

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: March 28, 2005
TO: Todd Bohrmann, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DW*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.:** 050001-EI; **Company Name:** Florida Public Utilities Co.; **Audit Purpose:** To audit Fuel and Purchased Power Cost Recovery Clause and Generation Performance Incentive Factor for the period from January 1, 2004 - December 31, 2004 ; **Audit Control No.:** 05-028-4-2

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. John T. English, President & CEO
Florida Public Utilities Co.
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DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

Miami District Office

FLORIDA PUBLIC UTILITIES
FUEL ADJUSTMENT CLAUSE

YEAR ENDED DECEMBER 31, 2004

DOCKET NO. 050001-EI

AUDIT CONTROL NO. 05-028-4-2

A handwritten signature in cursive script, reading "Ruth K. Young".

*Ruth K. Young
Audit Manager*

A handwritten signature in cursive script, reading "Kathy Welch".

*Kathy Welch, Public Utilities Supervisor
Miami District Office*

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING
AUDITOR'S REPORT**

MARCH 21, 2005

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED
PARTIES**

We have applied the procedures described later in this report to the attached Fuel Recovery schedules for the period ended December 31, 2004 for Florida Public Utilities Company. These schedules were prepared as part of the petition for fuel recovery in Docket No. 050001-EI.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned- The documents or accounts were read quickly looking for obvious errors.

Compiled- The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied and account balances were tested to the extent further described.

Confirmed- Evidential matter supporting an account balance, transaction or other information was obtained directly from an independent third party.

Verified- The item was tested for accuracy, and substantiating documentation was examined.

Fuel Recovery Schedules: Traced the filing to the general ledger. Revenues were reconciled to the Orcom Billing Summary and any adjustments. Rates were agreed to the appropriate order. Revenues were recalculated for four months to verify that the correct rate was used. Reviewed the expansion factor.

The prior period true-up was traced to the appropriate order and the beginning true-up to the last audit report.

Traced fuel costs to invoices and verified GSLD amounts to invoices of customers. Recalculated true-up and verified interest rates.

Verified that the correct Regulatory Assessment Fee rate was applied to total 2004 revenues.

AUDIT EXCEPTION NO. 1

SUBJECT: REVENUE RATES

STATEMENT OF FACTS: The rates used to bill customers from April through December 2004 were incorrect. Because of the rate case, rates for the fuel adjustment revenue were changed. However, there was an inadvertent error in the rate calculation which was not noticed until late 2004. The rates used by the company were higher than the amounts that should have been used. The company was instructed by the Tallahassee staff to true-up at the end of December for the incorrect billings. The filings do not reflect this true up.

Revenue was recalculated for April through December 2004 using the rates that should have been in effect and the final true-up recalculated. The recalculation is included on the schedule following this exception.

OPINION: The schedule attached as Exhibit 3 shows that the over recovery should be increased from \$415,063 to \$466,184; a difference of \$51,121.

AUDIT DISCLOSURE NO. 1

SUBJECT: FUEL COSTS

STATEMENT OF FACTS: There were two items included in the cost of fuel in the Marianna division filing that were not for the cost of fuel.

There was a charge in the amount of \$3,758 in November 2004 and the same charge in December 2004. As explained by company personnel, additional facilities were needed to service a new "Family Discount Distribution Center". Florida Public Utilities entered into an agreement with Gulf Power Corp where Gulf Power would provide a "...transformer and associated equipment necessary to establish an additional delivery point at the Marianna substation to be known as the South Marianna delivery point." In return Florida Public Utilities would pay Gulf Power \$3,768 a month. The term of this contract runs five years starting on November 1, 2004.

In addition, in December 2004 there was a charge of \$6,434 for a consultant. As explained by company personnel, its contracts for fuel expire in December 2007. At present, its contracts are under market and the company expects its fuel costs to rise significantly. Rather than giving the customers a significant increase at one time, it is considering a proposal to the commission to over collect over the next two years so that the rates would go up gradually and be refunded gradually after the increase in January 2008. Florida Public Utilities hired a consultant to help with the estimate of how much its present contracts are under market and what future increase to expect when negotiating its new contracts. The consultant also helped with the request for proposals and for negotiating new contracts.

EXHIBITS

COMPANY PREPARED SCHEDULES MARIANNA

COMPANY PREPARED SCHEDULES FERNANDINA

STAFF RECALCULATION OF TRUE UP

FLORIDA PUBLIC UTILITIES COMPANY
CALCULATION OF PURCHASED POWER COSTS AND CALCULATION OF TRUE-UP AND INTEREST PROVISION-EXCLUDING GSLD
ESTIMATED FOR THE PERIOD: JANUARY 2004 THROUGH DECEMBER 2004
BASED ON TWELVE MONTHS ACTUAL
(EXCLUDES LINE LOSS, EXCLUDES TAXES)

FERNANDINA BEACH

	ACTUAL Jan 2004	ACTUAL Feb 2004	ACTUAL Mar 2004	ACTUAL Apr 2004	ACTUAL May 2004	ACTUAL Jun 2004	ACTUAL Jul 2004	ACTUAL Aug 2004	ACTUAL Sep 2004	ACTUAL Oct 2004	ACTUAL Nov 2004	ACTUAL Dec 2004	Total
Total System Sales - KWH	37,283,836	35,256,592	36,693,661	31,559,370	31,625,806	43,185,305	44,445,350	43,503,331	40,572,435	43,128,692	35,035,928	31,594,348	453,884,654
JSC Purchases - KWH	534,500	607,800	271,200	309,900	306,700	165,700	290,000	260,000	200,000	195,000	460,000	190,000	3,790,800
JEA Purchases - KWH	38,227,951	34,757,822	37,145,830	31,767,791	35,767,009	48,313,294	47,409,140	49,566,932	41,190,194	39,344,065	35,554,747	36,243,468	475,288,243
System Billing Demand - KW	83,373	88,032	69,261	58,509	71,501	85,210	108,506	97,126	75,936	77,638	70,157	78,310	963,559
Purchased Power Rates:													
CCA Fuel Costs - \$/KWH	0.018700	0.018700	0.018700	0.018700	0.018700	0.018700	0.018700	0.018700	0.018700	0.018700	0.018700	0.018700	
Base Fuel Costs - \$/KWH	0.01786	0.01786	0.01786	0.01786	0.01786	0.01786	0.01786	0.01786	0.01786	0.01786	0.01786	0.01786	
Fuel Adjustment - \$/KWH	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	
Demand and Non-Fuel:													
Demand Charge - \$/KW	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	
Customer Charge - \$	225.00	225.00	225.00	225.00	225.00	225.00	225.00	225.00	225.00	225.00	225.00	225.00	
Energy Charge (Excl. Fuel) \$/KWH	0.00164	0.00164	0.00164	0.00164	0.00164	0.00164	0.00164	0.00164	0.00164	0.00164	0.00164	0.00164	
Purchased Power Costs:													
CCA Fuel Costs	9,995	11,366	5,071	5,795	5,735	3,099	5,423	4,862	3,740	3,647	8,602	3,553	70,888
JEA Base Fuel Costs	682,751	620,775	663,425	567,373	638,799	862,875	846,727	885,265	735,657	702,685	763,672	518,644	8,488,648
JEA Fuel Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Fuel Costs	692,746	632,141	668,496	573,168	644,534	865,974	852,150	890,127	739,397	706,332	772,274	522,197	8,559,536
Demand and Non-Fuel Co Demand Charge													
Customer Charge	500,238	528,191	415,566	351,054	429,006	511,260	651,036	582,756	455,616	465,827	420,941	469,861	5,781,352
Energy Charge	225	225	225	225	225	225	225	225	225	225	225	225	2,700
Subtotal Demand & Non-Fuel Costs	62,694	57,003	60,919	52,099	58,658	79,234	77,751	81,290	67,552	64,524	58,310	59,439	779,473
Total System Purchased Power Costs	1,255,903	1,217,560	1,145,206	976,546	1,132,423	1,456,693	1,581,162	1,554,398	1,262,790	1,236,908	1,251,750	1,051,722	15,123,061
Less Direct Billing To GSGLD Class: Demand Commodity	32,386	100,131	38,072	66,256	31,397	0	68,728	160,039	53,147	104,816	114,736	48,221	817,929
Net Purchased Power Costs	1,054,244	949,353	888,064	754,882	937,354	1,236,355	1,292,352	1,184,795	1,043,579	773,341	930,159	854,707	11,899,185
Special Costs												140	140
Total Costs and Charges	1,054,244	949,353	888,064	754,882	937,354	1,236,355	1,292,352	1,184,795	1,043,579	773,341	930,159	854,847	11,899,325
Sales Revenues - Fuel Adjustment Revenues:													
RS 0.0291 0.02942	503,570	481,474	454,013	367,255	367,254	552,193	592,613	562,002	559,588	457,243	396,247	371,134	5,664,586
GS 0.02895 0.02915	82,422	88,938	58,493	68,789	61,743	83,633	85,354	87,631	78,680	73,334	69,186	63,264	881,465
GSD, GSGLD 0.02722 0.02739	235,097	213,094	221,263	243,855	238,670	285,531	280,465	295,495	284,534	266,358	239,147	251,571	3,055,080
OL 0.01925 0.01931	1,072	1,182	1,252	2,987	3,093	1,975	2,379	2,208	2,289	2,219	2,126	2,250	25,032
SL, CSL 0.01925 0.01931	2,044	1,920	1,951	159	0	1,426	970	981	981	981	981	1,255	13,649
Total Fuel Revenues (Excl. GSGLD1)	824,205	766,606	736,972	683,045	670,760	924,758	961,781	948,317	926,072	800,135	707,687	689,474	9,639,812
GSGLD1 Fuel Revenues	201,659	268,207	257,142	221,664	195,069	220,338	288,810	369,603	219,211	463,567	321,591	197,015	3,223,876
Non-Fuel Revenues	628,719	615,792	602,002	573,304	614,252	738,533	785,932	765,227	740,451	712,360	648,722	618,292	8,043,586
Total Sales Revenue	1,654,583	1,650,605	1,596,116	1,478,013	1,480,081	1,883,629	2,036,523	2,083,147	1,885,734	1,976,062	1,678,000	1,504,781	20,907,274
KWH Sales:													
RS	17,247,852	16,493,031	15,540,957	12,437,090	12,483,677	18,770,046	20,143,994	19,103,516	19,021,442	15,542,502	13,470,360	12,615,530	192,869,997
GS	2,854,104	2,381,385	2,020,654	2,348,407	2,118,178	2,869,144	2,928,472	3,006,303	2,723,464	2,515,851	2,373,531	2,170,360	30,309,853
GSD, GSGLD	8,623,362	7,851,281	8,108,654	8,871,367	8,713,680	10,424,519	10,239,581	10,788,303	10,388,166	9,724,564	8,731,056	9,231,071	111,695,604
GSGLD1	8,430,000	8,370,000	10,910,000	7,740,000	8,150,000	10,970,000	10,960,000	10,440,000	8,270,000	15,180,000	10,300,000	7,410,000	117,130,000
OL	55,808	61,158	64,995	154,401	160,271	102,331	123,251	114,417	118,571	114,983	110,189	116,595	1,296,970
SL, CSL	106,185	99,737	101,357	8,105	0	49,265	50,052	50,792	50,792	50,792	50,792	50,792	668,661
Total KWH Sales	37,317,311	35,256,592	36,746,617	31,559,370	31,625,806	43,185,305	44,445,350	43,503,331	40,572,435	43,128,692	35,035,928	31,594,348	453,971,085
True-up Calculation (Excl. GSGLD1):													
Fuel Revenues	824,205	766,606	736,972	683,045	670,760	924,758	961,781	948,317	926,072	800,135	707,687	689,474	9,639,812
True-up Provision - collect/(refund)	(153,169)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(1,837,973)
Gross Receipts Tax Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
Fuel Revenue	977,374	919,770	890,136	836,209	823,924	1,077,922	1,114,945	1,101,481	1,079,236	953,299	860,851	842,638	11,477,785
Net Purchased Power and Other Fuel Costs	1,054,244	949,353	888,064	754,882	937,354	1,236,355	1,292,352	1,184,795	1,043,579	773,341	930,159	854,847	11,899,325
True-up Provision for the Period	(76,870)	(29,583)	2,072	81,327	(113,430)	(158,433)	(177,407)	(83,314)	35,657	179,958	(69,308)	(12,209)	(421,540)
Interest Provision for the Period	1,501	1,272	1,105	1,041	927	776	543	233	8	(61)	(238)	(630)	6,477
Beginning of Period True-up and Interest Provision	1,837,973	1,609,435	1,427,960	1,277,973	1,207,177	941,510	630,689	300,661	64,416	(53,083)	(26,350)	(249,060)	1,837,973
True-up Collected or (Refunded)	(153,169)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(153,164)	(1,837,973)
End of Period, Net True-up and Int. Prov.	1,609,435	1,427,960	1,277,973	1,207,177	941,510	630,689	300,661	64,416	(53,083)	(26,350)	(249,060)	(415,063)	(415,063)
Beginning True-up Amount	1,837,973	1,609,435	1,427,960	1,277,973	1,207,177	941,510	630,689	300,661	64,416	(53,083)	(26,350)	(249,060)	(415,063)
Ending True-up Amount Before Interest	1,607,934	1,426,688	1,276,868	1,026,136	940,583	629,913	300,118	64,183	(53,091)	(26,289)	(248,822)	(414,433)	(414,433)
Total Beginning and Ending True-up	3,445,907	3,036,123	2,704,828	2,484,109	2,147,760	1,571,423	930,807	364,844	11,325	(79,372)	(275,172)	(663,493)	(663,493)
Average True-up Amount	1,722,954	1,518,062	1,352,414	1,242,055	1,073,880	785,712	465,404	182,422	5,663	(39,686)	(137,586)	(331,747)	(331,747)
Average Annual Interest Rate	1.0450%	1.0050%	0.9800%	1.0050%	1.0350%	1.1850%	1.4000%	1.5350%	1.6850%	1.8550%	2.0800%	2.2800%	2.2800%
Interest Provision	1,501	1,272	1,105	1,041	927	776	543	233	8	(61)	(238)	(630)	(630)

10% Rule Interest Provision: -2.74%

EXHIBIT 1

FLORIDA PUBLIC UTILITIES COMPANY
CALCULATION OF PURCHASED POWER COSTS AND CALCULATION OF TRUE-UP AND INTEREST PROVISION
ESTIMATED FOR THE PERIOD: JANUARY 2004 - DECEMBER 2004
BASED ON TWELVE MONTHS ACTUAL

Schedule M1

MARIANNA DIVISION

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	Total	
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER		
	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004		
Total System Sales - KWH	28,916,312	25,785,248	23,223,450	21,415,624	21,896,946	28,005,951	30,906,261	30,399,731	28,985,098	25,645,805	22,847,944	24,681,942	312,710,312	
Total System Purchases - KWH	29,069,532	26,131,216	22,273,650	22,185,213	27,989,514	30,623,247	34,571,298	34,173,791	28,366,013	25,940,135	23,549,257	30,785,599	335,658,465	
System Billing Demand - KW	61,724	57,422	51,596	43,948	50,754	64,184	65,260	67,968	61,361	52,160	47,661	65,199	689,237	
Purchased Power Rates:														
Base Fuel Costs - \$/KWH	0.02180	0.02180	0.02180	0.02180	0.02180	0.02180	0.02180	0.02180	0.02180	0.02180	0.02180	0.02180		
Demand and Non-Fuel:														
Demand Charge - \$/KW	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80		
Customer Charge - \$	550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00	561.00	660.00	660.00		
Transformation Charge	31,980	31,980	31,980	31,979	31,979	31,979	31,979	31,979	31,979	31,979	37,211	37,211		
Purchased Power Costs:														
Base Fuel Costs	633,716	569,661	485,566	483,638	610,171	667,587	753,654	744,989	618,379	565,495	513,374	671,126	7,317,356	
Subtotal Fuel Costs	633,716	569,661	485,566	483,638	610,171	667,587	753,654	744,989	618,379	565,495	513,374	671,126	7,317,356	
Demand and Non-Fuel Costs:														
Demand Charge	419,724	390,469	350,852	298,847	345,128	436,452	443,768	462,183	417,255	354,688	324,095	443,353	4,686,814	
Customer Charge	550	550	550	550	550	550	550	550	550	561	660	660	6,831	
Equipment Rental & Other											3,768	3,768	7,536	
Transformation Charge	31,979	31,980	31,980	31,979	31,979	31,979	31,979	31,979	31,979	31,979	37,211	37,211	394,214	
Subtotal Demand & Non-Fuel Costs	452,253	422,999	383,382	331,376	377,657	468,981	476,297	494,712	449,784	387,228	365,734	484,992	5,095,395	
Total System Purchased Power Costs	1,085,969	992,660	868,948	815,014	987,828	1,136,568	1,229,951	1,239,701	1,068,163	952,723	879,108	1,156,118	12,412,751	
Special Costs												6,435	6,435	
Total Costs and Charges	1,085,969	992,660	868,948	815,014	987,828	1,136,568	1,229,951	1,239,701	1,068,163	952,723	879,108	1,162,553	12,419,186	
Sales Revenues - Fuel Adjustment Revenues:														
Residential	RS .04053	610,329	537,155	448,887	373,657	378,106	515,784	580,121	569,306	534,265	458,257	373,675	453,914	5,833,456
Commercial, Small	GS .04002	98,051	94,628	88,721	85,568	85,609	107,279	119,534	116,444	109,984	101,335	88,722	87,860	1,183,735
Commercial, Large	GSD .03735	256,884	246,498	240,028	238,087	247,797	305,590	329,974	334,362	319,006	306,870	278,677	274,837	3,378,610
Industrial	GSLD .03533	145,277	112,052	109,904	116,361	119,846	141,764	154,318	144,415	145,168	112,530	125,245	124,360	1,551,240
Outside Lighting Private	OL,OL-2 .02910	5,511	5,863	5,873	8,718	8,826	8,871	8,887	8,891	8,929	8,951	8,928	9,004	97,252
Street Lighting-Public	SL-1, 2, 3 .02901	5,647	5,663	5,608	2,656	2,850	2,896	2,896	2,888	2,885	2,885	2,881	2,907	42,662
Total Fuel Revenues		1,121,699	1,001,859	899,021	825,047	843,034	1,082,184	1,195,730	1,176,306	1,120,237	990,828	878,128	952,882	12,086,955
Non-Fuel Revenues		615,552	570,324	528,974	520,489	571,446	664,133	707,384	707,252	681,110	641,429	584,538	621,499	7,414,130
Total Sales Revenue		1,737,251	1,572,183	1,427,995	1,345,536	1,414,480	1,746,317	1,903,114	1,883,558	1,801,347	1,632,257	1,462,666	1,574,381	19,501,085
KWH Sales:														
Residential	RS	15,058,887	13,253,812	11,075,172	9,219,086	9,330,391	12,727,271	14,313,395	14,046,331	13,181,701	11,306,402	9,219,514	11,199,231	143,931,193
Commercial, Small	GS	2,449,978	2,364,449	2,216,834	2,138,020	2,139,062	2,680,553	2,986,787	2,909,581	2,748,145	2,532,022	2,216,863	2,195,336	29,577,630
Commercial, Large	GSD	6,881,983	6,599,136	6,425,905	6,373,964	6,633,908	8,181,110	8,833,905	8,951,389	8,540,262	8,215,394	7,460,622	7,357,801	90,455,379
Industrial	GSLD	4,142,568	3,171,164	3,110,384	3,293,136	3,391,744	4,012,052	4,366,648	4,087,076	4,108,396	3,184,684	3,544,540	3,519,492	43,931,884
Outside Lighting-Private	OL,OL-2	188,765	201,512	201,849	299,848	303,598	305,136	305,710	305,800	307,146	307,855	307,084	309,858	3,344,161
Street Lighting-Public	SL-1, 2, 3	194,675	195,175	193,306	91,570	98,243	99,829	99,816	99,554	99,448	99,448	99,321	100,224	1,470,609
Total KWH Sales		28,916,856	25,785,248	23,223,450	21,415,624	21,896,946	28,005,951	30,906,261	30,399,731	28,985,098	25,645,805	22,847,944	24,681,942	312,710,856
True-up Calculation:														to Date
Fuel Revenues		1,121,699	1,001,859	899,021	825,047	843,034	1,082,184	1,195,730	1,176,306	1,120,237	990,828	878,128	952,882	12,086,955
True-up Provision for the Period - collect/(refund)		52,022	52,030	52,030	52,030	52,030	52,030	52,030	52,030	52,030	52,030	52,030	52,030	624,352
Gross Receipts Tax Refund		0	0	0	0	0	0	0	0	0	0	0	0	0
Fuel Revenue		1,069,677	949,829	846,991	773,017	791,004	1,030,154	1,143,700	1,124,276	1,068,207	938,798	826,098	900,852	11,462,603
Total Purchased Power Costs		1,085,969	992,660	868,948	815,014	987,828	1,136,568	1,229,951	1,239,701	1,068,163	952,723	879,108	1,162,553	12,419,186
True-up Provision for the Period		(16,292)	(42,831)	(21,957)	(41,997)	(196,824)	(106,414)	(86,251)	(115,425)	44	(13,925)	(53,010)	(261,701)	(956,583)
Interest Provision for the Period		(528)	(490)	(462)	(457)	(530)	(705)	(885)	(1,034)	(1,144)	(1,192)	(1,306)	(1,635)	(10,368)
True-up and Interest Provision														
Beginning of Period		(624,352)	(589,150)	(580,441)	(550,830)	(541,254)	(686,578)	(741,667)	(776,773)	(841,202)	(790,272)	(753,359)	(755,645)	(624,352)
True-up Collected or (Refunded)		52,022	52,030	52,030	52,030	52,030	52,030	52,030	52,030	52,030	52,030	52,030	52,030	624,352
End of Period, Net True-up		(589,150)	(580,441)	(550,830)	(541,254)	(686,578)	(741,667)	(776,773)	(841,202)	(790,272)	(753,359)	(755,645)	(966,951)	(866,951)
10% Rule - Interest Provision:														-7.79%
Beginning True-up Amount		(624,352)	(589,150)	(580,441)	(550,830)	(541,254)	(686,578)	(741,667)	(776,773)	(841,202)	(790,272)	(753,359)	(755,645)	
Ending True-up Amount Before Interest		(588,622)	(579,951)	(550,368)	(540,797)	(686,048)	(740,962)	(775,888)	(840,168)	(789,128)	(752,167)	(754,339)	(965,316)	
Total Beginning and Ending True-up		(1,212,974)	(1,169,101)	(1,130,809)	(1,091,627)	(1,227,302)	(1,427,540)	(1,517,555)	(1,616,941)	(1,630,330)	(1,542,439)	(1,507,698)	(1,720,961)	
Average True-up Amount		(606,487)	(584,551)	(565,405)	(545,814)	(613,651)	(713,770)	(758,778)	(808,471)	(815,165)	(771,220)	(753,849)	(860,481)	
Average Annual Interest Rate		1.0450%	1.0050%	0.9800%	1.0050%	1.0350%	1.1850%	1.4000%	1.5350%	1.6850%	1.8550%	2.0800%	2.2800%	
Monthly Average Interest Rate		0.0871%	0.0838%	0.0817%	0.0838%	0.0863%	0.0988%	0.1167%	0.1279%	0.1404%	0.1546%	0.1733%	0.1900%	
Interest Provision		(528)	(490)	(462)	(457)	(530)	(705)	(885)	(1,034)	(1,144)	(1,192)	(1,306)	(1,635)	

EXHIBIT 2

Company: FLORIDA PUBLIC UTILITIES COMPANY
 Title: Fuel True-up & Interest Calculations
 Period: Year end 12/31/04
 FERNANDINA

Interest Rates per Wall Street Journal Commercial Paper

Interest- first day reporting	Month 1	JANUARY	1.0600%	Month 7	JULY	1.3300%
	Month 2	FEBRUARY	1.0300%	Month 8	AUGUST	1.4700%
	Month 3	MARCH	0.9800%	Month 9	SEPTEMBER	1.6000%
	Month 4	APRIL	0.9800%	Month 10	OCTOBER	1.7700%
	Month 5	MAY	1.0300%	Month 11	NOVEMBER	1.9400%
	Month 6	JUNE	1.0400%	Month 12	DECEMBER	2.2200%
Interest- first day reporting of subsequent month	FIRST OF NEXT MONTH					2.3400%

INTEREST RATES

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Beginning	1.060%	1.030%	0.980%	0.980%	1.030%	1.040%	1.330%	1.470%	1.600%	1.770%	1.940%	2.220%
Ending	1.030%	0.980%	0.980%	1.030%	1.040%	1.330%	1.470%	1.600%	1.770%	1.940%	2.220%	2.340%
Total	2.090%	2.010%	1.960%	2.010%	2.070%	2.370%	2.800%	3.070%	3.370%	3.710%	4.160%	4.560%
Average	1.045%	1.005%	0.980%	1.005%	1.035%	1.185%	1.400%	1.535%	1.685%	1.855%	2.080%	2.280%
Monthly Average	0.087%	0.084%	0.082%	0.084%	0.086%	0.099%	0.117%	0.128%	0.140%	0.155%	0.173%	0.190%

CALCULATION OF TRUE-UP

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	Total
Total Fuel Reve	824,205	768,606	738,972	678,333	666,114	918,327	955,083	941,723	919,624	794,582	702,778	684,697	9,589,044
Prior True-up NOTE B/Over	153,169	153,164	153,164	153,164	153,164	153,164	153,164	153,164	153,164	153,164	153,164	153,164	1,837,973
Total Fuel revenue to current pe	977,374	919,770	890,136	831,497	819,278	1,071,491	1,108,247	1,094,887	1,072,788	947,746	855,942	837,861	11,427,017
Fuel Cost (A2, P1 Line 9)	1,054,244	949,353	888,064	754,882	937,354	1,236,355	1,282,352	1,184,795	1,043,579	773,341	930,159	854,847	11,899,325
True-up this period	-76,870	-29,583	2,072	76,615	-118,076	-164,864	-184,105	-89,908	29,209	174,405	-74,217	-16,986	-472,308
Interest provision	1,500	1,271	1,104	1,038	920	783	521	200	-38	-121	-314	-723	6,124
True-up & intert NOTE A	1,837,973	1,809,434	1,427,959	1,277,971	1,202,460	932,141	614,876	278,128	35,256	-88,736	-67,616	-295,312	-466,184
Prior true-up collected refunded	-153,169	-153,164	-153,164	-153,164	-153,164	-153,164	-153,164	-153,164	-153,164	-153,164	-153,164	-153,164	-1,837,973
Total net true-up per Staff	1,809,434	1,427,959	1,277,971	1,202,460	932,141	614,876	278,128	35,256	-88,736	-67,616	-295,312	-466,184	-466,184
True-Up per A Schedules	1,809,435	1,427,960	1,277,973	1,202,177	941,510	630,689	300,661	64,416	-53,083	-26,350	-249,060	-415,063	-415,063
Difference	-1	-1	-2	-4,717	-9,369	-15,813	-22,533	-29,160	-35,653	-41,266	-46,252	-51,121	-51,121

Company: FLORIDA PUBLIC UTILITIES COMPANY
 Title: Fuel True-up & Interest Calculations
 Period: Year end 12/31/04
 FERNANDINA

CALCULATION OF INTEREST

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
Beginning true up and interest	1,837,973	1,809,434	1,427,959	1,277,971	1,202,460	932,141	614,876	278,128	35,256	-88,736	-67,616	-295,312	
Ending true-up before int	1,607,934	1,426,687	1,276,867	1,201,422	931,220	614,113	277,607	35,056	-88,699	-67,495	-294,997	-465,462	
Total	3,445,907	3,036,122	2,704,826	2,479,394	2,133,681	1,546,253	892,483	313,183	-53,443	-156,232	-362,613	-760,773	
Average true up	1,722,954	1,518,061	1,352,413	1,239,697	1,066,840	773,127	446,242	156,592	-26,721	-78,116	-181,307	-380,387	
Interest rate per above	0.087%	0.084%	0.082%	0.084%	0.086%	0.069%	0.117%	0.128%	0.140%	0.155%	0.173%	0.190%	
Interest per staff	1,500	1,271	1,104	1,038	920	763	521	200	-38	-121	-314	-723	6,124
Interest per A schedules	1,501	1,272	1,105	1,041	927	776	543	233	8	-61	-238	-630	6,477
Difference	1	-1	-1	-3	-7	-13	-22	-33	-46	-60	-76	-93	-353

Source: Company Schedules A1-A12

NOTE A - Agrees with ending balance of prior audit, AUS 04-023-4-2 in which no adjustments were reported.

NOTE B - Ending balance of prior audit 1,837,9 153,164 UNDER

NOTE C - The ending balance of \$1,837,973 is a component of the amount ordered by the Commission.

Estimated true up for 2003 made in April 2004 1,837,973.00 Overrecovery Note D

August 2003 testimony over recovery for 2003 1,302,700.00 Overrecovery 03-1461-FOF-EI

Difference Order 04-1276-FOF -EI 535,273.00 Overrecovery 04-1276-FOF-EI

NOTE D - Already included in rates, therefore, had to be backed out.