37%	0.91%	1.12%	7.94%	0.00%	0.00%	1.10%	0.00%	1.13%	1.25%
29												

Supporting Schedules:

Recap Schedules: E-9

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Historical Prior Year 12/31/2005
Historical Year 12/31/2006
Projected Prior Year 12/31/2007
Witness: Mark Cutshaw

Line No.			GSD - Secondary ACTUAL	GSD - Secondary BILLED	GSD - Primary ACTUAL	GSD - Primary BILLED	GSD - Total ACTUAL	GSD - Total BILLED
1								
2								
3								
4								
5	2005	Total kW	568,374	568,374	24,287	24,222	592,661	592,597
6								
7								
8								
9	2006	Total kW	550,259	550,259	24,030	23,970	574,289	574,229
10								
11								
12								
13	2007	Total kW	548,813	548,813	23,967	23,907	572,781	572,720
14								

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Historical Prior Year 12/31/2005
Historical Year 12/31/2006
Projected Prior Year 12/31/2007
Witness: Mark Cutshaw

Line No.			GSLD - Secondary		GSLD - Primary		GSLD1		GSLD - Total	
			ACTUAL	BILLED	ACTUAL	BILLED	ACTUAL	BILLED	ACTUAL	BILLED
7	2005	Total kW	101,428	101,428	74,898	74,291	480,700	480,700	657,026	656,420
11	2006	Total kW	124,470	124,470	73,689	73,197	472,200	472,200	670,359	669,867
15	2007	Total kW	123,143	123,143	72,903	72,417	451,852	451,852	647,899	647,412

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.				GSD - Secondary ACTUAL	GSD - Secondary BILLED	GSD - Primary ACTUAL	GSD - Primary BILLED	GSD - Total ACTUAL	GSD - Total BILLED
1									
2									
3									
4									
5									
6									
7		2008	kW						
8			January	41,960	41,960	1,832	1,869	43,793	43,829
9			February	41,566	41,566	1,815	1,817	43,381	43,382
10			March	42,180	42,180	1,842	1,862	44,022	44,042
11			April	41,482	41,482	1,812	1,818	43,294	43,301
12			May	41,313	41,313	1,804	1,806	43,117	43,119
13			June	43,171	43,171	1,885	1,889	45,056	45,060
14			July	44,152	44,152	1,928	1,901	46,080	46,052
15			August	45,326	45,326	1,979	1,965	47,305	47,290
16			September	45,142	45,142	1,971	1,943	47,114	47,085
17			October	44,407	44,407	1,939	1,905	46,347	46,313
18			November	41,835	41,835	1,827	1,824	43,661	43,659
19			December	42,549	42,549	1,858	1,839	44,408	44,388
20									
21			Total kW	515,083	515,083	22,494	22,438	537,577	537,521
22									
23	Percent Increase/(Decrease) 2006/2005			-3.19%	-3.19%	-1.06%	-1.04%	-3.10%	-3.10%
24									
25	Percent Increase/(Decrease) 2007/2006			-0.26%	-0.26%	-0.26%	-0.26%	-0.26%	-0.26%
26									
27	Percent Increase/(Decrease) 2008/2007			-6.15%	-6.15%	-6.15%	-6.15%	-6.15%	-6.15%
28									
29	Average Annual Compound Growth Rate 2007/2005			-1.74%	-1.74%	-0.66%	-0.65%	-1.69%	-1.69%

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.				GSLD - Secondary		GSLD - Primary		GSLD - 1		GSLD - Total	
				ACTUAL	BILLED	ACTUAL	BILLED	ACTUAL	BILLED	ACTUAL	BILLED
7		2008	kW								
8			January	9,140	9,140	5,411	5,276	31,722	31,722	46,273	46,138
9			February	8,946	8,946	5,296	5,154	43,475	43,475	57,717	57,575
10			March	8,858	8,858	5,244	4,996	42,768	42,768	56,870	56,622
11			April	9,133	9,133	5,407	5,363	34,196	34,196	48,736	48,692
12			May	8,418	8,418	4,983	4,713	37,289	37,289	50,690	50,420
13			June	9,785	9,785	5,793	5,819	34,108	34,108	49,686	49,712
14			July	9,726	9,726	5,758	5,761	38,791	38,791	54,275	54,278
15			August	9,728	9,728	5,759	5,862	33,490	33,490	48,977	49,080
16			September	10,403	10,403	6,159	6,337	34,815	34,815	51,377	51,555
17			October	9,675	9,675	5,728	5,784	30,485	30,485	45,888	45,944
18			November	9,106	9,106	5,391	5,410	27,039	27,039	41,535	41,555
19			December	9,405	9,405	5,568	5,577	29,071	29,071	44,044	44,053
20											
21			Total kW	112,322	112,322	66,497	66,053	417,249	417,249	596,068	595,624
22											
23	Percent Increase/(Decrease) 2006/2005			22.72%	22.72%	-1.61%	-1.47%	-1.77%	-1.77%	2.03%	2.05%
24											
25	Percent Increase/(Decrease) 2007/2006			-1.07%	-1.07%	-1.07%	-1.07%	-4.31%	-4.31%	-3.35%	-3.35%
26											
27	Percent Increase/(Decrease) 2008/2007			-8.79%	-8.79%	-8.79%	-8.79%	-7.66%	-7.66%	-8.00%	-8.00%
28											
29	Average Annual Compound Growth Rate 2007/2005			10.19%	10.19%	-1.34%	-1.27%	-3.05%	-3.05%	-0.70%	-0.69%

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Historical Year Ended 12/31/2005
Historical Year Ended 12/31/2006
Projected Prior Year Ended 12/31/2007
Witness: Mark Cutshaw

Line No.			RS	GS	GSD	GSLD	GSLD1	OL	OL-2	SL1-2	SL-3	TOTAL SYSTEM
1												
2												
3												
4	2005	Total kWh	350,659,791	59,983,157	185,441,946	85,962,012	134,790,000	1,312,735	3,710,554	763,997	1,211,839	823,836,031
5												
6		kWh/Average Customer	15,167	17,718	266,727	5,007,496	67,395,000	1,167	1,977	152,799	87,541	27,243
7												
8												
9												
10												
11	2006	Total kWh	349,930,593	59,621,785	178,753,210	92,691,048	159,780,000	1,364,976	3,858,219	749,614	1,189,025	847,938,470
12												
13		kWh/Average Customer	14,920	17,481	255,575	4,634,552	79,890,000	1,213	2,033	149,923	84,930	27,685
14												
15												
16												
17	2007	Total kWh	342,706,904	59,194,372	177,035,690	91,898,685	152,894,843	1,364,976	3,901,620	749,614	1,202,838	830,949,543
18												
19		kWh/Average Customer	14,426	17,171	249,027	4,594,934	76,447,422	1,213	2,033	149,923	84,954	26,806

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.			RS	GS	GSD	GSLD	GSLD-1	OL	OL-2	SL1-2	SL-3	TOTAL SYSTEM
1												
2												
3	2008	kWh										
4		January	29,957,188	5,165,017	15,300,532	7,719,505	10,444,486	113,748	328,752	62,468	101,388	69,193,084
5		February	25,542,196	4,403,814	13,045,589	6,581,830	17,716,747	113,748	328,752	62,468	101,388	67,896,530
6		March	25,315,454	4,364,721	12,929,782	6,523,402	13,263,260	113,748	328,752	62,468	101,388	63,002,973
7		April	20,744,075	3,576,554	10,594,966	5,345,428	11,089,535	113,748	328,752	62,468	101,388	51,956,913
8		May	22,043,853	3,800,653	11,258,823	5,680,361	13,431,149	113,748	328,752	62,468	101,388	56,821,195
9		June	29,540,489	5,093,173	15,087,704	7,612,128	11,292,769	113,748	328,752	62,468	101,388	69,232,619
10		July	37,095,431	6,395,745	18,946,364	9,558,920	12,317,778	113,748	328,752	62,468	101,388	84,920,594
11		August	30,512,565	5,260,772	15,584,188	7,862,617	12,238,251	113,748	328,752	62,468	101,388	72,064,749
12		September	32,799,008	5,654,985	16,751,981	8,451,798	10,479,831	113,748	328,752	62,468	101,388	74,743,960
13		October	28,128,005	4,849,642	14,366,283	7,248,153	10,338,451	113,748	328,752	62,468	101,388	65,536,889
14		November	19,467,812	3,356,509	9,943,118	5,016,555	8,500,504	113,748	328,752	62,468	101,388	46,890,854
15		December	24,249,307	4,180,903	12,385,251	6,248,672	10,073,362	113,748	328,752	62,468	101,388	57,743,851
16												
17		TOTAL	325,395,385	56,102,488	166,194,581	83,849,371	141,186,123	1,364,976	3,945,022	749,614	1,216,651	780,004,211
18												
19		kWh/Average Customer	13,526	16,103	230,059	4,192,469	70,593,061	1,213	2,034	149,923	84,976	24,864
20												
21	Percent Increase (Decrease) 2006/2005		-0.21%	-0.60%	-3.61%	7.83%	18.54%					2.93%
22												
23	Percent Increase (Decrease) 2007/2006		-2.06%	-0.72%	-0.96%	-0.85%	-4.31%	0.00%	1.12%	0.00%	1.16%	-2.00%
24												
25	Percent Increase (Decrease) 2008/2007		-5.05%	-5.22%	-6.12%	-8.76%	-7.66%	0.00%	1.11%	0.00%	1.15%	-6.13%
26												
27	Average Annual Compound Growth Rate 2007/2005		-1.14%	-0.66%	-2.29%	3.40%	6.50%					0.43%
28												
29												

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION:

Trace how the billing determinants were derived from the preliminary forecasts used for test year budget. Provide supporting assumptions and details of forecasting techniques. Reconcile the billing determinants with the forecast by customer class determinants with the forecast by customer class in the Ten-Year-Site Plan.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

UNDER PROPOSED RATES

Line No.			RS	GS	GSD	GSLD	GSLD1	OL	OL-2	SL1-2	SL-3	TOTAL kWh
1												
2												
3												
4												
5												
6												
7	2008	Total kWh	325,395,385	56,102,488	166,194,581	83,849,371	141,186,123	1,364,976	3,945,022	749,614	1,216,651	780,004,211
8												
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Supporting Schedules:

Recap Schedules: E-9

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule of the number of customers served at transmission, subtransmission, primary distribution, and secondary distribution voltages by rate schedule for the test year and prior year. Customers served directly from a company-owned substation must be listed under the voltage level at which they are served.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.	Rate Schedule	Total Customers	Transmission Voltage Level	Distribution Primary Voltage Level	Distribution Secondary Voltage Level
	2008				
1	RS	24,058	0	0	24,058
2					
3	GS	3,484	0	3	3,481
4					
5	GSD	722	0	10	712
6					
7	GSLD	20	0	6	14
8					
9	GSLD1	2	2	0	0
10					
11	OL	1,125	0	0	1,125
12					
13	OL-2	1,940	0	0	1,940
14					
15	SL1-2	5	0	0	5
16					
17	SL3	14	0	0	14
18					
19					
20	TOTAL	31,370	2	19	31,349

Supporting Schedules:

Recap Schedules: E-9

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION:

Provide a schedule of the number of customers served at transmission, subtransmission, primary distribution, and secondary distribution voltages by rate schedule for the test year and prior year. (Customers served directly from a company-owned substation must be listed under the voltage level at which they are served.)

Type of Data Shown:
Historic Year 12/31/2006
Witness: Mark Cutshaw

Line No.	Rate Schedule	Total Customers	Transmission Voltage Level	Distribution Primary Voltage Level	Distribution Secondary Voltage Level
	2006				
1	RS	23,454	0	0	23,454
2					
3	GS	3,411	0	3	3,408
4					
5	GSD	699	0	10	689
6					
7	GSLD	20	0	6	14
8					
9	GSLD1	2	2	0	0
10					
11	OL	1,125	0	0	1,125
12					
13	OL-2	1,898	0	0	1,898
14					
15	SL1-2	5	0	0	5
16					
17	SL3	14	0	0	14
18					
19					
20	TOTAL	30,628	2	19	30,607

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each rate class that is not 100% time metered by time recording meters, provide the estimated historic value and 90% confidence interval by month from the latest load research for (1) contribution to monthly system peaks (coincident), (2) monthly noncoincident peak (class peaks) and (3) monthly customer maximum demand (billing demand for demand classes). For classes, 100% metered with time recording meters provide actual monthly values for the aforementioned demands and identify such as actual values. Also, provide the annual KWH as well as the 12 CP Load Factor, Class NCP Load Factor and the Customer Load Factor for each class.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate Schedule	Month and Year	Estimated Coincident Peak	90% Confidence Interval	Estimated Noncoincident Peak	90% Confidence Interval	Estimated Customer Maximum Demand	90% Confidence Interval

Because of the relatively small electric system and non-generating status, the Company has not been required to conduct load research and such data on the Company's system is not available. No monthly analysis of non-coincident or customer maximum demands is available. Billing demands by month for demand rate class during 2006 are shown on schedule E-18b.

Annual Peak:

12 Coincident Peak Average:

90% Confidence Interval:

Sum of individual customer maximum demands:

Annual KWH:

12 CP Load Factor:

Class (NCP) Load Factor:

Customer (Billing or Maximum Demand) Load Factor:

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide monthly peaks for the test year and the five previous years.

Type of Data Shown:
Projected Year 2008
Prior Year 2007
Prior Historic Years 2003 to 2006
Witness: Mark Cutshaw

Line No.	Month	Year	MW Peak	Day of Week	Day of Month	Hour	Actual (A) or Estimated (E)	MW Peak	Day of Week	Day of Month	Hour	Actual (A) or Estimated (E)
1	Marianna							Fernandina Beach				
2												
3	January	2003	81.3	Friday	24	7:15 AM	A	103.3	Friday	24	7:30 AM	A
4	Feburary	2003	55.3	Tuesday	11	7:15 AM	A	77.4	Tuesday	18	7:00 PM	A
5	March	2003	46.7	Monday	31	6:45 AM	A	64.8	Friday	28	7:30 PM	A
6	April	2003	47.0	Wednesday	30	3:00 PM	A	52.6	Tuesday	1	7:00 AM	A
7	May	2003	58.5	Wednesday	7	3:00 PM	A	68.9	Thursday	8	5:00 PM	A
8	June	2003	62.2	Monday	16	4:30 PM	A	72.9	Wednesday	11	4:00 PM	A
9	July	2003	63.1	Thursday	17	3:45 PM	A	80.5	Monday	7	5:30 PM	A
10	August	2003	63.6	Monday	25	3:15 PM	A	74.4	Thursday	28	4:30 PM	A
11	September	2003	62.2	Thursday	4	4:00 PM	A	76.0	Tuesday	30	5:30 PM	A
12	October	2003	45.9	Monday	6	3:30 PM	A	58.4	Tuesday	14	7:15 PM	A
13	November	2003	46.0	Tuesday	25	7:15 AM	A	61.8	Wednesday	12	6:00 PM	A
14	December	2003	58.6	Thursday	18	7:00 AM	A	73.4	Saturday	20	8:45 AM	A
15												
16	January	2004	61.7	Thursday	29	7:00 AM	A	83.3	Thursday	29	7:30 AM	
17	Feburary	2004	57.4	Thursday	19	6:45 AM	A	88.0	Wednesday	18	7:15 PM	A
18	March	2004	51.6	Thursday	11	6:45 AM	A	89.5	Friday	26	3:00 PM	A
19	April	2004	43.9	Wednesday	14	7:15 AM	A	58.5	Friday	23	5:15 PM	A
20	May	2004	50.7	Wednesday	26	3:15 PM	A	71.5	Thursday	27	3:15 PM	A
21	June	2004	64.2	Monday	21	3:15 PM	A	85.2	Saturday	12	7:00 PM	A
22	July	2004	62.2	Tuesday	13	2:45 PM	A	108.5	Monday	26	4:00 PM	A
23	August	2004	67.9	Wednesday	4	3:30 PM	A	97.1	Tuesday	17	4:15 PM	A
24	September	2004	61.4	Thursday	2	2:30 PM	A	75.9	Thursday	30	3:45 PM	A
25	October	2004	52.2	Sunday	10	3:45 PM	A	77.6	Saturday	2	2:45 PM	A
26	November	2004	47.6	Wednesday	3	2:00 PM	A	70.2	Tuesday	30	3:00 PM	A
27	December	2004	65.2	Thursday	16	6:45 AM	A	78.3	Monday	20	10:00 AM	A
28												
29												
30												

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide monthly peaks for the test year and the five previous years.

Type of Data Shown:
Projected Year 2008
Prior Year 2007
Prior Historic Years 2003 to 2006
Witness: Mark Cutshaw

Line No.	Month	Year	MW Peak	Day of Week	Day of Month	Hour	Actual (A) or Estimated (E)	MW Peak	Day of Week	Day of Month	Hour	Actual (A) or Estimated (E)
1	Marianna							Fernandina Beach				
2												
3	January	2005	73.9	Monday	24	7:15 AM	A	85.7	Monday	24	7:30 AM	A
4	Feburary	2005	61.8	Friday	11	7:00 AM	A	72.7	Friday	11	8:15 PM	A
5	March	2005	61.1	Wednesday	2	6:45 AM	A	97.0	Thursday	10	7:30 AM	A
6	April	2005	44.9	Friday	22	4:30 PM	A	53.9	Friday	22	7:30 AM	A
7	May	2005	65.5	Tuesday	24	3:15 PM	A	86.4	Monday	23	6:15 PM	A
8	June	2005	67.6	Wednesday	15	2:15 PM	A	96.1	Wednesday	15	4:30 PM	A
9	July	2005	65.6	Wednesday	27	3:45 PM	A	87.6	Friday	22	4:15 PM	A
10	August	2005	72.3	Monday	22	3:30 PM	A	86.8	Wednesday	24	5:00 PM	A
11	September	2005	69.9	Monday	19	3:15 PM	A	76.7	Sunday	4	4:00 PM	A
12	October	2005	61.1	Tuesday	4	2:30 PM	A	73.9	Monday	10	2:15 PM	A
13	November	2005	58.3	Friday	18	6:45 AM	A	74.4	Wednesday	23	8:45 AM	A
14	December	2005	72.9	Friday	23	7:30 AM	A	74.3	Friday	23	8:00 AM	A
15												
16	January	2006	57.4	Thursday	19	6:45 AM	A	77.5	Thursday	19	8:00 AM	A
17	Feburary	2006	73.8	Tuesday	14	6:30 AM	A	123.6	Tuesday	14	7:30 AM	A
18	March	2006	45.6	Monday	27	7:15 AM	A	75.6	Monday	27	7:15 AM	A
19	April	2006	62.1	Thursday	20	4:15 PM	A	70.2	Monday	17	4:30 PM	A
20	May	2006	66.5	Wednesday	24	2:45 PM	A	82.6	Saturday	27	3:15 PM	A
21	June	2006	73.1	Wednesday	21	2:30 PM	A	83.7	Thursday	29	5:00 PM	A
22	July	2006	71.9	Wednesday	19	2:45 PM	A	87.8	Friday	28	3:15 PM	A
23	August	2006	71.2	Thursday	3	3:00 PM	A	88.3	Friday	4	3:30 PM	A
24	September	2006	60.4	Friday	1	12:30 PM	A	77.1	Sunday	3	5:45 PM	A
25	October	2006	62.9	Monday	2	3:15 PM	A	66.8	Monday	2	430 PM	A
26	November	2006	55.6	Monday	20	7:00 AM	A	71.1	Tuesday	21	7:30 AM	A
27	December	2006	71.3	Friday	8	7:00 AM	A	72.4	Friday	8	8:15 AM	A
28												
29												
30												

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide monthly peaks for the test year and the five previous years.

Type of Data Shown:
Projected Year 2008
Prior Year 2007
Prior Historic Years 2003 to 2006
Witness: Mark Cutshaw

Line No.	Month	Year	MW Peak	Day of Week	Day of Month	Hour	Actual (A) or Estimated (E)	MW Peak	Day of Week	Day of Month	Hour	Actual (A) or Estimated (E)
1	Marianna							Fernandina Beach				
2												
3	January	2007	72.1	Monday	19	7:00 AM	A	86.6	Monday	29	7:15 AM	A
4	Feburary	2007	70.5	Saturday	17	7:00 AM	A	82.8	Monday	19	7:45 AM	A
5	March	2007	62.2	Monday	5	6:45 AM	A	81.3	Tuesday	6	7:45 AM	A
6	April	2007	45.4	Monday	30	4:45 PM	A	77.6	Thursday	12	6:00 PM	A
7	May	2007	58.2	Thursday	31	3:45 PM	A	70.2	Friday	4	4:30 PM	A
8	June	2007	71.5	Friday	29	2:45 PM	A	79.5	Thrusday	28	5:45 PM	A
9	July	2007	73.2	Friday	19	3:30 PM	A	91.8	Friday	20	5:15 PM	A
10	August	2007	74..5	N/A	N/A	N/A	E	104.0	N/A	N/A	N/A	E
11	September	2007	61.4	N/A	N/A	N/A	E	83.0	N/A	N/A	N/A	E
12	October	2007	59.1	N/A	N/A	N/A	E	84.0	N/A	N/A	N/A	E
13	November	2007	55.6	N/A	N/A	N/A	E	76.0	N/A	N/A	N/A	E
14	December	2007	69.5	N/A	N/A	N/A	E	86.0	N/A	N/A	N/A	E
15												
16	January	2008	73.2	N/A	N/A	N/A	E	92.0	N/A	N/A	N/A	E
17	Feburary	2008	73.7	N/A	N/A	N/A	E	99.0	N/A	N/A	N/A	E
18	March	2008	59.6	N/A	N/A	N/A	E	77.0	N/A	N/A	N/A	E
19	April	2008	50.4	N/A	N/A	N/A	E	66.0	N/A	N/A	N/A	E
20	May	2008	60.9	N/A	N/A	N/A	E	88.0	N/A	N/A	N/A	E
21	June	2008	73.1	N/A	N/A	N/A	E	93.0	N/A	N/A	N/A	E
22	July	2008	74.1	N/A	N/A	N/A	E	108.0	N/A	N/A	N/A	E
23	August	2008	74.3	N/A	N/A	N/A	E	107.0	N/A	N/A	N/A	E
24	September	2008	61.3	N/A	N/A	N/A	E	86.0	N/A	N/A	N/A	E
25	October	2008	58.2	N/A	N/A	N/A	E	86.0	N/A	N/A	N/A	E
26	November	2008	56.1	N/A	N/A	N/A	E	78.0	N/A	N/A	N/A	E
27	December	2008	70.3	N/A	N/A	N/A	E	89.0	N/A	N/A	N/A	E
28												
29												
30												

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide estimates of demand and energy losses for transmission and distribution system components and explain the methodology used in determining losses.

Type of Data Shown:
Projected Test Year 12/31/2008
Projected Prior Year 12/31/2007
Witness: Mark Cutshaw

	Demand Losses by Component			12 Month Average
	Energy Losses	Winter Peak	Summer Peak	
Transmission System				
Generator Step-up Transformer	}			
Transmission Line (69KV)	}	The Company maintains a small amount of transmission plant in the Northeast Division. The losses associated with these facilities is insignificant in comparison to total system losses.		
Transmission Substations	}			
Common Subtransmission Lines (40KV to 69KV)	}			
Direct Assigned Subtransmission*	}			
Distribution System				
Distribution Substation	}	N/A	N/A	N/A
Distribution Primary Lines (4KV to 39KV)		2.0	2.5	2.5
Distribution Primary Services*				
Distribution Line Transformers				
Distribution Secondary Line	}	2.5	3.1	3.1
Distribution Secondary Drops	}			

Metholdology and Assumption:
For the 2008 test year, overall energy losses were assumed to be the same as those experienced in 2006, 3.85%. Of this, 2.5% were estimated to be from the secondary system. Demand losses are estimated to be 25% greater overall than the energy losses. Secondary demand losses were thus computed to be 3.1% and the balance primary.

*Provide only if over 1% of total line losses

Supporting Schedules:

Recap Schedules:

Schedule E-19b | ENERGY LOSSES | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Show energy losses by rate schedule for the test year and explain the methodology and assumptions used in determining these losses.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate Schedule	(1) Energy at Generation	(2) Sales at Meter	(3) Losses and Company Use MWH	(3) Losses and Company Use %	(4) Delivered Efficiency (2) / (1)	(5) Company Use	(6) System Losses
RS	340,346	325,395	14,950	4.4%	0.96	N/A	14,950
GS	114	112	2	2.0%	0.98	N/A	2
GSD	65,898	63,179	2,719	4.1%	0.96	N/A	2,719
GSLD	197,462	189,533	7,929	4.0%	0.96	N/A	7,929
GSLD1	199,843	194,509	5,333	2.7%	0.97	N/A	5,333
OL	1,428	1,365	63	4.4%	0.96	N/A	63
SL	4,910	4,695	216	4.4%	0.96	N/A	216
TOTAL	810,000	778,788	31,213	3.9%	0.96	N/A	31,213

Supporting Schedules:

Recap Schedules:

Schedule E-19c | DEMAND LOSSES | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Show maximum demand losses by rate schedule for the test year and explain the methodology and assumptions used in determining losses.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate Schedule	(1) 12 Month Average Coincident Demand At Generation (KW)	(2) 12 Month Average Coincident Peak At The Meter (KW)	(3) Total Losses MW (l) - (2)	(4) Percent Losses	(5) Company Use	(6) System Losses
RS	65,602	62,078	3,524	5.4%	N/A	3,524
GS	20	20	0	2.4%	N/A	0
GSD	11,700	11,105	595	5.1%	N/A	595
GSLD	30,027	28,541	1,486	4.9%	N/A	1,486
GSLD1	27,497	26,605	891	3.2%	N/A	891
OL	0	0	0	0.0%	N/A	0
SL	0	0	0	0.0%	N/A	0
TOTAL	134,846	128,349	6,497	4.8%	N/A	6,497

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC DIVISION

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 070304-EI

MINIMUM FILING REQUIREMENTS
SCHEDULE E – COST OF SERVICE
SCHEDULES

AUGUST 2007

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC DIVISION

MINIMUM FILING REQUIREMENTS

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FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY										
		TOTAL OPERATING REVENUES	17,186,965	9,615,894	2,039,016	2,675,263	768,010	806,079	236,009	760,745	51,791	234,157
		OPERATING EXPENSES										
		OPERATION & MAINTENANCE	10,081,391	6,204,088	1,112,608	1,395,919	459,372	223,463	79,139	456,854	26,177	123,772
		DEPRECIATION	3,418,847	1,843,851	329,087	592,990	218,591	175,188	15,276	162,832	13,839	67,192
		TAXES OTHER THAN INCOME	4,287,783	2,200,731	631,334	656,912	219,250	346,744	38,986	138,791	9,892	45,143
		TOTAL OPERATING EXPENSES	17,788,021	10,248,669	2,073,029	2,645,821	897,213	745,395	133,401	758,477	49,908	236,108
		NET OPERATING INCOME	(601,057)	(632,775)	(34,013)	29,442	(129,203)	60,684	102,608	2,268	1,883	(1,951)
		TOTAL INCOME TAXES	(807,397)	(336,823)	(58,073)	(172,031)	(86,794)	(146,144)	(1,413)	(4,084)	(776)	(1,259)
		NET INCOME	206,341	(295,952)	24,059	201,473	(42,409)	206,828	104,021	6,352	2,659	(691)
		REQUIRED % INCREASE in BASE REVENUES										
		ELECTRIC RATE BASE	43,020,996	23,198,340	4,283,176	7,743,326	2,832,581	2,260,987	167,150	1,705,178	146,437	683,821
		RATE OF RETURN (PERCENT)	0.48%	-1.28%	0.56%	2.60%	-1.50%	9.15%	62.23%	0.37%	1.82%	-0.10%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY											
		TOTAL OPERATING REVENUES	22,436,949	12,761,020	2,761,114	3,516,081	1,063,688	790,247	273,124	880,395	0	70,837	320,442
		OPERATING EXPENSES											
		OPERATION & MAINTENANCE	10,081,391	5,967,096	1,112,239	1,539,723	523,318	210,463	70,002	487,338	0	29,849	141,362
		DEPRECIATION	3,418,847	1,818,263	328,829	609,085	225,557	173,919	13,947	165,873	0	14,243	69,131
		TAXES OTHER THAN INCOME	4,287,783	2,190,601	643,090	671,751	230,596	329,119	34,338	130,477	0	10,376	47,436
		TOTAL OPERATING EXPENSES	17,788,021	9,975,960	2,084,158	2,820,558	979,471	713,501	118,287	783,688	0	54,469	257,930
		NET OPERATING INCOME	4,648,928	2,785,061	676,957	695,523	84,217	76,746	154,837	96,706	0	16,369	62,512
		TOTAL INCOME TAXES	1,177,048	980,725	137,362	85,281	77,894	(160,952)	(56,430)	75,682	0	4,790	32,697
		NET INCOME	3,471,880	1,804,336	539,594	610,242	6,323	237,699	211,267	21,025	0	11,579	29,815
		REQUIRED % INCREASE in BASE REVENUES											
		ELECTRIC RATE BASE	43,020,996	22,950,694	4,280,127	7,898,707	2,899,608	2,249,486	154,478	1,735,047	0	150,331	702,518
		RATE OF RETURN (PERCENT)	8.07%	7.86%	12.61%	7.73%	0.22%	10.57%	136.76%	1.21%	0.00%	7.70%	4.24%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY										
		TOTAL OPERATING REVENUES	17,186,965	9,615,894	2,039,016	2,675,263	768,010	806,079	236,009	760,745	51,791	234,157
		OPERATING EXPENSES										
		OPERATION & MAINTENANCE	10,081,391	6,204,088	1,112,608	1,395,919	459,372	223,463	79,139	456,854	26,177	123,772
		DEPRECIATION	3,418,847	1,843,851	329,087	592,990	218,591	175,188	15,276	162,832	13,839	67,192
		TAXES OTHER THAN INCOME	4,287,783	2,200,731	631,334	656,912	219,250	346,744	38,986	138,791	9,892	45,143
		TOTAL OPERATING EXPENSES	17,788,021	10,248,669	2,073,029	2,645,821	897,213	745,395	133,401	758,477	49,908	236,108
		NET OPERATING INCOME	(601,057)	(632,775)	(34,013)	29,442	(129,203)	60,684	102,608	2,268	1,883	(1,951)
		TOTAL INCOME TAXES	(807,397)	(336,823)	(58,073)	(172,031)	(86,794)	(146,144)	(1,413)	(4,084)	(776)	(1,259)
		NET INCOME	206,341	(295,952)	24,059	201,473	(42,409)	206,828	104,021	6,352	2,659	(691)
		REQUIRED % INCREASE in BASE REVENUES										
		ELECTRIC RATE BASE	43,020,996	23,198,340	4,283,176	7,743,326	2,832,581	2,260,987	167,150	1,705,178	146,437	683,821
		RATE OF RETURN (PERCENT)	0.48%	-1.28%	0.56%	2.60%	-1.50%	9.15%	62.23%	0.37%	1.82%	-0.10%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY ELECTRIC RATE BASE										
		TRANSMISSION										
3		DEMAND	4,522,159	1,325,450	214,688	549,304	246,706	2,184,618	262	756	144	233
3		ENERGY	0	0	0	0	0	0	0	0	0	0
		Direct Customer	1,777,209	0	0	0	0	1,777,209	0	0	0	0
3		Demand less Direct Customer	2,744,951	1,325,450	214,688	549,304	246,706	407,410	262	756	144	233
		DISTRIBUTION:										
4		PRIMARY - DEMAND	17,993,544	10,136,126	1,709,797	4,147,952	1,785,760	0	40,128	115,976	22,037	35,767
5		SECONDARY - DEMAND	9,905,569	5,484,435	1,071,308	2,494,654	720,885	0	25,191	72,808	13,835	22,454
7		SERVICES	4,425,096	3,763,588	545,053	113,013	3,129	313	0	0	0	0
11		METERS	1,808,374	814,593	501,770	372,297	77,131	42,583	0	0	0	0
		TOTAL DISTRIBUTION	34,132,583	20,198,742	3,827,929	7,127,917	2,586,904	42,896	65,319	188,784	35,872	58,221
9		CUSTOMER BILLING	2,217,785	1,738,080	251,714	78,287	2,167	36,123	40,639	70,077	181	517
7		CUSTOMER - OTHER	(27,867)	(23,701)	(3,432)	(712)	(20)	(2)	0	0	0	0
14		REVENUE RELATED	(71,260)	(40,230)	(7,722)	(11,470)	(3,176)	(2,648)	(1,108)	(3,573)	(241)	(1,091)
		CUSTOMER DIRECT										
12		OUTDOOR LIGHTING	1,511,173	0	0	0	0	0	62,039	1,449,134	0	0
13		STREET LIGHTING	736,422	0	0	0	0	0	0	0	110,481	625,941
		TOTAL RATE BASE	43,020,996	23,198,340	4,283,176	7,743,326	2,832,581	2,260,987	167,150	1,705,178	146,437	683,821

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY ELECTRIC PLANT IN SERVICE										
		TRANSMISSION										
3		DEMAND	7,105,037	2,082,494	337,310	863,044	387,614	3,432,385	411	1,187	226	366
3		ENERGY	0	0	0	0	0	0	0	0	0	0
		Direct Customer	2,792,280					2,792,280				
3		Demand less Direct Customer	4,312,757	2,082,494	337,310	863,044	387,614	640,106	411	1,187	226	366
		DISTRIBUTION										
4		PRIMARY - DEMAND	29,537,569	16,639,107	2,806,743	6,809,133	2,931,440	0	65,872	190,383	36,176	58,714
5		SECONDARY - DEMAND	23,036,554	13,592,564	2,288,422	5,328,833	1,539,883	0	53,811	155,524	29,552	47,964
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0
7		SERVICES	8,602,945	7,316,890	1,059,653	219,712	6,083	608	0	0	0	0
11		METERS	3,933,362	1,771,807	1,091,390	809,777	167,766	92,622	0	0	0	0
		TOTAL DISTRIBUTION	65,110,430	39,320,368	7,246,209	13,167,455	4,645,172	93,230	119,684	345,907	65,728	106,678
9		CUSTOMER BILLING	5,354,624	4,196,423	607,738	189,016	5,233	87,216	98,119	169,195	436	1,249
7		CUSTOMER - OTHER	0	0	0	0	0	0	0	0	0	0
14		REVENUE RELATED	0	0	0	0	0	0	0	0	0	0
		CUSTOMER DIRECT										
12		OUTDOOR LIGHTING	2,522,440	0	0	0	0	0	103,555	2,418,885	0	0
13		STREET LIGHTING	1,344,982	0	0	0	0	0	0	0	201,780	1,143,201
		TOTAL PLANT IN SERVICE	81,437,513	45,599,285	8,191,256	14,219,515	5,038,019	3,612,831	321,768	2,935,174	268,170	1,251,495

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY OPERATING REVENUES										
14		TOTAL BASE RATE REVENUES	16,484,962	9,056,533	1,956,173	2,629,890	757,987	803,306	235,703	759,862	51,623	233,884
7		SERVICE REVENUES	225,209	191,543	27,740	5,752	159	16	0	0	0	0
5		RENT	119,269	70,374	11,848	27,589	7,973	0	279	805	153	248
1		UNBILLED	15,392	6,457	1,113	3,295	1,649	2,733	27	78	15	24
7		OTHER	342,133	290,987	42,142	8,738	242	24	0	0	0	0
		SUB-TOTAL REVENUES	17,186,965	9,615,894	2,039,016	2,675,263	768,010	806,079	236,009	760,745	51,791	234,157
		PRO FORMA ADJUSTMENTS										
		PURCH.PWR.& FUEL ADJUSTMENTS	0						0			
		OTHER	0						0			
		SUB-TOTAL ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0
		PRO FORMA REVENUES	17,186,965	9,615,894	2,039,016	2,675,263	768,010	806,079	236,009	760,745	51,791	234,157

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY OPERATION AND MAINTENANCE EXPENSE										
		TRANSMISSION										
3		DEMAND	305,404	89,514	14,499	37,097	16,661	147,538	18	51	10	16
3		ENERGY	0	0	0	0	0	0	0	0	0	0
		Direct Customer	120,024					120,024				
3		Demand less Direct Customer	185,381	89,514	14,499	37,097	16,661	27,514	18	51	10	16
		DISTRIBUTION:										
4		PRIMARY - DEMAND	2,967,025	1,671,385	281,935	683,972	294,461	0	6,617	19,124	3,634	5,898
5		SECONDARY - DEMAND	1,426,761	841,851	141,733	330,039	95,372	0	3,333	9,632	1,830	2,971
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0
7		SERVICES	125,972	107,140	15,516	3,217	89	9	0	0	0	0
11		METERS	661,325	297,898	183,498	136,150	28,207	15,573	0	0	0	0
		TOTAL DISTRIBUTION	5,181,082	2,918,273	622,682	1,153,378	418,129	15,582	9,950	28,756	5,464	8,868
		CUSTOMER ACCOUNTS EXPENSE										
8		METER READING EXPENSES	315,817	265,117	38,395	11,941	331	33	0	0	0	0
9		CUST. RECORDS & COLLECTIONS	868,756	680,845	98,602	30,667	849	14,150	15,919	27,451	71	203
9		MISC. CUSTOMER ACCOUNTS	100,983	79,141	11,461	3,565	99	1,645	1,850	3,191	8	24
15		SUPERVISION	133,861	106,741	15,459	4,808	133	1,648	1,850	3,191	8	24
		TOTAL CUSTOMER ACCOUNTS	1,419,418	1,131,844	163,917	50,981	1,411	17,476	19,620	33,832	87	250
15		A&G RELATED TO CUST. ACCOUNTS	2,059,124	1,641,945	237,791	73,957	2,048	25,353	28,462	49,080	126	362
7		CUSTOMER - OTHER	184,168	156,637	22,685	4,703	130	13	0	0	0	0
14		REVENUE - RELATED	470,947	265,874	51,035	75,803	20,993	17,501	7,325	23,616	1,591	7,210
		CUSTOMER DIRECT										
12		OUTDOOR LIGHTING	335,283	0	0	0	0	0	13,765	321,519	0	0
13		STREET LIGHTING	125,964	0	0	0	0	0	0	0	18,898	107,067
		TOTAL O&M EXPENSE	10,081,391	6,204,088	1,112,608	1,395,919	459,372	223,463	79,139	456,854	26,177	123,772

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY DEPRECIATION EXPENSE										
		TRANSMISSION										
3		DEMAND	214,962	63,006	10,205	26,111	11,727	103,846	12	36	7	11
3		ENERGY	0	0	0	0	0	0	0	0	0	0
		Direct Customer	84,480					84,480				
3		Demand less Direct Customer	130,482	63,006	10,205	26,111	11,727	19,366	12	36	7	11
		DISTRIBUTION:										
4		PRIMARY - DEMAND	1,026,355	578,166	97,527	236,600	101,860	0	2,289	6,615	1,257	2,040
5		SECONDARY - DEMAND	901,861	532,137	89,590	208,619	60,285	0	2,107	6,089	1,157	1,878
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0
7		SERVICES	326,504	277,695	40,217	8,339	231	23	0	0	0	0
11		METERS	144,059	64,892	39,972	29,658	6,144	3,392	0	0	0	0
		TOTAL DISTRIBUTION	2,398,779	1,452,891	267,306	483,216	168,520	3,415	4,396	12,704	2,414	3,918
9		CUSTOMER BILLING	229,712	180,025	26,072	8,109	224	3,742	4,209	7,258	19	54
7		CUSTOMER - OTHER	0	0	0	0	0	0	0	0	0	0
14		REVENUE RELATED	0	0	0	0	0	0	0	0	0	0
		CUSTOMER DIRECT										
12		OUTDOOR LIGHTING	147,079	0	0	0	0	0	6,038	141,040	0	0
13		STREET LIGHTING	73,716	0	0	0	0	0	0	0	11,059	62,656
		TOTAL DEPRECIATION EXPENSE	3,064,247	1,695,922	303,583	517,436	180,472	111,003	14,655	161,039	13,499	66,639
2		AMORTIZATION STORM HARDENING	354,600	147,929	25,505	75,554	38,119	64,185	621	1,793	341	553

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY TAXES OTHER THAN INCOME TAX										
		TRANSMISSION										
3		DEMAND	47,318	13,869	2,246	5,748	2,581	22,859	3	8	2	2
3		ENERGY	0	0	0	0	0	0	0	0	0	0
		Direct Customer	18,596					18,596				
3		Demand less Direct Customer	28,722	13,869	2,246	5,748	2,581	4,263	3	8	2	2
		DISTRIBUTION										
4		PRIMARY - DEMAND	252,608	142,299	24,004	58,232	25,070	0	563	1,628	309	502
5		SECONDARY - DEMAND	179,279	105,782	17,809	41,471	11,984	0	419	1,210	230	373
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0
7		SERVICES	58,820	50,027	7,245	1,502	42	4	0	0	0	0
11		METERS	38,959	17,549	10,810	8,021	1,662	917	0	0	0	0
		TOTAL DISTRIBUTION	529,667	315,658	59,868	109,226	38,757	922	982	2,839	539	875
9		CUSTOMER BILLING	209,207	163,956	23,745	7,385	204	3,408	3,834	6,610	17	49
7		CUSTOMER - OTHER	0	0	0	0	0	0	0	0	0	0
14		REVENUE RELATED	3,467,063	1,707,248	545,475	534,553	177,707	319,556	33,215	107,078	7,636	34,595
		CUSTOMER DIRECT										
12		OUTDOOR LIGHTING	23,209	0	0	0	0	0	953	22,256	0	0
13		STREET LIGHTING	11,320	0	0	0	0	0	0	0	1,698	9,622
		TOTAL TAXES OTHER THAN INCOME	4,287,783	2,200,731	631,334	656,912	219,250	346,744	38,986	138,791	9,892	45,143

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY										
		INCOME TAX CALCULATION										
		OPERATING REVENUES	17,186,965	9,615,894	2,039,016	2,675,263	768,010	806,079	236,009	760,745	51,791	234,157
		OPERATING EXPENSES										
		OPERATION & MAINTENANCE	10,081,391	6,204,088	1,112,608	1,395,919	459,372	223,463	79,139	456,854	26,177	123,772
		DEPRECIATION	3,064,247	1,695,922	303,583	517,436	180,472	111,003	14,655	161,039	13,499	66,639
		TAXES OTHER THAN INCOME TAX	4,287,783	2,200,731	631,334	656,912	219,250	346,744	38,986	138,791	9,892	45,143
		OPERATING INC. BEFORE TAXES	(246,457)	(484,846)	(8,509)	104,996	(91,084)	124,869	103,229	4,062	2,224	(1,398)
16		INTEREST EXPENSE	1,489,405	833,962	149,809	260,060	92,140	66,075	5,885	53,681	4,905	22,888
		TAXABLE INCOME	(1,735,862)	(1,318,808)	(158,318)	(155,063)	(183,224)	58,794	97,344	(49,620)	(2,681)	(24,286)
16		Inc Tax Deductions	(1,244,582)	(696,879)	(125,184)	(217,312)	(76,994)	(55,214)	(4,917)	(44,857)	(4,098)	(19,126)
		TAXABLE INCOME Less Deductions	(491,279)	(621,929)	(33,134)	62,249	(106,230)	114,008	102,261	(4,762)	1,417	(5,160)
16		State Exemption Deduction	800	448	80	140	49	35	3	29	3	12
16		DEFERRED INCOME TAXES	581,498	325,598	58,489	101,533	35,974	25,797	2,298	20,958	1,915	8,936
		INCOME TAXES										
		STATE	(212,639)	(34,231)	(1,827)	3,416	(5,845)	6,268	5,624	(264)	78	(284)
		FEDERAL	(1,149,183)	(199,818)	(10,644)	20,003	(34,131)	36,631	32,857	(1,530)	455	(1,658)
		Eliminate ST I/T on FUEL & CONS	126	20	1	(2)	3	(4)	(3)	0	(0)	0
		Eliminate FED I/T on FUEL & CONS	736	128	7	(13)	22	(23)	(21)	1	(0)	1
16		AMORTIZATION OF ITC	(27,935)	(15,642)	(2,810)	(4,878)	(1,728)	(1,239)	(110)	(1,007)	(92)	(429)
2		TOTAL TAXES Allocated by Sales	(807,397)	(336,823)	(58,073)	(172,031)	(86,794)	(146,144)	(1,413)	(4,084)	(776)	(1,259)

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PRESENT RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-2	SL-3
		RATE OF RETURN SUMMARY LABOR RATIOS										
		TRANSMISSION										
3		DEMAND	0	0	0	0	0	0	0	0	0	0
3		ENERGY	0	0	0	0	0	0	0	0	0	0
		Direct Customer	0					0				
3		Demand less Direct Customer	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION:										
4		PRIMARY - DEMAND	382,743	215,607	36,369	88,232	37,985	0	854	2,467	469	761
5		SECONDARY - DEMAND	177,087	104,489	17,592	40,964	11,837	0	414	1,196	227	369
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0
7		SERVICES	10,457	8,894	1,288	267	7	1	0	0	0	0
11		METERS	87,399	39,370	24,251	17,993	3,728	2,058	0	0	0	0
		TOTAL DISTRIBUTION	657,686	368,359	79,500	147,456	53,558	2,059	1,267	3,662	696	1,130
9		CUSTOMER BILLING	1,188,337	931,300	134,874	41,948	1,161	19,356	21,775	37,549	97	277
7		CUSTOMER - OTHER	0	0	0	0	0	0	0	0	0	0
14		REVENUE RELATED	0	0	0	0	0	0	0	0	0	0
		CUSTOMER DIRECT										
12		OUTDOOR LIGHTING	43,894	0	0	0	0	0	1,802	42,092	0	0
13		STREET LIGHTING	16,178	0	0	0	0	0	0	0	2,427	13,751
		TOTAL LABOR RATIOS	1,906,094	1,299,659	214,373	189,403	54,719	21,414	24,844	83,303	3,220	15,157

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PRESENT RATES
FUNCTIONALIZATION

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		ELECTRIC RATE BASE													
		PLANT IN SERVICE	81,437,513	7,105,037	0	29,537,569	23,036,554	0	8,602,945	3,933,362	2,522,440	1,344,982	5,354,624	0	0
		LESS:													
		ACCUM. PROV. FOR DEPREC.	(36,302,038)	(2,543,210)	0	(11,122,283)	(12,057,492)	0	(4,166,711)	(2,028,545)	(962,858)	(590,738)	(2,830,202)	0	0
		CUSTR ADVANCES FOR CONST.	(878,824)				(878,824)								
		PLUS:													
33		WORKING CAPITAL ALLOWANCE	(1,310,654)	(46,211)	0	(448,944)	(215,885)	0	(19,061)	(100,066)	(50,732)	(19,060)	(311,569)	(27,867)	(71,260)
29		CWIP	75,000	6,543	0	27,203	21,216	0	7,923	3,622	2,323	1,239	4,931	0	0
		TOTAL RATE BASE	43,020,997	4,522,159	0	17,993,544	9,905,569	0	4,425,096	1,808,374	1,511,173	736,422	2,217,785	(27,867)	(71,260)

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		ELECTRIC PLANT IN SERVICE													
		REQUIRED % INCREASE in BASE REVENUES													
		TRANSMISSION													
		STRUCTURES AND IMPROVEMENTS	25,238	25,238											
		STATION EQUIPMENTS	2,441,032	2,441,032											
		POLES, TOWERS & FIXTURES	2,577,196	2,577,196											
		OH CONDUCTORS & DEVICES	1,998,264	1,998,264											
		ROADS AND TRAILS	6,788	6,788											
		LAND RIGHTS	56,519	56,519											
		TOTAL TRANSMISSION PLANT	7,105,037	7,105,037	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION													
	360	LAND & LAND RIGHTS	118,337			118,337									
	361	STRUCTURES & IMPROVEMENTS	96,042			96,042									
	362	STATION EQUIPMENT	7,069,889			7,069,889									
24	364	POLES, TOWERS AND FIXTURES	9,770,047	0	0	7,835,995	1,934,053	0	0	0	0	0	0	0	0
25	365	OH CONDUCTORS & DEVICES	10,205,464	0	0	6,856,191	3,349,273	0	0	0	0	0	0	0	0
27	366	UNDERGROUND CONDUIT	3,251,454	0	0	2,109,267	1,142,187	0	0	0	0	0	0	0	0
27	367	UG CONDUCTORS & DEVICES	5,745,536	0	0	3,727,216	2,018,320	0	0	0	0	0	0	0	0
	368	LINE TRANSFORMERS	13,794,769				13,794,769								
23	369	SERVICES	8,717,248	0	0	0	0	0	8,555,826	0	129,138	32,284	0	0	0
	370	METERS	3,539,542							3,539,542					
	371	INSTALL. ON CUSTS PREMISES	2,195,517								2,195,517				
	373	STREET LIGHTS & SIGNALS	1,239,801									1,239,801			
		TOTAL DISTRIBUTION	65,743,649	0	0	27,812,937	22,238,602	0	8,555,826	3,539,542	2,324,655	1,272,086	0	0	0
21	389-390	GENERAL PLANT	3,422,186	0	0	687,173	317,941	0	18,774	156,916	78,807	29,045	2,133,530	0	0
21	301-303	COMMON UTILITY PLANT	1,853,396	0	0	372,161	172,191	0	10,168	84,983	42,680	15,730	1,155,482	0	0
21		TRANSPORTATION EQUIPMENT	3,313,245	0	0	665,297	307,820	0	18,177	151,921	76,298	28,120	2,065,611	0	0
		TOTAL DISTRIBUTION PLANT	74,332,476	0	0	29,537,569	23,036,554	0	8,602,945	3,933,362	2,522,440	1,344,982	5,354,624	0	0
		TOTAL PLANT IN SERVICE	81,437,513	7,105,037	0	29,537,569	23,036,554	0	8,602,945	3,933,362	2,522,440	1,344,982	5,354,624	0	0

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		ACUMULATED PROVISION FOR DEPRECIATION													
		TRANSMISSION													
		STRUCTURES AND IMPROVEMENTS	(10,941)	(10,941)											
		STATION EQUIPMENTS	(693,374)	(693,374)											
		POLES, TOWERS & FIXTURES	(1,134,677)	(1,134,677)											
		OH CONDUCTORS & DEVICES	(666,118)	(666,118)											
		ROADS AND TRAILS	(4,313)	(4,313)											
		LAND RIGHTS	(33,788)	(33,788)											
		TOTAL TRANSMISSION PLANT	(2,543,210)	(2,543,210)	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION													
	360	LAND & LAND RIGHTS	(5,560)			(5,560)									
	361	STRUCTURES & IMPROVEMENTS	(33,787)			(33,787)									
	362	STATION EQUIPMENT	(1,352,910)			(1,352,910)									
24	364	POLES, TOWERS AND FIXTURES	(4,469,772)	0	0	(3,584,948)	(884,824)	0	0	0	0	0	0	0	0
25	365	OH CONDUCTORS & DEVICES	(5,479,223)	0	0	(3,681,028)	(1,798,195)	0	0	0	0	0	0	0	0
27	366	UNDERGROUND CONDUIT	(631,303)	0	0	(409,536)	(221,767)	0	0	0	0	0	0	0	0
27	367	UG CONDUCTORS & DEVICES	(1,761,876)	0	0	(1,142,956)	(618,920)	0	0	0	0	0	0	0	0
	368	LINE TRANSFORMERS	(8,112,025)				(8,112,025)								
23	369	SERVICES	(4,219,949)	0	0	0	0	0	(4,141,806)	0	(62,515)	(15,629)	0	0	0
	370	METERS	(1,820,390)							(1,820,390)					
	371	INSTALL. ON CUSTS PREMISES	(795,803)								(795,803)				
	373	STREET LIGHTS & SIGNALS	(536,581)									(536,581)			
		TOTAL DISTRIBUTION PLANT	(29,219,179)	0	0	(10,210,724)	(11,635,732)	0	(4,141,806)	(1,820,390)	(858,318)	(552,209)	0	0	0
21		GENERAL PLANT	(1,965,984)	0	0	(394,768)	(182,651)	0	(10,786)	(90,145)	(45,273)	(16,686)	(1,225,675)	0	0
21		COMMON UTILTITY PLANT	(660,224)	0	0	(132,573)	(61,339)	0	(3,622)	(30,273)	(15,204)	(5,603)	(411,611)	0	0
21		TRANSPORTATION EQUIPMENT	(1,913,441)	0	0	(384,218)	(177,770)	0	(10,497)	(87,736)	(44,063)	(16,240)	(1,192,917)	0	0
29		RETIREMENT WORK IN PROGRESS	0	0	0	0	0	0	0	0	0	0	0	0	0
		TOTAL ACCUM PROV FOR DEPREC	(36,302,039)	(2,543,210)	0	(11,122,283)	(12,057,492)	0	(4,166,711)	(2,028,545)	(962,858)	(590,738)	(2,830,202)	0	0

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		OPERATION AND MAINTENANCE EXPENSES													
		TRANSMISSION													
		OPERATION													
		STATION EXPENSES	43,478	43,478											
		MISC TRANSMISSION EX	31,080	31,080											
		TOTAL TRANSMISSION OPERATION	74,558	74,558	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION													
		OPERATION													
30		LOAD DISPATCHING	0	0	0	0	0	0	0	0	0	0	0	0	0
		STATION EXPENSES	99,878			99,878									
26		OVERHEAD LINE EXPENSES	128,668	0	0	94,516	34,152	0	0	0	0	0	0	0	0
27		UNDERGROUND LINE EXPENSES	32,944	0	0	21,372	11,573	0	0	0	0	0	0	0	0
		STREET LTG & SIGNAL SYSTEMS	13,638									13,638			
		METER EXPENSES	291,623							291,623					
		CUSTOMER INSTALL EXPENSES	106,368								106,368				
28		MISC DISTRIBUTION EXPENSES	312,033	0	0	132,006	105,549	0	40,608	16,799	11,033	6,038	0	0	0
		RENTS	1,077			1,077									
30		OPERATION SUPERVISION & ENGR	435,662	0	0	153,794	66,898	0	17,958	136,393	51,918	8,701	0	0	0
		TOTAL DISTRIBUTION OPERATION	1,421,893	0	0	502,643	218,172	0	58,566	444,816	169,319	28,377	0	0	0
		TOTAL T&D OPERATION EXPENSE	1,496,451	74,558	0	502,643	218,172	0	58,566	444,816	169,319	28,377	0	0	0
		MAINTENANCE													
		TRANSMISSION													
		MAINT OF STATION EQU	106,015	106,015											
		MAINT OF OVERHEAD LINES	83,425	83,425											
		MAINT OF OVERHEAD LINES	477	477											
		TOTAL TRANSMISSION MAINTENANCE	189,917	189,917	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION													
26		MAINT OF OVERHEAD LINES	1,868,051	0	0	1,372,215	495,836	0	0	0	0	0	0	0	0
27		MAINT OF UNDERGROUND LINES	161,276	0	0	104,622	56,654	0	0	0	0	0	0	0	0
		MAINT OF LINE TRANSFORMERS	143,765				143,765								
		MAINT OF STREET LIGHTING	56,003									56,003			
		MAINT OF METERS	40,207							40,207					
31		MAINT SUPERV. & ENGR	163,309	0	0	106,279	50,105	0	0	2,893	0	4,030	0	0	0
31		MAINT OF STATION EQU	78,096	0	0	50,824	23,961	0	0	1,384	0	1,927	0	0	0
		MAINT OF MISC DISTRI	76,514	0	0	0	0	0	0	0	76,514	0	0	0	0
31		MAINT OF STRUCTURES	10,776	0	0	7,013	3,306	0	0	191	0	266	0	0	0
		TOTAL DISTRIBUTION MAINTENANCE	2,597,998	0	0	1,640,954	773,628	0	0	44,675	76,514	62,227	0	0	0
		TOTAL DISTRIBUTION O&M EXPENSE	4,019,891	0	0	2,143,597	991,800	0	58,566	489,491	245,833	90,604	0	0	0
		TOTAL TRANSMISSION O&M EXPENSE	264,475	264,475	0	0	0	0	0	0	0	0	0	0	0
		CUSTOMER ACCOUNTS													
		SUPERVISION	133,861										133,861		
		METER READING EXPENSES	315,817										315,817		
		CUST RECORDS & COLLECT EXP	868,756										868,756		
		UNCOLLECTIBLE ACCOUNTS	216,664												216,664
		MISC CUSTOMER ACCTS EXPENSE	100,983										100,983		
		TOTAL CUSTOMER ACCOUNTS EXP	1,636,082	0	0	0	0	0	0	0	0	0	1,419,418	0	216,664

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		CUSTOMER SERVICE & INFORMATION													
		UNDERRECOVERY: CONSE	0											0	
		CUST ASSISTANCE EXPENSES	0											0	
		INFORM'L & INSTRUCT'L EXPS	0											0	
		MISC CUST SERVICE & INFO EXP	0											0	
		SUPERVISION	0											0	
		TOTAL CUST SERV & INFO	0	0	0	0	0	0	0	0	0	0	0	0	0
		SALES													
		DEMONSTRATING & SELLING EXP	0											0	
		ADVERTISING EXPENSE	184,168											184,168	
		TOTAL CUST SALES EXPENSE	184,168	0	0	0	0	0	0	0	0	0	0	184,168	0
		ADMINISTRATIVE AND GENERAL													
		OPERATION													
21		ADMIN & GENERAL SALARIES	1,191,947	0	0	239,342	110,739	0	6,539	54,654	27,448	10,116	743,108	0	0
21		OFFICE SUPPLIES & EXPENSES	169,799	0	0	34,096	15,775	0	932	7,786	3,910	1,441	105,860	0	0
21		ADMIN EXP TRANSFERRED -CR	0	0	0	0	0	0	0	0	0	0	0	0	0
22		OUTSIDE SERVICES EMPLOYED	300,179	13,095	0	84,576	56,401	0	16,679	14,131	8,105	3,753	103,441	0	0
29		PROPERTY INSURANCE	263,498	22,989	0	95,571	74,537	0	27,836	12,727	8,162	4,352	17,325	0	0
21		INJURIES & DAMAGES	143,989	0	0	28,913	13,377	0	790	6,602	3,316	1,222	89,769	0	0
21		GENERAL LIABILITY	354,586	0	0	71,201	32,943	0	1,945	16,259	8,165	3,009	221,063	0	0
21		PENSIONS	401,730	0	0	80,667	37,323	0	2,204	18,420	9,251	3,410	250,455	0	0
21		EMPLOYEE BENEFITS	604,545	0	0	121,392	56,166	0	3,317	27,720	13,922	5,131	376,898	0	0
		REGULATORY COMMISSION EXP	254,283												254,283
22		MISC GENERAL EXPENSES	102,399	4,467	0	28,851	19,240	0	5,690	4,821	2,765	1,280	35,286	0	0
22		RENTS	8,685	379	0	2,447	1,632	0	483	409	235	109	2,993	0	0
21		UNDISTRIBUTED PAYROLL	0	0	0	0	0	0	0	0	0	0	0	0	0
22		INSTITUTIONAL/GOOODWILL	0	0	0	0	0	0	0	0	0	0	0	0	0
		TOTAL OPERATION	3,795,641	40,929	0	787,056	418,133	0	66,413	163,528	85,279	33,823	1,946,198	0	254,283
		MAINTENANCE													
21		MAINTENANCE OF GENERAL PLANT	181,134	0	0	36,372	16,828	0	994	8,305	4,171	1,537	112,927	0	0
		TOTAL ADMIN & GENERAL EXP	3,976,775	40,929	0	823,428	434,961	0	67,406	171,834	89,450	35,360	2,059,124	0	254,283
		TOTAL DISTRIBUTION OPERATION & MAINT	9,816,916	40,929	0	2,967,025	1,426,761	0	125,972	661,325	335,283	125,964	2,059,124	184,168	470,947
		TOTAL OPERATION & MAINT.	10,081,391	305,404	0	2,967,025	1,426,761	0	125,972	661,325	335,283	125,964	2,059,124	184,168	470,947

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		DEPRECIATION EXPENSE													
		TRANSMISSION													
		STRUCTURES AND IMPROVEMENTS	504	504											
		STATION EQUIPMENTS	56,148	56,148											
		POLES, TOWERS & FIXTURES	94,362	94,362											
		OH CONDUCTORS & DEVICES	63,684	63,684											
		ROADS AND TRAILS	264	264											
		LAND RIGHTS	0	0											
		TOTAL TRANSMISSION PLANT	214,962	214,962											
		DISTRIBUTION PLANT													
28		LAND & LAND RIGHTS	408			408									
		STRUCTURES & IMPROVEMENTS	2,112			2,112									
		STATION EQUIPMENT	212,063			212,063									
24		POLES, TOWERS & FIXTURES	409,561	0	0	328,485	81,076	0	0	0	0	0	0	0	0
25		OH CONDUCTORS & DEVICES	387,189	0	0	260,120	127,069	0	0	0	0	0	0	0	0
27		UNDERGROUND CONDUIT	64,536	0	0	41,865	22,671	0	0	0	0	0	0	0	0
27		UG CONDUCTORS & DEVICES	165,427	0	0	107,315	58,112	0	0	0	0	0	0	0	0
		LINE TRANSFORMERS	578,702				578,702								
23		SERVICES	330,605	0	0	0	0	0	324,483	0	4,898	1,224	0	0	0
		METERS	127,164							127,164					
		INSTALL. ON CUSTS PREMISES	133,696								133,696				
		STREET LIGHTS & SIGNALS	69,364									69,364			
		TOTAL DISTRIBUTION PLANT	2,480,827	0	0	952,368	867,630	0	324,483	127,164	138,594	70,588	0	0	0
21		GENERAL	236,949	0	0	47,579	22,014	0	1,300	10,865	5,457	2,011	147,724	0	0
21		COMMON PLANT	131,509	0	0	26,407	12,218	0	721	6,030	3,028	1,116	81,988	0	0
21		TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
		TOTAL DEPRECIATION & AMORT EXPENSE D	2,849,285	0	0	1,026,355	901,861	0	326,504	144,059	147,079	73,716	229,712	0	0
		TOTAL DEPRECIATION EXPENSE	3,064,247	214,962	0	1,026,355	901,861	0	326,504	144,059	147,079	73,716	229,712	0	0
29		AMORTIZATION STORM HARDENING	354,600	30,937	0	128,614	100,307	0	37,459	17,127	10,983	5,856	23,315	0	0

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		TAXES OTHER THAN INCOME													
21		FEDERAL UNEMPLOYMENT	1,483	0	0	298	138	0	8	68	34	13	924	0	0
21		STATE UNEMPLOYMENT	1,132	0	0	227	105	0	6	52	26	10	706	0	0
21		FICA	275,755	0	0	55,371	25,619	0	1,513	12,644	6,350	2,340	171,917	0	0
		STATE INTANGIBLE	0												0
		REGULATORY ASSESSMENT FEE	9,379												9,379
29		REAL AND PERSONAL PROPERTY	549,956	47,981	0	199,470	155,568	0	58,097	26,562	17,034	9,083	36,160	0	0
		STATE GROSS RECEIPTS	1,544,614												1,544,614
29		EMERGENCY EXCISE TAX	(8,261)	(721)	0	(2,996)	(2,337)	0	(873)	(399)	(256)	(136)	(543)	0	0
29		OCCUPATIONAL LICENSE	656	57	0	238	186	0	69	32	20	11	43	0	0
		TOTAL TAXES OTHER	2,374,713	47,318	0	252,608	179,279	0	58,820	38,959	23,209	11,320	209,207	0	1,553,993

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		FUNCTIONALIZATION OF LABOR													
		TRANSMISSION	0		0										
32		DISTRIBUTION	717,758	0	0	382,743	177,087	0	10,457	87,399	43,894	16,178	0	0	0
		CUSTOMER ACCOUNTS	1,188,337										1,188,337		
		CUST'R SERV. & INFO.	0											0	
		SALES	0												
		LABOR EXCL. ADMIN.& GENERAL	1,906,094	0	0	382,743	177,087	0	10,457	87,399	43,894	16,178	1,188,337	0	0

Factor No.	Acct	FUNCTIONAL ALLOCATION FACTORS	Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
21		FUNCTIONALIZATION OF LABOR	1,906,094	0	0	382,743	177,087	0	10,457	87,399	43,894	16,178	1,188,337	0	0
22		50% PLANT / 50% LABOR	10,000	436	0	2,818	1,879	0	556	471	270	125	3,446	0	0
23		SERVICES	1,620,082	0	0	0	0	0	1,590,082	0	24,000	6,000	0	0	0
24		DISTRIBUTION POLES	9,048,298	0	0	7,257,121	1,791,177	0	0	0	0	0	0	0	0
25		DISTRIBUTION OH CONDUCTORS	9,728,444	0	0	6,535,721	3,192,723	0	0	0	0	0	0	0	0
26		DISTRIBUTION OH LINES	18,776,742	0	0	13,792,842	4,983,900	0	0	0	0	0	0	0	0
27		UG CONDUIT, CONDUCTORS & LINES	7,692,758	0	0	4,990,408	2,702,350	0	0	0	0	0	0	0	0
28		TOTAL DISTRIBUTION PLANT	65,743,649	0	0	27,812,937	22,238,602	0	8,555,826	3,539,542	2,324,655	1,272,086	0	0	0
29		TOTAL PLANT	81,437,513	7,105,037	0	29,537,569	23,036,554	0	8,602,945	3,933,362	2,522,440	1,344,982	5,354,624	0	0
30		DISTR. OPERATION S & E	985,153	0	0	347,772	151,274	0	40,608	308,423	117,401	19,676	0	0	0
31		DISTR. MAINTENANCE S & E	2,269,303	0	0	1,476,838	696,255	0	0	40,207	0	56,003	0	0	0
32		DISTRIBUTION O&M EXPENSE	4,019,891	0	0	2,143,597	991,800	0	58,566	489,491	245,833	90,604	0	0	0
33		O&M EXP. EXCL. FUEL & P.PWR.	8,661,973	305,404	0	2,967,025	1,426,761	0	125,972	661,325	335,283	125,964	2,059,124	184,168	470,947
34		UNUSED FACTOR													
35		UNUSED FACTOR													
36		UNUSED FACTOR													
37		UNUSED FACTOR													
21		FUNCTIONALIZATION OF LABOR	100.000%	0.000%	0.000%	20.080%	9.291%	0.000%	0.549%	4.585%	2.303%	0.849%	62.344%	0.000%	0.000%
22		50% PLANT / 50% LABOR	100.000%	4.362%	0.000%	28.175%	18.789%	0.000%	5.556%	4.708%	2.700%	1.250%	34.460%	0.000%	0.000%
23		SERVICES	100.000%	0.000%	0.000%	0.000%	0.000%	0.000%	98.148%	0.000%	1.481%	0.370%	0.000%	0.000%	0.000%
24		DISTRIBUTION POLES	100.000%	0.000%	0.000%	80.204%	19.796%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
25		DISTRIBUTION OH CONDUCTORS	100.000%	0.000%	0.000%	67.182%	32.818%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
26		DISTRIBUTION OH LINES	100.000%	0.000%	0.000%	73.457%	26.543%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
27		UG CONDUIT, CONDUCTORS & LINES	100.000%	0.000%	0.000%	64.872%	35.128%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
28		TOTAL DISTRIBUTION PLANT	100.000%	0.000%	0.000%	42.305%	33.826%	0.000%	13.014%	5.384%	3.536%	1.935%	0.000%	0.000%	0.000%
29		TOTAL PLANT	100.000%	8.725%	0.000%	36.270%	28.287%	0.000%	10.564%	4.830%	3.097%	1.652%	6.575%	0.000%	0.000%
30		DISTR. OPERATION S & E	100.000%	0.000%	0.000%	35.301%	15.355%	0.000%	4.122%	31.307%	11.917%	1.997%	0.000%	0.000%	0.000%
31		DISTR. MAINTENANCE S & E	100.000%	0.000%	0.000%	65.079%	30.681%	0.000%	0.000%	1.772%	0.000%	2.468%	0.000%	0.000%	0.000%
32		DISTRIBUTION O&M EXPENSE	100.000%	0.000%	0.000%	53.325%	24.672%	0.000%	1.457%	12.177%	6.115%	2.254%	0.000%	0.000%	0.000%
33		O&M EXP. EXCL. FUEL & P.PWR.	100.000%	3.526%	0.000%	34.253%	16.472%	0.000%	1.454%	7.635%	3.871%	1.454%	23.772%	2.126%	5.437%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY											
		TOTAL OPERATING REVENUES	22,436,949	12,761,020	2,761,114	3,516,081	1,063,688	790,247	273,124	880,395	0	70,837	320,442
		OPERATING EXPENSES											
		OPERATION & MAINTENANCE	10,081,391	5,967,096	1,112,239	1,539,723	523,318	210,463	70,002	487,338	0	29,849	141,362
		DEPRECIATION	3,418,847	1,818,263	328,829	609,085	225,557	173,919	13,947	165,873	0	14,243	69,131
		TAXES OTHER THAN INCOME	4,287,783	2,190,601	643,090	671,751	230,596	329,119	34,338	130,477	0	10,376	47,436
		TOTAL OPERATING EXPENSES	17,788,021	9,975,960	2,084,158	2,820,558	979,471	713,501	118,287	783,688	0	54,469	257,930
		NET OPERATING INCOME	4,648,928	2,785,061	676,957	695,523	84,217	76,746	154,837	96,706	0	16,369	62,512
		TOTAL INCOME TAXES	1,177,048	980,725	137,362	85,281	77,894	(160,952)	(56,430)	75,682	0	4,790	32,697
		NET INCOME	3,471,880	1,804,336	539,594	610,242	6,323	237,699	211,267	21,025	0	11,579	29,815
		REQUIRED % INCREASE in BASE REVENUES											
		ELECTRIC RATE BASE	43,020,996	22,950,694	4,280,127	7,898,707	2,899,608	2,249,486	154,478	1,735,047	0	150,331	702,518
		RATE OF RETURN (PERCENT)	8.07%	7.86%	12.61%	7.73%	0.22%	10.57%	136.76%	1.21%	0.00%	7.70%	4.24%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY ELECTRIC RATE BASE											
		TRANSMISSION											
3		DEMAND	4,522,159	1,325,450	214,688	549,304	246,706	2,184,618	262	756	0	144	233
3		ENERGY	0	0	0	0	0	0	0	0	0	0	0
		Direct Customer	1,777,209	0	0	0	0	1,777,209	0	0	0	0	0
3		Demand less Direct Customer	2,744,951	1,325,450	214,688	549,304	246,706	407,410	262	756	0	144	233
		DISTRIBUTION:											
4		PRIMARY - DEMAND	18,480,560	10,410,472	1,756,075	4,260,222	1,834,093	0	41,214	119,115	0	22,634	36,735
5		SECONDARY - DEMAND	10,130,902	5,617,391	1,093,692	2,546,778	735,947	0	25,718	74,329	0	14,124	22,923
7		SERVICES	4,438,402	3,774,905	546,692	113,353	3,138	314	0	0	0	0	0
11		METERS	1,919,584	864,688	532,627	395,192	81,874	45,202	0	0	0	0	0
		TOTAL DISTRIBUTION	34,969,449	20,667,456	3,929,087	7,315,545	2,655,053	45,516	66,932	193,444	0	36,757	59,659
9		CUSTOMER BILLING	1,304,482	1,022,323	148,056	46,048	1,275	21,247	23,903	41,219	0	106	304
7		CUSTOMER - OTHER	(27,867)	(23,701)	(3,432)	(712)	(20)	(2)	0	0	0	0	0
14		REVENUE RELATED	(71,260)	(40,834)	(8,272)	(11,478)	(3,406)	(1,893)	(951)	(3,065)	0	(246)	(1,115)
		CUSTOMER DIRECT											
12		OUTDOOR LIGHTING	1,567,025	0	0	0	0	0	64,332	1,502,694	0	0	0
13		STREET LIGHTING	757,007	0	0	0	0	0	0	0	0	113,570	643,437
		TOTAL RATE BASE	43,020,996	22,950,694	4,280,127	7,898,707	2,899,608	2,249,486	154,478	1,735,047	0	150,331	702,518

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY											
		ELECTRIC PLANT IN SERVICE											
		TRANSMISSION											
3		DEMAND	7,105,037	2,082,494	337,310	863,044	387,614	3,432,385	411	1,187	0	226	366
3		ENERGY	0	0	0	0	0	0	0	0	0	0	0
		Direct Customer	2,792,280					2,792,280					
3		Demand less Direct Customer	4,312,757	2,082,494	337,310	863,044	387,614	640,106	411	1,187	0	226	366
		DISTRIBUTION											
4		PRIMARY - DEMAND	30,713,422	17,301,490	2,918,476	7,080,196	3,048,137	0	68,495	197,962	0	37,616	61,052
5		SECONDARY - DEMAND	23,580,598	13,913,574	2,342,467	5,454,682	1,576,249	0	55,082	159,197	0	30,250	49,097
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0	0
7		SERVICES	8,635,071	7,344,213	1,063,610	220,532	6,106	611	0	0	0	0	0
11		METERS	4,201,869	1,892,757	1,165,893	865,055	179,219	98,944	0	0	0	0	0
		TOTAL DISTRIBUTION	67,130,960	40,452,033	7,490,446	13,620,465	4,809,711	99,555	123,577	357,159	0	67,866	110,148
9		CUSTOMER BILLING	3,149,544	2,468,300	357,466	111,177	3,078	51,300	57,712	99,519	0	256	734
7		CUSTOMER - OTHER	0	0	0	0	0	0	0	0	0	0	0
14		REVENUE RELATED	0	0	0	0	0	0	0	0	0	0	0
		CUSTOMER DIRECT											
12		OUTDOOR LIGHTING	2,657,290	0	0	0	0	0	109,091	2,548,199	0	0	0
13		STREET LIGHTING	1,394,682	0	0	0	0	0	0	0	0	209,237	1,185,445
		TOTAL PLANT IN SERVICE	81,437,513	45,002,827	8,185,222	14,594,687	5,200,403	3,583,240	290,791	3,006,064	0	277,584	1,296,694

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY OPERATING REVENUES											
14		TOTAL BASE RATE REVENUES	21,682,736	12,158,552	2,671,994	3,468,807	1,053,308	786,936	272,813	879,496	0	70,667	320,165
7		SERVICE REVENUES	274,408	233,387	33,800	7,008	194	19	0	0	0	0	0
5		RENT	119,269	70,374	11,848	27,589	7,973	0	279	805	0	153	248
1		UNBILLED	18,403	7,720	1,331	3,939	1,972	3,268	32	94	0	18	29
7		OTHER	342,133	290,987	42,142	8,738	242	24	0	0	0	0	0
		SUB-TOTAL REVENUES	22,436,949	12,761,020	2,761,114	3,516,081	1,063,688	790,247	273,124	880,395	0	70,837	320,442
		PRO FORMA ADJUSTMENTS											
		PURCH.PWR.& FUEL ADJUSTMENTS	0						0				
		OTHER	0						0				
		SUB-TOTAL ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
		PRO FORMA REVENUES	22,436,949	12,761,020	2,761,114	3,516,081	1,063,688	790,247	273,124	880,395	0	70,837	320,442

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY OPERATION AND MAINTENANCE EXPENSE											
		TRANSMISSION											
3		DEMAND	305,404	89,514	14,499	37,097	16,661	147,538	18	51	0	10	16
3		ENERGY	0	0	0	0	0	0	0	0	0	0	0
		Direct Customer	120,024					120,024					
3		Demand less Direct Customer	185,381	89,514	14,499	37,097	16,661	27,514	18	51	0	10	16
		DISTRIBUTION:											
4		PRIMARY - DEMAND	3,419,200	1,926,104	324,902	788,209	339,337	0	7,625	22,038	0	4,188	6,797
5		SECONDARY - DEMAND	1,635,973	965,295	162,516	378,435	109,357	0	3,821	11,045	0	2,099	3,406
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0	0
7		SERVICES	138,326	117,648	17,038	3,533	98	10	0	0	0	0	0
11		METERS	764,579	344,409	212,148	157,407	32,611	18,004	0	0	0	0	0
		TOTAL DISTRIBUTION	5,958,078	3,353,456	716,603	1,327,583	481,402	18,014	11,447	33,083	0	6,286	10,203
		CUSTOMER ACCOUNTS EXPENSE											
8		METER READING EXPENSES	315,817	265,117	38,395	11,941	331	33	0	0	0	0	0
9		CUST. RECORDS & COLLECTIONS	868,756	680,845	98,602	30,667	849	14,150	15,919	27,451	0	71	203
9		MISC. CUSTOMER ACCOUNTS	100,983	79,141	11,461	3,565	99	1,645	1,850	3,191	0	8	24
15		SUPERVISION	133,861	106,741	15,459	4,808	133	1,648	1,850	3,191	0	8	24
		TOTAL CUSTOMER ACCOUNTS	1,419,418	1,131,844	163,917	50,981	1,411	17,476	19,620	33,832	0	87	250
15		A&G RELATED TO CUST. ACCOUNTS	1,211,159	965,778	139,867	43,501	1,204	14,912	16,741	28,868	0	74	213
7		CUSTOMER - OTHER	184,168	156,637	22,685	4,703	130	13	0	0	0	0	0
14		REVENUE - RELATED	470,947	269,867	54,669	75,857	22,508	12,509	6,283	20,257	0	1,627	7,369
		CUSTOMER DIRECT											
12		OUTDOOR LIGHTING	387,140	0	0	0	0	0	15,893	371,246	0	0	0
13		STREET LIGHTING	145,077	0	0	0	0	0	0	0	0	21,765	123,312
		TOTAL O&M EXPENSE	10,081,391	5,967,096	1,112,239	1,539,723	523,318	210,463	70,002	487,338	0	29,849	141,362

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY DEPRECIATION EXPENSE											
		TRANSMISSION											
3		DEMAND	214,962	63,006	10,205	26,111	11,727	103,846	12	36	0	7	11
3		ENERGY	0	0	0	0	0	0	0	0	0	0	0
		Direct Customer	84,480					84,480					
3		Demand less Direct Customer	130,482	63,006	10,205	26,111	11,727	19,366	12	36	0	7	11
		DISTRIBUTION:											
4		PRIMARY - DEMAND	1,076,798	606,582	102,320	248,228	106,866	0	2,401	6,940	0	1,319	2,140
5		SECONDARY - DEMAND	925,201	545,908	91,908	214,018	61,845	0	2,161	6,246	0	1,187	1,926
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0	0
7		SERVICES	327,883	278,867	40,386	8,374	232	23	0	0	0	0	0
11		METERS	155,578	70,081	43,168	32,029	6,636	3,663	0	0	0	0	0
		TOTAL DISTRIBUTION	2,485,459	1,501,439	277,783	502,650	175,579	3,687	4,563	13,187	0	2,506	4,067
9		CUSTOMER BILLING	135,115	105,889	15,335	4,769	132	2,201	2,476	4,269	0	11	32
7		CUSTOMER - OTHER	0	0	0	0	0	0	0	0	0	0	0
14		REVENUE RELATED	0	0	0	0	0	0	0	0	0	0	0
		CUSTOMER DIRECT											
12		OUTDOOR LIGHTING	152,864	0	0	0	0	0	6,276	146,588	0	0	0
13		STREET LIGHTING	75,848	0	0	0	0	0	0	0	0	11,379	64,469
		TOTAL DEPRECIATION EXPENSE	3,064,247	1,670,334	303,324	533,531	187,438	109,734	13,326	164,080	0	13,903	68,578
2		AMORTIZATION STORM HARDENING	354,600	147,929	25,505	75,554	38,119	64,185	621	1,793	0	341	553

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY											
		TAXES OTHER THAN INCOME TAX											
		TRANSMISSION											
3		DEMAND	47,318	13,869	2,246	5,748	2,581	22,859	3	8	0	2	2
3		ENERGY	0	0	0	0	0	0	0	0	0	0	0
		Direct Customer	18,596					18,596					
3		Demand less Direct Customer	28,722	13,869	2,246	5,748	2,581	4,263	3	8	0	2	2
		DISTRIBUTION											
4		PRIMARY - DEMAND	298,549	168,179	28,369	68,823	29,629	0	666	1,924	0	366	593
5		SECONDARY - DEMAND	200,535	118,324	19,921	46,388	13,405	0	468	1,354	0	257	418
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0	0
7		SERVICES	60,075	51,095	7,400	1,534	42	4	0	0	0	0	0
11		METERS	49,450	22,275	13,721	10,180	2,109	1,164	0	0	0	0	0
		TOTAL DISTRIBUTION	608,609	359,873	69,410	126,926	45,186	1,169	1,134	3,278	0	623	1,011
9		CUSTOMER BILLING	123,054	96,437	13,966	4,344	120	2,004	2,255	3,888	0	10	29
7		CUSTOMER - OTHER	0	0	0	0	0	0	0	0	0	0	0
14		REVENUE RELATED	3,467,063	1,720,422	557,467	534,734	182,708	303,087	29,777	95,994	0	7,752	35,122
		CUSTOMER DIRECT											
12		OUTDOOR LIGHTING	28,478	0	0	0	0	0	1,169	27,309	0	0	0
13		STREET LIGHTING	13,262	0	0	0	0	0	0	0	0	1,990	11,272
		TOTAL TAXES OTHER THAN INCOME	4,287,783	2,190,601	643,090	671,751	230,596	329,119	34,338	130,477	0	10,376	47,436

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY INCOME TAX CALCULATION											
		OPERATING REVENUES	22,436,949	12,761,020	2,761,114	3,516,081	1,063,688	790,247	273,124	880,395	0	70,837	320,442
		OPERATING EXPENSES											
		OPERATION & MAINTENANCE	10,081,391	5,967,096	1,112,239	1,539,723	523,318	210,463	70,002	487,338	0	29,849	141,362
		DEPRECIATION	3,064,247	1,670,334	303,324	533,531	187,438	109,734	13,326	164,080	0	13,903	68,578
		TAXES OTHER THAN INCOME TAX	4,287,783	2,190,601	643,090	671,751	230,596	329,119	34,338	130,477	0	10,376	47,436
		OPERATING INC. BEFORE TAXES	5,003,528	2,932,990	702,461	771,078	122,336	140,932	155,458	98,500	0	16,710	63,065
16		INTEREST EXPENSE	1,489,405	823,054	149,699	266,921	95,110	65,534	5,318	54,978	0	5,077	23,715
		TAXABLE INCOME	3,514,123	2,109,936	552,763	504,156	27,226	75,398	150,139	43,522	0	11,633	39,350
16		Inc Tax Deductions	(1,244,582)	(687,763)	(125,092)	(223,046)	(79,476)	(54,761)	(4,444)	(45,941)	0	(4,242)	(19,817)
		TAXABLE INCOME Less Deductions	4,758,705	2,797,699	677,854	727,202	106,702	130,159	154,583	89,463	0	15,875	59,167
16		State Exemption Deduction	800	442	80	143	51	35	3	30	0	3	13
16		DEFERRED INCOME TAXES	581,498	321,339	58,446	104,212	37,133	25,586	2,076	21,465	0	1,982	9,259
		INCOME TAXES											
		STATE	(212,639)	153,849	37,278	39,988	5,866	7,157	8,502	4,919	0	873	3,253
		FEDERAL	(1,149,183)	898,909	217,796	233,653	34,284	41,821	49,668	28,745	0	5,101	19,011
		Eliminate ST I/T on FUEL & CONS	126	(91)	(22)	(24)	(3)	(4)	(5)	(3)	0	(1)	(2)
		Eliminate FED I/T on FUEL & CONS	736	(576)	(139)	(150)	(22)	(27)	(32)	(18)	0	(3)	(12)
16		AMORTIZATION OF ITC	(27,935)	(15,437)	(2,808)	(5,006)	(1,784)	(1,229)	(100)	(1,031)	0	(95)	(445)
2		TOTAL TAXES Allocated by Sales	1,177,048	980,725	137,362	85,281	77,894	(160,952)	(56,430)	75,682	0	4,790	32,697
			1,177,048										
			0	980,725	137,362	85,281	77,894	(160,952)	(56,430)	75,682	0	4,790	32,697
			0										

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR 12/31/2008
PROPOSED RATES
ALLOCATION TO CUSTOMER CLASS

Factor No.	Acct		Total Company	Residential Service	General Service	General -Demand	General Dem. Large	General Large Demand 1	OL	OL-2	SL-1	SL-2	SL-3
		RATE OF RETURN SUMMARY LABOR RATIOS											
		TRANSMISSION											
3		DEMAND	0	0	0	0	0	0	0	0	0	0	0
3		ENERGY	0	0	0	0	0	0	0	0	0	0	0
		Direct Customer	0					0					
3		Demand less Direct Customer	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION:											
4		PRIMARY - DEMAND	255,281	143,805	24,257	58,848	25,335	0	569	1,645	0	313	507
5		SECONDARY - DEMAND	118,113	69,692	11,733	27,322	7,895	0	276	797	0	152	246
7		CUSTOMER - RELATED	0	0	0	0	0	0	0	0	0	0	0
7		SERVICES	6,975	5,932	859	178	5	0	0	0	0	0	0
11		METERS	58,293	26,259	16,175	12,001	2,486	1,373	0	0	0	0	0
		TOTAL DISTRIBUTION	438,662	245,687	53,024	98,350	35,722	1,373	845	2,443	0	464	753
9		CUSTOMER BILLING	277,201	217,243	31,462	9,785	271	4,515	5,079	8,759	0	23	65
7		CUSTOMER - OTHER	0	0	0	0	0	0	0	0	0	0	0
14		REVENUE RELATED	0	0	0	0	0	0	0	0	0	0	0
		CUSTOMER DIRECT											
12		OUTDOOR LIGHTING	29,276	0	0	0	0	0	1,202	28,074	0	0	0
13		STREET LIGHTING	10,790	0	0	0	0	0	0	0	0	1,619	9,171
		TOTAL LABOR RATIOS	755,929	462,930	84,486	108,135	35,993	5,888	7,127	39,276	0	2,106	9,989
			13,027,278	7,354,580	1,411,715	2,096,846	580,698	484,098	202,635	653,254	0	44,019	199,433

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		ELECTRIC RATE BASE													
		PLANT IN SERVICE	81,437,513	7,105,037	0	30,713,422	23,580,598	0	8,635,071	4,201,869	2,657,290	1,394,682	3,149,544	0	0
		LESS:													
		ACCUM. PROV. FOR DEPREC.	(36,302,038)	(2,543,210)	0	(11,743,784)	(12,345,048)	0	(4,183,691)	(2,170,465)	(1,034,133)	(617,008)	(1,664,701)	0	0
		CUSTR ADVANCES FOR CONST.	(878,824)				(878,824)								
		PLUS:													
33		WORKING CAPITAL ALLOWANCE	(1,310,654)	(46,211)	0	(517,363)	(247,541)	0	(20,930)	(115,689)	(58,579)	(21,952)	(183,262)	(27,867)	(71,260)
29		CWIP	75,000	6,543	0	28,286	21,717	0	7,952	3,870	2,447	1,284	2,901	0	0
		TOTAL RATE BASE	43,020,997	4,522,159	0	18,480,560	10,130,902	0	4,438,402	1,919,584	1,567,025	757,007	1,304,482	(27,867)	(71,260)

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		ELECTRIC PLANT IN SERVICE													
		REQUIRED % INCREASE in BASE REVENUES													
		TRANSMISSION													
		STRUCTURES AND IMPROVEMENTS	25,238	25,238											
		STATION EQUIPMENTS	2,441,032	2,441,032											
		POLES, TOWERS & FIXTURES	2,577,196	2,577,196											
		OH CONDUCTORS & DEVICES	1,998,264	1,998,264											
		ROADS AND TRAILS	6,788	6,788											
		LAND RIGHTS	56,519	56,519											
		TOTAL TRANSMISSION PLANT	7,105,037	7,105,037	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION													
	360	LAND & LAND RIGHTS	118,337			118,337									
	361	STRUCTURES & IMPROVEMENTS	96,042			96,042									
	362	STATION EQUIPMENT	7,069,889			7,069,889									
24	364	POLES, TOWERS AND FIXTURES	9,770,047	0	0	7,835,995	1,934,053	0	0	0	0	0	0	0	0
25	365	OH CONDUCTORS & DEVICES	10,205,464	0	0	6,856,191	3,349,273	0	0	0	0	0	0	0	0
27	366	UNDERGROUND CONDUIT	3,251,454	0	0	2,109,267	1,142,187	0	0	0	0	0	0	0	0
27	367	UG CONDUCTORS & DEVICES	5,745,536	0	0	3,727,216	2,018,320	0	0	0	0	0	0	0	0
	368	LINE TRANSFORMERS	13,794,769				13,794,769								
23	369	SERVICES	8,717,248	0	0	0	0	0	8,555,826	0	129,138	32,284	0	0	0
	370	METERS	3,539,542							3,539,542					
	371	INSTALL. ON CUSTS PREMISES	2,195,517								2,195,517				
	373	STREET LIGHTS & SIGNALS	1,239,801									1,239,801			
		TOTAL DISTRIBUTION	65,743,649	0	0	27,812,937	22,238,602	0	8,555,826	3,539,542	2,324,655	1,272,086	0	0	0
21	389-390	GENERAL PLANT	3,422,186	0	0	1,155,687	534,713	0	31,575	263,902	132,537	48,848	1,254,924	0	0
21	301-303	COMMON UTILITY PLANT	1,853,396	0	0	625,900	289,591	0	17,100	142,924	71,780	26,455	679,645	0	0
21		TRANSPORTATION EQUIPMENT	3,313,245	0	0	1,118,897	517,691	0	30,570	255,501	128,318	47,293	1,214,975	0	0
		TOTAL DISTRIBUTION PLANT	74,332,476	0	0	30,713,422	23,580,598	0	8,635,071	4,201,869	2,657,290	1,394,682	3,149,544	0	0
		TOTAL PLANT IN SERVICE	81,437,513	7,105,037	0	30,713,422	23,580,598	0	8,635,071	4,201,869	2,657,290	1,394,682	3,149,544	0	0

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		ACUMULATED PROVISION FOR DEPRECIATION													
		TRANSMISSION													
		STRUCTURES AND IMPROVEMENTS	(10,941)	(10,941)											
		STATION EQUIPMENTS	(693,374)	(693,374)											
		POLES, TOWERS & FIXTURES	(1,134,677)	(1,134,677)											
		OH CONDUCTORS & DEVICES	(666,118)	(666,118)											
		ROADS AND TRAILS	(4,313)	(4,313)											
		LAND RIGHTS	(33,788)	(33,788)											
		TOTAL TRANSMISSION PLANT	(2,543,210)	(2,543,210)	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION													
	360	LAND & LAND RIGHTS	(5,560)			(5,560)									
	361	STRUCTURES & IMPROVEMENTS	(33,787)			(33,787)									
	362	STATION EQUIPMENT	(1,352,910)			(1,352,910)									
24	364	POLES, TOWERS AND FIXTURES	(4,469,772)	0	0	(3,584,948)	(884,824)	0	0	0	0	0	0	0	0
25	365	OH CONDUCTORS & DEVICES	(5,479,223)	0	0	(3,681,028)	(1,798,195)	0	0	0	0	0	0	0	0
27	366	UNDERGROUND CONDUIT	(631,303)	0	0	(409,536)	(221,767)	0	0	0	0	0	0	0	0
27	367	UG CONDUCTORS & DEVICES	(1,761,876)	0	0	(1,142,956)	(618,920)	0	0	0	0	0	0	0	0
	368	LINE TRANSFORMERS	(8,112,025)				(8,112,025)								
23	369	SERVICES	(4,219,949)	0	0	0	0	0	(4,141,806)	0	(62,515)	(15,629)	0	0	0
	370	METERS	(1,820,390)							(1,820,390)					
	371	INSTALL. ON CUSTS PREMISES	(795,803)								(795,803)				
	373	STREET LIGHTS & SIGNALS	(536,581)									(536,581)			
		TOTAL DISTRIBUTION PLANT	(29,219,179)	0	0	(10,210,724)	(11,635,732)	0	(4,141,806)	(1,820,390)	(858,318)	(552,209)	0	0	0
21		GENERAL PLANT	(1,965,984)	0	0	(663,922)	(307,183)	0	(18,139)	(151,607)	(76,140)	(28,062)	(720,931)	0	0
21		COMMON UTILTITY PLANT	(660,224)	0	0	(222,961)	(103,159)	0	(6,092)	(50,913)	(25,570)	(9,424)	(242,106)	0	0
21		TRANSPORTATION EQUIPMENT	(1,913,441)	0	0	(646,177)	(298,973)	0	(17,654)	(147,555)	(74,105)	(27,312)	(701,663)	0	0
29		RETIREMENT WORK IN PROGRESS	0	0	0	0	0	0	0	0	0	0	0	0	0
		TOTAL ACCUM PROV FOR DEPREC	(36,302,039)	(2,543,210)	0	(11,743,784)	(12,345,048)	0	(4,183,691)	(2,170,465)	(1,034,133)	(617,008)	(1,664,701)	0	0

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		OPERATION AND MAINTENANCE EXPENSES													
		TRANSMISSION													
		OPERATION													
		STATION EXPENSES	43,478	43,478											
		MISC TRANSMISSION EX	31,080	31,080											
		TOTAL TRANSMISSION OPERATION	74,558	74,558	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION													
		OPERATION													
30		LOAD DISPATCHING	0	0	0	0	0	0	0	0	0	0	0	0	0
		STATION EXPENSES	99,878			99,878									
26		OVERHEAD LINE EXPENSES	128,668	0	0	94,516	34,152	0	0	0	0	0	0	0	0
27		UNDERGROUND LINE EXPENSES	32,944	0	0	21,372	11,573	0	0	0	0	0	0	0	0
		STREET LTG & SIGNAL SYSTEMS	13,638									13,638			
		METER EXPENSES	291,623							291,623					
		CUSTOMER INSTALL EXPENSES	106,368								106,368				
28		MISC DISTRIBUTION EXPENSES	312,033	0	0	132,006	105,549	0	40,608	16,799	11,033	6,038	0	0	0
		RENTS	1,077			1,077									
30		OPERATION SUPERVISION & ENGR	435,662	0	0	153,794	66,898	0	17,958	136,393	51,918	8,701	0	0	0
		TOTAL DISTRIBUTION OPERATION	1,421,893	0	0	502,643	218,172	0	58,566	444,816	169,319	28,377	0	0	0
		TOTAL T&D OPERATION EXPENSE	1,496,451	74,558	0	502,643	218,172	0	58,566	444,816	169,319	28,377	0	0	0
		MAINTENANCE													
		TRANSMISSION													
		MAINT OF STATION EQU	106,015	106,015											
		MAINT OF OVERHEAD LINES	83,425	83,425											
		MAINT OF OVERHEAD LINES	477	477											
		TOTAL TRANSMISSION MAINTENANCE	189,917	189,917	0	0	0	0	0	0	0	0	0	0	0
		DISTRIBUTION													
26		MAINT OF OVERHEAD LINES	1,868,051	0	0	1,372,215	495,836	0	0	0	0	0	0	0	0
27		MAINT OF UNDERGROUND LINES	161,276	0	0	104,622	56,654	0	0	0	0	0	0	0	0
		MAINT OF LINE TRANSFORMERS	143,765				143,765								
		MAINT OF STREET LIGHTING	56,003									56,003			
		MAINT OF METERS	40,207							40,207					
31		MAINT SUPERV. & ENGR	163,309	0	0	106,279	50,105	0	0	2,893	0	4,030	0	0	0
31		MAINT OF STATION EQU	78,096	0	0	50,824	23,961	0	0	1,384	0	1,927	0	0	0
		MAINT OF MISC DISTRI	76,514	0	0	0	0	0	0	0	76,514	0	0	0	0
31		MAINT OF STRUCTURES	10,776	0	0	7,013	3,306	0	0	191	0	266	0	0	0
		TOTAL DISTRIBUTION MAINTENANCE	2,597,998	0	0	1,640,954	773,628	0	0	44,675	76,514	62,227	0	0	0
		TOTAL DISTRIBUTION O&M EXPENSE	4,019,891	0	0	2,143,597	991,800	0	58,566	489,491	245,833	90,604	0	0	0
		TOTAL TRANSMISSION O&M EXPENSE	264,475	264,475	0	0	0	0	0	0	0	0	0	0	0
		CUSTOMER ACCOUNTS													
		SUPERVISION	133,861										133,861		
		METER READING EXPENSES	315,817										315,817		
		CUST RECORDS & COLLECT EXP	868,756										868,756		
		UNCOLLECTIBLE ACCOUNTS	216,664												216,664
		MISC CUSTOMER ACCTS EXPENSE	100,983										100,983		
		TOTAL CUSTOMER ACCOUNTS EXP	1,636,082	0	0	0	0	0	0	0	0	0	1,419,418	0	216,664

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		CUSTOMER SERVICE & INFORMATION													
		UNDERRECOVERY: CONSE	0											0	
		CUST ASSISTANCE EXPENSES	0											0	
		INFORM'L & INSTRUCT'L EXPS	0											0	
		MISC CUST SERVICE & INFO EXP	0											0	
		SUPERVISION	0											0	
		TOTAL CUST SERV & INFO	0	0	0	0	0	0	0	0	0	0	0	0	0
		SALES													
		DEMONSTRATING & SELLING EXP	0											0	
		ADVERTISING EXPENSE	184,168											184,168	
		TOTAL CUST SALES EXPENSE	184,168	0	0	0	0	0	0	0	0	0	0	184,168	0
		ADMINISTRATIVE AND GENERAL OPERATION													
21		ADMIN & GENERAL SALARIES	1,191,947	0	0	402,526	186,241	0	10,997	91,917	46,163	17,014	437,090	0	0
21		OFFICE SUPPLIES & EXPENSES	169,799	0	0	57,342	26,531	0	1,567	13,094	6,576	2,424	62,266	0	0
21		ADMIN EXP TRANSFERRED -CR	0	0	0	0	0	0	0	0	0	0	0	0	0
22		OUTSIDE SERVICES EMPLOYED	300,179	13,095	0	107,291	66,911	0	17,299	19,318	10,710	4,713	60,843	0	0
29		PROPERTY INSURANCE	263,498	22,989	0	99,376	76,297	0	27,940	13,596	8,598	4,513	10,191	0	0
21		INJURIES & DAMAGES	143,989	0	0	48,626	22,498	0	1,329	11,104	5,577	2,055	52,801	0	0
21		GENERAL LIABILITY	354,586	0	0	119,745	55,404	0	3,272	27,344	13,733	5,061	130,028	0	0
21		PENSIONS	401,730	0	0	135,666	62,770	0	3,707	30,979	15,559	5,734	147,315	0	0
21		EMPLOYEE BENEFITS	604,545	0	0	204,158	94,460	0	5,578	46,619	23,413	8,629	221,688	0	0
		REGULATORY COMMISSION EXP	254,283												254,283
22		MISC GENERAL EXPENSES	102,399	4,467	0	36,600	22,825	0	5,901	6,590	3,654	1,608	20,755	0	0
22		RENTS	8,685	379	0	3,104	1,936	0	501	559	310	136	1,760	0	0
21		UNDISTRIBUTED PAYROLL	0	0	0	0	0	0	0	0	0	0	0	0	0
22		INSTITUTIONAL/GOOODWILL	0	0	0	0	0	0	0	0	0	0	0	0	0
		TOTAL OPERATION	3,795,641	40,929	0	1,214,433	615,871	0	78,089	261,120	134,291	51,887	1,144,737	0	254,283
		MAINTENANCE													
21		MAINTENANCE OF GENERAL PLANT	181,134	0	0	61,170	28,302	0	1,671	13,968	7,015	2,585	66,422	0	0
		TOTAL ADMIN & GENERAL EXP	3,976,775	40,929	0	1,275,603	644,174	0	79,760	275,088	141,307	54,472	1,211,159	0	254,283
		TOTAL DISTRIBUTION OPERATION & MAINT	9,816,916	40,929	0	3,419,200	1,635,973	0	138,326	764,579	387,140	145,077	1,211,159	184,168	470,947
		TOTAL OPERATION & MAINT.	10,081,391	305,404	0	3,419,200	1,635,973	0	138,326	764,579	387,140	145,077	1,211,159	184,168	470,947

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct	DEPRECIATION EXPENSE	Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		TRANSMISSION													
		STRUCTURES AND IMPROVEMENTS	504	504											
		STATION EQUIPMENTS	56,148	56,148											
		POLES, TOWERS & FIXTURES	94,362	94,362											
		OH CONDUCTORS & DEVICES	63,684	63,684											
		ROADS AND TRAILS	264	264											
		LAND RIGHTS	0	0											
		TOTAL TRANSMISSION PLANT	214,962	214,962											
		DISTRIBUTION PLANT													
28		LAND & LAND RIGHTS	408			408									
		STRUCTURES & IMPROVEMENTS	2,112			2,112									
		STATION EQUIPMENT	212,063			212,063									
24		POLES, TOWERS & FIXTURES	409,561	0	0	328,485	81,076	0	0	0	0	0	0	0	0
25		OH CONDUCTORS & DEVICES	387,189	0	0	260,120	127,069	0	0	0	0	0	0	0	0
27		UNDERGROUND CONDUIT	64,536	0	0	41,865	22,671	0	0	0	0	0	0	0	0
27		UG CONDUCTORS & DEVICES	165,427	0	0	107,315	58,112	0	0	0	0	0	0	0	0
		LINE TRANSFORMERS	578,702				578,702								
23		SERVICES	330,605	0	0	0	0	0	324,483	0	4,898	1,224	0	0	0
		METERS	127,164							127,164					
		INSTALL. ON CUSTS PREMISES	133,696								133,696				
		STREET LIGHTS & SIGNALS	69,364									69,364			
		TOTAL DISTRIBUTION PLANT	2,480,827	0	0	952,368	867,630	0	324,483	127,164	138,594	70,588	0	0	0
21		GENERAL	236,949	0	0	80,019	37,023	0	2,186	18,272	9,177	3,382	86,890	0	0
21		COMMON PLANT	131,509	0	0	44,411	20,548	0	1,213	10,141	5,093	1,877	48,225	0	0
21		TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
		TOTAL DEPRECIATION & AMORT EXPENSE DIS	2,849,285	0	0	1,076,798	925,201	0	327,883	155,578	152,864	75,848	135,115	0	0
		TOTAL DEPRECIATION EXPENSE	3,064,247	214,962	0	1,076,798	925,201	0	327,883	155,578	152,864	75,848	135,115	0	0
29		AMORTIZATION STORM HARDENING	354,600	30,937	0	133,734	102,676	0	37,599	18,296	11,571	6,073	13,714	0	0

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct		Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		TAXES OTHER THAN INCOME													
21		FEDERAL UNEMPLOYMENT	1,483	0	0	501	232	0	14	114	57	21	544	0	0
21		STATE UNEMPLOYMENT	1,132	0	0	382	177	0	10	87	44	16	415	0	0
21		FICA	275,755	0	0	93,124	43,086	0	2,544	21,265	10,680	3,936	101,120	0	0
		STATE INTANGIBLE	0												0
		REGULATORY ASSESSMENT FEE	9,379												9,379
29		REAL AND PERSONAL PROPERTY	549,956	47,981	0	207,411	159,242	0	58,313	28,376	17,945	9,418	21,269	0	0
		STATE GROSS RECEIPTS	1,544,614												1,544,614
29		EMERGENCY EXCISE TAX	(8,261)	(721)	0	(3,116)	(2,392)	0	(876)	(426)	(270)	(141)	(319)	0	0
29		OCCUPATIONAL LICENSE	656	57	0	247	190	0	70	34	21	11	25	0	0
		TOTAL TAXES OTHER	2,374,713	47,318	0	298,549	200,535	0	60,075	49,450	28,478	13,262	123,054	0	1,553,993

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct	FUNCTIONALIZATION OF LABOR	Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
		TRANSMISSION	0		0										
32		DISTRIBUTION	478,728	0	0	255,281	118,113	0	6,975	58,293	29,276	10,790	0	0	0
		CUSTOMER ACCOUNTS	277,201										277,201		
		CUST'R SERV. & INFO.	0											0	
		SALES	0												
		LABOR EXCL. ADMIN.& GENERAL	755,929	0	0	255,281	118,113	0	6,975	58,293	29,276	10,790	277,201	0	0

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRICITY COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
FUNCTIONALIZATION

Factor No.	Acct	FUNCTIONAL ALLOCATION FACTORS	Total Company	Transmission Demand	Transmission Energy	Primary Demand	Secondary Demand	Distribution Customer	Services	Meters	Customer Distribution OL	Customer Distribution SL	Customer Billing	Customer Other	Revenue Related
21		FUNCTIONALIZATION OF LABOR	755,929	0	0	255,281	118,113	0	6,975	58,293	29,276	10,790	277,201	0	0
22		50% PLANT / 50% LABOR	10,000	436	0	3,574	2,229	0	576	644	357	157	2,027	0	0
23		SERVICES	1,620,082	0	0	0	0	0	1,590,082	0	24,000	6,000	0	0	0
24		DISTRIBUTION POLES	9,048,298	0	0	7,257,121	1,791,177	0	0	0	0	0	0	0	0
25		DISTRIBUTION OH CONDUCTORS	9,728,444	0	0	6,535,721	3,192,723	0	0	0	0	0	0	0	0
26		DISTRIBUTION OH LINES	18,776,742	0	0	13,792,842	4,983,900	0	0	0	0	0	0	0	0
27		UG CONDUIT, CONDUCTORS & LINES	7,692,758	0	0	4,990,408	2,702,350	0	0	0	0	0	0	0	0
28		TOTAL DISTRIBUTION PLANT	65,743,649	0	0	27,812,937	22,238,602	0	8,555,826	3,539,542	2,324,655	1,272,086	0	0	0
29		TOTAL PLANT	81,437,513	7,105,037	0	30,713,422	23,580,598	0	8,635,071	4,201,869	2,657,290	1,394,682	3,149,544	0	0
30		DISTR. OPERATION S & E	985,153	0	0	347,772	151,274	0	40,608	308,423	117,401	19,676	0	0	0
31		DISTR. MAINTENANCE S & E	2,269,303	0	0	1,476,838	696,255	0	0	40,207	0	56,003	0	0	0
32		DISTRIBUTION O&M EXPENSE	4,019,891	0	0	2,143,597	991,800	0	58,566	489,491	245,833	90,604	0	0	0
33		O&M EXP. EXCL. FUEL & P.PWR.	8,661,973	305,404	0	3,419,200	1,635,973	0	138,326	764,579	387,140	145,077	1,211,159	184,168	470,947
34		UNUSED FACTOR													
35		UNUSED FACTOR													
36		UNUSED FACTOR													
37		UNUSED FACTOR													
21		FUNCTIONALIZATION OF LABOR	100.000%	0.000%	0.000%	33.770%	15.625%	0.000%	0.923%	7.711%	3.873%	1.427%	36.670%	0.000%	0.000%
22		50% PLANT / 50% LABOR	100.000%	4.362%	0.000%	35.742%	22.290%	0.000%	5.763%	6.436%	3.568%	1.570%	20.269%	0.000%	0.000%
23		SERVICES	100.000%	0.000%	0.000%	0.000%	0.000%	0.000%	98.148%	0.000%	1.481%	0.370%	0.000%	0.000%	0.000%
24		DISTRIBUTION POLES	100.000%	0.000%	0.000%	80.204%	19.796%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
25		DISTRIBUTION OH CONDUCTORS	100.000%	0.000%	0.000%	67.182%	32.818%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
26		DISTRIBUTION OH LINES	100.000%	0.000%	0.000%	73.457%	26.543%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
27		UG CONDUIT, CONDUCTORS & LINES	100.000%	0.000%	0.000%	64.872%	35.128%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
28		TOTAL DISTRIBUTION PLANT	100.000%	0.000%	0.000%	42.305%	33.826%	0.000%	13.014%	5.384%	3.536%	1.935%	0.000%	0.000%	0.000%
29		TOTAL PLANT	100.000%	8.725%	0.000%	37.714%	28.955%	0.000%	10.603%	5.160%	3.263%	1.713%	3.867%	0.000%	0.000%
30		DISTR. OPERATION S & E	100.000%	0.000%	0.000%	35.301%	15.355%	0.000%	4.122%	31.307%	11.917%	1.997%	0.000%	0.000%	0.000%
31		DISTR. MAINTENANCE S & E	100.000%	0.000%	0.000%	65.079%	30.681%	0.000%	0.000%	1.772%	0.000%	2.468%	0.000%	0.000%	0.000%
32		DISTRIBUTION O&M EXPENSE	100.000%	0.000%	0.000%	53.325%	24.672%	0.000%	1.457%	12.177%	6.115%	2.254%	0.000%	0.000%	0.000%
33		O&M EXP. EXCL. FUEL & P.PWR.	100.000%	3.526%	0.000%	39.474%	18.887%	0.000%	1.597%	8.827%	4.469%	1.675%	13.982%	2.126%	5.437%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT AT TARGET RATE OF RETURN										
RATE BASE	43,020,996	23,198,340	4,283,176	7,743,326	2,832,581	2,260,987	167,150	1,705,178	146,437	683,821
EARNED RETURN	206,341	(295,952)	24,059	201,473	(42,409)	206,828	104,021	6,352	2,659	(691)
EARNED RATE OF RETURN	0.48%	-1.28%	0.56%	2.60%	-1.50%	9.15%	62.23%	0.37%	1.82%	-0.10%
TARGET RATE OF RETURN	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%
TARGET RETURN	206,341	111,266	20,543	37,139	13,586	10,844	802	8,179	702	3,280
REQUIRED INCREASE IN RETURN	0	407,217	(3,516)	(164,334)	55,995	(195,984)	(103,219)	1,827	(1,956)	3,971
REQUIRED INCREASE IN REVENUE	-	654,687	(5,653)	(264,202)	90,023	(315,085)	(165,946)	2,937	(3,145)	6,384
BASE REVENUES	13,027,278	7,354,580	1,411,715	2,096,846	580,698	484,098	202,635	653,254	44,019	199,433
REQUIRED % INCREASE in BASE REVENUES	0.00%	8.90%	-0.40%	-12.60%	15.50%	-65.09%	-81.89%	0.45%	-7.15%	3.20%
INCREASE INDEX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	-									
INCREMENTAL TAXES AS % OF RETURN										
INCOME	60.7708%									
REVENUE	0.0000%									
ATTENDANT INCR. IN TAXES	0	247,469	(2,137)	(99,867)	34,028	(119,101)	(62,727)	1,110	(1,189)	2,413
ATTENDANT INCR. IN REVENUE TAXES	0	0	0	0	0	0	0	0	0	0
PLUS TEST-YEAR COST OF SERVICE										
OPERATIONS & MAINTENANCE	10,081,391	6,204,088	1,112,608	1,395,919	459,372	223,463	79,139	456,854	26,177	123,772
DEPRECIATION EXPENSE	3,064,247	1,695,922	303,583	517,436	180,472	111,003	14,655	161,039	13,499	66,639
TAXES OTHER	4,287,783	2,200,731	631,334	656,912	219,250	346,744	38,986	138,791	9,892	45,143
INCOME TAX	(807,397)	(336,823)	(58,073)	(172,031)	(86,794)	(146,144)	(1,413)	(4,084)	(776)	(1,259)
OPERATING INCOME	206,341	(295,952)	24,059	201,473	(42,409)	206,828	104,021	6,352	2,659	(691)
TEST-YEAR COST OF SERVICE	16,832,365	9,715,435	2,011,374	2,499,842	763,920	622,793	172,661	760,062	50,261	236,017
REV. REQ. AT TARGET RATE OF RETURN	16,832,365	10,122,652	2,007,858	2,335,507	819,914	426,809	69,442	761,889	48,305	239,988
LESS OTHER REVENUES	702,003	559,361	82,843	45,373	10,023	2,773	306	883	168	272
BASE REVENUE REQUIREMENT (includes GR and	16,130,362	9,563,291	1,925,016	2,290,134	809,892	424,035	69,137	761,005	48,137	239,716
TOTAL RETURN & INCOME TAXES	(601,057)	21,912	(39,666)	(234,759)	(39,180)	(254,401)	(63,338)	5,205	(1,263)	4,434
% OF RATE BASE	-1.3971%	0.09%	-0.93%	-3.03%	-1.38%	-11.25%	-37.89%	0.31%	-0.86%	0.65%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT OPERATING EXPENSES AT TARGET RATE OF RETURN										
DEMAND										
TRANSMISSION	567,684	166,389	26,951	68,956	30,970	274,243	33	95	18	29
DISTRIBUTION - PRIMARY	4,245,988	2,391,850	403,466	978,804	421,391	0	9,469	27,367	5,200	8,440
DISTRIBUTION - SECONDARY	2,507,901	1,479,770	249,132	580,130	167,641	0	5,858	16,931	3,217	5,222
TOTAL DEMAND	7,321,573	4,038,009	679,548	1,627,890	620,002	274,243	15,360	44,393	8,435	13,691
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	844,342	380,339	234,280	173,828	36,013	19,882	0	0	0	0
SERVICE DROPS	511,297	434,863	62,978	13,058	362	36	0	0	0	0
CUSTOMER ACCOUNTS	3,917,461	3,117,770	451,524	140,431	3,888	49,978	56,125	96,781	249	714
CUSTOMER SERVICE	184,168	156,637	22,685	4,703	130	13	0	0	0	0
OTHER	716,571	0	0	0	0	0	20,755	484,815	31,655	179,345
TOTAL CUSTOMER	6,173,839	4,089,609	771,467	332,020	40,393	69,910	76,880	581,597	31,905	180,059
REVENUE RELATED	3,938,010	1,973,122	596,510	610,356	198,700	337,057	40,540	130,694	9,227	41,804
TOTAL	17,433,421	10,100,740	2,047,524	2,570,267	859,094	681,210	132,781	756,684	49,567	235,554

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT RETURN AND INCOME TAXES AT TARGET RATE OF RETURN										
DEMAND										
TRANSMISSION	(266,707)	1,252	(1,988)	(16,654)	(3,412)	(245,808)	(99)	2	(1)	2
DISTRIBUTION - PRIMARY	(171,526)	9,574	(15,834)	(125,756)	(24,700)	0	(15,206)	354	(190)	232
DISTRIBUTION - SECONDARY	(99,641)	5,180	(9,921)	(75,632)	(9,971)	0	(9,546)	222	(119)	146
TOTAL DEMAND	(537,875)	16,006	(27,744)	(218,042)	(38,084)	(245,808)	(24,851)	579	(311)	379
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	(21,023)	769	(4,647)	(11,287)	(1,067)	(4,791)	0	0	0	0
SERVICE DROPS	(4,998)	3,555	(5,048)	(3,426)	(43)	(35)	0	0	0	0
CUSTOMER ACCOUNTS	(22,341)	1,642	(2,331)	(2,373)	(30)	(4,065)	(15,399)	214	(2)	3
CUSTOMER SERVICE	31	(22)	32	22	0	0	0	0	0	0
OTHER	(15,979)	0	0	0	0	0	(23,508)	4,423	(953)	4,058
TOTAL CUSTOMER	(64,309)	5,944	(11,994)	(17,065)	(1,140)	(8,891)	(38,908)	4,637	(954)	4,062
REVENUE RELATED	1,127	(38)	72	348	44	298	420	(11)	2	(7)
TOTAL	(601,057)	21,912	(39,666)	(234,759)	(39,180)	(254,401)	(63,338)	5,205	(1,263)	4,434

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT										
TOTAL REVENUE REQUIREMENT										
REVENUE RELATED UNDISTRIBUTED										
DEMAND										
TRANSMISSION	300,977	167,641	24,962	52,303	27,558	28,435	(66)	97	17	31
DISTRIBUTION - PRIMARY	4,074,461	2,401,424	387,631	853,048	396,690	0	(5,737)	27,721	5,010	8,672
DISTRIBUTION - SECONDARY	2,408,260	1,484,951	239,210	504,498	157,670	0	(3,688)	17,154	3,098	5,367
TOTAL DEMAND	6,783,698	4,054,016	651,804	1,409,848	581,918	28,435	(9,490)	44,972	8,125	14,070
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	823,320	381,109	229,633	162,541	34,946	15,091	0	0	0	0
SERVICE DROPS	506,299	438,418	57,930	9,632	318	1	0	0	0	0
CUSTOMER ACCOUNTS	3,895,120	3,119,412	449,193	138,057	3,858	45,914	40,726	96,995	248	718
CUSTOMER SERVICE	184,199	156,614	22,716	4,725	130	13	0	0	0	0
OTHER	700,591	0	0	0	0	0	(2,753)	489,239	30,703	183,403
TOTAL CUSTOMER	6,109,530	4,095,552	759,473	314,955	39,253	61,019	37,973	586,234	30,950	184,121
REVENUE RELATED	3,939,137	1,973,084	596,581	610,704	198,744	337,355	40,960	130,683	9,229	41,797
TOTAL	16,832,365	10,122,652	2,007,858	2,335,507	819,914	426,809	69,442	761,889	48,305	239,988

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT										
TOTAL REVENUE REQUIREMENT										
REVENUE RELATED DISTRIBUTED										
LESS OTHER REVENUES										
DEMAND										
TRANSMISSION	328,743	164,755	24,870	55,573	29,756	53,725	(85)	101	18	32
DISTRIBUTION - PRIMARY	4,116,675	2,360,082	386,199	906,384	428,335	0	(7,389)	28,819	5,241	9,006
DISTRIBUTION - SECONDARY	2,425,897	1,459,386	238,326	536,041	170,247	0	(4,750)	17,833	3,240	5,574
TOTAL DEMAND	6,871,316	3,984,223	649,396	1,497,997	628,338	53,725	(12,225)	46,752	8,499	14,611
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	842,282	374,548	228,784	172,704	37,734	28,513	0	0	0	0
SERVICE DROPS	499,166	430,870	57,716	10,234	344	2	0	0	0	0
CUSTOMER ACCOUNTS	3,905,143	3,065,709	447,533	146,689	4,166	86,748	52,459	100,834	259	745
CUSTOMER SERVICE	181,737	153,918	22,632	5,020	141	25	0	0	0	0
OTHER	727,634	0	0	0	0	0	(3,546)	508,604	32,115	190,461
TOTAL CUSTOMER	6,155,962	4,025,044	756,666	334,647	42,384	115,288	48,913	609,439	32,375	191,206
TOTAL	13,027,278	8,009,267	1,406,062	1,832,644	670,722	169,013	36,688	656,191	40,873	205,817

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT BILLING DETERMINANTS PROPOSED RATES										
DEMAND (ANNUAL KW)										
BILLING DEMANDS FOR TRANSMISSION	1,133,803			583,848	130,229	419,726				
DISTRIBUTION - PRIMARY	714,077			583,848	130,229	0				
DISTRIBUTION - SECONDARY	714,077			583,848	130,229	0				
TOTAL DEMAND TO PRIMARY	714,077			583,848	130,229	0				
TOTAL DEMAND TO SECONDARY	714,077			583,848	130,229	0				
ENERGY (KWH)										
TRANSMISSION ENERGY	780,004,211	325,395,385	56,102,488	166,194,581	83,849,371	141,186,123	1,364,976	3,945,022	749,614	1,216,651
CUSTOMER ($/CUSTOMER/MONTH)	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
METERS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
SERVICE DROPS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
CUSTOMER ACCOUNTS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
CUSTOMER SERVICE	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
OTHER	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
TOTAL CUSTOMER	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT UNIT COSTS AT TARGET RATE OF RETURN										
DEMAND ($/KW/MONTH)										
TRANSMISSION				0.095	0.228	0.128				
DISTRIBUTION - PRIMARY				1.552	3.289	.				
DISTRIBUTION - SECONDARY				0.918	1.307	.				
TOTAL DEMAND TO PRIMARY				$1.648	$3.518	$0.128				
TOTAL DEMAND TO SECONDARY				$2.566	$4.825	$0.128				
DEMAND ($/KWH)										
TRANSMISSION	0.000421	0.000506	0.000443	0.000334	0.000355	0.000381	-0.000063	0.000026	0.000023	0.000026
DISTRIBUTION - PRIMARY	0.005278	0.007253	0.006884	0.005454	0.005108	0.000000	-0.005414	0.007305	0.006991	0.007402
DISTRIBUTION - SECONDARY	0.003110	0.004485	0.004248	0.003225	0.002030	0.000000	-0.003480	0.004520	0.004323	0.004581
TOTAL DEMAND TO PRIMARY	$0.005699	$0.007759	$0.007327	$0.005788	$0.005463	$0.000381	($0.005476)	$0.007331	$0.007015	$0.007428
TOTAL DEMAND TO SECONDARY	$0.008809	$0.012244	$0.011575	$0.009014	$0.007494	$0.000381	($0.008956)	$0.011851	$0.011338	$0.012010
ENERGY										
TRANSMISSION	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000
CUSTOMER ($/CUSTOMER/MONTH)										
METERS	$2.237	$1.297	$5.472	$19.922	$157.224	$1,188.023	$0.000	$0.000	$0.000	$0.000
SERVICE DROPS	1.326	1.493	1.380	1.181	1.432	0.075	0.000	0.000	0.000	0.000
CUSTOMER ACCOUNTS	10.374	10.619	10.704	16.922	17.357	3614.515	3.886	4.332	4.322	4.338
CUSTOMER SERVICE	0.483	0.533	0.541	0.579	0.587	1.043	0.000	0.000	0.000	0.000
OTHER	1.933	0.000	0.000	0.000	0.000	0.000	-0.263	21.848	535.255	1108.553
TOTAL CUSTOMER	$16.353	$13.942	$18.098	$38.604	$176.600	$4,803.655	$3.623	$26.179	$539.577	$1,112.891

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT AT TARGET RATE OF RETURN										
RATE BASE	43,020,996	23,198,340	4,283,176	7,743,326	2,832,581	2,260,987	167,150	1,705,178	146,437	683,821
EARNED RETURN	206,341	(295,952)	24,059	201,473	(42,409)	206,828	104,021	6,352	2,659	(691)
EARNED RATE OF RETURN	0.48%	-1.28%	0.56%	2.60%	-1.50%	9.15%	62.23%	0.37%	1.82%	-0.10%
TARGET RATE OF RETURN	0.48%	-1.28%	0.56%	2.60%	-1.50%	9.15%	62.23%	0.37%	1.82%	-0.10%
TARGET RETURN	206,341	(295,952)	24,059	201,473	(42,409)	206,828	104,021	6,352	2,659	(691)
REQUIRED INCREASE IN RETURN	0	0	0	0	0	0	0	0	0	0
REQUIRED INCREASE IN REVENUE	-	-	-	-	-	-	-	-	-	-
BASE REVENUES	13,027,278	7,354,580	1,411,715	2,096,846	580,698	484,098	202,635	653,254	44,019	199,433
REQUIRED % INCREASE in BASE REVENUES	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
INCREASE INDEX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	-									
INCREMENTAL TAXES AS % OF RETURN										
INCOME	60.7708%									
REVENUE	0.0000%									
ATTENDANT INCR. IN TAXES	0	0	0	0	0	0	0	0	0	0
ATTENDANT INCR. IN REVENUE TAXES	0	0	0	0	0	0	0	0	0	0
PLUS TEST-YEAR COST OF SERVICE										
OPERATIONS & MAINTENANCE	10,081,391	6,204,088	1,112,608	1,395,919	459,372	223,463	79,139	456,854	26,177	123,772
DEPRECIATION EXPENSE	3,064,247	1,695,922	303,583	517,436	180,472	111,003	14,655	161,039	13,499	66,639
TAXES OTHER	4,287,783	2,200,731	631,334	656,912	219,250	346,744	38,986	138,791	9,892	45,143
INCOME TAX	(807,397)	(336,823)	(58,073)	(172,031)	(86,794)	(146,144)	(1,413)	(4,084)	(776)	(1,259)
OPERATING INCOME	206,341	(295,952)	24,059	201,473	(42,409)	206,828	104,021	6,352	2,659	(691)
TEST-YEAR COST OF SERVICE	16,832,365	9,467,965	2,013,511	2,599,709	729,891	741,894	235,389	758,952	51,450	233,604
REV. REQ. AT TARGET RATE OF RETURN	16,832,365	9,467,965	2,013,511	2,599,709	729,891	741,894	235,389	758,952	51,450	233,604
LESS OTHER REVENUES	702,003	559,361	82,843	45,373	10,023	2,773	306	883	168	272
BASE REVENUE REQUIREMENT (includes GR and	16,130,362	8,908,604	1,930,668	2,554,335	719,868	739,120	235,083	758,068	51,282	233,331
TOTAL RETURN & INCOME TAXES	(601,057)	(632,775)	(34,013)	29,442	(129,203)	60,684	102,608	2,268	1,883	(1,951)
% OF RATE BASE	-1.3971%	-2.73%	-0.79%	0.38%	-4.56%	2.68%	61.39%	0.13%	1.29%	-0.29%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT OPERATING EXPENSES AT TARGET RATE OF RETURN										
DEMAND										
TRANSMISSION	567,684	166,389	26,951	68,956	30,970	274,243	33	95	18	29
DISTRIBUTION - PRIMARY	4,245,988	2,391,850	403,466	978,804	421,391	0	9,469	27,367	5,200	8,440
DISTRIBUTION - SECONDARY	2,507,901	1,479,770	249,132	580,130	167,641	0	5,858	16,931	3,217	5,222
TOTAL DEMAND	7,321,573	4,038,009	679,548	1,627,890	620,002	274,243	15,360	44,393	8,435	13,691
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	844,342	380,339	234,280	173,828	36,013	19,882	0	0	0	0
SERVICE DROPS	511,297	434,863	62,978	13,058	362	36	0	0	0	0
CUSTOMER ACCOUNTS	3,917,461	3,117,770	451,524	140,431	3,888	49,978	56,125	96,781	249	714
CUSTOMER SERVICE	184,168	156,637	22,685	4,703	130	13	0	0	0	0
OTHER	716,571	0	0	0	0	0	20,755	484,815	31,655	179,345
TOTAL CUSTOMER	6,173,839	4,089,609	771,467	332,020	40,393	69,910	76,880	581,597	31,905	180,059
REVENUE RELATED	3,938,010	1,973,122	596,510	610,356	198,700	337,057	40,540	130,694	9,227	41,804
TOTAL	17,433,421	10,100,740	2,047,524	2,570,267	859,094	681,210	132,781	756,684	49,567	235,554

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT RETURN AND INCOME TAXES AT TARGET RATE OF RETURN										
DEMAND										
TRANSMISSION	11,774	(36,154)	(1,705)	2,089	(11,253)	58,634	161	1	2	(1)
DISTRIBUTION - PRIMARY	(330,772)	(276,480)	(13,578)	15,772	(81,454)	0	24,633	154	283	(102)
DISTRIBUTION - SECONDARY	(165,826)	(149,597)	(8,507)	9,485	(32,882)	0	15,464	97	178	(64)
TOTAL DEMAND	(484,825)	(462,232)	(23,790)	27,346	(125,589)	58,634	40,258	252	463	(167)
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	(27,164)	(22,219)	(3,985)	1,416	(3,518)	1,143	0	0	0	0
SERVICE DROPS	(106,691)	(102,658)	(4,328)	430	(143)	8	0	0	0	0
CUSTOMER ACCOUNTS	(23,199)	(47,409)	(1,999)	298	(99)	970	24,947	93	2	(1)
CUSTOMER SERVICE	672	646	27	(3)	1	(0)	0	0	0	0
OTHER	39,646	0	0	0	0	0	38,084	1,928	1,421	(1,786)
TOTAL CUSTOMER	(116,736)	(171,640)	(10,285)	2,140	(3,759)	2,121	63,031	2,021	1,423	(1,787)
REVENUE RELATED	504	1,097	61	(44)	145	(71)	(680)	(5)	(3)	3
TOTAL	(601,057)	(632,775)	(34,013)	29,442	(129,203)	60,684	102,608	2,268	1,883	(1,951)

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT										
TOTAL REVENUE REQUIREMENT										
REVENUE RELATED UNDISTRIBUTED										
DEMAND										
TRANSMISSION	579,458	130,235	25,246	71,045	19,717	332,878	193	96	20	29
DISTRIBUTION - PRIMARY	3,915,216	2,115,370	389,888	994,576	339,937	0	34,102	27,522	5,484	8,338
DISTRIBUTION - SECONDARY	2,342,075	1,330,173	240,624	589,615	134,759	0	21,322	17,028	3,395	5,158
TOTAL DEMAND	6,836,748	3,575,778	655,758	1,655,236	494,413	332,878	55,618	44,646	8,899	13,524
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	817,179	358,120	230,295	175,244	32,495	21,025	0	0	0	0
SERVICE DROPS	404,605	332,205	58,650	13,488	219	45	0	0	0	0
CUSTOMER ACCOUNTS	3,894,262	3,070,361	449,525	140,728	3,789	50,948	81,072	96,874	252	713
CUSTOMER SERVICE	184,840	157,283	22,712	4,701	131	13	0	0	0	0
OTHER	756,217	0	0	0	0	0	58,839	486,743	33,076	177,559
TOTAL CUSTOMER	6,057,103	3,917,968	761,182	334,161	36,634	72,030	139,911	583,617	33,327	178,272
REVENUE RELATED	3,938,514	1,974,220	596,571	610,313	198,845	336,986	39,860	130,689	9,224	41,808
TOTAL	16,832,365	9,467,965	2,013,511	2,599,709	729,891	741,894	235,389	758,952	51,450	233,604

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT										
TOTAL REVENUE REQUIREMENT										
REVENUE RELATED DISTRIBUTED										
LESS OTHER REVENUES										
DEMAND										
TRANSMISSION	647,742	127,816	25,153	74,882	21,560	397,980	200	100	21	30
DISTRIBUTION - PRIMARY	3,962,894	2,076,086	388,450	1,048,294	371,720	0	35,342	28,616	5,716	8,670
DISTRIBUTION - SECONDARY	2,362,732	1,305,470	239,737	621,461	147,359	0	22,097	17,706	3,539	5,363
TOTAL DEMAND	6,973,368	3,509,372	653,340	1,744,637	540,639	397,980	57,639	46,422	9,276	14,063
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	826,294	351,469	229,446	184,709	35,533	25,137	0	0	0	0
SERVICE DROPS	398,977	326,035	58,433	14,216	239	53	0	0	0	0
CUSTOMER ACCOUNTS	3,860,343	3,013,342	447,868	148,329	4,143	60,912	84,018	100,728	262	741
CUSTOMER SERVICE	182,104	154,362	22,628	4,955	143	16	0	0	0	0
OTHER	786,192	0	0	0	0	0	60,977	506,105	34,480	184,629
TOTAL CUSTOMER	6,053,910	3,845,208	758,375	352,209	40,059	86,118	144,995	606,833	34,743	185,370
TOTAL	13,027,278	7,354,580	1,411,715	2,096,846	580,698	484,098	202,635	653,254	44,019	199,433

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT BILLING DETERMINANTS PROPOSED RATES										
DEMAND (ANNUAL KW)										
BILLING DEMANDS FOR TRANSMISSION	1,133,803			583,848	130,229	419,726				
DISTRIBUTION - PRIMARY	714,077			583,848	130,229	0				
DISTRIBUTION - SECONDARY	714,077			583,848	130,229	0				
TOTAL DEMAND TO PRIMARY	714,077			583,848	130,229	0				
TOTAL DEMAND TO SECONDARY	714,077			583,848	130,229	0				
ENERGY (KWH)										
TRANSMISSION ENERGY	780,004,211	325,395,385	56,102,488	166,194,581	83,849,371	141,186,123	1,364,976	3,945,022	749,614	1,216,651
CUSTOMER ($/CUSTOMER/MONTH)	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
METERS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
SERVICE DROPS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
CUSTOMER ACCOUNTS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
CUSTOMER SERVICE	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
OTHER	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
TOTAL CUSTOMER	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT										
UNIT COSTS										
AT TARGET RATE OF RETURN										
DEMAND ($/KW/MONTH)										
TRANSMISSION				0.128	0.166	0.948				
DISTRIBUTION - PRIMARY				1.795	2.854					
DISTRIBUTION - SECONDARY				1.064	1.132					
TOTAL DEMAND TO PRIMARY				$1.924	$3.020	$0.948				
TOTAL DEMAND TO SECONDARY				$2.988	$4.151	$0.948				
DEMAND ($/KWH)										
TRANSMISSION	0.000830	0.000393	0.000448	0.000451	0.000257	0.002819	0.000147	0.000025	0.000028	0.000024
DISTRIBUTION - PRIMARY	0.005081	0.006380	0.006924	0.006308	0.004433	0.000000	0.025892	0.007254	0.007626	0.007126
DISTRIBUTION - SECONDARY	0.003029	0.004012	0.004273	0.003739	0.001757	0.000000	0.016189	0.004488	0.004721	0.004408
TOTAL DEMAND TO PRIMARY	$0.005911	$0.006773	$0.007372	$0.006758	$0.004690	$0.002819	$0.026038	$0.007279	$0.007653	$0.007151
TOTAL DEMAND TO SECONDARY	$0.008940	$0.010785	$0.011645	$0.010498	$0.006448	$0.002819	$0.042227	$0.011767	$0.012375	$0.011559
ENERGY										
TRANSMISSION	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000
CUSTOMER ($/CUSTOMER/MONTH)										
METERS	$2.195	$1.217	$5.488	$21.307	$148.054	$1,047.384	$0.000	$0.000	$0.000	$0.000
SERVICE DROPS	1.060	1.129	1.398	1.640	0.997	2.219	0.000	0.000	0.000	0.000
CUSTOMER ACCOUNTS	10.255	10.438	10.712	17.111	17.264	2537.992	6.224	4.327	4.374	4.314
CUSTOMER SERVICE	0.484	0.535	0.541	0.572	0.597	0.646	0.000	0.000	0.000	0.000
OTHER	2.088	0.000	0.000	0.000	0.000	0.000	4.517	21.741	574.668	1074.611
TOTAL CUSTOMER	$16.082	$13.319	$18.139	$40.630	$166.912	$3,588.241	$10.740	$26.068	$579.042	$1,078.925

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-1	SL-2	SL-3
REVENUE REQUIREMENT AT TARGET RATE OF RETURN											
RATE BASE	43,020,996	22,950,694	4,280,127	7,898,707	2,899,608	2,249,486	154,478	1,735,047	0	150,331	702,518
EARNED RETURN	3,471,880	1,804,336	539,594	610,242	6,323	237,699	211,267	21,025	0	11,579	29,815
EARNED RATE OF RETURN	8.07%	7.86%	12.61%	7.73%	0.22%	10.57%	136.76%	1.21%		7.70%	4.24%
TARGET RATE OF RETURN	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%
TARGET RETURN	3,471,794	1,852,121	345,406	637,426	233,998	181,534	12,466	140,018	0	12,132	56,693
REQUIRED INCREASE IN RETURN	(85)	47,785	(194,188)	27,183	227,676	(56,165)	(198,801)	118,994	0	553	26,878
REQUIRED INCREASE IN REVENUE	(137)	76,825	(312,198)	43,703	366,036	(90,297)	(319,613)	191,307	-	889	43,212
BASE REVENUES	18,225,053	10,443,504	2,115,616	2,935,584	871,047	484,098	243,161	783,905	0	62,947	285,189
REQUIRED % INCREASE/ BASE REVENUES	0.00%	0.74%	-14.76%	1.49%	42.02%	-18.65%	-131.44%	24.40%		1.41%	15.15%
INCREASE INDEX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	N/A
INCREMENTAL TAXES AS % OF RETURN											
INCOME	60.7708%										
REVENUE	0.0000%										
ATTENDANT INCR. IN TAXES	(52)	29,039	(118,010)	16,520	138,360	(34,132)	(120,813)	72,313	0	336	16,334
ATTENDANT INCR. IN REVENUE TAXES	0	0	0	0	0	0	0	0	0	0	0
PLUS TEST-YEAR COST OF SERVICE											
OPERATIONS & MAINTENANCE	10,081,391	5,967,096	1,112,239	1,539,723	523,318	210,463	70,002	487,338	0	29,849	141,362
DEPRECIATION EXPENSE	3,064,247	1,670,334	303,324	533,531	187,438	109,734	13,326	164,080	0	13,903	68,578
TAXES OTHER	4,287,783	2,190,601	643,090	671,751	230,596	329,119	34,338	130,477	0	10,376	47,436
INCOME TAX	1,177,048	980,725	137,362	85,281	77,894	(160,952)	(56,430)	75,682	0	4,790	32,697
OPERATING INCOME	3,471,880	1,804,336	539,594	610,242	6,323	237,699	211,267	21,025	0	11,579	29,815
TEST-YEAR COST OF SERVICE	22,082,297	12,642,131	2,617,600	3,457,047	1,163,929	691,930	151,691	950,914	0	70,833	336,223
REV. REQ. AT TARGET RATE OF RETURN	22,082,212	12,689,916	2,423,412	3,484,230	1,391,605	635,765	(47,110)	1,069,908	0	71,385	363,101
LESS OTHER REVENUES	754,213	602,468	89,120	47,274	10,380	3,312	311	899	0	171	277
BASE REVENUE REQUIREMENT (includes GR and	21,327,999	12,087,448	2,334,291	3,436,956	1,381,225	632,453	(47,421)	1,069,009	0	71,214	362,823
TOTAL RETURN & INCOME TAXES	4,648,791	2,861,885	364,759	739,226	450,253	(13,551)	(164,776)	288,013	0	17,257	105,724
% OF RATE BASE	10.8059%	12.47%	8.52%	9.36%	15.53%	-0.60%	-106.67%	16.60%		11.48%	15.05%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-1	SL-2	SL-3
REVENUE REQUIREMENT OPERATING EXPENSES AT TARGET RATE OF RETURN											
DEMAND											
TRANSMISSION	567,684	166,389	26,951	68,956	30,970	274,243	33	95	0	18	29
DISTRIBUTION - PRIMARY	4,794,548	2,700,865	455,591	1,105,261	475,832	0	10,692	30,903	0	5,872	9,531
DISTRIBUTION - SECONDARY	2,761,709	1,629,528	274,345	638,841	184,607	0	6,451	18,645	0	3,543	5,750
TOTAL DEMAND	8,123,941	4,496,782	756,887	1,813,057	691,409	274,243	17,176	49,643	0	9,433	15,310
ENERGY											
TRANSMISSION	0	0	0	0	0	0	0	0	0	0	0
CUSTOMER											
METERS	969,606	436,765	269,037	199,617	41,356	22,832	0	0	0	0	0
SERVICE DROPS	526,284	447,610	64,824	13,441	372	37	0	0	0	0	0
CUSTOMER ACCOUNTS	2,888,745	2,299,948	333,085	103,594	2,868	36,594	41,092	70,858	0	183	523
CUSTOMER SERVICE	184,168	156,637	22,685	4,703	130	13	0	0	0	0	0
OTHER	802,667	0	0	0	0	0	23,338	545,143	0	35,134	199,052
TOTAL CUSTOMER	5,371,471	3,340,960	689,630	321,355	44,726	59,476	64,430	616,001	0	35,316	199,575
REVENUE RELATED	3,938,010	1,990,289	612,136	610,591	205,217	315,596	36,060	116,251	0	9,379	42,492
TOTAL	17,433,421	9,828,031	2,058,653	2,745,004	941,352	649,316	117,666	781,895	0	54,128	257,377

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-1	SL-2	SL-3
REVENUE REQUIREMENT RETURN AND INCOME TAXES AT TARGET RATE OF RETURN											
DEMAND											
TRANSMISSION	260,031	165,280	18,296	51,408	38,309	(13,160)	(279)	125	0	16	35
DISTRIBUTION - PRIMARY	2,115,255	1,298,156	149,655	398,707	284,799	0	(43,961)	19,773	0	2,598	5,528
DISTRIBUTION - SECONDARY	1,136,283	700,472	93,206	238,349	114,278	0	(27,432)	12,338	0	1,621	3,450
TOTAL DEMAND	3,511,568	2,163,908	261,157	688,464	437,386	(13,160)	(71,673)	32,237	0	4,236	9,013
ENERGY											
TRANSMISSION	0	0	0	0	0	0	0	0	0	0	0
CUSTOMER											
METERS	202,642	107,824	45,391	36,985	12,714	(272)	0	0	0	0	0
SERVICE DROPS	528,404	470,720	46,590	10,609	487	(2)	0	0	0	0	0
CUSTOMER ACCOUNTS	125,881	127,481	12,618	4,310	198	(128)	(25,497)	6,842	0	12	46
CUSTOMER SERVICE	(3,318)	(2,955)	(293)	(67)	(3)	0	0	0	0	0	0
OTHER	290,693	0	0	0	0	0	(68,621)	249,443	0	13,037	96,833
TOTAL CUSTOMER	1,144,302	703,069	104,306	51,837	13,396	(402)	(94,118)	256,286	0	13,050	96,878
REVENUE RELATED	(7,079)	(5,092)	(705)	(1,074)	(529)	11	1,014	(509)	0	(28)	(168)
TOTAL	4,648,791	2,861,885	364,759	739,226	450,253	(13,551)	(164,776)	288,013	0	17,257	105,724

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-1	SL-2	SL-3
REVENUE REQUIREMENT											
TOTAL REVENUE REQUIREMENT											
REVENUE RELATED UNDISTRIBUTED											
DEMAND											
TRANSMISSION	827,715	331,669	45,247	120,365	69,278	261,083	(246)	220	0	35	64
DISTRIBUTION - PRIMARY	6,909,803	3,999,021	605,247	1,503,967	760,631	0	(33,269)	50,676	0	8,470	15,059
DISTRIBUTION - SECONDARY	3,897,991	2,330,000	367,551	877,189	298,885	0	(20,981)	30,983	0	5,164	9,200
TOTAL DEMAND	11,635,509	6,660,690	1,018,044	2,501,521	1,128,795	261,083	(54,496)	81,879	0	13,669	24,323
ENERGY											
TRANSMISSION	0	0	0	0	0	0	0	0	0	0	0
CUSTOMER											
METERS	1,172,248	544,589	314,428	236,602	54,069	22,560	0	0	0	0	0
SERVICE DROPS	1,054,688	918,330	111,414	24,049	859	35	0	0	0	0	0
CUSTOMER ACCOUNTS	3,014,626	2,427,429	345,703	107,904	3,066	36,466	15,595	77,701	0	195	569
CUSTOMER SERVICE	180,850	153,681	22,392	4,637	127	13	0	0	0	0	0
OTHER	1,093,360	0	0	0	0	0	(45,282)	794,586	0	48,171	295,885
TOTAL CUSTOMER	6,515,772	4,044,029	793,937	373,192	58,122	59,074	(29,688)	872,287	0	48,366	296,454
REVENUE RELATED	3,930,931	1,985,197	611,431	609,517	204,688	315,608	37,074	115,742	0	9,350	42,324
TOTAL	22,082,212	12,689,916	2,423,412	3,484,230	1,391,605	635,765	(47,110)	1,069,908	0	71,385	363,101

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-1	SL-2	SL-3
REVENUE REQUIREMENT											
TOTAL REVENUE REQUIREMENT											
REVENUE RELATED DISTRIBUTED											
LESS OTHER REVENUES											
DEMAND											
TRANSMISSION	889,180	325,955	45,033	124,743	72,207	321,138	(224)	225		36	66
DISTRIBUTION - PRIMARY	6,929,695	3,930,137	602,387	1,558,677	792,780	0	(30,213)	51,794		8,716	15,417
DISTRIBUTION - SECONDARY	3,903,641	2,289,866	365,814	909,099	311,518	0	(19,054)	31,667		5,314	9,419
TOTAL DEMAND	11,722,516	6,545,959	1,013,233	2,592,519	1,176,505	321,138	(49,491)	83,685	0	14,066	24,901
ENERGY											
TRANSMISSION	0	0	0	0	0	0	0	0		0	0
CUSTOMER											
METERS	1,177,463	535,209	312,942	245,209	56,355	27,749	0	0		0	0
SERVICE DROPS	1,039,262	902,511	110,888	24,924	896	43	0	0		0	0
CUSTOMER ACCOUNTS	2,983,923	2,385,616	344,069	111,829	3,196	44,854	14,162	79,414		200	582
CUSTOMER SERVICE	178,274	151,034	22,286	4,806	133	16	0	0		0	0
OTHER	1,123,476	0	0	0	0	0	(41,123)	812,112		49,569	302,918
TOTAL CUSTOMER	6,502,399	3,974,370	790,185	386,768	60,579	72,662	(26,961)	891,527	0	49,770	303,500
TOTAL	18,224,915	10,520,329	1,803,418	2,979,287	1,237,084	393,800	(76,452)	975,212	0	63,835	328,401

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-1	SL-2	SL-3
REVENUE REQUIREMENT BILLING DETERMINANTS PROPOSED RATES											
DEMAND (ANNUAL KW)											
BILLING DEMANDS FOR TRANSMISSION	1,133,803			583,848	130,229	419,726					
DISTRIBUTION - PRIMARY	714,077			583,848	130,229	0					
DISTRIBUTION - SECONDARY	714,077			583,848	130,229	0					
TOTAL DEMAND TO PRIMARY	714,077			583,848	130,229	0					
TOTAL DEMAND TO SECONDARY	714,077			583,848	130,229	0					
ENERGY (KWH)											
TRANSMISSION ENERGY	780,004,211	325,395,385	56,102,488	166,194,581	83,849,371	141,186,123	1,364,976	3,945,022	0	749,614	1,216,651
CUSTOMER ($/CUSTOMER/MONTH)	376,443	288,690	41,809	8,669	240	24	13,500	23,279		60	172
METERS	376,443	288,690	41,809	8,669	240	24	13,500	23,279		60	172
SERVICE DROPS	376,443	288,690	41,809	8,669	240	24	13,500	23,279		60	172
CUSTOMER ACCOUNTS	376,443	288,690	41,809	8,669	240	24	13,500	23,279		60	172
CUSTOMER SERVICE	376,443	288,690	41,809	8,669	240	24	13,500	23,279		60	172
OTHER	376,443	288,690	41,809	8,669	240	24	13,500	23,279		60	172
TOTAL CUSTOMER	376,443	288,690	41,809	8,669	240	24	13,500	23,279		60	172

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-1	SL-2	SL-3
REVENUE REQUIREMENT UNIT COSTS AT TARGET RATE OF RETURN											
DEMAND ($/KW/MONTH)											
TRANSMISSION				0.214	0.554	0.765					
DISTRIBUTION - PRIMARY				2.670	6.088	.					
DISTRIBUTION - SECONDARY				1.557	2.392	.					
TOTAL DEMAND TO PRIMARY				$2.883	$6.642	$0.765					
TOTAL DEMAND TO SECONDARY				$4.440	$9.034	$0.765					
DEMAND ($/KWH)											
TRANSMISSION	0.001140	0.001002	0.000803	0.000751	0.000861	0.002275	-0.000164	0.000057	#DIV/0!	0.000047	0.000054
DISTRIBUTION - PRIMARY	0.008884	0.012078	0.010737	0.009379	0.009455	0.000000	-0.022135	0.013129	#DIV/0!	0.011628	0.012672
DISTRIBUTION - SECONDARY	0.005005	0.007037	0.006520	0.005470	0.003715	0.000000	-0.013959	0.008027	#DIV/0!	0.007089	0.007741
TOTAL DEMAND TO PRIMARY	$0.010024	$0.013080	$0.011540	$0.010129	$0.010316	$0.002275	($0.022298)	$0.013186	#DIV/0!	$0.011675	$0.012726
TOTAL DEMAND TO SECONDARY	$0.015029	$0.020117	$0.018060	$0.015599	$0.014031	$0.002275	($0.036258)	$0.021213	#DIV/0!	$0.018764	$0.020467
ENERGY											
TRANSMISSION	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	#DIV/0!	$0.000000	$0.000000
CUSTOMER ($/CUSTOMER/MONTH)											
METERS	$3.128	$1.854	$7.485	$28.286	$234.811	$1,156.205	$0.000	$0.000	#DIV/0!	$0.000	$0.000
SERVICE DROPS	2.761	3.126	2.652	2.875	3.732	1.810	0.000	0.000	#DIV/0!	0.000	0.000
CUSTOMER ACCOUNTS	7.927	8.264	8.230	12.900	13.315	1868.900	1.049	3.411	#DIV/0!	3.341	3.389
CUSTOMER SERVICE	0.474	0.523	0.533	0.554	0.552	0.668	0.000	0.000	#DIV/0!	0.000	0.000
OTHER	2.984	0.000	0.000	0.000	0.000	0.000	-3.046	34.886	#DIV/0!	826.155	1763.094
TOTAL CUSTOMER	$17.273	$13.767	$18.900	$44.616	$252.411	$3,027.584	($1.997)	$38.297	#DIV/0!	$829.496	$1,766.483

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT AT TARGET RATE OF RETURN										
RATE BASE	43,020,996	22,950,694	4,280,127	7,898,707	2,899,608	2,249,486	154,478	1,735,047	150,331	702,518
EARNED RETURN	3,471,880	1,804,336	539,594	610,242	6,323	237,699	211,267	21,025	11,579	29,815
EARNED RATE OF RETURN	8.07%	7.86%	12.61%	7.73%	0.22%	10.57%	136.76%	1.21%	7.70%	4.24%
TARGET RATE OF RETURN	8.07%	7.86%	12.61%	7.73%	0.22%	10.57%	136.76%	1.21%	0.00%	0.00%
TARGET RETURN	3,471,794	1,804,336	539,594	610,242	6,323	237,699	211,267	21,025	0	0
REQUIRED INCREASE IN RETURN	(85)	0	0	0	0	0	0	0	(11,579)	(29,815)
REQUIRED INCREASE IN REVENUE	(137)	-	-	-	-	-	-	-	(18,616)	(47,935)
BASE REVENUES	18,225,053	10,443,504	2,115,616	2,935,584	871,047	484,098	243,161	783,905	62,947	285,189
REQUIRED % INCREASE/ BASE REVENUES	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-29.57%	-16.81%
INCREASE INDEX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INCREMENTAL TAXES AS % OF RETURN										
INCOME	60.7708%									
REVENUE	0.0000%									
ATTENDANT INCR. IN TAXES	(52)	0	0	0	0	0	0	0	(7,037)	(18,119)
ATTENDANT INCR. IN REVENUE TAXES	0	0	0	0	0	0	0	0	0	0
PLUS TEST-YEAR COST OF SERVICE										
OPERATIONS & MAINTENANCE	10,081,391	5,967,096	1,112,239	1,539,723	523,318	210,463	70,002	487,338	29,849	141,362
DEPRECIATION EXPENSE	3,064,247	1,670,334	303,324	533,531	187,438	109,734	13,326	164,080	13,903	68,578
TAXES OTHER	4,287,783	2,190,601	643,090	671,751	230,596	329,119	34,338	130,477	10,376	47,436
INCOME TAX	1,177,048	980,725	137,362	85,281	77,894	(160,952)	(56,430)	75,682	4,790	32,697
OPERATING INCOME	3,471,880	1,804,336	539,594	610,242	6,323	237,699	211,267	21,025	11,579	29,815
TEST-YEAR COST OF SERVICE	22,082,297	12,613,092	2,735,609	3,440,527	1,025,569	726,062	272,503	878,601	63,460	301,770
REV. REQ. AT TARGET RATE OF RETURN	22,082,212	12,613,092	2,735,609	3,440,527	1,025,569	726,062	272,503	878,601	51,881	271,954
LESS OTHER REVENUES	754,213	602,468	89,120	47,274	10,380	3,312	311	899	171	277
BASE REVENUE REQUIREMENT (includes GR and	21,327,999	12,010,623	2,646,489	3,393,253	1,015,189	722,750	272,192	877,702	51,710	271,677
TOTAL RETURN & INCOME TAXES	4,648,791	2,785,061	676,957	695,523	84,217	76,746	154,837	96,706	(2,247)	14,578
% OF RATE BASE	10.8059%	12.13%	15.82%	8.81%	2.90%	3.41%	100.23%	5.57%	-1.49%	2.08%

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT OPERATING EXPENSES AT TARGET RATE OF RETURN										
DEMAND										
TRANSMISSION	567,684	166,389	26,951	68,956	30,970	274,243	33	95	18	29
DISTRIBUTION - PRIMARY	4,794,548	2,700,865	455,591	1,105,261	475,832	0	10,692	30,903	5,872	9,531
DISTRIBUTION - SECONDARY	2,761,709	1,629,528	274,345	638,841	184,607	0	6,451	18,645	3,543	5,750
TOTAL DEMAND	8,123,941	4,496,782	756,887	1,813,057	691,409	274,243	17,176	49,643	9,433	15,310
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	969,606	436,765	269,037	199,617	41,356	22,832	0	0	0	0
SERVICE DROPS	526,284	447,610	64,824	13,441	372	37	0	0	0	0
CUSTOMER ACCOUNTS	2,888,745	2,299,948	333,085	103,594	2,868	36,594	41,092	70,858	183	523
CUSTOMER SERVICE	184,168	156,637	22,685	4,703	130	13	0	0	0	0
OTHER	802,667	0	0	0	0	0	23,338	545,143	35,134	199,052
TOTAL CUSTOMER	5,371,471	3,340,960	689,630	321,355	44,726	59,476	64,430	616,001	35,316	199,575
REVENUE RELATED	3,938,010	1,990,289	612,136	610,591	205,217	315,596	36,060	116,251	9,379	42,492
TOTAL	17,433,421	9,828,031	2,058,653	2,745,004	941,352	649,316	117,666	781,895	54,128	257,377

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT RETURN AND INCOME TAXES AT TARGET RATE OF RETURN										
DEMAND										
TRANSMISSION	325,173	160,843	33,956	48,369	7,165	74,533	262	42	(2)	5
DISTRIBUTION - PRIMARY	2,017,832	1,263,308	277,746	375,135	53,270	0	41,310	6,639	(338)	762
DISTRIBUTION - SECONDARY	1,130,468	681,669	172,981	224,257	21,375	0	25,778	4,143	(211)	476
TOTAL DEMAND	3,473,473	2,105,820	484,683	647,762	81,810	74,533	67,349	10,824	(552)	1,243
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	227,890	104,930	84,242	34,799	2,378	1,542	0	0	0	0
SERVICE DROPS	554,633	458,084	86,466	9,981	91	11	0	0	0	0
CUSTOMER ACCOUNTS	178,553	124,059	23,417	4,055	37	725	23,959	2,297	(2)	6
CUSTOMER SERVICE	(3,482)	(2,876)	(543)	(63)	(1)	(0)	0	0	0	0
OTHER	159,891	0	0	0	0	0	64,481	83,756	(1,697)	13,352
TOTAL CUSTOMER	1,117,486	684,196	193,582	48,772	2,506	2,278	88,441	86,053	(1,699)	13,358
REVENUE RELATED	(8,581)	(4,955)	(1,308)	(1,011)	(99)	(65)	(953)	(171)	4	(23)
TOTAL	4,582,378	2,785,061	676,957	695,523	84,217	76,746	154,837	96,706	(2,247)	14,578

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT										
TOTAL REVENUE REQUIREMENT										
REVENUE RELATED UNDISTRIBUTED										
DEMAND										
TRANSMISSION	892,857	327,232	60,906	117,325	38,135	348,777	295	137	16	34
DISTRIBUTION - PRIMARY	6,812,379	3,964,173	733,337	1,480,396	529,102	0	52,002	37,542	5,534	10,293
DISTRIBUTION - SECONDARY	3,892,177	2,311,197	447,326	863,098	205,982	0	32,229	22,788	3,332	6,226
TOTAL DEMAND	11,597,413	6,602,602	1,241,569	2,460,819	773,219	348,777	84,526	60,467	8,881	16,553
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	1,197,497	541,695	353,279	234,415	43,734	24,374	0	0	0	0
SERVICE DROPS	1,080,917	905,693	151,290	23,422	463	48	0	0	0	0
CUSTOMER ACCOUNTS	3,067,299	2,424,007	356,502	107,649	2,905	37,319	65,051	73,156	181	529
CUSTOMER SERVICE	180,686	153,761	22,142	4,641	130	13	0	0	0	0
OTHER	962,559	0	0	0	0	0	87,820	628,899	33,436	212,404
TOTAL CUSTOMER	6,488,957	4,025,156	883,213	370,128	47,232	61,754	152,870	702,054	33,617	212,933
REVENUE RELATED	3,929,429	1,985,334	610,827	609,580	205,118	315,532	35,107	116,080	9,382	42,468
TOTAL	22,015,799	12,613,092	2,735,609	3,440,527	1,025,569	726,062	272,503	878,601	51,881	271,954

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT										
TOTAL REVENUE REQUIREMENT										
REVENUE RELATED DISTRIBUTED										
LESS OTHER REVENUES										
DEMAND										
TRANSMISSION	956,124	321,559	60,644	121,662	40,487	411,278	302	141	17	35
DISTRIBUTION - PRIMARY	6,830,739	3,895,446	730,174	1,535,114	561,731	0	53,265	38,595	5,772	10,641
DISTRIBUTION - SECONDARY	3,896,558	2,271,127	445,396	895,000	218,685	0	33,011	23,427	3,475	6,437
TOTAL DEMAND	11,683,421	6,488,132	1,236,213	2,551,776	820,903	411,278	86,579	62,163	9,264	17,113
ENERGY										
TRANSMISSION	0	0	0	0	0	0	0	0	0	0
CUSTOMER										
METERS	1,202,311	532,303	351,755	243,080	46,431	28,742	0	0	0	0
SERVICE DROPS	1,065,466	889,991	150,638	24,288	492	57	0	0	0	0
CUSTOMER ACCOUNTS	3,038,238	2,381,982	354,964	111,628	3,084	44,006	66,631	75,207	189	547
CUSTOMER SERVICE	178,106	151,095	22,046	4,812	138	15	0	0	0	0
OTHER	990,961	0	0	0	0	0	89,952	646,535	34,878	219,595
TOTAL CUSTOMER	6,475,081	3,955,372	879,402	383,808	50,145	72,820	156,583	721,743	35,067	220,142
TOTAL	18,158,502	10,443,504	2,115,616	2,935,584	871,047	484,098	243,161	783,905	44,331	237,255

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT BILLING DETERMINANTS PROPOSED RATES										
DEMAND (ANNUAL KW)										
BILLING DEMANDS FOR TRANSMISSION	1,133,803			583,848	130,229	419,726				
DISTRIBUTION - PRIMARY	714,077			583,848	130,229	0				
DISTRIBUTION - SECONDARY	714,077			583,848	130,229	0				
TOTAL DEMAND TO PRIMARY	714,077			583,848	130,229	0				
TOTAL DEMAND TO SECONDARY	714,077			583,848	130,229	0				
ENERGY (KWH)										
TRANSMISSION ENERGY	780,004,211	325,395,385	56,102,488	166,194,581	83,849,371	141,186,123	1,364,976	3,945,022	749,614	1,216,651
CUSTOMER ($/CUSTOMER/MONTH)	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
METERS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
SERVICE DROPS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
CUSTOMER ACCOUNTS	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
CUSTOMER SERVICE	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
OTHER	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172
TOTAL CUSTOMER	376,443	288,690	41,809	8,669	240	24	13,500	23,279	60	172

FLORIDA PUBLIC UTILITIES COMPANY
COST OF SERVICE STUDY
PRO FORMA TEST-YEAR ENDED 12/31/2008
PROPOSED RATES
REVENUE REQUIREMENTS

	Total Company	Residential Service	General Service	General Demand	General Dem. Large	General Dem large 1	OL	OL-2	SL-2	SL-3
REVENUE REQUIREMENT UNIT COSTS AT TARGET RATE OF RETURN										
DEMAND ($/KW/MONTH)										
TRANSMISSION				0.208	0.311	0.980				
DISTRIBUTION - PRIMARY				2.629	4.313	-				
DISTRIBUTION - SECONDARY				1.533	1.679	-				
TOTAL DEMAND TO PRIMARY				$2.838	$4.624	$0.980				
TOTAL DEMAND TO SECONDARY				$4.371	$6.304	$0.980				
DEMAND ($/KWH)										
TRANSMISSION	0.001226	0.000988	0.001081	0.000732	0.000483	0.002913	0.000221	0.000036	0.000022	0.000029
DISTRIBUTION - PRIMARY	0.008757	0.011971	0.013015	0.009237	0.006699	0.000000	0.039023	0.009783	0.007700	0.008746
DISTRIBUTION - SECONDARY	0.004996	0.006980	0.007939	0.005385	0.002608	0.000000	0.024185	0.005938	0.004636	0.005290
TOTAL DEMAND TO PRIMARY	$0.009983	$0.012960	$0.014096	$0.009969	$0.007182	$0.002913	$0.039244	$0.009819	$0.007723	$0.008775
TOTAL DEMAND TO SECONDARY	$0.014979	$0.019939	$0.022035	$0.015354	$0.009790	$0.002913	$0.063429	$0.015757	$0.012359	$0.014066
ENERGY										
TRANSMISSION	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000	$0.000000
CUSTOMER ($/CUSTOMER/MONTH)										
METERS	$3.194	$1.844	$8.413	$28.041	$193.462	$1,197.584	$0.000	$0.000	$0.000	$0.000
SERVICE DROPS	2.830	3.083	3.603	2.802	2.049	2.354	0.000	0.000	0.000	0.000
CUSTOMER ACCOUNTS	8.071	8.251	8.490	12.877	12.851	1833.588	4.936	3.231	3.147	3.185
CUSTOMER SERVICE	0.473	0.523	0.527	0.555	0.574	0.637	0.000	0.000	0.000	0.000
OTHER	2.632	0.000	0.000	0.000	0.000	0.000	6.663	27.773	581.302	1278.124
TOTAL CUSTOMER	$17.201	$13.701	$21.034	$44.275	$208.936	$3,034.163	$11.599	$31.004	$584.449	$1,281.309

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Class 12 CP load factors - load factors for Gulf Power for the years 2003 and 2006 were averaged by class.

Coincident factor (Coincideince of class maximum kW to coincident 12 CP) - Coincidence factors for Gulf Power for the years 2003 and 2006 were averaged by class.

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Line No.

Class 12 CP Load Factors

	Gulf		
	2003	2006	Average
RS	61.7%	58.0%	59.8%
GS	63.9%	63.9%	63.9%
GSD	72.8%	76.2%	74.5%
GSLD	78.8%	88.1%	83.5%

Coincidence Factors

	Gulf		
	2003	2006	Average
RS	63.8%	83.8%	73.8%
GS	69.6%	71.7%	70.7%
GSD	72.5%	75.3%	73.9%
GSLD	75.7%	77.4%	76.6%

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate		MWH Sales	Loss Factor to Primary (1.025)	MWH at Primary	Loss Factor to Supply	MWH at Source
RS		325,395	1.025	333,534	1.020	340,346
GS	Primary	112	1.000	112	1.020	114
	Secondary	55,991	1.025	57,391	1.020	58,563
GSD	Primary	7,188	1.000	7,188	1.020	7,334
	Secondary	159,007	1.025	162,984	1.020	166,312
GSLD	Primary	30,526	1.000	30,526	1.020	31,150
	Secondary	53,323	1.025	54,657	1.020	55,773
GSLD1	Transmission	141,186	1.000	141,186	1.020	144,070
	Primary	-				
	Secondary	-				
OL		5,310	1.025	5,443	1.020	5,554
SL		1,966	1.025	2,015	1.020	2,057
Total		780,004	10	795,035	10	811,273

Supporting Schedules:

Recap Schedules:

Appendix Sheet #3 | ESTIMATED 12CP's AT METERS | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate		MWH Sales	12 CP Load Factor	Estimated 12 CP (Average)
RS		325,395	59.8%	62,078
GS	Primary	112	63.9%	20
	Secondary	55,991	63.9%	10,004
GSD	Primary	7,188	74.5%	1,101
	Secondary	159,007	74.5%	24,366
GSLD	Primary	30,526	83.5%	4,175
	Secondary	53,323	83.5%	7,294
GSLD1	Transmission	141,186	83.5%	19,312
	Primary	-		
	Secondary	-		
OL		5,310	-	-
SL		1,966	-	-
Total		780,004		128,349

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate		Average 12 CP At Meters	Loss Factor To Primary 25% x 1.25	12 CP at Primary	Loss Factor Primary to Generation/Source See note 1	12 CP at Source KW
RS		62,078	1.031	64,019	1.025	65,602
GS	Primary	20	1.000	20	1.025	20
	Secondary	10,004	1.031	10,317	1.025	10,572
GSD	Primary	1,101	1.000	1,101	1.025	1,129
	Secondary	24,366	1.031	25,127	1.025	25,749
GSLD	Primary	4,175	1.000	4,175	1.025	4,279
	Secondary	7,294	1.031	7,522	1.025	7,708
GSLD1	Transmission	19,312	1.000	19,312	1.025	19,789
	Primary	-	1.000	-	1.025	-
	Secondary	-	1.031	-	1.025	-
OL		-			1.025	-
SL		-			1.025	-
Total		128,349		131,593		134,846

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate		Average 12 CP At Meters	Coincidence Factor	Class Maximum NCP at Meters
RS		62,078	73.8%	84,095
GS	Primary	20	70.7%	28
	Secondary	10,004	70.7%	14,158
GSD	Primary	1,101	73.9%	1,490
	Secondary	24,366	73.9%	32,968
GSLD	Primary	4,175	76.6%	5,454
	Secondary	7,294	76.6%	9,527
GSLD1	Transmission	19,312	76.6%	25,225
	Primary	-	76.6%	-
	Secondary	-	76.6%	-
OL		-		1,295
SL		-		480
Total		128,349		174,720

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

Type of Data Shown:
Projected Test Year 12/31/2008
Witness: Mark Cutshaw

Rate		Maximum NCP at Meters	Loss Factor To Primary	NCP at Primary	Loss Factor to Source	NCP at Supply
RS		84,095	1.031	86,724	1.025	88,868
GS	Primary	28	1.000	28	1.025	29
	Secondary	14,158	1.031	14,601	1.025	14,962
GSD	Primary	1,490	1.000	1,490	1.025	1,527
	Secondary	32,968	1.031	33,999	1.025	34,840
GSLD	Primary	5,454	1.000	5,454	1.025	5,589
	Secondary	9,527	1.031	9,825	1.025	10,068
GSLD1	Transmission	25,225	1.000	25,225	1.025	25,849
	Primary	-	1.000	-	1.025	-
	Secondary	-	1.031	-	1.025	-
OL		1,295	1.031	1,336	1.025	1,369
		-				
SL		480	1.031	495	1.025	507
Total		174,720		179,176		183,606

Supporting Schedules:

Recap Schedules:

Workpaper #1 - Factor 24 Account 364 - Poles						
Description	Total	Primary	Percent	Secondary	Percent	Total Percent
Poles 30' and under	$1,630,601	$32,612	2.0%	$1,597,989	98.0%	100.0%
35' Poles	$1,561,032	$1,404,929	90.0%	$156,103	10.0%	100.0%
40' Poles	$3,708,447	$3,671,363	99.0%	$37,084	1.0%	100.0%
45' Poles and Larger	$2,101,551	$2,101,551	100.0%	$0	0.0%	100.0%
Miscellaneous	$46,667	$46,667	100.0%	$0	0.0%	100.0%
Total	$9,048,298	$7,257,121	80.2%	$1,791,177	19.8%	100.0%

Workpaper #2

Accounts 365 & 367/366 - OH Conductors & UG Conductors, Conduit, Devices

Account 365 - Factor 25

Description	Total	Primary	Percent	Secondary	Percent	Total Percent
Conductors	$7,892,524	$4,735,514	60.0%	$3,157,010	40.0%	100.0%
Switches, Arrestors, Reclosers	$1,746,637	$1,746,637	100.0%	$0	0.0%	100.0%
Miscellaneous	$89,283	$53,570	60.0%	$35,713	40.0%	100.0%
Total	$9,728,444	$6,535,721	67.2%	$3,192,723	32.8%	100.0%
				$9,728,444	Check Value	

Account 367/366 - Factor 27

Description	Total	Primary	Percent	Secondary	Percent	Total Percent
Conductor	$4,111,071	$2,466,643	60.0%	$1,644,428	40.0%	100.0%
Conduit	$2,289,463	$1,373,678	60.0%	$915,785	40.0%	100.0%
Subtotal	$6,400,534	$3,840,320	60.0%	$2,560,214	40.0%	100.0%
Manholes, Vaults	$387,047	$387,047	100.0%	$0	0.0%	100.0%
Arrestors, Cutouts, Switches	$549,836	$549,836	100.0%	$0	0.0%	100.0%
Miscellaneous	$355,341	$213,205	60.0%	$142,136	40.0%	100.0%
Total	$7,692,758	$4,990,408	64.9%	$2,702,350	35.1%	100.0%

Workpaper #3
Account 370 - Meters

Description	Total	Residential	General Service	General Service Demand	General Service Large Demand	General Service Large Demand 1
Meter Enclosures & Hardware	$58,730	$29,141	$18,173	$8,877	$1,183	$1,355
Percentage	100.0%	49.62%	30.94%	15.12%	2.02%	2.31%
Meters	$2,906,639	$1,442,256	$899,415	$439,356	$58,572	$67,040
Percentage	100.0%	49.62%	30.94%	15.12%	2.02%	2.31%
Miscellaneous Meters	$73,188	$36,315	$22,647	$11,063	$1,475	$1,688
Percentage	100.0%	49.62%	30.94%	15.12%	2.02%	2.31%
Switches, Disconnects, Cutouts	$26,040	$0	$0	$0	$23,436	$2,604
Percentage	100.0%	0.00%	0.00%	0.00%	90.00%	10.00%
Metering Transformers	$303,722	$0	$0	$235,385	$60,744	$7,593
Percentage	100.0%	0.00%	0.00%	77.50%	20.00%	2.50%
Total	$3,368,319	$1,507,713	$940,235	$694,681	$145,411	$80,279
Percentage	100.0%	44.8%	27.9%	20.6%	4.3%	2.4%

Workpaper #4 - Factor 12 Account 371 - Customer Lights			
Description	Total	OL-1	OL-2
Overhead Poles	$35,826	$1,714	$34,112
Percentage	100.0%	4.8%	95.2%
OH Conductor	$33,670	$1,338	$32,332
Percentage	100.0%	4.0%	96.0%
Light Fixtures	$1,274,976	$50,648	$1,224,328
Percentage	100.0%	4.0%	96.0%
UG Poles	$310,601	$14,862	$295,739
Percentage	100.0%	4.8%	95.2%
UG Conductors	$43,742	$1,738	$42,004
Percentage	100.0%	4.0%	96.0%
Conduit	$8,196	$326	$7,870
Percentage	100.0%	4.0%	96.0%
Lights Fixtures	$410,822	$16,320	$394,502
Percentage	100.0%	4.0%	96.0%
Total	$2,117,833	$86,944	$2,030,889
Percentage	100.0%	4.1%	95.9%

	Number	Total Cost	Percentage
OL-1 Lights	325	$37,909	2.64%
OL-1 Poles	120	$23,084	1.61%
OL-2 Lights	4,271	$916,386	63.78%
OL-2 Poles	1,877	$459,357	31.97%
Total	6,593	$1,436,736	100.00%

	Total Cost	OL-1 %	OL-2 %
Total Light Percentage	$954,295	3.97%	96.03%
Total Pole Percentage	$482,441	4.78%	95.22%
Total	$1,436,736	4.25%	95.75%

Workpaper #5 - Factor 13 Account 373 - Street Lights				
Description	Total	SL-1	SL-2	SL-3
Poles	$246,857	$0	$24,024	$222,833
Percentage	100.0%	0.0%	9.7%	90.3%
Conductors	$162,501	$0	$26,565	$135,936
Percentage	100.0%	0.0%	16.3%	83.7%
Light Fixtures	$788,615	$0	$128,919	$659,696
Percentage	100.0%	0.0%	16.3%	83.7%
Miscellaneous Lights	$13,479	$0	$2,203	$11,276
Percentage	100.0%	0.0%	16.3%	83.7%
Transformers	$2,711	$0	$443	$2,268
Percentage	100.0%	0.0%	16.3%	83.7%
Total	$1,214,163	$0	$182,154	$1,032,009
Percentage	100.0%	0.0%	15.0%	85.0%

	Number	Total Cost	Percentage
SL-1 Lights	0	$0	0.00%
SL-1 Poles	0	$0	0.00%
SL-2 Lights	901	$134,771	14.37%
SL-2 Poles	40	$11,048	1.18%
SL-3 Lights	1,728	$689,643	73.53%
SL-3 Poles	231	$102,475	10.93%
Total	2,900	$937,937	100.00%

	Total Cost	SL - 1 %	SL-2 %	SL-3 %
Total Light Percentage	$824,414	0.00%	16.35%	83.65%
Total Pole Percentage	$113,523	0.00%	9.73%	90.27%
Total	$937,937	0.00%	15.55%	84.45%

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC DIVISION

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 070304-EI

MINIMUM FILING REQUIREMENTS
SCHEDULE F – MISCELLANEOUS SCHEDULES

AUGUST 2007

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 070304-EI

MINIMUM FILING REQUIREMENTS

MISCELLANEOUS SCHEDULES

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FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a copy of the most recent Annual Report to Shareholders and all subsequent Quarterly Reports. The company shall file all Quarterly and Annual Reports as they become available during the proceeding.

Type of Data Shown:
Projected Test Year Ended 12/31/2008
Prior Year Ended 12/31/2007
Historical Test Year Ended 12/31/2006
Witness: George Bachman

See attached 2006 Annual Report and 1st and 2nd Quarter 2007 Form 10Qs.

Supporting Schedules:

Recap Schedules:



2006 ANNUAL REPORT

FLORIDA PUBLIC UTILITIES

To Our Shareholders:

Net income for 2006 decreased to $4,169,000 versus $4,248,000 for 2005. Earnings per share were $.69 for 2006 as compared to $.71 for the previous year. Higher natural gas prices and mild weather contributed to lower than projected sales in our natural gas and propane segments in 2006. Partially offsetting lower sales was continuing customer growth notwithstanding a declining new housing market.

Higher expenses for employee benefits, depreciation and customer service contributed to lower earnings in 2006. Customer service costs in our West Palm Beach division increased due to additional personnel added to our call center to diminish customer hold time. Call volumes increased significantly following the 2004 and 2005 hurricane seasons as area residents embraced the advantages of natural and propane gas as an energy source for fueling generators, meal preparation and water heating.

For many years our electric customers have experienced the lowest rates in Florida. We were able to shield our customers from increasing electric bills during the last ten years because of a fixed fuel price in our electric supply contracts. Our long-term supply contracts with the JEA, formerly the Jacksonville Electric Authority and Gulf Power Company were scheduled to terminate at the end of 2007. In the spring of 2005, we engaged a consultant to assist us in requesting and reviewing proposals and negotiating supply contracts with qualified bidders. The process resulted in signing new ten-year contracts with both incumbents. Electric costs have escalated since the old contracts were negotiated more than ten years ago and consequently these new contracts will bring the rates we charge our customers closer to market. We are pleased to be able to continue our long-standing and excellent relationships with the JEA and Gulf Power.

In 2006, earnings from our natural gas segment were greater than authorized by the Florida Public Service Commission (FPSC). Accordingly, we have reduced revenues by recording an estimated over-earnings obligation of $72,000. As reported in last year's Letter to Shareholders, earnings from our natural gas operations for 2005 were also greater than authorized. We currently have an estimated over-earnings of $650,000 recorded for 2005. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency. The actual amounts of over-earnings are ultimately determined by the FPSC.

In early 2006, the FPSC held workshops to discover what utilities in Florida are doing to minimize future storm damage and customer outages. The workshops resulted in the FPSC requiring utilities to meet new storm 'hardening' regulations. Storm 'hardening' is a catch-all phrase that encompasses a variety of efforts made by utilities to strengthen power systems in order to minimize damage caused by hurricanes. Some of the new requirements include additional tree trimming, more frequent pole inspections, and stringent construction criteria for new and existing overhead electric lines and improved communications and coordination with local emergency operations centers. Utilities must start complying with the new regulations in 2007. We anticipate these new requirements will increase operating and maintenance expenses and require additional capital expenditures annually for the replacement of distribution and

transmission poles. We will petition the FPSC early in 2007 to authorize us to recover these additional expenses through a surcharge on our customers' bills. We are hopeful the FPSC will agree with our request and, in so doing, neutralize any effect on Company earnings. If the FPSC denies our request, we will petition for rate relief in order to recover the mandated expenses.

We continue to work towards becoming compliant with the Sarbanes-Oxley Section 404 requirements. We anticipate being in compliance with Section 404 in all material respects later this year. The process to become compliant has resulted in increased auditing and accounting expenses that will be ongoing. The benefit for small company shareholders has been challenged by many and we remain hopeful that future legislation or revised interpretations of existing legislation will ease the burden on our shareholders.

On a positive note, we added 2,400 natural gas and propane customers in 2006. We continue to focus on growing our core businesses by seeking opportunities to partner with developers and builders by offering them the advantages of natural gas and propane for their developments. Also, we are constantly looking for opportunities to expand our service territories. We have negotiated with Indiantown Gas Company to allow us to provide natural gas service to new residential developments in the vicinity of Indiantown and for Indiantown Gas to provide transportation services. The resulting agreement, which included transportation rates, was recently approved by the FPSC. The agreement allows us to construct the natural gas distribution system in new developments and for Indiantown Gas to deliver the gas to the developments. The initial residential subdivision is presently under construction and we are installing natural gas mains to serve approximately 100 homes. The next two developments are scheduled to break ground in 2007 for a total of 1,000 homes. Over the next ten years there is the possibility of serving 7,000 customers.

I am pleased to report our Board of Directors increased the annual dividend for the tenth consecutive year. Our dividend has increased in 34 of the past 36 years. The current annual dividend of $.43 per share is an increase of 4.1% over the previous annual amount.

We thank you for your continuing investment in Florida Public Utilities Company.



Business

General

Florida Public Utilities Company (FPU) was incorporated on March 6, 1924 and reincorporated on April 29, 1925 under the 1925 Florida Corporation Law. We provide natural gas, electricity and propane gas to residential, commercial and industrial customers in Florida. We do not produce energy and are not a generating utility. Our regulated segments sell natural gas and electricity to approximately 82,000 customers, and our unregulated segment sells propane gas through a wholly owned subsidiary, Flo-Gas Corporation, to approximately 13,000 customers. We also sell merchandise and other service related products on a limited basis as a complement to the natural and propane gas segments.

Our three primary business segments are aligned with our products and are natural gas, electric and propane gas. The Florida Public Service Commission (FPSC) regulates the natural gas and electric segments. We operate through five divisions based on geographic areas:

(1) South Florida Division - provides natural and propane gas to customers in West Palm Beach, Palm Beach Gardens, North Palm Beach, Jupiter, Riviera Beach, Palm Beach, Lake Worth, Royal Palm Beach, Wellington, Boynton Beach, Delray Beach, Boca Raton, Lauderdale Lakes, Deerfield Beach, Stuart, Palm City and other areas near these cities.

(2) Central Florida Division - provides natural and propane gas to customers in Sanford, Deland, Deltona, DeBary, Orange City, Lake Mary, Winter Springs, New Smyrna Beach, Edgewater, Longwood, Port Orange and other areas near these cities.

(3) Northwest Florida Division - provides electricity to customers in Marianna, Bristol, Altha, Cottondale, Malone, Alford and other areas near these cities.

(4) Northeast Florida Division - provides electricity and propane gas to customers in Fernandina Beach, Jacksonville, Callahan, Yulee and other areas near these cities.

(5) West Florida Division - provides propane gas to customers in Dunnellon, Inglis, Crystal River, Inverness, Brooksville and other areas near these cities.

Business Environment

Natural and propane gas are some of the most popular forms of energy today. Gas is used for heating, cooling, cooking, backup generation and decorative lighting by businesses and homeowners and in many other ways by various industries. Natural gas is also used in combination with other fuels to improve environmental performance and decrease pollution in the generation of electricity.

Natural and propane gas have seen increased demand in Florida as a result of the recent hurricanes and the popularity of generators. Generators themselves do not impact usage significantly for a region; however, gas appliances have been added as a result of generator popularity, and that does increase gas usage. Prices of natural and propane gas have decreased during 2006 due in part to the absence of a hurricane affecting the Gulf of Mexico.

As a result of historically high natural gas costs in 2005, alternatives such as coal and nuclear power for generation of electricity have seen increased interest. Our sales in the electric segment have not been impacted by higher electricity costs due to our long-term favorable fixed price contracts for purchasing electricity. However, our long-term contract ended at the end of 2006 for our Northeast division and our long-term contract will end at the end of 2007 for our Northwest

division. We now have new contracts in place with pricing much closer to current market price. Our electric prices are expected to significantly increase. Although this will not directly impact our income from operations because increased fuel costs are passed through to the customer, this may impact the number of units sold and decrease income from operations as a result of less usage.

Because of the hurricanes in 2004 and 2005, the electric industry in Florida has seen increased interest in improving reliability of electric services during and after hurricanes. Regulators have been researching the issue and have introduced new storm preparedness requirements to improve electric reliability with storm preparedness rules regarding pole inspections, strengthened design specifications for wind loading, vegetation management practices and installation of underground facilities for electric distribution and transmission systems. We are seeking rate relief and implementation for these new requirements in 2007.

Business Segments
We are organized in three operating and reporting segments: natural gas, electric and propane gas. We are also involved in limited merchandise sales and other services within our natural gas and propane gas areas to complement these segments. For information concerning revenues, operating income and identifiable assets of each of our segments, see Note 13 in Notes to Consolidated Financial Statements.

Natural Gas
Natural gas is primarily composed of methane, which is a colorless, odorless fuel that burns cleaner than many other traditional fossil fuels. Odorant is added to enable easy detection of a gas leak.

We provide natural gas to customers in our South and Central Florida divisions. The vast majority of the natural gas we distribute is purchased in the Gulf Coast region, both onshore and offshore.

We use Florida Gas Transmission (FGT) as our natural gas pipeline in peninsular Florida. FGT is under the jurisdiction of the Federal Energy Regulatory Commission (FERC). We use gas marketers and producers to procure all gas supplies for our markets. We use Florida City Gas and Indiantown Gas Company to provide wholesale gas transportation services in areas distant from our interconnections with FGT. We pass all fuel costs on to our customers. We also transport natural gas for customers who purchase their own gas supplies and arrange for pipeline transportation. Our operating results are not adversely affected if our customers purchase gas from third parties because we do not profit on the fuel portion of sales.

Our natural gas revenues are affected by the rates charged to customers, supply costs for natural gas purchased for resale, economic conditions in our service areas and weather. Although the FPSC permits us to pass through to customers the increase in price for our gas supply, higher rates may cause customers to purchase less natural gas.

Our current portfolio of natural gas customers is reasonably diverse, with the largest customer using natural gas for the generation of electricity. We are not dependent on any single natural gas customer for over ten percent of our total natural gas revenues.

The FPSC approved joint transportation and territorial agreements with Indiantown Gas Company in October 2006. We plan to transport natural gas through Indiantown's system to new developments. In the early phase, Indiantown Gas Company will provide operational and

customer service related work. We also began construction in the Indiantown area to install natural gas mains in the first phase of a development for approximately 100 homes. Two more new developments are slated to break ground in 2007 for construction of approximately 1,000 homes.

Electric

We provide electricity to our customers in our Northwest and Northeast Florida divisions. Wholesale electricity is purchased from two suppliers; Gulf Power Company and JEA (formerly Jacksonville Electric Authority). In 1996, we executed ten-year fixed-price purchased power contracts with both suppliers. Gulf Power Company provides electric power to the Northwest division and JEA provides electric power to the Northeast division. These long-term contracts provided our customers with the lowest consumer electric rates in Florida.

During 2006 we completed negotiations and executed final contracts for the supply of electricity in our Northeast division from JEA beginning January 1, 2007 and our Northwest division from Gulf Power Company beginning in January 1, 2008. We are seeking approval of the contract with Gulf Power Company from the FPSC in 2007. We expect that rates charged to our customers will significantly increase when the new contracts become effective in 2007 and 2008 because the prices are closer to market price. We are unable to estimate what impact higher rates could have on electric consumption, but electricity usage could decrease.

The Northwest and Northeast divisions experience a variety of weather patterns. Hot summers and cold winters produce year-round electric sales that normally do not have highly seasonal fluctuations. None of the electric segment's customers represent more than ten percent of our total electric revenues.

The electric utility industry has not been deregulated in the state of Florida. All customers within a given service or franchise area purchase from a single electricity provider in that area.

Propane Gas

We provide propane gas to customers in our Northeast, West, Central and South Florida divisions and can purchase our propane gas supply from several different wholesale companies. Propane gas is delivered to Florida by barges and railcars to terminals in Tampa and Ft. Lauderdale, and through the Dixie Pipeline terminus at Alma and Albany, Georgia. Propane gas is also delivered by transport to our facilities and directly to a customer's premise. We believe that the propane gas supply infrastructure is adequate to meet the needs of the industry in Florida for the foreseeable future.

Propane gas is not as affected by environmental regulations as other petroleum products. However, propane gas is a hazardous material and as such is subject to strict code enforcement and safety requirements.

As with natural gas, the sales volume of propane gas is affected by the season and the weather. Typically, Florida has a tourist season that coincides with the winter months. The propane gas segment's sales volumes and revenues are closely balanced between residential and commercial customers. We employ two strategies to become less weather dependent, concentrating on the forklift propane gas cylinder exchange market and marketing propane gas appliances not used for heating air. We believe that water heaters and forklift cylinder exchange accounts are good ways to become less weather reliant. None of the propane gas segment's customers represent more than ten percent of our total propane gas sales volume or revenues.

Strategy

Our strategy is to leverage our expertise in the natural gas, electric and propane gas distribution business to assist us in consistently meeting our customer's expectations. Our core focus is to build mutually beneficial relationships with builders, developers and customers with high-energy usage requirements. Included in our strategy is a plan to enhance our future success by expanding our service territory into new areas with high growth potential.

Competition

We do not face substantial competition in our electric divisions. This is because no other competitor can currently provide the same energy in our areas due to FPSC regulations and territorial agreements between utilities. In addition, natural gas as an alternative fuel is only available in a small area served by our electric divisions. Although our natural gas segment operates with the same types of guidelines, there is competition in our natural gas segment from electric utilities. Normally each home will have electricity as a base fuel and natural gas as an alternative source of energy used for cooking and heating. Electricity competes with natural gas, in large part based on the cost of fuel. Our propane gas segment is unregulated and faces competition from other suppliers of propane gas as well as alternative energy source suppliers. Competition in the propane gas segment is primarily based on price and service.

Rates and Regulation

The natural gas and electric segments are highly regulated by the FPSC. The FPSC has the authority to regulate our rates, conditions of service, issuance of securities and certain other matters affecting our natural gas and electric operations. As a result, FPSC regulation has a significant effect on our results of operations. The FPSC approves rates that are intended to permit a specified rate of return on investment. Our rate tariffs allow the cost of natural gas and electricity to be passed through to customers. Increases in the operating expenses of the regulated segments may require us to request increases in the rates charged to our customers. The FPSC has granted us the flexibility of automatically passing on increased expenses for certain fuel costs to customers. Other operational expenses, such as pension and medical expenses require us to petition the FPSC for rate increases. The FPSC is likely to grant rate increases to offset increased expenditures necessary for business operations. We successfully petitioned for an electric rate increase, which became effective on March 17, 2004, and for a natural gas rate increase that went into effect on November 18, 2004. We are currently seeking electric rate relief in 2007 for the recent storm preparedness requirements implemented to improve reliability of electric utility systems.

We are subject to federal and state regulation with respect to soil, groundwater, employee health and safety matters and to environmental regulations issued by the Florida Department of Environmental Protection (FDEP), the United States Environmental Protection Agency (EPA) and other federal and state agencies.

Prior to the widespread availability of natural gas, we manufactured gas for sale to our customers or purchased utility assets from other companies that manufactured gas. The process for manufacturing gas produced by-products and residuals such as coal tar. The remnants of these residuals are sometimes found at former gas manufacturing sites. These sites face environmental regulation from various agencies including the FDEP and EPA on necessary cleanup and restoration.

Franchises

We hold franchises in each of the incorporated municipalities that require franchise agreements in order to provide natural gas and electricity. Generally, these franchises have terms ranging

from 10 to 30 years and terminate on varying dates. We are currently in negotiations with certain municipalities for new service areas within our current operating divisions, and renewals of existing franchises. We continue to provide services to these municipalities and do not anticipate any interruption in our service.

Employees

As of January 18, 2007, we had 362 employees, of which 9 were part-time and 2 were temporary. Of these employees, 175 were covered under union contracts with two labor unions, the Internal Brotherhood of Electric Workers and the International Chemical Workers Union. We believe that our labor relations with employees are good.

Available Information

We file periodic reports including our Form 10-Qs, Form 10-Ks, and Form 8-Ks with the Securities and Exchange Commission (SEC). The most recent copies of Form 10-Qs and Form 10-Ks as well as a copy of our Code of Ethics Policy can be obtained through our website (http://www.fpuc.com).

Properties

We have natural gas, electric and propane gas utility related properties. These properties include transmission, distribution, storage and general facilities at various locations in our service areas. We do not have generating facilities. We maintain property that is adequate for our current operations and we expand our existing facilities as required by growth or other operational needs.

We own natural gas mains that distribute gas through 1,558 miles of pipe located in Central and South Florida. Additionally, we have adequate gate stations in each distribution system.

In the electric segment, we own 22 miles of electric transmission lines located in Northeast Florida and 1,082 miles of electric distribution lines located in Northeast and Northwest Florida. The distribution lines are installed both under and above ground with many of the coastal locations having under ground facilities. All transmission lines are installed above ground. Additionally, we own various substations and regulator stations that are used in our operations.

Our propane gas segment has bulk storage facilities and tank installations on the customers' premises. We also have 16 community gas systems that distribute propane gas to customers in a specific area. These systems are subject to the Federal Department of Transportation Office of Pipeline Safety Regulations.

We own office and warehouse facilities in Northwest, Northeast, Central, West and South Florida, which are used for our operations and materials storage by the natural gas, electric, and propane gas segments. We also have various easements and other assets located throughout our service areas that are utilized by all of our operations.

We also own a three-story building in West Palm Beach, where our corporate headquarters is located.

All of our property is subject to a lien collateralizing our funded indebtedness under our Mortgage Indenture as discussed in Note 1-I in Notes to Consolidated Financial Statements.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Quarterly Stock Prices and Dividends Paid

Our common shares are traded on the American Stock Exchange under the symbol FPU. The quarterly dividends declared and the reported last sale price range per share of our common stock for the most recent two years were as follows:

	2006			2005		
	Stock Prices		Dividends	Stock Prices *		Dividends
Quarter ended	Low	High	Declared	Low	High	Declared*
March 31	$13.25	$14.50	$0.1033	$11.47	$13.49	$0.1000
June 30	11.86	14.40	0.1075	11.45	12.67	0.1033
September 30	12.61	14.42	0.1075	12.67	16.84	0.1033
December 31	13.10	14.05	0.1075	13.46	16.44	0.1033

* On July 25, 2005 we issued a three for two stock split in the form of a stock dividend to our shareholders of record on July 15, 2005. All common share information has been restated to reflect the stock split.

As of February 16, 2007, there were approximately 3,900 holders of record of our common shares.

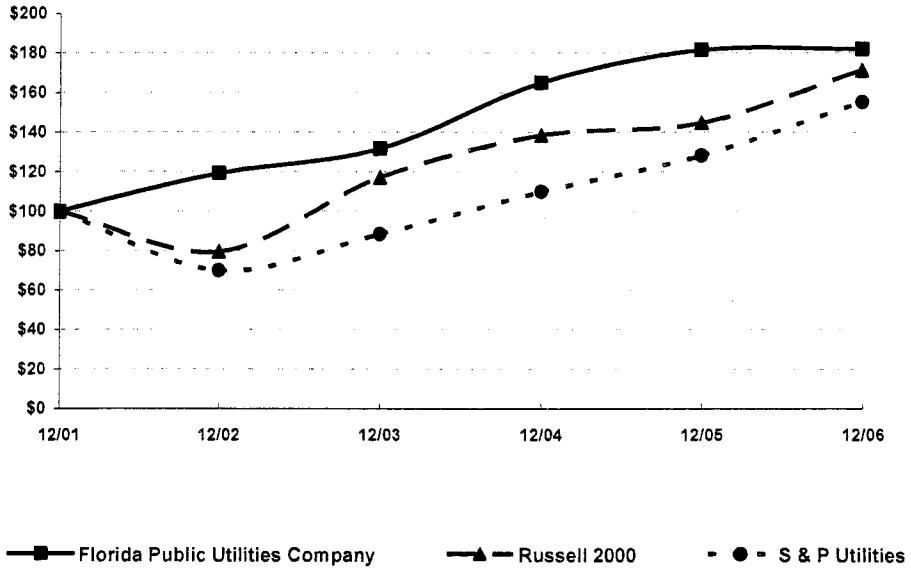
We intend to continue to pay quarterly cash dividends for the foreseeable future. Our dividend policy is reviewed on an ongoing basis by our Board of Directors and is dependent upon future earnings, cash flow, financial condition, capital requirements and other factors. Our Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At December 31, 2006, approximately $9 million of retained earnings were free of such restriction and therefore available for the payment of dividends.

PERFORMANCE GRAPH

The following graph compares the yearly percentage change and the cumulative total of shareholder return on the Company's common stock with the cumulative return on the Russell 2000 Index (Russell 2000) and Standard & Poor's Utilities Index (S&P Utilities) for the last five calendar years. These comparisons assume the investment of $100 in the Company's common stock and each of the indices on January 1, 2001 and the reinvestment of dividends. The stock price performance shown in the graph below should not be considered indicative of future stock performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Florida Public Utilities Company, The Russell 2000 Index
And The S & P Utilities Index



* $100 invested on 12/31/01 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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www.researchdatagroup.com/S&P.htm

	12/01	12/02	12/03	12/04	12/05	12/06
Florida Public Utilities Company	100.00	119.25	131.72	165.01	181.67	182.09
Russell 2000	100.00	79.52	117.09	138.55	144.86	171.47
S & P Utilities	100.00	70.01	88.39	109.85	128.35	155.29

Selected Financial Data

(Dollars in thousands, except per share data)

Years Ended December 31,	2006	2005	2004	2003	2002
Revenues	$ 134,393	$ 130,023	$ 110,039	$ 102,723	$ 88,461
Gross profit	$ 48,422	$ 47,219	$ 40,689	$ 37,733	$ 34,929
Earnings:					
Continuing operations	$ 4,169	$ 4,248	$ 3,594	$ 2,522	$ 2,761
Discontinued operations (1)	-	-	-	9,901	602
Net income	$ 4,169	$ 4,248	$ 3,594	$ 12,423	$ 3,363
Earnings per common share (basic and diluted):					
Continuing operations	$ 0.69	$ 0.71	$ 0.60	$ 0.43	$ 0.47
Discontinued operations (1)	-	-	-	1.69	0.10
Total	$ 0.69	$ 0.71	$ 0.60	$ 2.12	$ 0.57
Dividends declared per common share	$ 0.43	$ 0.41	$ 0.40	$ 0.39	$ 0.38
Total assets	$ 180,913	$ 182,666	$ 170,503	$ 160,944	$ 148,487
Utility plant – net	$ 129,211	$ 123,061	$ 117,191	$ 107,942	$ 103,357
Current debt	$ 3,466	$ 9,558	$ 5,825	$ 2,278	$ 19,183
Long-term debt	$ 50,702	$ 50,620	$ 50,538	$ 50,454	$ 50,367
Common shareholders' equity	$ 47,572	$ 45,503	$ 43,213	$ 41,463	$ 30,883

Note to the Selected Financial Data:

(1) On December 3, 2002, FPU entered into an agreement to sell the assets of its water utility system to the City of Fernandina Beach. The transaction closed on March 27, 2003. Revenues, Gross profit and Utility plant-net do not include discontinued operations.

Management's Discussion and Analysis of Financial Condition and Results of Operation

RESULTS OF OPERATIONS

General

Effects of seasonal weather conditions, the timing of rate increases, fluctuations in demand due to the cost of fuel passed on to customers and the migration of winter residents and tourists to Florida during the winter season all have an impact on income.

Revenues and Gross Profit Summary

Revenues include cost recovery revenues. The FPSC allows cost recovery revenues to directly recover costs of fuel, conservation and revenue-based taxes in our natural gas and electric segments. Revenues collected for these expenses have no effect on results of operations and fluctuations could distort the relationship of revenues between periods. Gross profit is defined as gross operating revenues less fuel, conservation and revenue-based taxes that are passed directly through to customers. Because gross profit eliminates these cost recovery revenues, we believe it provides a more meaningful basis for evaluating utility revenues. The following summary compares gross profit between periods and units sold in One thousand Dekatherm (MDth) (gas) and Megawatt Hour (MWH) (electric).

Revenues and Gross Profit
(Dollars in thousands)

	Year Ended December 31,		
	2006	2005	2004
Natural Gas			
Revenues	$71,139	$69,094	$55,962
Cost of fuel and other pass through costs	43,909	42,815	34,232
Gross Profit	$27,230	$26,279	$21,730
Units sold: (MDth)	6,230	6,224	6,124
Electric			
Revenues	$48,527	$47,450	$42,910
Cost of fuel and other pass through costs	34,259	33,352	29,732
Gross Profit	$14,268	$14,098	$13,178
Units sold: (MWH)	849,124	814,353	766,349
Propane Gas			
Revenues	$14,727	$13,479	$11,167
Cost of fuel and other pass through costs	7,803	6,637	5,386
Gross Profit	$ 6,924	$6,842	$5,781
Units sold: (MDth)	621	640	614
Consolidated			
Revenues	$134,393	$130,023	$110,039
Cost of fuel and other pass through costs	85,971	82,804	69,350
Gross Profit	$ 48,422	$ 47,219	$ 40,689

Natural Gas

Natural gas revenues increased $2.0 million, or 3% in 2006 over 2005 primarily due to increased revenue collected for taxes passed directly through to customers. A change in legislature regarding the calculation of Gross Receipts tax became effective January 1, 2006, and along with an increase to overall revenues, increased these taxes paid by our customers by approximately $500,000. Franchise fee revenues also increased by approximately $500,000 due to increased rates and area expansion.

Natural gas gross profit increased by $951,000, or 4% in 2006 over 2005. We had higher revenue and gross profit in 2006 compared to 2005 primarily due to billed revenue not exceeding the FPSC allowable earnings as much as in the prior year. In 2006, we reduced billed revenues and gross profit by our estimate of over-earnings of $72,000 for the year. Our estimate for 2005 was recorded at $700,000 in 2005 and we reduced that estimate in 2006 by $50,000 to $650,000. The combined effect of this was to increase our revenues and gross profit over the prior year by approximately $678,000. Other factors contributing to the increase in revenues and gross profit were 2% customer growth and storm surcharge revenues, which became effective November 2005. The revenues and gross profit increases were slightly offset by the loss of approximately $100,000 of revenue from two customers who went off-line for several months to do maintenance work.

Natural gas revenues increased $13.1 million in 2005 over 2004 primarily due to an $8.6 million increase in the cost of fuel and other costs that were passed through to customers. The cost of natural gas increased significantly over prior years, partially as a result of hurricanes and their impact on supplies. Gross profit increased $4.5 million, or 21%, primarily as a result of rate relief effective in November 2004, normal customer growth and a 2% increase in units sold. Offsetting these increases was the estimated over-earnings for 2005 of $700,000, which reduced revenues and gross profit.

Electric

Electric revenues increased $1.1 million in 2006 over 2005. Cost of fuel and other costs that were passed through to customers contributed approximately $900,000 of the increase. Gross profit increased $170,000 or 1% in 2006 over 2005. The increase in gross profit was primarily due to a slight increase in customer growth and units sold.

Electric revenues increased $4.5 million in 2005 over 2004. Cost of fuel and other costs that were passed through to customers contributed $3.6 million of the increase. Gross profit increased $920,000 or 7% in 2005 over 2004. The increase in gross profit was primarily due to a 6% increase in units sold along with the rate increases granted in March 2004. A large distribution center was built in our Northwest division and increased revenues by approximately $700,000 and gross profit by approximately $91,000 in 2005 over 2004.

Propane Gas

Propane revenues increased $1.2 million, or 9% and gross profit increased $82,000 or 1% in 2006 compared to 2005. Revenues increased primarily due to rising fuel costs. Although customers increased by 5% in 2006, the usage per customer declined by 8% contributing to a decrease of 3% in units sold. Warmer weather was the primary reason for this decrease in usage per customer in 2006 compared to 2005. The increase in gross profit was minimal when compared to last year primarily due to pre-buy gains of $383,000 realized in 2005 but not in 2006.

Propane revenues increased $2.3 million and gross profit increased $1.1 million or 18% in 2005 compared to 2004. The Company realized gains of approximately $383,000 as a result of buying propane supplies before market price increases. The remaining increase of 12% from the previous year resulted from propane unit sales increasing 4% due primarily to a 13% growth in residential bulk customers and units sold.

Operating Expenses

Operating expenses include operation, maintenance, depreciation, amortization and taxes other than income taxes, and exclude fuel costs, conservation and taxes based on revenues that are directly passed through to customers and recovered in revenues.

Operating Expenses
(Dollars in thousands)

	Year Ended December 31,		
	2006	2005	2004
Natural gas	$ 21,112	$ 20,230	$ 16,752
Electric	11,215	10,596	9,825
Propane gas	5,918	5,756	5,126
Total Operating Expenses	$ 38,245	$ 36,582	$ 31,703

Natural Gas

Natural gas operating expenses increased $882,000, or 4%, in 2006 as compared with 2005. Outside of the normal inflationary impacts on our expenses, customer account expenses increased by $237,000 as a result of our customer service focus initiated in 2005 based on our strategic plan. We continued the focus on this area and increased the number of employees in an effort to respond more effectively to customers. Bad debt provision increased $49,000 over the prior year primarily due to increasing revenues, aging accounts receivable on several major accounts, and the slowing housing economy. We increased our collection efforts in the fourth quarter of 2006 and will continue to do so in 2007.

In 2006 we had additional increases of $90,000 to sales expense resulting from initiatives to boost sales by increasing sales staff. Depreciation expense increased $137,000 principally due to construction of mains and new meters to distribute gas to a growing number of new developments in South Florida and increasing capacity requirements for existing customers.

Natural gas operating expenses increased $3.5 million or 21%, in 2005 as compared with 2004. Amortization expense increased $1 million. The bare steel replacement program and recovery of future environmental costs approved in our 2004 natural gas rate proceeding were the primary reasons for this increase. We are currently under a 50-year program to replace all bare steel mains and service lines with coated steel and polyethylene lines. We have received approval to recover the funds necessary to replace these mains and services over the 50-year period. Pursuant to an FPSC mandate, we accrue an amortization expense as an offset to the revenues received, and record a contribution reducing the related construction expenditures. The FPSC also approved recovery of our expected environmental liability over a 20-year period.

Customer account expense increased $373,000 in 2005 as compared to 2004 primarily due to increased payroll expenses for additional staffing and facility and equipment upgrades. There were also increased bad debt provisions as a result of the increases in accounts receivable due to general and fuel rate increases. The purchase of additional safety equipment, tools, hardware and office furniture contributed to a $942,000 increase in other operating expense. Other items affecting expenses included a research marketing study to provide us with data to better serve our customers and additional payroll expenses relating to hurricane preparedness and wage increases. Maintenance expense increased by $208,000 primarily due to maintenance expenditures in Central Florida for cleaning and painting a distribution regulator and gate stations and the purchase of maintenance related safety equipment and tools.

Electric

Electric operating expenses increased $619,000, or 6%, in 2006 as compared with 2005. As a result of our efforts to inform and educate our electric customers about the expected 2007 and

2008 fuel rate increases in upcoming bills, sales expense increased by $120,000. Customer account expenses increased $106,000 in 2006 over the prior year mainly due to increased bad debt provisions due to higher sales and slower housing economy. Depreciation expense increased $202,000 largely due to major construction work done in the latter part of 2005 and the beginning of 2006. This included the rebuilding of a transmission sub-station, the rebuilding of an entire distribution sub-station with two transformers and the replacement of a failed sub-distribution station transformer. Additional significant work on transformers is expected in 2008.

Electric operating expenses increased $771,000, or 8%, in 2005 as compared with 2004. As we continued to focus on improving service reliability, we increased maintenance expense by $397,000 for additional tree trimming and the use of a temporary mobile substation while a new transformer was purchased and put into service. Depreciation expense increased $100,000 due to normal increases in plant assets. In 2005, other operating expenses increased $114,000 due to a shift from work on capital assets to operational needs along with personnel raises.

Propane Gas

Propane gas operating expenses increased $162,000, or 3%, in 2006 as compared with 2005. Depreciation expense increased $99,000 for the addition of plant assets including a propane gas delivery system that will increase the efficiency of our deliveries and improve our overall customer satisfaction. Aging accounts receivable, slowing housing economy and increasing revenues contributed to an increase in our bad debt expense over the prior year.

Propane gas operating expenses increased $630,000, or 12%, in 2005 as compared with 2004. As we continued to focus on increasing our propane gas business, other operating costs increased $467,000. We placed additional emphasis in the sales area, which resulted in signing up new housing developments that will utilize propane gas. We incurred increased expenditures for piping homes, delivering propane gas, implementing a new delivery system and increasing commission payments. This increased effort in our sales area contributed to an increase of 150 customers and 4% overall units sold in our propane gas segment.

Administrative Expenses

Administrative expenses increased $487,000, or 6%, in 2006 over 2005. These expenses generally are related to all of our operating segments. To continue to adequately support our internal and external customers, we increased staffing in our administrative areas. Payroll increases of $322,000 related to an increased number of employees, annual pay raises and normal inflationary impacts. In 2006, we discontinued eligibility to our defined benefit pension plan for new employees and replaced the defined benefit pension plan with a 401K-match plan for new employees. This change will take time to reduce pension expense; we had an increase of $203,000 in our pension expenses in 2006. Medical costs increased $120,000 over the prior year and these costs are expected to continue to rise.

Regulatory storm surcharge expenses approved in our 2005 natural gas petition increased natural gas expenses by $180,000.

Administrative expenses increased $996,000, or 13%, in 2005 over 2004. Pension expense increased $274,000 due to our estimate that the return on the pension's assets will not keep pace with growing pension liabilities. Medical insurance premiums continue to rise, increasing $130,000 in 2005. Compliance costs related to Sarbanes-Oxley and internal control requirements, as well as audit fees, increased outside services expenses by $156,000. With the impact from our focus on hurricane preparations and the 2005 hurricanes, our safety expense increased by

$235,000. A portion of this increase related to compensation for an additional safety employee and costs for a new safety incentive program.

Total Other Income and Deductions

Other income and deductions include revenues and expenses from sales and installation, service of merchandise, gains or losses on disposal of property, interest expense and other income and expenses. The largest components of this section are merchandise sales, services income and interest expenses. Our service activities include the installation of merchandise and other contract work. Interest expense consists of interest on bonds, short-term borrowings and customer deposits.

Merchandise and Services Revenue and Expenses

Although merchandise and services revenue decreased by approximately $268,000 in 2006, the overall profitability in this area increased by $325,000 compared to 2005. This was primarily a result of significant strategic changes made by management. These changes included revising the product markup structure, increasing installation fees and increasing employee training. We experienced a revenue decrease due to lower demand for merchandise as a result of a quiet hurricane season and the slow down of new construction projects in our areas due to the downturn in the housing market.

Merchandise and services revenues and expenses increased in 2005 from 2004 but profitability decreased $114,000. We experienced an increase in revenues and cost of sales primarily due to an increased demand for electric to gas conversions and installations of customer owned propane gas tanks to supply back-up generators. We had increased expenses from sub-contractors that were not passed on to customers in sales prices.

Interest Expenses

In 2005, total interest expense increased $106,000. Interest on short-term debt increased $37,000. This was due to the increase in the average outstanding loan balance on the line of credit and higher interest rates. Interest on customer deposits increased $48,000 due to increased customer deposits primarily as a result of additional deposits required after implementing increased rates in our natural gas operation.

Other

Other revenues increased $51,000 compared to 2005 due to additional interest income associated with the sale of the water assets.

Income Taxes

Income tax expense decreased in 2006 over the normal tax rate on net income by $67,000. This decrease was due to tax return adjustments related to the regulatory deferred tax liabilities.

Income tax expense decreased in 2005 over the normal tax rate on net income by $43,000. Tax return adjustments related to the sale of our water assets and the regulatory deferred tax liabilities decreased expenses by $118,000. We had an offsetting increase of $75,000 related to our IRS audit of the 2002 and 2003 income tax returns.

Liquidity and Capital Resources

Summary of Primary Sources and Uses of Cash

(Dollars in thousands)

	Year Ended December 31,		
	2006	**2005**	**2004**

Sources of Cash:			
Operating activities, including working capital changes	$20,090	$10,213	$11,673
Net proceeds on short-term debt	-	3,733	3,547
Other sources of cash	1,179	1,214	648
Uses of Cash:			
Construction expenditures	13,116	12,441	13,731
Dividends paid	2,551	2,448	2,368
Net payment on short-term debt	6,092	-	-
Other uses of cash	121	75	129
Net (use) source of cash	$ (611)	$ 196	$ (360)

Cash Flows

Operating Activities

Net cash flow provided by continuing operating activities increased in 2006 by approximately $10 million compared to 2005. Fuel and other pass through costs accounted for $6.5 million of the increase. This increase resulted from the collection of the prior year's under-recoveries of $3.4 million and over-recoveries of $3.1 million in 2006. Amounts over-recovered will be refunded to customers in subsequent calendar years. Lower fuel costs during the latter part of the year in our natural gas segment contributed to a decrease in receivables and increase in cash of $3 million. The lower fuel costs and timing of payments to our major fuel suppliers resulted in a decrease to operating cash of $1 million. Income taxes paid increased by approximately $600,000 primarily due to the tax effect of the collection of prior year's fuel under-recoveries.

Net cash flow provided by continuing operating activities decreased in 2005 by approximately $1.5 million compared to 2004. Payments for fuel exceeded the amount collected from customers by an additional $3.1 million in 2005. The under-recovery of fuel costs is collected in the following calendar year. Income tax payments increased approximately $1.5 million, primarily as a result of less tax depreciation and higher income. The deduction for tax depreciation was higher in 2004 as a result of bonus depreciation, resulting in lower taxes in that year. We also received a refund in 2004 relating to the deferral of the gain on our water assets sale.

Offsetting the decreases to 2005 cash flow was additional cash received from rate increases in our natural gas segment. The rate increases also contributed to an increase to accounts receivable of $4 million. Accounts payable increased $3.3 million in 2005 primarily due to the increased cost of fuel in our natural gas segment.

Investing Activities

Capital expenditures increased in 2006 compared to 2005 by approximately $700,000. The increase in 2006 included expenditures for transportation equipment in our electric segment for approximately $400,000, vehicles in our natural gas segment above 2005 levels of approximately $600,000, and various other typical capital expenditures. Offsetting total 2006 increases was a $663,000 transformer replacement in 2005.

Capital expenditures decreased in 2005 compared to 2004 by approximately $1.3 million. In 2004, there were large projects to rebuild two substations in our electric segment and additional propane community gas systems costing approximately $3.3 million. In 2005 such expenditures were lower and consisted of the purchase of a transformer in our electric segment for $663,000, a new natural gas mapping system to track our assets used in serving our customers for approximately $300,000, a propane delivery system for approximately $300,000, additional propane community gas systems for approximately $300,000 and other various capital expenditures.

Financing Activities
Short-term borrowings decreased by $6 million in 2006. Over-recovery of fuel costs provided a large source of cash during 2006 as well as the recovery of the prior year's under-recovery of fuel costs in 2006, reducing the need for short-term borrowings.

Although additional sources of cash were provided by our rate increases and lower construction expenditures in 2005, the additional expenditures from the under-recovery of fuel costs and additional income taxes increased our short-term debt. Short-term borrowings increased in 2005 over 2004 by approximately $3.7 million.

Capital Resources
We currently have a $12 million line of credit, which expires on July 1, 2008. Upon 30 days notice by us we can increase the line of credit to a maximum of $20 million. The line of credit contains affirmative and negative covenants that, if violated, would give the bank the right to accelerate the due date of the loan to be immediately payable. The covenants include certain financial ratios. All ratios are currently met and management believes we are in full compliance with all covenants and anticipates continued compliance. We reserve $1 million of the line of credit to cover expenses for any major storm repairs in our electric segment and an additional $250,000 for a letter of credit insuring propane gas facilities. As of December 31, 2006, the amount borrowed on the line of credit was $3.5 million. The line of credit, long-term debt and preferred stock as of December 31, 2006 comprised 54% of total capitalization and debt.

In prior years we periodically paid off short-term borrowings under lines of credit using the net proceeds from the sale of long-term debt or equity securities. We may use similar types of proceeds in the future to pay off short-term borrowings, dependent on the amount borrowed from the line of credit, prevailing market conditions for debt and equity, the impact to our financial covenants and the effect on income.

Our 1942 Indenture of Mortgage and Deed of Trust, which is a mortgage on all real and personal property, permits the issuance of additional bonds based upon a calculation of unencumbered net real and personal property. At December 31, 2006, such calculation would permit the issuance of approximately $39.3 million of additional bonds.

On November 30, 2006 we received approval from the FPSC to issue and sell or exchange an additional amount of $45 million in any combination of long-term debt, short-term notes and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety during calendar year 2007. We will seek approval from the FPSC in 2007 for any possible financing in 2008.

We have $3.4 million in invested funds for payment of future environmental costs. We expect to use some of these funds in 2007.

Capital Requirements
Portions of our business are seasonal and dependent upon weather conditions in Florida. This factor affects the sale of electricity and gas and impacts the cash provided by operations. Construction costs also impact cash requirements throughout the year. Cash needs for operations and construction are met partially through short-term borrowings from our line of credit.

Capital expenditures are expected to be higher in 2007 compared to 2006 by approximately $3.9 million. The primary reason for the expected increase in expenditures is the anticipated purchase

of land for a new South Florida division office. The current division office is on environmentally impacted property, which requires relocating the office to allow for clean up of the property. It is not possible to rebuild at the current location since the property has been rezoned with a residential designation. The estimated cost of land is $3.8 million. We are planning to build and complete this new facility in the next five years. We do not have any commitments for capital expenditures in 2007 other than vehicles of approximately $102,000.

Cash requirements will increase significantly in the future due to environmental clean up costs, sinking fund payments on long-term debt and pension contributions. Environmental clean up is forecast to require payments of approximately $600,000 in 2007, with remaining payments, which could total approximately $13.1 million, beginning in 2008. Annual long-term debt sinking fund payments of approximately $1.4 million will begin in 2008 and will continue for eleven years. Based on current projections, we will make voluntary contributions in our defined benefit pension plan of $250,000 in 2007 and $500,000 in 2008. Required contributions will begin in 2009 and are forecast to be approximately $2 million in 2009 and 2010.

Based on our current expectations for cash needs, including the possible land purchase and related South Florida office construction, we may choose to consider an equity or debt financing in 2008 to address those cash needs. The need and timing will depend upon operational requirements, environmental expenditures, pension contributions and construction expenditures and cannot be precisely predicted at this time. In addition, if we experience significant environmental expenditures in the next two or three years it is possible we may need to raise additional funds. If interest rates remain favorable we may consider re-financing one of our mortgage bonds. If refinancing is deemed beneficial, we may re-issue the bond for additional principal. There can be no assurance, however, that equity or debt transaction financing will be available on favorable terms or at all when we make the decision to proceed with a financing transaction.

Outlook

Pension and Insurance Expenses

Insurance costs have been increasing and are expected to continue to increase while we expect pension costs to decrease. Pension expenses increased $203,000 in 2006 and our actuarial estimates show pension expense increasing by an additional $90,000 in 2007. Insurance expenses including Medical, Liability and Workers' Compensation increased $70,000 in 2006 and are expected to increase further in 2007.

The regulated segments received rate relief for some of the historical pension and insurance increases in 2003 and 2004. Increases beyond those experienced through 2005, which are allocated to the regulated segments, may require requesting future rate relief. The propane gas segment may recover these expenses by increasing rates, depending on market conditions in the propane gas industry and the ability to remain competitive.

In an effort to keep pension expenses low, we discontinued eligibility to our pension plan for all new hires.

For new hires not eligible for the defined benefit pension plan, we established an employer match to the employee's contribution to their 401K plans. It provided for a company match of 50% for each dollar contributed by the employee, up to 6% of their salary, for a company contribution of up to 3%. Beginning in 2007, for non-union employees the plan was enhanced to provide a company match of 100% for the first 2% of an employee's contribution, and a match of 50% for the

next 4% of an employee's contribution, for a total company match of up to 4%. This new enhanced match will be negotiated with our six union contracts during 2007, to be effective on their respective contract date within 2007. The employees are eligible for the company match after six months of continuous service, with vesting of 100% after three years of continuous service.

Electric Power Supply Contracts

Contracts with our two electric suppliers were originally set to expire on December 31, 2007. Those contracts provided electricity to our customers at rates much lower than market rates. As part of our negotiations, we agreed to end the current contract terms for our Northeast division on December 31, 2006 and executed an amended contract to begin January 1, 2007 and expire December 31, 2017. Although the contract rates will increase for 2007, this enabled us to obtain lower rates for the longer term of the contract than would have been available if we had not revised the contract. The savings are passed through to our customers without profit to us.

We executed a contract for the provider of electricity in our Northwest division in December 2006 and are seeking approval of this contract and its related terms and conditions from the FPSC on or before July 1, 2007. If the FPSC does not approve this contract, we may need to seek an alternative supplier or new contract with this same supplier for the purchase of electricity in the Northwest division. This contract will be for the purchase of electricity beginning January 1, 2008. We anticipate that contract will result in rates closer to market, which could cause our customers' bills to double over existing prices in the next several years.

We are unable to estimate what impact, if any, the higher rates could have on electric consumption.

Propane Gas

We are currently reviewing the possibility of hedging activities in 2007 to help mitigate the risk of price changes for our cost of propane gas. We are unable to determine the impact this activity will have on our future operating income.

We used advance purchase agreements made in the normal course of procuring propane gas supplies in past years. These agreements resulted in a loss of gross profit of approximately $5,000 in 2006 and additional gross profit of approximately $383,000 in 2005 and $242,000 in 2004.

Over-earnings-Natural Gas Segment

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. We currently estimate over-earnings in 2006 of $72,000 and in 2005 of $650,000. We revised our prior year's 2005 estimate of $700,000 during 2006. These liabilities have been included in an over-earnings liability on our balance sheet, with the potential of rate refunds to customers. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations.

Our 2005 and 2006 estimates of our over-earnings liabilities could change upon the FPSC finalization and review of our earnings in 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.

In 2007, we requested that the 2005 natural gas over-earnings be used to provide additional funds to our regulatory storm reserve liability and reduce the costs currently being recovered

from our customers through a storm surcharge. If the FPSC approves this disposition, we will end the storm surcharge in 2007.

Electric Customers
A large commercial customer in our electric division closed its operations in late 2006. As a result we anticipate annual revenues to be reduced by approximately $300,000 and annual gross profit to be reduced by approximately $50,000.

A large distribution center was built in our Northwest division in 2004 and a second facility was added in 2006. A third distribution facility is expected to be added by the end of 2007. Additional industrial and commercial development is planned for this general area, which should increase load significantly. Additional gross profit is anticipated in the future to increase between $30,000 and $50,000 as a result of the additional developments.

Natural Gas Customers
Two natural gas customers went off-line for approximately six months in 2006 due to lower production, market slow down and maintenance work on their facilities. We anticipate that they will not be fully operational until mid-2007. The decreased revenue and gross profit is estimated to be $100,000 in 2007.

Indiantown Gas Agreement
The FPSC approved our joint transportation and territorial agreements with Indiantown Gas Company in October 2006. We began construction in the Indiantown area to install natural gas mains in the first phase of this development, for approximately 100 homes. Two more developments are slated for construction of approximately 1,000 homes in 2007.

Storm Preparedness Expenses
Regulators continue to focus on hurricane preparedness and storm recovery issues for utility companies. Newly mandated storm preparedness initiatives could impact our operating expenses and capital expenditures beginning in 2007. The initial forecasts of these annual expenditures are approximately $700,000. It is possible that additional regulation and rules will be mandated regarding storm related expenditures over the next several years. We requested that the FPSC allow us to recover the cost of the newly mandated storm preparedness initiatives and to defer these storm-related expenditures until we receive recovery through a rate increase. If approved, both the recovery and expenditures may occur by mid-2007. If the FPSC does not approve our request, we plan to file a rate proceeding in 2007 as an alternative option for recovery of these expenditures.

Land Purchase
We are currently reviewing multiple sites for the new South Florida division office. We expect to purchase land for the new South Florida division office during 2007.

Contractual Obligations

Table of Contractual Obligations
(Dollars in thousands)

Payments due by period:	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-term Debt Obligations	$52,500	$ -	$2,818	$2,818	$46,864
Long-term Debt Interest	63,904	3,949	7,623	7,074	45,258
Operating Lease Obligations	362	161	163	38	-
Natural Gas and Propane Gas Purchase Obligations	64,904	37,768	16,244	4,568	6,324
Electric Purchase Obligations	268	53	106	61	48
Other Purchase Obligations	2,698	922	1,698	21	57
Total	$184,636	$42,853	$28,652	$14,580	$98,551

Long-term Debt Obligations
The Long-term debt obligations are principal amounts.

Long-term Debt Interest
The Long-term debt interest represents the interest obligation on our Mortgage Bonds.

Operating Lease Obligations
Our total operating lease obligation is $362,000. We are leasing property from the City of Fernandina Beach in our Northeast division. The total obligation for the duration of this lease is about $107,000 over the next five years. We lease our appliance showroom in the same division for approximately $35,000 annually. We also have other operating lease agreements with various terms and expiration dates.

Purchase Obligations
A purchase order is considered an obligation if it is associated with a contract or is authorizing a specific purchase of material. The Other Purchase Obligation amount presented above represents the amount of open orders.

Pension, Medical Postretirement and Other Obligations
Our pension plan continues to meet all funding requirements under ERISA regulations; however, under current actuarial assumptions, contributions may be required as early as 2009. Current projections indicate that we will make voluntary contributions of $250,000 in 2007, $500,000 in 2008 and make required contributions of approximately $2 million in 2009 and 2010, decreasing to under $1 million in 2011. These payments are not included in the Contractual Obligations table.

Environmental clean up is anticipated to require approximately $600,000 in 2007, the remainder to be paid in following years. These payments are not included in the Contractual Obligations table.

We have medical postretirement payments relating to retiree medical insurance. These payments are not included in the Contractual Obligations table. Estimated future payments are described in Note 12 in the Notes to Consolidated Financial Statements.

Dividends
We have historically paid dividends. It is our intent to continue to pay quarterly dividends for the foreseeable future. Our dividend policy is reviewed on an ongoing basis by our Board of Directors and is dependent upon our future earnings, cash flow, financial condition, capital requirements and other factors.

Other

Impact of Recent Accounting Standards

Financial Accounting Standard Board Interpretation No. 48

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). The interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for calendar years beginning January 1, 2007.

We have performed an analysis of tax positions taken and expected to be taken on the tax returns and assessed the technical merits of each tax position by relying on legislation, statutes, common legislative intent, regulations, rulings, and case law and determined that the Company has no material uncertain tax positions. Additionally, the IRS concluded an audit of the 2002 and 2003 tax years in September of 2005.

In February of 2007, the IRS informed us that it selected our 2003 and 2004 tax years for examination. As our tax positions have remained consistent with those from the previously audited tax years, we are not expecting any material adverse findings as the result of the impending IRS audit.

Based on the aforementioned, we believe that the adoption of FASB Interpretation No. 48 will not have a material impact on our financial condition or results of operations.

Financial Accounting Standard No. 157

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements". This Statement clarifies fair value as the market value received to sell an asset or paid to transfer a liability, that is, the exit value, and applies to any assets or liabilities that require recurring determination of fair value. The measurement includes any applicable risk factors and does not include any adjustment for volume. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within. The Company expects to adopt SFAS No. 157 effective January 1, 2008. The Company does not believe adoption of this Statement will have a material impact on our financial condition or results of operation.

Financial Accounting Standard No. 158

In September 2006, the FASB issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". Statement 158 requires the Company to show the funded status of its pension and retiree health care plans as a prepaid asset or accrued liability, and to show the net deferred and unrecognized gains and losses related to the retirement plans, net of tax, as part of accumulated other comprehensive income in shareholders' equity. Previously, the net deferred and unrecognized gains and losses were netted in the prepaid asset or accrued liability recorded for the retirement plans. The Company adopted the recognition provisions of Statement 158, as required, at December 31, 2006.

The Company uses December 31 as the measurement date to measure the assets and obligations of its retirement plans. Statement 158 will also require the Company to use December 31 as the measurement date no later than fiscal years ending after December 15, 2008. The Company currently uses this date as the measurement date, and has used it for all periods presented.

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in an additional liability for retirement plans. The tax on the non-regulated portion of the liability has been recorded as a deferred income tax asset. As an offset, the regulatory portion of this liability has been deferred as a regulatory asset-retirement plans to be recovered in future rate proceedings and the remaining expense for recording the liability has been included in other comprehensive income. The fair value of retirement plan assets and obligations are subject to change based on market fluctuations. The table below summarizes the effects to our financial statements.

FASB 158 Implementation Summary
(Dollars in thousands)

	December 31, 2006		
	Before Application of SFAS 158	Adjustment	After Application of SFAS 158
Assets:			
Other regulatory assets- retirement plans	$ -	$587	$587
Liabilities and Equity:			
Accumulated other comprehensive income/(loss)	-	(103)	(103)
Other accruals and payables	2,034	151	2,185
Long term medical and pension reserve	4,129	602	4,731
Deferred income taxes	16,167	(63)	16,104

Staff Accounting Bulletin No. 108

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB 108 requires that public companies utilize a "dual-approach" to assessing the quantitative effects of financial misstatements. This dual approach includes an assessment from both an income statement and a balance sheet focus. The guidance in SAB 108 must be applied to annual financial statements for fiscal years ending after November 15, 2006. The Company has adopted SAB No.108 and there has not been any impact on our consolidated financial position or results of operations as the result of this adoption.

Critical Accounting Policies and Estimates

Regulatory Accounting

We prepare our financial statements in accordance with the provisions of SFAS No. 71 "Accounting for the Effects of Certain Types of Regulation" and it is our most critical accounting policy. In general, SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. As a result, a regulated utility may defer recognition of a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that, through the rate making process, there will be a corresponding increase or decrease in revenues or expenses. SFAS No. 71 does not apply to our unregulated propane gas operations.

Use of Estimates

We are required to use estimates in preparing our financial statements so they will be in compliance with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates. We believe that the accruals for potential liabilities are adequate. The estimates in our financial statements included the accrual for pensions, environmental liabilities, over-earnings liability, unbilled revenues, allowances for doubtful

accounts, uninsured liability claims and the regulatory deferred income tax and deferred income tax liabilities.

- Pension and post retirement benefits-An actuary calculates the estimated pension liability in accordance with FASB 87, FASB 88 as amended by FASB 132 and FASB 158.
- Environmental liabilities-These liabilities are subject to certain unknown future events. The Company reviews the environmental issues regularly with the geologists performing the feasibility studies and their legal counsel specializing in manufactured gas plant issues and negotiates with the environmental regulators and the other participating parties to determine the adequacy of the estimated liability for environmental reserves.
- Over-earnings liability-This liability is subject to regulatory review and possible disallowance of some expenses in determining the amount of over-earnings.
- Unbilled revenues-Unbilled revenue is estimated with certain assumptions including unaccounted for units and the use of current month sales to estimate unbilled sales.
- Allowances for doubtful accounts- This liability is estimated based on historical information and trended current economic conditions, certain assumptions, and is subject to unknown future events. Actual results could differ from our estimates.
- Uninsured liability claims-We are self-insured for the first $250,000 of each general and auto liability claim and accrue for estimated losses occurring from both asserted and unasserted claims. The estimate for unasserted claims arising from unreported incidents is based on an analysis of historical claims data and judgment.
- Regulatory deferred income tax and deferred income tax liabilities-These liabilities are estimated based on historical data and are subject to finalization of our income tax return. Actual results could differ from our estimates.

Revenue Recognition

We bill utility customers on a monthly cycle basis; however, the billing cycle periods for most customers do not coincide with the accounting periods used for financial reporting. We accrue estimated revenue for gas and electric customers for consumption used but not yet billed for in an accounting period. Determination of unbilled revenue relies on the use of estimates and historical data. We believe that the estimates for unbilled revenue materially reflect the unbilled gross profit for our customers for units used but not yet billed in the current period.

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. Any earnings in excess of this maximum amount are accrued for as an over-earnings liability and revenues are reduced for this same amount. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. The FPSC determines the disposition of any over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves or reducing any depreciation reserve deficiency.

Effects of Inflation

Our tariffs for natural gas and electric operations provide for fuel clauses that adjust annually for changes in the cost of fuel. Increases in other utility costs and expenses not offset by increases in revenues or reductions in other expenses could have an adverse effect on earnings due to the time lag associated with obtaining regulatory approval to recover such increased costs and expenses, the uncertainty of whether regulatory commissions will allow full recovery of such increased costs and expenses and any effect on unregulated propane gas operations.

Environmental Matters

We currently use or have used in the past, several contamination sites that are currently involved in pending or threatened environmental litigation as discussed in Note 10- "Contingencies" in the Notes to Consolidated Financial Statements. We intend to vigorously defend our rights in this litigation. We have insurance and rate relief to cover any expected losses or expenses. We believe that the aggregate of all future contamination assessment and remedial costs, legal fees and other related expenses would not exceed the insurance proceeds received and any rate relief granted. The final 2004 natural gas rate relief granted by the FPSC provided future recovery of $8.9 million for environmental liabilities. The remaining balance to be recovered from customers through future recovery is included on the balance sheet as "Other regulatory assets-environmental".

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Forward-Looking Statements (Cautionary Statement)

This report contains forward-looking statements including those relating to the following expectations:

- Based on our current expectations for cash needs, including cash needs relating to the possible land purchase and related construction, we may choose to consider an equity or debt financing in 2008 to address those cash needs. The need and timing will depend upon operational requirements, environmental expenditures, pension contributions and construction expenditures and cannot be precisely predicted at this time.
- Other insurance costs will increase in 2007.
- Our anticipation of continued compliance in the foreseeable future with our line of credit covenants.
- Our expectation that cash requirements will increase significantly in the future due to environmental clean-up costs, sinking fund payment on long-term debt and pension contributions.
- Electric storm related expenditures may be necessary beginning in mid-2007 and the total cost may be significant. We may receive recovery for these expenditures.
- Propane gas hedging activity may occur in 2007.
- The fuel supply contract in our Northwest Florida division beginning January 1, 2008 will be approved by the FPSC in 2007 and will be effective for the purchase of fuel supply beginning in 2008.
- Our 2005 and 2006 over-earnings liabilities in natural gas will materialize as estimated after the FPSC reviews and audits.
- We expect to have higher fuel costs for 2007, 2008 and beyond.
- The development in Indiantown will occur as estimated.
- The purchase of land for our new natural gas and propane gas division office will occur in 2007.
- Pension expenses are expected to increase in 2007.
- The FPSC will allow our natural gas over-earnings to fund a future storm reserve and reduce our current regulatory asset related to historic storm costs and discontinue the related natural gas storm surcharge in 2007.
- The commercial and industrial growth will occur as expected in our Northwest division providing increases in our revenues and gross profit.
- The two customers that went off-line in 2006 will be fully operational by mid-2007.

These statements involve certain risks and uncertainties. Actual results may differ materially from what is expressed in such forward-looking statements. Important factors that could cause actual results to differ materially from those expressed by the forward-looking statements include, but are not limited to, those set forth above in "Risk Factors".

Quantitative and Qualitative Disclosures about Market Risk

All financial instruments held by us were entered into for purposes other than for trading. We have market risk exposure only from the potential loss in fair value resulting from changes in interest rates. We have no material exposure relating to commodity prices because under our regulatory segments, we are currently fully compensated for the actual costs of commodities (natural gas and electricity) used in our operations. Any commodity price increases for propane gas are normally passed through monthly to propane gas customers as the fuel charge portion of their rate.

None of our gas or electric contracts are accounted for using the fair value method of accounting. While some of our contracts meet the definition of a derivative, we have designated these contracts as "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

Beginning in 2007 we plan, on a rolling four-quarter basis, to purchase a "cap" on approximately one-third of our forecast propane gas volume purchases and pre-buy or hedge with a swap one-third of our forecast anticipated propane gas purchases. The remaining one-third will fluctuate with the market price. Our energy strategy allows us to participate in two-thirds of price declines but only one-third of price increases. As of December 31, 2006, we have not entered into any hedging activities. When we do enter into hedging activities, we will determine whether they meet the definition of normal sales and purchases and if not, we will determine whether we can use hedge accounting.

We have no exposure to equity risk, as we do not hold any equity instruments. Our exposure to interest rate risk is limited to investments held for environmental costs, the water sale long term receivable and short-term borrowings on the line of credit. The investments held for environmental costs are short-term fixed income debt securities whose carrying amounts are not materially different than fair value. The short-term borrowings were $3.5 million at the end of December 2006. Therefore, we do not believe we have material market risk exposure related to these instruments. The indentures governing our two first mortgage bond series outstanding contain "make-whole" provisions, which are pre-payment penalties that charge for lost interest, which render refinancing impracticable.

Our non-interest bearing long-term receivable from the sale of the water operations was discounted at 4.34%. A hypothetical 0.5% (50 basis points) increase in the interest rate used would change the current fair value from $6 million to $5.9 million.

In 2006, a hypothetical 0.5% (50 basis points) decrease in the long-term interest rate on $52.5 million debt excluding unamortized debt discount would change the fair value from $63 million to $66.9 million.

Changes in short-term interest rates could have an effect on income depending on the balance borrowed on the variable rate line of credit. We had short-term debt of $3.5 million on December 31, 2006 and $9.6 million on December 31, 2005. A hypothetical 1% increase in interest rates

would have resulted in a decrease in annual earnings for 2006 by $35,000 and for 2005 by $96,000, based on year-end borrowings.

Financial Statements and Supplementary Data

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

	Years Ended December 31		
Revenues	**2006**	**2005**	**2004**
Natural gas	$ 71,139	$ 69,094	$ 55,962
Electric	48,527	47,450	42,910
Propane gas	14,727	13,479	11,167
Total revenues	134,393	130,023	110,039
Cost of Fuel and Other Pass Through Costs	85,971	82,804	69,350
Gross Profit	48,422	47,219	40,689
Operating Expenses			
Operation	24,034	22,881	20,068
Maintenance	3,484	3,566	2,982
Depreciation and amortization	7,742	7,266	5,900
Taxes other than income taxes	2,985	2,869	2,753
Total operating expenses	38,245	36,582	31,703
Operating Income	10,177	10,637	8,986
Other Income and (Deductions)			
Merchandise and service revenue	4,322	4,590	3,366
Merchandise and service expenses	(4,071)	(4,664)	(3,326)
Other income	620	569	625
Other deductions	(33)	(29)	20
Interest expense on long-term debt	(3,949)	(3,949)	(3,949)
Interest expense on short-term borrowings	(108)	(79)	(42)
Customer deposits and other interest expense	(551)	(540)	(471)
Total other deductions – net	(3,770)	(4,102)	(3,777)
Earnings Before Income Taxes	6,407	6,535	5,209
Income Taxes	(2,238)	(2,287)	(1,615)
Net Income	4,169	4,248	3,594
Preferred Stock Dividends	29	29	29
Earnings for Common Stock	$ 4,140	$ 4,219	$ 3,565
Earnings Per Common Share (basic and diluted)	$ .69	$ .71	$ .60
Dividends Declared Per Common Share	$ .43	$ .41	$ .40
Average Shares Outstanding	5,993,589	5,952,684	5,908,220

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Years Ended December 31		
	2006	**2005**	**2004**
Net income	$ 4,169	$ 4,248	$ 3,594
Other comprehensive income/(loss), net:			
Retirement plans adjustment	(166)	-	-
Deferred income taxes benefit	63	-	-
Comprehensive income	$ 4,066	$ 4,248	$ 3,594

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31,	
ASSETS	**2006**	**2005**
Utility Plant		
Natural gas	$ 95,393	$ 89,835
Electric	72,776	70,084
Propane gas	17,153	15,500
Common	3,646	3,859
Total	188,968	179,278
Less accumulated depreciation	59,757	56,217
Net utility plant	129,211	123,061
Current Assets		
Cash	84	695
Accounts receivable	12,199	15,780
Notes receivable	298	299
Allowance for uncollectible accounts	(429)	(272)
Unbilled receivables	1,957	1,918
Inventories (at average or unit cost)	4,120	3,781
Prepaid expenses	962	951
Income tax prepayments	98	1,159
Under-recovery of fuel costs	862	3,375
Total current assets	20,151	27,686
Other Assets		
Investments held for environmental costs	3,364	3,258
Other regulatory assets – storm reserve	270	452
Other regulatory assets – environmental	8,284	8,868
Other regulatory assets – retirement plans	587	-
Long-term receivables and other investments	5,740	5,794
Deferred charges	6,496	6,751
Goodwill	2,405	2,405
Intangible assets (net)	4,405	4,391
Total other assets	31,551	31,919
Total	$ 180,913	$ 182,666

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31,	
CAPITALIZATION AND LIABILITIES	**2006**	**2005**
Capitalization		
Common shareholders' equity	$ 47,572	$ 45,503
Preferred stock	600	600
Long-term debt	50,702	50,620
Total capitalization	98,874	96,723
Current Liabilities		
Line of credit	3,466	9,558
Accounts payable	10,279	13,166
Insurance accrued	181	296
Interest accrued	789	1,014
Other accruals and payables	2,185	1,984
Taxes accrued	1,277	1,512
Deferred income tax	579	1,066
Over-earnings liability	722	700
Over-recovery of fuel costs	3,656	-
Over-recovery of conservation	355	24
Customer deposits	9,608	8,851
Total current liabilities	33,097	38,171
Other Liabilities		
Deferred income taxes	16,104	17,568
Unamortized investment tax credits	335	411
Environmental liability	13,753	14,001
Regulatory liability – cost of removal	8,800	8,256
Regulatory tax liabilities	876	991
Long-term medical and pension reserve	4,731	2,663
Customer advances for construction	2,707	2,346
Regulatory liability – storm reserve	1,636	1,536
Total other liabilities	48,942	47,772
Total	$ 180,913	$ 182,666

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(Dollars in thousands)

	December 31, 2006	December 31, 2005
Common Shareholders' Equity		
Common stock, $1.50 par value, authorized 10,000,000 shares; issued 6,166,648 shares in 2006; issued 6,152,676 shares in 2005	$ 9,250	$ 9,229
Paid-in capital	6,054	5,998
Retained earnings	35,213	33,625
Accumulated other comprehensive income/(loss), retirement plan adjustment, net of income tax benefit	(103)	-
Treasury stock - at cost (160,349 shares in 2006, 188,994 shares in 2005)	(2,842)	(3,349)
Total common shareholders' equity	47,572	45,503
Preferred Stock		
4 ¾% Series A, $100 par value, redemption price $106, authorized and outstanding 6,000 shares	600	600
4 ¾% Series B Cumulative Preferred, $100 par value, redemption price $101, authorized 5,000 and none issued	-	-
$1.12 Convertible Preference, $20 par value, redemption price $22, authorized 32,500 and none issued	-	-
Total preferred stock	600	600
Long-Term Debt		
First mortgage bonds series		
9.57 % due 2018	10,000	10,000
10.03 % due 2018	5,500	5,500
9.08 % due 2022	8,000	8,000
4.90 % due 2031	14,000	14,000
6.85 % due 2031	15,000	15,000
Unamortized debt discount	(1,798)	(1,880)
Total long-term debt	50,702	50,620
Total Capitalization	$ 98,874	$ 96,723

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
(Dollars in thousands)

	Common Stock							
	Shares Issued	Aggregate Par Value	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares Cost	Treasury Shares	Common Shareholders' Equity
Balances as of December 31, 2003	6,097,478	$9,146	$5,632	$30,638	$ -	$(3,953)	223,062	$41,463
Net income	-	-	-	3,594	-	-	-	3,594
Dividends	-	-	-	(2,383)	-	-	-	(2,383)
Stock plans	32,619	49	174	-	-	316	(17,821)	539
Balances as of December 31, 2004	6,130,097	9,195	5,806	31,849	-	(3,637)	205,241	43,213
Net income	-	-	-	4,248	-	-	-	4,248
Dividends	-	-	-	(2,472)	-	-	-	(2,472)
Stock plans	22,579	34	192	-	-	288	(16,247)	514
Balances as of December 31, 2005	6,152,676	9,229	5,998	33,625		(3,349)	188,994	45,503
Net income	-	-	-	4,169	-	-	-	4,169
Other comprehensive loss, retirement plans adjustment, net of tax	-	-	-	-	(103)	-	-	(103)
Dividends	-	-	-	(2,581)	-	-	-	(2,581)
Stock plans	13,972	21	56	-	-	507	(28,645)	584
Balances as of December 31, 2006	6,166,648	$9,250	$6,054	$35,213	$(103)	$(2,842)	160,349	$47,572

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Years Ended December 31,		
	2006	2005	2004
Cash Flows from Operating Activities:			
Net income	$ 4,169	$ 4,248	$ 3,594
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	7,742	7,266	5,900
Deferred income taxes	(2,003)	(153)	2,470
Bad debt expense	623	359	409
Investment tax credits	(75)	(81)	(83)
Other	805	751	121
Interest income from sale of non-utility property	(252)	(192)	(271)
Compensation expense from the issuance of stock	88	58	91
Effects of changes in:			
Receivables	3,115	(4,513)	(1,688)
Unbilled receivables	(39)	367	(612)
Inventories and prepayments	711	(495)	2,746
Accounts payable and accruals	(976)	5,560	1,131
Over (under) recovery of fuel and other pass through costs	6,500	(3,171)	(1,991)
Area expansion program deferred costs	238	109	(372)
Environmental liability	584	429	(586)
Other	(1,140)	(329)	814
Net cash provided by operating activities	20,090	10,213	11,673
Cash Flows from Investing Activities:			
Construction expenditures	(13,116)	(12,441)	(13,731)
Customer advances received for construction	361	454	144
Purchase of long-term investments	(106)	(75)	(34)
Proceeds received on notes receivable	321	304	57
Issuance of notes receivable	-	-	(95)
Other	(15)	-	-
Net cash used in investing activities	(12,555)	(11,758)	(13,659)
Cash Flows from Financing Activities:			
Net change in short-term borrowings	(6,092)	3,733	3,547
Proceeds from common stock plans	497	456	447
Dividends paid	(2,551)	(2,448)	(2,368)
Net cash provided by (used in) financing activities	(8,146)	1,741	1,626
Net Increase (Decrease) in Cash	(611)	196	(360)
Cash at Beginning of Year	695	499	859
Cash at End of Year	$ 84	$ 695	$ 499
Supplemental Cash Flow Information			
Cash was paid during the years as follows:			
Interest	$ 4,777	$ 4,469	$ 4,357
Income taxes	$ 3,298	$ 2,698	$ 1,215

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting and Reporting Policies

A. General

The Company is an operating public utility engaged principally in the purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution, sale and transportation of natural gas. The Company is subject to the jurisdiction of the FPSC with respect to its natural gas and electric operations. The suppliers of electric power to the Northwest Florida division and of natural gas to the natural gas divisions are subject to the jurisdiction of the FERC. The Northeast Florida division is supplied most of its electric power by a municipality which is exempt from FERC and FPSC regulation. The Company also distributes propane gas through a non-regulated subsidiary.

B. Basis of Presentation

The consolidated financial statements include the accounts of Florida Public Utilities Company (FPU) and its wholly owned subsidiary, Flo-Gas Corporation. All significant intercompany balances and transactions have been eliminated. The Company's accounting policies and practices conform to accounting principles generally accepted in the United States of America (GAAP) as applied to regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the FPSC and in accordance to the rule requirements of the Securities and Exchange Commission (SEC).

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of these estimates include the accruals for pensions, allowances, environmental liabilities, liability reserves, unbilled revenue, regulatory deferred tax liabilities and over-earnings liability. Actual results may differ from these estimates and assumptions.

D. Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the 2006 presentation.

E. Regulation

The financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71 – "Accounting for the Effects of Certain Types of Regulation". SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. A regulated utility may defer recognition of a cost (a regulatory asset) or show recognition of an obligation (a regulatory liability) if it is probable that, through the ratemaking process, there will be a corresponding increase or decrease in revenues. The Company has recognized certain regulatory assets and liabilities in the consolidated balance sheets. The Company believes that the FPSC will continue to allow recovery of such items through rates. As these regulatory assets and liabilities are recovered through rates or paid through a reduction of rates, the assets and liabilities are amortized to revenue and expense. In the event that a portion of the Company's operations are no

longer subject to the provisions of SFAS No. 71, the Company would be required to write-off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if an impairment related to other assets exists, including plant, and write-down the assets, if impaired, to their fair value.

Summary of Regulatory Assets and Liabilities
(Dollars in thousands)

	2006	2005
Assets		
Deferred development costs (1)	$ 3,952	$ 4,190
Unamortized fuel related regulatory costs (6)	48	24
Environmental assets (2)	8,284	8,868
Storm Reserve assets (3)	270	452
Deferred retirement plan costs (5)	587	-
Unamortized Rate Case expense	368	541
Under-recovery of fuel costs	862	3,375
Unamortized piping and conversion costs (1)	1,521	1,587
Unamortized loss on reacquired debt (1)	209	227
Total Regulatory Assets	$16,101	$19,264
Liabilities		
Tax liabilities	$ 876	$ 991
Cost of removal	8,800	8,256
Storm reserve liabilities	1,636	1,536
Over-recovery of fuel costs	3,656	-
Over-recovery of conservation	355	24
Over-earnings liability (4)	722	700
Total Regulatory Liabilities	$16,045	$11,507

(1) Deferred development costs, unamortized piping and conversion costs, and unamortized loss on reacquired debt are included in deferred charges in the consolidated balance sheets.
(2) The Company has included the amount due from customers as a regulatory asset for environmental costs. The FPSC authorized recovery of these environmental costs from customers over 20 years.
(3) The FPSC has authorized the Company to recover storm damages incurred in 2004 in their natural gas operations. Recovery of these costs from customers over 30 months began November 2005.
(4) The Company originally estimated the 2005 over-earnings for regulated natural gas operations at $700,000. In 2006 the estimate was reduced to $650,000. The Company has estimated 2006 over-earnings for regulated natural gas operations of $72,000. The Company has recorded these liabilities which reduced revenues. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.
(5) The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in a regulatory asset for the portion of the loss of $587,000 to be recovered in future rate proceedings.
(6) The Company has deferred certain regulatory fuel related costs and as of January 2006 has been amortizing these over five years according to a FPSC order in the November 2005 fuel hearings.

The base revenue rates for regulated segments are determined by the FPSC and remain constant until a request for an increase is filed and approved by the FPSC or the FPSC

orders the Company to reduce their rates. For the Company to recover increased costs from the effects of inflation and construction expenditures for regulated segments, a request for an increase in base revenues would be required. Separate filings would be required for the electric and natural gas segments. The Company is currently seeking rate relief for electric storm preparedness initiatives required in 2007.

F. Derivatives

None of the Company's gas or electric contracts are accounted for using the fair value method of accounting. All material contracts that meet the definition of derivative instruments are considered "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

G. Revenue Recognition

The Company's revenues consist of base revenues, fuel adjustment charges, conservation charges and the pass-through of certain governmental imposed taxes based on revenues.

The FPSC approves base revenue rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. Fuel adjustment charges, conservation charges and the pass-through of certain governmental imposed taxes based on revenues are approved by the FPSC to allow recovery of fuel, conservation and revenue based taxes from the Company's customers. Any over or under-recovery of these expense items are deferred and subsequently refunded or collected in the following period.

Annually, any earnings in excess of this maximum amount permitted in the base rates are accrued for as an over-earnings liability and revenues are reduced an equivalent amount. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. The FPSC determines the disposition of any over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.

The Company bills utility customers on a monthly cycle basis; however, the billing cycle periods for most customers do not coincide with the accounting periods used for financial reporting. The Company accrues estimated revenue for gas and electric customers on usage not yet billed for the accounting period. Determination of unbilled revenue relies on the use of estimates, fuel purchases and historical data.

H. Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on historical information and trended current economic conditions. The following is a summary of the activity in Allowance for Doubtful Accounts for the years ending December 31:

Allowance for Doubtful Accounts
(Dollars in thousands)

	Balance at Beginning of Year	Write-offs	Provisions to Bad Debt Expense	Balance at End of Year
2004	$ 180	320	409	$ 269
2005	$ 269	356	359	$ 272
2006	$ 272	466	623	$ 429

I. Utility Plant and Depreciation

Utility plant is stated at original cost. The propane gas utility plant that has been acquired in acquisitions was stated at fair market value when acquired. Additions to utility plant include contracted services, direct labor, transportation and materials for additions. Units of property are removed from utility plant when retired. Maintenance and repairs of property and replacement and renewal of items determined not to be units of property are charged to operating expenses. Substantially all of the utility plant and the shares of Flo-Gas Corporation collateralize the Company's first mortgage bonds.

Utility Plant
(Dollars in thousands)

Plant Classification	Annual Composite Depreciation Rate	2006	2005
Land		$ 1,130	$ 1,124
Buildings	2.0% to 4.9%	6,991	6,862
Distribution	2.0% to 8.6%	158,010	147,580
Transmission	2.2% to 3.8%	6,878	6,799
Equipment	2.0% to 20.0%	12,700	11,534
Furniture and Fixtures	4.8% to 20.0%	392	369
Work-in-Progress		2,867	5,010
		$ 188,968	$ 179,278

Depreciation for the Company's regulated segments is computed using the composite straight-line method at rates prescribed by the FPSC for financial accounting purposes. Propane gas depreciation is computed using a composite straight-line method at an average rate based on estimated average life of approximately 20-30 years. Such rates are based on estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximate 3.9% in 2006, 3.9% in 2005 and 3.6% in 2004.

J. Impact of Recent Accounting Standards

Financial Accounting Standard Board Interpretation No. 48

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). The interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for calendar years beginning January 1, 2007.

We have performed an analysis of tax positions taken and expected to be taken on the tax returns and assessed the technical merits of each tax position by relying on legislation, statutes, common legislative intent, regulations, rulings and case law and determined that the Company has no material uncertain tax positions. Additionally, the IRS concluded an audit of the 2002 and 2003 tax years in September of 2005.

In February of 2007, the IRS informed us that it selected our 2003 and 2004 tax years for examination. As our tax positions have remained consistent with those from the

previously audited tax years, we are not expecting any material adverse findings as the result of the impending IRS audit.

Based on the aforementioned, we believe that the adoption of FASB Interpretation No. 48 will not have a material impact on our financial condition or results of operations.

Financial Accounting Standard No. 157

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements". This Statement clarifies fair value as the market value received to sell an asset or paid to transfer a liability, that is, the exit value, and applies to any assets or liabilities that require recurring determination of fair value. The measurement includes any applicable risk factors and does not include any adjustment for volume. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within. The Company expects to adopt SFAS No. 157 effective January 1, 2008. The Company does not believe adoption of this Statement will have a material impact on our financial condition or results of operation.

Financial Accounting Standard No. 158

In September 2006, the FASB issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". Statement 158 requires the Company to show the funded status of its pension and retiree health care plans as a prepaid asset or accrued liability, and to show the net deferred and unrecognized gains and losses related to the retirement plans, net of tax, as part of accumulated other comprehensive income in shareholders' equity. Previously, the net deferred and unrecognized gains and losses were netted in the prepaid asset or accrued liability recorded for the retirement plans. The Company adopted the recognition provisions of Statement 158, as required, at December 31, 2006.

The Company uses December 31 as the measurement date to measure the assets and obligations of its retirement plans. Statement 158 will also require the Company to use December 31 as the measurement date no later than fiscal years ending after December 15, 2008. The Company currently uses this date as the measurement date, and has used it for all periods presented.

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in an additional liability for retirement plans. The tax on the non-regulated portion of this liability has been recorded as a deferred income tax asset. As an offset, the regulatory portion of this liability has been deferred as a regulatory asset-retirement plans to be recovered in future rate proceedings and the remaining expense from recording the liability has been included in other comprehensive income. The fair value of retirement plan assets and obligations are subject to change based on market fluctuations. The table below summarizes the effects to our financial statements.

FASB 158 Implementation Summary
(Dollars in thousands)

	December 31, 2006		
	Before Application of SFAS 158	Adjustment	After Application of SFAS 158
Assets:			
Other regulatory assets- retirement plans	$ -	$587	$587

Liabilities and Equity:			
Accumulated other comprehensive income/(loss)	-	(103)	(103)
Other accruals and payables	2,034	151	2,185
Long term medical and pension reserve	4,129	602	4,731
Deferred income taxes	16,167	(63)	16,104

Staff Accounting Bulletin No. 108

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB 108 requires that public companies utilize a "dual-approach" to assessing the quantitative effects of financial misstatements. This dual approach includes an assessment from both an income statement and a balance sheet focus. The guidance in SAB 108 must be applied to annual financial statements for fiscal years ending after November 15, 2006. The Company has adopted SAB No.108 and there has not been any impact on our consolidated financial position or results of operations as the result of this adoption.

2. **Goodwill and Intangible Assets**

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", the Company does not amortize goodwill or intangibles with indefinite lives. The Company periodically tests the applicable reporting segments, natural gas and propane gas, for impairment. In the event a segment becomes impaired, the Company would write down the associated goodwill and intangible assets to fair value. The impairment tests performed in 2005 and 2006 showed no impairment for either reporting segment.

Goodwill associated with the Company's acquisitions is identified as a separate line item on the consolidated balance sheet and consists of $1.9 million in the propane gas segment and $500,000 in the natural gas segment.

Intangible assets associated with the Company's acquisitions and software have been identified as a separate line item on the balance sheet. Summaries of those intangible assets at December 31 are as follows:

Intangible Assets
(Dollars in thousands)

		2006	2005
Customer distribution rights	(Indefinite life)	$ 1,900	$ 1,900
Customer relationships	(Indefinite life)	900	900
Software	(Five to nine year life)	3,122	2,971
Non-compete agreement	(Five year life)	-	35
Accumulated amortization		(1,517)	(1,415)
Total intangible assets, net of amortization		$4,405	$ 4,391

The 2006 amortization expense of computer software is approximately $300,000. The Company expects the amortization expense of computer software to be approximately $300,000 annually over the next five years, with the current level of software investment. The non-compete agreements expired in 2006.

3. ***Over-earnings-Natural Gas***

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. The Company has agreed with the FPSC staff to limit the earned return on equity for regulated natural gas and electric operations.

The Company estimated 2005 over-earnings for regulated natural gas operations of $700,000. The 2005 over-earnings estimate was revised in 2006 to be $650,000. The Company estimated 2006 over-earnings for regulated natural gas operations of $72,000. These liabilities have been included in the over-earnings liability on the Company's balance sheet. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations.

The Company feels the estimates of the 2005 and 2006 over-earnings liabilities are accurate, but the amounts could change upon the FPSC finalization and review of earnings expected in 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, increasing storm damage or environmental reserves or reducing any depreciation reserve deficiency.

4. ***Storm Reserves***

As of December 31, 2006, the electric segment storm reserve was approximately $1.6 million. Since the last order on the 1999 disposition of electric over-earnings, the FPSC has allowed the Company the flexibility of automatically applying the electric over-earnings to the storm damage reserves each year since 1999 and allowing additional storm damage accruals up to a cap of $2.9 million. In 2006, 2005 and 2004 there were no electric over-earnings and accordingly no additional over-earnings amounts were added to the storm damage reserves.

In October 2005, the FPSC approved recovery of 2004 natural gas segment storm costs plus interest and revenue taxes over a 30-month period beginning November 2005. The Company deferred storm costs as a regulatory asset due from customers on the balance sheet. As of December 31, 2006, the unrecovered amount of natural gas regulatory asset relating to storm costs was $270,000.

The Company has requested that the FPSC allow 2005 over-earnings in natural gas to be used to recover the regulatory asset -storm and discontinue this storm surcharge. As part of this same request, the Company has also asked the FPSC to allow any excess over-earnings amount to provide additional funds for the "regulatory liability- storm reserve" for natural gas. We expect the FPSC to rule on this request during 2007.

In 2005, the FPSC approved applying 2002 natural gas over-earnings of $118,000 to the storm reserve to cover future storm costs.

5. **Income Taxes**

Deferred income taxes are provided on all significant temporary differences between the financial statements and tax basis of assets and liabilities at currently enacted tax rates. Investment tax credits have been deferred and are amortized based upon the average useful life of the related property in accordance with the rate treatment.

A. Income Taxes related to Deferred Gain on Water Sale

On March 27, 2003, the Company sold substantially all of its assets of the water division to the City of Fernandina Beach. The sale was made pursuant to a "threat of condemnation" during the fourth quarter of 2002. For tax purposes the Company elected to defer the gain on the sale of the assets pursuant to Code Section 1033 of the Internal Revenue Code of 1986 (IRC). Section 1033 allows non-recognition of gain if property is disposed as a result of threat of condemnation and property that is similar or related in service or use is purchased to replace the disposed property. To qualify, the replacement

property must be purchased within the replacement period, which begins on the earlier of date of disposition (March 27, 2003) or date of threat of condemnation (December 31, 2002) and ending two years after the close of the year of sale (December 31, 2005). For real property, the replacement period is extended to three years (December 31, 2006).

The Company purchased property that is similar or related in service or use within the replacement periods with the exception of the intangible assets. During the IRS audit in 2005, the IRS disallowed a portion, approximately $900,000 of the deferral relating to the intangible assets, since replacement was no longer expected.

A $2.9 million estimated tax payment was made in 2003 related to the gain on the sale of the water division. It was subsequently determined that the income tax would be deferred. The Company applied for a refund and received $3.9 million in July 2004, which included other estimated tax overpayments.

B. Provision for Income Taxes

The provision (benefit) for income taxes consists of the following:

(Dollars in thousands)	Years ended December 31,		
	2006	**2005**	**2004**
Current payable			
Federal	$ 3,652	$ 2,150	$ (566)
State	664	370	(96)
Current – net	4,316	2,520	(662)
Deferred			
Federal	(1,723)	(143)	2,003
State	(280)	(9)	358
Deferred – net	(2,003)	(152)	2,361
Investment tax credit	(75)	(81)	(84)
Total income taxes	$ 2,238	$ 2,287	$ 1,615

C. Effective Tax Rate Reconciliation

The difference between the effective income tax rate and the statutory federal income tax rate applied to pretax income is of continuing operations accounted for as follows:

(Dollars in thousands)	Years ended December 31,		
	2006	**2005**	**2004**
Federal income tax at statutory rate (34%)	$ 2,178	$ 2,222	$ 1,771
State income tax, net of federal benefit (5.5%)	233	237	189
Investment tax credit	(75)	(81)	(84)
Tax exempt interest	(85)	(71)	(94)
Other	(13)	(20)	(167)
Total provision for income taxes	$ 2,238	$ 2,287	$ 1,615

D. Deferred Income Taxes

Temporary timing differences which produce deferred income taxes in the accompanying consolidated balance sheets are as follows:

(Dollars in thousands)	Years ended December 31,	
Deferred tax assets:	**2006**	**2005**
Environmental	$ 2,063	$ 1,932
Self insurance	774	731
Storm reserve liability	509	408
Vacation pay	357	320
Other deferred credits	15	61
Allowance for uncollectible accounts receivable	162	103
General liability	68	111
Rate refund	271	263
Pension	789	286
Under/over-recovery of conservation costs	134	9
Other	37	37
Total deferred tax assets	5,179	4,261
Deferred tax liabilities:		
Utility plant related	20,274	20,319
Deductible intangibles	696	577
Under-recovery of fuel costs	643	1,704
Rate case expense	138	204
Loss on reacquired debt	79	85
Other	32	6
Total deferred tax liabilities	21,862	22,895
Net deferred income taxes liabilities	$ 16,683	$ 18,634

Deferred tax liabilities included in the consolidated balance sheets are as follows:

(Dollars in thousands)	**2006**	**2005**
Deferred income tax – current	$ 579	$ 1,066
Deferred income tax – long term	16,104	17,568
Net deferred income tax liabilities	$ 16,683	$ 18,634

E. IRS Audit

The IRS has informed us that it has selected our 2003 and 2004 tax returns for examination. Management does not expect any material adjustments from the audit but the effects, if any, that result from the final resolution of this IRS audit will be recorded when they become known and estimable. The Company expects the audit will be completed before the end of 2007.

The IRS completed an audit in 2005 of the Company's 2002 and 2003 federal income tax returns. The audit resulted in a current income tax payable amount of $361,000 due to adjustments to depreciation, reserve accounts and recognition of a portion of the water sale gain that was previously deferred. This amount was partially offset by $285,000 in deferred tax liabilities previously established.

6. Capitalization

A. Stock Dividend

On July 25, 2005 a three-for-two stock split in the form of a stock dividend was issued to the shareholders of record on July 15, 2005. All common share information has been restated to reflect the stock split for all periods presented.

B. Common Shares Reserved

The Company has 3,833,352 authorized but unissued shares and 160,349 treasury shares as of December 31, 2006. The Company has reserved the following common shares for issuance as of December 31, 2006:

Dividend Reinvestment Plan	54,071
Employee Stock Purchase Plan	52,035
Board Compensation Plan	20,714

C. Preferred Stock

The Company has 6,000 shares of 4 ¾% Series A preferred stock $100 par value authorized for issuance of which 6,000 were issued and outstanding at December 31, 2006. The preferred stock is included in stockholders' equity on the balance sheet.

The Company also has 5,000, 4 ¾% Series B preferred stock $100 par value authorized for issuance none of which has been issued.

The Company also has 32,500, $1.12 Convertible Preference stock, $20 par value and $22 redemption price, authorized for issuance none of which has been issued.

D. Dividend Restriction

The Company's Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At December 31, 2006, approximately $9 million of retained earnings were free of such restriction and therefore available for the payment of dividends. The line of credit agreement contains covenants that, if violated, could restrict or prevent the payment of dividends. At December 31, 2006 the Company is not in violation of these covenants.

E. Treasury Shares

In prior years, common shares resulting from stock dividends have been allocated to common shares held as treasury shares. Treasury shares are not eligible to receive such allocations. Some of these treasury shares were subsequently reissued, resulting in an overstatement of additional paid-in capital. Accordingly, the Company has restated all periods presented to reflect the correct number of treasury shares and the value of treasury shares and additional paid-in capital at each year-end. As the adjustment is a reallocation of amounts between treasury stock and additional paid-in capital, there is no effect on net income, earnings per common share or total stockholders' equity in any period presented.

F. Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan offers common stock at a discount to qualified employees.

G. Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan is offered to all Company shareholders and allows the shareholder to reinvest dividends received and purchase additional shares without a fee.

7. Long-term Debt

The Company issued its Fourteenth Series of FPU's First Mortgage Bond on September 27, 2001 in the aggregate principal amount of $15 million as security for the 6.85% Secured Insured Quarterly Notes, due October 1, 2031 (IQ Notes). Interest on the pledged bond accrues at the annual rate of 6.85% payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year beginning January 1, 2002.

The Company issued $14 million of Palm Beach County municipal bonds (Industrial Development Revenue Bonds) on November 14, 2001 to finance development in the area. The interest rate on the thirty-year callable bonds is 4.90%. The bond proceeds were restricted and held in trust until construction expenditures were actually incurred by the Company. In 2002 the remaining $8 million was drawn from the restricted funds held by the trustee.

In 1992, the Company issued its First Mortgage Bond 9.08% Series in the amount of $8 million. The thirty-year bond is due in June 2022.

The Company issued two of its Twelfth Series First Mortgage bond series on May 1, 1988; the 9.57% Series due 2018 in the amount of $10 million and 10.03% Series due 2018 in the amount of $5.5 million. These two issuances require sinking fund payments of $909,000 and $500,000 respectively, beginning in 2008.

Long-term debt on the balance sheet has been reduced for unamortized debt discount. The unamortized debt discount at December 31 included in long-term debt on the balance sheet is $1.8 million in 2006 and $1.9 million in 2005.

Annual Maturities of Long-Term Debt
(Dollars in thousands)

	Total	2007	2008	2009	2010	2011	Thereafter
Long-term Debt	$52,500	-	$1,409	$1,409	$1,409	$1,409	$ 46,864

8. Notes Payable

In 2004, FPU entered into an amended and restated loan agreement that allows the Company to increase the line of credit upon 30 days notice by the Company to a maximum of $20 million. In 2006 the agreement was renewed with an expiration date of July 1, 2008. We have not exercised our option to increase the line of credit limit which is currently at $12 million with an outstanding balance of $3.5 million and a remaining amount available of $8.5 million. The Company reserves $1 million of the line of credit to cover expenses for any major storm repairs in its Northwest Florida division. An additional $250,000 of the line of credit is reserved for a 'letter of credit' insuring our propane facilities.

The average interest rates for the line of credit were as follows as of December 31:

Year	Rate
2006	6.2%
2005	5.3%
2004	3.3%

9. Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for investments held in escrow for environmental costs, notes payable, taxes accrued and other accrued liabilities approximate fair value. The fair value of long-term debt excluding the unamortized debt discount is estimated by discounting the future cash flows of each issuance at rates currently offered to the Company for similar debt instruments of comparable maturities. The values at December 31 are shown below.

	2006		2005	
(Dollars in thousands)	Carrying Amounts	Approximate Fair Value	Carrying Amounts	Approximate Fair Value
Long-term debt	$ 52,500	$63,000	$52,500	$ 63,000

10. Contingencies

Environmental

The Company is subject to federal and state legislation with respect to soil, groundwater and employee health and safety matters and to environmental regulations issued by the Florida Department of Environmental Protection (FDEP), the United States Environmental Protection Agency (EPA) and other federal and state agencies. Except as discussed below, the Company does not expect to incur material future expenditures for compliance with existing environmental laws and regulations.

	(Dollars in thousands)	
Site	Range From	Range To
West Palm Beach	$ 4,801	$ 18,027
Sanford	710	710
Pensacola and Other	110	110
Total	$ 5,621	$ 18,847

The Company currently has $13.8 million reserved as an environmental liability. The FPSC approved up to $14 million for total recovery from insurance and rates based on the original 2005 projections as a basis for rate recovery. The Company has recovered a total of $5.5 million from insurance and rate recovery, net of costs incurred to date. The remaining balance of $8.3 million is recorded as a regulatory asset. On October 18, 2004 the FPSC approved recovery of $9.1 million for environmental liabilities (the remaining amount to be recovered is $8.3 million and is included on the balance sheet as "Other regulatory assets – environmental"). The amortization of this recovery and reduction to the regulatory asset began on January 1, 2005. The majority of environmental cash expenditures are expected to be incurred before 2010, but may continue for another 10 years.

West Palm Beach Site

The Company is currently evaluating remedial options to respond to environmental impacts to soil and groundwater at and in the immediate vicinity of a parcel of property owned by it in West Palm Beach, Florida upon which the Company previously operated a gasification plant. The Company entered into a Consent Order with the FDEP effective April 8, 1991, that requires the Company to delineate the extent of soil and groundwater impacts associated with the prior operation of the gasification plant and to remediate such soil and groundwater impacts, if necessary. The Company completed the delineation of soil and groundwater impacts at the site in October 2006. An engineering consultant was retained to perform a

feasibility study to evaluate appropriate remedies for the site. The feasibility study was transmitted to FDEP on November 30, 2006.

The feasibility study evaluated a wide range of remedial alternatives based on criteria provided by applicable laws and regulations. The total costs for the remedies evaluated in the feasibility study ranged from a low of $2.8 million to a high of $54.6 million. Based on the likely acceptability of proven remedial technologies described in the feasibility study and implemented at similar sites, consulting/remediation costs to address the impacts now characterized at the West Palm Beach site are projected to range from $4.6 million to $17.9 million. This range of costs covers such remedies as in situ solidification for deeper soil impacts, excavation of superficial soil impacts, installation of a barrier wall with a permeable biotreatment zone (PBZ), monitored natural attenuation of dissolved impacts in groundwater (MNA) or some combination of these remedies. The feasibility study proposed a remedy of superficial soil excavation, and installation of a hanging barrier wall with PBZ and MNA, the cost of which is projected to range from $4.6 million to $9.9 million.

Prior to FDEP's approval of a final remedy for the site, the Company is unable to determine, to a reasonable degree of certainty, the complete extent or cost of remedial action that may be required. As of December 31, 2006, and subject to the limitations described above, remediation costs (including attorneys' fees and costs) for this site are projected to range from approximately $4.8 million to $18 million.

Sanford Site

The Company owns a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to its acquisition of the property. Following discovery of soil and groundwater impacts on the property, the Company has participated with four former owners and operators of the gasification plant in the funding of numerous investigations of the extent of the impacts and the identification of an appropriate remedy. On or about March 25, 1998, the Company executed an Administrative Order on Consent (AOC) with the four former owners and operators (collectively, the Group) and the EPA that obligated the Group to implement a Remedial Investigation/Feasibility Study (RI/FS) and to pay EPA's past and future oversight costs. The Group also entered into a Participation Agreement and an Escrow Agreement on or about April 13, 1998 (WFS Participation Agreement). Work under the RI/FS AOC and RI/FS Participation Agreement is now complete and the Company has no further obligations under either document.

In late September 2006, EPA sent a Special Notice Letter to the Company, notifying the Company of EPA's selection of a final remedy for OU1 (soils), OU2 (groundwater), and OU3 (sediments), and giving the Company and the other Group members sixty (60) days within which to submit a "good faith offer" to EPA to provide for implementation of the selected remedies. The Special Notice Letter included an Amended Record of Decision (ROD) for OU1 (the ROD for OU1 was amended to account for a significant increase in the volume of off-site soil impacts and a change in the selected remedy), the original ROD for OU2, and a ROD for OU3. The total estimated remediation costs for the Sanford Gasification Plant Site are now projected to be $12.5 million. On November 30, 2006, the Company and the Group submitted to EPA a good faith offer to implement the approved remedies as set forth in the RODs for OU1 through OU3.

In January, the Company along with the other members of the Group signed a Third Participation Agreement, which provides for funding the remediation work specified in the RODs for OU1 through OU3 and supercedes and replaces the Second Participation

Agreement. The Company's share of remediation costs under the Third Participation Agreement is set at 5% of a maximum of $13 million, or $650,000. At present, it is not anticipated that the total cost of remediation will exceed $13 million. If it does, the Group members have agreed to negotiate in good faith to allocate the excess costs at such time that it reasonably appears that the total remediation costs will exceed $13 million. In any such event, the Company does not expect our share of such additional costs to be greater than 5%; and its share of such additional costs may be less than 5%.

The Company's future legal costs and expenses and its share future remediation expenses for this site are currently projected to be approximately $710,000.

Pensacola Site

The Company is the prior owner/operator of the former Pensacola gasification plant, located in Pensacola, Florida. Following notification on October 5, 1990 that FDEP had determined that the Company was one of several responsible parties for any environmental impacts associated with the former gasification plant site, the Company entered into cost sharing agreements with three other responsible parties providing for the funding of certain contamination assessment activities at the site.

Following field investigations performed on behalf of the responsible parties, on July 16, 1997, FDEP approved a final remedy for the site that provides for annual sampling of selected monitoring wells. Such annual sampling has been undertaken at the site since 1998. The Company's share of these costs is less than $2,000 annually or a total of $27,000.

In March 1999, EPA requested site access in order to undertake an Expanded Site Inspection (ESI). The ESI was completed by EPA's contractor in 1999 and an ESI Report was transmitted to the Company in January 2000. The ESI Report recommends additional work at the site. The responsible parties met with FDEP on February 7, 2000 to discuss EPA's plans for the site. In February 2000, EPA indicated preliminarily that it will defer management of the site to FDEP; however, as of December 31, 2006, the Company has not received any written confirmation from EPA or FDEP regarding this matter. Prior to receipt of EPA's written determination regarding site management, the Company is unable to determine whether additional field work or site remediation will be required by EPA and, if so, the scope or costs of such work.

Key West Site

From 1927 to 1938, the Company owned and operated a gasification plant in Key West, Florida. The plant discontinued operations in the late 1940s; the property on which the plant was located is currently used for a propane gas distribution business. In March 1993, a Preliminary Contamination Assessment Report (PCAR) was prepared by a consultant jointly retained by the Company and the current site owner and was delivered to FDEP. The PCAR reported that very limited soil and groundwater impacts were present at the site. By letter dated December 20, 1993, FDEP notified the Company that the site did not warrant further "CERCLA consideration and a Site Evaluation Accomplished disposition is recommended." FDEP then referred the matter to its Marathon office for consideration of whether additional work would be required by FDEP's district office under Florida law. As of December 31, 2006, the Company has received no further communication from FDEP with respect to the site. At this time, we are unable to determine whether additional fieldwork will be required by FDEP and, if so, the scope or costs of such work. In 1999, the Company received an estimate from its consultant that additional costs to assess and remediate the reported impacts would be approximately $166,000. Assuming the current owner shared in such costs according to the

allocation agreed upon by the parties for the PCAR, the Company's share would be approximately $83,000.

11. Commitments

A. General

To ensure a reliable supply of electric and natural gas at competitive prices, the Company has entered into long-term purchase and transportation contracts with various suppliers and producers, which expire at various dates through 2015. Purchase prices under these contracts are determined by formulas either based on market prices or at fixed prices. At December 31, 2006, the Company has firm purchase and transportation commitments adequate to supply its expected future sales requirements. The Company is committed to pay demand or similar fixed charges of approximately $37.8 million during 2007 related to gas purchase agreements. Substantially all costs incurred under the electric and gas purchase agreements are recoverable from customers through fuel adjustment clause mechanisms.

B. Operating Leases

The Company's total operating lease obligation is $352,000. The Company is leasing property from the City of Fernandina Beach in our Northeast division. The Company is in the process of renegotiating the terms of this lease and it may be able to terminate this lease at an earlier date. The Company leases an appliance showroom in the same division for approximately $35,000 annually. The Company also has other operating lease agreements with various terms and expiration dates. The following table shows the approximate future obligations under noncancelable agreements.

	2007	2008	2009	2010	2011
Operating Lease Obligations	$161,000	$116,000	$47,000	$38,000	-

12. Employee Benefit Plans

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in an additional liability for retirement plans, pension plan and retirees medical plan. See Footnote 1J, Impact of Recent Accounting Standards, Financial Accounting Standard 158 for a summary of the impact to our financial statements.

A. Pension Plan

The Company sponsors a qualified defined benefit pension plan for non-union employees that were hired before January 1, 2005 and for unionized employees that work under one of the six Company union contracts and were hired before their respective contract dates in 2005.

The following tables provide a reconciliation of the changes in the plan's benefit obligations and fair value of assets over the 3-year period ending December 31, 2006 and a statement of the funded status as of December 31, of all three years:

Benefit Obligations and Funded Status

		Years Ended December 31, 2006	2005	2004
(1)	Change in Projected Benefit Obligation			
(a)	Projected Benefit Obligation at the Beginning of the Year	$36,349,925	$34,926,383	$31,540,942
(b)	Service Cost	1,225,495	1,195,723	1,084,564
(c)	Interest Cost	2,160,719	2,000,099	1,940,122
(d)	Actuarial (Gain) or Loss	541,865	(842,777)	1,708,132
(e)	Benefits Paid	(1,529,258)	(1,514,341)	(1,347,377)
(f)	Change in Plan Provisions	-	584,838	-
(g)	Curtailment	(97,858)	-	-
(h)	Projected Benefit Obligation at the End of the Year	$38,650,888	$36,349,925	$34,926,383
(i)	Accumulated Benefit Obligation at the End of the Year	$33,693,860	$31,966,513	$30,518,393
(2)	Change in Plan Assets			
(a)	Fair Value of Plan Assets at the Beginning of the Year	$32,936,666	$32,385,214	$31,081,063
(b)	Actual Return on Plan Assets	3,977,806	2,065,793	2,651,528
(c)	Benefits Paid	(1,529,258)	(1,514,341)	(1,347,377)
(d)	Employer Contributions	250,000	-	-
(e)	Fair Value of Assets at the End of the Year	$35,635,214	$32,936,666	$32,385,214
(3)	Funded Status: (2)(e) - (1)h)	$(3,015,674)	$(3,413,259)	$(2,541,169)
(4)	Amounts Recognized in the Statement of Financial Position Before Applying FAS 158			
(a)	Prepaid (Accrued) Benefit Cost	$(2,070,740)	$(721,333)	$725,619
(b)	Net Asset (liability)	$(2,070,740)	$(721,333)	$725,619
(c)	Charge to Accumulated Other Comprehensive Income:	-	-	-
(5)	Adjustments Caused by Applying FAS 158			
(a)	Increase in Net Asset (Liability): (3) – (4)(b)	$(944,934)	N/A	N/A
(b)	Increase in Charge to Accumulated Other Comprehensive Income:	207,885	N/A	N/A
(c)	Increase in Charge to Regulatory Asset – retirement plans	737,049	N/A	N/A
(d)	Subtotal of Adjustments: (a)+(b)+(c)	$ -	N/A	N/A
(6)	Amount Recognized in Statement of Financial Position After applying FAS 158			
(a)	Net Asset (Liability): (4)(b) + (5)(a)	$(3,015,674)	$(721,333)	$725,619
(b)	Charge to Accumulated Other Comprehensive Income: (4)(c) + (5)(b)	$207,885	-	-
(c)	Regulatory Asset-Retirement Plans (5) (c)	$737,049	-	-
(7)	Net Asset (Liability) Recognized in the Statement of Financial Position After applying FAS 158			
(a)	Noncurrent Assets	-	N/A	N/A
(b)	(Current Liabilities)	-	N/A	N/A
(c)	(Noncurrent Liabilities)	$(3,015,674)	N/A	N/A
(d)	Total Net Asset (Liability): (a) + (b) + (c)	$(3,015,674)	N/A	N/A

(8)	Amount Recognized in Accumulated Other Comprehensive Income And Regulatory Asset –Retirement Plans After applying FAS 158				
	(a) Transition Obligation (Asset)	-	N/A	N/A
	(b) Prior Service Cost (Credit)	$3,992,489	N/A	N/A
	(c) Net (Gain) or Loss	(3,047,555)	N/A	N/A
	(d) Total	$944,934	N/A	N/A
(9)				
	Weighted Average Assumption at End of Year			
	(a) Discount Rate	6.00%	5.90%	5.75%
	(b) Rate of Compensation Increase	3.25%	3.15%	3.00%
	(c) Mortality	GAM 83	GAM 83	GAM 83

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2006, 2005 and 2004:

Net Periodic Pension Costs

		Years Ended December 31,		
		2006	2005	2004
(1)	Service Cost	$1,225,495	$1,195,723	$1,084,564
(2)	Interest Cost	2,160,719	2,000,099	1,940,122
(3)	Expected Return on Plan Assets	(2,426,064)	(2,485,985)	(2,591,099)
(4)	Amortization of Transition Obligation/(Asset)	-	-	-
(5)	Amortization of Prior Service Cost	737,115	737,115	698,211
(6)	Amortization of Net (Gain) or Loss	-	-	-
(7)	Total FAS 87 Net Periodic Pension Cost	$1,697,265	$1,446,952	$1,131,798
(8)	FAS 88 Charges / (Credits)			
	(a) Curtailment	(97,858)	-	-
(9)	Total Net Periodic Pension Cost and Comprehensive Income	$1,599,407	$1,446,952	$1,131,798
(10)	Weighted Average Assumptions			
	(a) Discount Rate at Beginning of the Period	5.90%	5.75%	6.25%
	(b) Expected Return on Plan Assets	8.50%	8.50%	8.50%
	(c) Rate of Compensation Increase	3.15%	3.00%	3.50%

Plan Assets

		Target Allocation	Percentage of Plan Assets at December 31		
		2007	2006	2005	2004
(1)	Plan Assets				
	(a) Equity Securities	40%-60%	68%	67%	69%
	(b) Debt Securities	25%-40%	30%	32%	30%
	(c) Real Estate	5%-15%	0%	0%	0%
	(d) Other	5%-15%	2%	1%	1%
	(e) Total		100%	100%	100%

Expected Return on Plan Assets

The expected rate of return on plan assets is 8.5%. The Company expects 8.5% to fall within the 40 to 50 percentile range of returns on investment portfolios with asset diversification similar to that of the Pension Plan's target asset allocation.

Investment Policy and Strategy

The Company has established and maintains an investment policy designed to achieve a long-term rate of return, including investment income and appreciation, sufficient to meet the actuarial requirements of the Pension Plan. The Company seeks to accomplish its return objectives by investing in a diversified portfolio of equity, fixed income and cash securities seeking a balance of growth and stability as well as an adequate level of liquidity for pension distributions as they fall due. Plan assets are constrained such that no more than 10% of the portfolio will be invested in any one issue.

Cash Flows

(1)	Expected Contributions for Fiscal Year Ending December 31, 2007	
	(a) Expected Employer Contributions	$250,000
	(b) Expected Employee Contributions	-
(2)	Estimated Future Benefit Payments Reflecting Expected Future Service for the years ending December 31,	
	(a) 2007	$1,756,069
	(b) 2008	$1,839,843
	(c) 2009	$1,975,656
	(d) 2010	$2,092,003
	(e) 2011	$2,182,628
	(f) 2012 – 2016	$13,040,794
(3)	Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/07	-

Other Accounting Items

		Years Ended December 31,		
		2006	2005	2004
(1)	Market-Related Value of Assets as of the Beginning of fiscal year	$29,290,131	$30,016,761	$31,222,154
(2)	Amount of Future Annual Benefits of Plan Participants Covered by Insurance Contracts Issued by the Employer or Related Parties	$ 0	$ 0	$ 0
(3)	Alternative Amortization Methods Used to Amortize			
	(a) Prior Service Cost	Straight Line	Straight Line	Straight Line
	(b) Unrecognized Net (Gain) or Loss	Straight Line	Straight Line	Straight Line
(4)	Average Future Service	10.80	10.95	10.95
(5)	Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(6)	Description of Special or Contractual Termination Benefits Recognized During the Period	N/A	N/A	N/A
(7)	Cost of Benefits Described in (6)	N/A	N/A	N/A
(8)	Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(9)	Measurement Date Used	December 31, 2006	December 31, 2005	December 31, 2004

B. Medical Plan

The Company sponsors a postretirement medical program. The medical plan is contributory with participants' contributions adjusted annually. The following tables provide required financial disclosures over the three-year period ended December 31, 2006:

Benefit Obligations and Funded Status

		Fiscal Year Ending		
		12/31/2006	12/31/2005	12/31/2004
(1)	Change in Accumulated Postretirement Benefit Obligation			
(a)	Accumulated Postretirement Benefit Obligation at the Beginning of the Year	$2,343,583	$1,925,254	$1,807,999
(b)	Service Cost	59,982	100,054	70,300
(c)	Interest Cost	105,483	127,312	106,079
(d)	Actuarial (Gain) or Loss	(568,755)	282,812	32,646
(e)	Benefits Paid	(117,459)	(135,166)	(119,005)
(f)	Change in Plan Provisions	-	-	-
(g)	Plan Participant's Contributions	42,519	43,317	27,235
(h)	Accumulated Postretirement Benefit Obligation at the End of the Year	$1,865,353	$2,343,583	$1,925,254
(2)	Change in Plan Assets			
(a)	Fair Value of Plan Assets at the Beginning of the Year	$ -	$ -	$ -
(b)	Benefits Paid	(117,459)	(135,166)	(119,005)
(c)	Employer Contributions	74,940	91,849	91,770
(d)	Plan Participant's Contributions	42,519	43,317	27,235
(e)	Fair Value of Assets at the End of the Year	$ -	$ -	$ -
(3)	Net Amount Recognized			
(a)	Funded Status: (2)(e) - (1)(h)	$(1,865,353)	$(2,343,583)	$(1,925,254)
(4)	Amounts Recognized in the Statement of Financial Position Before Applying FAS 158			
(a)	Prepaid (Accrued) Benefit Cost	(2,057,833)	(1,942,393)	(1,763,980)
(b)	(Additional Liability due to an Unfunded ABO)	-	-	-
(c)	Intangible Asset	-	-	-
(d)	Net Asset (Liability): (a) + (b) + (c)	$(2,057,833)	$(1,942,393)	$(1,763,980)
(e)	Charged to Accumulated Other Comprehensive Income:	-	-	-
(5)	Adjustments Caused by Applying FAS 158			
(a)	Increase in Net Asset (Liability): (3) – (4)(d)	$192,480	N/A	N/A
(b)	Increase in charge to Accumulated Other Comprehensive Income:	(42,346)	N/A	N/A
(c)	Increase in charge to Regulatory Asset-retirement plans	(150,134)	N/A	N/A
(d)	Subtotal of Adjustments: (a) + (b) + (c)	$ -	N/A	N/A
(6)	Amounts Recognized in the Statement of Financial Position After applying FAS 158			
(a)	Net Asset (Liability): (4)(d) +(5)(a)	(1,865,353)	(1,942,393)	(1,763,980)
(b)	Charge to Accumulated Other Comprehensive Income: (4)(e) + (5)(b)	(42,346)	-	-
(c)	Charge to Regulatory Asset-Retirement Plans (5)(c)	(150,134)	-	-
(7)	Net Asset (Liability) Recognized in the Statement of Financial Position After Applying FAS 158			

(a)	Noncurrent Assets	$ -	N/A	N/A
(b)	(Current Liabilities)	(150,589)	N/A	N/A
(c)	(Noncurrent Liabilities)	(1,714,764)	N/A	N/A
(d)	Total Net Asset (Liability): (a) + (b) + (c)	$(1,865,353)	N/A	N/A
(8)	Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Asset After Applying FAS 158			
(a)	Transition Obligation (Asset)	$ -	N/A	N/A
(b)	Prior Service Cost (Credit)	-	N/A	N/A
(c)	Net (Gain) or Loss	(192,480)	N/A	N/A
(d)	Total	$(192,480)	N/A	N/A
(9)	Weighted Average Assumptions at the End of the Year			
(a)	Discount Rate	6.00%	5.90%	5.75%
(b)	Rate of Compensation Increase	N/A	N/A	N/A
(c)	Mortality	GAM 83	GAM 83	GAM 83
(10)	Assumed Health Care Cost Trend Rates			
(a)	Health Care Cost Trend Rate Assumed for Next Year	11.50%	9.00%	10.00%
(b)	Ultimate Rate	5.00%	5.00%	5.00%
(c)	Year that the Ultimate Rate is Reached	2014	2010	2010

Net Periodic Postretirement Benefit Cost

		Years ended December 31,		
		2006	2005	2004
(1)	Service Cost	$59,982	$100,054	$70,300
(2)	Interest Cost	105,483	127,312	106,079
(3)	Amortization of Transition Obligation/(Asset)	42,896	42,896	42,896
(4)	Amortization of Prior Service Cost	-	-	-
(5)	Amortization of Net (Gain) or Loss	(17,981)	-	(8,666)
(6)	Total Net Periodic Benefit Cost	$190,380	$270,262	$210,609
(7)	Weighted Average Assumptions			
(a)	Discount Rate	5.90%	5.75%	6.25%
(b)	Expected Return on Plan Assets	N/A	N/A	N/A
(c)	Rate of Compensation Increase	N/A	N/A	N/A
(8)	Assumed Health Care Cost Trend Rates			
(a)	Health Care Cost Trend Rate Assumed for Current Year	12.50%	10.00%	12.00%
(b)	Ultimate Rate	5.00%	5.00%	5.00%
(c)	Year that the Ultimate Rate is Reached	2014	2010	2010

Expected Amortizations

		Years ended December 31,		
		2007	2006	2005
(1)	Expected Amortization of Transition Obligation (Asset)	-	N/A	N/A
(2)	Expected Amortization of Prior Service Cost (Credit)	-	N/A	N/A
(3)	Expected Amortization of Net Loss (Gain)	$(536)	N/A	N/A

		Increase	Decrease
(9)	Impact of One-Percentage-Point Change in Assumed Health Care Cost Trend Rates		
(a)	Effect on Service Cost + Interest Cost	$20,533	$(17,812)
(b)	Effect on Postretirement Benefit Obligation	$203,809	$(179,005)

Plan Assets

		Target Allocation 2007	Percentage of Plan Assets at December 31 2006	2005	2004
(1)	Plan Assets				
(a)	Equity Securities	N/A	N/A	N/A	N/A
(b)	Debt Securities	N/A	N/A	N/A	N/A
(c)	Real Estate	N/A	N/A	N/A	N/A
(d)	Other	N/A	N/A	N/A	N/A
(e)	Total	N/A	N/A	N/A	N/A

Cash Flows

(1) Expected Contributions for Fiscal Year Ending 12/31/2007

(a)	Expected Employer Contributions	$150,589
(b)	Expected Employee Contributions	$48,832

(2) Estimated Future Benefit Payments Reflecting Expected Future Service for the Fiscal Year(s) Ending

		Total	Medicare Part-D Reimbursement	Employee	Employer
(a)	12/31/2007	$199,421	$0	$48,832	$150,589
(b)	12/31/2008	$143,659	$8,266	$36,130	$99,263
(c)	12/31/2009	$146,580	$8,749	$36,535	$101,296
(d)	12/31/2010	$160,560	$9,504	$41,759	$109,297
(e)	12/31/2011	$199,681	$10,062	$51,049	$138,570
(f)	12/31/2012 – 12/31/2016	$1,407,957	$61,062	$350,375	$996,520

(3) Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/07 $0

Other Accounting Items

		Years Ended December 31, 2006	2005	2004
(1)	Market-Related Value of Assets	N/A	N/A	N/A
(2)	Amount of Future Annual Benefits of Plan Participants Covered by Insurance Contracts Issued by the Employer or Related Parties	-	-	-
(3)	Alternative Amortization Methods Used to Amortize			

	(a) Prior Service Cost	Straight Line	Straight Line	Straight Line
	(b) Unrecognized Net (Gain) or Loss	Straight Line	Straight Line	Straight Line
(4)	Average Future Service	11.10	13.35	12.48
(5)	Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(6)	Description of Special or Contractual Termination Benefits Recognized During the Period	N/A	N/A	N/A
(7)	Cost of Benefits Described in (6)	N/A	N/A	N/A
(8)	Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(9)	Measurement Date Used	December 31, 2006	December 31, 2005	December 31, 2004

Discount Rate Assumption

The discount rate assumption used to determine the postretirement benefit obligations is based on current yield rates in the double A bond market. The current year's discount rate was selected using a method that matches projected payouts from the plan with a zero-coupon double A bond yield curve. This yield curve was constructed from the underlying bond price and yield data collected as of the plan's measurement date and is represented by a series of annualized, individual discount rates with durations ranging from six months to thirty years. Each discount rate in the curve was derived from an equal weighting of the double A or higher bond universe, apportioned into distinct maturity groups. These individual discount rates are then converted into a single equivalent discount rate, which is then used for FAS discount purposes. To assure that the resulting rates can be achieved by a postretirement benefit plan, only bonds that satisfy certain criteria and are expected to remain available through the period of maturity of the plan benefits are used to develop the discount rate. Prior years' discount rate assumptions were set based on investment yields available on double A, long-term corporate bonds.

Actuarial Equivalent

In determining "Actuarial Equivalence," our plan's actuary, Aon Consulting, proprietary prescription drug pricing tool, Aon Rx, was used. This tool allowed us to determine the estimated Per Member Per Month (PMPM) prescription drug cost for both the Company plan and the Medicare plan. The two PMPM's were adjusted for monthly retiree contributions. We assumed that 60% of the monthly combined medical and prescription drug retiree contribution for the Company plan applies towards prescription drugs.

Voluntary Prescription Drug Coverage

Legislation enacted in December 2003 provides for the addition of voluntary prescription drug coverage under Medicare starting in 2006. The legislation also provides for a 28% tax-free subsidy for each qualified covered retiree's drug cost between certain thresholds if the employer's coverage is at least actuarially equivalent to the standard Medicare drug benefit. Based on the final regulations issued by the Centers for Medicare and Medicaid Services on January 21, 2005, we determined our prescription drug coverage of the Postretirement Medical Benefits plan to be actuarially equivalent to Medicare Part D.

C. Health Plan

In December 2003, the Company became fully insured for its employee and retiree's medical insurance. Net health care benefits paid by the Company for active employees were approximately $1.7 million in 2006, $1.6 million in 2005 and $1.5 million in 2004, excluding administrative and stop-loss insurance.

D. 401K Plan

The Company has discontinued eligibility to the defined benefit pension plan for all new hires, and replaced it with a new 401K match.

For new hires not eligible for the defined benefit pension plan, we established an employer match to the employee's contribution to their 401K plans. It provided for a company match of 50% for each dollar contributed by the employee, up to 6% of their salary, for a Company contribution of up to 3%. Beginning in 2007, for non-union employees the plan was enhanced to provide a company match of 100% for the first 2% of an employee's contribution, and a match of 50% for the next 4% of an employee's contribution, for a total company match of up to 4%. This new enhanced match will be negotiated with our six union contracts during 2007, to be effective on their respective contract date within 2007. The employees are eligible for the company match after six months of continuous service, with vesting of 100% after three years of continuous service. The expenses incurred in 2005 and 2006 relating to the Company's 401K plan are not material.

E. Employee Stock Purchase Plan

The Company offers an employee stock purchase plan to substantially all of its employees. The plan offers a 15% discount on the Company's stock at market price fixed six months prior to the date of purchase. The recorded stock compensation expense relating to the Company's employee stock purchase plan is not material.

13. Segment Information

The Company is organized into two regulated business segments: natural gas and electric, and one non-regulated business segment, propane gas. There are no material inter-segment sales or transfers.

Identifiable assets are those assets used in the Company's operations in each business segment. Common assets are principally cash and overnight investments, deferred tax assets and common plant.

Business segment information for 2006, 2005 and 2004 is summarized as follows:

(Dollars in thousands)	2006	2005	2004
Revenues			
Natural gas	$ 71,139	$ 69,094	$ 55,962
Electric	48,527	47,450	42,910
Propane gas	14,727	13,479	11,167
Consolidated	$ 134,393	$ 130,023	$ 110,039
Operating income, excluding income tax			
Natural gas	$ 6,118	$ 6,049	$ 4,978
Electric	3,053	3,502	3,353
Propane gas	1,006	1,086	655
Consolidated	$ 10,177	$ 10,637	$ 8,986
Identifiable assets			
Natural gas	$ 93,689	$ 96,106	$ 87,729
Electric	52,251	51,317	48,687
Propane gas	19,239	19,567	15,731
Common	15,734	15,676	18,356
Consolidated	$ 180,913	$ 182,666	$ 170,503
Depreciation and amortization			
Natural gas	$ 4,095	$ 3,928	$ 2,752
Electric	2,610	2,404	2,323
Propane gas	720	621	560
Common	317	313	265
Consolidated	$ 7,742	$ 7,266	$ 5,900
Construction expenditures			
Natural gas	$ 7,643	$ 6,357	$ 5,314
Electric	3,184	3,775	6,793
Propane gas	1,885	2,133	1,339
Common	404	176	285
Consolidated	$ 13,116	$ 12,441	$ 13,731
Income tax expense			
Natural gas	$ 1,336	$ 1,283	$ 843
Electric	546	666	565
Propane gas	110	245	130
Common	246	93	77
Consolidated	$ 2,238	$ 2,287	$ 1,615

14. Quarterly Financial Data (Unaudited)

The quarterly financial data presented below reflects the influence of seasonal weather conditions, the timing of rate increases and the migration of winter residents and tourists to Central and South Florida during the winter season. Significant increases in the fourth quarter of 2005 expenses relate to the performance of previously delayed expenditures from previous quarters.

(Dollars in thousands, except per share amounts):	First Quarter	Second Quarter	Third Quarter *	Fourth Quarter
2006				
Revenues	$ 43,348	$ 29,878	$ 29,415	$ 31,752
Gross profit	$ 14,135	$ 11,402	$ 10,867	$ 12,018
Operating income	$ 4,528	$ 2,065	$ 1,263	$ 2,321
Earnings before income taxes	$ 3,507	$ 1,162	$ 384	$ 1,354
Net Income	$ 2,221	$ 738	$ 335	$ 875
Earnings per common share (basic and diluted):				
Continuing operations	$ 0.37	$ 0.12	$ 0.05	$ 0.14
2005				
Revenues	$ 35,438	$ 28,329	$ 29,190	$ 37,066
Gross profit	$ 13,619	$ 10,963	$ 10,374	$ 12,263
Operating income	$ 4,684	$ 2,215	$ 1,578	$ 2,160
Earnings before income taxes	$ 3,711	$ 1,205	$ 573	$ 1,046
Net Income	$ 2,353	$ 851	$ 260	$ 784
Earnings per common share (basic and diluted):				
Continuing operations	$ 0.40	$ 0.14	$ 0.04	$ 0.13

* The third quarter of 2006 has been restated and revised for pension expense and income tax expense to reflect a correction of the valuation of our pension liability. The pension liability and expense increased by $225,000 and the deferred tax expense and deferred tax liability decreased by $85,000 in the third quarter of 2006. The following summary shows the effect on our financial statements.

Summary of Third Quarter 2006 Adjustment

(Dollars in thousands, except per share amounts):	Third Quarter Before Revision	Adjustment	Third Quarter After Revision
2006			
Revenues	$ 29,415	-	$ 29,415
Gross profit	$ 10,867	-	$ 10,867
Operating income	$ 1,488	(225)	$ 1,263
Earnings before income taxes	$ 609	(225)	$ 384
Net Income	$ 475	(140)	$ 335
Earnings per common share (basic and diluted):			
Continuing operations	$ 0.08	(.03)	$ 0.05

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors and Shareholders of FPU:

We have audited the accompanying consolidated balance sheets and statements of capitalization of Florida Public Utilities Company and its wholly-owned subsidiary, Flo-Gas Corporation as of December 31, 2006 and 2005 and the related consolidated statements of income, comprehensive income, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Florida Public Utilities Company and its wholly-owned subsidiary, Flo-Gas Corporation at December 31, 2006 and 2005, and the results of its operation and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1J and 12 to the consolidated financial statements, on December 31, 2006, the Company adopted Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pensions and Other Postretirement Benefit Plans."

BDO Seidman, LLP
Certified Public Accountants
West Palm Beach, Florida
March 16, 2007

CORPORATE INFORMATION

DIRECTORS

Ellen Terry Benoit
Investor
Palm Beach, FL

John T. English*
Florida Public Utilities Company
West Palm Beach, FL

R. C. Hitchins*
President, R. C. Hitchins & Co., P.A.
West Palm Beach, FL

Dennis S. Hudson III
Chairman and Chief Executive Officer of
Seacoast Banking Corporation of Florida

Paul L. Maddock, Jr.*
President of The Maddock Companies, a Real Estate Holding & Investment Firm, Palm Beach, FL

Troy W. Maschmeyer, Jr.
President of Maschmeyer Concrete Co. of Florida.

**Member of Executive Committee*

EXECUTIVE OFFICERS

John T. English
Chairman of the Board, President, and Chief Executive Officer

Charles L. Stein
Senior Vice President and Chief Operating Officer

EXECUTIVE OFFICERS (*continued...*)

George M. Bachman
Chief Financial Officer, Treasurer, and Corporate Secretary

INDEPENDENT AUDITORS

BDO Seidman, LLP
1601 Forum Place
Centurion Plaza Suite 904
West Palm Beach, FL

TRANSFER AND REGISTRAR AGENT

American Stock Transfer & Trust Company
40 Wall Street, 46th Floor
New York, NY 10005
(800) 937-5449
www.amstock.com

INVESTOR CONTACT AND INFORMATION REQUESTS

George Bachman
CFO, Treasurer and Corporate Secretary
P.O. Box 3395
West Palm Beach, FL 33402-3395
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CORPORATE HEADQUARTERS

401 South Dixie Highway
West Palm Beach, FL 33401
Telephone: (561) 832-2461
www.fpuc.com

NOTICE OF ANNUAL MEETING

The Annual Meeting of Shareholders of Florida Public Utilities Company will be held Tuesday, May 8, 2007, 11:00 a.m., at the Corporate Headquarters.

STOCK EXCHANGE LISTING

Common shares are traded on the American Stock Exchange under the symbol "FPU." As of December 31, 2006, there were approximately 3,878 holders of record, including approximately 2,946 beneficial owners of the Company's common stock. This is the 61st consecutive year that the Company has paid a quarterly cash dividend.

DIVIDEND REINVESTMENT PLAN AND DIRECT DEPOSIT

An automatic dividend reinvestment plan is available to all Florida Public Utilities Company common stockholders. In addition, optional payments of up to $2,000 quarterly can also be invested.

The direct deposit of quarterly dividend checks is available to all shareholders upon completion of a direct deposit authorization agreement.

Information regarding the dividend reinvestment plan and the direct deposit of dividends can be obtained by contacting our transfer agent

FORM 10-K

A copy of the Company's annual report on Form 10-K, as filed with the Securities Exchange Commission, will be furnished to stockholders and interested investors free of charge upon written request to the Company.

2006 ANNUAL REPORT

This annual report and the financial statements contained herein are submitted to the shareholders of the Company for their general information and not in connection with any sale or offer to sell, solicitation of any offer to buy, any securities.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2007**

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **001-10608**

FLORIDA PUBLIC UTILITIES COMPANY
(Exact name of registrant as specified in its charter)

Florida	**59-0539080**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 South Dixie Highway,
West Palm Beach, Fl. 33401
(561) 832-0872
(Address and telephone number of registrant's principal executive offices and principal place of business)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

On May 1, 2007, there were 6,028,828 shares of $1.50 par value common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands, except share data)

	Three Months Ended March 31,	
Revenues	**2007**	**2006**
Natural gas	$20,573	$26,954
Electric	13,358	11,696
Propane gas	4,681	4,698
Total revenues	38,612	43,348
Cost of Fuel and Other Pass Through Costs	24,769	29,213
Gross Profit	13,843	14,135
Operating Expenses		
Operation and maintenance	7,173	6,805
Depreciation and amortization	2,072	1,978
Taxes other than income taxes	860	824
Total operating expenses	10,105	9,607
Operating Income	3,738	4,528
Other Income and (Deductions)		
Merchandise and service revenue	915	1,226
Merchandise and service expenses	(810)	(1,185)
Other income	151	151
Interest expense	(1,167)	(1,213)
Total other deductions – net	(911)	(1,021)
Earnings Before Income Taxes	2,827	3,507
Income Taxes	(1,029)	(1,286)
Net Income	1,798	2,221
Preferred Stock Dividends	7	7
Earnings for Common Stock	$1,791	$2,214
(Basic and Diluted):		
Earnings Per Common Share	$0.30	$0.37
Dividends Declared Per Common Share	$0.1075	$0.1033
Average Shares Outstanding	6,024,739	5,980,037

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands)

ASSETS	March 31, 2007	December 31, 2006
Utility Plant		
Utility Plant	$191,633	$188,968
Less Accumulated depreciation	61,114	59,757
Net utility plant	130,519	129,211
Current Assets		
Cash	2,073	84
Accounts receivable	12,947	12,199
Allowance for uncollectible accounts	(426)	(429)
Unbilled receivables	1,684	1,957
Notes receivable	312	298
Inventories (at average unit cost)	3,883	4,120
Prepaid expenses	692	963
Under-recovery of fuel costs	1,010	862
Deferred income taxes-current	676	418
Total current assets	22,851	20,472
Other Assets		
Investments held for environmental costs	3,375	3,364
Other regulatory assets-environmental	8,121	8,284
Other regulatory assets-storm reserve	207	270
Other regulatory assets-retirement plans	442	587
Long-term receivables and other investments	5,448	5,740
Deferred charges	6,380	6,496
Goodwill	2,405	2,405
Intangible assets (net)	4,366	4,405
Total other assets	30,744	31,551
Total Assets	$184,114	$181,234

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

CAPITALIZATION AND LIABILITIES	March 31, 2007	December 31, 2006
Capitalization		
Common shareholders' equity	$48,959	$47,572
Preferred stock	600	600
Long-term debt	50,723	50,702
Total capitalization	100,282	98,874
Current Liabilities		
Line of credit	2,215	3,466
Accounts payable	9,483	10,279
Insurance accrued	110	181
Interest accrued	1,208	789
Other accruals and payables	3,082	2,798
Taxes accrued	3,389	1,180
Over-earnings liability	675	722
Over-recovery of fuel costs and other	4,210	4,011
Customer deposits	10,152	9,608
Total current liabilities	34,524	33,034
Other Liabilities		
Deferred income taxes	17,076	17,436
Environmental liability	12,930	13,140
Regulatory liability-storm reserve	1,667	1,636
Regulatory liabilities-other	9,830	9,676
Other liabilities	7,805	7,438
Total other liabilities	49,308	49,326
Total Capitalization and Liabilities	$184,114	$181,234

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,	
	2007	2006
Net cash provided by operating activities	$6,416	$11,174
Investing Activities		
Construction expenditures	(3,087)	(3,265)
Proceeds received on notes receivable	87	296
Other	346	148
Net cash used in investing activities	(2,654)	(2,821)
Financing Activities		
Net decrease in short-term borrowings	(1,251)	(6,115)
Dividends paid	(653)	(1,248)
Other increases	131	163
Net cash used in financing activities	(1,773)	(7,200)
Net increase in cash	1,989	1,153
Cash at beginning of period	84	695
Cash at end of period	$2,073	$1,848

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2007

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in the United States (GAAP) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for fair presentation have been included. The operating results for the period are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances, accruals for pensions, environmental liabilities, liability reserves, regulatory deferred tax liabilities, unbilled revenue and over-earnings liability. Actual results may differ from these estimates.

3. Regulation

The financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71 – "Accounting for the Effects of Certain Types of Regulation". SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. A regulated utility may defer recognition of a cost (a regulatory asset) or show recognition of an obligation (a regulatory liability) if it is probable that, through the ratemaking process, there will be a corresponding increase or decrease in revenues. The Company has recognized certain regulatory assets and liabilities in the condensed consolidated balance sheets.

As a result, Florida Public Service Commission (FPSC) regulation has a significant effect on the Company's results of operations. The FPSC approves rates that are intended to permit a specified rate of return on investment. Rate tariffs allow the flexibility of automatically passing through the cost of natural gas and electricity to customers. Increases in the operating expenses of the regulated segments may require a request for increases in the rates charged to customers.

4. Pledged Assets

Substantially all of the Company's utility plant and the shares of its wholly owned subsidiary, Flo-Gas Corporation, collateralize the Company's First Mortgage Bonds (long-term debt). Cash, accounts receivable and inventory are collateral for the line of

credit.

5. Restriction on Dividends

The Company's Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At March 31, 2007, approximately $10.1 million of retained earnings were free of such restriction and available for the payment of dividends. The Company's line of credit agreement contains covenants that, if violated, could restrict or prevent the payment of dividends. The Company is not in violation of these covenants.

6. Allowance for Uncollectible Accounts

The Company records an allowance for uncollectible accounts based on historical information and trended current economic conditions. The bad debt write-offs for the first quarter 2007 were $177,000 while the provisions were $174,000.

7. Storm Reserves

As of March 31, 2007, the Company had a storm reserve of approximately $1.7 million for the electric segment. The Company does not have a storm reserve for the natural gas or propane gas segments. Any future storm costs affecting the natural gas segment will be deferred for recovery from customers either through rate increases or through applying any available over-earnings as a reduction to the costs. All such deferred costs are subject to review and approval by the FPSC.

The Company deferred storm costs for the natural gas segment incurred in 2004 as a regulatory asset on the condensed consolidated balance sheets. The FPSC approved recovery of these storm costs, plus interest and revenue related taxes, over a 30-month period beginning in November 2005. As of March 31, 2007, the remaining balance of these storm costs to be recovered is $207,000.

8. Goodwill and Other Intangible Assets

The Company does not amortize goodwill or intangibles with indefinite lives. The Company periodically tests the applicable reporting segments, natural gas and propane gas, for impairment. In the event goodwill or intangible assets related to a segment are determined to be impaired, the Company would write down such assets to fair value. The impairment test performed in 2006 showed no impairment for either reporting segment. The Company does not believe the 2007 impairment test will indicate impairment for either reporting segment. Final results are expected in the second quarter of 2007.

Goodwill associated with the Company's acquisitions consists of $500,000 in the natural gas segment and $1.9 million in the propane gas segment. The summary of intangible assets at March 31, 2007, is as follows:

Intangible Assets
(Dollars in thousands)

		2007
Customer distribution rights	(Indefinite life)	$ 1,900
Customer relationships	(Indefinite life)	900
Software	(Five to nine year life)	3,169

Accumulated amortization	(1,603)
Total intangible assets, net of amortization	$ 4,366

The amortization expense of intangible assets was approximately $86,000 for the three months ended March 31, 2007.

9. Common Shareholders' Equity

Items impacting common shareholders' equity other than income and dividends are the dividend reinvestment program, employee stock purchase program, stock compensation plans and treasury stock. The net impact of these additional items increased common shareholders' equity approximately $220,000 for the three months ended March 31, 2007. Accumulated other comprehensive loss, comprised of the deferred cost of employee benefit plans, totaled approximately $80,000 and $100,000 as of March 31, 2007 and December 31, 2006, respectively. The change to other comprehensive loss for the quarter ending March 31, 2007 was an approximate net $20,000 gain.

10. Over-earnings – Natural Gas Segment

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. The Company has agreed with the FPSC staff to limit the earned return on equity for regulated natural gas and electric operations.

The Company has recorded estimated 2006 and 2005 over-earnings for regulated natural gas operations of $25,000 and $650,000, respectively. These liabilities are included in the over-earnings liability on the Company's condensed consolidated balance sheet of March 31, 2007. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. Estimates may be revised as expectations change and factors become known and determinable.

The 2005 and 2006 over-earnings liabilities are based on the Company's best estimates, but the amounts could change upon the FPSC finalization and review of earnings expected in 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, increasing storm damage or environmental reserves or reducing any depreciation reserve deficiency.

11. Environmental Contingencies

The Company is subject to federal and state legislation with respect to soil, groundwater and employee health and safety matters and to environmental regulations issued by the Florida Department of Environmental Protection (FDEP), the United States Environmental Protection Agency (EPA) and other federal and state agencies. For full disclosure of the legal items that impact the Company, please refer to "Contingencies" in the Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2006.

12. Reclassification

Certain amounts in the 2006 financial statements have been reclassified to conform to

the 2007 presentation.

13. Financial Accounting Standard Board Interpretation No. 48

The Company accounts for uncertainty in income taxes in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) and SFAS No. 109, Accounting for Income Taxes. The Company performed an analysis of tax positions taken and expected to be taken on the tax returns. The analysis concluded that the Company had no material uncertain tax positions.

The Interpretation requires Companies to accrue interest and penalties that would be incurred if an uncertain tax position ultimately were not sustained. In such a case, the Company would start accruing interest and penalty in the period which gives rise to the uncertain tax position. The Company would classify interest and penalties in the income statement and balance sheet separately from other tax balances and based on expected timing of cash payment to the taxing authorities.

Under the tax statute of limitations applicable to the Internal Revenue Code and state taxes, we are no longer subject to examinations by the Internal Revenue Service or the State of Florida for years before 2003. However, because we are carrying forward income tax attributes, such as net operating losses and tax credits from 2002 and earlier tax years, these attributes can still be audited when utilized on returns filed in the future. As noted in Note 14, we have been notified of an IRS audit.

14. IRS Examination

In February of 2007, the IRS informed us that it has selected our 2003 and 2004 tax years for examination. As our tax positions have remained consistent with those from the previously audited tax years, we do not expect any material adverse findings as the result of the impending IRS audit.

15. Recent Accounting Standards

FASB Staff Position (FSP) AUG AIR-1

"Accounting for Planned Major Maintenance Activities," amended APB 28, *"Interim Financial Reporting,"* to prohibit the use of the accrue-in-advance method of accounting for planned major maintenance. The Company does not accrue-in-advance for planned major maintenance activities therefore the adoption of FSP AUG AIR-1 in the first quarter of 2007 did not have an impact on the Company's results of operations, cash flows or financial position.

Financial Accounting Standard No. 159

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits measurement at fair value of certain firm commitments, non-financial insurance contracts and warranties, host financial instruments and recognized financial assets and liabilities, excluding consolidating investments in subsidiaries, consolidating variable interest entities, various forms of deferred compensation agreements, leases, depository institution deposit liabilities and financial instruments included in shareholders' equity. This Statement becomes effective January 1, 2008 for financial statements issued for fiscal years beginning after November 15, 2007. As the Company does not

believe adoption of this Statement will have a material impact on our financial condition or results of operation, we do not anticipate electing the fair value option.

16. Employee Benefit Plans

The Company sponsors a qualified defined benefit pension plan for non-union employees that were hired before January 1, 2005 and for unionized employees that work under one of the six Company union contracts and were hired before their respective contract dates in 2005. The Company also sponsors a postretirement medical plan.

The following table provides the components of the net periodic benefit cost for our pension plan and postretirement benefit plan for the three months ended March 31, 2006 and 2007.

FLORIDA PUBLIC UTILITIES COMPANY
Net Periodic Benefit Costs
(Dollars in thousands)

	Three Months Ended March 31,	
	2007	2006
Pension Plan:		
Service Cost	$ 283	$ 308
Interest Cost	566	524
Expected Return on Plan Assets	(610)	(603)
Amortization of Prior Service Cost	184	184
Net Periodic Pension Cost	$ 423	$ 413
Postretirement Benefit Plan:		
Service Cost	$ 16	$ 25
Interest Cost	26	34
Amortization of Transition Obligation/(Asset)	11	11
Amortization of Net (Gain) or Loss	(5)	-
Net Periodic Postretirement Benefit Cost	$ 48	$ 70

For additional information related to our employee benefit plans, please see Note 12 to the Consolidated Financial Statements of the company's 10-K Annual Report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We have three primary business segments: natural gas, electric and propane gas. The Florida Public Service Commission (FPSC) regulates the natural gas and electric segments.

Results of Operations

Revenues and Gross Profit Summary

Revenues include cost recovery revenues. The FPSC allows cost recovery revenues to directly recover costs of fuel, conservation and revenue-based taxes in our natural gas and electric segments. Revenues collected for these costs and expenses have no effect on results of operations and fluctuations could distort the relationship of revenues between periods. Gross profit is defined as gross operating revenues less fuel, conservation and revenue-based taxes that are passed directly through to customers. Because gross profit eliminates these cost recovery revenues, we believe it provides a more meaningful basis for evaluating utility revenues. The following summary compares gross profit between periods and units sold in one thousand Dekatherm (MDth) (gas) and Megawatt Hour (MWH) (electric).

Revenues and Gross Profit
(Dollars in thousands)

	Three Months Ended March 31,	
	2007	2006
Natural Gas		
Revenues	$20,573	$26,954
Cost of fuel and other pass through costs	12,522	18,555
Gross Profit	$ 8,051	$ 8,399
Units sold: (MDth)	1,840	1,946
Electric		
Revenues	$13,358	$11,696
Cost of fuel and other pass through costs	9,899	8,273
Gross Profit	$ 3,459	$ 3,423
Units sold: (MWH)	185,636	197,227
Propane Gas		
Revenues	$4,681	$4,698
Cost of fuel	2,348	2,385
Gross Profit	$2,333	$2,313
Units sold: (MDth)	192	200
Consolidated		
Revenues	$38,612	$43,348

Cost of fuel	24,769	29,213
Gross Profit	$13,843	$14,135

Three Months Ended March 31, 2007 Compared with Three Months Ended March 31, 2006.

Revenues and Gross Profit

Natural Gas

Natural gas service revenues decreased $6,381,000 in the first quarter of 2007 over the same period in 2006. As the cost of natural gas continues to decline, revenues to recover our cost of fuel and other costs passed through to customers decreased by $6,033,000. These costs do not impact our gross profit. Our gross profit decreased $348,000 or 4%. The decrease in gross profit is attributable to a 5% decrease in units sold in 2007 due primarily to generally warmer weather compared to the prior year.

Electric

Electric service revenues increased $1,662,000 in the first quarter of 2007 over the same period in 2006. $1,626,000 of the increase was attributable to the cost of fuel and other costs that were passed through to customers. A new fuel contract in our Northeast division was effective January 1, 2007 and this increased the cost of fuel that was passed through to our customers. Gross profit was flat compared to the first quarter of 2006.

Propane Gas

Propane experienced a 4% decrease in units sold to customers due to warmer weather; however this was offset by increased profit margins.

Operating Expenses

Operating expenses were higher by $498,000 in the first quarter of 2007 compared to the same period in 2006. The majority of the increased expense is from cost of living raises related to payroll and increased payroll expense incurred to improve natural gas customer service and collections.

Other Income and Deductions

Although merchandise and service revenue decreased by $311,000 in the first quarter of 2007 compared to the same period last year, our profit increased by $64,000. We experienced a decrease in revenue mainly due to lower demand for merchandise as a result of the slow down of new construction projects during the current downturn in the housing market. Despite the decrease to our revenues, profitability rose due to a focus by our management on pricing structure.

The total interest expense decreased $46,000 as compared to the same period last year, due mainly to a decrease in the average outstanding balance on the line of credit.

Income Taxes

Income tax expense decreased in the first quarter of 2007 by $257,000 over the same

period last year as a result of lower taxable income.

Liquidity and Capital Resources

Cash Flows

Operating Activities

Net cash flow provided by operating activities for the three months ended March 31, 2007 decreased by approximately $4.8 million over the same period in 2006. The over-recovered fuel costs in 2006 and the related reduction in fuel costs in 2007 that are passed to our customers accounted for approximately $5.1 million decrease in the current year's net cash flow as compared to the prior year.

Investing Activities

Construction expenditures did not fluctuate significantly between the quarters, decreasing by approximately $178,000 compared to the same period last year.

Financing Activities

Decreases in cash flow used in financing activities were mostly attributable to reductions in short-term borrowings. In the first quarter of 2007 we paid down our line of credit by $1.3 million as compared to $6.1 million in the first quarter of 2006. The increase in fuel costs during the latter part of 2005 resulted in large fuel under-recoveries and therefore a higher dependence on short-term financing in the first quarter of 2006 compared to 2007.

Capital Resources

We have a $12 million line of credit (LOC), which expires on July 1, 2008. Upon 30 days notice by us we can increase the LOC to a maximum of $20 million. The LOC contains affirmative and negative covenants that, if violated, would give the bank the right to accelerate the due date of the loan to be immediately payable. The covenants include certain financial ratios. All ratios are currently within the required limits and management believes we are in full compliance with all covenants and anticipates continued compliance in the foreseeable future. We reserve $1 million of the LOC to cover expenses for any major storm repairs in our electric segment and an additional $250,000 for a letter of credit insuring propane facilities. As of March 31, 2007, the amount borrowed from the LOC was $2.2 million. At March 31, 2007, the LOC, long-term debt and preferred stock comprised 52% of total equity and debt capitalization.

Our 1942 Indenture of Mortgage and Deed of Trust, which is a mortgage on all real and personal property, permits the issuance of additional bonds based upon a calculation of unencumbered net real and personal property. At March 31, 2007, such calculation would permit the issuance of approximately $39.8 million of additional bonds.

We have $3.4 million in invested funds for payment of future environmental costs. We expect to incur between $5.8 million and $19.1 million through the year ending December 31, 2021 for expenses related to environmental clean up.

Capital Requirements

Portions of our business are seasonal and dependent on weather conditions in Florida. The weather affects the sale of electricity and gas, and thereby impacts the cash provided by operations. Construction costs also impact cash requirements throughout the year. Cash needs for operations and construction are met partially through short-term borrowings from our LOC.

We plan to purchase land for the construction of our South Florida division office within three years. The possible purchase of the land would increase capital expenditures by $4 to $6 million. The current South Florida division office is located on environmentally impacted property, which requires relocating the office to allow for clean up of the property. It will not be possible to rebuild at the current location since this site has been rezoned with a residential designation. We are planning to build and complete this new facility in the next five years. Additional construction expenditures for the remainder of 2007 include the anticipated construction of an office building in Northeast Florida. The cost is expected to be approximately $750,000 with construction scheduled for completion in early 2008.

Material commitments for capital expenditures consist of $775,000 for the purchase of a transformer and vehicle purchases totaling approximately $489,000.

Cash requirements are anticipated to increase significantly in the future due to additional environmental clean up costs, sinking fund payments on long-term debt and pension contributions. Environmental clean up costs are forecasted to be approximately $600,000 through 2007, with remaining payments which could total approximately $13.1 million, beginning in 2008 and ending in 2021. Annual long-term debt sinking fund payments of approximately $1.4 million will begin in 2008 and will continue for eleven years. Current projections indicate that we will need to make a contribution of $250,000 to our pension plan in 2007. Congress has finalized the new funding rules and we may have significant contribution requirements for several years beginning with 2008.

Due to delayed environmental clean-up costs, we currently do not anticipate that any equity or debt financing in 2007 will be required. We believe that cash from operations, coupled with short-term borrowings on the LOC, will be sufficient to satisfy our operating expenses, normal capital expenditure requirements and dividend payments through spring of 2008. However, cash requirements are forecasted to increase significantly in the future due to our environmental clean up costs, a land purchase, and sinking fund payments on long-term debt and pension contributions. If cash needs relating to the land purchase and related construction and the timing of environmental expenditures change, it is possible we may consider equity or debt financing. The need and timing will depend upon the overall company cash flow requirements. There can be no assurance, however, that equity or debt financing will be available on favorable terms, or at all, when we seek such financings.

Outlook

Electric Power Supply

Contracts with our two electric suppliers were originally set to expire on December 31,

2007. Those long-term contracts provided electricity to our customers at rates much lower than current market rates. As part of our negotiations, we agreed to end the current contract terms for our Northeast division on December 31, 2006 and executed an amended contract that began January 1, 2007 and will expire December 31, 2017. Although the contract rates have increased for 2007, this enabled us to obtain lower rates for the longer term of the contract than would have been available if we had not revised the contract. The savings are passed through to our customers without profit to us.

We executed a contract for the provider of electricity in our Northwest division in December 2006 and are seeking approval of this contract and its related terms and conditions from the FPSC on or before July 1, 2007. If the FPSC does not approve this contract, we may need to seek an alternative supplier or new contract with this same supplier for the purchase of electricity in the Northwest division. This contract will be for the purchase of electricity beginning January 1, 2008. We anticipate that contract will result in rates closer to market, which could cause our customers' bills to double over existing prices in the next several years.

We are unable to estimate what impact, if any, the higher rates could have on electric consumption.

Propane Gas
We continue to review the possibility of hedging activities later in 2007 to help mitigate the risk of price changes for our cost of propane gas. We are unable to determine the impact this activity will have on our future operating income.

Over-earnings-Natural Gas Segment
The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. We have recorded estimated 2006 and 2005 over-earnings for regulated natural gas operations of $25,000 and $650,000, respectively. These liabilities have been included in the over-earnings liability on our balance sheet. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. Estimates may be revised as expectations change and factors become known and determinable.

Our 2005 and 2006 estimates of our over-earnings liabilities could change upon the FPSC finalization and review of our earnings for 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.

In 2007, we requested that the 2005 natural gas over-earnings be used to provide additional funds to our regulatory storm reserve liability and reduce the costs currently being recovered from our customers through a storm surcharge. If the FPSC approves this disposition, we will end the storm surcharge later in 2007.

Indiantown Gas
The FPSC approved our joint transportation and territorial agreements with

Indiantown in October 2006. We have also begun construction in the Indiantown area to install natural gas mains in the first phase of this development for approximately 100 homes. The next two developments are slated to break ground later in 2007 for construction of approximately 1,000 homes.

Land Purchase
We have entered into an agreement to purchase land for the new South Florida division office. We are in the process of completing due diligence on this property and expect to finalize this phase and close on the property during the second quarter of 2007.

New Division Office
We are planning to build a new operations center for our Northeast division on land we currently own. We are in the process of developing and finalizing the building plans, and expect to begin construction sometime in 2007. The cost is expected to be $750,000 and should be completed in early 2008.

Storm Related Expenditures
Regulators continue to focus on hurricane preparedness and storm recovery issues for utility companies. Newly mandated storm preparedness initiatives could impact our operating expenses and capital expenditures later in 2007. The initial forecasts of these annual expenditures are approximately $700,000. It is possible that additional regulation and rules will be mandated regarding storm related expenditures over the next several years. We requested that the FPSC allow us to recover the cost of the newly mandated storm preparedness initiatives and to defer these storm-related expenditures until we receive recovery through a rate increase. If approved, both the recovery and expenditures may occur by mid-2007. If these expenditures are approved for rate recovery in 2007, these rates would be temporary until final rates were implemented as a result of an electric base rate proceeding.

Electric Base Rate Proceeding
We plan to file a request with the FPSC in the third quarter of 2007 for a base rate increase in our electric segment. This request will include recovery of increased expenses and capital expenditures since our last rate proceeding in 2004, as well as additional storm-related expenditures as discussed above. Finalization of this request and approval, if any, of an electric base rate increase would not occur until early 2008. Possible interim rate relief for partial recovery of the increased expenditures may occur in late 2007.

Impact of Recent Accounting Standards
FASB Staff Position (FSP) AUG AIR-1
"Accounting for Planned Major Maintenance Activities," amended APB 28, *"Interim Financial Reporting,"* to prohibit the use of the accrue-in-advance method of accounting for planned major maintenance. The Company does not accrue-in-advance for planned major maintenance activities therefore the adoption of FSP AUG AIR-1 in the first quarter of 2007 did not have an impact on the Company's results of operations, cash flows or financial position.

Financial Accounting Standard No. 159

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits measurement at fair value of certain firm commitments, nonfinancial insurance contracts and warranties, host financial instruments and recognized financial assets and liabilities, excluding consolidating investments in subsidiaries, consolidating variable interest entities, various forms of deferred compensation agreements, leases, depository institution deposit liabilities and financial instruments included in shareholders' equity. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company expects to adopt SFAS No. 159 effective January 1, 2008. The Company does not believe adoption of this Statement will have a material impact on our financial condition or results of operation.

Financial Accounting Standard Board Interpretation No. 48

The Company accounts for uncertainty in income taxes in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) and SFAS No. 109, Accounting for Income Taxes. The Company performed an analysis of tax positions taken and expected to be taken on the tax returns. The analysis concluded that the Company had no material uncertain tax positions.

The Interpretation requires companies to accrue interest and penalties that would be incurred if an uncertain tax position ultimately were not sustained. In such a case, the Company would start accruing interest and penalty in the period which gives rise to the uncertain tax position. The Company would classify interest and penalties in the income statement and balance sheet separately from other tax balances and based on expected timing of cash payment to the taxing authorities.

Under the tax statute of limitations applicable to the Internal Revenue Code and state taxes, we are no longer subject to examinations by the Internal Revenue Service or the State of Florida for years before 2003. However, because we are carrying forward income tax attributes, such as net operating losses and tax credits from 2002 and earlier tax years, these attributes can still be audited when utilized on returns filed in the future. As noted in Note 14, we have been notified of an IRS audit.

Forward-Looking Statements (Cautionary Statement)

This report contains forward-looking statements including those relating to the following:

- Based on our current expectations for cash needs, including cash needs relating to the possible land purchase and related construction, we may choose to consider an equity or debt financing.
- Our anticipation of continued compliance in the foreseeable future with our LOC covenants.
- Construction expenditures for the remainder of 2007 may increase by $4 to $6 million over the same period in 2006 if we are successful in negotiating the purchase of the land for our South Florida operations.

- Our expectation that cash requirements will increase significantly in the future due to environmental clean-up costs, sinking fund payment on long-term debt and pension contributions.
- Our belief that cash from operations, coupled with short-term borrowings on our LOC, will be sufficient to satisfy our operating expenses, normal construction expenditure and dividend payments through spring of 2008.
- Our 2006 and 2005 over-earnings liability in natural gas will materialize as estimated after the FPSC review and audit.
- We expect there will be no impairment of either reporting segment upon finalization of our impairment testing in 2007.
- We expect higher fuel costs beginning in 2008 for our Northwest electric division.
- The development in Indiantown will occur as estimated.
- Storm related expenditures may be necessary beginning in 2007 and the total cost may be significant. We may receive recovery for these expenditures.
- The purchase of land for our new South Florida division office may occur in 2007.
- We expect to file for an electric base rate increase in the third quarter of 2007 and finalization is expected in early 2008. Final rates, if approved by the FPSC, would not occur until 2008.
- We anticipate capital expenditures of approximately $750,000 for the construction of an office building in Northeast Florida. Construction will begin in 2007 and be completed in early 2008.

These statements involve certain risks and uncertainties. Actual results may differ materially from what is expressed in such forward-looking statements. Important factors that could cause actual results to differ materially from those expressed by the forward-looking statements include, but are not limited to, those set forth in "Risk Factors" in our Form 10-K for the year ending December 31, 2006.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

All financial instruments held by us were entered into for purposes other than for trading. We have market risk exposure only from the potential loss in fair value resulting from changes in interest rates. We have no material exposure relating to commodity prices because under our regulatory jurisdictions, we are fully compensated for the actual costs of commodities (natural gas and electricity) used in our operations. Any commodity price increases for propane gas are normally passed through monthly to propane gas customers as the fuel charge portion of their rate.

None of our gas or electric contracts are accounted for using the fair value method of accounting. While some of our contracts meet the definition of a derivative, we have designated these contracts as "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

On a rolling four-quarter basis, we will purchase a "cap" on approximately one-third of our forecast propane volume purchases and pre-buy or hedge with a swap one-third of our forecast anticipated propane purchases. The remaining one-third will fluctuate

with the market price. Our energy strategy allows us to participate in two-thirds of price declines but only one-third of price increases. As of March 31, 2007, we have not entered into any hedging activities. When we do enter into hedging activities, we will determine whether they meet the definition of normal sales and purchases and if not, we will determine whether we can use hedge accounting.

We have no exposure to equity risk, as we do not hold any equity instruments. Our exposure to interest rate risk is limited to investments held for environmental costs, the long-term notes receivable from the sale of our water division and short-term borrowings on the line of credit. The investments held for environmental costs are short-term fixed income debt securities whose carrying amounts are not materially different than fair value. The short-term borrowings were approximately $2.2 million at the end of March 2007. We do not believe we have material market risk exposure related to these instruments. The indentures governing our two first mortgage bond series outstanding contain "make-whole" provisions (pre-payment penalties that charge for lost interest), which render refinancing impracticable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer as of March 31, 2007, concluded that our disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

3.1 Amended Articles of Incorporation (incorporated herein by reference as Exhibit 3.1 to our quarterly report on Form 10-Q for the period ended June 30, 2002).

3.2 Amended By-Laws (incorporated herein by reference as Exhibit 3(ii) to our quarterly report on Form 10-Q for the period ended June 30, 2002).

4.1 Indenture of Mortgage and Deed of Trust of FPU dated as of September 1, 1942 (incorporated by reference herein to Exhibit 7-A to Registration No. 2-

6087).

4.2 Fourteenth Supplemental Indenture dated September 1, 2001 (incorporated by reference to exhibit 4.2 on our annual report on Form 10-K for the year ended December 31, 2001).

4.3 Fifteenth Supplemental Indenture dated November 1, 2001 (incorporated by reference to exhibit 4.3 on our annual report on Form 10-K for the year ended December 31, 2001).

31.1 Certification of Chief Executive Officer (CEO) per Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer (CFO) per Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Principal Executive Officer and Principal Financial Officer per Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLORIDA PUBLIC UTILITIES COMPANY
(Registrant)

Date: May 14, 2007

By: /s/ George M. Bachman
George M. Bachman
Chief Financial Officer
(Principal Accounting Officer)

FLORIDA PUBLIC UTILITIES COMPANY
EXHIBIT INDEX

Item Number

31.1	Certification of Chief Executive Officer (CEO) per Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (CFO) per Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer per Section 906 of the Sarbanes-Oxley Act of 2002.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2007**

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **001-10608**

FLORIDA PUBLIC UTILITIES COMPANY
(Exact name of registrant as specified in its charter)

Florida	**59-0539080**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 South Dixie Highway,
West Palm Beach, Fl. 33401
(561) 832-0872
(Address and telephone number of registrant's principal executive offices and principal place of business)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

On August 1, 2007, there were 6,036,178 shares of $1.50 par value common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
Revenues	**2007**	**2006**	**2007**	**2006**
Natural gas	$15,502	$14,632	$36,075	$41,586
Electric	13,135	11,815	26,493	23,511
Propane gas	3,831	3,528	8,512	8,288
Total revenues	32,468	29,975	71,080	73,385
Cost of Fuel and Other Pass Through Costs	20,699	18,476	45,468	47,689
Gross Profit	11,769	11,499	25,612	25,696
Operating Expenses				
Operation and maintenance	7,443	6,829	14,616	13,696
Depreciation and amortization	2,031	1,925	4,103	3,903
Taxes other than income taxes	699	680	1,559	1,504
Total operating expenses	10,173	9,434	20,278	19,103
Operating Income	1,596	2,065	5,334	6,593
Other Income and (Deductions)				
Merchandise and service revenue	752	1,090	1,667	2,316
Merchandise and service expenses	(670)	(1,007)	(1,480)	(2,192)
Other income	145	133	296	284
Interest expense	(1,216)	(1,119)	(2,383)	(2,332)
Total other deductions – net	(989)	(903)	(1,900)	(1,924)
Earnings Before Income Taxes	607	1,162	3,434	4,669
Income Taxes	(197)	(424)	(1,226)	(1,710)
Net Income	410	738	2,208	2,959
Preferred Stock Dividends	7	7	14	14
Earnings For Common Stock	$403	$731	$2,194	$2,945
(Basic and Diluted):				
Earnings Per Common Share	$0.07	$0.12	$0.36	$0.49
Dividends Declared Per Common Share	$0.1125	$0.1075	$0.2200	$0.2108
Average Shares Outstanding	6,030,928	5,985,162	6,027,833	5,982,599

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands)

ASSETS	June 30, 2007	December 31, 2006
Utility Plant		
Utility Plant	$194,067	$188,968
Less Accumulated depreciation	62,078	59,757
Net utility plant	131,989	129,211
Current Assets		
Cash	1,315	84
Accounts receivable	10,446	12,199
Allowance for uncollectible accounts	(406)	(429)
Unbilled receivables	1,687	1,957
Notes receivable	292	298
Inventories (at average unit cost)	4,025	4,120
Prepaid expenses	418	963
Under-recovery of fuel costs	1,456	862
Deferred income taxes-current	561	418
Other regulatory assets-environmental	456	456
Other regulatory assets-storm reserve	162	228
Deferred charges-current	260	495
Total current assets	20,672	21,651
Other Assets		
Investments held for environmental costs	3,413	3,364
Other regulatory assets-environmental	7,513	7,828
Other regulatory assets-storm reserve	-	42
Other regulatory assets-retirement plans	287	587
Long-term receivables and other investments	5,504	5,740
Deferred charges	6,146	6,001
Goodwill	2,405	2,405
Intangible assets (net)	4,476	4,405
Total other assets	29,744	30,372
Total Assets	$182,405	$181,234

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

CAPITALIZATION AND LIABILITIES	June 30, 2007	December 31, 2006
Capitalization		
Common shareholders' equity	$48,813	$47,572
Preferred stock	600	600
Long-term debt	50,730	50,702
Total capitalization	100,143	98,874
Current Liabilities		
Line of credit	1,105	3,466
Accounts payable	10,098	10,279
Insurance accrued	150	181
Interest accrued	598	789
Other accruals and payables	3,546	3,023
Taxes accrued	2,164	1,180
Over-earnings liability	760	722
Over-recovery of fuel costs and other	4,416	4,011
Customer deposits	10,407	9,608
Total current liabilities	33,244	33,259
Other Liabilities		
Deferred income taxes	16,713	17,436
Environmental liability	12,768	13,140
Regulatory liability-storm reserve	1,697	1,636
Regulatory liabilities-other	9,947	9,676
Other liabilities	7,893	7,213
Total other liabilities	49,018	49,101
Total Capitalization and Liabilities	$182,405	$181,234

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)

	Six Months Ended June 30,	
	2007	2006
Net cash provided by operating activities	$10,980	$16,155
Investing Activities		
Construction expenditures	(6,537)	(6,751)
Proceeds received on notes receivable	371	296
Other	(150)	513
Net cash used in investing activities	(6,316)	(5,942)
Financing Activities		
Net decrease in short-term borrowings	(2,361)	(8,121)
Dividends paid	(1,307)	(1,899)
Other increases	235	232
Net cash used in financing activities	(3,433)	(9,788)
Net increase in cash	1,231	425
Cash at beginning of period	84	695
Cash at end of period	$1,315	$1,120

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2007

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in the United States (GAAP) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for fair presentation have been included. The operating results for the period are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances, accruals for pensions, environmental liabilities, liability reserves, regulatory deferred tax liabilities, unbilled revenue and over-earnings liability. Actual results may differ from these estimates.

3. Regulation

The financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71 – "Accounting for the Effects of Certain Types of Regulation". SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. A regulated utility may defer recognition of a cost (a regulatory asset) or show recognition of an obligation (a regulatory liability) if it is probable that, through the ratemaking process, there will be a corresponding increase or decrease in revenues. The Company has recognized certain regulatory assets and liabilities in the condensed consolidated balance sheets.

As a result, Florida Public Service Commission (FPSC) regulation has a significant effect on the Company's results of operations. The FPSC approves rates that are intended to permit a specified rate of return on investment. Rate tariffs allow the flexibility of automatically passing through the cost of natural gas and electricity to customers. Increases in the operating expenses of the regulated segments may require a request for increases in the rates charged to customers.

4. Pledged Assets

Substantially, all of the Company's utility plant and the shares of its wholly owned subsidiary, Flo-Gas Corporation, collateralize the Company's First Mortgage Bonds (long-term debt). Cash, accounts receivable and inventory are collateral for the line of

credit.

5. **Restriction on Dividends**
The Company's Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At June 30, 2007, approximately $9.8 million of retained earnings were free of such restriction and available for the payment of dividends. The Company's line of credit agreement contains covenants that, if violated, could restrict or prevent the payment of dividends. The Company is not in violation of these covenants.

6. **Allowance for Uncollectible Accounts**
The Company records an allowance for uncollectible accounts based on historical information and trended current economic conditions. The bad debt write-offs for the second quarter 2007 were $135,000 while the provisions were $115,000.

7. **Storm Reserves**
As of June 30, 2007, the Company had a storm reserve of approximately $1.7 million for the electric segment. The Company does not have a storm reserve for the natural gas or propane gas segments. Any future storm costs affecting the natural gas segment will be deferred for recovery from customers either through rate increases or through applying any available over-earnings as a reduction to the costs. All such deferred costs are subject to review and approval by the FPSC.

The Company deferred storm costs for the natural gas segment incurred in 2004 as a regulatory asset on the condensed consolidated balance sheets. The FPSC approved recovery of these storm costs, plus interest and revenue related taxes, over a 30-month period beginning in November 2005. As of June 30, 2007, the remaining balance of these storm costs to be recovered is $159,000.

The FPSC staff issued a recommendation on August 2, 2007, and if approved, the overearnings for 2005 will remain as currently estimated, and the disposition will be used to fund our storm reserve and eliminate the storm surcharge and the related regulatory asset – storm reserve in our natural gas operations.

8. **Goodwill and Other Intangible Assets**
The Company does not amortize goodwill or intangibles with indefinite lives. The Company periodically tests the applicable reporting segments, natural gas and propane gas, for impairment. In the event goodwill or intangible assets related to a segment are determined to be impaired, the Company would write down such assets to fair value. The impairment test performed in 2007 and 2006 showed no impairment for either reporting segment.

Goodwill associated with the Company's acquisitions consists of $500,000 in the natural gas segment and $1.9 million in the propane gas segment. The summary of intangible assets at June 30, 2007, is as follows:

Intangible Assets
(Dollars in thousands)

	2007

Customer distribution rights	(Indefinite life)	$ 1,900
Customer relationships	(Indefinite life)	900
Software	(Five to nine year life)	3,367
Accumulated amortization		(1,691)
Total intangible assets, net of amortization		$ 4,476

The amortization expense of intangible assets was approximately $174,000 for the six months ended June 30, 2007.

9. Common Shareholders' Equity

Items impacting common shareholders' equity other than income and dividends are the dividend reinvestment program, employee stock purchase program, stock compensation plans and treasury stock. The net impact of these additional items increased common shareholders' equity approximately $281,000 for the six months ended June 30, 2007. Accumulated other comprehensive loss, comprised of the deferred cost of employee benefit plans, totaled approximately $50,000 and $100,000 as of June 30, 2007 and December 31, 2006, respectively. The change to other comprehensive loss for the quarter ending June 30, 2007 was an approximate net $26,000 gain.

10. Over-earnings – Natural Gas Segment

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. The Company has agreed with the FPSC staff to limit the earned return on equity for regulated natural gas and electric operations.

The Company has recorded estimated 2006 and 2005 over-earnings for regulated natural gas operations of $25,000 and $735,000, respectively. We revised our estimate for the 2005 overearnings in the second quarter of 2007 an additional $85,000. These liabilities are included in the over-earnings liability on the Company's condensed consolidated balance sheet of June 30, 2007. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. Estimates may be revised as expectations change and factors become known and determinable.

The 2005 and 2006 over-earnings liabilities are based on the Company's best estimates, but the amounts could change upon the FPSC finalization expected in 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, increasing storm damage or environmental reserves or reducing any depreciation reserve deficiency. The FPSC staff issued a recommendation on August 2, 2007, and if approved, the overearnings for 2005 will remain as currently estimated, and the disposition will be used to fund our storm reserve and eliminate the storm surcharge and the related regulatory asset – storm reserve in our natural gas operations.

11. Environmental Contingencies

The Company is subject to federal and state legislation with respect to soil, groundwater and employee health and safety matters and to environmental

regulations issued by the Florida Department of Environmental Protection (FDEP), the United States Environmental Protection Agency (EPA) and other federal and state agencies. For full disclosure of the legal items that impact the Company, please refer to "Contingencies" in the Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2006.

12. Reclassification

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

13. Financial Accounting Standard Board Interpretation No. 48

The Company accounts for uncertainty in income taxes in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) and SFAS No. 109, Accounting for Income Taxes. The Company performed an analysis of tax positions taken and expected to be taken on the tax returns. The analysis concluded that the Company had no material uncertain tax positions.

The Interpretation requires Companies to accrue interest and penalties that would be incurred if an uncertain tax position ultimately were not sustained. In such a case, the Company would start accruing interest and penalty in the period which gives rise to the uncertain tax position. The Company would classify interest and penalties in the income statement and balance sheet separately from other tax balances and based on expected timing of cash payment to the taxing authorities.

Under the tax statute of limitations applicable to the Internal Revenue Code and state taxes, we are no longer subject to examinations by the Internal Revenue Service or the State of Florida for years before 2003. However, because we are carrying forward income tax attributes, such as net operating losses and tax credits from 2002 and earlier tax years, these attributes can still be audited when utilized on returns filed in the future. As noted in Note 14, we have been notified of an IRS audit.

14. IRS Examination

In February of 2007, the IRS informed us that it has selected our 2003 and 2004 tax years for examination. As our tax positions have remained consistent with those from the previously audited tax years, we do not expect any material adverse findings as the result of the impending IRS audit.

15. Employee Benefit Plans

The Company sponsors a qualified defined benefit pension plan for non-union employees that were hired before January 1, 2005 and for unionized employees that work under one of the six Company union contracts and were hired before their respective contract dates in 2005. The Company also sponsors a postretirement medical plan.

The following table provides the components of the net periodic benefit cost for our pension plan and postretirement benefit plan for the three and six months ended June 30, 2006 and 2007.

FLORIDA PUBLIC UTILITIES COMPANY

Net Periodic Benefit Costs

(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Pension Plan:				
Service Cost	$ 283	$ 308	$ 566	$ 616
Interest Cost	566	524	1,132	1,048
Expected Return on Plan Assets	(610)	(603)	(1,220)	(1,206)
Amortization of Prior Service Cost	184	184	368	368
Net Periodic Pension Cost	$ 423	$ 413	$ 846	$ 826
Postretirement Benefit Plan:				
Service Cost	$ 16	$ 25	$ 32	$ 50
Interest Cost	26	34	52	68
Amortization of Transition Obligation/(Asset)	11	11	22	22
Amortization of Net (Gain) or Loss	(5)	-	(10)	-
Net Periodic Postretirement Benefit Cost	$ 48	$ 70	$ 96	$ 140

For additional information related to our employee benefit plans, please see Note 12 to the Consolidated Financial Statements of the Company's 10-K Annual Report.

In September, 2006, the FASB issued Statement No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". Statement 158 requires the Company to show the funded status of its pension and retiree health care plan as a prepaid asset or accrued liability, and to show the net deferred and unrecognized gains and losses related to the retirement plans, net of tax, as part of accumulated other comprehensive income (AOCI) in shareholders' equity. Previously, the net deferred and unrecognized gains and losses were netted in the prepaid asset or accrued liability recorded for the retirement plans.

The Company initially adopted Statement 158 at December 31, 2006, as required and presented in the statement of shareholder's equity in the most recent 10-K. This resulted in a transition adjustment, a loss, of $103,000 to the AOCI and was reported as a current adjustment in the statement of comprehensive income as opposed to an adjustment directly to AOCI. There were no other related or unrelated AOCI adjustments or balances prior to this adjustment. The accumulated other comprehensive income (AOCI) as of June 30, 2007 is summarized as follows:

Statement of Accumulated Other Comprehensive Income (AOCI)

(Dollars in thousands)

Balance at December 31, 2005	$ -

Adjustment to ACOI:	
Retirement obligations, net of tax	(103)
Balance at December 31, 2006	(103)
Adjustment to AOCI:	
Retirement obligations, net of tax	50
Balance at June 30, 2007	(53)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We have three primary business segments: natural gas, electric and propane gas. The Florida Public Service Commission (FPSC) regulates the natural gas and electric segments.

Earnings for 2007 are down significantly for the quarter and for the year to date compared to 2006 primarily because of milder weather. The mild weather caused sales for all operating units – natural gas, electric and propane to be significantly under budget, thereby lowering income. We also believe that conservation measures taken by our customers as a result of higher electric rates contributed to the decrease in electric sales. In addition, over the past few years the housing market and construction industry in Florida has slowed down and caused our growth rate to be less than originally anticipated. Growth in customers helps increase revenue and usually offsets many of the expense increases.

We experienced appreciably higher than usual general liability claims this year as cases were settled in 2007. The number of claims was atypical related to our gas business and these increased expenses in 2007 by approximately $300,000 and decreased earnings per share approximately $.03 over the prior year to date. Management expects claims to return to normal levels for the remainder of 2007. Sarbanes Oxley requirements continue to increase our legal fees and accounting costs. These costs have increased significantly over the last five years for public companies and continue to negatively impact our earnings. Another item lowering our earnings was a revision in our estimate for 2005 natural gas over-earnings, which decreased our net income for 2007 by $53,000.

We expect a revenue increase beginning in late 2007 and additional increases in early 2008 as a result of our upcoming electric rate proceeding, which is expected to be filed with the Florida Public Service Commission (FPSC) in the third quarter of 2007. Management is requesting recovery for many of the increases in our electric expenses as well as for additional costs to implement new requirements from the FPSC to strengthen power delivery systems in order to minimize damage caused by hurricanes.

Results of Operations

Revenues and Gross Profit Summary

Revenues include cost recovery revenues. The FPSC allows cost recovery revenues to directly recover costs of fuel, conservation and revenue-based taxes in our natural gas and electric segments. Revenues collected for these costs and expenses have no effect on results of operations and fluctuations could distort the relationship of revenues between periods. Gross profit is defined as gross operating revenues less fuel, conservation and revenue-based taxes that are passed directly through to customers. Because gross profit eliminates these cost recovery revenues, we believe it provides a more meaningful basis for evaluating utility revenues. The following summary compares gross profit between periods and units sold in one thousand Dekatherm (MDth) (gas) and Megawatt Hour (MWH) (electric).

Revenues and Gross Profit

(Dollars and units in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Natural Gas				
Revenues	$15,502	$14,632	$36,075	$41,586
Cost of fuel and other pass through costs	9,168	8,402	21,690	26,957
Gross Profit	$ 6,334	$ 6,230	$14,385	$14,629
Units sold: (MDth)	1,447	1,402	3,287	3,348
Customers (average for the period)	51,737	51,347	51,747	51,254
Electric				
Revenues	$13,135	$11,815	$26,493	$23,511
Cost of fuel and other pass through costs	9,590	8,243	19,489	16,516
Gross Profit	$ 3,545	$ 3,572	$7,004	$ 6,995
Units sold: (MWH)	200,298	216,392	385,934	413,619
Customers (average for the period)	31,066	30,605	31,004	30,541
Propane Gas				
Revenues	$ 3,831	$ 3,528	$8,512	$ 8,288
Cost of fuel	1,941	1,831	4,289	4,216
Gross Profit	$ 1,890	$ 1,697	$ 4,223	$ 4,072
Units sold: (MDth)	143	147	335	347
Customers (average for the period)	13,274	12,974	13,327	12,964
Consolidated				
Revenues	$32,468	$29,975	$71,080	$73,385
Cost of fuel	20,699	18,476	45,468	47,689
Gross Profit	$11,769	$11,499	$25,612	$25,696
Customers (average for the period)	96,077	94,926	96,078	94,759

Three Months Ended June 30, 2007 Compared with Three Months Ended June 30, 2006.

Revenues and Gross Profit

Natural Gas

Natural gas service revenues increased by $870,000 in the second quarter of 2007 over the same period in 2006. Revenues to recover our cost of fuel and other costs passed through to customers increased by $766,000. These costs do not impact our gross profit. Our gross profit increased $104,000 or 2%. The increase in gross profit is attributable to a 3% increase in units sold in 2007, due primarily to a 1% increase in customer growth.

Electric

Electric service revenues increased by $1,320,000 in the second quarter of 2007 over the same period in 2006. Primarily all of the increase was attributable to the cost of fuel and other costs that were passed through to customers. A new fuel contract in our Northeast division was effective January 1, 2007 and this increased the cost of fuel that was passed through to our customers. Gross profit was flat compared to the second quarter of 2006. Despite an increase of 2% in customer growth, the usage per customer decreased by 5%, excluding our industrial customers, due to weather and possible conservation measures taken by our customers as a result of the recent fuel cost increases.

Propane Gas

Propane revenues increased $303,000 in the second quarter of 2007 compared to the same period in 2006. Although we experienced a 3% decrease in units sold to customers this was offset by increased profit margins.

Operating Expenses

Operating expenses were higher by $739,000 in the second quarter of 2007 compared to the same period in 2006. Administrative and general expenses increased $425,000 primarily due to an increase in recent unusual general liability claims. Management expects claims to return to a normal level for the remainder of 2007. Additionally, we incurred increased expenses from cost of living raises and increased payroll expense for additional staff hired to improve natural gas customer service and collections. Customer account expenses increased $129,000 in the second quarter of 2007 as a result of increased costs in meter readings and higher bad debt expenses.

Other Income and Deductions

Merchandise and service revenue decreased by $338,000 in the second quarter of 2007 compared to the same period last year. This was offset by a decrease in cost of merchandise and services of $337,000. The decrease in revenue was a result of the slowdown of new construction projects during the current downturn in the housing market.

The total interest expense increased $97,000 compared to the prior quarter primarily due to the revised estimate in the second quarter of 2007 for our natural gas over-earnings from 2005, and the related interest expense on our projected over-earnings.

Income Taxes

Income tax expense decreased in the second quarter of 2007 by $227,000 over the

same period last year; primarily due to lower taxable income.

Six Months Ended June 30, 2007 Compared with Six Months Ended June 30, 2006.

Revenues and Gross Profit

Natural Gas

Natural gas service revenues decreased $5,511,000 in the six months ended June 30, 2007 over the same period in 2006. As the cost of natural gas continues to decline, revenues to recover our cost of fuel and other costs passed through to customers decreased by $5,267,000. These costs do not impact our gross profit. Our gross profit decreased by $244,000 or 2%. The decrease in gross profit is attributable to a 2% decrease in units sold in 2007 due primarily to warmer weather resulting in lower usage per customer. The down-turn in the housing market has also impacted the growth in the number of new residential customers.

Electric

Electric service revenues increased by $2,982,000 in the six months ended June 30, 2007 over the same period in 2006. Primarily all of the increase was attributable to the cost of fuel and other costs that were passed through to customers. A new fuel contract in our Northeast division was effective January 1, 2007 and this increased the cost of fuel that was passed through to our customers. Gross profit was flat compared to the six months ending June 30, 2006. Although the number of customers increased by 2%, there was a 6.7% decrease in units sold as a result of warmer weather and possible conservation measures taken by our customers due to the recent fuel increases.

Propane Gas

Propane revenues increased by $224,000 in the six months ended June 30, 2007 compared to the same period in 2006. Although we experienced a 3.5% decrease in units sold to customers due to warmer weather; this was offset by increased profit margins.

Operating Expenses

Operating expenses were higher by $1,175,000 in the six months ended June 30, 2007 compared to the same period in 2006. Administrative and general increased by $558,000; approximately $300,000 of the increase was due to recent unusual general liability claims in the second quarter of 2007. Management expects claims to return to normal levels for the remainder of 2007. Additionally, we incurred increased expenses of $325,000 from cost of living raises and increased payroll expense for additional staff hired to improve natural gas customer service and collections. Similarly, customer account expenses increased by $239,000 as a result of increased costs in meter readings and higher bad debt expenses. As the divisions continue to grow, capital additions contributed to $200,000 in increased depreciation expense.

Other Income and Deductions

Merchandise and service revenue decreased by $649,000 in the six months ended June 30, 2007 compared to the same period last year. This was offset by a decrease in cost of merchandise and services of $712,000. The decrease in revenue was a result of the

slow down of new construction projects during the current downturn in the housing market.

The total interest expense increased $51,000 compared to the prior year to date primarily due to the revised estimate in the second quarter of 2007 for our natural gas overearnings from 2005, and the related interest expense on our projected overearnings.

Income Taxes

Income tax expense decreased in the six months ended June 30, 2007 by $484,000 over the same period last year primarily due to lower taxable income.

Liquidity and Capital Resources

Cash Flows

Operating Activities

Net cash flow provided by operating activities for the six months ended June 30, 2007 decreased by approximately $5.2 million over the same period in 2006. The over-recovered fuel costs in 2006 and the related reduction in fuel costs and under-recovered fuel costs in 2007 accounted for approximately $6.8 million of the decrease in the current year's net cash flow as compared to the prior year.

Investing Activities

Construction expenditures did not fluctuate significantly in the six months ended June 30, 2007, decreasing by approximately $214,000 compared to the same period last year.

Financing Activities

Decreases in cash flow used in financing activities were mostly attributable to reductions in short-term loan payments. As of June 30, 2007, we paid down our line of credit by $2.4 million as compared to $8.1 million as of June 30, 2006. The increase in fuel costs during the latter part of 2005 resulted in large fuel under-recoveries and therefore a higher dependence on short-term financing in the first quarter of 2006 compared to 2007.

Capital Resources

We have a $12 million line of credit (LOC), which expires on July 1, 2008. Upon 30 days notice by us we can increase the LOC to a maximum of $20 million. The LOC contains affirmative and negative covenants that, if violated, would give the bank the right to accelerate the due date of the loan to be immediately payable. The covenants include certain financial ratios. All ratios are currently within the required limits and management believes we are in full compliance with all covenants and anticipates continued compliance in the foreseeable future. We reserve $1 million of the LOC to cover expenses for any major storm repairs in our electric segment and an additional $250,000 for a letter of credit insuring propane facilities. As of June 30, 2007, the amount borrowed from the LOC was $1.1 million. At June 30, 2007, the LOC, long-term debt and preferred stock comprised 52% of total equity and debt capitalization.

Our 1942 Indenture of Mortgage and Deed of Trust, which is a mortgage on all real and personal property, permits the issuance of additional bonds based upon a calculation of unencumbered net real and personal property. At June 30, 2007, such calculation would permit the issuance of approximately $40.8 million of additional bonds.

We have $3.4 million in invested funds for payment of future environmental costs. We expect to incur between $5.8 million and $19.1 million through the year ending December 31, 2021 for expenses related to environmental clean up.

There is over $6.4 million in receivables from the 2003 sale of our water assets, of which estimated installments of $300,000 are anticipated to be received in 2008 and in 2009. The remaining balance of $5.8 million will be collected in 2010. The present value of this receivable is $5.8 million.

Capital Requirements

Portions of our business are seasonal and dependent on weather conditions in Florida. The weather affects the sale of electricity and gas, and thereby impacts the cash provided by operations. Construction costs also impact cash requirements throughout the year. Cash needs for operations and construction are met partially through short-term borrowings from our LOC.

The Company purchased land for the initial construction of our South Florida division office on July 5, 2007 for a cost of $3.4 million. The current South Florida division office is located on environmentally impacted property, which requires relocating the office to allow for clean up of the property. We are planning to complete this new facility in the next two years.

Other commitments for capital expenditures for the remainder of 2007 consist of $775,000 for the purchase of a transformer and vehicle purchases totaling approximately $458,000.

Cash requirements are anticipated to increase significantly in the future due to additional environmental clean up costs, sinking fund payments on long-term debt and pension contributions. Environmental clean up costs are forecasted to be approximately $613,000 through 2007, with remaining payments totaling approximately $13.1 million, beginning in 2008 and ending in 2021. Annual long-term debt sinking fund payments of approximately $1.4 million will begin in 2008 and will continue for eleven years. Current projections indicate that the company will make a voluntary contribution of $250,000 to its pension plan in 2007. We may have significant pension contribution requirements for several years beginning with 2008 due to new pension funding rules. Starting January 1, 2005, we froze our defined benefit plan to new entrants.

Due to delayed environmental clean-up costs, we currently do not anticipate that any equity or debt financing in 2007 will be required. We believe that cash from operations, coupled with short-term borrowings on the LOC, will be sufficient to satisfy our operating expenses, normal capital expenditure requirements and dividend payments through spring of 2008. However, cash requirements are forecasted to

increase significantly in the future due to our environmental clean up costs, a land purchase, and sinking fund payments on long-term debt and pension contributions. If cash needs relating to the land purchase and related construction and the timing of environmental expenditures change, it is possible we may consider equity or debt financing. The need and timing will depend upon the overall company cash flow requirements. There can be no assurance, however, that equity or debt financing will be available on favorable terms, or at all, when we seek such financings.

Outlook

Electric Power Supply

Contracts with our two electric suppliers were originally set to expire on December 31, 2007. Those long-term contracts provided electricity to our customers at rates much lower than current market rates. As part of our negotiations, we agreed to end the current contract terms for our Northeast division on December 31, 2006 and executed an amended contract that began January 1, 2007 and will expire December 31, 2017. Although the contract rates have increased for 2007, this enabled us to obtain lower rates for the new contract than would have been available if we had not revised the contract at December 31, 2006. The savings are passed through to our customers without profit to us.

We executed a contract for the provider of electricity in our Northwest division in December 2006 and the contract was approved by the FPSC in July 2007. This contract will be for the purchase of electricity beginning January 1, 2008.

We anticipate that our new supply contracts will result in rates close to market, which we believe may cause our customers' bills to double during 2008 over current prices.

We are unable to precisely estimate what impact the higher rates could have on electric consumption but we do feel it could be as much as a 10% reduction.

Over-earnings-Natural Gas Segment

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. We recorded estimated 2006 and 2005 over-earnings for the natural gas segment of $25,000 and $735,000, respectively. We revised our estimate for the 2005 overearnings in the second quarter of 2007 an additional $85,000. These liabilities have been included in the over-earnings liability on our balance sheet. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. Estimates may be revised as expectations change and factors become known and determinable.

Our 2005 and 2006 estimates of our over-earnings liabilities could change upon the FPSC finalization of our earnings for 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunds to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.

The FPSC staff issued a recommendation on August 2, 2007, and if approved, the overearnings for 2005 will remain as currently estimated, and the disposition will be used to fund our storm reserve and eliminate the storm surcharge and the related regulatory asset – storm reserve in our natural gas operations.

Land Purchase
We purchased land for $3.4 million in July 2007 for a new South Florida division office. We are in the process of preparing plans for a building on this property and expect to begin construction in 2008.

Storm Related Expenditures
Regulators continue to focus on hurricane preparedness and storm recovery issues for utility companies. Newly mandated storm preparedness initiatives could impact our operating expenses and capital expenditures later in 2007. The initial forecasts of these annual expenditures are approximately $700,000. It is possible that additional regulation and rules will be mandated regarding storm related expenditures over the next several years. We requested that the FPSC allow us to recover the cost of the newly mandated storm preparedness initiatives and to defer these storm-related expenditures until we receive recovery through a rate increase. Several alternatives have been considered for recovery and implementation; however, in June 2007 the FPSC requested their staff to provide a new recommendation for implementation and recovery of these storm hardening measures at a later date. We expect the new recommendation by the FPSC staff later in 2007. If the new recommendation requires implementation beginning in the third or fourth quarter of 2007, it could have a significant effect on operating results. The recovery of these costs will be considered in our electric base rate proceeding expected to be filed in the third quarter of 2007.

Electric Base Rate Proceeding
We plan to file a request with the FPSC in the third quarter of 2007 for a base rate increase in our electric segment. This request will include recovery of increased expenses and capital expenditures since our last rate proceeding in 2004, as well as additional storm-related expenditures as discussed above. Finalization of this request and approval, if any, of an electric base rate increase would not occur until early 2008. Possible interim rate relief for partial recovery of the increased expenditures may occur in late 2007.

Forward-Looking Statements (Cautionary Statement)
This report contains forward-looking statements including those relating to the following:

- Based on our current expectations for cash needs, including cash needs relating to the land purchase in July 2007 and the related construction, we may choose to consider an equity or debt financing.
- Our anticipation of continued compliance in the foreseeable future with our LOC covenants.

- Our expectation that cash requirements will increase significantly in the future due to environmental clean-up costs, sinking fund payment on long-term debt and pension contributions.
- Our belief that cash from operations, coupled with short-term borrowings on our LOC, will be sufficient to satisfy our operating expenses, normal construction expenditure and dividend payments through spring of 2008.
- Our 2006 and 2005 over-earnings liability in natural gas will materialize as estimated.
- We expect higher fuel costs beginning in 2008 for our Northwest electric division. We are unable to precisely estimate what impact the higher rates could have on electric consumption but we do feel it could be as much as a 10% reduction.
- Storm related expenditures may be necessary beginning in 2007 and the total cost may be significant. It may have a significant effect on operating results.
- We expect to file for an electric base rate increase in the third quarter of 2007 and finalization is expected in early 2008. Final rates, if approved by the FPSC, would not occur until 2008.

These statements involve certain risks and uncertainties. Actual results may differ materially from what is expressed in such forward-looking statements. Important factors that could cause actual results to differ materially from those expressed by the forward-looking statements include, but are not limited to, those set forth in "Risk Factors" in our Form 10-K for the year ended December 31, 2006.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

All financial instruments held by us were entered into for purposes other than for trading. We have market risk exposure only from the potential loss in fair value resulting from changes in interest rates. We have no material exposure relating to commodity prices because under our regulatory jurisdictions, we are fully compensated for the actual costs of commodities (natural gas and electricity) used in our operations. Any commodity price increases for propane gas are normally passed through monthly to propane gas customers as the fuel charge portion of their rate.

None of our gas or electric contracts are accounted for using the fair value method of accounting. While some of our contracts meet the definition of a derivative, we have designated these contracts as "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

On a rolling four-quarter basis, we will purchase a "cap" on approximately one-third of our forecast propane volume purchases and pre-buy or hedge with a swap one-third of our forecast anticipated propane purchases. The remaining one-third will fluctuate with the market price. Our energy strategy allows us to participate in two-thirds of price declines but only one-third of price increases. As of June 30, 2007, we have not entered into any hedging activities. When we do enter into hedging activities, we will determine whether they meet the definition of normal sales and purchases and if not, we will determine whether we can use hedge accounting.

We have no exposure to equity risk, as we do not hold any equity instruments. Our exposure to interest rate risk is limited to investments held for environmental costs, the long-term notes receivable from the sale of our water division and short-term borrowings on the line of credit. The investments held for environmental costs are short-term fixed income debt securities whose carrying amounts are not materially different than fair value. The short-term borrowings were approximately $1.1 million at the end of June 2007. We do not believe we have material market risk exposure related to these instruments. The indentures governing our two first mortgage bond series outstanding contain "make-whole" provisions (pre-payment penalties that charge for lost interest), which render refinancing impracticable.

Item 4T. Controls and Procedures

Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer as of June 30, 2007, concluded that our disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual meeting of stockholders on May 8, 2007. At that meeting, the stockholders were asked to consider and act on the following:

- Election of two 2 directors
- Ratification of the appointment of BDO Seidman, LLP, as the Company's independent audit firm

The following people were elected as directors for terms expiring in 2010 and received the number of votes set forth opposite his respective name:

Nominee	For	Against/Withheld	Broker Non-votes	Abstentions
Richard C. Hitchins	5,093,437	377,184	0	0
Troy W. Maschmeyer, Jr.	5,094,951	375,670	0	0

The following votes were cast to ratify appointment of the Company's independent audit firm, BDO Seidman, LLP:

For	Against/Withheld	Broker Non-votes	Abstentions
5,437,911	16,248	0	16,461

Item 6. Exhibits

3.1 Amended Articles of Incorporation (incorporated herein by reference as Exhibit 3.1 to our quarterly report on Form 10-Q for the period ended June 30, 2002).

3.2 Amended By-Laws (incorporated herein by reference as Exhibit 3(ii) to our quarterly report on Form 10-Q for the period ended June 30, 2002).

4.1 Indenture of Mortgage and Deed of Trust of FPU dated as of September 1, 1942 (incorporated by reference herein to Exhibit 7-A to Registration No. 2-6087).

4.2 Fourteenth Supplemental Indenture dated September 1, 2001 (incorporated by reference to exhibit 4.2 on our annual report on Form 10-K for the year ended December 31, 2001).

4.3 Fifteenth Supplemental Indenture dated November 1, 2001 (incorporated by reference to exhibit 4.3 on our annual report on Form 10-K for the year ended December 31, 2001).

31.1 Certification of Chief Executive Officer (CEO) per Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer (CFO) per Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Principal Executive Officer and Principal Financial Officer per Section 906 of the Sarbanes-Oxley Act of 2002.

10.1 Agreement for the purchase of land in south Florida, dated July 5, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLORIDA PUBLIC UTILITIES COMPANY
(Registrant)

Date: August 13, 2007

By: /s/ George M. Bachman
George M. Bachman
Chief Financial Officer
(Principal Accounting Officer)

FLORIDA PUBLIC UTILITIES COMPANY
EXHIBIT INDEX

Item Number

31.1	Certification of Chief Executive Officer (CEO) per Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (CFO) per Section 302 of the Sarbanes-Oxley Act of 2002.
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FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: **FLORIDA PUBLIC UTILITIES COMPANY CONSOLIDATED ELECTRIC DIVISION**

DOCKET NO.: **070304-EI**

EXPLANATION: Provide a copy of the most recent Form l0-K annual report to the Securities and Exchange Commission and all Form 10-Q quarterly reports filed subsequent to the filing of the latest 10-K.

Type of Data Shown:
Projected Test Year Ended 12/31/08
Projected Prior Year Ended 12/31/07
Historical Test Year Ended 12/31/06
Witness: George Bachman

See attached 2006 Form 10-K and 1st Quarter 2007 Form 10-Q

Supporting Schedules:

Recap Schedules:

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2006**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number **001-10608**

Florida Public Utilities Company

(Exact name of the registrant as specified in its charter)

Florida	**59-0539080**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification Number)

401 South Dixie Highway, West Palm Beach, FL 33401

(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code **(561) 832-0872**

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock par value $1.50 per share	**American Stock Exchange**

Securities registered pursuant to section 12(g) of the Act:

_____

(Title of class)

_____

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

As of June 30, 2006, the aggregate market value of the Registrant's Common Stock held by non-affiliates (based upon the closing price of the Common Stock on that date on the American Stock Exchange) was approximately $71,300,000.

On February 9, 2007, 6,024,739 shares of the Registrant's $1.50 par value common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the May 8, 2007 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

PART I

Item 1. Business

General

Florida Public Utilities Company (FPU) was incorporated on March 6, 1924 and reincorporated on April 29, 1925 under the 1925 Florida Corporation Law. We provide natural gas, electricity and propane gas to residential, commercial and industrial customers in Florida. We do not produce energy and are not a generating utility. Our regulated segments sell natural gas and electricity to approximately 82,000 customers, and our unregulated segment sells propane gas through a wholly owned subsidiary, Flo-Gas Corporation, to approximately 13,000 customers. We also sell merchandise and other service related products on a limited basis as a complement to the natural and propane gas segments.

Our three primary business segments are aligned with our products and are natural gas, electric and propane gas. The Florida Public Service Commission (FPSC) regulates the natural gas and electric segments. We operate through five divisions based on geographic areas:

(1) South Florida Division - provides natural and propane gas to customers in West Palm Beach, Palm Beach Gardens, North Palm Beach, Jupiter, Riviera Beach, Palm Beach, Lake Worth, Royal Palm Beach, Wellington, Boynton Beach, Delray Beach, Boca Raton, Lauderdale Lakes, Deerfield Beach, Stuart, Palm City and other areas near these cities.
(2) Central Florida Division - provides natural and propane gas to customers in Sanford, Deland, Deltona, DeBary, Orange City, Lake Mary, Winter Springs, New Smyrna Beach, Edgewater, Longwood, Port Orange and other areas near these cities.
(3) Northwest Florida Division - provides electricity to customers in Marianna, Bristol, Altha, Cottondale, Malone, Alford and other areas near these cities.
(4) Northeast Florida Division - provides electricity and propane gas to customers in Fernandina Beach, Jacksonville, Callahan, Yulee and other areas near these cities.
(5) West Florida Division - provides propane gas to customers in Dunnellon, Inglis, Crystal River, Inverness, Brooksville and other areas near these cities.

Business Environment

Natural and propane gas are some of the most popular forms of energy today. Gas is used for heating, cooling, cooking, backup generation and decorative lighting by businesses and homeowners and in many other ways by various industries. Natural gas is also used in combination with other fuels to improve environmental performance and decrease pollution in the generation of electricity.

Natural and propane gas have seen increased demand in Florida as a result of the recent hurricanes and the popularity of generators. Generators themselves do not impact usage significantly for a region; however, gas appliances have been added as a result of generator popularity, and that does increase gas usage. Prices of natural and propane gas have decreased during 2006 due in part to the absence of a hurricane affecting the Gulf of Mexico.

As a result of historically high natural gas costs in 2005, alternatives such as coal and nuclear power for generation of electricity have seen increased interest. Our sales in the electric segment have not been impacted by higher electricity costs due to our long-term favorable fixed price contracts for purchasing electricity. However, our long-term contract ended at the end of 2006 for our Northeast division and our long-term contract will end at the end of 2007 for our Northwest division. We now have new contracts in place with pricing much closer to current market price. Our electric prices are expected to significantly increase. Although this will not directly impact our income from operations because increased fuel costs are passed through to the customer, this may impact the number of units sold and decrease income from operations as a result of less usage.

Because of the hurricanes in 2004 and 2005, the electric industry in Florida has seen increased interest in improving reliability of electric services during and after hurricanes. Regulators have been researching the issue and have introduced new storm preparedness requirements to improve electric reliability with storm preparedness rules regarding pole inspections, strengthened design specifications for wind loading, vegetation management practices and installation of underground facilities for electric distribution and transmission systems. We are seeking rate relief and implementation for these new requirements in 2007.

Business Segments
We are organized in three operating and reporting segments: natural gas, electric and propane gas. We are also involved in limited merchandise sales and other services within our natural gas and propane gas areas to complement these segments. For information concerning revenues, operating income and identifiable assets of each of our segments, see Note 13 in Notes to Consolidated Financial Statements.

Natural Gas
Natural gas is primarily composed of methane, which is a colorless, odorless fuel that burns cleaner than many other traditional fossil fuels. Odorant is added to enable easy detection of a gas leak.

We provide natural gas to customers in our South and Central Florida divisions. The vast majority of the natural gas we distribute is purchased in the Gulf Coast region, both onshore and offshore.

We use Florida Gas Transmission (FGT) as our natural gas pipeline in peninsular Florida. FGT is under the jurisdiction of the Federal Energy Regulatory Commission (FERC). We use gas marketers and producers to procure all gas supplies for our markets. We use Florida City Gas and Indiantown Gas Company to provide wholesale gas transportation services in areas distant from our interconnections with FGT. We pass all fuel costs on to our customers. We also transport natural gas for customers who purchase their own gas supplies and arrange for pipeline transportation. Our operating results are not adversely affected if our customers purchase gas from third parties because we do not profit on the fuel portion of sales.

Our natural gas revenues are affected by the rates charged to customers, supply costs for natural gas purchased for resale, economic conditions in our service areas and weather. Although the FPSC permits us to pass through to customers the increase in price for our gas supply, higher rates may cause customers to purchase less natural gas.

Our current portfolio of natural gas customers is reasonably diverse, with the largest customer using natural gas for the generation of electricity. We are not dependent on any single natural gas customer for over ten percent of our total natural gas revenues.

The FPSC approved joint transportation and territorial agreements with Indiantown Gas Company in October 2006. We plan to transport natural gas through Indiantown's system to new developments. In the early phase, Indiantown Gas Company will provide operational and customer service related work. We also began construction in the Indiantown area to install natural gas mains in the first phase of a development for approximately 100 homes. Two more new developments are slated to break ground in 2007 for construction of approximately 1,000 homes.

Electric

We provide electricity to our customers in our Northwest and Northeast Florida divisions. Wholesale electricity is purchased from two suppliers; Gulf Power Company and JEA (formerly Jacksonville Electric Authority). In 1996, we executed ten-year fixed-price purchased power contracts with both suppliers. Gulf Power Company provides electric power to the Northwest division and JEA provides electric power to the Northeast division. These long-term contracts provided our customers with the lowest consumer electric rates in Florida.

During 2006 we completed negotiations and executed final contracts for the supply of electricity in our Northeast division from JEA beginning January 1, 2007 and our Northwest division from Gulf Power Company beginning in January 1, 2008. We are seeking approval of the contract with Gulf Power Company from the FPSC in 2007. We expect that rates charged to our customers will significantly increase when the new contracts become effective in 2007 and 2008 because the prices are closer to market price. We are unable to estimate what impact higher rates could have on electric consumption, but electricity usage could decrease.

The Northwest and Northeast divisions experience a variety of weather patterns. Hot summers and cold winters produce year-round electric sales that normally do not have highly seasonal fluctuations. None of the electric segment's customers represent more than ten percent of our total electric revenues.

The electric utility industry has not been deregulated in the state of Florida. All customers within a given service or franchise area purchase from a single electricity provider in that area.

Propane Gas

We provide propane gas to customers in our Northeast, West, Central and South Florida divisions and can purchase our propane gas supply from several different wholesale companies. Propane gas is delivered to Florida by barges and railcars to terminals in Tampa and Ft. Lauderdale, and through the Dixie Pipeline terminus at Alma and Albany, Georgia. Propane gas is also delivered by transport to our facilities and directly to a customer's premise. We believe that the propane gas supply infrastructure is adequate to meet the needs of the industry in Florida for the foreseeable future.

Propane gas is not as affected by environmental regulations as other petroleum products. However, propane gas is a hazardous material and as such is subject to strict code enforcement and safety requirements.

As with natural gas, the sales volume of propane gas is affected by the season and the weather. Typically, Florida has a tourist season that coincides with the winter months. The propane gas segment's sales volumes and revenues are closely balanced between residential and commercial customers. We employ two strategies to become less weather dependent, concentrating on the forklift propane gas cylinder exchange market and marketing propane gas appliances not used for heating air. We believe that water heaters and forklift cylinder exchange accounts are good ways to become less weather reliant. None of the propane gas segment's customers represent more than ten percent of our total propane gas sales volume or revenues.

Strategy

Our strategy is to leverage our expertise in the natural gas, electric and propane gas distribution business to assist us in consistently meeting our customer's expectations. Our core focus is to build mutually beneficial relationships with builders, developers and customers with high-energy usage requirements. Included in our strategy is a plan to enhance our future success by expanding our service territory into new areas with high growth potential.

Competition

We do not face substantial competition in our electric divisions. This is because no other competitor can currently provide the same energy in our areas due to FPSC regulations and territorial agreements between utilities. In addition, natural gas as an alternative fuel is only available in a small area served by our electric divisions. Although our natural gas segment operates with the same types of guidelines, there is competition in our natural gas segment from electric utilities. Normally each home will have electricity as a base fuel and natural gas as an alternative source of energy used for cooking and heating. Electricity competes with natural gas, in large part based on the cost of fuel. Our propane gas segment is unregulated and faces competition from other suppliers of propane gas as well as alternative energy source suppliers. Competition in the propane gas segment is primarily based on price and service.

Rates and Regulation

The natural gas and electric segments are highly regulated by the FPSC. The FPSC has the authority to regulate our rates, conditions of service, issuance of securities and certain other matters affecting our natural gas and electric operations. As a result, FPSC regulation has a significant effect on our results of operations. The FPSC approves rates that are intended to permit a specified rate of return on investment. Our rate tariffs allow the cost of natural gas and electricity to be passed through to customers. Increases in the operating expenses of the regulated segments may require us to request increases in the rates charged to our customers. The FPSC has granted us the flexibility of automatically passing on increased expenses for certain fuel costs to customers. Other operational expenses, such as pension and medical expenses require us to petition the FPSC for rate increases. The FPSC is likely to grant rate increases to offset increased expenditures necessary for business operations. We successfully petitioned for an electric rate increase, which became effective on March 17, 2004, and for a natural gas rate increase that went into effect on November 18, 2004. We are currently seeking electric rate relief in 2007 for the recent storm preparedness requirements implemented to improve reliability of electric utility systems.

We are subject to federal and state regulation with respect to soil, groundwater, employee health and safety matters and to environmental regulations issued by the Florida Department of Environmental Protection (FDEP), the United States Environmental Protection Agency (EPA) and other federal and state agencies.

Prior to the widespread availability of natural gas, we manufactured gas for sale to our customers or purchased utility assets from other companies that manufactured gas. The process for manufacturing gas produced by-products and residuals such as coal tar. The remnants of these residuals are sometimes found at former gas manufacturing sites. These sites face environmental regulation from various agencies including the FDEP and EPA on necessary cleanup and restoration.

Franchises
We hold franchises in each of the incorporated municipalities that require franchise agreements in order to provide natural gas and electricity. Generally, these franchises have terms ranging from 10 to 30 years and terminate on varying dates. We are currently in negotiations with certain municipalities for new service areas within our current operating divisions, and renewals of existing franchises. We continue to provide services to these municipalities and do not anticipate any interruption in our service.

Employees
As of January 18, 2007, we had 362 employees, of which 9 were part-time and 2 were temporary. Of these employees, 175 were covered under union contracts with two labor unions, the Internal Brotherhood of Electric Workers and the International Chemical Workers Union. We believe that our labor relations with employees are good.

Available Information
We file periodic reports including our Form 10-Qs, Form 10-Ks, and Form 8-Ks with the Securities and Exchange Commission (SEC). The most recent copies of Form 10-Qs and Form 10-Ks as well as a copy of our Code of Ethics Policy can be obtained through our website (http://www.fpuc.com).

Item 1A. Risk Factors

A substantial portion of our revenues and, to a large extent, our profitability, depends upon rates determined by the FPSC.

FPSC regulates many aspects of our natural gas and electric operating segments, including the retail rates that we may charge customers for natural gas and electric service. Our retail rates are set by the FPSC using a cost-of-service approach that takes into account our historical operating expenses, our fixed obligations and recovery of our capital investments, including potentially stranded obligations. Using this approach, the FPSC sets rates at a level calculated to recover such costs, adjusted to reflect known and measurable changes, and a permitted return on investment. Any rate adjustments to recover increased costs or to otherwise improve our profitability must be obtained through a petition filed with the FPSC, which is referred to as a rate case. The rates permitted by the FPSC in rate cases will determine a substantial portion of our revenues for succeeding periods and may have a material impact on our consolidated earnings, cash flows and financial position, as well as our ability to maintain our common stock dividend at current levels or to increase our dividend in the future.

Some of our natural gas and electric service costs may not be fully recovered through retail rates.

Our natural gas and electric service retail rates, once established by the FPSC, remain fixed until changed in a subsequent rate case. We may at any time elect to file a rate case to request a change in our rates or intervening parties may request that the FPSC review our rates for possible adjustment, subject to any limitations that may have been ordered by the FPSC. Earnings could be reduced to the extent that our operating costs increase more than our revenues during the period between rate cases, which may occur because of maintenance and repair of plants, fuel and purchased power expenses, employee or labor costs, inflation or other factors. In addition, even if we decide to file rate cases, our requests for rate adjustments in such rate cases may be rejected. Other parties to a rate case or the FPSC staff may contend that our current rates, or rates proposed in a rate case, are excessive and our petition for rate adjustments may be denied on that or another basis.

Our segments are sensitive to variations in weather.

Our segments are affected by variations in general weather conditions and unusually severe weather. We forecast energy sales on the basis of normal weather, which represents a long-term historical average. Significant variations from normal weather could have a material impact on energy sales. Unusual weather, such as hurricanes, could also adversely affect operating costs and sales.

Our natural gas and propane gas customers use gas primarily for heating purposes. As a result, our natural gas and propane gas sales peak in the winter and are more weather sensitive than electricity sales, which peak in both summer and winter periods. Mild winter weather in Florida can be expected to negatively impact results from our natural gas and propane gas operations. Severe weather conditions could also interrupt or slow down service and increase the operating costs of all our segments.

We operate in an increasingly competitive industry, which may affect our future earnings.

Natural Gas

The natural gas distribution industry has been subject to competitive forces for several years. We receive our supply of natural gas at thirteen city gate stations connected to an interstate pipeline system owned by FGT and one gate station connected to an intrastate pipeline owned by Florida City Gas Company. Gulfstream Natural Gas System currently also serves peninsular Florida with interstate natural gas transmission service; however we cannot predict if this system will be extended to areas near our existing facilities and how it could affect our natural gas operations.

Electric

The U.S. electric power industry has been undergoing restructuring. There is competition in wholesale power sales on a national level. Some states have mandated or encouraged competition at the retail level. While there is active wholesale competition in Florida, the retail electric business has remained substantially free from direct competition. Changes in the competitive environment occasioned by legislation, regulation, market conditions or initiatives of other electric power providers, particularly with respect to retail competition, could adversely affect our financial condition and results of operations. To

the extent competitive pressures increase and the pricing and sale of electricity assumes more of the characteristics of a commodity business, the economics of our electric operating segment may come under increasing pressure. In addition, regulatory changes may increase access to electricity transmission grids by utility and non-utility purchasers and sellers of electricity, thus potentially resulting in a significant number of additional competitors.

Propane Gas

Our propane gas business is our only non-regulated business segment. Because the propane gas business is not regulated, we face significant competition in this segment. Our propane gas business competes directly with other distributors of propane gas, and other sources of energy including natural gas and electric. We may encounter increased competition in the propane gas business in the future. Our inability to compete effectively in the propane gas business, whether on the basis of price, customer service, alternative energy sources or otherwise, could have a material adverse effect on our financial condition and results of operations.

Our business could be adversely affected if our supply of natural gas is interrupted.

FGT's pipeline system transports all of our natural gas. FGT is owned by Citrus Corporation, which is jointly owned by Cross Country Energy Corporation and El Paso Corporation. Our ability to receive our normal supply of natural gas could be adversely affected by an interruption in FGT's service.

General economic conditions may adversely affect our segments.

Our segments are affected by general economic conditions. The consumption of the energy we supply is directly tied to the economy. A downturn in the economy in our local areas of operations, as well as on the state, national and international levels, could adversely affect the performance of our segments. Changes in political climate, including terrorist activities, could further negatively impact our performance. If tourism is down, then the demand for the energy we supply is reduced.

Commodity price changes may affect the operating costs and competitive position of our segments.

Our segments are sensitive to changes in coal, gas, oil and other commodity prices. If we are unable to increase the rates we charge to customers to reflect increases in these commodity prices, our margins and earnings will be lowered. If increased prices for any of these commodities persist for substantial periods, our competitive position could be adversely affected by customers who switch to cheaper energy sources. Further, natural gas prices have been increasingly volatile and, accordingly, the earnings from our natural gas operations are increasingly difficult to predict.

We could incur material expenses as a result of our obligations to comply with existing and new environmental laws and regulations.

We are subject to environmental regulations in connection with the ongoing conduct of our business and to civil and criminal liability for failure to comply with these regulations. In addition, new environmental laws and regulations, or new interpretations of existing laws

and regulations, affecting our operations or facilities may be adopted which may cause us to incur additional material expenses.

We are subject to federal and state legislation with respect to soil, groundwater, employee health and safety matters and to environmental regulations issued by the Florida Department of Environmental Protection (FDEP), the EPA and other federal and state agencies. We may incur material future expenditures in order to comply with these existing environmental laws and regulations.

We rely on a limited number of natural gas and electric suppliers, the loss of which could materially adversely affect our financial condition and results of operations.

Two pipeline suppliers under several contracts having expiration dates from 2007 to 2023 transport our natural gas to us. These contracts have provisions, which allow us to extend the terms ranging from 2020 to 2032. Our electric services are provided by two suppliers under contracts, which expire in 2007 and 2017. We have renegotiated a new contract for the one that is set to expire in 2007 with the same supplier for electric service beginning in 2008 which we are currently awaiting approval for from the FPSC. If we were to lose any of these contracts, we might not be able to replace the corresponding energy source on acceptable terms, if at all. In addition, in the event of the expiration of the contracts, we might not be able to renew them on favorable terms, if at all. As a result, the loss of any of these suppliers, the terminations of any of these supply contracts or the non-renewal of any of these supply contracts before or upon their expiration could have material adverse effects on our financial condition and results of operations.

New supply contracts could result in substantial increases to our prices, and could materially adversely affect our financial condition and results of operations.

Two pipeline suppliers under firm contracts having expiration dates from 2007 to 2023 transport our natural gas to us. All of these contracts have provisions which allow us to extend the terms ranging from 2020 to 2032. Our electric services are provided by two suppliers under contracts, which expire in 2007 and 2017.

The recent renewal of the electricity supply contract that was terminated in 2006 and the one that will expire in 2007 will result in the cost of electricity more than doubling over existing prices. Extensions or renewals of our natural gas contracts could result in the cost of natural gas increasing. Although these increases are currently passed through to our customers, these could have a significant impact on our financial condition and results of operations due to decreased consumption or if costs cannot be passed through in the future.

Fluctuation in prices under long-term purchase and transportation commitments may have an adverse effect on our financial condition and results of operations.

To ensure a reliable supply of electricity and natural gas at competitive prices, we have entered into purchase and transportation contracts with various suppliers and producers, which expire at various dates through 2023. Purchase prices under these contracts are determined by formulas either based on market prices or at fixed prices.

As of December 31, 2006, we have firm purchase and transportation commitments adequate to supply our expected sales requirements for electricity with contracts that will expire in 2017. Our contract in the Northeast division of the electric segment began January 1, 2007 and expires on December 31, 2017. We have a contract with a supplier for the Northwest division beginning January 1, 2008 and expiring December 31, 2017. We are currently seeking approval with the FPSC for the Northwest division contract. If the FPSC does not approve this contract, we may need to seek an alternative supplier or new contract with this same supplier for the purchase of electricity in the Northwest division.

Our natural gas pipeline transportation contracts expire in parts in 2010, 2015 and 2023. We are committed to pay demand or similar fixed charges monthly through 2023 related to the natural gas pipeline transportation agreements. Significant fluctuation in prices under these long-term purchase and transportation commitments may have a material adverse effect on our financial condition and results of operations.

Problems with operations could materially adversely impact us.

We are subject to various operational risks, including accidents, outages, equipment breakdowns or failures, or operations below expected levels of performance or efficiency. Problems such as the breakdown or failure of transmission lines, pipelines or other equipment or processes and interruptions in service which would result in performance below affected levels of output or efficiency, particularly if extending for prolonged periods of time, would have a material adverse effect on our financial condition and results of operations.

We are vulnerable to interest rate changes and may not have access to capital at favorable rates, if at all.

Changes in interest rates can affect our cost of borrowing on our line of credit, on refinancing of debt maturities and on incremental borrowing to fund new investments. Because our stock is not widely held and has a low trading volume, we may not be able to access the equity market or may be limited in the amount of equity financing. If we are unable to obtain equity or debt financing on terms satisfactory to us, our ability to fund capital expenditures and other commitments will be impaired. Moreover, even if available, the cost of such financing could reduce our margins and materially adversely affect our results of operations.

Failure to effectively and efficiently manage our growth, as well as changes in our business strategies, could have a negative impact on our performance.

An essential part of our business strategy is to grow our businesses. Much of our growth depends on our ability to find attractive development opportunities and to obtain the necessary financing for them. Our outlook is based on our expectation that we will be successful in finding and capitalizing on development opportunities, but our efforts may not be successful. Our failure to effectively and efficiently manage our growth, as well as changes in our business strategies, may have a material adverse effect on our financial condition and results of operations. If we grow our business with acquisitions there is a risk the acquisition will not have a positive effect on our financial condition.

Our ability to pay dividends on our common stock is limited.

We cannot guarantee that we will continue to pay dividends at our current annual dividend rate or at all. In particular, our ability to pay dividends in the future will depend upon, among other things, our future earnings, our cash requirements and our debt covenants.

Provisions in our certificate of reincorporation, certain agreements, and the Florida Business Corporation Act may inhibit a takeover, which could adversely affect the value of our common stock.

Our certificate of reincorporation as well as provisions of the Florida Business Corporation Act (FBCA), contain provisions that could delay or prevent a change of control in our management that shareholders might consider favorable and may prevent them from receiving a takeover premium for their shares.

Our certificate of reincorporation contains provisions that make it more difficult to obtain control of our company through transactions, which have not received the approval of our board of directors. These provisions include supermajority voting requirements for certain transactions with affiliated persons, staggering the terms of the members of our board of directors, and certain procedural requirements relating to shareholder meetings and amendments to our certificate of reincorporation or bylaws.

In addition, Florida has enacted legislation that may deter or frustrate takeovers of Florida corporations. Subject to certain exceptions, the "Control Share Acquisitions" section of the FBCA generally provides that shares acquired in excess of certain specified thresholds, beginning at 20% of a corporation's outstanding voting shares, will not possess any voting rights unless such voting rights are approved by a majority vote of the corporation's disinterested shareholders.

The "Affiliated Transactions" section of the FBCA generally requires majority approval by disinterested directors or supermajority approval by disinterested shareholders of certain specified transactions (such as mergers, consolidations, sales of assets, issuance or transfer of shares or reclassifications of securities) between a corporation and a holder of more than 10% of the outstanding shares of the corporation, or any affiliate of such shareholder.

Finally, we have agreements with three of our executive officers that provide for significant payments to those executives upon a change in control under certain circumstances. The existence of these contracts may make an acquisition of our company less attractive to a possible buyer.

Conflict or turmoil in oil producing countries could impact future prices for commodities including natural gas, propane gas and electricity, and increases in these prices could materially affect our financial condition and results of operations.

Worldwide turmoil could cause the cost of crude oil and its associated products to rise on concerns of the conflicts interfering with the production of crude oil. If these conflicts are large, escalate or spread, the impact to the cost of all fuel related commodities could increase substantially. These increases could materially adversely affect our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

We have natural gas, electric and propane gas utility related properties. These properties include transmission, distribution, storage and general facilities at various locations in our service areas. We do not have generating facilities. We maintain property that is adequate for our current operations and we expand our existing facilities as required by growth or other operational needs.

We own natural gas mains that distribute gas through 1,558 miles of pipe located in Central and South Florida. Additionally, we have adequate gate stations in each distribution system.

In the electric segment, we own 22 miles of electric transmission lines located in Northeast Florida and 1,082 miles of electric distribution lines located in Northeast and Northwest Florida. The distribution lines are installed both under and above ground with many of the coastal locations having under ground facilities. All transmission lines are installed above ground. Additionally, we own various substations and regulator stations that are used in our operations.

Our propane gas segment has bulk storage facilities and tank installations on the customers' premises. We also have 16 community gas systems that distribute propane gas to customers in a specific area. These systems are subject to the Federal Department of Transportation Office of Pipeline Safety Regulations.

We own office and warehouse facilities in Northwest, Northeast, Central, West and South Florida, which are used for our operations and materials storage by the natural gas, electric, and propane gas segments. We also have various easements and other assets located throughout our service areas that are utilized by all of our operations.

We also own a three-story building in West Palm Beach, where our corporate headquarters is located.

All of our property is subject to a lien collateralizing our funded indebtedness under our Mortgage Indenture as discussed in Note 1-I in Notes to Consolidated Financial Statements.

Item 3. Legal Proceedings

In our operations, we currently use or have used several contamination sites that have pending or threatened environmental litigation. We are in the process of investigating and assessing this litigation. We intend to vigorously defend our rights in this litigation. We have insurance and rate relief to cover losses or expenses incurred as a result of this litigation. We believe all future contamination assessment and remedial costs, legal fees and other related expenses would not exceed the combined sum of any insurance proceeds received and any rate relief granted.

West Palm Beach Site

We are currently evaluating remedial options to respond to environmental impacts to soil and groundwater at and in the immediate vicinity of a parcel of property we own in West Palm Beach, Florida. We previously operated a gasification plant at this site. We entered into a Consent Order with the FDEP effective April 8, 1991. This requires us to delineate the extent of soil and groundwater impacts associated with the prior operation of the gasification plant and to remediate such soil and groundwater impacts, if necessary. We have submitted numerous reports to FDEP describing the results of soil and groundwater sampling conducted at the site. We completed the delineation of soil and groundwater impacts at the site in October 2006. An engineering consultant performed a feasibility study to evaluate appropriate remedies for the site. The feasibility study was transmitted to FDEP on November 30, 2006.

The feasibility study evaluated a wide range of remedial alternatives based on criteria provided by applicable laws and regulations. The total costs for the remedies evaluated in the feasibility study ranged from a low of $2.8 million to a high of $54.6 million. Based on the likely acceptability of proven remedial technologies described in the feasibility study and implemented at similar sites, consulting/remediation costs to address the impacts now characterized at the West Palm Beach site are projected to range from $4.6 million to $17.9 million. This range of costs covers such remedies as in situ solidification for deeper soil impacts, excavation of superficial soil impacts, installation of a barrier wall with a permeable biotreatment zone (PBZ), monitored natural attenuation of dissolved impacts in groundwater (MNA) or some combination of these remedies. The feasibility study proposed a remedy of superficial soil excavation, and installation of a hanging barrier wall with PBZ and MNA, the cost of which is projected to range from $4.6 million to $9.9 million.

Prior to FDEP's approval of a final remedy for the site, we are unable to determine, to a reasonable degree of certainty, the complete extent or cost of remedial action that may be required. As of December 31, 2006, and subject to the limitations described above, remediation costs (including attorneys' fees and costs) for this site are projected to range from approximately $4.8 million to $18 million.

Sanford Site

We own a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to our acquisition of the property. Following discovery of soil and groundwater impacts on the property, we have participated with four former owners and operators of the gasification plant in the funding of numerous investigations of the extent of the impacts and the identification of an appropriate remedy. On or about March 25, 1998, we executed an Administrative Order on Consent (AOC) with the four former owners and operators (Group) and the United States Environmental Protection Agency (EPA) that obligated the Group to implement a Remedial Investigation/Feasibility Study (RI/FS) and to pay EPA's past and future oversight costs. The Group also entered into a Participation Agreement and an Escrow Agreement on or about April 13, 1998 (WFS Participation Agreement). Work under the RI/FS AOC and RI/FS Participation Agreement is now complete and we have no further obligations under either document.

In late September 2006, EPA sent us a Special Notice Letter, notifying us of EPA's selection of a final remedy for OU1 (soils), OU2 (groundwater), and OU3 (sediments), and giving the other Group members and us sixty (60) days within which to submit a "good faith offer" to EPA to provide for implementation of the selected remedies. The Special

Notice Letter included an Amended Record of Decision (ROD) for OU1 (the ROD for OU1 was amended to account for a significant increase in the volume of off-site soil impacts and a change in the selected remedy), the original ROD for OU2, and a ROD for OU3. The total estimated remediation costs for the Sanford Gasification Plant Site are now projected to be $12.5 million. On November 30, 2006, we, along with the Group, submitted to EPA a good faith offer to implement the approved remedies as set forth in the RODs for OU1 through OU3.

In January, we, along with the other members of the Group signed a Third Participation Agreement, which provides for funding the remediation work specified in the RODs for OU1 through OU3 and supercedes and replaces the Second Participation Agreement. Our share of remediation costs under the Third Participation Agreement is set at 5% of a maximum of $13 million or $650,000. At present, it is not anticipated that the total cost of remediation will exceed $13 million. If it does, the Group members have agreed to negotiate in good faith to allocate the excess costs at such time that it reasonably appears that the total remediation costs will exceed $13 million. In any such event, we do not expect our share of such additional costs to be greater than 5% and our share of such additional costs may be less than 5%.

Our future legal costs and expenses and our share future remediation expenses for this site are currently projected to be approximately $710,000.

Pensacola Site

We are the prior owner/operator of the former Pensacola gasification plant, located in Pensacola, Florida. Following notification on October 5, 1990 that FDEP had determined that we were one of several responsible parties for any environmental impacts associated with the former gasification plant site, we entered into cost sharing agreements with three other responsible parties providing for the funding of certain contamination assessment activities at the site.

Following field investigations performed on behalf of the responsible parties, on July 16, 1997, FDEP approved a final remedy for the site that provides for annual sampling of selected monitoring wells. Such annual sampling has been undertaken at the site since 1998. Our share of these costs is less than $2,000 annually or a total cost of $27,000.

In March 1999, EPA requested site access in order to undertake an Expanded Site Inspection (ESI). The ESI was completed by EPA's contractor in 1999 and an ESI Report was transmitted to us in January 2000. The ESI Report recommends additional work at the site. The responsible parties met with FDEP on February 7, 2000 to discuss EPA's plans for the site. In February 2000, EPA indicated preliminarily that it will defer management of the site to FDEP; however, as of December 31, 2006, we have not received any written confirmation from EPA or FDEP regarding this matter. Prior to receipt of EPA's written determination regarding site management, we are unable to determine whether additional fieldwork or site remediation will be required by EPA and, if so, the scope or costs of such work.

Key West Site

From 1927-1938, we owned and operated a gasification plant in Key West, Florida. The plant discontinued operations in the late 1940s; the property on which the plant was located is currently used for a propane gas distribution business. In March 1993, a Preliminary Contamination Assessment Report (PCAR) was prepared by a consultant

jointly retained by the current site owner and us and was delivered to FDEP. The PCAR reported that very limited soil and groundwater impacts were present at the site. By letter dated December 20, 1993, FDEP notified us that the site did not warrant further "CERCLA consideration and a Site Evaluation Accomplished disposition is recommended." FDEP then referred the matter to its Marathon office for consideration of whether additional work would be required by FDEP's district office under Florida law. As of December 31, 2006, we have received no further communication from FDEP with respect to the site. At this time, we are unable to determine whether additional fieldwork will be required by FDEP and, if so, the scope or costs of such work. In 1999, we received an estimate from our consultant that additional costs to assess and remediate the reported impacts would be approximately $166,000. Assuming the current owner shared in such costs according to the allocation agreed upon by the parties for the PCAR, our share would be approximately $83,000.

Item 4. Submission of Matters to a Vote of Security Holders

None

Executive Officers of the Registrant

The following sets forth certain information about the executive officers of the Company as of February 17, 2007.

Name	Age	Position	Date
John T. English	63	Chairman of the Board	2006 - Present
		Chief Executive Officer	1998 - Present
		President	1997 - Present
		Chief Operating Officer	1997 - 2000
Charles L. Stein	57	Chief Operating Officer	2001 - Present
		Senior Vice President	1997 - Present
George M. Bachman	47	Corporate Secretary	2004 - Present
		Chief Financial Officer	2001 - Present
		Treasurer	2001 - Present

Mr. English was Senior Vice President from 1993 preceding his appointment as President and Chief Operating Officer.

Mr. Stein was Vice President from 1993 preceding his appointment as Senior Vice President.

Mr. Bachman was Controller from 1996 preceding his appointment as Chief Financial Officer and Treasurer.

Each of these executive officers has an employment agreement for a three-year term, which can be renewed at the Board Meeting preceding the expiration of the agreement subject to his earlier resignation or removal. There are no family relationships among any of the executive officers and directors of the Company.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Quarterly Stock Prices and Dividends Paid

Our common shares are traded on the American Stock Exchange under the symbol FPU. The quarterly dividends declared and the reported last sale price range per share of our common stock for the most recent two years were as follows:

	2006			2005		
	Stock Prices		Dividends	Stock Prices *		Dividends
Quarter ended	Low	High	Declared	Low	High	Declared*
March 31	$13.25	$14.50	$0.1033	$11.47	$13.49	$0.1000
June 30	11.86	14.40	0.1075	11.45	12.67	0.1033
September 30	12.61	14.42	0.1075	12.67	16.84	0.1033
December 31	13.10	14.05	0.1075	13.46	16.44	0.1033

* On July 25, 2005 we issued a three for two stock split in the form of a stock dividend to our shareholders of record on July 15, 2005. All common share information has been restated to reflect the stock split.

As of February 16, 2007, there were approximately 3,900 holders of record of our common shares.

We intend to continue to pay quarterly cash dividends for the foreseeable future. Our dividend policy is reviewed on an ongoing basis by our Board of Directors and is dependent upon future earnings, cash flow, financial condition, capital requirements and other factors. Our Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At December 31, 2006, approximately $9 million of retained earnings were free of such restriction and therefore available for the payment of dividends.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

Plan Category	Number of Securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	72,749*
Equity compensation plans not approved by security holders	-
Total	72,749

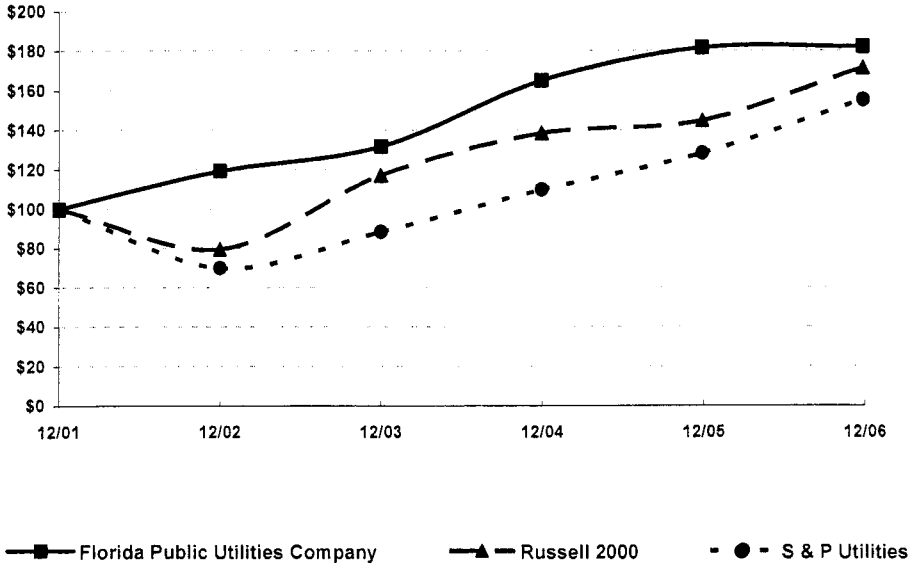
* This includes 20,714 shares for the Non-Employee Director Compensation Plan. This plan was adopted by the Board of Directors on March 18, 2005 and was approved at the 2005 meeting of shareholders. This also includes 52,035 shares for the Employee Stock Purchase Plan.

PERFORMANCE GRAPH

The following graph compares the yearly percentage change and the cumulative total of shareholder return on the Company's common stock with the cumulative return on the Russell 2000 Index (Russell 2000) and Standard & Poor's Utilities Index (S&P Utilities) for the last five calendar years. These comparisons assume the investment of $100 in the Company's common stock and each of the indices on January 1, 2001 and the reinvestment of dividends. The stock price performance shown in the graph below should not be considered indicative of future stock performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Florida Public Utilities Company, The Russell 2000 Index
And The S & P Utilities Index



* $100 invested on 12/31/01 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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	12/01	12/02	12/03	12/04	12/05	12/06
Florida Public Utilities Company	100.00	119.25	131.72	165.01	181.67	182.09
Russell 2000	100.00	79.52	117.09	138.55	144.86	171.47
S & P Utilities	100.00	70.01	88.39	109.85	128.35	155.29

Item 6. Selected Financial Data

(Dollars in thousands, except per share data)

Years Ended December 31,	2006	2005	2004	2003	2002
Revenues	$ 134,393	$ 130,023	$ 110,039	$ 102,723	$ 88,461
Gross profit	$ 48,422	$ 47,219	$ 40,689	$ 37,733	$ 34,929
Earnings:					
Continuing operations	$ 4,169	$ 4,248	$ 3,594	$ 2,522	$ 2,761
Discontinued operations (1)	-	-	-	9,901	602
Net income	$ 4,169	$ 4,248	$ 3,594	$ 12,423	$ 3,363
Earnings per common share (basic and diluted):					
Continuing operations	$ 0.69	$ 0.71	$ 0.60	$ 0.43	$ 0.47
Discontinued operations (1)	-	-	-	1.69	0.10
Total	$ 0.69	$ 0.71	$ 0.60	$ 2.12	$ 0.57
Dividends declared per common share	$ 0.43	$ 0.41	$ 0.40	$ 0.39	$ 0.38
Total assets	$ 180,913	$ 182,666	$ 170,503	$ 160,944	$ 148,487
Utility plant – net	$ 129,211	$ 123,061	$ 117,191	$ 107,942	$ 103,357
Current debt	$ 3,466	$ 9,558	$ 5,825	$ 2,278	$ 19,183
Long-term debt	$ 50,702	$ 50,620	$ 50,538	$ 50,454	$ 50,367
Common shareholders' equity	$ 47,572	$ 45,503	$ 43,213	$ 41,463	$ 30,883

Note to the Selected Financial Data:

(1) On December 3, 2002, FPU entered into an agreement to sell the assets of its water utility system to the City of Fernandina Beach. The transaction closed on March 27, 2003. Revenues, Gross profit and Utility plant-net do not include discontinued operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

RESULTS OF OPERATIONS

General

Effects of seasonal weather conditions, the timing of rate increases, fluctuations in demand due to the cost of fuel passed on to customers and the migration of winter residents and tourists to Florida during the winter season all have an impact on income.

Revenues and Gross Profit Summary

Revenues include cost recovery revenues. The FPSC allows cost recovery revenues to directly recover costs of fuel, conservation and revenue-based taxes in our natural gas and electric segments. Revenues collected for these expenses have no effect on results of operations and fluctuations could distort the relationship of revenues between periods. Gross profit is defined as gross operating revenues less fuel, conservation and revenue-based taxes that are passed directly through to customers. Because gross profit eliminates these cost recovery revenues, we believe it provides a more meaningful basis for evaluating utility revenues. The following summary compares gross profit between periods and units sold in One thousand Dekatherm (MDth) (gas) and Megawatt Hour (MWH) (electric).

Revenues and Gross Profit
(Dollars in thousands)

	Year Ended December 31,		
	2006	**2005**	**2004**
Natural Gas			
Revenues	$71,139	$69,094	$55,962
Cost of fuel and other pass through costs	43,909	42,815	34,232
Gross Profit	$27,230	$26,279	$21,730
Units sold: (MDth)	6,230	6,224	6,124
Electric			
Revenues	$48,527	$47,450	$42,910
Cost of fuel and other pass through costs	34,259	33,352	29,732
Gross Profit	$14,268	$14,098	$13,178
Units sold: (MWH)	849,124	814,353	766,349
Propane Gas			
Revenues	$14,727	$13,479	$11,167
Cost of fuel and other pass through costs	7,803	6,637	5,386
Gross Profit	$ 6,924	$6,842	$5,781
Units sold: (MDth)	621	640	614
Consolidated			
Revenues	$134,393	$130,023	$110,039
Cost of fuel and other pass through costs	85,971	82,804	69,350
Gross Profit	$ 48,422	$ 47,219	$ 40,689

Natural Gas

Natural gas revenues increased $2.0 million, or 3% in 2006 over 2005 primarily due to increased revenue collected for taxes passed directly through to customers. A change in legislature regarding the calculation of Gross Receipts tax became effective January 1, 2006, and along with an increase to overall revenues, increased these taxes paid by our

customers by approximately $500,000. Franchise fee revenues also increased by approximately $500,000 due to increased rates and area expansion.

Natural gas gross profit increased by $951,000, or 4% in 2006 over 2005. We had higher revenue and gross profit in 2006 compared to 2005 primarily due to billed revenue not exceeding the FPSC allowable earnings as much as in the prior year. In 2006, we reduced billed revenues and gross profit by our estimate of over-earnings of $72,000 for the year. Our estimate for 2005 was recorded at $700,000 in 2005 and we reduced that estimate in 2006 by $50,000 to $650,000. The combined effect of this was to increase our revenues and gross profit over the prior year by approximately $678,000. Other factors contributing to the increase in revenues and gross profit were 2% customer growth and storm surcharge revenues, which became effective November 2005. The revenues and gross profit increases were slightly offset by the loss of approximately $100,000 of revenue from two customers who went off-line for several months to do maintenance work.

Natural gas revenues increased $13.1 million in 2005 over 2004 primarily due to an $8.6 million increase in the cost of fuel and other costs that were passed through to customers. The cost of natural gas increased significantly over prior years, partially as a result of hurricanes and their impact on supplies. Gross profit increased $4.5 million, or 21%, primarily as a result of rate relief effective in November 2004, normal customer growth and a 2% increase in units sold. Offsetting these increases was the estimated over-earnings for 2005 of $700,000, which reduced revenues and gross profit.

Electric

Electric revenues increased $1.1 million in 2006 over 2005. Cost of fuel and other costs that were passed through to customers contributed approximately $900,000 of the increase. Gross profit increased $170,000 or 1% in 2006 over 2005. The increase in gross profit was primarily due to a slight increase in customer growth and units sold.

Electric revenues increased $4.5 million in 2005 over 2004. Cost of fuel and other costs that were passed through to customers contributed $3.6 million of the increase. Gross profit increased $920,000 or 7% in 2005 over 2004. The increase in gross profit was primarily due to a 6% increase in units sold along with the rate increases granted in March 2004. A large distribution center was built in our Northwest division and increased revenues by approximately $700,000 and gross profit by approximately $91,000 in 2005 over 2004.

Propane Gas

Propane revenues increased $1.2 million, or 9% and gross profit increased $82,000 or 1% in 2006 compared to 2005. Revenues increased primarily due to rising fuel costs. Although customers increased by 5% in 2006, the usage per customer declined by 8% contributing to a decrease of 3% in units sold. Warmer weather was the primary reason for this decrease in usage per customer in 2006 compared to 2005. The increase in gross profit was minimal when compared to last year primarily due to pre-buy gains of $383,000 realized in 2005 but not in 2006.

Propane revenues increased $2.3 million and gross profit increased $1.1 million or 18% in 2005 compared to 2004. The Company realized gains of approximately $383,000 as a result of buying propane supplies before market price increases. The remaining increase

of 12% from the previous year resulted from propane unit sales increasing 4% due primarily to a 13% growth in residential bulk customers and units sold.

Operating Expenses

Operating expenses include operation, maintenance, depreciation, amortization and taxes other than income taxes, and exclude fuel costs, conservation and taxes based on revenues that are directly passed through to customers and recovered in revenues.

Operating Expenses
(Dollars in thousands)

	Year Ended December 31,		
	2006	**2005**	**2004**
Natural gas	$ 21,112	$ 20,230	$ 16,752
Electric	11,215	10,596	9,825
Propane gas	5,918	5,756	5,126
Total Operating Expenses	$ 38,245	$ 36,582	$ 31,703

Natural Gas

Natural gas operating expenses increased $882,000, or 4%, in 2006 as compared with 2005. Outside of the normal inflationary impacts on our expenses, customer account expenses increased by $237,000 as a result of our customer service focus initiated in 2005 based on our strategic plan. We continued the focus on this area and increased the number of employees in an effort to respond more effectively to customers. Bad debt provision increased $49,000 over the prior year primarily due to increasing revenues, aging accounts receivable on several major accounts, and the slowing housing economy. We increased our collection efforts in the fourth quarter of 2006 and will continue to do so in 2007.

In 2006 we had additional increases of $90,000 to sales expense resulting from initiatives to boost sales by increasing sales staff. Depreciation expense increased $137,000 principally due to construction of mains and new meters to distribute gas to a growing number of new developments in South Florida and increasing capacity requirements for existing customers.

Natural gas operating expenses increased $3.5 million or 21%, in 2005 as compared with 2004. Amortization expense increased $1 million. The bare steel replacement program and recovery of future environmental costs approved in our 2004 natural gas rate proceeding were the primary reasons for this increase. We are currently under a 50-year program to replace all bare steel mains and service lines with coated steel and polyethylene lines. We have received approval to recover the funds necessary to replace these mains and services over the 50-year period. Pursuant to an FPSC mandate, we accrue an amortization expense as an offset to the revenues received, and record a contribution reducing the related construction expenditures. The FPSC also approved recovery of our expected environmental liability over a 20-year period.

Customer account expense increased $373,000 in 2005 as compared to 2004 primarily due to increased payroll expenses for additional staffing and facility and equipment upgrades. There were also increased bad debt provisions as a result of the increases in accounts receivable due to general and fuel rate increases. The purchase of additional safety equipment, tools, hardware and office furniture contributed to a $942,000 increase in other operating expense. Other items affecting expenses included a research marketing study to provide us with data to better serve our customers and additional payroll

expenses relating to hurricane preparedness and wage increases. Maintenance expense increased by $208,000 primarily due to maintenance expenditures in Central Florida for cleaning and painting a distribution regulator and gate stations and the purchase of maintenance related safety equipment and tools.

Electric

Electric operating expenses increased $619,000, or 6%, in 2006 as compared with 2005. As a result of our efforts to inform and educate our electric customers about the expected 2007 and 2008 fuel rate increases in upcoming bills, sales expense increased by $120,000. Customer account expenses increased $106,000 in 2006 over the prior year mainly due to increased bad debt provisions due to higher sales and slower housing economy. Depreciation expense increased $202,000 largely due to major construction work done in the latter part of 2005 and the beginning of 2006. This included the rebuilding of a transmission sub-station, the rebuilding of an entire distribution sub-station with two transformers and the replacement of a failed sub-distribution station transformer. Additional significant work on transformers is expected in 2008.

Electric operating expenses increased $771,000, or 8%, in 2005 as compared with 2004. As we continued to focus on improving service reliability, we increased maintenance expense by $397,000 for additional tree trimming and the use of a temporary mobile substation while a new transformer was purchased and put into service. Depreciation expense increased $100,000 due to normal increases in plant assets. In 2005, other operating expenses increased $114,000 due to a shift from work on capital assets to operational needs along with personnel raises.

Propane Gas

Propane gas operating expenses increased $162,000, or 3%, in 2006 as compared with 2005. Depreciation expense increased $99,000 for the addition of plant assets including a propane gas delivery system that will increase the efficiency of our deliveries and improve our overall customer satisfaction. Aging accounts receivable, slowing housing economy and increasing revenues contributed to an increase in our bad debt expense over the prior year.

Propane gas operating expenses increased $630,000, or 12%, in 2005 as compared with 2004. As we continued to focus on increasing our propane gas business, other operating costs increased $467,000. We placed additional emphasis in the sales area, which resulted in signing up new housing developments that will utilize propane gas. We incurred increased expenditures for piping homes, delivering propane gas, implementing a new delivery system and increasing commission payments. This increased effort in our sales area contributed to an increase of 150 customers and 4% overall units sold in our propane gas segment.

Administrative Expenses

Administrative expenses increased $487,000, or 6%, in 2006 over 2005. These expenses generally are related to all of our operating segments. To continue to adequately support our internal and external customers, we increased staffing in our administrative areas. Payroll increases of $322,000 related to an increased number of employees, annual pay raises and normal inflationary impacts. In 2006, we discontinued eligibility to our defined benefit pension plan for new employees and replaced the defined benefit pension plan with a 401K-match plan for new employees. This change will take time to reduce pension

expense; we had an increase of $203,000 in our pension expenses in 2006. Medical costs increased $120,000 over the prior year and these costs are expected to continue to rise.

Regulatory storm surcharge expenses approved in our 2005 natural gas petition increased natural gas expenses by $180,000.

Administrative expenses increased $996,000, or 13%, in 2005 over 2004. Pension expense increased $274,000 due to our estimate that the return on the pension's assets will not keep pace with growing pension liabilities. Medical insurance premiums continue to rise, increasing $130,000 in 2005. Compliance costs related to Sarbanes-Oxley and internal control requirements, as well as audit fees, increased outside services expenses by $156,000. With the impact from our focus on hurricane preparations and the 2005 hurricanes, our safety expense increased by $235,000. A portion of this increase related to compensation for an additional safety employee and costs for a new safety incentive program.

Total Other Income and Deductions

Other income and deductions include revenues and expenses from sales and installation, service of merchandise, gains or losses on disposal of property, interest expense and other income and expenses. The largest components of this section are merchandise sales, services income and interest expenses. Our service activities include the installation of merchandise and other contract work. Interest expense consists of interest on bonds, short-term borrowings and customer deposits.

Merchandise and Services Revenue and Expenses

Although merchandise and services revenue decreased by approximately $268,000 in 2006, the overall profitability in this area increased by $325,000 compared to 2005. This was primarily a result of significant strategic changes made by management. These changes included revising the product markup structure, increasing installation fees and increasing employee training. We experienced a revenue decrease due to lower demand for merchandise as a result of a quiet hurricane season and the slow down of new construction projects in our areas due to the downturn in the housing market.

Merchandise and services revenues and expenses increased in 2005 from 2004 but profitability decreased $114,000. We experienced an increase in revenues and cost of sales primarily due to an increased demand for electric to gas conversions and installations of customer owned propane gas tanks to supply back-up generators. We had increased expenses from sub-contractors that were not passed on to customers in sales prices.

Interest Expenses

In 2005, total interest expense increased $106,000. Interest on short-term debt increased $37,000. This was due to the increase in the average outstanding loan balance on the line of credit and higher interest rates. Interest on customer deposits increased $48,000 due to increased customer deposits primarily as a result of additional deposits required after implementing increased rates in our natural gas operation.

Other

Other revenues increased $51,000 compared to 2005 due to additional interest income associated with the sale of the water assets.

Income Taxes

Income tax expense decreased in 2006 over the normal tax rate on net income by $67,000. This decrease was due to tax return adjustments related to the regulatory deferred tax liabilities.

Income tax expense decreased in 2005 over the normal tax rate on net income by $43,000. Tax return adjustments related to the sale of our water assets and the regulatory deferred tax liabilities decreased expenses by $118,000. We had an offsetting increase of $75,000 related to our IRS audit of the 2002 and 2003 income tax returns.

Liquidity and Capital Resources

Summary of Primary Sources and Uses of Cash

(Dollars in thousands)

	Year Ended December 31,		
	2006	**2005**	**2004**
Sources of Cash:			
Operating activities, including working capital changes	$20,090	$10,213	$11,673
Net proceeds on short-term debt	-	3,733	3,547
Other sources of cash	1,179	1,214	648
Uses of Cash:			
Construction expenditures	13,116	12,441	13,731
Dividends paid	2,551	2,448	2,368
Net payment on short-term debt	6,092	-	-
Other uses of cash	121	75	129
Net (use) source of cash	$ (611)	$ 196	$ (360)

Cash Flows

Operating Activities

Net cash flow provided by continuing operating activities increased in 2006 by approximately $10 million compared to 2005. Fuel and other pass through costs accounted for $6.5 million of the increase. This increase resulted from the collection of the prior year's under-recoveries of $3.4 million and over-recoveries of $3.1 million in 2006. Amounts over-recovered will be refunded to customers in subsequent calendar years. Lower fuel costs during the latter part of the year in our natural gas segment contributed to a decrease in receivables and increase in cash of $3 million. The lower fuel costs and timing of payments to our major fuel suppliers resulted in a decrease to operating cash of $1 million. Income taxes paid increased by approximately $600,000 primarily due to the tax effect of the collection of prior year's fuel under-recoveries.

Net cash flow provided by continuing operating activities decreased in 2005 by approximately $1.5 million compared to 2004. Payments for fuel exceeded the amount collected from customers by an additional $3.1 million in 2005. The under-recovery of fuel costs is collected in the following calendar year. Income tax payments increased approximately $1.5 million, primarily as a result of less tax depreciation and higher income. The deduction for tax depreciation was higher in 2004 as a result of bonus depreciation, resulting in lower taxes in that year. We also received a refund in 2004 relating to the deferral of the gain on our water assets sale.

Offsetting the decreases to 2005 cash flow was additional cash received from rate increases in our natural gas segment. The rate increases also contributed to an increase to accounts receivable of $4 million. Accounts payable increased $3.3 million in 2005 primarily due to the increased cost of fuel in our natural gas segment.

Investing Activities
Capital expenditures increased in 2006 compared to 2005 by approximately $700,000. The increase in 2006 included expenditures for transportation equipment in our electric segment for approximately $400,000, vehicles in our natural gas segment above 2005 levels of approximately $600,000, and various other typical capital expenditures. Offsetting total 2006 increases was a $663,000 transformer replacement in 2005.

Capital expenditures decreased in 2005 compared to 2004 by approximately $1.3 million. In 2004, there were large projects to rebuild two substations in our electric segment and additional propane community gas systems costing approximately $3.3 million. In 2005 such expenditures were lower and consisted of the purchase of a transformer in our electric segment for $663,000, a new natural gas mapping system to track our assets used in serving our customers for approximately $300,000, a propane delivery system for approximately $300,000, additional propane community gas systems for approximately $300,000 and other various capital expenditures.

Financing Activities
Short-term borrowings decreased by $6 million in 2006. Over-recovery of fuel costs provided a large source of cash during 2006 as well as the recovery of the prior year's under-recovery of fuel costs in 2006, reducing the need for short-term borrowings.

Although additional sources of cash were provided by our rate increases and lower construction expenditures in 2005, the additional expenditures from the under-recovery of fuel costs and additional income taxes increased our short-term debt. Short-term borrowings increased in 2005 over 2004 by approximately $3.7 million.

Capital Resources
We currently have a $12 million line of credit, which expires on July 1, 2008. Upon 30 days notice by us we can increase the line of credit to a maximum of $20 million. The line of credit contains affirmative and negative covenants that, if violated, would give the bank the right to accelerate the due date of the loan to be immediately payable. The covenants include certain financial ratios. All ratios are currently met and management believes we are in full compliance with all covenants and anticipates continued compliance. We reserve $1 million of the line of credit to cover expenses for any major storm repairs in our electric segment and an additional $250,000 for a letter of credit insuring propane gas facilities. As of December 31, 2006, the amount borrowed on the line of credit was $3.5 million. The line of credit, long-term debt and preferred stock as of December 31, 2006 comprised 54% of total capitalization and debt.

In prior years we periodically paid off short-term borrowings under lines of credit using the net proceeds from the sale of long-term debt or equity securities. We may use similar types of proceeds in the future to pay off short-term borrowings, dependent on the amount borrowed from the line of credit, prevailing market conditions for debt and equity, the impact to our financial covenants and the effect on income.

Our 1942 Indenture of Mortgage and Deed of Trust, which is a mortgage on all real and personal property, permits the issuance of additional bonds based upon a calculation of unencumbered net real and personal property. At December 31, 2006, such calculation would permit the issuance of approximately $39.3 million of additional bonds.

On November 30, 2006 we received approval from the FPSC to issue and sell or exchange an additional amount of $45 million in any combination of long-term debt, short-term notes and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety during calendar year 2007. We will seek approval from the FPSC in 2007 for any possible financing in 2008.

We have $3.4 million in invested funds for payment of future environmental costs. We expect to use some of these funds in 2007.

Capital Requirements

Portions of our business are seasonal and dependent upon weather conditions in Florida. This factor affects the sale of electricity and gas and impacts the cash provided by operations. Construction costs also impact cash requirements throughout the year. Cash needs for operations and construction are met partially through short-term borrowings from our line of credit.

Capital expenditures are expected to be higher in 2007 compared to 2006 by approximately $3.9 million. The primary reason for the expected increase in expenditures is the anticipated purchase of land for a new South Florida division office. The current division office is on environmentally impacted property, which requires relocating the office to allow for clean up of the property. It is not possible to rebuild at the current location since the property has been rezoned with a residential designation. The estimated cost of land is $3.8 million. We are planning to build and complete this new facility in the next five years. We do not have any commitments for capital expenditures in 2007 other than vehicles of approximately $102,000.

Cash requirements will increase significantly in the future due to environmental clean up costs, sinking fund payments on long-term debt and pension contributions. Environmental clean up is forecast to require payments of approximately $600,000 in 2007, with remaining payments, which could total approximately $13.1 million, beginning in 2008. Annual long-term debt sinking fund payments of approximately $1.4 million will begin in 2008 and will continue for eleven years. Based on current projections, we will make voluntary contributions in our defined benefit pension plan of $250,000 in 2007 and $500,000 in 2008. Required contributions will begin in 2009 and are forecast to be approximately $2 million in 2009 and 2010.

Based on our current expectations for cash needs, including the possible land purchase and related South Florida office construction, we may choose to consider an equity or debt financing in 2008 to address those cash needs. The need and timing will depend upon operational requirements, environmental expenditures, pension contributions and construction expenditures and cannot be precisely predicted at this time. In addition, if we experience significant environmental expenditures in the next two or three years it is possible we may need to raise additional funds. If interest rates remain favorable we may consider re-financing one of our mortgage bonds. If refinancing is deemed beneficial, we may re-issue the bond for additional principal. There can be no assurance, however, that equity or debt transaction financing will be available on favorable terms or at all when we make the decision to proceed with a financing transaction.

Outlook

Pension and Insurance Expenses

Insurance costs have been increasing and are expected to continue to increase while we expect pension costs to decrease. Pension expenses increased $203,000 in 2006 and our actuarial estimates show pension expense increasing by an additional $90,000 in 2007. Insurance expenses including Medical, Liability and Workers' Compensation increased $70,000 in 2006 and are expected to increase further in 2007.

The regulated segments received rate relief for some of the historical pension and insurance increases in 2003 and 2004. Increases beyond those experienced through 2005, which are allocated to the regulated segments, may require requesting future rate relief. The propane gas segment may recover these expenses by increasing rates, depending on market conditions in the propane gas industry and the ability to remain competitive.

In an effort to keep pension expenses low, we discontinued eligibility to our pension plan for all new hires.

For new hires not eligible for the defined benefit pension plan, we established an employer match to the employee's contribution to their 401K plans. It provided for a company match of 50% for each dollar contributed by the employee, up to 6% of their salary, for a company contribution of up to 3%. Beginning in 2007, for non-union employees the plan was enhanced to provide a company match of 100% for the first 2% of an employee's contribution, and a match of 50% for the next 4% of an employee's contribution, for a total company match of up to 4%. This new enhanced match will be negotiated with our six union contracts during 2007, to be effective on their respective contract date within 2007. The employees are eligible for the company match after six months of continuous service, with vesting of 100% after three years of continuous service.

Electric Power Supply Contracts

Contracts with our two electric suppliers were originally set to expire on December 31, 2007. Those contracts provided electricity to our customers at rates much lower than market rates. As part of our negotiations, we agreed to end the current contract terms for our Northeast division on December 31, 2006 and executed an amended contract to begin January 1, 2007 and expire December 31, 2017. Although the contract rates will increase for 2007, this enabled us to obtain lower rates for the longer term of the contract than would have been available if we had not revised the contract. The savings are passed through to our customers without profit to us.

We executed a contract for the provider of electricity in our Northwest division in December 2006 and are seeking approval of this contract and its related terms and conditions from the FPSC on or before July 1, 2007. If the FPSC does not approve this contract, we may need to seek an alternative supplier or new contract with this same supplier for the purchase of electricity in the Northwest division. This contract will be for the purchase of electricity beginning January 1, 2008. We anticipate that contract will result in rates closer to market, which could cause our customers' bills to double over existing prices in the next several years.

We are unable to estimate what impact, if any, the higher rates could have on electric consumption.

Propane Gas

We are currently reviewing the possibility of hedging activities in 2007 to help mitigate the risk of price changes for our cost of propane gas. We are unable to determine the impact this activity will have on our future operating income.

We used advance purchase agreements made in the normal course of procuring propane gas supplies in past years. These agreements resulted in a loss of gross profit of approximately $5,000 in 2006 and additional gross profit of approximately $383,000 in 2005 and $242,000 in 2004.

Over-earnings-Natural Gas Segment

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. We currently estimate over-earnings in 2006 of $72,000 and in 2005 of $650,000. We revised our prior year's 2005 estimate of $700,000 during 2006. These liabilities have been included in an over-earnings liability on our balance sheet, with the potential of rate refunds to customers. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations.

Our 2005 and 2006 estimates of our over-earnings liabilities could change upon the FPSC finalization and review of our earnings in 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.

In 2007, we requested that the 2005 natural gas over-earnings be used to provide additional funds to our regulatory storm reserve liability and reduce the costs currently being recovered from our customers through a storm surcharge. If the FPSC approves this disposition, we will end the storm surcharge in 2007.

Electric Customers

A large commercial customer in our electric division closed its operations in late 2006. As a result we anticipate annual revenues to be reduced by approximately $300,000 and annual gross profit to be reduced by approximately $50,000.

A large distribution center was built in our Northwest division in 2004 and a second facility was added in 2006. A third distribution facility is expected to be added by the end of 2007. Additional industrial and commercial development is planned for this general area, which should increase load significantly. Additional gross profit is anticipated in the future to increase between $30,000 and $50,000 as a result of the additional developments.

Natural Gas Customers

Two natural gas customers went off-line for approximately six months in 2006 due to lower production, market slow down and maintenance work on their facilities. We anticipate that they will not be fully operational until mid-2007. The decreased revenue and gross profit is estimated to be $100,000 in 2007.

Indiantown Gas Agreement

The FPSC approved our joint transportation and territorial agreements with Indiantown Gas Company in October 2006. We began construction in the Indiantown area to install natural gas mains in the first phase of this development, for approximately 100 homes. Two more developments are slated for construction of approximately 1,000 homes in 2007.

Storm Preparedness Expenses

Regulators continue to focus on hurricane preparedness and storm recovery issues for utility companies. Newly mandated storm preparedness initiatives could impact our operating expenses and capital expenditures beginning in 2007. The initial forecasts of these annual expenditures are approximately $700,000. It is possible that additional regulation and rules will be mandated regarding storm related expenditures over the next several years. We requested that the FPSC allow us to recover the cost of the newly mandated storm preparedness initiatives and to defer these storm-related expenditures until we receive recovery through a rate increase. If approved, both the recovery and expenditures may occur by mid-2007. If the FPSC does not approve our request, we plan to file a rate proceeding in 2007 as an alternative option for recovery of these expenditures.

Land Purchase

We are currently reviewing multiple sites for the new South Florida division office. We expect to purchase land for the new South Florida division office during 2007.

Contractual Obligations

Table of Contractual Obligations

(Dollars in thousands)

Payments due by period:	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-term Debt Obligations	$52,500	$ -	$2,818	$2,818	$46,864
Long-term Debt Interest	63,904	3,949	7,623	7,074	45,258
Operating Lease Obligations	362	161	163	38	-
Natural Gas and Propane Gas Purchase Obligations	64,904	37,768	16,244	4,568	6,324
Electric Purchase Obligations	268	53	106	61	48
Other Purchase Obligations	2,698	922	1,698	21	57
Total	$184,636	$42,853	$28,652	$14,580	$98,551

Long-term Debt Obligations

The Long-term debt obligations are principal amounts.

Long-term Debt Interest

The Long-term debt interest represents the interest obligation on our Mortgage Bonds.

Operating Lease Obligations

Our total operating lease obligation is $362,000. We are leasing property from the City of Fernandina Beach in our Northeast division. The total obligation for the duration of this lease is about $107,000 over the next five years. We lease our appliance showroom in the same division for approximately $35,000 annually. We also have other operating lease agreements with various terms and expiration dates.

Purchase Obligations

A purchase order is considered an obligation if it is associated with a contract or is authorizing a specific purchase of material. The Other Purchase Obligation amount presented above represents the amount of open orders.

Pension, Medical Postretirement and Other Obligations
Our pension plan continues to meet all funding requirements under ERISA regulations; however, under current actuarial assumptions, contributions may be required as early as 2009. Current projections indicate that we will make voluntary contributions of $250,000 in 2007, $500,000 in 2008 and make required contributions of approximately $2 million in 2009 and 2010, decreasing to under $1 million in 2011. These payments are not included in the Contractual Obligations table.

Environmental clean up is anticipated to require approximately $600,000 in 2007, the remainder to be paid in following years. These payments are not included in the Contractual Obligations table.

We have medical postretirement payments relating to retiree medical insurance. These payments are not included in the Contractual Obligations table. Estimated future payments are described in Note 12 in the Notes to Consolidated Financial Statements.

Dividends
We have historically paid dividends. It is our intent to continue to pay quarterly dividends for the foreseeable future. Our dividend policy is reviewed on an ongoing basis by our Board of Directors and is dependent upon our future earnings, cash flow, financial condition, capital requirements and other factors.

Other

Impact of Recent Accounting Standards

Financial Accounting Standard Board Interpretation No. 48
In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). The interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for calendar years beginning January 1, 2007.

We have performed an analysis of tax positions taken and expected to be taken on the tax returns and assessed the technical merits of each tax position by relying on legislation, statutes, common legislative intent, regulations, rulings, and case law and determined that the Company has no material uncertain tax positions. Additionally, the IRS concluded an audit of the 2002 and 2003 tax years in September of 2005.

In February of 2007, the IRS informed us that it selected our 2003 and 2004 tax years for examination. As our tax positions have remained consistent with those from the previously audited tax years, we are not expecting any material adverse findings as the result of the impending IRS audit.

Based on the aforementioned, we believe that the adoption of FASB Interpretation No. 48 will not have a material impact on our financial condition or results of operations.

Financial Accounting Standard No. 157

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements". This Statement clarifies fair value as the market value received to sell an asset or paid to transfer a liability, that is, the exit value, and applies to any assets or liabilities that require recurring determination of fair value. The measurement includes any applicable risk factors and does not include any adjustment for volume. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within. The Company expects to adopt SFAS No. 157 effective January 1, 2008. The Company does not believe adoption of this Statement will have a material impact on our financial condition or results of operation.

Financial Accounting Standard No. 158

In September 2006, the FASB issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". Statement 158 requires the Company to show the funded status of its pension and retiree health care plans as a prepaid asset or accrued liability, and to show the net deferred and unrecognized gains and losses related to the retirement plans, net of tax, as part of accumulated other comprehensive income in shareholders' equity. Previously, the net deferred and unrecognized gains and losses were netted in the prepaid asset or accrued liability recorded for the retirement plans. The Company adopted the recognition provisions of Statement 158, as required, at December 31, 2006.

The Company uses December 31 as the measurement date to measure the assets and obligations of its retirement plans. Statement 158 will also require the Company to use December 31 as the measurement date no later than fiscal years ending after December 15, 2008. The Company currently uses this date as the measurement date, and has used it for all periods presented.

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in an additional liability for retirement plans. The tax on the non-regulated portion of the liability has been recorded as a deferred income tax asset. As an offset, the regulatory portion of this liability has been deferred as a regulatory asset-retirement plans to be recovered in future rate proceedings and the remaining expense for recording the liability has been included in other comprehensive income. The fair value of retirement plan assets and obligations are subject to change based on market fluctuations. The table below summarizes the effects to our financial statements.

FASB 158 Implementation Summary
(Dollars in thousands)

	December 31, 2006		
	Before Application of SFAS 158	Adjustment	After Application of SFAS 158
Assets:			
Other regulatory assets- retirement plans	$ -	$587	$587
Liabilities and Equity:			
Accumulated other comprehensive income/(loss)	-	(103)	(103)
Other accruals and payables	2,034	151	2,185
Long term medical and pension reserve	4,129	602	4,731
Deferred income taxes	16,167	(63)	16,104

Staff Accounting Bulletin No. 108
In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB 108 requires that public companies utilize a "dual-approach" to assessing the quantitative effects of financial misstatements. This dual approach includes an assessment from both an income statement and a balance sheet focus. The guidance in SAB 108 must be applied to annual financial statements for fiscal years ending after November 15, 2006. The Company has adopted SAB No.108 and there has not been any impact on our consolidated financial position or results of operations as the result of this adoption.

Critical Accounting Policies and Estimates

Regulatory Accounting
We prepare our financial statements in accordance with the provisions of SFAS No. 71 "Accounting for the Effects of Certain Types of Regulation" and it is our most critical accounting policy. In general, SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. As a result, a regulated utility may defer recognition of a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that, through the rate making process, there will be a corresponding increase or decrease in revenues or expenses. SFAS No. 71 does not apply to our unregulated propane gas operations.

Use of Estimates
We are required to use estimates in preparing our financial statements so they will be in compliance with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates. We believe that the accruals for potential liabilities are adequate. The estimates in our financial statements included the accrual for pensions, environmental liabilities, over-earnings liability, unbilled revenues, allowances for doubtful accounts, uninsured liability claims and the regulatory deferred income tax and deferred income tax liabilities.

- Pension and post retirement benefits-An actuary calculates the estimated pension liability in accordance with FASB 87, FASB 88 as amended by FASB 132 and FASB 158.
- Environmental liabilities-These liabilities are subject to certain unknown future events. The Company reviews the environmental issues regularly with the geologists performing the feasibility studies and their legal counsel specializing in manufactured gas plant issues and negotiates with the environmental regulators and the other participating parties to determine the adequacy of the estimated liability for environmental reserves.
- Over-earnings liability-This liability is subject to regulatory review and possible disallowance of some expenses in determining the amount of over-earnings.
- Unbilled revenues-Unbilled revenue is estimated with certain assumptions including unaccounted for units and the use of current month sales to estimate unbilled sales.
- Allowances for doubtful accounts- This liability is estimated based on historical information and trended current economic conditions, certain

assumptions, and is subject to unknown future events. Actual results could differ from our estimates.

- Uninsured liability claims-We are self-insured for the first $250,000 of each general and auto liability claim and accrue for estimated losses occurring from both asserted and unasserted claims. The estimate for unasserted claims arising from unreported incidents is based on an analysis of historical claims data and judgment.
- Regulatory deferred income tax and deferred income tax liabilities-These liabilities are estimated based on historical data and are subject to finalization of our income tax return. Actual results could differ from our estimates.

Revenue Recognition

We bill utility customers on a monthly cycle basis; however, the billing cycle periods for most customers do not coincide with the accounting periods used for financial reporting. We accrue estimated revenue for gas and electric customers for consumption used but not yet billed for in an accounting period. Determination of unbilled revenue relies on the use of estimates and historical data. We believe that the estimates for unbilled revenue materially reflect the unbilled gross profit for our customers for units used but not yet billed in the current period.

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. Any earnings in excess of this maximum amount are accrued for as an over-earnings liability and revenues are reduced for this same amount. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. The FPSC determines the disposition of any over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves or reducing any depreciation reserve deficiency.

Effects of Inflation

Our tariffs for natural gas and electric operations provide for fuel clauses that adjust annually for changes in the cost of fuel. Increases in other utility costs and expenses not offset by increases in revenues or reductions in other expenses could have an adverse effect on earnings due to the time lag associated with obtaining regulatory approval to recover such increased costs and expenses, the uncertainty of whether regulatory commissions will allow full recovery of such increased costs and expenses and any effect on unregulated propane gas operations.

Environmental Matters

We currently use or have used in the past, several contamination sites that are currently involved in pending or threatened environmental litigation as discussed in Note 10-"Contingencies" in the Notes to Consolidated Financial Statements. We intend to vigorously defend our rights in this litigation. We have insurance and rate relief to cover any expected losses or expenses. We believe that the aggregate of all future contamination assessment and remedial costs, legal fees and other related expenses would not exceed the insurance proceeds received and any rate relief granted. The final 2004 natural gas rate relief granted by the FPSC provided future recovery of $8.9 million for environmental liabilities. The remaining balance to be recovered from customers through future recovery is included on the balance sheet as "Other regulatory assets-environmental".

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Forward-Looking Statements (Cautionary Statement)
This report contains forward-looking statements including those relating to the following expectations:

- Based on our current expectations for cash needs, including cash needs relating to the possible land purchase and related construction, we may choose to consider an equity or debt financing in 2008 to address those cash needs. The need and timing will depend upon operational requirements, environmental expenditures, pension contributions and construction expenditures and cannot be precisely predicted at this time.
- Other insurance costs will increase in 2007.
- Our anticipation of continued compliance in the foreseeable future with our line of credit covenants.
- Our expectation that cash requirements will increase significantly in the future due to environmental clean-up costs, sinking fund payment on long-term debt and pension contributions.
- Electric storm related expenditures may be necessary beginning in mid-2007 and the total cost may be significant. We may receive recovery for these expenditures.
- Propane gas hedging activity may occur in 2007.
- The fuel supply contract in our Northwest Florida division beginning January 1, 2008 will be approved by the FPSC in 2007 and will be effective for the purchase of fuel supply beginning in 2008.
- Our 2005 and 2006 over-earnings liabilities in natural gas will materialize as estimated after the FPSC reviews and audits.
- We expect to have higher fuel costs for 2007, 2008 and beyond.
- The development in Indiantown will occur as estimated.
- The purchase of land for our new natural gas and propane gas division office will occur in 2007.
- Pension expenses are expected to increase in 2007.
- The FPSC will allow our natural gas over-earnings to fund a future storm reserve and reduce our current regulatory asset related to historic storm costs and discontinue the related natural gas storm surcharge in 2007.
- The commercial and industrial growth will occur as expected in our Northwest division providing increases in our revenues and gross profit.
- The two customers that went off-line in 2006 will be fully operational by mid-2007.

These statements involve certain risks and uncertainties. Actual results may differ materially from what is expressed in such forward-looking statements. Important factors that could cause actual results to differ materially from those expressed by the forward-looking statements include, but are not limited to, those set forth above in "Risk Factors".

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

All financial instruments held by us were entered into for purposes other than for trading. We have market risk exposure only from the potential loss in fair value resulting from changes in interest rates. We have no material exposure relating to commodity prices because under our regulatory segments, we are currently fully compensated for the actual

costs of commodities (natural gas and electricity) used in our operations. Any commodity price increases for propane gas are normally passed through monthly to propane gas customers as the fuel charge portion of their rate.

None of our gas or electric contracts are accounted for using the fair value method of accounting. While some of our contracts meet the definition of a derivative, we have designated these contracts as "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

Beginning in 2007 we plan, on a rolling four-quarter basis, to purchase a "cap" on approximately one-third of our forecast propane gas volume purchases and pre-buy or hedge with a swap one-third of our forecast anticipated propane gas purchases. The remaining one-third will fluctuate with the market price. Our energy strategy allows us to participate in two-thirds of price declines but only one-third of price increases. As of December 31, 2006, we have not entered into any hedging activities. When we do enter into hedging activities, we will determine whether they meet the definition of normal sales and purchases and if not, we will determine whether we can use hedge accounting.

We have no exposure to equity risk, as we do not hold any equity instruments. Our exposure to interest rate risk is limited to investments held for environmental costs, the water sale long term receivable and short-term borrowings on the line of credit. The investments held for environmental costs are short-term fixed income debt securities whose carrying amounts are not materially different than fair value. The short-term borrowings were $3.5 million at the end of December 2006. Therefore, we do not believe we have material market risk exposure related to these instruments. The indentures governing our two first mortgage bond series outstanding contain "make-whole" provisions, which are pre-payment penalties that charge for lost interest, which render refinancing impracticable.

Our non-interest bearing long-term receivable from the sale of the water operations was discounted at 4.34%. A hypothetical 0.5% (50 basis points) increase in the interest rate used would change the current fair value from $6 million to $5.9 million.

In 2006, a hypothetical 0.5% (50 basis points) decrease in the long-term interest rate on $52.5 million debt excluding unamortized debt discount would change the fair value from $63 million to $66.9 million.

Changes in short-term interest rates could have an effect on income depending on the balance borrowed on the variable rate line of credit. We had short-term debt of $3.5 million on December 31, 2006 and $9.6 million on December 31, 2005. A hypothetical 1% increase in interest rates would have resulted in a decrease in annual earnings for 2006 by $35,000 and for 2005 by $96,000, based on year-end borrowings.

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

	Years Ended December 31		
Revenues	**2006**	**2005**	**2004**
Natural gas	$ 71,139	$ 69,094	$ 55,962
Electric	48,527	47,450	42,910
Propane gas	14,727	13,479	11,167
Total revenues	134,393	130,023	110,039
Cost of Fuel and Other Pass Through Costs	85,971	82,804	69,350
Gross Profit	48,422	47,219	40,689
Operating Expenses			
Operation	24,034	22,881	20,068
Maintenance	3,484	3,566	2,982
Depreciation and amortization	7,742	7,266	5,900
Taxes other than income taxes	2,985	2,869	2,753
Total operating expenses	38,245	36,582	31,703
Operating Income	10,177	10,637	8,986
Other Income and (Deductions)			
Merchandise and service revenue	4,322	4,590	3,366
Merchandise and service expenses	(4,071)	(4,664)	(3,326)
Other income	620	569	625
Other deductions	(33)	(29)	20
Interest expense on long-term debt	(3,949)	(3,949)	(3,949)
Interest expense on short-term borrowings	(108)	(79)	(42)
Customer deposits and other interest expense	(551)	(540)	(471)
Total other deductions – net	(3,770)	(4,102)	(3,777)
Earnings Before Income Taxes	6,407	6,535	5,209
Income Taxes	(2,238)	(2,287)	(1,615)
Net Income	4,169	4,248	3,594
Preferred Stock Dividends	29	29	29
Earnings for Common Stock	$ 4,140	$ 4,219	$ 3,565
Earnings Per Common Share (basic and diluted)	$ .69	$ .71	$ .60
Dividends Declared Per Common Share	$ .43	$ .41	$ .40
Average Shares Outstanding	5,993,589	5,952,684	5,908,220

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Years Ended December 31		
	2006	2005	2004
Net income	$ 4,169	$ 4,248	$ 3,594
Other comprehensive income/(loss), net:			
Retirement plans adjustment	(166)	-	-
Deferred income taxes benefit	63	-	-
Comprehensive income	$ 4,066	$ 4,248	$ 3,594

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

ASSETS	December 31, 2006	December 31, 2005
Utility Plant		
Natural gas	$ 95,393	$ 89,835
Electric	72,776	70,084
Propane gas	17,153	15,500
Common	3,646	3,859
Total	188,968	179,278
Less accumulated depreciation	59,757	56,217
Net utility plant	129,211	123,061
Current Assets		
Cash	84	695
Accounts receivable	12,199	15,780
Notes receivable	298	299
Allowance for uncollectible accounts	(429)	(272)
Unbilled receivables	1,957	1,918
Inventories (at average or unit cost)	4,120	3,781
Prepaid expenses	962	951
Income tax prepayments	98	1,159
Under-recovery of fuel costs	862	3,375
Total current assets	20,151	27,686
Other Assets		
Investments held for environmental costs	3,364	3,258
Other regulatory assets – storm reserve	270	452
Other regulatory assets – environmental	8,284	8,868
Other regulatory assets – retirement plans	587	-
Long-term receivables and other investments	5,740	5,794
Deferred charges	6,496	6,751
Goodwill	2,405	2,405
Intangible assets (net)	4,405	4,391
Total other assets	31,551	31,919
Total	$ 180,913	$ 182,666

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31,	
CAPITALIZATION AND LIABILITIES	**2006**	**2005**
Capitalization		
Common shareholders' equity	$ 47,572	$ 45,503
Preferred stock	600	600
Long-term debt	50,702	50,620
Total capitalization	98,874	96,723
Current Liabilities		
Line of credit	3,466	9,558
Accounts payable	10,279	13,166
Insurance accrued	181	296
Interest accrued	789	1,014
Other accruals and payables	2,185	1,984
Taxes accrued	1,277	1,512
Deferred income tax	579	1,066
Over-earnings liability	722	700
Over-recovery of fuel costs	3,656	-
Over-recovery of conservation	355	24
Customer deposits	9,608	8,851
Total current liabilities	33,097	38,171
Other Liabilities		
Deferred income taxes	16,104	17,568
Unamortized investment tax credits	335	411
Environmental liability	13,753	14,001
Regulatory liability – cost of removal	8,800	8,256
Regulatory tax liabilities	876	991
Long-term medical and pension reserve	4,731	2,663
Customer advances for construction	2,707	2,346
Regulatory liability – storm reserve	1,636	1,536
Total other liabilities	48,942	47,772
Total	$ 180,913	$ 182,666

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(Dollars in thousands)

	December 31, 2006	December 31, 2005
Common Shareholders' Equity		
Common stock, $1.50 par value, authorized 10,000,000 shares; issued 6,166,648 shares in 2006; issued 6,152,676 shares in 2005	$ 9,250	$ 9,229
Paid-in capital	6,054	5,998
Retained earnings	35,213	33,625
Accumulated other comprehensive income/(loss), retirement plan adjustment, net of income tax benefit	(103)	-
Treasury stock - at cost (160,349 shares in 2006, 188,994 shares in 2005)	(2,842)	(3,349)
Total common shareholders' equity	47,572	45,503
Preferred Stock		
4 ¾% Series A, $100 par value, redemption price $106, authorized and outstanding 6,000 shares	600	600
4 ¾% Series B Cumulative Preferred, $100 par value, redemption price $101, authorized 5,000 and none issued	-	-
$1.12 Convertible Preference, $20 par value, redemption price $22, authorized 32,500 and none issued	-	-
Total preferred stock	600	600
Long-Term Debt		
First mortgage bonds series		
9.57 % due 2018	10,000	10,000
10.03 % due 2018	5,500	5,500
9.08 % due 2022	8,000	8,000
4.90 % due 2031	14,000	14,000
6.85 % due 2031	15,000	15,000
Unamortized debt discount	(1,798)	(1,880)
Total long-term debt	50,702	50,620
Total Capitalization	$ 98,874	$ 96,723

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
(Dollars in thousands)

	Common Stock							
	Shares Issued	Aggregate Par Value	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares Cost	Treasury Shares	Common Shareholders' Equity
Balances as of December 31, 2003	6,097,478	$9,146	$5,632	$30,638	$ -	$(3,953)	223,062	$41,463
Net income	-	-	-	3,594	-	-	-	3,594
Dividends	-	-	-	(2,383)	-	-	-	(2,383)
Stock plans	32,619	49	174	-	-	316	(17,821)	539
Balances as of December 31, 2004	6,130,097	9,195	5,806	31,849	-	(3,637)	205,241	43,213
Net income	-	-	-	4,248	-	-	-	4,248
Dividends	-	-	-	(2,472)	-	-	-	(2,472)
Stock plans	22,579	34	192	-	-	288	(16,247)	514
Balances as of December 31, 2005	6,152,676	9,229	5,998	33,625		(3,349)	188,994	45,503
Net income	-	-	-	4,169	-	-	-	4,169
Other comprehensive loss, retirement plans adjustment, net of tax	-	-	-	-	(103)	-	-	(103)
Dividends	-	-	-	(2,581)	-	-	-	(2,581)
Stock plans	13,972	21	56	-	-	507	(28,645)	584
Balances as of December 31, 2006	6,166,648	$9,250	$6,054	$35,213	$(103)	$(2,842)	160,349	$47,572

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Years Ended December 31,		
	2006	2005	2004
Cash Flows from Operating Activities:			
Net income	$ 4,169	$ 4,248	$ 3,594
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	7,742	7,266	5,900
Deferred income taxes	(2,003)	(153)	2,470
Bad debt expense	623	359	409
Investment tax credits	(75)	(81)	(83)
Other	805	751	121
Interest income from sale of non-utility property	(252)	(192)	(271)
Compensation expense from the issuance of stock	88	58	91
Effects of changes in:			
Receivables	3,115	(4,513)	(1,688)
Unbilled receivables	(39)	367	(612)
Inventories and prepayments	711	(495)	2,746
Accounts payable and accruals	(976)	5,560	1,131
Over (under) recovery of fuel and other pass through costs	6,500	(3,171)	(1,991)
Area expansion program deferred costs	238	109	(372)
Environmental liability	584	429	(586)
Other	(1,140)	(329)	814
Net cash provided by operating activities	20,090	10,213	11,673
Cash Flows from Investing Activities:			
Construction expenditures	(13,116)	(12,441)	(13,731)
Customer advances received for construction	361	454	144
Purchase of long-term investments	(106)	(75)	(34)
Proceeds received on notes receivable	321	304	57
Issuance of notes receivable	-	-	(95)
Other	(15)	-	-
Net cash used in investing activities	(12,555)	(11,758)	(13,659)
Cash Flows from Financing Activities:			
Net change in short-term borrowings	(6,092)	3,733	3,547
Proceeds from common stock plans	497	456	447
Dividends paid	(2,551)	(2,448)	(2,368)
Net cash provided by (used in) financing activities	(8,146)	1,741	1,626
Net Increase (Decrease) in Cash	(611)	196	(360)
Cash at Beginning of Year	695	499	859
Cash at End of Year	$ 84	$ 695	$ 499
Supplemental Cash Flow Information			
Cash was paid during the years as follows:			
Interest	$ 4,777	$ 4,469	$ 4,357
Income taxes	$ 3,298	$ 2,698	$ 1,215

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting and Reporting Policies

A. General

The Company is an operating public utility engaged principally in the purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution, sale and transportation of natural gas. The Company is subject to the jurisdiction of the FPSC with respect to its natural gas and electric operations. The suppliers of electric power to the Northwest Florida division and of natural gas to the natural gas divisions are subject to the jurisdiction of the FERC. The Northeast Florida division is supplied most of its electric power by a municipality which is exempt from FERC and FPSC regulation. The Company also distributes propane gas through a non-regulated subsidiary.

B. Basis of Presentation

The consolidated financial statements include the accounts of Florida Public Utilities Company (FPU) and its wholly owned subsidiary, Flo-Gas Corporation. All significant intercompany balances and transactions have been eliminated. The Company's accounting policies and practices conform to accounting principles generally accepted in the United States of America (GAAP) as applied to regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the FPSC and in accordance to the rule requirements of the Securities and Exchange Commission (SEC).

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of these estimates include the accruals for pensions, allowances, environmental liabilities, liability reserves, unbilled revenue, regulatory deferred tax liabilities and over-earnings liability. Actual results may differ from these estimates and assumptions.

D. Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the 2006 presentation.

E. Regulation

The financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71 – "Accounting for the Effects of Certain Types of Regulation". SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. A regulated utility may defer recognition of a cost (a regulatory asset) or show recognition of an obligation (a regulatory liability) if it is probable that, through the ratemaking process, there will be a corresponding increase or decrease in revenues. The Company has recognized certain regulatory assets and liabilities in the consolidated balance sheets. The Company believes that the FPSC will continue to allow recovery of

such items through rates. As these regulatory assets and liabilities are recovered through rates or paid through a reduction of rates, the assets and liabilities are amortized to revenue and expense. In the event that a portion of the Company's operations are no longer subject to the provisions of SFAS No. 71, the Company would be required to write-off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if an impairment related to other assets exists, including plant, and write-down the assets, if impaired, to their fair value.

Summary of Regulatory Assets and Liabilities
(Dollars in thousands)

	2006	2005
Assets		
Deferred development costs (1)	$ 3,952	$ 4,190
Unamortized fuel related regulatory costs (6)	48	24
Environmental assets (2)	8,284	8,868
Storm Reserve assets (3)	270	452
Deferred retirement plan costs (5)	587	-
Unamortized Rate Case expense	368	541
Under-recovery of fuel costs	862	3,375
Unamortized piping and conversion costs (1)	1,521	1,587
Unamortized loss on reacquired debt (1)	209	227
Total Regulatory Assets	$16,101	$19,264
Liabilities		
Tax liabilities	$ 876	$ 991
Cost of removal	8,800	8,256
Storm reserve liabilities	1,636	1,536
Over-recovery of fuel costs	3,656	-
Over-recovery of conservation	355	24
Over-earnings liability (4)	722	700
Total Regulatory Liabilities	$16,045	$11,507

(1) Deferred development costs, unamortized piping and conversion costs, and unamortized loss on reacquired debt are included in deferred charges in the consolidated balance sheets.
(2) The Company has included the amount due from customers as a regulatory asset for environmental costs. The FPSC authorized recovery of these environmental costs from customers over 20 years.
(3) The FPSC has authorized the Company to recover storm damages incurred in 2004 in their natural gas operations. Recovery of these costs from customers over 30 months began November 2005.
(4) The Company originally estimated the 2005 over-earnings for regulated natural gas operations at $700,000. In 2006 the estimate was reduced to $650,000. The Company has estimated 2006 over-earnings for regulated natural gas operations of $72,000. The Company has recorded these liabilities which reduced revenues. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.
(5) The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006

resulted in a regulatory asset for the portion of the loss of $587,000 to be recovered in future rate proceedings.

(6) The Company has deferred certain regulatory fuel related costs and as of January 2006 has been amortizing these over five years according to a FPSC order in the November 2005 fuel hearings.

The base revenue rates for regulated segments are determined by the FPSC and remain constant until a request for an increase is filed and approved by the FPSC or the FPSC orders the Company to reduce their rates. For the Company to recover increased costs from the effects of inflation and construction expenditures for regulated segments, a request for an increase in base revenues would be required. Separate filings would be required for the electric and natural gas segments. The Company is currently seeking rate relief for electric storm preparedness initiatives required in 2007.

F. Derivatives

None of the Company's gas or electric contracts are accounted for using the fair value method of accounting. All material contracts that meet the definition of derivative instruments are considered "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

G. Revenue Recognition

The Company's revenues consist of base revenues, fuel adjustment charges, conservation charges and the pass-through of certain governmental imposed taxes based on revenues.

The FPSC approves base revenue rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. Fuel adjustment charges, conservation charges and the pass-through of certain governmental imposed taxes based on revenues are approved by the FPSC to allow recovery of fuel, conservation and revenue based taxes from the Company's customers. Any over or under-recovery of these expense items are deferred and subsequently refunded or collected in the following period.

Annually, any earnings in excess of this maximum amount permitted in the base rates are accrued for as an over-earnings liability and revenues are reduced an equivalent amount. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. The FPSC determines the disposition of any over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.

The Company bills utility customers on a monthly cycle basis; however, the billing cycle periods for most customers do not coincide with the accounting periods used for financial reporting. The Company accrues estimated revenue for gas and electric customers on usage not yet billed for the accounting period. Determination of unbilled revenue relies on the use of estimates, fuel purchases and historical data.

H. Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on historical information and trended current economic conditions. The following is a summary of the activity in Allowance for Doubtful Accounts for the years ending December 31:

Allowance for Doubtful Accounts (Dollars in thousands)				
	Balance at Beginning of Year	Write-offs	Provisions to Bad Debt Expense	Balance at End of Year
2004	$ 180	320	409	$ 269
2005	$ 269	356	359	$ 272
2006	$ 272	466	623	$ 429

I. Utility Plant and Depreciation

Utility plant is stated at original cost. The propane gas utility plant that has been acquired in acquisitions was stated at fair market value when acquired. Additions to utility plant include contracted services, direct labor, transportation and materials for additions. Units of property are removed from utility plant when retired. Maintenance and repairs of property and replacement and renewal of items determined not to be units of property are charged to operating expenses. Substantially all of the utility plant and the shares of Flo-Gas Corporation collateralize the Company's first mortgage bonds.

Utility Plant
(Dollars in thousands)

Plant Classification	Annual Composite Depreciation Rate	2006	2005
Land		$ 1,130	$ 1,124
Buildings	2.0% to 4.9%	6,991	6,862
Distribution	2.0% to 8.6%	158,010	147,580
Transmission	2.2% to 3.8%	6,878	6,799
Equipment	2.0% to 20.0%	12,700	11,534
Furniture and Fixtures	4.8% to 20.0%	392	369
Work-in-Progress		2,867	5,010
		$ 188,968	$ 179,278

Depreciation for the Company's regulated segments is computed using the composite straight-line method at rates prescribed by the FPSC for financial accounting purposes. Propane gas depreciation is computed using a composite straight-line method at an average rate based on estimated average life of approximately 20-30 years. Such rates are based on estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximate 3.9% in 2006, 3.9% in 2005 and 3.6% in 2004.

J. Impact of Recent Accounting Standards

Financial Accounting Standard Board Interpretation No. 48
In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). The interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for calendar years beginning January 1, 2007.

We have performed an analysis of tax positions taken and expected to be taken on the tax returns and assessed the technical merits of each tax position by relying on legislation, statutes, common legislative intent, regulations, rulings and case law and determined that the Company has no material uncertain tax positions. Additionally, the IRS concluded an audit of the 2002 and 2003 tax years in September of 2005.

In February of 2007, the IRS informed us that it selected our 2003 and 2004 tax years for examination. As our tax positions have remained consistent with those from the previously audited tax years, we are not expecting any material adverse findings as the result of the impending IRS audit.

Based on the aforementioned, we believe that the adoption of FASB Interpretation No. 48 will not have a material impact on our financial condition or results of operations.

Financial Accounting Standard No. 157
In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements". This Statement clarifies fair value as the market value received to sell an asset or paid to transfer a liability, that is, the exit value, and applies to any assets or liabilities that require recurring determination of fair value. The measurement includes any applicable risk factors and does not include any adjustment for volume. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within. The Company expects to adopt SFAS No. 157 effective January 1, 2008. The Company does not believe adoption of this Statement will have a material impact on our financial condition or results of operation.

Financial Accounting Standard No. 158
In September 2006, the FASB issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". Statement 158 requires the Company to show the funded status of its pension and retiree health care plans as a prepaid asset or accrued liability, and to show the net deferred and unrecognized gains and losses related to the retirement plans, net of tax, as part of accumulated other comprehensive income in shareholders' equity. Previously, the net deferred and unrecognized gains and losses were netted in the prepaid asset or accrued liability recorded for the retirement plans. The Company adopted the recognition provisions of Statement 158, as required, at December 31, 2006.

The Company uses December 31 as the measurement date to measure the assets and obligations of its retirement plans. Statement 158 will also require the Company to use December 31 as the measurement date no later than fiscal years ending after December 15, 2008. The Company currently uses this date as the measurement date, and has used it for all periods presented.

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in an additional liability for retirement plans. The tax on the non-regulated portion of this liability has been recorded as a deferred income tax asset. As an offset, the regulatory portion of this liability has been deferred as a regulatory asset-retirement plans to be recovered in future rate proceedings and the remaining expense from recording the liability has been included in other comprehensive income. The fair value of retirement plan assets and obligations are subject to change based on market fluctuations. The table below summarizes the effects to our financial statements.

FASB 158 Implementation Summary (Dollars in thousands)			
	December 31, 2006		
	Before Application of SFAS 158	Adjustment	After Application of SFAS 158
Assets:			
Other regulatory assets- retirement plans	$ -	$587	$587
Liabilities and Equity:			
Accumulated other comprehensive income/(loss)	-	(103)	(103)
Other accruals and payables	2,034	151	2,185
Long term medical and pension reserve	4,129	602	4,731
Deferred income taxes	16,167	(63)	16,104

Staff Accounting Bulletin No. 108

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB 108 requires that public companies utilize a "dual-approach" to assessing the quantitative effects of financial misstatements. This dual approach includes an assessment from both an income statement and a balance sheet focus. The guidance in SAB 108 must be applied to annual financial statements for fiscal years ending after November 15, 2006. The Company has adopted SAB No.108 and there has not been any impact on our consolidated financial position or results of operations as the result of this adoption.

2. **Goodwill and Intangible Assets**

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", the Company does not amortize goodwill or intangibles with indefinite lives. The Company periodically tests the applicable reporting segments, natural gas and propane gas, for impairment. In the event a segment becomes impaired, the Company would write down the associated goodwill and intangible assets to fair value. The impairment tests performed in 2005 and 2006 showed no impairment for either reporting segment.

Goodwill associated with the Company's acquisitions is identified as a separate line item on the consolidated balance sheet and consists of $1.9 million in the propane gas segment and $500,000 in the natural gas segment.

Intangible assets associated with the Company's acquisitions and software have been identified as a separate line item on the balance sheet. Summaries of those intangible assets at December 31 are as follows:

Intangible Assets
(Dollars in thousands)

		2006	2005
Customer distribution rights	(Indefinite life)	$ 1,900	$ 1,900
Customer relationships	(Indefinite life)	900	900
Software	(Five to nine year life)	3,122	2,971
Non-compete agreement	(Five year life)	-	35
Accumulated amortization		(1,517)	(1,415)
Total intangible assets, net of amortization		$4,405	$ 4,391

The 2006 amortization expense of computer software is approximately $300,000. The Company expects the amortization expense of computer software to be approximately $300,000 annually over the next five years, with the current level of software investment. The non-compete agreements expired in 2006.

3. ***Over-earnings-Natural Gas***

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. The Company has agreed with the FPSC staff to limit the earned return on equity for regulated natural gas and electric operations.

The Company estimated 2005 over-earnings for regulated natural gas operations of $700,000. The 2005 over-earnings estimate was revised in 2006 to be $650,000. The Company estimated 2006 over-earnings for regulated natural gas operations of $72,000. These liabilities have been included in the over-earnings liability on the Company's balance sheet. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations.

The Company feels the estimates of the 2005 and 2006 over-earnings liabilities are accurate, but the amounts could change upon the FPSC finalization and review of earnings expected in 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, increasing storm damage or environmental reserves or reducing any depreciation reserve deficiency.

4. ***Storm Reserves***

As of December 31, 2006, the electric segment storm reserve was approximately $1.6 million. Since the last order on the 1999 disposition of electric over-earnings, the FPSC has allowed the Company the flexibility of automatically applying the electric over-earnings to the storm damage reserves each year since 1999 and allowing additional storm damage accruals up to a cap of $2.9 million. In 2006, 2005 and 2004 there were no electric over-earnings and accordingly no additional over-earnings amounts were added to the storm damage reserves.

In October 2005, the FPSC approved recovery of 2004 natural gas segment storm costs plus interest and revenue taxes over a 30-month period beginning November 2005. The Company

deferred storm costs as a regulatory asset due from customers on the balance sheet. As of December 31, 2006, the unrecovered amount of natural gas regulatory asset relating to storm costs was $270,000.

The Company has requested that the FPSC allow 2005 over-earnings in natural gas to be used to recover the regulatory asset -storm and discontinue this storm surcharge. As part of this same request, the Company has also asked the FPSC to allow any excess over-earnings amount to provide additional funds for the "regulatory liability- storm reserve" for natural gas. We expect the FPSC to rule on this request during 2007.

In 2005, the FPSC approved applying 2002 natural gas over-earnings of $118,000 to the storm reserve to cover future storm costs.

5. Income Taxes

Deferred income taxes are provided on all significant temporary differences between the financial statements and tax basis of assets and liabilities at currently enacted tax rates. Investment tax credits have been deferred and are amortized based upon the average useful life of the related property in accordance with the rate treatment.

A. Income Taxes related to Deferred Gain on Water Sale

On March 27, 2003, the Company sold substantially all of its assets of the water division to the City of Fernandina Beach. The sale was made pursuant to a "threat of condemnation" during the fourth quarter of 2002. For tax purposes the Company elected to defer the gain on the sale of the assets pursuant to Code Section 1033 of the Internal Revenue Code of 1986 (IRC). Section 1033 allows non-recognition of gain if property is disposed as a result of threat of condemnation and property that is similar or related in service or use is purchased to replace the disposed property. To qualify, the replacement property must be purchased within the replacement period, which begins on the earlier of date of disposition (March 27, 2003) or date of threat of condemnation (December 31, 2002) and ending two years after the close of the year of sale (December 31, 2005). For real property, the replacement period is extended to three years (December 31, 2006).

The Company purchased property that is similar or related in service or use within the replacement periods with the exception of the intangible assets. During the IRS audit in 2005, the IRS disallowed a portion, approximately $900,000 of the deferral relating to the intangible assets, since replacement was no longer expected.

A $2.9 million estimated tax payment was made in 2003 related to the gain on the sale of the water division. It was subsequently determined that the income tax would be deferred. The Company applied for a refund and received $3.9 million in July 2004, which included other estimated tax overpayments.

B. Provision for Income Taxes

The provision (benefit) for income taxes consists of the following:

(Dollars in thousands)	Years ended December 31,		
	2006	2005	2004
Current payable			

Federal	$ 3,652	$ 2,150	$ (566)
State	664	370	(96)
Current – net	4,316	2,520	(662)
Deferred			
Federal	(1,723)	(143)	2,003
State	(280)	(9)	358
Deferred – net	(2,003)	(152)	2,361
Investment tax credit	(75)	(81)	(84)
Total income taxes	$ 2,238	$ 2,287	$ 1,615

C. Effective Tax Rate Reconciliation

The difference between the effective income tax rate and the statutory federal income tax rate applied to pretax income is of continuing operations accounted for as follows:

(Dollars in thousands)	Years ended December 31,		
	2006	**2005**	**2004**
Federal income tax at statutory rate (34%)	$ 2,178	$ 2,222	$ 1,771
State income tax, net of federal benefit (5.5%)	233	237	189
Investment tax credit	(75)	(81)	(84)
Tax exempt interest	(85)	(71)	(94)
Other	(13)	(20)	(167)
Total provision for income taxes	$ 2,238	$ 2,287	$ 1,615

D. Deferred Income Taxes

Temporary timing differences which produce deferred income taxes in the accompanying consolidated balance sheets are as follows:

(Dollars in thousands)	Years ended December 31,	
Deferred tax assets:	**2006**	**2005**
Environmental	$ 2,063	$ 1,932
Self insurance	774	731
Storm reserve liability	509	408
Vacation pay	357	320
Other deferred credits	15	61
Allowance for uncollectible accounts receivable	162	103
General liability	68	111
Rate refund	271	263
Pension	789	286
Under/over-recovery of conservation costs	134	9
Other	37	37
Total deferred tax assets	5,179	4,261
Deferred tax liabilities:		
Utility plant related	20,274	20,319
Deductible intangibles	696	577

Under-recovery of fuel costs	643	1,704
Rate case expense	138	204
Loss on reacquired debt	79	85
Other	32	6
Total deferred tax liabilities	21,862	22,895
Net deferred income taxes liabilities	$ 16,683	$ 18,634

Deferred tax liabilities included in the consolidated balance sheets are as follows:

(Dollars in thousands)	2006	2005
Deferred income tax – current	$ 579	$ 1,066
Deferred income tax – long term	16,104	17,568
Net deferred income tax liabilities	$ 16,683	$ 18,634

E. IRS Audit

The IRS has informed us that it has selected our 2003 and 2004 tax returns for examination. Management does not expect any material adjustments from the audit but the effects, if any, that result from the final resolution of this IRS audit will be recorded when they become known and estimable. The Company expects the audit will be completed before the end of 2007.

The IRS completed an audit in 2005 of the Company's 2002 and 2003 federal income tax returns. The audit resulted in a current income tax payable amount of $361,000 due to adjustments to depreciation, reserve accounts and recognition of a portion of the water sale gain that was previously deferred. This amount was partially offset by $285,000 in deferred tax liabilities previously established.

6. Capitalization

A. Stock Dividend

On July 25, 2005 a three-for-two stock split in the form of a stock dividend was issued to the shareholders of record on July 15, 2005. All common share information has been restated to reflect the stock split for all periods presented.

B. Common Shares Reserved

The Company has 3,833,352 authorized but unissued shares and 160,349 treasury shares as of December 31, 2006. The Company has reserved the following common shares for issuance as of December 31, 2006:

Dividend Reinvestment Plan	54,071
Employee Stock Purchase Plan	52,035
Board Compensation Plan	20,714

C. Preferred Stock

The Company has 6,000 shares of 4 ¾% Series A preferred stock $100 par value authorized for issuance of which 6,000 were issued and outstanding at December

31, 2006. The preferred stock is included in stockholders' equity on the balance sheet.

The Company also has 5,000, 4 ¾% Series B preferred stock $100 par value authorized for issuance none of which has been issued.

The Company also has 32,500, $1.12 Convertible Preference stock, $20 par value and $22 redemption price, authorized for issuance none of which has been issued.

D. Dividend Restriction
The Company's Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At December 31, 2006, approximately $9 million of retained earnings were free of such restriction and therefore available for the payment of dividends. The line of credit agreement contains covenants that, if violated, could restrict or prevent the payment of dividends. At December 31, 2006 the Company is not in violation of these covenants.

E. Treasury Shares
In prior years, common shares resulting from stock dividends have been allocated to common shares held as treasury shares. Treasury shares are not eligible to receive such allocations. Some of these treasury shares were subsequently reissued, resulting in an overstatement of additional paid-in capital. Accordingly, the Company has restated all periods presented to reflect the correct number of treasury shares and the value of treasury shares and additional paid-in capital at each year-end. As the adjustment is a reallocation of amounts between treasury stock and additional paid-in capital, there is no effect on net income, earnings per common share or total stockholders' equity in any period presented.

F. Employee Stock Purchase Plan
The Company's Employee Stock Purchase Plan offers common stock at a discount to qualified employees.

G. Dividend Reinvestment Plan
The Company's Dividend Reinvestment Plan is offered to all Company shareholders and allows the shareholder to reinvest dividends received and purchase additional shares without a fee.

7. Long-term Debt
The Company issued its Fourteenth Series of FPU's First Mortgage Bond on September 27, 2001 in the aggregate principal amount of $15 million as security for the 6.85% Secured Insured Quarterly Notes, due October 1, 2031 (IQ Notes). Interest on the pledged bond accrues at the annual rate of 6.85% payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year beginning January 1, 2002.

The Company issued $14 million of Palm Beach County municipal bonds (Industrial Development Revenue Bonds) on November 14, 2001 to finance development in the area. The interest rate on the thirty-year callable bonds is 4.90%. The bond proceeds were restricted and held in trust until construction expenditures were actually incurred by the Company. In 2002 the remaining $8 million was drawn from the restricted funds held by the trustee.

In 1992, the Company issued its First Mortgage Bond 9.08% Series in the amount of $8 million. The thirty-year bond is due in June 2022.

The Company issued two of its Twelfth Series First Mortgage bond series on May 1, 1988; the 9.57% Series due 2018 in the amount of $10 million and 10.03% Series due 2018 in the amount of $5.5 million. These two issuances require sinking fund payments of $909,000 and $500,000 respectively, beginning in 2008.

Long-term debt on the balance sheet has been reduced for unamortized debt discount. The unamortized debt discount at December 31 included in long-term debt on the balance sheet is $1.8 million in 2006 and $1.9 million in 2005.

Annual Maturities of Long-Term Debt
(Dollars in thousands)

	Total	2007	2008	2009	2010	2011	Thereafter
Long-term Debt	$52,500	-	$1,409	$1,409	$1,409	$1,409	$ 46,864

8. Notes Payable

In 2004, FPU entered into an amended and restated loan agreement that allows the Company to increase the line of credit upon 30 days notice by the Company to a maximum of $20 million. In 2006 the agreement was renewed with an expiration date of July 1, 2008. We have not exercised our option to increase the line of credit limit which is currently at $12 million with an outstanding balance of $3.5 million and a remaining amount available of $8.5 million. The Company reserves $1 million of the line of credit to cover expenses for any major storm repairs in its Northwest Florida division. An additional $250,000 of the line of credit is reserved for a 'letter of credit' insuring our propane facilities.

The average interest rates for the line of credit were as follows as of December 31:

Year	Rate
2006	6.2%
2005	5.3%
2004	3.3%

9. Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for investments held in escrow for environmental costs, notes payable, taxes accrued and other accrued liabilities approximate fair value. The fair value of long-term debt excluding the unamortized debt discount is estimated by discounting the future cash flows of each issuance at rates currently offered to the Company for similar debt instruments of comparable maturities. The values at December 31 are shown below.

	2006		2005	
(Dollars in thousands)	Carrying Amounts	Approximate Fair Value	Carrying Amounts	Approximate Fair Value

Long-term debt	$ 52,500	$63,000	$52,500	$ 63,000

10. Contingencies

Environmental

The Company is subject to federal and state legislation with respect to soil, groundwater and employee health and safety matters and to environmental regulations issued by the Florida Department of Environmental Protection (FDEP), the United States Environmental Protection Agency (EPA) and other federal and state agencies. Except as discussed below, the Company does not expect to incur material future expenditures for compliance with existing environmental laws and regulations.

(Dollars in thousands)

Site	Range From	Range To
West Palm Beach	$ 4,801	$ 18,027
Sanford	710	710
Pensacola and Other	110	110
Total	$ 5,621	$ 18,847

The Company currently has $13.8 million reserved as an environmental liability. The FPSC approved up to $14 million for total recovery from insurance and rates based on the original 2005 projections as a basis for rate recovery. The Company has recovered a total of $5.5 million from insurance and rate recovery, net of costs incurred to date. The remaining balance of $8.3 million is recorded as a regulatory asset. On October 18, 2004 the FPSC approved recovery of $9.1 million for environmental liabilities (the remaining amount to be recovered is $8.3 million and is included on the balance sheet as "Other regulatory assets – environmental"). The amortization of this recovery and reduction to the regulatory asset began on January 1, 2005. The majority of environmental cash expenditures are expected to be incurred before 2010, but may continue for another 10 years.

West Palm Beach Site

The Company is currently evaluating remedial options to respond to environmental impacts to soil and groundwater at and in the immediate vicinity of a parcel of property owned by it in West Palm Beach, Florida upon which the Company previously operated a gasification plant. The Company entered into a Consent Order with the FDEP effective April 8, 1991, that requires the Company to delineate the extent of soil and groundwater impacts associated with the prior operation of the gasification plant and to remediate such soil and groundwater impacts, if necessary. The Company completed the delineation of soil and groundwater impacts at the site in October 2006. An engineering consultant was retained to perform a feasibility study to evaluate appropriate remedies for the site. The feasibility study was transmitted to FDEP on November 30, 2006.

The feasibility study evaluated a wide range of remedial alternatives based on criteria provided by applicable laws and regulations. The total costs for the remedies evaluated in the feasibility study ranged from a low of $2.8 million to a high of $54.6 million. Based on the likely acceptability of proven remedial technologies described in the feasibility study and implemented at similar sites, consulting/remediation costs to address the impacts now characterized at the West

Palm Beach site are projected to range from $4.6 million to $17.9 million. This range of costs covers such remedies as in situ solidification for deeper soil impacts, excavation of superficial soil impacts, installation of a barrier wall with a permeable biotreatment zone (PBZ), monitored natural attenuation of dissolved impacts in groundwater (MNA) or some combination of these remedies. The feasibility study proposed a remedy of superficial soil excavation, and installation of a hanging barrier wall with PBZ and MNA, the cost of which is projected to range from $4.6 million to $9.9 million.

Prior to FDEP's approval of a final remedy for the site, the Company is unable to determine, to a reasonable degree of certainty, the complete extent or cost of remedial action that may be required. As of December 31, 2006, and subject to the limitations described above, remediation costs (including attorneys' fees and costs) for this site are projected to range from approximately $4.8 million to $18 million.

Sanford Site

The Company owns a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to its acquisition of the property. Following discovery of soil and groundwater impacts on the property, the Company has participated with four former owners and operators of the gasification plant in the funding of numerous investigations of the extent of the impacts and the identification of an appropriate remedy. On or about March 25, 1998, the Company executed an Administrative Order on Consent (AOC) with the four former owners and operators (collectively, the Group) and the EPA that obligated the Group to implement a Remedial Investigation/Feasibility Study (RI/FS) and to pay EPA's past and future oversight costs. The Group also entered into a Participation Agreement and an Escrow Agreement on or about April 13, 1998 (WFS Participation Agreement). Work under the RI/FS AOC and RI/FS Participation Agreement is now complete and the Company has no further obligations under either document.

In late September 2006, EPA sent a Special Notice Letter to the Company, notifying the Company of EPA's selection of a final remedy for OU1 (soils), OU2 (groundwater), and OU3 (sediments), and giving the Company and the other Group members sixty (60) days within which to submit a "good faith offer" to EPA to provide for implementation of the selected remedies. The Special Notice Letter included an Amended Record of Decision (ROD) for OU1 (the ROD for OU1 was amended to account for a significant increase in the volume of off-site soil impacts and a change in the selected remedy), the original ROD for OU2, and a ROD for OU3. The total estimated remediation costs for the Sanford Gasification Plant Site are now projected to be $12.5 million. On November 30, 2006, the Company and the Group submitted to EPA a good faith offer to implement the approved remedies as set forth in the RODs for OU1 through OU3.

In January, the Company along with the other members of the Group signed a Third Participation Agreement, which provides for funding the remediation work specified in the RODs for OU1 through OU3 and supercedes and replaces the Second Participation Agreement. The Company's share of remediation costs under the Third Participation Agreement is set at 5% of a maximum of $13 million, or $650,000. At present, it is not anticipated that the total cost of remediation will exceed $13 million. If it does, the Group members have agreed to negotiate in good

faith to allocate the excess costs at such time that it reasonably appears that the total remediation costs will exceed $13 million. In any such event, the Company does not expect our share of such additional costs to be greater than 5%; and its share of such additional costs may be less than 5%.

The Company's future legal costs and expenses and its share future remediation expenses for this site are currently projected to be approximately $710,000.

Pensacola Site

The Company is the prior owner/operator of the former Pensacola gasification plant, located in Pensacola, Florida. Following notification on October 5, 1990 that FDEP had determined that the Company was one of several responsible parties for any environmental impacts associated with the former gasification plant site, the Company entered into cost sharing agreements with three other responsible parties providing for the funding of certain contamination assessment activities at the site.

Following field investigations performed on behalf of the responsible parties, on July 16, 1997, FDEP approved a final remedy for the site that provides for annual sampling of selected monitoring wells. Such annual sampling has been undertaken at the site since 1998. The Company's share of these costs is less than $2,000 annually or a total of $27,000.

In March 1999, EPA requested site access in order to undertake an Expanded Site Inspection (ESI). The ESI was completed by EPA's contractor in 1999 and an ESI Report was transmitted to the Company in January 2000. The ESI Report recommends additional work at the site. The responsible parties met with FDEP on February 7, 2000 to discuss EPA's plans for the site. In February 2000, EPA indicated preliminarily that it will defer management of the site to FDEP; however, as of December 31, 2006, the Company has not received any written confirmation from EPA or FDEP regarding this matter. Prior to receipt of EPA's written determination regarding site management, the Company is unable to determine whether additional field work or site remediation will be required by EPA and, if so, the scope or costs of such work.

Key West Site

From 1927 to 1938, the Company owned and operated a gasification plant in Key West, Florida. The plant discontinued operations in the late 1940s; the property on which the plant was located is currently used for a propane gas distribution business. In March 1993, a Preliminary Contamination Assessment Report (PCAR) was prepared by a consultant jointly retained by the Company and the current site owner and was delivered to FDEP. The PCAR reported that very limited soil and groundwater impacts were present at the site. By letter dated December 20, 1993, FDEP notified the Company that the site did not warrant further "CERCLA consideration and a Site Evaluation Accomplished disposition is recommended." FDEP then referred the matter to its Marathon office for consideration of whether additional work would be required by FDEP's district office under Florida law. As of December 31, 2006, the Company has received no further communication from FDEP with respect to the site. At this time, we are unable to determine whether additional fieldwork will be required by FDEP and, if so, the scope or costs of such work. In 1999, the Company received an estimate from its consultant that additional costs to assess and remediate the reported impacts would be

approximately $166,000. Assuming the current owner shared in such costs according to the allocation agreed upon by the parties for the PCAR, the Company's share would be approximately $83,000.

11. Commitments

A. General

To ensure a reliable supply of electric and natural gas at competitive prices, the Company has entered into long-term purchase and transportation contracts with various suppliers and producers, which expire at various dates through 2015. Purchase prices under these contracts are determined by formulas either based on market prices or at fixed prices. At December 31, 2006, the Company has firm purchase and transportation commitments adequate to supply its expected future sales requirements. The Company is committed to pay demand or similar fixed charges of approximately $37.8 million during 2007 related to gas purchase agreements. Substantially all costs incurred under the electric and gas purchase agreements are recoverable from customers through fuel adjustment clause mechanisms.

B. Operating Leases

The Company's total operating lease obligation is $352,000. The Company is leasing property from the City of Fernandina Beach in our Northeast division. The Company is in the process of renegotiating the terms of this lease and it may be able to terminate this lease at an earlier date. The Company leases an appliance showroom in the same division for approximately $35,000 annually. The Company also has other operating lease agreements with various terms and expiration dates. The following table shows the approximate future obligations under noncancelable agreements.

	2007	2008	2009	2010	2011
Operating Lease Obligations	$161,000	$116,000	$47,000	$38,000	-

12. Employee Benefit Plans

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in an additional liability for retirement plans, pension plan and retirees medical plan. See Footnote 1J, Impact of Recent Accounting Standards, Financial Accounting Standard 158 for a summary of the impact to our financial statements.

A. Pension Plan

The Company sponsors a qualified defined benefit pension plan for non-union employees that were hired before January 1, 2005 and for unionized employees that work under one of the six Company union contracts and were hired before their respective contract dates in 2005.

The following tables provide a reconciliation of the changes in the plan's benefit obligations and fair value of assets over the 3-year period ending December 31, 2006 and a statement of the funded status as of December 31, of all three years:

Benefit Obligations and Funded Status

		Years Ended December 31, 2006	2005	2004
(1)	Change in Projected Benefit Obligation			
(a)	Projected Benefit Obligation at the Beginning of the Year	$36,349,925	$34,926,383	$31,540,942
(b)	Service Cost	1,225,495	1,195,723	1,084,564
(c)	Interest Cost	2,160,719	2,000,099	1,940,122
(d)	Actuarial (Gain) or Loss	541,865	(842,777)	1,708,132
(e)	Benefits Paid	(1,529,258)	(1,514,341)	(1,347,377)
(f)	Change in Plan Provisions	-	584,838	-
(g)	Curtailment	(97,858)	-	-
(h)	Projected Benefit Obligation at the End of the Year	$38,650,888	$36,349,925	$34,926,383
(i)	Accumulated Benefit Obligation at the End of the Year	$33,693,860	$31,966,513	$30,518,393
(2)	Change in Plan Assets			
(a)	Fair Value of Plan Assets at the Beginning of the Year	$32,936,666	$32,385,214	$31,081,063
(b)	Actual Return on Plan Assets	3,977,806	2,065,793	2,651,528
(c)	Benefits Paid	(1,529,258)	(1,514,341)	(1,347,377)
(d)	Employer Contributions	250,000	-	-
(e)	Fair Value of Assets at the End of the Year	$35,635,214	$32,936,666	$32,385,214
(3)	Funded Status: (2)(e) - (1)h)	$(3,015,674)	$(3,413,259)	$(2,541,169)
(4)	Amounts Recognized in the Statement of Financial Position Before Applying FAS 158			
(a)	Prepaid (Accrued) Benefit Cost	$(2,070,740)	$(721,333)	$725,619
(b)	Net Asset (liability)	$(2,070,740)	$(721,333)	$725,619
(c)	Charge to Accumulated Other Comprehensive Income:	-	-	-
(5)	Adjustments Caused by Applying FAS 158			
(a)	Increase in Net Asset (Liability): (3) – (4)(b)	$(944,934)	N/A	N/A
(b)	Increase in Charge to Accumulated Other Comprehensive Income:	207,885	N/A	N/A
(c)	Increase in Charge to Regulatory Asset – retirement plans	737,049	N/A	N/A
(d)	Subtotal of Adjustments: (a)+(b)+(c)	$ -	N/A	N/A
(6)	Amount Recognized in Statement of Financial Position After applying FAS 158			
(a)	Net Asset (Liability): (4)(b) + (5)(a)	$(3,015,674)	$(721,333)	$725,619
(b)	Charge to Accumulated Other Comprehensive Income: (4)(c) + (5)(b)	$207,885	-	-
(c)	Regulatory Asset-Retirement Plans (5) (c)	$737,049	-	-
(7)	Net Asset (Liability) Recognized in the Statement of Financial Position After applying FAS 158			
(a)	Noncurrent Assets	-	N/A	N/A
(b)	(Current Liabilities)	-	N/A	N/A
(c)	(Noncurrent Liabilities)	$(3,015,674)	N/A	N/A

	(d)	Total Net Asset (Liability): (a) + (b) + (c)	$(3,015,674)	N/A	N/A
(8)	Amount Recognized in Accumulated Other Comprehensive Income And Regulatory Asset –Retirement Plans After applying FAS 158				
	(a)	Transition Obligation (Asset)	-	N/A	N/A
	(b)	Prior Service Cost (Credit)	$3,992,489	N/A	N/A
	(c)	Net (Gain) or Loss	(3,047,555)	N/A	N/A
	(d)	Total	$944,934	N/A	N/A
(9)					
	Weighted Average Assumption at End of Year				
	(a)	Discount Rate	6.00%	5.90%	5.75%
	(b)	Rate of Compensation Increase	3.25%	3.15%	3.00%
	(c)	Mortality	GAM 83	GAM 83	GAM 83

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2006, 2005 and 2004:

Net Periodic Pension Costs

		Years Ended December 31,		
		2006	2005	2004
(1)	Service Cost	$1,225,495	$1,195,723	$1,084,564
(2)	Interest Cost	2,160,719	2,000,099	1,940,122
(3)	Expected Return on Plan Assets	(2,426,064)	(2,485,985)	(2,591,099)
(4)	Amortization of Transition Obligation/(Asset)	-	-	-
(5)	Amortization of Prior Service Cost	737,115	737,115	698,211
(6)	Amortization of Net (Gain) or Loss	-	-	-
(7)	Total FAS 87 Net Periodic Pension Cost	$1,697,265	$1,446,952	$1,131,798
(8)	FAS 88 Charges / (Credits)			
	(a) Curtailment	(97,858)	-	-
(9)	Total Net Periodic Pension Cost and Comprehensive Income	$1,599,407	$1,446,952	$1,131,798
(10)	Weighted Average Assumptions			
	(a) Discount Rate at Beginning of the Period	5.90%	5.75%	6.25%
	(b) Expected Return on Plan Assets	8.50%	8.50%	8.50%
	(c) Rate of Compensation Increase	3.15%	3.00%	3.50%

Plan Assets

		Target Allocation	Percentage of Plan Assets at December 31		
		2007	2006	2005	2004
(1)	Plan Assets				
	(a) Equity Securities	40%-60%	68%	67%	69%
	(b) Debt Securities	25%-40%	30%	32%	30%
	(c) Real Estate	5%-15%	0%	0%	0%
	(d) Other	5%-15%	2%	1%	1%
	(e) Total		100%	100%	100%

Expected Return on Plan Assets

The expected rate of return on plan assets is 8.5%. The Company expects 8.5% to fall within the 40 to 50 percentile range of returns on investment portfolios with asset diversification similar to that of the Pension Plan's target asset allocation.

Investment Policy and Strategy

The Company has established and maintains an investment policy designed to achieve a long-term rate of return, including investment income and appreciation, sufficient to meet the actuarial requirements of the Pension Plan. The Company seeks to accomplish its return objectives by investing in a diversified portfolio of equity, fixed income and cash securities seeking a balance of growth and stability as well as an adequate level of liquidity for pension distributions as they fall due. Plan assets are constrained such that no more than 10% of the portfolio will be invested in any one issue.

Cash Flows

(1)	Expected Contributions for Fiscal Year Ending December 31, 2007	
	(a) Expected Employer Contributions	$250,000
	(b) Expected Employee Contributions	-
(2)	Estimated Future Benefit Payments Reflecting Expected Future Service for the years ending December 31,	
	(a) 2007	$1,756,069
	(b) 2008	$1,839,843
	(c) 2009	$1,975,656
	(d) 2010	$2,092,003
	(e) 2011	$2,182,628
	(f) 2012 – 2016	$13,040,794
(3)	Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/07	-

Other Accounting Items

		Years Ended December 31,		
		2006	2005	2004
(1)	Market-Related Value of Assets as of the Beginning of fiscal year	$29,290,131	$30,016,761	$31,222,154
(2)	Amount of Future Annual Benefits of Plan Participants Covered by Insurance Contracts Issued by the Employer or Related Parties	$ 0	$ 0	$ 0
(3)	Alternative Amortization Methods Used to Amortize			
	(a) Prior Service Cost	Straight Line	Straight Line	Straight Line
	(b) Unrecognized Net (Gain) or Loss	Straight Line	Straight Line	Straight Line
(4)	Average Future Service	10.80	10.95	10.95
(5)	Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(6)	Description of Special or Contractual Termination Benefits Recognized During the Period	N/A	N/A	N/A
(7)	Cost of Benefits Described in (6)	N/A	N/A	N/A
(8)	Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(9)	Measurement Date Used	December 31, 2006	December 31, 2005	December 31, 2004

B. Medical Plan

The Company sponsors a postretirement medical program. The medical plan is contributory with participants' contributions adjusted annually. The following tables provide required financial disclosures over the three-year period ended December 31, 2006:

Benefit Obligations and Funded Status

		Fiscal Year Ending		
		12/31/2006	12/31/2005	12/31/2004
(1)	Change in Accumulated Postretirement Benefit Obligation			
(a)	Accumulated Postretirement Benefit Obligation at the Beginning of the Year	$2,343,583	$1,925,254	$1,807,999
(b)	Service Cost	59,982	100,054	70,300
(c)	Interest Cost	105,483	127,312	106,079
(d)	Actuarial (Gain) or Loss	(568,755)	282,812	32,646
(e)	Benefits Paid	(117,459)	(135,166)	(119,005)
(f)	Change in Plan Provisions	-	-	-
(g)	Plan Participant's Contributions	42,519	43,317	27,235
(h)	Accumulated Postretirement Benefit Obligation at the End of the Year	$1,865,353	$2,343,583	$1,925,254
(2)	Change in Plan Assets			
(a)	Fair Value of Plan Assets at the Beginning of the Year	$ -	$ -	$ -
(b)	Benefits Paid	(117,459)	(135,166)	(119,005)
(c)	Employer Contributions	74,940	91,849	91,770
(d)	Plan Participant's Contributions	42,519	43,317	27,235
(e)	Fair Value of Assets at the End of the Year	$ -	$ -	$ -
(3)	Net Amount Recognized			
(a)	Funded Status: (2)(e) - (1)(h)	$(1,865,353)	$(2,343,583)	$(1,925,254)
(4)	Amounts Recognized in the Statement of Financial Position Before Applying FAS 158			
(a)	Prepaid (Accrued) Benefit Cost	(2,057,833)	(1,942,393)	(1,763,980)
(b)	(Additional Liability due to an Unfunded ABO)	-	-	-
(c)	Intangible Asset	-	-	-
(d)	Net Asset (Liability): (a) + (b) + (c)	$(2,057,833)	$(1,942,393)	$(1,763,980)
(e)	Charged to Accumulated Other Comprehensive Income:	-	-	-
(5)	Adjustments Caused by Applying FAS 158			
(a)	Increase in Net Asset (Liability): (3) – (4)(d)	$192,480	N/A	N/A
(b)	Increase in charge to Accumulated Other Comprehensive Income:	(42,346)	N/A	N/A
(c)	Increase in charge to Regulatory Asset-retirement plans	(150,134)	N/A	N/A
(d)	Subtotal of Adjustments: (a) + (b) + (c)	$ -	N/A	N/A
(6)	Amounts Recognized in the Statement of Financial Position After applying FAS 158			
(a)	Net Asset (Liability): (4)(d) +(5)(a)	(1,865,353)	(1,942,393)	(1,763,980)
(b)	Charge to Accumulated Other Comprehensive Income: (4)(e) + (5)(b)	(42,346)	-	-
(c)	Charge to Regulatory Asset-Retirement Plans (5)(c)	(150,134)	-	-

(7)	Net Asset (Liability) Recognized in the Statement of Financial Position After Applying FAS 158			
	(a) Noncurrent Assets	$ -	N/A	N/A
	(b) (Current Liabilities)	(150,589)	N/A	N/A
	(c) (Noncurrent Liabilities)	(1,714,764)	N/A	N/A
	(d) Total Net Asset (Liability): (a) + (b) + (c)	$(1,865,353)	N/A	N/A
(8)	Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Asset After Applying FAS 158			
	(a) Transition Obligation (Asset)	$ -	N/A	N/A
	(b) Prior Service Cost (Credit)	-	N/A	N/A
	(c) Net (Gain) or Loss	(192,480)	N/A	N/A
	(d) Total	$(192,480)	N/A	N/A
(9)	Weighted Average Assumptions at the End of the Year			
	(a) Discount Rate	6.00%	5.90%	5.75%
	(b) Rate of Compensation Increase	N/A	N/A	N/A
	(c) Mortality	GAM 83	GAM 83	GAM 83
(10)	Assumed Health Care Cost Trend Rates			
	(a) Health Care Cost Trend Rate Assumed for Next Year	11.50%	9.00%	10.00%
	(b) Ultimate Rate	5.00%	5.00%	5.00%
	(c) Year that the Ultimate Rate is Reached	2014	2010	2010

Net Periodic Postretirement Benefit Cost

		Years ended December 31,		
		2006	2005	2004
(1)	Service Cost	$59,982	$100,054	$70,300
(2)	Interest Cost	105,483	127,312	106,079
(3)	Amortization of Transition Obligation/(Asset)	42,896	42,896	42,896
(4)	Amortization of Prior Service Cost	-	-	-
(5)	Amortization of Net (Gain) or Loss	(17,981)	-	(8,666)
(6)	Total Net Periodic Benefit Cost	$190,380	$270,262	$210,609
(7)	Weighted Average Assumptions			
	(a) Discount Rate	5.90%	5.75%	6.25%
	(b) Expected Return on Plan Assets	N/A	N/A	N/A
	(c) Rate of Compensation Increase	N/A	N/A	N/A
(8)	Assumed Health Care Cost Trend Rates			
	(a) Health Care Cost Trend Rate Assumed for Current Year	12.50%	10.00%	12.00%
	(b) Ultimate Rate	5.00%	5.00%	5.00%
	(c) Year that the Ultimate Rate is Reached	2014	2010	2010

Expected Amortizations

		Years ended December 31,		
		2007	2006	2005
(1)	Expected Amortization of Transition Obligation (Asset)	-	N/A	N/A

(2)	Expected Amortization of Prior Service Cost (Credit)	-	N/A	N/A
(3)	Expected Amortization of Net Loss (Gain)	$(536)	N/A	N/A
(9)	Impact of One-Percentage-Point Change in			
	Assumed Health Care Cost Trend Rates	Increase	Decrease	
	(a) Effect on Service Cost + Interest Cost	$20,533	$(17,812)	
	(b) Effect on Postretirement Benefit Obligation	$203,809	$(179,005)	

Plan Assets

		Target Allocation 2007	Percentage of Plan Assets at December 31 2006	2005	2004
(1)	Plan Assets				
	(a) Equity Securities	N/A	N/A	N/A	N/A
	(b) Debt Securities	N/A	N/A	N/A	N/A
	(c) Real Estate	N/A	N/A	N/A	N/A
	(d) Other	N/A	N/A	N/A	N/A
	(e) Total	N/A	N/A	N/A	N/A

Cash Flows

(1) Expected Contributions for Fiscal Year Ending 12/31/2007

(a)	Expected Employer Contributions	$150,589
(b)	Expected Employee Contributions	$48,832

(2) Estimated Future Benefit Payments Reflecting Expected Future Service for the Fiscal Year(s) Ending

		Total	Medicare Part-D Reimbursement	Employee	Employer
(a)	12/31/2007	$199,421	$0	$48,832	$150,589
(b)	12/31/2008	$143,659	$8,266	$36,130	$99,263
(c)	12/31/2009	$146,580	$8,749	$36,535	$101,296
(d)	12/31/2010	$160,560	$9,504	$41,759	$109,297
(e)	12/31/2011	$199,681	$10,062	$51,049	$138,570
(f)	12/31/2012 – 12/31/2016	$1,407,957	$61,062	$350,375	$996,520

(3) Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/07 $0

Other Accounting Items

		Years Ended December 31, 2006	2005	2004
(1)	Market-Related Value of Assets	N/A	N/A	N/A

(2)	Amount of Future Annual Benefits of Plan Participants Covered by Insurance Contracts Issued by the Employer or Related Parties	-	-	-
(3)	Alternative Amortization Methods Used to Amortize			
	(a) Prior Service Cost	Straight Line	Straight Line	Straight Line
	(b) Unrecognized Net (Gain) or Loss	Straight Line	Straight Line	Straight Line
(4)	Average Future Service	11.10	13.35	12.48
(5)	Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(6)	Description of Special or Contractual Termination Benefits Recognized During the Period	N/A	N/A	N/A
(7)	Cost of Benefits Described in (6)	N/A	N/A	N/A
(8)	Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(9)	Measurement Date Used	December 31, 2006	December 31, 2005	December 31, 2004

Discount Rate Assumption

The discount rate assumption used to determine the postretirement benefit obligations is based on current yield rates in the double A bond market. The current year's discount rate was selected using a method that matches projected payouts from the plan with a zero-coupon double A bond yield curve. This yield curve was constructed from the underlying bond price and yield data collected as of the plan's measurement date and is represented by a series of annualized, individual discount rates with durations ranging from six months to thirty years. Each discount rate in the curve was derived from an equal weighting of the double A or higher bond universe, apportioned into distinct maturity groups. These individual discount rates are then converted into a single equivalent discount rate, which is then used for FAS discount purposes. To assure that the resulting rates can be achieved by a postretirement benefit plan, only bonds that satisfy certain criteria and are expected to remain available through the period of maturity of the plan benefits are used to develop the discount rate. Prior years' discount rate assumptions were set based on investment yields available on double A, long-term corporate bonds.

Actuarial Equivalent

In determining "Actuarial Equivalence," our plan's actuary, Aon Consulting, proprietary prescription drug pricing tool, Aon Rx, was used. This tool allowed us to determine the estimated Per Member Per Month (PMPM) prescription drug cost for both the Company plan and the Medicare plan. The two PMPM's were adjusted for monthly retiree contributions. We assumed that 60% of the monthly combined medical and prescription drug retiree contribution for the Company plan applies towards prescription drugs.

Voluntary Prescription Drug Coverage

Legislation enacted in December 2003 provides for the addition of voluntary prescription drug coverage under Medicare starting in 2006. The legislation also provides for a 28% tax-free subsidy for each qualified covered retiree's drug cost between certain thresholds if the employer's coverage is at least actuarially

equivalent to the standard Medicare drug benefit. Based on the final regulations issued by the Centers for Medicare and Medicaid Services on January 21, 2005, we determined our prescription drug coverage of the Postretirement Medical Benefits plan to be actuarially equivalent to Medicare Part D.

C. Health Plan

In December 2003, the Company became fully insured for its employee and retiree's medical insurance. Net health care benefits paid by the Company for active employees were approximately $1.7 million in 2006, $1.6 million in 2005 and $1.5 million in 2004, excluding administrative and stop-loss insurance.

D. 401K Plan

The Company has discontinued eligibility to the defined benefit pension plan for all new hires, and replaced it with a new 401K match.

For new hires not eligible for the defined benefit pension plan, we established an employer match to the employee's contribution to their 401K plans. It provided for a company match of 50% for each dollar contributed by the employee, up to 6% of their salary, for a Company contribution of up to 3%. Beginning in 2007, for non-union employees the plan was enhanced to provide a company match of 100% for the first 2% of an employee's contribution, and a match of 50% for the next 4% of an employee's contribution, for a total company match of up to 4%. This new enhanced match will be negotiated with our six union contracts during 2007, to be effective on their respective contract date within 2007. The employees are eligible for the company match after six months of continuous service, with vesting of 100% after three years of continuous service. The expenses incurred in 2005 and 2006 relating to the Company's 401K plan are not material.

E. Employee Stock Purchase Plan

The Company offers an employee stock purchase plan to substantially all of its employees. The plan offers a 15% discount on the Company's stock at market price fixed six months prior to the date of purchase. The recorded stock compensation expense relating to the Company's employee stock purchase plan is not material.

13. Segment Information

The Company is organized into two regulated business segments: natural gas and electric, and one non-regulated business segment, propane gas. There are no material inter-segment sales or transfers.

Identifiable assets are those assets used in the Company's operations in each business segment. Common assets are principally cash and overnight investments, deferred tax assets and common plant.

Business segment information for 2006, 2005 and 2004 is summarized as follows:

(Dollars in thousands)	2006	2005	2004
Revenues			
Natural gas	$ 71,139	$ 69,094	$ 55,962
Electric	48,527	47,450	42,910

Propane gas	14,727	13,479	11,167
Consolidated	$ 134,393	$ 130,023	$ 110,039
Operating income, excluding income tax			
Natural gas	$ 6,118	$ 6,049	$ 4,978
Electric	3,053	3,502	3,353
Propane gas	1,006	1,086	655
Consolidated	$ 10,177	$ 10,637	$ 8,986
Identifiable assets			
Natural gas	$ 93,689	$ 96,106	$ 87,729
Electric	52,251	51,317	48,687
Propane gas	19,239	19,567	15,731
Common	15,734	15,676	18,356
Consolidated	$ 180,913	$ 182,666	$ 170,503
Depreciation and amortization			
Natural gas	$ 4,095	$ 3,928	$ 2,752
Electric	2,610	2,404	2,323
Propane gas	720	621	560
Common	317	313	265
Consolidated	$ 7,742	$ 7,266	$ 5,900
Construction expenditures			
Natural gas	$ 7,643	$ 6,357	$ 5,314
Electric	3,184	3,775	6,793
Propane gas	1,885	2,133	1,339
Common	404	176	285
Consolidated	$ 13,116	$ 12,441	$ 13,731
Income tax expense			
Natural gas	$ 1,336	$ 1,283	$ 843
Electric	546	666	565
Propane gas	110	245	130
Common	246	93	77
Consolidated	$ 2,238	$ 2,287	$ 1,615

14. Quarterly Financial Data (Unaudited)

The quarterly financial data presented below reflects the influence of seasonal weather conditions, the timing of rate increases and the migration of winter residents and tourists to Central and South Florida during the winter season. Significant increases in the fourth quarter of 2005 expenses relate to the performance of previously delayed expenditures from previous quarters.

(Dollars in thousands, except per share amounts):	First Quarter	Second Quarter	Third Quarter *	Fourth Quarter
2006				
Revenues	$ 43,348	$ 29,878	$ 29,415	$ 31,752
Gross profit	$ 14,135	$ 11,402	$ 10,867	$ 12,018
Operating income	$ 4,528	$ 2,065	$ 1,263	$ 2,321
Earnings before income taxes	$ 3,507	$ 1,162	$ 384	$ 1,354

Net Income	$ 2,221	$ 738	$ 335	$ 875
Earnings per common share (basic and diluted):				
Continuing operations	$ 0.37	$ 0.12	$ 0.05	$ 0.14
2005				
Revenues	$ 35,438	$ 28,329	$ 29,190	$ 37,066
Gross profit	$ 13,619	$ 10,963	$ 10,374	$ 12,263
Operating income	$ 4,684	$ 2,215	$ 1,578	$ 2,160
Earnings before income taxes	$ 3,711	$ 1,205	$ 573	$ 1,046
Net Income	$ 2,353	$ 851	$ 260	$ 784
Earnings per common share (basic and diluted):				
Continuing operations	$ 0.40	$ 0.14	$ 0.04	$ 0.13

* The third quarter of 2006 has been restated and revised for pension expense and income tax expense to reflect a correction of the valuation of our pension liability. The pension liability and expense increased by $225,000 and the deferred tax expense and deferred tax liability decreased by $85,000 in the third quarter of 2006. The following summary shows the effect on our financial statements.

Summary of Third Quarter 2006 Adjustment

(Dollars in thousands, except per share amounts):	Third Quarter Before Revision	Adjustment	Third Quarter After Revision
2006			
Revenues	$ 29,415	-	$ 29,415
Gross profit	$ 10,867	-	$ 10,867
Operating income	$ 1,488	(225)	$ 1,263
Earnings before income taxes	$ 609	(225)	$ 384
Net Income	$ 475	(140)	$ 335
Earnings per common share (basic and diluted):			
Continuing operations	$ 0.08	(.03)	$ 0.05

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors and Shareholders of FPU:

We have audited the accompanying consolidated balance sheets and statements of capitalization of Florida Public Utilities Company and its wholly-owned subsidiary, Flo-Gas Corporation as of December 31, 2006 and 2005 and the related consolidated statements of income, comprehensive income, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Florida Public Utilities Company and its wholly-owned subsidiary, Flo-Gas Corporation at December 31, 2006 and 2005, and the results of its operation and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1J and 12 to the consolidated financial statements, on December 31, 2006, the Company adopted Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pensions and Other Postretirement Benefit Plans."

BDO Seidman, LLP
Certified Public Accountants
West Palm Beach, Florida
March 16, 2007

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2006, our disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

PART III

Item 10. Directors and Executive Officers of the Registrant

Information required by this item concerning directors and nominees of the Registrant will be included under the caption "Information About Nominees and Continuing Directors" in the Registrant's Proxy Statement for the 2007 Annual Meeting of Shareholders (the "2007 Proxy Statement") and is incorporated by reference herein. Information required by this item regarding the Audit Committee will be included under the caption "Board of Directors and Committees" in the 2007 Proxy Statement and is incorporated by reference herein. Information required by this Item regarding the Code of Ethics will be included under the caption "Code of Ethics" in the 2007 Proxy Statement and is incorporated by reference herein. Information required by this Item regarding compliance with Section 16(a) of the Exchange Act will be set forth in the 2007 Proxy Statement under "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated by reference herein. Information required by this Item concerning executive officers is set out in Part I of this Form 10-K, above.

Item 11. Executive Compensation

Information required by this Item concerning executive compensation is included under the captions "Board of Directors and Committees", "Executive Compensation", and "Compensation Committee Interlocks and Inside Participation" in the 2007 Proxy Statement is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this Item concerning the security ownership of certain of the Registrant's beneficial owners and management is included under the caption "Security Ownership of Management and Certain Beneficial Owners" in the 2007 Proxy Statement and is incorporated by reference herein. See Item 5 above for equity compensation plan information, which is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions

None.

Item 14. Principal Accountant Fees and Services

Information required by this Item is set forth in the Registrant's 2007 Proxy Statement under the caption "Principal Accountant Fees and Services" and is incorporated by reference herein.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Financial Statements
The following consolidated financial statements of the Company are included herein and in the Registrant's 2006 Annual Report to Shareholders:

Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
Consolidated Balance Sheets
Consolidated Statements of Capitalization
Consolidated Statements of Common Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Report of Independent Registered Public Accounting Firm

(2) Financial Statement Schedules
The following valuation and qualifying accounts table is included in Note 1.H. herein and in the Registrant's 2006 Annual Report to Shareholders:

Allowance for Doubtful Accounts

(3) Exhibits

3(i)	Amended Articles of Incorporation (Incorporated herein by reference as Exhibit 3(i) to FPU's quarterly report on Form 10-Q for the period ended June 30, 2002. SEC File No. 1-10608)
3(ii)	Amended By-Laws (Incorporated herein by reference as Exhibit 3(ii) to FPU's quarterly report on Form 10-Q for the period ended June 30, 2002. SEC File No. 1-10608)
4(a)	Indenture of Mortgage and Deed of Trust of FPU dated as of September 1, 1942 (Incorporated by reference herein to Exhibit 7-A to Registration No. 2-6087)
4(b)	Fourteenth Supplemental Indenture dated September 1, 2001. (Incorporated by reference to exhibit 4(b) on FPU's annual report on Form 10-K for the year ended December 31, 2001)
4(c)	Fifteenth Supplemental Indenture dated November 1, 2001. (Incorporated by reference to exhibit 4(c) on FPU's annual report on Form 10-K for the year ended December 31, 2001)

10(a)	First Amendment to Amended and Restated Loan Agreement and Promissory Note between FPU and Bank of America dated August 25, 2006. (Incorporated by reference to exhibit 10(2) on FPU's Form 10-Q for third quarter ending September 30, 2006, File No. 001-10608)
10(b)	Contract for the transportation of natural gas between FPU and the City of Lake Worth dated March 25, 1992 (Incorporated by reference to exhibit 10(f) on FPU's Form S-2 for July 1992, File No. 0-1055)
10(c)	Contract for the purchase of electric power between FPU and Jacksonville Electric Authority dated January 29, 1996. (Incorporated by reference to exhibit 10(h) on FPU's annual report on Form 10-K for the year ended December 31, 2000)
10(d)	Contract for the purchase of electric power between FPU and Gulf Power Company effective November 21, 1996. (Incorporated by reference to exhibit 10(i) on FPU's annual report on Form 10-K for the year ended December 31, 2000)
10(e)	Contract for the purchase of as-available capacity and energy between FPU and Container Corporation of America dated September 19, 1985 (Incorporated by reference to exhibit 10(i) on FPU's Form S-2 for July 1992, File No. 0-1055)
10(f)	Contract for the sale of electric service between FPU and Container Corporation of America dated August 26, 1982 (Incorporated by reference to exhibit 10(j) on FPU's Form S-2 for July 1992, File No. 0-1055)
10(g)	Contract for the sale of electric service between FPU and ITT Rayonier Inc. Dated April 1, 1982 (Incorporated by reference to exhibit 10(k) on FPU's Form S-2 for July 1992, File No. 0-1055)
10(h)	Form of Stock Purchase and Sale Agreement between FPU and three persons who, upon termination of two trusts, will become the record and beneficial owners of an aggregate of 313,554 common shares of the Registrant (Incorporated by reference to exhibit 10(p) on FPU's Form S-2 for July 1992, File No. 0-1055)
10(i)	Contract for the sale of certain assets comprising FPU's water utility business to the City of Fernandina Beach dated December 3, 2002. (Incorporated by reference to exhibit 10(o) on FPU's annual report on Form 10-K for the year ended December 31, 2002)
10(j)	Transportation agreement between FPU and the City of Lake Worth (Incorporated by reference to exhibit 99.2 on FPU's Form 8-K filed April 4, 2003, File No. 001-10608)
10(k)	A Mutual Release agreement, as of March 31, 2003, by and between FPU, Lake Worth Generation, LLC, The City of Lake Worth, and The AES Corporation. (Incorporated by reference to exhibit 99.3 on FPU's Form 8-K filed April 4, 2003, File No. 001-10608)

10(l)	Amended and Restated loan agreement between FPU and Bank of America, N.A. dated October 29, 2004. (Incorporated by reference as exhibit 10(n) on FPU's annual report on Form 10-K for the year ended December 31, 2004)
10(m)	Security agreement between FPU and Bank of America, N.A. dated October 29, 2004. (Incorporated by reference as exhibit 10(o) on FPU's annual report on Form 10-K for the year ended December 31, 2004)
10(n) #	Non-Employee Director Compensation Plan, approved by Board of Directors on March 18, 2005. (Incorporated by reference as exhibit 10(p) on FPU's annual report on Form 10-K for the year ended December 31, 2004)
10(o)	Amendment to Electric Service Contract by and between JEA and FPU dated September 25, 2006, effective January 1, 2007. (Incorporated by reference as Exhibit 10.1 to our Form 10-Q, for the quarter ending September 30, 2006, File No. 001-10608)
10(p) #	Employment Agreement between the Company and John T. English dated March 31, 2006 (Incorporated by reference as Exhibit 10.1 to our Form 8-K, filed on March 31, 2006)
10(q) #	Employment Agreement between the Company and Charles L. Stein dated March 31, 2006 (Incorporated by reference as Exhibit 10.2 to our Form 8-K, filed on March 31, 2006)
10(r) #	Employment Agreement between the Company and George M. Bachman dated March 31, 2006 (Incorporated by reference as Exhibit 10.3 to our Form 8-K, filed on March 31, 2006)
10(s) *	Contract for the Agreement for Generation Services by and between FPU and Gulf Power Company dated December 28, 2006, effective January 1, 2008
14	Ethics Policy (Incorporated by reference to exhibit 99.3 on FPU's Form 10-K, filed March 30, 2004 File No. 001-10608)
16	Change in certifying accountants (Incorporated herein by reference as exhibit 16 to FPU's current report on Form 8-K, filed April 18, 2003)
21	Subsidiary of the registrant (Incorporated by reference to exhibit 21 on FPU's annual report on Form 10-K, for the year ended December 31, 2000)
23	Independent Registered Public Accounting Firm's Consent BDO Seidman LLP
31.1	Certification of Principal Executive Officer (302)
31.2	Certification of Principal Financial Officer (302)

32	Certification of Principal Executive Officer and Principal Financial Officer (906)

Denotes management contract or compensatory plan or arrangement

* Confidential treatment is being requested for a portion of this agreement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLORIDA PUBLIC UTILITIES COMPANY

/s/ George M Bachman
George M Bachman, Chief Financial Officer
(Duly Authorized Officer)

Date: March 19, 2007

Each person whose signature appears below hereby constitutes and appoints John T. English, Chief Executive Officer and President, and George M. Bachman, Chief Financial Officer, and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power undersigned, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ John T. English Date: March 19, 2007
John T. English
Chairman of the Board, President, Chief Executive Officer, and Director (Principal Executive Officer)

/s/ George M. Bachman Date: March 19, 2007
George M Bachman, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

/s/ Ellen Terry Benoit Date: March 19, 2007
Ellen Terry Benoit, Director

/s/ Richard C. Hitchins Date: March 19, 2007
Richard C. Hitchins, Director

/s/ Dennis S. Hudson III Date: March 19, 2007
Dennis S. Hudson III, Director

/s/ Paul L. Maddock, Jr. Date: March 19, 2007
Paul L. Maddock, Jr., Director

/s/ Troy W. Maschmeyer, Jr. Date: March 19, 2007
Troy W. Maschmeyer, Jr., Director

FLORIDA PUBLIC UTILITIES COMPANY
EXHIBIT INDEX

Regulation S-K Item Number	
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* Confidential treatment is being requested for a portion of this agreement

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2007**

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **001-10608**

FLORIDA PUBLIC UTILITIES COMPANY
(Exact name of registrant as specified in its charter)

Florida	**59-0539080**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 South Dixie Highway,
West Palm Beach, Fl. 33401
(561) 832-0872
(Address and telephone number of registrant's principal executive offices and principal place of business)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

On May 1, 2007, there were 6,028,828 shares of $1.50 par value common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands, except share data)

	Three Months Ended March 31,	
Revenues	**2007**	**2006**
Natural gas	$20,573	$26,954
Electric	13,358	11,696
Propane gas	4,681	4,698
Total revenues	38,612	43,348
Cost of Fuel and Other Pass Through Costs	24,769	29,213
Gross Profit	13,843	14,135
Operating Expenses		
Operation and maintenance	7,173	6,805
Depreciation and amortization	2,072	1,978
Taxes other than income taxes	860	824
Total operating expenses	10,105	9,607
Operating Income	3,738	4,528
Other Income and (Deductions)		
Merchandise and service revenue	915	1,226
Merchandise and service expenses	(810)	(1,185)
Other income	151	151
Interest expense	(1,167)	(1,213)
Total other deductions – net	(911)	(1,021)
Earnings Before Income Taxes	2,827	3,507
Income Taxes	(1,029)	(1,286)
Net Income	1,798	2,221
Preferred Stock Dividends	7	7
Earnings for Common Stock	$1,791	$2,214
(Basic and Diluted):		
Earnings Per Common Share	$0.30	$0.37
Dividends Declared Per Common Share	$0.1075	$0.1033
Average Shares Outstanding	6,024,739	5,980,037

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands)

ASSETS	March 31, 2007	December 31, 2006
Utility Plant		
Utility Plant	$191,633	$188,968
Less Accumulated depreciation	61,114	59,757
Net utility plant	130,519	129,211
Current Assets		
Cash	2,073	84
Accounts receivable	12,947	12,199
Allowance for uncollectible accounts	(426)	(429)
Unbilled receivables	1,684	1,957
Notes receivable	312	298
Inventories (at average unit cost)	3,883	4,120
Prepaid expenses	692	963
Under-recovery of fuel costs	1,010	862
Deferred income taxes-current	676	418
Total current assets	22,851	20,472
Other Assets		
Investments held for environmental costs	3,375	3,364
Other regulatory assets-environmental	8,121	8,284
Other regulatory assets-storm reserve	207	270
Other regulatory assets-retirement plans	442	587
Long-term receivables and other investments	5,448	5,740
Deferred charges	6,380	6,496
Goodwill	2,405	2,405
Intangible assets (net)	4,366	4,405
Total other assets	30,744	31,551
Total Assets	$184,114	$181,234

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

CAPITALIZATION AND LIABILITIES	March 31, 2007	December 31, 2006
Capitalization		
Common shareholders' equity	$48,959	$47,572
Preferred stock	600	600
Long-term debt	50,723	50,702
Total capitalization	100,282	98,874
Current Liabilities		
Line of credit	2,215	3,466
Accounts payable	9,483	10,279
Insurance accrued	110	181
Interest accrued	1,208	789
Other accruals and payables	3,082	2,798
Taxes accrued	3,389	1,180
Over-earnings liability	675	722
Over-recovery of fuel costs and other	4,210	4,011
Customer deposits	10,152	9,608
Total current liabilities	34,524	33,034
Other Liabilities		
Deferred income taxes	17,076	17,436
Environmental liability	12,930	13,140
Regulatory liability-storm reserve	1,667	1,636
Regulatory liabilities-other	9,830	9,676
Other liabilities	7,805	7,438
Total other liabilities	49,308	49,326
Total Capitalization and Liabilities	$184,114	$181,234

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,	
	2007	2006
Net cash provided by operating activities	$6,416	$11,174
Investing Activities		
Construction expenditures	(3,087)	(3,265)
Proceeds received on notes receivable	87	296
Other	346	148
Net cash used in investing activities	(2,654)	(2,821)
Financing Activities		
Net decrease in short-term borrowings	(1,251)	(6,115)
Dividends paid	(653)	(1,248)
Other increases	131	163
Net cash used in financing activities	(1,773)	(7,200)
Net increase in cash	1,989	1,153
Cash at beginning of period	84	695
Cash at end of period	$2,073	$1,848

These financial statements should be read with the accompanying Notes to Condensed Consolidated Financial Statements.

FLORIDA PUBLIC UTILITIES COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2007

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in the United States (GAAP) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for fair presentation have been included. The operating results for the period are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances, accruals for pensions, environmental liabilities, liability reserves, regulatory deferred tax liabilities, unbilled revenue and over-earnings liability. Actual results may differ from these estimates.

3. Regulation

The financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71 – "Accounting for the Effects of Certain Types of Regulation". SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. A regulated utility may defer recognition of a cost (a regulatory asset) or show recognition of an obligation (a regulatory liability) if it is probable that, through the ratemaking process, there will be a corresponding increase or decrease in revenues. The Company has recognized certain regulatory assets and liabilities in the condensed consolidated balance sheets.

As a result, Florida Public Service Commission (FPSC) regulation has a significant effect on the Company's results of operations. The FPSC approves rates that are intended to permit a specified rate of return on investment. Rate tariffs allow the flexibility of automatically passing through the cost of natural gas and electricity to customers. Increases in the operating expenses of the regulated segments may require a request for increases in the rates charged to customers.

4. Pledged Assets

Substantially all of the Company's utility plant and the shares of its wholly owned subsidiary, Flo-Gas Corporation, collateralize the Company's First Mortgage Bonds (long-term debt). Cash, accounts receivable and inventory are collateral for the line of

credit.

5. Restriction on Dividends

The Company's Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At March 31, 2007, approximately $10.1 million of retained earnings were free of such restriction and available for the payment of dividends. The Company's line of credit agreement contains covenants that, if violated, could restrict or prevent the payment of dividends. The Company is not in violation of these covenants.

6. Allowance for Uncollectible Accounts

The Company records an allowance for uncollectible accounts based on historical information and trended current economic conditions. The bad debt write-offs for the first quarter 2007 were $177,000 while the provisions were $174,000.

7. Storm Reserves

As of March 31, 2007, the Company had a storm reserve of approximately $1.7 million for the electric segment. The Company does not have a storm reserve for the natural gas or propane gas segments. Any future storm costs affecting the natural gas segment will be deferred for recovery from customers either through rate increases or through applying any available over-earnings as a reduction to the costs. All such deferred costs are subject to review and approval by the FPSC.

The Company deferred storm costs for the natural gas segment incurred in 2004 as a regulatory asset on the condensed consolidated balance sheets. The FPSC approved recovery of these storm costs, plus interest and revenue related taxes, over a 30-month period beginning in November 2005. As of March 31, 2007, the remaining balance of these storm costs to be recovered is $207,000.

8. Goodwill and Other Intangible Assets

The Company does not amortize goodwill or intangibles with indefinite lives. The Company periodically tests the applicable reporting segments, natural gas and propane gas, for impairment. In the event goodwill or intangible assets related to a segment are determined to be impaired, the Company would write down such assets to fair value. The impairment test performed in 2006 showed no impairment for either reporting segment. The Company does not believe the 2007 impairment test will indicate impairment for either reporting segment. Final results are expected in the second quarter of 2007.

Goodwill associated with the Company's acquisitions consists of $500,000 in the natural gas segment and $1.9 million in the propane gas segment. The summary of intangible assets at March 31, 2007, is as follows:

Intangible Assets
(Dollars in thousands)

		2007
Customer distribution rights	(Indefinite life)	$ 1,900
Customer relationships	(Indefinite life)	900
Software	(Five to nine year life)	3,169

Accumulated amortization	(1,603)
Total intangible assets, net of amortization	$ 4,366

The amortization expense of intangible assets was approximately $86,000 for the three months ended March 31, 2007.

9. Common Shareholders' Equity

Items impacting common shareholders' equity other than income and dividends are the dividend reinvestment program, employee stock purchase program, stock compensation plans and treasury stock. The net impact of these additional items increased common shareholders' equity approximately $220,000 for the three months ended March 31, 2007. Accumulated other comprehensive loss, comprised of the deferred cost of employee benefit plans, totaled approximately $80,000 and $100,000 as of March 31, 2007 and December 31, 2006, respectively. The change to other comprehensive loss for the quarter ending March 31, 2007 was an approximate net $20,000 gain.

10. Over-earnings – Natural Gas Segment

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. The Company has agreed with the FPSC staff to limit the earned return on equity for regulated natural gas and electric operations.

The Company has recorded estimated 2006 and 2005 over-earnings for regulated natural gas operations of $25,000 and $650,000, respectively. These liabilities are included in the over-earnings liability on the Company's condensed consolidated balance sheet of March 31, 2007. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. Estimates may be revised as expectations change and factors become known and determinable.

The 2005 and 2006 over-earnings liabilities are based on the Company's best estimates, but the amounts could change upon the FPSC finalization and review of earnings expected in 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, increasing storm damage or environmental reserves or reducing any depreciation reserve deficiency.

11. Environmental Contingencies

The Company is subject to federal and state legislation with respect to soil, groundwater and employee health and safety matters and to environmental regulations issued by the Florida Department of Environmental Protection (FDEP), the United States Environmental Protection Agency (EPA) and other federal and state agencies. For full disclosure of the legal items that impact the Company, please refer to "Contingencies" in the Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2006.

12. Reclassification

Certain amounts in the 2006 financial statements have been reclassified to conform to

the 2007 presentation.

13. Financial Accounting Standard Board Interpretation No. 48

The Company accounts for uncertainty in income taxes in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) and SFAS No. 109, Accounting for Income Taxes. The Company performed an analysis of tax positions taken and expected to be taken on the tax returns. The analysis concluded that the Company had no material uncertain tax positions.

The Interpretation requires Companies to accrue interest and penalties that would be incurred if an uncertain tax position ultimately were not sustained. In such a case, the Company would start accruing interest and penalty in the period which gives rise to the uncertain tax position. The Company would classify interest and penalties in the income statement and balance sheet separately from other tax balances and based on expected timing of cash payment to the taxing authorities.

Under the tax statute of limitations applicable to the Internal Revenue Code and state taxes, we are no longer subject to examinations by the Internal Revenue Service or the State of Florida for years before 2003. However, because we are carrying forward income tax attributes, such as net operating losses and tax credits from 2002 and earlier tax years, these attributes can still be audited when utilized on returns filed in the future. As noted in Note 14, we have been notified of an IRS audit.

14. IRS Examination

In February of 2007, the IRS informed us that it has selected our 2003 and 2004 tax years for examination. As our tax positions have remained consistent with those from the previously audited tax years, we do not expect any material adverse findings as the result of the impending IRS audit.

15. Recent Accounting Standards

FASB Staff Position (FSP) AUG AIR-1

"Accounting for Planned Major Maintenance Activities," amended APB 28, *"Interim Financial Reporting,"* to prohibit the use of the accrue-in-advance method of accounting for planned major maintenance. The Company does not accrue-in-advance for planned major maintenance activities therefore the adoption of FSP AUG AIR-1 in the first quarter of 2007 did not have an impact on the Company's results of operations, cash flows or financial position.

Financial Accounting Standard No. 159

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits measurement at fair value of certain firm commitments, non-financial insurance contracts and warranties, host financial instruments and recognized financial assets and liabilities, excluding consolidating investments in subsidiaries, consolidating variable interest entities, various forms of deferred compensation agreements, leases, depository institution deposit liabilities and financial instruments included in shareholders' equity. This Statement becomes effective January 1, 2008 for financial statements issued for fiscal years beginning after November 15, 2007. As the Company does not

believe adoption of this Statement will have a material impact on our financial condition or results of operation, we do not anticipate electing the fair value option.

16. Employee Benefit Plans

The Company sponsors a qualified defined benefit pension plan for non-union employees that were hired before January 1, 2005 and for unionized employees that work under one of the six Company union contracts and were hired before their respective contract dates in 2005. The Company also sponsors a postretirement medical plan.

The following table provides the components of the net periodic benefit cost for our pension plan and postretirement benefit plan for the three months ended March 31, 2006 and 2007.

FLORIDA PUBLIC UTILITIES COMPANY
Net Periodic Benefit Costs
(Dollars in thousands)

	Three Months Ended March 31,	
	2007	2006
Pension Plan:		
Service Cost	$ 283	$ 308
Interest Cost	566	524
Expected Return on Plan Assets	(610)	(603)
Amortization of Prior Service Cost	184	184
Net Periodic Pension Cost	$ 423	$ 413
Postretirement Benefit Plan:		
Service Cost	$ 16	$ 25
Interest Cost	26	34
Amortization of Transition Obligation/(Asset)	11	11
Amortization of Net (Gain) or Loss	(5)	-
Net Periodic Postretirement Benefit Cost	$ 48	$ 70

For additional information related to our employee benefit plans, please see Note 12 to the Consolidated Financial Statements of the company's 10-K Annual Report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We have three primary business segments: natural gas, electric and propane gas. The Florida Public Service Commission (FPSC) regulates the natural gas and electric segments.

Results of Operations

Revenues and Gross Profit Summary

Revenues include cost recovery revenues. The FPSC allows cost recovery revenues to directly recover costs of fuel, conservation and revenue-based taxes in our natural gas and electric segments. Revenues collected for these costs and expenses have no effect on results of operations and fluctuations could distort the relationship of revenues between periods. Gross profit is defined as gross operating revenues less fuel, conservation and revenue-based taxes that are passed directly through to customers. Because gross profit eliminates these cost recovery revenues, we believe it provides a more meaningful basis for evaluating utility revenues. The following summary compares gross profit between periods and units sold in one thousand Dekatherm (MDth) (gas) and Megawatt Hour (MWH) (electric).

Revenues and Gross Profit
(Dollars in thousands)

	Three Months Ended March 31,	
	2007	2006
Natural Gas		
Revenues	$20,573	$26,954
Cost of fuel and other pass through costs	12,522	18,555
Gross Profit	$ 8,051	$ 8,399
Units sold: (MDth)	1,840	1,946
Electric		
Revenues	$13,358	$11,696
Cost of fuel and other pass through costs	9,899	8,273
Gross Profit	$ 3,459	$ 3,423
Units sold: (MWH)	185,636	197,227
Propane Gas		
Revenues	$4,681	$4,698
Cost of fuel	2,348	2,385
Gross Profit	$2,333	$2,313
Units sold: (MDth)	192	200
Consolidated		
Revenues	$38,612	$43,348

Cost of fuel	24,769	29,213
Gross Profit	$13,843	$14,135

Three Months Ended March 31, 2007 Compared with Three Months Ended March 31, 2006.

Revenues and Gross Profit

Natural Gas

Natural gas service revenues decreased $6,381,000 in the first quarter of 2007 over the same period in 2006. As the cost of natural gas continues to decline, revenues to recover our cost of fuel and other costs passed through to customers decreased by $6,033,000. These costs do not impact our gross profit. Our gross profit decreased $348,000 or 4%. The decrease in gross profit is attributable to a 5% decrease in units sold in 2007 due primarily to generally warmer weather compared to the prior year.

Electric

Electric service revenues increased $1,662,000 in the first quarter of 2007 over the same period in 2006. $1,626,000 of the increase was attributable to the cost of fuel and other costs that were passed through to customers. A new fuel contract in our Northeast division was effective January 1, 2007 and this increased the cost of fuel that was passed through to our customers. Gross profit was flat compared to the first quarter of 2006.

Propane Gas

Propane experienced a 4% decrease in units sold to customers due to warmer weather; however this was offset by increased profit margins.

Operating Expenses

Operating expenses were higher by $498,000 in the first quarter of 2007 compared to the same period in 2006. The majority of the increased expense is from cost of living raises related to payroll and increased payroll expense incurred to improve natural gas customer service and collections.

Other Income and Deductions

Although merchandise and service revenue decreased by $311,000 in the first quarter of 2007 compared to the same period last year, our profit increased by $64,000. We experienced a decrease in revenue mainly due to lower demand for merchandise as a result of the slow down of new construction projects during the current downturn in the housing market. Despite the decrease to our revenues, profitability rose due to a focus by our management on pricing structure.

The total interest expense decreased $46,000 as compared to the same period last year, due mainly to a decrease in the average outstanding balance on the line of credit.

Income Taxes

Income tax expense decreased in the first quarter of 2007 by $257,000 over the same

period last year as a result of lower taxable income.

Liquidity and Capital Resources

Cash Flows

Operating Activities

Net cash flow provided by operating activities for the three months ended March 31, 2007 decreased by approximately $4.8 million over the same period in 2006. The over-recovered fuel costs in 2006 and the related reduction in fuel costs in 2007 that are passed to our customers accounted for approximately $5.1 million decrease in the current year's net cash flow as compared to the prior year.

Investing Activities

Construction expenditures did not fluctuate significantly between the quarters, decreasing by approximately $178,000 compared to the same period last year.

Financing Activities

Decreases in cash flow used in financing activities were mostly attributable to reductions in short-term borrowings. In the first quarter of 2007 we paid down our line of credit by $1.3 million as compared to $6.1 million in the first quarter of 2006. The increase in fuel costs during the latter part of 2005 resulted in large fuel under-recoveries and therefore a higher dependence on short-term financing in the first quarter of 2006 compared to 2007.

Capital Resources

We have a $12 million line of credit (LOC), which expires on July 1, 2008. Upon 30 days notice by us we can increase the LOC to a maximum of $20 million. The LOC contains affirmative and negative covenants that, if violated, would give the bank the right to accelerate the due date of the loan to be immediately payable. The covenants include certain financial ratios. All ratios are currently within the required limits and management believes we are in full compliance with all covenants and anticipates continued compliance in the foreseeable future. We reserve $1 million of the LOC to cover expenses for any major storm repairs in our electric segment and an additional $250,000 for a letter of credit insuring propane facilities. As of March 31, 2007, the amount borrowed from the LOC was $2.2 million. At March 31, 2007, the LOC, long-term debt and preferred stock comprised 52% of total equity and debt capitalization.

Our 1942 Indenture of Mortgage and Deed of Trust, which is a mortgage on all real and personal property, permits the issuance of additional bonds based upon a calculation of unencumbered net real and personal property. At March 31, 2007, such calculation would permit the issuance of approximately $39.8 million of additional bonds.

We have $3.4 million in invested funds for payment of future environmental costs. We expect to incur between $5.8 million and $19.1 million through the year ending December 31, 2021 for expenses related to environmental clean up.

Capital Requirements

Portions of our business are seasonal and dependent on weather conditions in Florida. The weather affects the sale of electricity and gas, and thereby impacts the cash provided by operations. Construction costs also impact cash requirements throughout the year. Cash needs for operations and construction are met partially through short-term borrowings from our LOC.

We plan to purchase land for the construction of our South Florida division office within three years. The possible purchase of the land would increase capital expenditures by $4 to $6 million. The current South Florida division office is located on environmentally impacted property, which requires relocating the office to allow for clean up of the property. It will not be possible to rebuild at the current location since this site has been rezoned with a residential designation. We are planning to build and complete this new facility in the next five years. Additional construction expenditures for the remainder of 2007 include the anticipated construction of an office building in Northeast Florida. The cost is expected to be approximately $750,000 with construction scheduled for completion in early 2008.

Material commitments for capital expenditures consist of $775,000 for the purchase of a transformer and vehicle purchases totaling approximately $489,000.

Cash requirements are anticipated to increase significantly in the future due to additional environmental clean up costs, sinking fund payments on long-term debt and pension contributions. Environmental clean up costs are forecasted to be approximately $600,000 through 2007, with remaining payments which could total approximately $13.1 million, beginning in 2008 and ending in 2021. Annual long-term debt sinking fund payments of approximately $1.4 million will begin in 2008 and will continue for eleven years. Current projections indicate that we will need to make a contribution of $250,000 to our pension plan in 2007. Congress has finalized the new funding rules and we may have significant contribution requirements for several years beginning with 2008.

Due to delayed environmental clean-up costs, we currently do not anticipate that any equity or debt financing in 2007 will be required. We believe that cash from operations, coupled with short-term borrowings on the LOC, will be sufficient to satisfy our operating expenses, normal capital expenditure requirements and dividend payments through spring of 2008. However, cash requirements are forecasted to increase significantly in the future due to our environmental clean up costs, a land purchase, and sinking fund payments on long-term debt and pension contributions. If cash needs relating to the land purchase and related construction and the timing of environmental expenditures change, it is possible we may consider equity or debt financing. The need and timing will depend upon the overall company cash flow requirements. There can be no assurance, however, that equity or debt financing will be available on favorable terms, or at all, when we seek such financings.

Outlook

Electric Power Supply
Contracts with our two electric suppliers were originally set to expire on December 31,

2007. Those long-term contracts provided electricity to our customers at rates much lower than current market rates. As part of our negotiations, we agreed to end the current contract terms for our Northeast division on December 31, 2006 and executed an amended contract that began January 1, 2007 and will expire December 31, 2017. Although the contract rates have increased for 2007, this enabled us to obtain lower rates for the longer term of the contract than would have been available if we had not revised the contract. The savings are passed through to our customers without profit to us.

We executed a contract for the provider of electricity in our Northwest division in December 2006 and are seeking approval of this contract and its related terms and conditions from the FPSC on or before July 1, 2007. If the FPSC does not approve this contract, we may need to seek an alternative supplier or new contract with this same supplier for the purchase of electricity in the Northwest division. This contract will be for the purchase of electricity beginning January 1, 2008. We anticipate that contract will result in rates closer to market, which could cause our customers' bills to double over existing prices in the next several years.

We are unable to estimate what impact, if any, the higher rates could have on electric consumption.

Propane Gas
We continue to review the possibility of hedging activities later in 2007 to help mitigate the risk of price changes for our cost of propane gas. We are unable to determine the impact this activity will have on our future operating income.

Over-earnings-Natural Gas Segment
The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. We have recorded estimated 2006 and 2005 over-earnings for regulated natural gas operations of $25,000 and $650,000, respectively. These liabilities have been included in the over-earnings liability on our balance sheet. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. Estimates may be revised as expectations change and factors become known and determinable.

Our 2005 and 2006 estimates of our over-earnings liabilities could change upon the FPSC finalization and review of our earnings for 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.

In 2007, we requested that the 2005 natural gas over-earnings be used to provide additional funds to our regulatory storm reserve liability and reduce the costs currently being recovered from our customers through a storm surcharge. If the FPSC approves this disposition, we will end the storm surcharge later in 2007.

Indiantown Gas
The FPSC approved our joint transportation and territorial agreements with

Indiantown in October 2006. We have also begun construction in the Indiantown area to install natural gas mains in the first phase of this development for approximately 100 homes. The next two developments are slated to break ground later in 2007 for construction of approximately 1,000 homes.

Land Purchase
We have entered into an agreement to purchase land for the new South Florida division office. We are in the process of completing due diligence on this property and expect to finalize this phase and close on the property during the second quarter of 2007.

New Division Office
We are planning to build a new operations center for our Northeast division on land we currently own. We are in the process of developing and finalizing the building plans, and expect to begin construction sometime in 2007. The cost is expected to be $750,000 and should be completed in early 2008.

Storm Related Expenditures
Regulators continue to focus on hurricane preparedness and storm recovery issues for utility companies. Newly mandated storm preparedness initiatives could impact our operating expenses and capital expenditures later in 2007. The initial forecasts of these annual expenditures are approximately $700,000. It is possible that additional regulation and rules will be mandated regarding storm related expenditures over the next several years. We requested that the FPSC allow us to recover the cost of the newly mandated storm preparedness initiatives and to defer these storm-related expenditures until we receive recovery through a rate increase. If approved, both the recovery and expenditures may occur by mid-2007. If these expenditures are approved for rate recovery in 2007, these rates would be temporary until final rates were implemented as a result of an electric base rate proceeding.

Electric Base Rate Proceeding
We plan to file a request with the FPSC in the third quarter of 2007 for a base rate increase in our electric segment. This request will include recovery of increased expenses and capital expenditures since our last rate proceeding in 2004, as well as additional storm-related expenditures as discussed above. Finalization of this request and approval, if any, of an electric base rate increase would not occur until early 2008. Possible interim rate relief for partial recovery of the increased expenditures may occur in late 2007.

Impact of Recent Accounting Standards
FASB Staff Position (FSP) AUG AIR-1
"Accounting for Planned Major Maintenance Activities," amended APB 28, *"Interim Financial Reporting,"* to prohibit the use of the accrue-in-advance method of accounting for planned major maintenance. The Company does not accrue-in-advance for planned major maintenance activities therefore the adoption of FSP AUG AIR-1 in the first quarter of 2007 did not have an impact on the Company's results of operations, cash flows or financial position.

Financial Accounting Standard No. 159

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits measurement at fair value of certain firm commitments, nonfinancial insurance contracts and warranties, host financial instruments and recognized financial assets and liabilities, excluding consolidating investments in subsidiaries, consolidating variable interest entities, various forms of deferred compensation agreements, leases, depository institution deposit liabilities and financial instruments included in shareholders' equity. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company expects to adopt SFAS No. 159 effective January 1, 2008. The Company does not believe adoption of this Statement will have a material impact on our financial condition or results of operation.

Financial Accounting Standard Board Interpretation No. 48

The Company accounts for uncertainty in income taxes in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) and SFAS No. 109, Accounting for Income Taxes. The Company performed an analysis of tax positions taken and expected to be taken on the tax returns. The analysis concluded that the Company had no material uncertain tax positions.

The Interpretation requires companies to accrue interest and penalties that would be incurred if an uncertain tax position ultimately were not sustained. In such a case, the Company would start accruing interest and penalty in the period which gives rise to the uncertain tax position. The Company would classify interest and penalties in the income statement and balance sheet separately from other tax balances and based on expected timing of cash payment to the taxing authorities.

Under the tax statute of limitations applicable to the Internal Revenue Code and state taxes, we are no longer subject to examinations by the Internal Revenue Service or the State of Florida for years before 2003. However, because we are carrying forward income tax attributes, such as net operating losses and tax credits from 2002 and earlier tax years, these attributes can still be audited when utilized on returns filed in the future. As noted in Note 14, we have been notified of an IRS audit.

Forward-Looking Statements (Cautionary Statement)

This report contains forward-looking statements including those relating to the following:

- Based on our current expectations for cash needs, including cash needs relating to the possible land purchase and related construction, we may choose to consider an equity or debt financing.
- Our anticipation of continued compliance in the foreseeable future with our LOC covenants.
- Construction expenditures for the remainder of 2007 may increase by $4 to $6 million over the same period in 2006 if we are successful in negotiating the purchase of the land for our South Florida operations.

- Our expectation that cash requirements will increase significantly in the future due to environmental clean-up costs, sinking fund payment on long-term debt and pension contributions.
- Our belief that cash from operations, coupled with short-term borrowings on our LOC, will be sufficient to satisfy our operating expenses, normal construction expenditure and dividend payments through spring of 2008.
- Our 2006 and 2005 over-earnings liability in natural gas will materialize as estimated after the FPSC review and audit.
- We expect there will be no impairment of either reporting segment upon finalization of our impairment testing in 2007.
- We expect higher fuel costs beginning in 2008 for our Northwest electric division.
- The development in Indiantown will occur as estimated.
- Storm related expenditures may be necessary beginning in 2007 and the total cost may be significant. We may receive recovery for these expenditures.
- The purchase of land for our new South Florida division office may occur in 2007.
- We expect to file for an electric base rate increase in the third quarter of 2007 and finalization is expected in early 2008. Final rates, if approved by the FPSC, would not occur until 2008.
- We anticipate capital expenditures of approximately $750,000 for the construction of an office building in Northeast Florida. Construction will begin in 2007 and be completed in early 2008.

These statements involve certain risks and uncertainties. Actual results may differ materially from what is expressed in such forward-looking statements. Important factors that could cause actual results to differ materially from those expressed by the forward-looking statements include, but are not limited to, those set forth in "Risk Factors" in our Form 10-K for the year ending December 31, 2006.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

All financial instruments held by us were entered into for purposes other than for trading. We have market risk exposure only from the potential loss in fair value resulting from changes in interest rates. We have no material exposure relating to commodity prices because under our regulatory jurisdictions, we are fully compensated for the actual costs of commodities (natural gas and electricity) used in our operations. Any commodity price increases for propane gas are normally passed through monthly to propane gas customers as the fuel charge portion of their rate.

None of our gas or electric contracts are accounted for using the fair value method of accounting. While some of our contracts meet the definition of a derivative, we have designated these contracts as "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

On a rolling four-quarter basis, we will purchase a "cap" on approximately one-third of our forecast propane volume purchases and pre-buy or hedge with a swap one-third of our forecast anticipated propane purchases. The remaining one-third will fluctuate

with the market price. Our energy strategy allows us to participate in two-thirds of price declines but only one-third of price increases. As of March 31, 2007, we have not entered into any hedging activities. When we do enter into hedging activities, we will determine whether they meet the definition of normal sales and purchases and if not, we will determine whether we can use hedge accounting.

We have no exposure to equity risk, as we do not hold any equity instruments. Our exposure to interest rate risk is limited to investments held for environmental costs, the long-term notes receivable from the sale of our water division and short-term borrowings on the line of credit. The investments held for environmental costs are short-term fixed income debt securities whose carrying amounts are not materially different than fair value. The short-term borrowings were approximately $2.2 million at the end of March 2007. We do not believe we have material market risk exposure related to these instruments. The indentures governing our two first mortgage bond series outstanding contain "make-whole" provisions (pre-payment penalties that charge for lost interest), which render refinancing impracticable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer as of March 31, 2007, concluded that our disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

3.1 Amended Articles of Incorporation (incorporated herein by reference as Exhibit 3.1 to our quarterly report on Form 10-Q for the period ended June 30, 2002).

3.2 Amended By-Laws (incorporated herein by reference as Exhibit 3(ii) to our quarterly report on Form 10-Q for the period ended June 30, 2002).

4.1 Indenture of Mortgage and Deed of Trust of FPU dated as of September 1, 1942 (incorporated by reference herein to Exhibit 7-A to Registration No. 2-

6087).

4.2 Fourteenth Supplemental Indenture dated September 1, 2001 (incorporated by reference to exhibit 4.2 on our annual report on Form 10-K for the year ended December 31, 2001).

4.3 Fifteenth Supplemental Indenture dated November 1, 2001 (incorporated by reference to exhibit 4.3 on our annual report on Form 10-K for the year ended December 31, 2001).

31.1 Certification of Chief Executive Officer (CEO) per Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer (CFO) per Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Principal Executive Officer and Principal Financial Officer per Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLORIDA PUBLIC UTILITIES COMPANY
(Registrant)

Date: May 14, 2007

By: /s/ George M. Bachman
George M. Bachman
Chief Financial Officer
(Principal Accounting Officer)

FLORIDA PUBLIC UTILITIES COMPANY
EXHIBIT INDEX

Item Number

31.1	Certification of Chief Executive Officer (CEO) per Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (CFO) per Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer per Section 906 of the Sarbanes-Oxley Act of 2002.

Schedule F-3 | BUSINESS CONTRACTS WITH OFFICERS OR DIRECTORS | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a copy of the "Business Contracts with Officers, Directors and Affiliates" schedule included in the company's most recently filed Annual Report as required by Rule 25-6.135, Florida Administrative Code. Provide any subsequent changes affecting the test year.

Type of Data Shown:
Projected Test Year Ended 12/31/08
Projected Prior Year Ended 12/31/07
Historical Test Year Ended 12/31/06
Witness: George Bachman

Line No.	Name of Officer or Director	Name and Address of Affiliated Entity	Relationship With Affiliated Entity	Amount of Contract or Transaction	Description of Product or Service
		NONE			

Supporting Schedules: C-30, C-31

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Supply a copy of all NRC safety citations issued against the company within the last two years, a listing of corrective actions and a listing of any outstanding deficiencies. For each citation provide the dollar amount of any fines or penalties assessed against the company and account(s) each are recorded.

Type of Data Shown:
Projected Test Year Ended 12/31/08
Projected Prior Year Ended 12/31/07
Historical Test Year Ended 12/31/06
Witness: George Bachman

NOT APPLICABLE

FLORIDA PUBLIC SERVICE COMMISSION

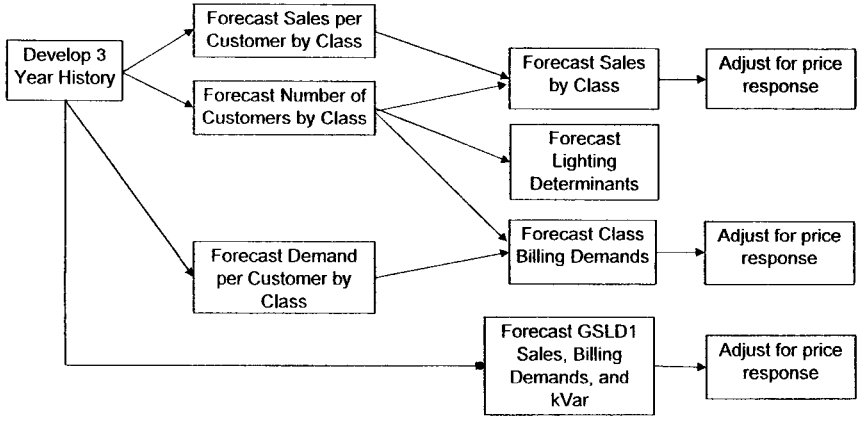
COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: If a projected test year is used, provide a brief description of each method or model used in the forecasting process. Provide a flow chart which shows the position of each model in the forecasting process.

Type of Data Shown:
Projected Test Year Ended 12/31/2008
Projected Prior Year Ended 12/31/2007

Witness: Cheryl Martin, Mark Cutshaw

FLORIDA PUBLIC UTILITIES FORECAST PROCESS



Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: If a projected test year is used, provide a brief description of each method or model used in the forecasting process. Provide a flow chart which shows the position of each model in the forecasting process.

Type of Data Shown:
Projected Test Year Ended 12/31/2008
Projected Prior Year Ended 12/31/2007

Witness: Cheryl Martin, Mark Cutshaw

FORECASTING METHODOLOGY - CUSTOMERS, ENERGY USAGE, PEAK DEMAND

In preparing the forecast for the 2008 test year, we first developed three years of historical data (4/2004 to 3/2007). The data included the number of customers, sales, and billed peak demands for each rate classification and service territory. The rate classifications are Residential (RS), General Service (GS), General Service Demand (GSD), General Service Large Demand (GSLD), General Service Large Demand Industrial (GSLD1), Outdoor Lighting (OL), and Street Lighting (SL).

Forecasts of sales by service classification were developed by building up from separate forecasts for sales per customer and number of customers. We first examined the historical relationship between sales per customer and cooling degree days (CDD), heating degree days (HDD), and a time trend. Sales per customer for 2007 and 2008 were forecast using 10-year average CDD and HDD, and the time trend. Forecasts of the number of customers in each service classification were developed using a time trend based on 4/2004 to 3/2007 data. Sales by service classification were forecast as the product of the sales per customer forecast and the number of customer forecast for each service classification. We also adjusted projected consumption for the decrease in usage due to the recent large fuel rate increases.

Forecasts of billing demands by service classification were based on the historical relationship of billing demand per customer with CDD, HDD, and a time trend, combined with the forecast of the number of customers by class. This method was only used for the GSD and GSLD classes.

Because the class contains only two customers and these are large industrial customers, the Fernandina Beach GSLD1 class was forecast using a direct forecast for KWH, billed demand, and kVar adjusted for the impact of the recent fuel increases on their demand.

Determinants for outdoor lighting and street lighting classes were forecast using the customer growth from their respective service territories. Recent growth in lighting revenues is not expected to be matched in the future, so the growth rate of the number of customers was used as a proxy for the expected growth of lighting determinants. The determinants for CSL, OL, SL1, and SL2 were frozen at 2006 levels because the rates are closed to new enrollment.

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: If a projected test year is used, provide a brief description of each method or model used in the forecasting process. Provide a flow chart which shows the position of each model in the forecasting process.

Type of Data Shown:
Projected Test Year Ended 12/31/2008
Projected Prior Year Ended 12/31/2007

Witness: Cheryl Martin, Mark Cutshaw

CONSTRUCTION BUDGET

Florida Public Utilites' construction budget is based on several different variables, each of which is driven by customer growth and usage. The main goal of the Construction Budget is to ensure prompt service to all new customers while ensuring that the integrity and reliability of the entire distribution system is maintained. Several different factors influencing the Construction Budget are as follows:

1. Customer Growth and Usage

The addition of new customers requires construction based on the customer and the type of usage required. Due to the growth, much of the construction budget is a result of serving the needs of new customers.

2. Five Year Distribution Plan

This plan is updated on a yearly basis in order to ensure that the long range integrity and reliability of the system is maintained. Total substation and feeder loads are analyzed to determine the best way to serve current and future loads. This analysis also takes into consideration voltage levels, power factors, and construction standards.

3. Depreciation

The depreciation, deterioration, and replacement of plant is also considered in determining the total construction budget. This is used to allow replacement of facilities while not adversely affecting total plant.

4. Energy Supply

Work with Gulf Power and JEA is essential. Communication concerning future load additions and reliability is ongoing. This allows both parties to look into the future and make appropriate plans.

Each of these factors is considered when developing the yearly construction budgets. Reviews at the Divisional and Corporate levels also provide adequate oversight into the expenditures in this budget.

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division

DOCKET NO.: 070304-EI

EXPLANATION: If a projected test year is used, provide a brief description of each method or model used in the forecasting process. Provide a flow chart which shows the position of each model in the forecasting process.

Type of Data Shown:
Projected Test Year Ended 12/31/2008
Projected Prior Year Ended 12/31/2007

Witness: Cheryl Martin, Mark Cutshaw

OPERATION AND MAINTENANCE EXPENSES WITHOUT PURCHASED POWER

FPU's Operation and Maintenance expenses are calculated using projections based on customer growth (see page 2 for details on forecasting this), inflation, payroll increases and special project costs. This provides adequate controls in order for the total O & M Budget amounts to be monitored.

Prior to preparing the O & M Budget, all O & M related special projects are identified. These may include special maintenance projects, small equipment purchases, training and hiring, compensation, etc. After these projects are identfied and the associated costs are determined, they are compiled with historical values for each account. This combination is then forecast into the test year using projection factors based on customer and payroll growth, and expected inflation.

After preparation, the O & M Budget along with all indentified special and new projects is submitted for Divisional and Corporate approval.

Supporting Schedules:

Recap Schedules:

Schedule F-6 | FORECASTING MODELS - SENSITIVITY OF OUTPUT TO CHANGES IN INPUT DATA | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: If a projected test year is used, for each sales forecasting model, give a quantified explanation of the impact of changes in the inputs to changes in outputs.

Type of Data Shown:
Projected Test Year Ended 12/31/2008
Projected Prior Year Ended 12/31/2007

Witness: Mark Cutshaw

Model_____

Line No.	Input Variable	Percent Change (Input)	Output Variable Affected	Percent Change (Output)

The variables contained in the forecasting models consist of weather variables and a time trend. Specifically, cooling degree days (CDD) and heating degree days (HDD) are included. We illustrate the effect of a change in the weather-normalized CDD and HDD below. Row 1 of the table below shows the forcast 2008 sales for FPU at expected CDD and HDD, based on 10-year averages. The values in rows 2 through 5 show the forecast sales if the CDD and HDD deviate from the expected value by +/- 10%.

Scenario	Forecast Sales*	% D from Base
Base	772,728	--
+10% CDD	784,523	1.5%
-10% CDD	760,933	-1.5%
+10% HDD	776,796	0.5%
-10% HDD	768,660	-0.5%

* Sales are in MWh; forecast sales excludes lighting, which is not temperature sensitive.

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Residential Marianna	Year	Month	MWh	Customers	CDD	HDD
	2004	4	9,222	10,085	5	133
	2004	5	9,333	10,098	66	12
	2004	6	12,727	10,149	277	0
	2004	7	14,313	10,141	357	0
	2004	8	14,046	10,155	367	0
	2004	9	13,182	10,104	342	0
	2004	10	11,306	10,128	170	6.5
	2004	11	9,220	10,105	42	47
	2004	12	11,199	10,130	11	266.5
	2005	1	14,699	10,125	0	350.5
	2005	2	13,242	10,172	0	455
	2005	3	10,726	10,181	1	262
	2005	4	9,273	10,161	4	109.5
	2005	5	9,166	10,190	22	54.5
	2005	6	12,334	10,188	245	0
	2005	7	14,525	10,232	338	0
	2005	8	14,462	10,231	376	0
	2005	9	15,624	10,295	392	0
	2005	10	12,667	10,232	311	0
	2005	11	9,617	10,231	29	77.5
	2005	12	12,680	10,239	0	281
	2006	1	14,530	10,279	0	359
	2006	2	11,639	10,233	0	391.5
	2006	3	10,794	10,308	4	146
	2006	4	10,063	10,296	25	110
	2006	5	10,165	10,334	110	0
	2006	6	13,198	10,288	239	0
	2006	7	15,738	10,325	346	0
	2006	8	15,478	10,340	418	0
	2006	9	15,770	10,308	356	0
	2006	10	11,393	10,337	101	9
	2006	11	9,288	10,334	30	127.5
	2006	12	13,032	10,323	3	324
	2007	1	13,094	10,355	0	185
	2007	2	13,547	10,347	0	465.5
	2007	3	12,178	10,365	0	240.5

Residential Fernandina	Year	Month	MWh	Customers	CDD	HDD
	2004	4	12,437	12,734	0	106
	2004	5	12,484	12,726	63	17.5
	2004	6	18,770	12,805	263	0
	2004	7	20,144	12,826	295	0
	2004	8	19,104	12,803	296	0
	2004	9	19,021	12,777	287	0
	2004	10	15,543	12,786	206	1
	2004	11	13,470	12,791	72	15
	2004	12	12,616	12,862	15	177
	2005	1	17,141	12,758	2	270
	2005	2	17,754	12,787	0	427
	2005	3	13,786	12,812	0	220.5
	2005	4	13,196	12,817	3	102
	2005	5	11,704	12,885	19	49.5
	2005	6	17,466	12,898	225	0
	2005	7	22,543	12,956	339	0
	2005	8	20,704	12,971	404	0
	2005	9	23,272	12,981	386	0
	2005	10	18,162	12,994	262	0
	2005	11	12,043	12,996	35	50
	2005	12	13,872	13,028	0	227.5
	2006	1	16,711	13,037	0	381
	2006	2	15,191	13,019	0	347
	2006	3	14,293	13,088	3	150
	2006	4	12,371	13,089	23	103.5
	2006	5	13,810	13,107	100	0
	2006	6	17,574	13,190	238	0
	2006	7	23,553	13,189	317	0
	2006	8	20,707	13,177	474	0
	2006	9	22,185	13,173	434	0
	2006	10	16,573	13,227	182	1
	2006	11	12,086	13,232	45	54.5
	2006	12	13,787	13,211	10	234
	2007	1	14,248	13,256	2	114
	2007	2	15,502	13,297	0	359
	2007	3	14,539	13,341	1	178

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

General Service	Year	Month	MWh	Customers	CDD	HDD	General Service	Year	Month	MWh	Customers	CDD	HDD
Marianna	2004	4	2,147	1,963	84	9	Fernandina	2004	4	2,346	1,399	76	1.5
	2004	5	2,137	1,962	249	0		2004	5	2,115	1,381	251	0
	2004	6	2,681	1,960	525	0		2004	6	2,865	1,394	511	0
	2004	7	2,987	1,970	597	0		2004	7	2,924	1,390	535	0
	2004	8	2,910	1,970	615	0		2004	8	3,002	1,394	544	0
	2004	9	2,748	1,969	590	0		2004	9	2,719	1,389	535	0
	2004	10	2,532	1,972	396	0		2004	10	2,510	1,385	439	0
	2004	11	2,217	1,967	203	0		2004	11	2,369	1,360	255	0
	2004	12	2,195	1,988	75	73.5		2004	12	2,168	1,372	100	32
	2005	1	2,608	1,992	29	127.5		2005	1	2,472	1,380	48	84.5
	2005	2	2,335	1,998	4	164.5		2005	2	2,293	1,373	2	130.5
	2005	3	2,055	1,996	35	57.5		2005	3	2,099	1,372	37	43.5
	2005	4	2,011	1,994	90	8.5		2005	4	2,137	1,366	84	16
	2005	5	2,056	2,000	139	0		2005	5	2,118	1,372	164	0.5
	2005	6	2,547	2,006	492	0		2005	6	2,594	1,379	471	0
	2005	7	2,852	1,996	578	0		2005	7	3,130	1,388	579	0
	2005	8	2,837	2,002	624	0		2005	8	3,009	1,391	652	0
	2005	9	3,136	2,000	640	0		2005	9	3,315	1,402	634	0
	2005	10	2,784	2,006	551	0		2005	10	2,843	1,401	502	0
	2005	11	2,152	2,005	177	2.5		2005	11	2,181	1,399	187	0
	2005	12	2,234	2,000	35	64.5		2005	12	2,183	1,398	34	30.5
	2006	1	2,429	2,004	25	111		2006	1	2,291	1,402	23	133
	2006	2	2,005	1,993	21	129		2006	2	2,097	1,398	21	98.5
	2006	3	2,073	2,004	77	12		2006	3	2,133	1,394	64	12.5
	2006	4	2,112	2,001	120	16		2006	4	2,070	1,404	122	5
	2006	5	2,284	2,006	325	0		2006	5	2,272	1,406	315	0
	2006	6	2,725	2,005	477	0		2006	6	2,634	1,411	483	0
	2006	7	3,081	1,999	586	0		2006	7	3,171	1,403	557	0
	2006	8	3,051	1,994	666	0		2006	8	2,891	1,408	722	0
	2006	9	3,218	2,001	604	0		2006	9	3,131	1,409	682	0
	2006	10	2,622	2,005	295	0		2006	10	2,703	1,414	404	0
	2006	11	2,044	2,005	113	3.5		2006	11	2,173	1,428	161	0
	2006	12	2,261	2,006	37	95.5		2006	12	2,151	1,427	50	43
	2007	1	2,383	2,032	54	39		2007	1	2,212	1,427	92	18
	2007	2	2,286	2,040	0	153.5		2007	2	2,079	1,430	12	96.5
	2007	3	2,291	2,038	25	74.5		2007	3	2,213	1,436	47	40

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
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DOCKET NO.: 070304-EI

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Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

GSD	Year	Month	MWh	MW	Customers	CDD	HDD	GSD	Year	Month	MWh	MW	Customers	CDD	HDD
Marianna	2004	4	6,406	23.9	385	84	9	Fernandina	2004	4	7,787	21.9	272	76	1.5
	2004	5	6,634	25.1	390	249	0		2004	5	6,814	20.0	274	251	0
	2004	6	8,181	26.3	387	525	0		2004	6	8,129	21.1	276	511	0
	2004	7	8,834	26.7	388	597	0		2004	7	8,262	21.2	277	535	0
	2004	8	8,951	28.8	393	615	0		2004	8	8,258	21.8	280	544	0
	2004	9	8,540	27.6	397	590	0		2004	9	8,387	22.0	288	535	0
	2004	10	8,215	29.3	399	396	0		2004	10	7,608	20.6	289	439	0
	2004	11	7,461	26.8	398	203	0		2004	11	7,167	20.9	288	255	0
	2004	12	7,358	27.4	398	75	73.5		2004	12	6,777	19.8	294	100	32
	2005	1	7,466	29.0	398	29	127.5		2005	1	6,851	21.8	300	48	84.5
	2005	2	7,417	29.5	398	4	164.5		2005	2	6,612	21.2	300	2	130.5
	2005	3	6,727	26.9	404	35	57.5		2005	3	6,110	21.3	292	37	43.5
	2005	4	7,934	29.4	404	90	8.5		2005	4	6,424	20.3	286	84	16
	2005	5	8,148	27.4	407	139	0		2005	5	6,890	20.5	291	164	0.5
	2005	6	8,264	27.2	408	492	0		2005	6	7,261	19.5	283	471	0
	2005	7	9,099	28.5	408	578	0		2005	7	8,738	21.5	288	579	0
	2005	8	9,165	29.5	409	624	0		2005	8	8,094	21.9	293	652	0
	2005	9	10,359	30.6	407	640	0		2005	9	9,226	22.2	287	634	0
	2005	10	9,332	29.4	408	551	0		2005	10	8,314	21.4	285	502	0
	2005	11	7,278	27.6	406	177	2.5		2005	11	6,642	20.3	286	187	0
	2005	12	6,787	25.9	402	35	64.5		2005	12	6,305	19.8	289	34	30.5
	2006	1	7,197	26.7	409	25	111		2006	1	6,220	19.6	288	23	133
	2006	2	6,335	26.5	407	21	129		2006	2	5,909	19.9	289	21	98.5
	2006	3	6,544	26.9	402	77	12		2006	3	6,197	20.0	291	64	12.5
	2006	4	7,029	26.5	405	120	16		2006	4	6,184	19.8	295	122	5
	2006	5	7,457	26.5	404	325	0		2006	5	6,929	19.9	293	315	0
	2006	6	8,425	27.4	406	477	0		2006	6	7,320	20.6	292	483	0
	2006	7	9,197	27.7	406	586	0		2006	7	9,403	21.6	296	557	0
	2006	8	9,180	28.8	410	666	0		2006	8	8,024	22.2	297	722	0
	2006	9	9,726	28.3	411	604	0		2006	9	8,965	22.3	289	682	0
	2006	10	8,198	27.4	413	295	0		2006	10	8,073	21.7	287	404	0
	2006	11	6,440	26.4	413	113	3.5		2006	11	6,556	20.0	289	161	0
	2006	12	6,987	26.9	412	37	95.5		2006	12	6,257	20.6	289	50	43
	2007	1	7,006	27.5	410	54	39		2007	1	6,532	19.8	293	92	18
	2007	2	6,389	27.1	404	0	153.5		2007	2	5,799	20.3	292	12	96.5
	2007	3	6,682	27.3	407	25	74.5		2007	3	6,207	20.3	289	47	40

Supporting Schedules: Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
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Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

GSLD	Year	Month	MWh	MW	Customers	CDD	HDD	GSLD	Year	Month	MWh	MW	Customers	CDD	HDD
Marianna	2004	4	3,293	6.7	10	84	9	Fernandina	2004	4	1,055	2.7	3	76	1.5
	2004	5	3,392	7.6	10	249	0		2004	5	1,861	3.5	6	251	0
	2004	6	4,012	8.4	10	525	0		2004	6	2,251	4.6	6	511	0
	2004	7	4,367	8.7	10	597	0		2004	7	1,934	4.0	5	535	0
	2004	8	4,087	8.9	10	615	0		2004	8	2,482	4.5	6	544	0
	2004	9	4,108	8.3	10	590	0		2004	9	1,953	4.5	6	535	0
	2004	10	3,185	8.7	9	396	0		2004	10	2,070	4.5	6	439	0
	2004	11	3,545	7.6	10	203	0		2004	11	1,522	3.5	4	255	0
	2004	12	3,519	7.5	10	75	73.5		2004	12	2,409	4.6	6	100	32
	2005	1	3,014	8.5	10	29	127.5		2005	1	2,200	5.4	7	48	84.5
	2005	2	3,322	7.0	10	4	164.5		2005	2	2,269	4.9	6	2	130.5
	2005	3	2,541	6.2	10	35	57.5		2005	3	2,037	4.8	6	37	43.5
	2005	4	3,677	8.2	10	90	8.5		2005	4	1,416	3.3	5	84	16
	2005	5	3,438	7.9	10	139	0		2005	5	2,641	4.5	6	164	0.5
	2005	6	6,652	11.3	13	492	0		2005	6	1,999	3.4	4	471	0
	2005	7	6,871	12.3	12	578	0		2005	7	2,804	4.1	7	579	0
	2005	8	5,614	10.1	11	624	0		2005	8	2,136	5.2	7	652	0
	2005	9	6,933	13.0	11	640	0		2005	9	2,696	5.5	7	634	0
	2005	10	5,696	11.7	11	551	0		2005	10	2,497	5.5	7	502	0
	2005	11	5,274	10.7	11	177	2.5		2005	11	2,305	5.5	7	187	0
	2005	12	5,584	11.9	13	35	64.5		2005	12	2,346	5.5	7	34	30.5
	2006	1	4,956	10.9	13	25	111		2006	1	2,306	5.2	7	23	133
	2006	2	4,489	10.7	13	21	129		2006	2	2,203	5.1	7	21	98.5
	2006	3	4,559	10.5	13	77	12		2006	3	2,261	5.3	7	64	12.5
	2006	4	5,111	11.0	13	120	16		2006	4	2,164	5.0	7	122	5
	2006	5	5,384	10.0	13	325	0		2006	5	2,114	5.1	7	315	0
	2006	6	5,801	11.9	13	477	0		2006	6	2,338	5.3	7	483	0
	2006	7	6,160	11.9	13	586	0		2006	7	2,447	5.3	7	557	0
	2006	8	6,098	12.3	13	666	0		2006	8	2,411	5.1	7	722	0
	2006	9	6,462	13.1	13	604	0		2006	9	2,418	5.3	7	682	0
	2006	10	5,769	11.5	13	295	0		2006	10	2,276	5.1	7	404	0
	2006	11	5,116	11.0	13	113	3.5		2006	11	2,002	4.9	7	161	0
	2006	12	5,669	11.5	13	37	95.5		2006	12	2,175	5.1	7	50	43
	2007	1	4,958	10.2	13	54	39		2007	1	2,203	5.1	7	92	18
	2007	2	4,520	10.7	13	0	153.5		2007	2	2,252	5.0	7	12	96.5
	2007	3	4,697	9.5	13	25	74.5		2007	3	2,108	4.9	7	47	40

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
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Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

GSLD1	Year	Month	MWh	MW	kVar	Customers
Fernandina	2006	1	8,430	38.3	0	2
	2006	2	8,370	42.4	959	2
	2006	3	10,910	38.8	2,160	2
	2006	4	7,740	27.6	0	2
	2006	5	8,150	39.5	400	2
	2006	6	10,970	32.0	0	2
	2006	7	10,960	42.2	0	2
	2006	8	12,490	39.8	0	2
	2006	9	9,660	35.4	1,323	2
	2006	10	11,820	35.0	0	2
	2006	11	10,220	33.5	0	2
	2006	12	7,410	31.7	4,797	2

Supporting Schedules:

Recap Schedules:

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Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Normal Weather	Month	CDD70	CDD62	HDD65	HDD54
Marianna	1	0	20	425.0	166
	2	0	16	395.8	132
	3	2	41	218.4	49
	4	24	135	100.5	9
	5	81	261	22.7	0
	6	258	502	1.0	0
	7	346	586	0.0	0
	8	377	625	0.0	0
	9	349	597	0.0	0
	10	184	401	9.1	0
	11	30	152	91.0	5
	12	4	47	278.3	79

Normal Weather	Month	CDD70	CDD62	HDD65	HDD54
Fernandina	1	1	27	351.4	116
	2	0	19	353.6	100
	3	3	46	196.9	38
	4	20	133	85.7	5
	5	74	264	17.0	0
	6	241	484	0.5	0
	7	314	554	0.0	0
	8	362	610	0.0	0
	9	324	572	0.0	0
	10	190	420	2.5	0
	11	39	183	47.4	1
	12	5	67	205.0	41

For residential classes,
HDD is calculated as MAX[65 - (max T + min T)/2, 0], summed over all days of the year.
CDD is calculated as MAX[(max T + min T)/2 - 70, 0], summed over all days of the year.

For non-residential classes,
HDD is calculated as MAX[54 - (max T + min T)/2, 0], summed over all days of the year.
CDD is calculated as MAX[(max T + min T)/2 - 62, 0], summed over all days of the year.

Normal HDD and CDD values were calculated as the 10-year average
from April 1997 through March 2007.

Marianna weather is taken from National Climactic Data Center
Cooperative Station ID #088758, Tallahassee FL Regional Airport

Fernandina weather is taken from National Climactic Data Center
Cooperative Station ID #082944, Fernandina Beach, FL

In the regression model output that follows, "cus_***" is the number of customers in the class; "upc_***" is the use per customer; "dpc_***" is the demand per customer, "trend" is an annual time trend; "hdd65" is heating degree days using a 65 degree threshold; "cdd70" is cooling degree days using a 70 degree threshold; "hdd54" is heating degree days using a 54 degree threshold; "cdd62" is cooling degree days using a 62 degree threshold; and "_cons" is the estimated constant term.

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Marianna Residential

Source	SS	df	MS		
Model	1562631.38	1	1562631.38	Number of obs =	36
Residual	21049.9156	34	619.115164	F(1, 34) =	2523.98
Total	1583681.29	35	45248.037	Prob > F =	0.0000
				R-squared =	0.9867
				Adj R-squared =	0.9863
				Root MSE =	24.882

cus_res	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
trend	96.40271	5.506142	17.508	0.000	85.21288	107.5925
_cons	9287.773	54.12847	171.588	0.000	9177.771	9397.775
rho	.1418337					

Durbin-Watson statistic (original) 1.712817
Durbin-Watson statistic (transformed) 2.071005

Source	SS	df	MS		
Model	2453910.66	3	817970.219	Number of obs =	36
Residual	215340.922	32	6729.40381	F(3, 32) =	121.55
Total	2669251.58	35	76264.3308	Prob > F =	0.0000
				R-squared =	0.9193
				Adj R-squared =	0.9118
				Root MSE =	82.033

upc_res	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
hdd65	1.295507	.114121	11.352	0.000	1.06305	1.527964
cdd70	1.752248	.1057639	16.568	0.000	1.536814	1.967682
trend	31.5901	12.21912	2.585	0.014	6.700569	56.47963
_cons	493.1471	120.1684	4.104	0.000	248.372	737.9222
rho	-.3576822					

Durbin-Watson statistic (original) 2.577049
Durbin-Watson statistic (transformed) 2.305867

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Fernandina Residential

Source	SS	df	MS		
Model	23963871.3	1	23963871.3	Number of obs	36
Residual	37890.9103	34	1114.43854	F(1, 34)	=21503.09
Total	24001762.3	35	685764.636	Prob > F	= 0.0000
				R-squared	= 0.9984
				Adj R-squared	= 0.9984
				Root MSE	= 33.383

cus_res	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
trend	205.5215	13.99095	14.690	0.000	177.0885	233.9545
_cons	10980.77	137.6174	79.792	0.000	10701.09	11260.44
rho	.5906294					

Durbin-Watson statistic (original) 0.804066
Durbin-Watson statistic (transformed) 2.041700

Source	SS	df	MS		
Model	4889993.87	3	1629997.96	Number of obs	36
Residual	265562.922	32	8298.84131	F(3, 32)	= 196.41
Total	5155556.79	35	147301.623	Prob > F	= 0.0000
				R-squared	= 0.9485
				Adj R-squared	= 0.9437
				Root MSE	= 91.098

upc_res	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
hdd65	1.207983	.1352872	8.929	0.000	.9324117	1.483554
cdd70	2.1704	.108367	20.028	0.000	1.949664	2.391137
trend	-27.28428	12.66462	-2.154	0.039	-53.08126	-1.487295
_cons	1103.533	123.099	8.965	0.000	852.7883	1354.277
rho	-.4539443					

Durbin-Watson statistic (original) 2.802217
Durbin-Watson statistic (transformed) 2.207162

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Marianna GS

```
  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  1,    34) =12471.29
   Model |  620953.465     1  620953.465           Prob > F      =  0.0000
Residual |  1692.88101    34  49.790618           R-squared     =  0.9973
---------+------------------------------           Adj R-squared =  0.9972
   Total |  622646.346    35  17789.8956           Root MSE      =  7.0562

------------------------------------------------------------------------------
  cus_gs |      Coef.   Std. Err.       t     P>|t|     [95% Conf. Interval]
---------+--------------------------------------------------------------------
   trend |   21.35231   4.255282      5.018   0.000     12.70454    30.00009
   _cons |   1787.385   41.8847      42.674   0.000     1702.265    1872.505
---------+--------------------------------------------------------------------
     rho |   .7445974
------------------------------------------------------------------------------
Durbin-Watson statistic (original)    0.552319
Durbin-Watson statistic (transformed) 2.037745
```

```
  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  3,    32) =   98.37
   Model |  1418714.57     3  472904.856           Prob > F      =  0.0000
Residual |  153842.754    32  4807.58606           R-squared     =  0.9022
---------+------------------------------           Adj R-squared =  0.8930
   Total |  1572557.32    35  44930.2092           Root MSE      =  69.337

------------------------------------------------------------------------------
  upc_gs |      Coef.   Std. Err.       t     P>|t|     [95% Conf. Interval]
---------+--------------------------------------------------------------------
   hdd54 |   1.625505   .2986821      5.442   0.000      1.01711    2.233901
   cdd62 |   .8959886   .0594523     15.071   0.000      .7748883    1.017089
   trend |   15.91585   11.98184      1.328   0.193     -8.490351    40.32205
   _cons |   779.0847   120.5361      6.463   0.000      533.5607    1024.609
---------+--------------------------------------------------------------------
     rho |   -.15154
------------------------------------------------------------------------------
Durbin-Watson statistic (original)    2.175871
Durbin-Watson statistic (transformed) 1.974273
```

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Fernandina GS

```
  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  1,    34) = 5099.09
   Model |  324821.641     1  324821.641           Prob > F      =  0.0000
Residual |  2165.86255    34  63.7018396           R-squared     =  0.9934
---------+------------------------------           Adj R-squared =  0.9932
   Total |  326987.504    35   9342.5001           Root MSE      =  7.9813

------------------------------------------------------------------------------
  cus_gs |      Coef.   Std. Err.       t     P>|t|       [95% Conf. Interval]
---------+--------------------------------------------------------------------
   trend |   15.39469   4.717682      3.263   0.003       5.807205    24.98217
   _cons |   1248.787   46.43373     26.894   0.000       1154.423    1343.152
------------------------------------------------------------------------------
     rho |   .7374729
------------------------------------------------------------------------------
Durbin-Watson statistic (original)    0.481678
Durbin-Watson statistic (transformed) 2.087767
```

```
  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  3,    32) =  150.31
   Model |  4532335.79     3  1510778.60           Prob > F      =  0.0000
Residual |  321643.302    32  10051.3532           R-squared     =  0.9337
---------+------------------------------           Adj R-squared =  0.9275
   Total |  4853979.09    35  138685.117           Root MSE      =  100.26

------------------------------------------------------------------------------
  upc_gs |      Coef.   Std. Err.       t     P>|t|       [95% Conf. Interval]
---------+--------------------------------------------------------------------
   hdd54 |   2.288263   .4981558      4.593   0.000       1.273553    3.302973
   cdd62 |   1.268184   .0753197     16.837   0.000       1.114763    1.421605
   trend |  -28.85897   14.86806     -1.941   0.061      -59.14422    1.426282
   _cons |   1647.518   149.5245     11.018   0.000       1342.947    1952.09
------------------------------------------------------------------------------
     rho |  -.3397669
------------------------------------------------------------------------------
Durbin-Watson statistic (original)    2.519203
Durbin-Watson statistic (transformed) 2.045922
```

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Marianna GSD

```
  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  1,    34) = 2730.42
   Model |  22720.341     1  22720.341             Prob > F      =  0.0000
Residual |  282.92028    34  8.32118472            R-squared     =  0.9877
---------+------------------------------           Adj R-squared =  0.9873
   Total |  23003.2613    35  657.236037            Root MSE      =  2.8846

 cus_gsd |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
---------+--------------------------------------------------------------------
   trend |   7.124119   1.810259     3.935   0.000     3.445231    10.80301
   _cons |    332.322   17.82027    18.649   0.000     296.1069    368.5372
-------------------------------------------------------------------------------
     rho |   .7583495
-------------------------------------------------------------------------------
Durbin-Watson statistic (original)    0.469578
Durbin-Watson statistic (transformed) 2.004710

  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  3,    32) =    9.03
   Model |  176.139653     3  58.7132175            Prob > F      =  0.0002
Residual |  208.170484    32  6.50532764            R-squared     =  0.4583
---------+------------------------------           Adj R-squared =  0.4075
   Total |  384.310137    35  10.9802896            Root MSE      =  2.5506

 dpc_gsd |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
---------+--------------------------------------------------------------------
   hdd54 |   .0239067   .0118626     2.015   0.052    -.0002566    .0480699
   cdd62 |   .0090076   .0027078     3.326   0.002     .0034919    .0145233
   trend |  -.6256442   .6947421    -0.901   0.375    -2.040787    .7894991
   _cons |   71.05792   6.925389    10.260   0.000     56.95137    85.16448
-------------------------------------------------------------------------------
     rho |   .3056707
-------------------------------------------------------------------------------
Durbin-Watson statistic (original)    1.379198
Durbin-Watson statistic (transformed) 1.993457

  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  3,    32) =   38.95
   Model |  146175553     3  48725184.3            Prob > F      =  0.0000
Residual |  40031206.1    32  1250975.19            R-squared     =  0.7850
---------+------------------------------           Adj R-squared =  0.7649
   Total |  186206759    35  5320193.12            Root MSE      =  1118.5

 upc_gsd |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
---------+--------------------------------------------------------------------
   hdd54 |   7.080829   5.193281     1.363   0.182    -3.497538    17.6592
   cdd62 |   10.65024   1.127138     9.449   0.000     8.354335    12.94615
   trend |  -221.5229   266.1895    -0.832   0.411    -763.7331    320.6872
   _cons |   18322.93   2659.905     6.889   0.000     12904.88    23740.98
-------------------------------------------------------------------------------
     rho |   .1906266
-------------------------------------------------------------------------------
Durbin-Watson statistic (original)    1.612326
Durbin-Watson statistic (transformed) 1.949468
```

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Fernandina GSD

```
  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  1,    34) =  715.25
   Model |  11159.4583     1  11159.4583           Prob > F      =  0.0000
Residual |  530.477149    34  15.6022691           R-squared     =  0.9546
---------+------------------------------           Adj R-squared =  0.9533
   Total |  11689.9355    35  333.998156           Root MSE      =    3.95

 cus_gsd |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
---------+--------------------------------------------------------------------
   trend |    4.36749   2.238186     1.951   0.059    -.1810509    8.91603
   _cons |   244.7506   22.02708    11.111   0.000     199.9862    289.515
---------------------------------------------------------------------------
     rho |   .7219839
---------------------------------------------------------------------------
Durbin-Watson statistic (original)    0.516723
Durbin-Watson statistic (transformed) 1.671104

  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  3,    32) =   24.86
   Model |  495.824911     3   165.27497           Prob > F      =  0.0000
Residual |  212.726987    32  6.64771834           R-squared     =  0.6998
---------+------------------------------           Adj R-squared =  0.6716
   Total |  708.551898    35  20.2443399           Root MSE      =  2.5783

 dpc_gsd |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
---------+--------------------------------------------------------------------
   hdd54 |   .0019321   .0150166     0.129   0.898    -.0286556    .0325198
   cdd62 |   .0082246   .0025481     3.228   0.003     .0030343    .0134148
   trend |  -1.536886   .6026679    -2.550   0.016    -2.76448    -.3092914
   _cons |    84.8989   6.011622    14.122   0.000     72.65363    97.14417
---------------------------------------------------------------------------
     rho |   .1839726
---------------------------------------------------------------------------
Durbin-Watson statistic (original)    1.345707
Durbin-Watson statistic (transformed) 1.768525
```

```
  Source |       SS       df       MS              Number of obs =      36
---------+------------------------------           F(  3,    32) =   78.48
   Model |  619399426     3  206466475            Prob > F      =  0.0000
Residual |  84188083.7    32  2630877.62           R-squared     =  0.8803
---------+------------------------------           Adj R-squared =  0.8691
   Total |  703587509    35  20102500.3            Root MSE      =  1622.0

 upc_gsd |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
---------+--------------------------------------------------------------------
   hdd54 |  -2.326576   8.258777    -0.282   0.780    -19.14915     14.496
   cdd62 |    13.0709   1.255228    10.413   0.000     10.51408    15.62772
   trend |  -787.7804   250.2628    -3.148   0.004    -1297.549    -278.0118
   _cons |   29138.06   2515.09     11.585   0.000     24014.99    34261.13
---------------------------------------------------------------------------
     rho |  -.2842387
---------------------------------------------------------------------------
Durbin-Watson statistic (original)    2.287046
Durbin-Watson statistic (transformed) 1.689949
```

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Marianna GSLD

Source	SS	df	MS		
Model	5.8446e	3	1.9482e	Number of obs =	36
Residual	5.9807e	32	1.8690e	F(3, 32) =	10.42
Total	1.1825e	35	3.3786e	Prob > F =	0.0001
				R-squared =	0.4942
				Adj R-squared =	0.4468
				Root MSE =	43232

upc_gsld	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
hdd54	73.47153	196.96	0.373	0.712	-327.7229	474.6659
cdd62	250.4261	49.5761	5.051	0.000	149.4429	351.4093
trend	29149.22	15056.75	1.936	0.062	-1520.379	59818.82
_cons	51570.57	149501.8	0.345	0.732	-252954.5	356095.7
rho	.4794331					

Durbin-Watson statistic (original) 1.070392
Durbin-Watson statistic (transformed) 2.377253

Source	SS	df	MS		
Model	112439.549	3	37479.8498	Number of obs =	36
Residual	202709.894	32	6334.6842	F(3, 32) =	5.92
Total	315149.444	35	9004.26982	Prob > F =	0.0025
				R-squared =	0.3568
				Adj R-squared =	0.2965
				Root MSE =	79.591

dpc_gsld	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
hdd54	.274306	.3704562	0.740	0.464	-.4802885	1.028901
cdd62	.346318	.0823828	4.204	0.000	.1785096	.5141263
trend	38.07882	20.25374	1.880	0.069	-3.176711	79.33434
_cons	377.1679	202.1366	1.866	0.071	-34.57082	788.9066
rho	.2495994					

Durbin-Watson statistic (original) 1.473969
Durbin-Watson statistic (transformed) 2.075758

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of Data Shown:
Historical Year Ended 12/31/2006
Prior Years 2004-2005

Witness: Mark Cutshaw

Fernandina GSLD

Source	SS	df	MS		
Model	1.6927e	3	5.6424e	Number of obs =	36
Residual	5.2391e	32	1.6372e	F(3, 32) =	3.45
				Prob > F =	0.0281
Total	6.9318e	35	1.9805e	R-squared =	0.2442
				Adj R-squared =	0.1733
				Root MSE =	40463

upc_gsld	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
hdd54	113.7403	234.9711	0.484	0.632	-364.8801	592.3608
cdd62	64.2524	39.44824	1.629	0.113	-16.10104	144.6058
trend	-20141.12	9192.269	-2.191	0.036	-38865.16	-1417.084
_cons	522483.2	91736.5	5.695	0.000	335622.1	709344.3
rho	.15763					

Durbin-Watson statistic (original) 1.683759
Durbin-Watson statistic (transformed) 1.880079

Source	SS	df	MS		
Model	5909.27767	3	1969.75922	Number of obs =	36
Residual	112964.311	32	3530.13472	F(3, 32) =	0.56
				Prob > F =	0.6466
Total	118873.589	35	3396.38825	R-squared =	0.0497
				Adj R-squared =	-0.0394
				Root MSE =	59.415

dpc_gsld	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
hdd54	.1579004	.2987246	0.529	0.601	-.4505817	.7663825
cdd62	-.005721	.0452728	-0.126	0.900	-.0979387	.0864967
trend	-18.43003	8.977594	-2.053	0.048	-36.71679	-.1432649
_cons	929.0653	90.25624	10.294	0.000	745.2194	1112.911
rho	-.3132794					

Durbin-Watson statistic (original) 2.478590
Durbin-Watson statistic (transformed) 2.070205

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. As a minimum, state assumptions used for balance sheet, income statement and sales forecast.

Type of Data Shown:

Projected Year Ended 12/31/2007
Projected Test Year Ended 12/31/2008
Witness: Cheryl Martin, Mark Cutshaw

I. BALANCE SHEET (13-Month Average)

The Consolidated Electric Operations is an operating division of Florida Public Utilities Company (FPU) and as such does not have a complete balance sheet of its own. Many of the balance sheet items are commonly shared with all divisions of FPU including the wholly-owned subsidiary, Flo-Gas Corporation (Flo-Gas). It is therefore, necessary to allocate these amounts based on various allocation bases.

Schedule B-3 reflects the 13-month average consolidated balance sheet with separate columns indicating 13-month averages for consolidated amounts, the allocated amount, and the basis and percentage for the allocation. Detail of working capital components, including adjustments and eliminations is contained on Schedule B-17. Utility Plant in Service, the associated Reserve, and Construction Work-In-Process are directly charged to the Consolidated Electric Division except for common plant. Common plant, reserve, and CWIP are allocated to the Consolidated Electric Division based upon percentages calculated in our allocation study. The detail of plant data is contained on the various B Schedules. Common Equity, Preferred Equity, Long-Term Debt, and Notes Payable were allocated to the Consolidated Electric Division as a pro-rata share of total FPU capitalization as compared to total Electric Division rate base. Projected balance sheet accounts use various direct projection methods, as well as various projection factors including customer growth, inflation and plant. Methods are indicated on the Projection Schedules included in section B.

II. INCOME STATEMENT

OPERATING REVENUES

Operating revenues are directly charged to the Consolidated Electric Division. Revenues are calculated by multiplying the KWH sales by the rates approved by the Florida Public Service Commission for base rates, fuel, and conservation. Projected revenues are based on the billing determinant forecasts described on Schedules F-5 and F-6. See Schedule C-5 for revenues.

OPERATION AND MAINTENANCE EXPENSES

Most of these expenses are directly charged to the Consolidated Electric Division except for Corporate clearing and administrative and general accounts. These accounts were allocated to the Consolidated Electric Division based upon various percentages. These percentages are based on historic payroll, revenues, customers, sales, etc. Projected expenses are based on the either direct forecasts, or projection factors applied to the historic year 12/31/2006. See Schedule C-7 for the related factors and methodologies.

DEPRECIATION and AMORTIZATION EXPENSES

Depreciation was calculated by using the existing Florida Public Service Commission approved depreciation rates. The projected test year will have to be updated before final rates are approved for new rates in our pending depreciation study filed with the Florida Public Service Commission in June 2007. Amortization expenses were based on direct projections shown on Schedule C-19.

TAXES

Income taxes, current and deferred, were computed using an effective tax rate of 37.63%. See Schedule C-22 for details. Taxes other than income taxes were projected based on various trends using the historical year 2006 as a basis. See Schedule C-20 for the factors used.

Supporting Schedules: B and C schedules

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Supply a proposed public notice of the company's request for a rate increase suitable for publication.

Type of Data Shown:
Projected Test Year Ended 12/31/08

Witness: Cheryl Martin

IMPORTANT

NOTICE TO CUSTOMERS

On August 31, 2007, Florida Public Utilities Company filed a Petition with the Florida Public Service Commission seeking approval to increase rates and charges to produce an additional $5,249,895 in revenues. They are also requesting interim rate relief for an additional $790,784 in revenues. This increase is needed in order to enable the Company to continue to provide sufficient, adequate and efficient service and to afford the Company an opportunity to earn a fair rate of return. A comparison of current and proposed Customer Facilities Charges, Energy Charges, Demand Charges and Service Charges are shown below and more details are contained in the Minimum Filing Requirements, which also contain detailed financial, accounting, tariff and engineering data supporting the request. These and the synopsis of the case are available for review at the business offices at the following locations during regular work hours.

2825 Pennsylvania Avenue
Marianna, Florida 32448-4004
850-526-6800

and

911 South 8th Street
Fernandina Beach, Florida 32034
904-261-3663

The Public Service Commission has scheduled hearings on this Petition for ***** **, 2007, in Tallahassee and a final decision is scheduled for ***** **, 2008. In addition, the PSC has scheduled service hearings at the following time and place:

****** **, 2007, **:** p.m.
Fernandina Beach City Commission
Chambers
204 Ash Street
Fernandina Beach, Florida 32034

and

****** **, 2007, **:** p.m.
Jackson County Commission
Meeting Room
2864 Madison Street
Marianna, Florida 32446

At the service hearings, customers will be afforded an opportunity to present comments to the Commission regarding the proposal and service of the company.
Customers wishing to address the Commission are urged to appear early as the hearing will be adjourned if no one is in attendance.
Any person requiring some accommodation at the service hearings because of physical impairment should call the Commission's Division of the Commission Clerk and Administrative Services at 850-413-6770 at least five calendar days prior to the hearing. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).
Any customer comments regarding the Company's service or the proposed rate increase should be addressed to: Director, Division of the Commission Clerk and Administrative Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. Such comments should refer to Docket No. 070304-EI, which is the docket number that has been assigned to this proceeding.
For your information, we are also providing the address and telephone number of the Florida Public Service Commission's Consumer Affairs Division: Division of Consumer Affairs, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 1-800-342-3552 (Toll Free Number). Following is a comparison of current and proposed base rates:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Public Utilities Company
Consolidated Electric Division

DOCKET NO.: 070304-EI

EXPLANATION: Supply a proposed public notice of the company's request for a rate increase suitable for publication.

Type of Data Shown:
Projected Test Year Ended 12/31/08

Witness: Cheryl Martin

	Current Customer Facilities Charge	Proposed Interim Customer Facilities Charge	Proposed Final Customer Facilities Charge
Residential (RS)	10.00	10.59	14.00
General Service (GS)	14.00	14.82	21.00
General Service Demand (GSD)	44.00	46.58	62.00
General Service Large Demand (GSLD)	75.00	79.39	113.00
General Service Large Demand (GSLD1)	600.00	635.13	600.00

	Current Energy Charge	Proposed Interim Energy Charge	Proposed Final Energy Charge
Residential (RS)	0.01373 $/KWH	0.01453 $/KWH	0.01967 $/KWH
General Service (GS)	0.01473 $/KWH	0.01559 $/KWH	0.02206 $/KWH
General Service Demand (GSD)	0.00232 $/KWH	0.00246 $/KWH	0.00323 $/KWH
General Service Large Demand (GSLD)	0.00086 $/KWH	0.00091 $/KWH	0.00113 $/KWH
General Service Large Demand (GSLD1)	N/A	N/A	N/A $/KWH

	Current Demand Charge	Proposed Interim Demand Charge	Proposed Final Demand Charge
Residential (RS)	N/A	N/A	N/A
General Service (GS)	N/A	N/A	N/A
General Service Demand (GSD)	2.48 $/KW	2.63 $/KW	3.47 $/KW
General Service Large Demand (GSLD)	2.89 $/KW	3.06 $/KW	4.34 $/KW
General Service Large Demand (GSLD1)	1.12 $/KW	1.19 $/KW	1.12 $/KW
General Service Large Demand (GSLD1)	0.24 $/kVAR	0.025 $/kVAR	0.24 $/kVAR
Outdoor Lighting	Various	5.86%	20%
Street Lighting	Various	5.86%	43%

	Current Service Charges	Proposed Interim Service Charges	Proposed Final Service Charges
Initial Entitlement of Service	44.00	44.00	53.00
Re-establish Service or Make Changes to Existing Account	19.00	19.00	23.00
Temporary Disconnect then Reconnect Service Due to Customer Request	27.00	27.00	33.00
Reconnect After Disconnect for Rule Violation (normal hours)	37.00	37.00	44.00
Reconnect After Disconnect for Rule Violation (after hours)	60.00	60.00	95.00
Temporary Service used in conjunction with the temporary service fee when running a temporary service	44.00	44.00	52.00
Collection Charge	11.50	11.50	14.00
Returned Check Charge	Per Statute	Per Statute	Per Statute
Credit Card Fees	$3.50 RS and 3.5% other classes	N/A	N/A
Late Fees	Greater of 1.5% or $5.00	Greater of 1.5% or $5.00	Greater of 1.5% or $5.00

Supporting Schedules: C-7

Recap Schedules:

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC DIVISION

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 070304-EI

MINIMUM FILING REQUIREMENTS
SCHEDULE G – INTERIM RATE RELIEF
SCHEDULES

AUGUST 2007

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 070304-EI

MINIMUM FILING REQUIREMENTS

INTERIM RATE RELIEF SCHEDULES

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Schedule G-1 INTERIM REVENUE REQUIREMENTS INCREASE REQUESTED

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of the requested interim revenue requirements increase.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Mehrdad Khojasteh, Cheryl Martin

Line No	Description	Source	Amount
1.	Jurisdictional Adjusted Rate Base	Schedule G-2	38,057,241
2.	Rate of Return on Rate Base Requested	Schedule G-19a	7.8000%
3.	Jurisdictional Income Requested	Line 1 x Line 2	2,968,465
4.	Jurisdictional Adjusted Net Operating Income	Schedule G-7	2,476,531
5.	Income Deficiency (Excess)	Line 3 - Line 4	491,934
6.	Earned Rate of Return	Line 4/Line 1	6.5074%
7.	Net Operating Income Multiplier	Schedule G-18	1.6075
8.	Revenue Increase (Decrease) Requested	Line 5 x Line 7	790,784

Supporting Schedules: G-2, G-19a, G-7, G-18

Recap Schedules: G-1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule of the 13-month average adjusted rate base for the test year and the prior year if the interim test year is projected. Provide the details of all adjustments on Schedule G-3.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Jim Mesite

Line No.		(1) Plant in Service	(2)* Accumulated Provision for Depreciation and Amortization	(3) Net Plant in Service (1 - 2)	(4) CWIP - No AFUDC	(5) Plant Held For Future Use	(6) Nuclear Fuel - No AFUDC (Net)	(7) Net Utility Plant	(8) Working Capital Allowance	(9) Other Rate Base Items	(10) Total Rate Base
1	System Per Books	72,376,983	(32,199,482)	40,177,500	1,461,603	-	-	41,639,104	(1,682,506)	-	39,956,598
2	Jurisdictional Factors	100%	100%	100%	100%	100%	100%	100%	100%	100%	
3	Jurisdictional Per Books	72,376,983	(32,199,482)	40,177,500	1,461,603	-	-	41,639,104	(1,682,506)	-	39,956,598
4	Adjustments:										
5	Non-regulated Propane Operations	(67,783)	33,370	(34,413)	(7,343)	-	-	(41,756)		-	(41,756)
6	Eliminate Interest Bearing Cash Per 2003 Rate Case Proceeding								(24,312)		(24,312)
7	Eliminate 1/2 Deferred Rate Case Expense Per 2003 Rate Case Proceeding								(116,540)		(116,540)
8	Eliminate Fuel Under-Recover Per 2003 Rate Case Proceeding								(1,716,749)		(1,716,749)
9											
10											
11											
12											
13	Total Adjustments	(67,783)	33,370	(34,413)	(7,343)	-	-	(41,756)	(1,857,601)	-	(1,899,357)
14											
15	Adjusted Jurisdictional	72,309,200	(32,166,112)	40,143,087	1,454,260	-	-	41,597,348	(3,540,107)	-	38,057,241
16											
17											
18	* Includes Account 2520 - Customer Advances for Construction										

Supporting Schedules: B-1 (2006), G3

Recap Schedules: G-1

Schedule G-3

INTERIM RATE BASE ADJUSTMENTS

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY:FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: List and explain all proposed adjustments to the 13-month average rate base for the interim test year. List the adjustments made by the Commission in the last case not proposed in the current case and reasons for excluding them.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Jim Mesite

Line No.	Adjustment Title		(1) Adjustment Amount	(2) Jurisdictional Factor	(3) Jurisdictional Amount of Adjustment (1) x (2)
1	PLANT				
2	Commission Adjustment:				
3	Allocate Various Items of General	Non-Regulated Propane Operations at			
4	Plant Accounts to Propane; based	Fernandina Beach Location - Per			
5	on Customers and/or Square Footage	2003 Rate Case Proceeding			
6	Measurements	"			
7	(Accounts 3890, 3900, 3911, 3912,	"			
8	3913, and 391305)	"			
9	Plant-in-Service	"	(67,783)	100%	(67,783)
10	Reserve	"	33,370	100%	33,370
11	CWIP	"	(7,343)	100%	(7,343)
12	Total	"	(41,756)		(41,756)
13					
14					
15	Company Adjustment:				
16	None				
17					
18					
19					
20	WORKING CAPITAL				
21	Commission Adjustment:				
22	Eliminate Interest Baring Cash	Per 2003 Rate Case Proceeding	(24,312)	100%	(24,312)
23	Eliminate 1/2 Deferred Rate Case Expense	Per 2003 Rate Case Proceeding	(116,540)	100%	(116,540)
24	Eliminate Fuel Under-Recover	Per 2003 Rate Case Proceeding	(1,716,749)	100%	(1,716,749)
25			(1,857,601)		(1,857,601)
26	Company Adjustment:				
27	None				

Supporting Schedules: B-3 (2006)

Recap Schedules: G-2

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a development of jurisdictional separation factors for rate base for the test year, and the prior year if the test year is projected.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Jim Mesite

Line No.	Description	Total Company	FERC Jurisdictional	FPSC Jurisdictional	Jurisdictional Factor
1	Electric Plant in Service:				
2	Intangible				
3	Production:				
4	Steam	-	-	-	
5	Nuclear	-	-	-	
6	Other	-	-	-	
7	Total Production	-	-	-	
8	Transmission:				
9	Land and Land Rights	74,148	74,148	74,148	100%
10	Structure and Improvements	22,007	22,007	22,007	100%
11	Station Equipment	2,414,632	2,414,632	2,414,632	100%
12	Towers & Fixtures	224,665	224,665	224,665	100%
13	Poles & Fixtures	2,346,420	2,346,420	2,346,420	100%
14	O.H. Conductor and Devices	1,858,642	1,858,642	1,858,642	100%
15	U.G. Conductor and Devices	-	-	-	
16	Roads and Trails	6,788	6,788	6,788	100%
17	Total Transmission	6,947,302	6,947,302	6,947,302	100%
18	Distribution:				
19	Land and Land Rights	32,878	32,878	32,878	100%
20	Structure and Improvements	96,042	96,042	96,042	100%
21	Station Equipment	5,673,433	5,673,433	5,673,433	100%
22	Poles and Fixtures	8,717,909	8,717,909	8,717,909	100%
23	O.H. Conductors	9,425,756	9,425,756	9,425,756	100%
24	U.G. Conduits	2,447,327	2,447,327	2,447,327	100%
25	U.G. Conductors	4,639,024	4,639,024	4,639,024	100%
26	Line Transformers	12,830,071	12,830,071	12,830,071	100%
27	Services	8,005,494	8,005,494	8,005,494	100%
28	Meters	3,335,843	3,335,843	3,335,843	100%
29	Installed on Customer Premises	1,936,496	1,936,496	1,936,496	100%
30	Street Lighting	1,177,470	1,177,470	1,177,470	100%
31	Total Distribution	58,317,743	58,317,743	58,317,743	100%
32	General Plant	5,522,761	5,522,761	5,522,761	100%
33	Total Electric Gross Plant	70,787,806	70,787,806	70,787,806	100%
34	Allocated Common Plant	1,589,177	1,589,177	1,589,177	100%
35	Adjustments	(67,783)	(67,783)	(67,783)	100%
36	Total Gross Plant	72,309,200	72,309,200	72,309,200	100%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a development of jurisdictional separation factors for rate base for the test year, and the prior year if the test year is projected.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Jim Mesite

Line No.	Description	Total Company	FERC Jurisdictional	FPSC Jurisdictional	Jurisdictional Factor
1	Accumulated Depreciation:				
2	Intangible				
3	Production:				
4	Steam	-	-	-	
5	Nuclear	-	-	-	
6	Other	-	-	-	
7	Total Production	-	-	-	
8	Transmission:				
9	Land and Land Rights	(33,164)	(33,164)	(33,164)	100%
10	Structure and Improvements	(10,036)	(10,036)	(10,036)	100%
11	Station Equipment	(581,595)	(581,595)	(581,595)	100%
12	Towers & Fixtures	(164,973)	(164,973)	(164,973)	100%
13	Poles & Fixtures	(787,408)	(787,408)	(787,408)	100%
14	O.H. Conductor and Devices	(545,184)	(545,184)	(545,184)	100%
15	U.G. Conductor and Devices	-	-	-	
16	Roads and Trails	(3,785)	(3,785)	(3,785)	100%
17	Total Transmission	(2,126,145)	(2,126,145)	(2,126,145)	100%
18	Distribution:				
19	Land and Land Rights	(4,744)	(4,744)	(4,744)	100%
20	Structure and Improvements	(29,563)	(29,563)	(29,563)	100%
21	Station Equipment	(1,184,368)	(1,184,368)	(1,184,368)	100%
22	Poles and Fixtures	(3,895,313)	(3,895,313)	(3,895,313)	100%
23	O.H. Conductors	(4,816,713)	(4,816,713)	(4,816,713)	100%
24	U.G. Conduits	(524,944)	(524,944)	(524,944)	100%
25	U.G. Conductors	(1,517,784)	(1,517,784)	(1,517,784)	100%
26	Line Transformers	(7,172,886)	(7,172,886)	(7,172,886)	100%
27	Services	(3,620,890)	(3,620,890)	(3,620,890)	100%
28	Meters	(1,773,897)	(1,773,897)	(1,773,897)	100%
29	Installed on Customer Premises	(632,764)	(632,764)	(632,764)	100%
30	Street Lighting	(438,848)	(438,848)	(438,848)	100%
31	Total Distribution	(25,612,714)	(25,612,714)	(25,612,714)	100%
32	General Plant	(3,075,994)	(3,075,994)	(3,075,994)	100%
33	Total Electric Accumulated Depreciation	(30,814,853)	(30,814,853)	(30,814,853)	100%
34	Allocated Common Reserve	(563,444)	(563,444)	(563,444)	100%
35	Customer Advances for Construction	(821,185)	(821,185)	(821,185)	100%
36	Adjustments	33,370	33,370	33,370	100%
37	Total Accumulated Reserve	(32,165,112)	(32,165,112)	(32,165,112)	100%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a development of jurisdictional separation factors for rate base for the test year, and the prior year if the test year is projected.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Jim Mesite

Line No.	Description	Total Company	FERC Jurisdictional	FPSC Jurisdictional	Jurisdictional Factor
1	NET PLANT IN SERVICE	40,143,088	40,143,088	40,143,088	100%
2	CWIP:				
3	Production	-	-	-	
4	Transmission	12,803	12,803	12,803	100%
5	Distribution	1,067,683	1,067,683	1,067,683	100%
6	Customer Accounts	-	-	-	
7	General	296,070	296,070	296,070	100%
8	Customer Services	-	-	-	
9	Allocated Common	85,048	85,048	85,048	100%
10	Adjustments	(7,343)	(7,343)	(7,343)	100%
11	Total CWIP	1,454,261	1,454,261	1,454,261	100%
12	CWIP - NOT BEARING INTEREST				
13	Production				
14	Transmission				
15	Distribution				
16	Total CWIP Not Bearing Interest				
17	PLANT HELD FOR FUTURE USE				
18	UNAMORTIZED NUCLEAR SITE				
19	WORKING CAPITAL				
20	Net of Current Assets and Current Liabi	1,687,010	1,687,010	1,687,010	100%
21	Preliminary Survey and Investigation Cl	-	-	-	
22	Prepayments	270,889	270,889	270,889	100%
23	Clearing Accounts	-	-	-	
24	Unamortized Deferred O & M	-	-	-	
25	Injuries and Damages Reserve	(1,645,062)	(1,645,062)	(1,645,062)	100%
26	Property Insurance Reserves				
27	Other Deferred Credits & Debits	(1,995,343)	(1,995,343)	(1,995,343)	100%
28	Adjustments	(1,857,601)	(1,857,601)	(1,857,601)	100%
29	Total Working Capital	(3,540,107)	(3,540,107)	(3,540,107)	100%
30					
31	Total Adjusted Rate Base	38,057,242	38,057,242	38,057,242	100%

Supporting Schedules: B-6 (2006), G-2, G-19-a, G-7, G-18

Recap Schedules: G2

Schedule G-5 | INTERIM WORKING CAPITAL - 13 MONTH AVERAGE | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the 13 month average working capital allowance for the interim test year and the prior year if the test year is projected. All adjustments are to be provided by account number. Use a balance sheet method and any other method the company proposes.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Jim Mesite

Line No.	Account No.	Component	(1) Company Total	(2) Non-Electric Utility	(3) Total Electric Utility (1) - (2)	(4) Jurisdictional Factor	(5) Jurisdictional Amount (3) x (4)
1		Current and Accrued Assets	7,586,502	-	7,586,502	100%	7,586,502
2							
3		Adjustments to Current and					
4		Accrued Assets (Specify)					
5		Commision Adjustments:					
6	1860.1	Eliminate 1/2 Rate Case Deferral	(116,540)		(116,540)	100%	(116,540)
7	1860.21	Eliminate Fuel Under-recover	(1,716,749)		(1,716,749)	100%	(1,716,749)
8	1310.8	Eliminate Interest Bearing Cash	(24,312)		(24,312)	100%	(24,312)
9							
10		Adjusted Current and	5,728,901	-	5,728,901		5,728,901
11		Accrued Assets					
12							
13		Current and Accrued	(9,269,008)	-	(9,269,008)	100%	(9,269,008)
14		Liabilities					
15							
16		Adjustments to Current and					
17		Accrued Liabilities					
18		NONE					
19							
20		Adjusted Current and					
21		Accrued Liabilities	(9,269,008)	-	(9,269,008)		(9,269,008)
22							
23		Working Capital Allowance	(3,540,107)	-	(3,540,107)		(3,540,107)
24							
25		Unbilled Revenue					
26		Adjustments (Specify)	-	-	-	100%	-
27							
28		Adjusted Working Capital					
29		Allowance	(3,540,107)	-	(3,540,107)	100%	(3,540,107)

Supporting Schedules: B-1 (2006), B-3 (2006)

Recap Schedules: G-2

Schedule G-6 | INTERIM FUEL INVENTORY BY PLANT | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide conventional fuel account balances in dollars and quantities for each fuel type for the test year, and the two preceding years Include Natural Gas even though no inventory is carried. (Give Units in Barrels, Tons, or MCF)

Type of Data Shown:
Historic Year Ended 12/31/2006
Prior Year Ended 12/31/2007
Projected Test Year Ended 12/31/2008
Witness: Jim Mesite

Plant	Fuel Type	Beginning Balance	Receipts	Fuel Issued to Generation	Fuel Issued (Other)	Inventory Adjustments	Ending Balance	13 Month Average
		Units / ($000) / $ / Unit	Units / ($000) / $ / Unit	Units / ($000) / $ / Unit	Units / ($000) / $ / Unit	Units / ($000) / $ / Unit	Units / ($000) / $ / Unit	Units / ($000) / $ / Unit (See Note 1)

Not Applicable

System Inventory
- Coal
- Petcoke
- Residual Oil
- Distillate Oil
- Natural Gas
- Biomass
- Other _____

Note 1 - Applicable only to system fuel inventory balances.

Supporting Schedules:

Recap Schedules:

Schedule G-7 | INTERIM ADJUSTED JURISDICTIONAL NET OPERATING INCOME | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of jurisdictional net operating income for the test year, the prior year and the most recent historical year.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Mehrdad Khojasteh

Line No.	(1) Total Company Per Books	(2) Non-Electric Utility	(3) Total Electric (1)-(2)	(4) Jurisdictional Factor	(5) Jurisdictional Amount (3)x(4)	(6) Jurisdictional Adjustments (Schedule G-8)	(7) Adjusted Jurisdictional Amount (5)+(6)
1. Operating Revenues:							
2. Sales of Electricity	47,452,526	-	47,452,526	100%	47,452,526	(30,359,021)	17,093,505
3. Other Operating Revenues	1,074,705	-	1,074,705	100%	1,074,705	(759,903)	314,802
4. Total Operating Revenues	48,527,231	-	48,527,231	100%	48,527,231	(31,118,924)	17,408,307
5. Operating Expenses:							
6. Operation & Maintenance:							
7. Fuel	-	-	-	100%	-	-	-
8. Purchased Power	30,606,436	-	30,606,436	100%	30,606,436	(30,606,436)	-
9. Other	8,163,711	-	8,163,711	100%	8,163,711	(456,411)	7,707,300
10. Depreciation & Amortization	2,722,498	-	2,722,498	100%	2,722,498	(11,398)	2,711,100
11. Decommissioning Expense	-	-	-	100%	-	-	-
12. Taxes Other Than Income Taxes	3,982,172	-	3,982,172	100%	3,982,172	(22,079)	3,960,093
13. Income Taxes	772,895	-	772,895	100%	772,895	8,498	781,393
14. Deferred Income Taxes-Net	(195,788)	-	(195,788)	100%	(195,788)	-	(195,788)
15. Investment Tax Credit-Net	(32,322)	-	(32,322)	100%	(32,322)	-	(32,322)
16. (Gain)/Loss on Disposal of Plant	-	-	-	100%	-	-	-
17. Total Operating Expenses	46,019,602	-	46,019,602	100%	46,019,602	(31,087,826)	14,931,776
18. Net Operating Income	2,507,629		2,507,629		2,507,629	(31,098)	2,476,531

Supporting Schedules: C-1 (2006), G-8

Recap Schedules: G-1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule of net operating income adjustments for the interim test year. Provide the details of all adjustments on Schedule G-9.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Mehrdad Khojasteh

Line No.		Jurisdictional Amount Schedule G-7 Col. 5	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	Total Adjustments	Adjusted Jurisdictional NOI
1.	Operating Revenues:															
2.	Sales of Electricity	47,452,526	(30,359,021)												(30,359,021)	17,093,505
3.	Other Operating Revenues	1,074,705	(759,903)												(759,903)	314,802
4.	Total Operating Revenues	48,527,231	(31,118,924)												(31,118,924)	17,408,307
5.	Operating Expenses:															
6.	Operation & Maintenance:	-	-												-	-
7.	Fuel (nonrecoverable)	-	-												-	-
8.	Purchased Power	30,606,436	(30,606,436)												(30,606,436)	-
9.	Other	8,163,711	(456,411)												(456,411)	7,707,300
10.	Depreciation & Amortization	2,722,498	(11,398)												(11,398)	2,711,100
11.	Decommissioning Expense	-	-												-	-
12.	Taxes Other Than Income Taxes	3,982,172	(22,079)												(22,079)	3,960,093
13.	Income Taxes	772,895	8,498												8,498	781,393
14.	Deferred Income Taxes-Net	(195,788)	-												-	(195,788)
15.	Investment Tax Credit-Net	(32,322)	-												-	(32,322)
16.	(Gain)/Loss on Disposal of Plant	-	-												-	-
17.	Total Operating Expenses	46,019,602	(31,087,826)												(31,087,826)	14,931,776
18.	Net Operating Income	2,507,629	(31,098)												(31,098)	2,476,531

Supporting Schedules: G-9

Recap Schedules: G-7

Schedule G-9

INTERIM JURISDICTIONAL NET OPERATING INCOME ADJUSTMENTS

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: List and explain all proposed adjustments to Net Operating Income for the Interim Test Year. List adjustments included in the last case that are not proposed in the interim test year and the reasons for excluding them.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Mehrdad Khojasteh

Line No.	Adjustment	Reason for Adjustment or Omission (Provide Supporting Schedules)	(1) Total Adjustment	(2) Jurisdictional Factor	(3) Jurisdictional Adjustment
1	Operating Revenue - Company	Eliminate Fuel Revenues	(30,359,021)	100%	(30,359,021)
2					
3	Other Revenue/Fuel & Conservation O/U - Company	Eliminate Conservation and Fuel O/U and Conservation Revenues	(759,903)	100%	(759,903)
4					
5	Operating Expense - Company	Eliminate Fuel Expenses	30,606,436	100%	30,606,436
6					
7	Fuel Expense - Company	Eliminate Conservation Expenses	456,411	100%	456,411
8					
9	Depreciation Expense - Company	Eliminate NonUtility Depreciation Expense	11,398	100%	11,398
10					
11	Taxes Other than Income - Company	Eliminate Taxes other than Income	22,079	100%	22,079
12					
13	Income Taxes - Company	Eliminate Income Taxes	(8,498)	100%	(8,498)
	TOTAL ADJUSTMENTS		(31,098)		(31,098)

Supporting Schedules:

Recap Schedules: G-8

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide jurisdictional factors for net operating income for the test year, and the prior year if the test year is projected.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Mehrdad Khojasteh

Line No.	Account No.	Account Title	Total Company	FPSC Jurisdictional	Jurisdictional Separation Factor

All sales of electricity for Florida Public Utilities Company are subject to regulation by the Florida Public Service Commission, therefore the jurisdictional factor is 100%.
See G-7.

Supporting Schedules:

Recap Schedules: G-7

Schedule G-11

INTERIM OPERATING REVENUES DETAIL

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule of operating revenue by primary account for the interim test year. Provide the per books amounts and the adjustments required to adjust the per books amounts to reflect the requested interim test year operating revenues.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

Account No.	Account Title	(1) Per Books	(2) Non-Jurisdictional	(3) Jurisdictional (1)-(2)	Adjustments (4) Fuel	(5) Conservation	(6) Franchise Fees	(7) Other Gross Receipts	(8) Other (Specify)	(9) Total (4)thru(8)	(10) Adjusted Total (3)-(9)
	SALES OF ELECTRICITY										
440	Residential Sales	22,556,093	-	22,556,093	13,378,603	160,976	856,904	566,064	-	14,962,547	7,593,546
442	Commercial Sales	18,145,943	-	18,145,943	12,423,831	152,294	809,693	459,718	-	13,845,536	4,300,407
442	Industrial Sales	5,350,079	-	5,350,079	4,301,616	73,499	295,263	133,746	-	4,804,124	545,955
443	Outdoor Lighting	1,085,456	-	1,085,456	169,327	2,428	38,067	22,631	-	232,453	853,003
444	Public Street & Highway Lighting	286,326	-	286,326	58,938	895	11,526	2,224	-	73,583	212,743
445	Other Sales to Public Authorities	-	-	-	-	-	-	-	-	-	-
446	Sales to Railroads & Railways	-	-	-	-	-	-	-	-	-	-
448	Interdepartmental Sales	28,629	-	28,629	26,706	-	1,183	740	-	28,629	-
	Total Sales to Ultimate Consumers	47,452,526	-	47,452,526	30,359,021	390,092	2,012,636	1,185,123	-	33,946,872	13,505,654
447	Sales for Resale	-	-	-	-	-	-	-	-	-	-
	TOTAL SALES OF ELECTRICITY	47,452,526	-	47,452,526	30,359,021	390,092	2,012,636	1,185,123	-	33,946,872	13,505,654
449.1	(Less) Provision for Rate Refunds	-	-	-	-	-	-	-	-	-	-
	TOTAL REVENUE NET OF REFUND PROVISION	47,452,526	-	47,452,526	30,359,021	390,092	2,012,636	1,185,123	-	33,946,872	13,505,654
	OTHER OPERATING REVENUES			-	-	-	-	-	-	-	-
450	Forfeited Discounts	354,696	-	354,696	-	-	-	-	-	-	354,696
451	Miscellaneous Service Revenues	219,900	-	219,900	-	-	-	-	-	-	219,900
453	Sales of Water and Water Power	-	-	-	-	-	-	-	-	-	-
454	Rent from Electric Property	114,078	-	114,078	-	-	-	-	-	-	114,078
455	Interdepartmental Rents	-	-	-	-	-	-	-	-	-	-
456	Other Electric Revenues (In Detail)	-	-	-	-	-	-	-	-	-	-
4561	OVER-RECOVRY:FUEL AD	307,430	-	307,430	307,430	-	-	-	-	307,430	-
4562	MISC.ELECTRIC REVENU	7,846	-	7,846	-	-	-	-	-	-	7,846
4563	Unbilled Revenue	8,373	-	8,373	-	-	-	-	-	-	8,373
4566	OVERRECOVERY: CONSER	62,382	-	62,382	-	62,382	-	-	-	62,382	-
	TOTAL OTHER OPERATING REVENUES	1,074,705	-	1,074,705	307,430	62,382	-	-	-	369,812	704,893
	TOTAL ELECTRIC OPERATING REVENUES	48,527,231	-	48,527,231	30,666,451	452,474	2,012,636	1,185,123	-	34,316,684	14,210,547

Supporting Schedules: C-5 (2006)

Recap Schedules: G-7

SCHEDULE G-12

INTERIM STATE AND FEDERAL INCOME TAX CALCULATION

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: PROVIDE THE CALCULATION OF STATE AND FEDERAL INCOME TAXES FOR THE INTERIM YEAR.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Mehrdad Khojasteh

LINE NO.	DESCRIPTION	CURRENT TAX STATE	CURRENT TAX FEDERAL	TOTAL	DEFERRED TAX STATE	DEFERRED TAX FEDERAL	TOTAL
1	NET UTILITY OPERATING INCOME	$ 2,507,629	$ 2,507,629				
2	ADD INCOME TAX ACCOUNTS	544,785	544,785				
3	LESS INTEREST CHARGES (FROM C-23)	1,505,287	1,505,287	(Income tax adjustment for interest calculated of 1,473,580 has been included in tax adjustments)			
4							
5	TAXABLE INCOME PER BOOKS	$ 1,547,127	$ 1,547,127				
6		-	-				
7	TEMPORARY ADJUSTMENTS TO TAXABLE INCOME (LIST)	-	-				
8	ADD: BOOK DEPRECIATION	(2,722,498)	(2,722,498)		2,722,498	0 2,722,498	
9	LESS: TAX DEPRECIATION	2,379,361	2,379,361		(2,379,361)	(2,379,361)	
10	UNRECOVERED PURCHASE POWER/GAS	95,832	95,832		(95,832)	(95,832)	
11	OUTSIDE AUDIT FEES	(4,002)	(4,002)		4,002	4,002	
12	ORDINARY LOSS ON ACRS PROPERTY	211,200	211,200		(211,200)	(211,200)	
13	COST OF REMOVAL-ADR PROPERTY	24,840	24,840		(24,840)	(24,840)	
14	CONSERVATION PROGRAM COSTS	62,382	62,382		(62,382)	(62,382)	
15	SELF INSURANCE RESERVE	(40,404)	(40,404)		40,404	40,404	
16	TAXABLE CONTRIBUTIONS	(115,302)	(115,302)		115,302	115,302	
17	PENSION COSTS	(539,996)	(539,996)		539,996	539,996	
18	VACATION PAY	(24,229)	(24,229)		24,229	24,229	
19	UNCOLLECTIBLES	(40,343)	(40,343)		40,343	40,343	
20	LOSS ON REACQUIRED DEBT	(8,045)	(8,045)		8,045	8,045	
21	MISC DEFERRAL	(74)	(74)		74	74	
22	GENERAL LIABILITY	50,463	50,463		(50,463)	(50,463)	
23	RATE CASE EXPENSE	(84,756)	(84,756)		84,756	84,756	
24	NONDEDUCTIBLE ESPP COMPENSATION EXPENSE	(17,972)	(17,972)		-	-	
25	STORM RESERVE	(129,232)	(129,232)		129,232	129,232	
26	CAPITALIZED INTEREST	(91,470)	(91,470)		91,470	91,470	
27	ELECTRIC CONSULTANT FEES	23,910	23,910		(23,910)	(23,910)	
28	TOTAL TEMPORARY DIFFERENCES	$ (970,335)	$ (970,335)		$ 952,363	$ 952,363	
29							
30	PERMANENT ADJUSTMENTS TO TAXABLE INCOME (LIST)						
31	NONDEDUCTIBLE MEALS-CORPORATE	(1,730)	(1,730)				
32	NONDEDUCTIBLE MEALS-OTHER	(2,869)	(2,869)				
33	State Exemption	1,320	-				
34	TOTAL PERMANENT ADJUSTMENTS	$ (3,279)	$ (4,599)				
35		-					
36	STATE TAXABLE INCOME (L5+L28+L34)	$ 2,520,741			$ (952,363)		
37	STATE INCOME TAX (5.5% OR APPLICABLE RATE OF L36)	$ 138,641			$ (52,380)		
38	ADJUSTMENTS TO STATE INCOME TAX (LIST)				0		
39					0		
40	Prior Period Tax adjustment	(26,118)			30,252		
41	Interest Sync and adjustment tax	1,241			0		
42							
43	TOTAL ADJUSTMENTS TO STATE INCOME TAX	$ (24,877)			$ 30,252		
44							
45	STATE INCOME TAX	$ 113,764			(22,128)		

SUPPORTING SCHEDULES: C-22 (2006), G-13

RECAP SCHEDULES: G-7

SCHEDULE G-12 | INTERIM STATE AND FEDERAL INCOME TAX CALCULATION | PAGE 2 OF 2

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: PROVIDE THE CALCULATION OF STATE AND FEDERAL INCOME TAXES FOR THE INTERIM YEAR.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Mehrdad Khojasteh

LINE NO.	DESCRIPTION	CURRENT TAX STATE	CURRENT TAX FEDERAL	CURRENT TAX TOTAL	DEFERRED TAX STATE	DEFERRED TAX FEDERAL	DEFERRED TAX TOTAL
46	FEDERAL TAXABLE INCOME (L5+L28+L34-L37state)		$ 2,383,420			$ (899,983)	
47	FEDERAL INCOME TAX (34% OR APPLICABLE RATE)		$ 810,363			$ (305,994)	
48							
49	ADJUSTMENTS TO FEDERAL INCOME TAX						
50							
51	Prior Period Tax adjustment		(149,991)			132,334	
52	Interest Sync and adjustment tax		7,257			0	
53							
54							
55							
56							
57	TOTAL ADJUSTMENTS TO FEDERAL INCOME TAX		$ (142,734)			$ 132,334	
58							
59	FEDERAL INCOME TAX		$ 667,629			$ (173,660)	
60							
61							
62							
63	TOTAL FEDERAL AND STATE INCOME TAXES			$ 781,393			$ (195,788)
64							
65	ITC AMORTIZATION			$ (32,322)			
66							
67							
68							
69							
70							
71	**SUMMARY OF INCOME TAX EXPENSE:**						
72		STATE	FEDERAL	TOTAL			
73	CURRENT TAX EXPENSE	113,764	667,629	781,393			
74	DEFERRED INCOME TAXES	(22,128)	(173,660)	(195,788)			
75	INVESTMENT TAX CREDITS, NET			(32,322)			
76	TOTAL INCOME TAX PROVISION	91,636	493,969	553,283			

SUPPORTING SCHEDULES: C-22 (2006), G-13

RECAP SCHEDULES: G-7

Schedule G-13 | INTERIM INTEREST IN TAX EXPENSE CALCULATION | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the amount of interest expense used to calculate net operating income taxes on Schedule G-12. If the basis for allocating interest used in the tax calculation differs from the basis used in allocating current income tax expense, the differing bases should be clearly identified.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Robert Camfield

Line No.	Description	(1) Historical Base Year Ended 2006	(2) Test Year Ended
1.	Interest on Long Term Debt	1,268,418	N/A
2.	Amortization of Debt Discount, Premium, Issuing		
3.	Expense & Loss on Reacquired Debt	-	N/A
4.	Interest on Short Term Debt	75,536	N/A
5.	Interest on Customer Deposits	129,626	N/A
6.	Other Interest Expense	-	N/A
7.	Less Allowance for Funds Used During Construction		
8.	Total Interest Expense	1,473,580	N/A

Supporting Schedules: G-19a

Recap Schedules: G-12

Schedule G-14 | INTERIM PARENT(S) DEBT INFORMATION | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide information required in order to adjust income tax expenses by reason of interest expense of parent(s) that that may be invested in the equity of the utility in question.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox

Line No.		Amount	Percent of Capital	Cost Rate	Weighted Cost
1.	Long Term Debt				
2.	Short Term Debt				
3.	Preferred Stock		Not Applicable		
4.	Common Equity				
5.	Deferred Income Tax				
6.	Other (specify)				
	Total				

Supporting Schedules:

Recap Schedules:

Schedule G-15 INTERIM GAINS AND LOSSES ON DISPOSITION OF PLANT OR PROPERTY

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule of gains and losses on disposition of plant and property previously used in providing electric service for the test year and the four prior years. List each item with a gain or loss of $1 million or more, or more than .1% of total plant. List amounts allowed in prior cases, and the test year of such prior cases.

Type of Data Shown:
Prior Year Ended 12/31/2007
Projected Test Year Ended 12/31/2008
Historical Years Ended 12/31/2004, 2005, 2006
Witness: Jim Mesite

Description of Property	Date Acquired	Date Disposed	Original Classification Account	Reclassification Account(s)	Reclassification Date(s)	Original Amount Recorded	Additions or (Retirements)	Depreciation and Amortization	Net Book Value on Disposal Date	Gain or (Loss)	Amounts Allowed Prior Cases	Prior Cases Test Year Ended 12/31/2004

No gains or losses

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the following information concerning pension cost for the interim test year.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: George Bachman

Line No.		Description	Historic Year 2006
1		Service Cost	1,225,495
2		Interest Cost	2,160,719
3		Actual Return on Assets	(3,977,806)
4		Net Amortization and Deferral	1,551,742
	a	Amortization of Prior Service Cost	737,115
	b	Curtailment	(97,858)
5		Total Net Periodic Pension Cost	1,599,407
6		For the Year:	
7		Amortization of Transition Asset or Obligation	-
8		Expected Return on Assets	2,426,064
9		Assumed Rate of Return on Plan Assets	8.50%
10		Amortization of Transition Asset or Obligation	-
11		Percent of Pension Cost Capitalized	15.00%
12		Pension Cost Recorded in Account 926	-
13		Minimum Required Contribution Per IRS	-
14		Maximum Allowable Contribution Per IRS	18,262,779
15		Actual Contribution Made to the Trust Fund	250,000
16		Actuarial Attribution Approach Used for Funding	Projected Unit Credit
17		Assumed Discount Rate for Computing Funding	8.00%
18		Allocation Method Used to Assign Costs if the Utility Is Not the	Allocated
19		Sole Participant in the Plan. Attach the Relevant Procedures.	Based on payroll
20		At Year End:	
21		Accumulated Benefit Obligation	33,693,860
22		Projected Benefit Obligation	38,650,888
23		Vested Benefit Obligation	31,220,120
24		Assumed Discount Rate (Settlement Rate)	0
25		Assumed Rate for Salary Increases	0
26		Fair Value of Plan Assets	35,635,214
27		Market Related Value of Assets	29,485,534
28		Balance in Working Capital (Account No. 228.31)	(814,231)

Supporting Schedules: C-17

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a statement of changes in accounting policy in the interim test year. Explain any changes in accounting procedures that affect the interim rate base or the interim net operating income.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Cheryl Martin

We do not have any changes in accounting policy.

Supporting Schedules:

Recap Schedules:

Schedule G-18 | INTERIM REVENUE EXPANSION FACTOR | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the calculation of the revenue expansion factor for the test year.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox

Line No.	Description	Percent
1.	Revenue Requirement	100.000%
2.	Gross Receipts Tax Rate	0.000%
3.	Regulatory Assessment Rate	0.072%
4.	Bad Debt Rate	0.188%
5.	Net Before Income Taxes (1) - (2) - (3) - (4)	99.740%
6.	State Income Tax Rate	5.500%
7.	State Income Tax (5) x (6)	5.486%
8.	Net Before Federal Income Tax (5) - (7)	94.255%
9.	Federal Income Tax Rate	34.000%
10.	Federal Income Tax (8) x (9)	32.047%
11.	Revenue Expansion Factor (8) - (10)	62.208%
12.	Net Operating Income Multiplier (100% / Line 11)	1.6075

Supporting Schedules: C-44

Recap Schedules: G-1

Schedule G-19a

INTERIM COST OF CAPITAL - 13-MONTH AVERAGE

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the company's 13-month average cost of capital for the interim test year and the prior year.

Type of Data Shown:
Historic Year Ended 12/31/2006
Prior Year Ended 12/13/05
Witness: Doreen Cox, Robert Camfield

Line No.	Class of Capital	(A) Company Total Per Books	(B) Specific Adjustments	(C) Pro Rata Adjustments	(D) System Adjusted	(E) Jurisdictional Factor	(F) Jurisdictional Capital Structure	(G) Ratio	(H) Cost Rate	(I) Weighted Cost Rate	Interest Expense
	Regulatory Capital Structure, 2006										
1	Long Term Debt	50,443,237			50,443,237	31.33%	15,801,612	0.4152	8.03%	3.33%	1,268,418
2	Short Term Debt	3,309,077			3,309,077	31.33%	1,036,586	0.0272	7.29%	0.20%	75,536
3	Preferred Stock	600,000			600,000	31.33%	187,953	0.0049	4.75%	0.02%	0
4	Common Equity	44,943,721			44,943,721	31.33%	14,078,859	0.3699	10.50%	3.88%	0
5	Customer Deposits	2,136,661			2,136,661		2,136,661	0.0561	6.07%	0.34%	129,626
6	Deferred Income Taxes	4,674,449			4,674,449		4,674,449	0.1228	0.00%	0.00%	0
7	Tax Credits-Zero Cost	0			0		-	-	0.00%	0.00%	0
8	Tax Credits-Weighted Cost	141,120			141,120		141,120	0.0037	9.10%	0.03%	0
9											
10	TOTAL	106,248,265			106,248,265		38,057,241	1.0000		7.80%	1,473,580
11											
12											
13											

Line No.	Class of Capital	Company Total Per Books	Ratio	Cost Rate	Weighted Cost Rate
14					
15					
16					
17	**Conventional Capital Structure, 2007**				
18	Long Term Debt	50,443,237	0.5080	8.03%	4.08%
19	Short Term Debt	3,309,077	0.0333	7.29%	0.24%
20	Preferred Stock	600,000	0.0060	4.75%	0.03%
21	Common Equity	44,943,721	0.4526	10.50%	4.75%
22					
23	TOTAL	99,296,035	1.0000		9.10%

Rate Base	38,057,241
Direct Components	6,952,231
	$31,105,010
Jurisdictional Factor	31.33%

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide the company's 13-month average cost of capital for the interim test year and the prior year.

Type of Data Shown:
Historic Year Ended 12/31/2006
Prior Year Ended 12/13/05
Witness: Doreen Cox, Robert Camfield

Line No.	Class of Capital	(A) Company Total Per Books	(B) Specific Adjustments	(C) Pro Rata Adjustments	(D) System Adjusted	(E) Jurisdictional Factor	(F) Jurisdictional Capital Structure	(G) Ratio	(H) Cost Rate	(I) Weighted Cost Rate	Interest Expense
					Regulatory Capital Structure, 2005						
24	Long Term Debt	50,342,633			50,342,633	32.08%	16,150,106	0.4240	8.04%	3.41%	1,298,469
25	Short Term Debt	3,129,000			3,129,000	32.08%	1,003,795	0.0264	2.52%	0.07%	25,296
26	Preferred Stock	600,000			600,000	32.08%	192,482	0.0051	4.75%	0.02%	
27	Common Equity	43,201,749			43,201,749	32.08%	13,859,284	0.3639	11.50%	4.18%	
28	Customer Deposits	2,016,250			2,016,250		2,016,250	0.0529	6.47%	0.34%	130,451
29	Deferred Income Taxes	4,690,307			4,690,307		4,690,307	0.1231	0.00%	0.00%	
30	Tax Credits-Zero Cost	1,483			1,483		1,483	0.0000	0.00%	0.00%	
31	Tax Credits-Weighted Cost	173,292			173,292		173,292	0.0045	9.38%	0.04%	
32											
33	TOTAL	104,154,714			104,154,714		38,086,999	1.0000		8.06%	1,454,216
34											
35											
36											

Line No.	Class of Capital	Company Total Per Books	Ratio	Cost Rate	Weighted Cost Rate		
37							
38							
39							
40		**Conventional Capital Structure, 2006**					
41	Long Term Debt	50,342,633	0.5175	8.04%	4.16%	Rate Base	$38,086,999
42	Short Term Debt	3,129,000	0.0322	2.52%	0.08%	Direct Components	$6,881,332
43	Preferred Stock	600,000	0.0062	4.75%	0.03%		$31,205,667
44	Common Equity	43,201,749	0.4441	11.50%	5.11%		
45						Jurisdictional Factor	32.08%
46	TOTAL	97,273,382	1.0000		9.38%		

Supporting Schedules: G-2, G-19b

Recap Schedules: G-1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION:

1.) List and describe the basis for the specific adjustments appearing on Schedule G-19a.

2.) List and describe the basis for the pro-rata adjustments appearing on Schedule G-19a.

Type of Data Shown:
Historic Year Ended 12/31/2006
Prior Year Ended 12/31/2005
Witness: Doreen Cox, Robert Camfield

Line No.	Class of Capital	Description	Historical Base Year	Prior Year	Test Year

Specific Adjustments

The determination of the cost of capital for purposes of setting retail rates in the immediate docket incorporates no specific adjustments to the December '06, Prior Year '05 capital structure or cost rates

Pro Rata Adjustments

The determination of the cost of capital for purposes of setting retail rates in the immediate docket incorporates no pro rata adjustments to the December '06, Prior Year '05 capital structure or cost rates

Supporting Schedules:

Recap Schedules: G-19a

Schedule G-20

INTERIM - REVENUE FROM SALE OF ELECTRICITY BY RATE SCHEDULE

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Compare jurisdictional base rate revenue excluding service charges by rate schedule under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, the revenue and billing determinant information shall be shown separately for the transfer group and not be included under either the new or the old classification.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

Rate	(1) Base Revenue at Present Rates	(2) Base Revenue at Proposed Rates	Increase (3) Dollars (2) - (1)	Increase (4) Percent (3) / (1)
Residential	7,593,546	8,038,164	444,618	5.86%
GS	1,448,830	1,533,662	84,832	5.86%
GSD	2,208,265	2,337,563	129,298	5.86%
GSLD	643,312	680,979	37,667	5.86%
GSLD1	545,955	577,922	31,967	5.86%
Outdoor Lighting	853,003	902,948	49,945	5.86%
Street Lighting	212,743	225,200	12,457	5.86%
Total	13,505,654	14,296,439	790,785	

Supporting Schedules: G-1, G-11, G-22, G-23

Recap Schedules:

Schedule G-21 | INTERIM - REVENUES FROM SERVICE CHARGES (ACCOUNT 451) | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Provide a schedule of revenues from all service charges (initial connection, etc.) under present and proposed rates.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Mark Cutshaw, Doreen Cox

Type of Service Charge	Number of Transactions	Present Charge	Proposed Charge	Revenues at Present Charges	Revenues at Proposed Charges	Increase Dollars	Increase Percent
1	322	44.00	44.00	14,179	14,179	-	0.00%
2	5,395	19.00	19.00	102,505	102,505	-	0.00%
3	196	27.00	27.00	5,292	5,292	-	0.00%
4	972	37.00	37.00	35,964	35,964	-	0.00%
5	68	60.00	60.00	4,080	4,080	-	0.00%
6	3,487	11.50	11.50	40,101	40,101	-	0.00%
7	551	Per Statute	Per Statute	16,519	16,519	-	0.00%
8	1251	$ 3.50 3.5% (Non-Residential)	$ 3.50 3.5% (Non-Residential)	4,379	4,379	-	0.00%
9	274	Various	Various	(3,432)	(3,432)	-	0.00%
Correction Facto	n/a	n/a	n/a	314	314	-	0.00%
TOTAL	12,516			219,900	219,900	-	0.00%

1 Initial Establishment of Service & Connect / Disconnect Temporary Service
2 Re-establish Service or Make Changes to Existing Account
3 Temporary Disconnect Then Reconnect Service Due To Customer Request
4 Reconnect After Disconnect for Rule Violation (normal hours)
5 Reconnect After Disconnect for Rule Violation (after hours)
6 Collection Charge
7 Returned Check Charge
8 Credit Card Fees $3.50 (Residential) 3.50% (All Other Accounts)
9 Miscellaneous Allowance & Adjustments

Supporting Schedules:

Recap Schedules: G-11

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedule E-15. PROVIDE TOTAL NUMBER OF BILLS, MWHs AND BILLING KWH FOR EACH RATE SCHEDULE (including standard and time of use customers) AND TRANSFER GROUP.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

Rate Schedule RS

Type of Charges	Present Revenue Calculation Units	Charge/Unit	$ Revenue	Proposed Revenue Calculation Units	Charge/Unit	$ Revenue	Percent Increase
Customer Charge:							
Standard	23,454	10.00	2,814,440	23,454	10.59	2,979,231	5.86%
T-O-D	0	-	-	-	-	-	
Total	23,454		2,814,440	23,454		2,979,231	5.86%
KWH Charge:							
Standard	349,930,593	0.01373	4,804,547	349,930,593	0.01453	5,085,863	5.86%
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	0	0	-	0	0	-	
Total	349,930,593		4,804,547	349,930,593		5,085,863	5.86%
Etc.							
Total Base Revenue (Calculated)			7,618,987			8,065,094	5.86%
Correction Factor			(25,441)			(26,931)	
Total Base Revenue			7,593,546			8,038,164	

Supporting Schedules: G-20

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedule E-15. PROVIDE TOTAL NUMBER OF BILLS, MWHs AND BILLING KWH FOR EACH RATE SCHEDULE (including standard and time of use customers) AND TRANSFER GROUP.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

Rate Schedule GS

Type of Charges	Present Revenue Calculation Units	Charge/Unit	$ Revenue	Proposed Revenue Calculation Units	Charge/Unit	$ Revenue	Percent Increase
Customer Charge:							
Standard	3,411	14.00	572,978	3,411	14.82	606,527	5.86%
T-O-D	0	-	-	-	-	-	
Total	3,411		572,978	3,411		606,527	5.86%
KWH Charge:							
Standard	59,621,785	0.01473	878,229	59,621,785	0.01559	929,651	5.86%
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	0	0	-	0	0	-	
Total	59,621,785		878,229	59,621,785		929,651	5.86%
Etc.							
Total Base Revenue (Calculated)			1,451,207			1,536,178	5.86%
Correction Factor			(2,377)			(2,516)	
Total Base Revenue			1,448,830			1,533,662	

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedule E-15. PROVIDE TOTAL NUMBER OF BILLS, MWHs AND BILLING KWH FOR EACH RATE SCHEDULE (including standard and time of use customers) AND TRANSFER GROUP.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

Rate Schedule GSD

Type of Charges	Present Revenue Calculation Units	Present Revenue Calculation Charge/Unit	Present Revenue Calculation $ Revenue	Proposed Revenue Calculation Units	Proposed Revenue Calculation Charge/Unit	Proposed Revenue Calculation $ Revenue	Percent Increase
Customer Charge:							
Standard	699	44.00	369,292	699	46.58	390,915	5.86%
T-O-D	0	-	-	-	-	-	
Total	699		369,292	699		390,915	5.86%
KWH Charge:							
Standard	178,753,210	0.00232	414,707	178,753,210	0.00246	438,989	5.86%
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	0	0	-	0	0	-	
Primary 1% discount	1,771,200	(0.0000232)	(41)	1,771,200	(0.0000246)	(43)	
Total	180,524,410		414,666	180,524,410		438,946	5.86%
KW Charge							
Standard	574,289	2.48	1,424,238	574,289	2.63	1,507,630	
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	0	0	-	0	0	-	5.87%
Primary 1% discount	6,042	(0.0248)	(150)	6,042	(0.0263)	(159)	
Primary $0.55 discount	6,042	(0.55)	(3,323)	6,042	(0.55)	(3,323)	
Total	586,373		1,420,765	586,373		1,504,148	
Total Base Revenue (Calculated)			2,204,723			2,334,009	5.86%
Correction Factor			3,542			3,555	
Total Base Revenue			2,208,265			2,337,563	

Supporting Schedules: G-20

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedule E-15. PROVIDE TOTAL NUMBER OF BILLS, MWHs AND BILLING KWH FOR EACH RATE SCHEDULE (including standard and time of use customers) AND TRANSFER GROUP.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

Rate Schedule GSLD

Type of Charges	Present Revenue Calculation Units	Present Revenue Calculation Charge/Unit	Present Revenue Calculation $ Revenue	Proposed Revenue Calculation Units	Proposed Revenue Calculation Charge/Unit	Proposed Revenue Calculation $ Revenue	Percent Increase
Customer Charge:							
Standard	20	75.00	18,000	20	79.39	19,054	5.86%
T-O-D	0	-	-	-	-	-	
Total	20		18,000	20		19,054	5.86%
KWH Charge:							
Standard	92,691,048	0.00086	79,714	92,691,048	0.00091	84,382	5.86%
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	0	0	-	0	0	-	
Primary 1% discount	25,402,800	-0.0000086	(218)	25,402,800	(0.0000091)	(231)	
Total	118,093,848		79,496	118,093,848		84,150	5.86%
KW Charge							
Standard	198,159	2.89	572,680	198,159	3.06	606,212	5.86%
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	0	0	-	0	0	-	
Primary 1% discount	49,209	(0.0289)	(1,422.14)	49,209	(0.0306)	(1,505)	
Primary $0.55 discount	49,209	(0.55)	(27,065)	49,209	(0.55)	(27,065)	
Total	296,577		544,193	296,577		577,641	
Total Base Revenue (Calculated)			641,689			680,846	
Correction Factor			1,623			133	
Total Base Revenue			643,312			680,979	

Supporting Schedules: G-20

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-13a. The billing units must equal those shown in Schedule E-15. PROVIDE TOTAL NUMBER OF BILLS, MWHs AND BILLING KWH FOR EACH RATE SCHEDULE (including standard and time of use customers) AND TRANSFER GROUP.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

Rate Schedule GSLD1

Type of Charges	Present Revenue Calculation Units	Charge/Unit	$ Revenue	Proposed Revenue Calculation Units	Charge/Unit	$ Revenue	Percent Increase
Customer Charge:							
Standard	2	600.00	14,400	2	635.13	15,243	5.86%
T-O-D	0	-	-	-	-	-	
Total	2		14,400	2		15,243	5.86%
KWH Charge:							
Standard	159,780,000	-	-	159,780,000	0	-	0.00%
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	0	0	-	0	0	-	
Total	159,780,000		-	159,780,000		-	0.00%
KW Charge							
Standard	472,200	1.12	528,864	472,200	1.19	559,830	5.86%
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	0	0	-	0	0	-	
Total	472,200		528,864	472,200		559,830	5.86%
KVAR Charge	11,216	0.24	2,692	11,216	0.25	2,849	5.86%
Standard	0	0	-	0	0	-	
T-O-D On-Peak	0	0	-	0	0	-	
T-O-D Off-Peak	11,216		2,692	11,216		2,849	5.86%
Total							
Total Base Revenue (Calculated)			545,956			577,923	5.86%
Correction Factor			(1)			(1)	
Total Base Revenue			545,955			577,922	

Supporting Schedules: G-20

Recap Schedules:

Schedule G-23 | INTERIM - REVENUE BY LIGHTING SCHEDULE CALCULATION | Page 1of 2

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Calculate revenue under present and proposed rates for the test year for each lighting schedule. Show revenues from charges for all types of lighting fixtures, poles and conductors. Poles should be listed separately from fixtures. Show separately revenues from customers who own facilities as well as those who do not.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

				Present Rates - Outdoor Lighting					Proposed Rates - Outdoor Lighting					
Type of Facility	Annual Billing Items	Est. Monthly KWH	Annual KWH	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	$ Total Revenue	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	$ Total Revenue	Percent Increase
100w HPS Cobra Head-OL	22,365	41	492	$5.31	$1.23	$0.79	$7.33	$163,935	$5.62	$1.30	$0.84	$7.76	$173,534	5.86%
175w MV Cobra Head -OL	5,844	72	864	$2.11	$2.16	$0.41	$4.68	$27,350	$2.23	$2.29	$0.43	$4.95	$28,951	5.86%
400w MV Cobra Head-OL	305	154	1,848	$5.77	$4.62	$0.71	$11.10	$3,386	$6.11	$4.89	$0.75	$11.75	$3,584	5.86%
1000w HPS Flood -OL2	147	405	4,860	$14.20	$12.15	$1.81	$28.16	$4,140	$15.03	$12.86	$1.92	$29.81	$4,382	5.86%
1000w MH Flood - OL2	2,707	405	4,860	$13.18	$12.15	$1.68	$27.01	$73,116	$13.95	$12.86	$1.78	$28.59	$77,397	5.86%
1000w MH Vert Shoebox - OL2	132	405	4,860	$18.47	$12.15	$2.22	$32.84	$4,335	$19.55	$12.86	$2.35	$34.76	$4,589	5.86%
100w HPS Amer Rev-OL2	1,272	41	492	$7.02	$1.23	$0.95	$9.20	$11,702	$7.43	$1.30	$1.01	$9.74	$12,388	5.86%
100w HPS Cobra Head-OL2	11,730	41	492	$5.31	$1.23	$0.79	$7.33	$85,981	$5.62	$1.30	$0.84	$7.76	$91,015	5.86%
100w HPS SP2 Spectra -OL2	111	41	492	$15.76	$1.23	$2.61	$19.60	$2,176	$16.68	$1.30	$2.76	$20.75	$2,303	5.86%
100w MH SP2 Spectra -OL2	263	41	492	$15.64	$1.23	$1.82	$18.69	$4,915	$16.56	$1.30	$1.93	$19.78	$5,203	5.86%
150w HPS Acorn-OL2	760	61	732	$12.50	$1.83	$1.51	$15.84	$12,038	$13.23	$1.94	$1.60	$16.77	$12,743	5.86%
150w HPS ALN 440 -OL2	798	61	732	$18.60	$1.83	$2.16	$22.59	$18,027	$19.69	$1.94	$2.29	$23.91	$19,082	5.86%
150w HPS Am Rev-OL2	1,254	61	732	$7.20	$1.83	$0.94	$9.97	$12,502	$7.62	$1.94	$1.00	$10.55	$13,234	5.86%
175w MH ALN 440 -OL2	36	71	852	$18.72	$2.13	$2.20	$23.05	$830	$19.82	$2.25	$2.33	$24.40	$878	5.86%
175w MH Shoebox -OL2	4,398	71	852	$14.41	$2.13	$1.78	$18.32	$80,571	$15.25	$2.25	$1.88	$19.39	$85,289	5.86%
200w HPS Cobra Head -OL2	3,324	81	972	$8.08	$2.43	$0.35	$10.86	$36,099	$8.55	$2.57	$0.37	$11.50	$38,212	5.86%
250w HPS Cobra Head -OL2	720	101	1,212	$9.72	$3.03	$1.21	$13.96	$10,051	$10.29	$3.21	$1.28	$14.78	$10,640	5.86%
250w HPS Flood -OL2	3,263	101	1,212	$7.36	$3.03	$1.11	$11.50	$37,525	$7.79	$3.21	$1.17	$12.17	$39,722	5.86%
250w MH Shoebox-OL2	208	101	1,212	$15.33	$3.03	$1.98	$20.34	$4,231	$16.23	$3.21	$2.10	$21.53	$4,478	5.86%
400w HPS Cobra Head -OL2	1,404	162	1,944	$7.31	$4.86	$1.11	$13.28	$18,645	$7.74	$5.14	$1.17	$14.06	$19,737	5.86%
400w HPS Flood - OL2	62	162	1,944	$11.34	$4.86	$1.37	$17.57	$1,089	$12.00	$5.14	$1.45	$18.60	$1,153	5.86%
400w MH Flood OL2	4,806	162	1,944	$7.64	$4.86	$1.15	$13.65	$65,602	$8.09	$5.14	$1.22	$14.45	$69,443	5.86%
10' Alum Deco Base-OL2	1,183			$11.64			$11.64	$13,770	$12.32			$12.32	$14,576	5.86%
13' Decorative Concrete-OL2	175			$8.94			$8.94	$1,565	$9.46			$9.46	$1,656	5.86%
18' Fiberglass Round-OL2	2,224			$5.93			$5.93	$13,188	$6.28			$6.28	$13,961	5.86%
20' Decorative Concrete-OL2	5,476			$10.13			$10.13	$55,472	$10.72			$10.72	$58,720	5.86%
30' Wood Pole Std-OL2	17,187			$3.35			$3.35	$57,576	$3.55			$3.55	$60,948	5.86%
35' Concrete Square-OL2	1,410			$9.89			$9.89	$13,945	$10.47			$10.47	$14,761	5.86%
40' Wood Pole Std - OL2	6			$6.76			$6.76	$41	$7.16			$7.16	$43	5.86%
30' Wood pole	2,256			$3.53			$3.53	$7,964	$3.74			$3.74	$8,430	5.86%
Total Base Revenue Calculated								$841,766					$891,053	
Correction Factor								11,237					11,895	
Total Base Revenue								853,003					902,948	

Supporting Schedules: G-20

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 070304-EI

EXPLANATION: Calculate revenue under present and proposed rates for the test year for each lighting schedule. Show revenues from charges for all types of lighting fixtures, poles and conductors. Poles should be listed separately from fixtures. Show separately revenues from customers who own facilities as well as those who do not.

Type of Data Shown:
Historic Year Ended 12/31/2006
Witness: Doreen Cox, Mark Cutshaw

				Present Rates - Street Lighting					Proposed Rates - Street Lighting					
Type of Facility	Annual Billing Items	Est. Monthly KWH	Annual KWH	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	$ Total Revenue	Facility Charge	Energy Charge	Maint. Charge	Total Monthly Charge	$ Total Revenue	Percent Increase
175w MV Cobra Head - SL1-2	4,849	72	864	$0.61	$2.16	$0.92	$3.69	$17,893	$0.65	$2.29	$0.97	$3.91	$18,940	5.86%
400w MV Cobra Head - SL1-3	70	154	1,848	$1.02	$4.62	$1.05	$6.69	$468	$1.08	$4.89	$1.11	$7.08	$496	5.86%
175w MV Cobra Head -SL2	5,376	72	864	$0.61	$2.16	$0.92	$3.69	$19,837	$0.65	$2.29	$0.97	$3.91	$20,999	5.86%
400w MV Cobra Head -SL2	870	154	1,848	$1.02	$4.62	$1.05	$6.69	$5,820	$1.08	$4.89	$1.11	$7.08	$6,161	5.86%
1000w MH Flood -SL3	132	405	4,860	$8.42	$12.15	$5.17	$25.74	$3,398	$8.91	$12.86	$5.47	$27.25	$3,597	5.86%
100w HPS Amer -SL3	48	41	492	$4.55	$1.23	$2.89	$8.67	$416	$4.82	$1.30	$3.06	$9.18	$441	5.86%
100w HPS Cobra Head- SL3	13,879	41	492	$3.32	$1.23	$2.12	$6.67	$92,573	$3.51	$1.30	$2.24	$7.06	$97,993	5.86%
150w HPS Acorn -SL3	252	61	732	$7.95	$1.83	$4.68	$14.46	$3,644	$8.42	$1.94	$4.95	$15.31	$3,857	5.86%
150w HPS Amer Rev -SL3	966	61	732	$4.44	$1.83	$3.26	$9.53	$9,206	$4.70	$1.94	$3.45	$10.09	$9,745	5.86%
175w MH ALN 440 -SL3	132	71	852	$16.97	$2.13	$1.30	$20.40	$2,693	$17.96	$2.25	$1.38	$21.59	$2,850	5.86%
200w HPS Cobra Head -SL3	3,541	81	972	$4.26	$2.43	$2.19	$8.88	$31,444	$4.51	$2.57	$2.32	$9.40	$33,285	5.86%
250w HPS Cobra Head -SL3	2,606	101	1,212	$4.08	$3.03	$3.00	$10.11	$26,347	$4.32	$3.21	$3.18	$10.70	$27,889	5.86%
250w HPS Flood - SL3	252	101	1,212	$7.00	$3.03	$4.10	$14.13	$3,561	$7.41	$3.21	$4.34	$14.96	$3,769	5.86%
400w HPS Cobra Head -SL3	207	162	1,944	$4.77	$4.86	$3.36	$12.99	$2,689	$5.05	$5.14	$3.56	$13.75	$2,846	5.86%
400w MH Flood -SL3	82	162	1,944	$7.31	$4.86	$8.82	$20.99	$1,721	$7.74	$5.14	$9.34	$22.22	$1,822	5.86%
10' Alum Deco Base-SL3	108			$11.31			$11.31	$1,221	$11.97			$11.97	$1,293	5.86%
13' Deco Concrete - SL3	12			$7.85			$7.85	$94	$8.31			$8.31	$100	5.86%
18' Fiberglass Round-SL3	1,014			$5.78			$5.78	$5,861	$6.12			$6.12	$6,204	5.86%
20' Decorative Concrete-SL3	240			$8.68			$8.68	$2,083	$9.19			$9.19	$2,205	5.86%
30' Wood Pole Std - SL3	1,977			$2.78			$2.78	$5,496	$2.94			$2.94	$5,818	5.86%
35' Concrete Square-SL3	264			$9.71			$9.71	$2,563	$10.28			$10.28	$2,714	5.86%
Total Base Revenue Calculated								$239,029					$253,025	
Correction Factor								(26,286)					(27,825)	
Total Base Revenue								212,743					225,200	

Supporting Schedules: G-20

Recap Schedules: