

ANNUAL REPORT OF

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Public Service Commission  
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NATURAL GAS UTILITIES

Florida Public Utilities Company

(EXACT NAME OF RESPONDENT)

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

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2004

OFFICE OF  
REGULATION  
05/13/10 11:32:23

Officer or other person to whom correspondence should be addressed concerning this report:

Name George M. Bachman

Title CFO & Treasurer

Address P.O. Box 3395

CityWest Palm Beach State Florida

Telephone No. (561) 838-1731

PSC/AFA 20 (4/96)



**BDO Seidman, LLP**  
Accountants and Consultants

1601 Forum Place, Suite 904  
West Palm Beach, FL 33401  
Telephone: (561) 688-1600  
Fax: (561) 688-1848

## **INDEPENDENT AUDITORS' REPORT**

Florida Public Utilities Company  
West Palm Beach, Florida

We have audited the balance sheet –regulatory basis of Florida Public Utilities Company (the “Company”) as of December 31, 2004, and the related statements of income – regulatory basis, retained earnings – regulatory basis, and the consolidated statement of cash flows for the year then ended, included on pages 110 through 122, excluding additional information on pages 114 f – Northeast Division, 114 m - Northwest Division and 115 –Electric, Gas and Other Utility Divisions, of the accompanying Federal Energy Regulatory Commission Form 1. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

These financial statements were prepared in accordance with the accounting requirements of the Florida Public Service Commission, which are substantially equivalent to the accounting requirements for the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). The principal differences from generally accepted accounting principles include accounting for the Company’s investment in a wholly-owned subsidiary under the equity method rather than consolidating the assets, liabilities, revenues, and expenses of the subsidiary, the inclusion of certain accumulated provisions in other non-current liabilities rather than current liabilities, and the classification of all deferred tax accounts on a gross basis as non-current.

The consolidated statement of cash flows and the accompanying notes to the financial statements are prepared on a consolidated basis as presented with the Company’s consolidated financial statements included in its Annual Report to Shareholders. Such

consolidated statement of cash flows and notes are not comparable in certain respects with the accompanying balance sheets –regulatory basis and income statements – regulatory basis in which an investment in a wholly- owned subsidiary is accounted for under the equity method.

In our opinion, such financial statements present fairly, in all material respects, the assets, liabilities, and proprietary capital of the Company as of December 31, 2004, and the results of its operations and its cash flows for the year ended December 31, 2004, in accordance with the accounting requirements of the Florida Public Service Commission, which are substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 114f – Northeast Division, 114m –Northwest Division, and 115 –Electric, Gas, and Other Utility Divisions is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors and management of the Company and for filing with the Florida Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties.



BDO Seidman, LLP  
Certified Public Accountants  
March 4, 2005

# INSTRUCTIONS FOR FILING THE ANNUAL REPORT OF NATURAL GAS UTILITIES

## GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.
- II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.
- V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.
- VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.
- VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

## DEFINITIONS

- I. Btu per cubic foot — The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F, if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec. <sup>2</sup>) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)
- II. Respondent — The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

# ANNUAL REPORT OF NATURAL GAS UTILITIES

## IDENTIFICATION

01 Exact Legal Name of Respondent <b>FLORIDA PUBLIC UTILITIES COMPANY</b>		03 Year of Report <b>December 31, 2004</b>
03 Previous Name and Date of Change (if name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) <b>401 South Dixie Highway, West Palm Beach, FL 33401-5886</b>		
05 Name of Contact Person <b>George Bachman</b>	06 Title of Contact Person <b>Chief Financial Officer &amp; Treasurer</b>	
07 Address of Contact Person (Street, City, State, Zip Code) <b>Same as above</b>		
08 Telephone of Contact Person, including Area Code <b>(561) 838-1731</b>	09 Date of Report (Mo, Da, Yr)	

## ATTESTATION

I certify that I am the responsible accounting officer of

### FLORIDA PUBLIC UTILITIES COMPANY

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2004 to December 31, 2004, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

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

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

George Bachman

Name

Chief Financial Officer & Treasurer

Title

December 31, 2004

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**CONTROL OVER RESPONDENT**

1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or

organization. If control was held by a trustee(s), state name of trustee(s).

2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

None

**CORPORATIONS CONTROLLED BY RESPONDENT**

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.

2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.

3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

**DEFINITIONS**

1. See the Uniform System of Accounts for a definition of control.

2. Direct control is that which is exercised without interposition of an intermediary.

3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.

4. Joint control is that in which neither interest can effectively

control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
Flo - Gas Corporation	Propane Gas	100%	

**OFFICERS**

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.  
 2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

Title (a)	Name of Officer (b)	Salary for Year (c)
President & Chief Executive Officer	John T. English	\$226,564
Senior Vice President & Chief Operating Officer	Charles L. Stein	\$170,155
Chief Financial Officer & Treasurer	George M. Bachman	\$149,189

**DIRECTORS**

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.  
 2. Designate member of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
J.T. English** Chairman & Chief Executive Officer	401 South Dixie Highway West Palm Beach, Florida	11	\$ -
R.C. Hitchins	325 South Olive Avenue West Palm Beach, Florida	11	\$ 14,900
P.L. Maddock, Jr	275 S County Road Palm Beach, Florida	10	\$ 13,000
R. E. Schupp*	4400 Congress Avenue West Palm Beach, Florida	9	\$ 14,250
Ellen Terry Benoit	250 El Pueblo Way Palm Beach, Florida	7	\$ 9,000



**SECURITY HOLDERS AND VOTING POWERS**

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became

vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

Name (Title) and Address of Security Holder (a)	VOTING SECURITIES			
	Number of votes as of (date):			
	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities	3,938,929	3,938,929		
TOTAL number of security holders	930	930		
TOTAL votes of security holders listed below	374,875	374,875		
1 Dino Casali, PO Box 387, Thomas, CT 06787	188,020	188,020		
2 George F. Paris, Jr., P. O. Box 1420, Las Vegas, NV 89125-1420	58,293	58,293		
3 Gordon O. Jerauld Trust, 700 Ospray Way, North Palm Beach, FL	24,885	24,885		
4 Walter P. Large, 11479 Orange Grove Blvd, Royal Palm Beach, FL	19,875	19,875		
5 Eduardo B. Arcentales Trust, 209 Avila Rd., West Palm Beach, FL	18,496	18,496		
6 John T. English, 15410 Woodmar Ct. Wellington, FL	17,101	17,101		
7 Francis H. Tweed, Morriston, NJ	15,256	15,256		
8 Mildred K. Hall, 12944 SE Papaya St. Hobe Sound, FL	11,162	11,162		
9 James Tuten, 129 N 17th St, Fernandina Beach, FL 32034-2647	11,121	11,121		
10 Joyce Davis, 3709 Quando Cir, Orlando, FL 32812	10,666	10,666		

**IMPORTANT CHANGES DURING THE YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.

2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.

3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.

4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.

5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

- 1 None
- 2 None
- 3 On December 3, 2002 the Company entered into an agreement to sell the assets of its water utility system to the City of Fernandina Beach. The sale was finalized on March 27, 2003.
- 4 None
- 5 None

December 31, 2004

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)				
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114) & 118	12	148,230,930	155,356,699
3	Construction Work in Progress (107)	12	3,455,074	6,975,311
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		151,686,004	162,332,010
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	12	(48,811,453)	(50,859,345)
6	Net Utility Plant (Enter Total of line 4 less 5)		102,874,551	111,472,665
7	Utility Plant Adjustments (116)	11		
8	Gas Stored (117.1, 117.2, 117.3, 117.4)	-		
9	OTHER PROPERTY AND INVESTMENTS			
10	Nonutility Property (121)	-	0	8,436
11	(Less) Accum. Prov. for Depr. and Amort. (122)	-	0	0
12	Investments in Associated Company (123)	-	0	0
13	Investment in Subsidiary Companies (123.1)	-	1,563,071	1,841,083
14	Other Investments (124-128, 171)	-	5,671,752	5,752,219
15	Special Funds	-		
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		7,234,823	7,601,738
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	843,698	479,283
19	Special Deposits (132-133)	-	3,148,987	3,183,372
20	Working Funds (135)	-	14,400	18,500
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-	243,931	357,062
23	Customer Accounts Receivable (142)	-	8,225,436	9,426,799
24	Other Accounts Receivable (143)	-	277,458	122,593
25	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	-	(140,444)	(198,204)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Assoc. Companies (146)	-	10,628,339	11,351,417
28	Fuel Stock (151)	-		
29	Fuel Stock Expense Undistributed (152)	-		
30	Residuals (Elec) and Extracted Products (Gas) (153)	-		
31	Plant Material and Operating Supplies (154)	-	1,169,512	1,089,291
32	Merchandise (155)	-	247,166	295,368
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Undgrd. & Liq. Nat. Gas Stored (164.1-164.3)	-		
36	Prepayments (165)	18	6,563,863	3,165,217
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	1,354,460	1,882,080
41	Miscellaneous Current and Accrued Assets (174)	-		
42	TOTAL Current and Accrued Assets (Enter Total of lines 18 through 41)		32,576,806	31,172,778
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	2,046,433	1,962,360
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	9,127,000	9,713,454
48	Prelim. Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-	0	0
50	Temporary Facilities (185)	-	18,380	10,005
51	Miscellaneous Deferred Debits (186+165.3)	19	5,925,402	6,646,130
52	Def. Losses from Disposition of Utility Plant. (187)	-		
53	Research, Devel. and Demonstration Expend. (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20	263,594	245,309
55	Accumulated Deferred Income Taxes (190)	24	3,204,953	2,460,212
56	Unrecovered Purchased Gas Costs (1860.21)	-	869,639	1,683,121
57				
58	TOTAL Deferred Debits (Enter Total of lines 44 through 56)		21,455,401	22,720,591
59	TOTAL Assets and other Debits (Enter Total of lines 6, 7, 8, 16, 42, 57)		164,141,581	172,967,772

## COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock (201, 202, 203, 205, 206, 207)	-	\$14,187,331	\$14,409,913
3	Preferred Stock Issued (204)	-	600,000	600,000
4	Other Paid-In Capital (208-211) & Accounts 212, 213, 214	-	1,034,151	1,164,704
5	Retained Earnings (215, 215.1, 216)	10	29,084,452	30,017,597
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	1,553,071	1,831,083
7	(Less) Reacquired Capital Stock (217)	-	(4,395,577)	(4,210,700)
8	TOTAL Proprietary Capital (Enter Total of lines 2 through 7)		42,063,428	43,812,597
9	LONG-TERM DEBT			
10	Bonds (221)	21	52,500,000	52,500,000
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21		
13	Other Long-Term Debt (224)	21		
14	Unamortized Premium on Long-Term Debt (225)	21		
15	(Less) Unamortized Discount on Long-Term Debt-Dr. (226)	21		
16	TOTAL Long-Term Debt (Enter Total of lines 10 through 15)		52,500,000	52,500,000
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)	-		
19	Accumulated Provision for Property Insurance (228.1)	-	2,259,721	1,538,088
20	Accumulated Provision for Injuries and Damages (228.2)	-	421,513	363,547
21	Accumulated Provision for Pensions and Benefits (228.3)	-	1,816,675	1,756,814
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-	0	0
24	TOTAL Other Noncurrent Liabilities (Enter Total of lines 18 through 23)		4,497,909	3,658,449
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-	2,278,000	5,825,000
27	Accounts Payable (232)	-	8,863,503	9,861,359
28	Notes Payable to Associated Companies (233)	-	0	0
29	Accounts Payable to Associated Companies (234)	-	0	0
30	Customer Deposits (235)	-	5,618,430	6,329,898
31	Taxes Accrued (236)	-	358,759	1,643,215
32	Interest Accrued (237)	-	932,608	967,176
33	Dividends Declared (238)	-	584,793	599,628
34	Matured Long-Term Debt (239)	-	0	0
35	Matured Interest (240)	-	0	0
36	Tax Collections Payable (241)	-	1,569,855	1,613,927
37	Miscellaneous Current and Accrued Liabilities (242)	22	1,192,693	1,138,521
38	Obligations Under Capital Leases-Current (243)	-	0	0
39				
40	TOTAL Current and Accrued Liabilities (Enter Total of lines 26 through 39)		\$21,398,641	\$27,978,724
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	-	1,580,734	1,340,184
43	Other Deferred Credits (253) & CIAC (271&272)	22	17,129,072	15,811,832
44	Other Regulatory Liabilities (2821)	22	7,335,883	8,936,568
45	Accumulated Deferred Investment Tax Credits (255)	23	570,027	489,287
46	Deferred Gains from Disposition of Utility Plant (256)	-		
47	Unamortized Gain on Reacquired Debt (257)	20		
48	Accumulated Deferred Income Taxes (281-283)	24	17,065,887	18,440,131
49	TOTAL Deferred Credits (Enter Total of lines 42 through 48)		43,681,603	45,018,002
50				
51	TOTAL Liabilities and Other Credits (Enter Total of lines 8, 16, 24,			
52	40 and 49)		\$164,141,581	\$172,967,772

STATEMENT OF INCOME

1. Report amounts for Accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount (s) over lines 01 through 24 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in Account 414, Other Utility Operating Income, in the same manner as Accounts 412 and 413 above.

3. Report data for lines 7,9,10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.

4. Use page 19 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations on page 19 concerning

unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations on page 19 concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting

Line No.	Account (a)	Ref. Page No. (b)	Total Current Year ©	Total Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	\$98,871,907	\$93,129,724
3	Operating Expenses			
4	Operation Expenses (401)	27-29	75,158,363	70,665,235
5	Maintenance Expenses (402)	27-29	2,603,769	2,519,906
6	Depreciation Expense (403)	15-16	4,885,458	4,732,379
7	Amort. & Depl. of Utility Plant (404-405) & 407.5	55	452,069	252,596
8	Amort. of Utility Plant Acq. Adj. (406)		2,868	(956)
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-	-	-
10	Amort. of Conversion Expenses (407.2)	-	-	-
11	Regulatory Debits (407.3)	-	-	-
12	(Less) Regulatory Credits (407.4)	-	-	-
13	Taxes Other Than Income Taxes (408.1)	* 23	7,438,309	7,521,839
14	Income Taxes - Federal (409.1)		(505,093)	(757,705)
15	- Other (409.2)		(86,292)	(129,622)
16	Provision for Deferred Inc. Taxes (410.1)	* 24	2,079,942	2,017,251
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24	-	-
18	Investment Tax Credit Adj. - Net (411.4)	23	(80,740)	(93,434)
19	(Less) Gains from Disp. of Utility Plant (411.6)	-	-	-
20	Losses from Disp. of Utility Plant (411.7)	-	-	-
21	(Less) Gains from Disposition of Allowances (411.8)	-	-	-
22	Losses from Disposition of Allowances (411.9)	-	-	-
23	TOTAL Utility Operating Expenses (Total of lines 4 -22)		91,948,653	86,727,489
24	Net Utility Operating Income (Total of line 2 less 23) (Carry forward to page 14, line 25)		6,923,254	6,402,235
	* Excludes Common deferred tax			

STATEMENT OF INCOME (Continued)

revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 19.

8. Enter on page 19 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of

allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 22, and report the information in the blank space on page 19 or in a supplemental statement.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY - WATER		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
\$42,909,848	\$39,519,249	\$55,962,059	\$53,610,475	\$0	\$0	1
						2
						3
32,088,989	30,110,901	43,069,374	40,554,334	0	0	4
1,646,944	1,442,296	956,825	1,077,610	0	0	5
2,420,133	2,416,847	2,465,325	2,315,532	0	0	6
-	-	452,069	252,596			7
-	-	2,868	(956)			8
-	-					9
-	-					10
-	-					11
-	-					12
3,401,046	3,300,646	4,037,263	4,221,193	0	0	13
(289,371)	(368,677)	(215,722)	(389,028)	0	0	14
(49,486)	(63,132)	(36,806)	(66,490)	0	0	15
943,268	664,128	1,136,674	1,353,123	0	0	16
-	-			0		17
(39,728)	(52,123)	(41,012)	(41,311)	0	0	18
						19
						20
						21
						22
40,121,795	37,450,886	51,826,858	49,276,603	0	0	23
2,788,053	2,068,363	4,135,201	4,333,872	0	0	24

FLORIDA PUBLIC UTILITIES COMPANY		An Original	For the Year Ended	
			December 31, 2004	
STATEMENT OF INCOME (Continued)				
Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 12)		\$6,923,254	\$6,402,235
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	2,932,237	2,487,526
	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-	(2,886,958)	(2,372,455)
31	Revenues From Nonutility Operations (417)	-	0	0
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-	2,061	400
34	Equity in Earnings of Subsidiary Companies (418.1)	10	278,012	58,759
35	Interest and Dividend Income (419)	-	351,194	189,660
36	Allowance for Other Funds Used During Construction (419.1)	-	0	50
37	Miscellaneous Nonoperating Income (421)	*	251,039	204,120
38	Gain on Disposition of Property (421.1)	-	-	15,871,571
39	TOTAL Other Income (Enter Total of lines 29 through 38)		927,585	16,439,631
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)	-		
42	Miscellaneous Amortization (425)	33		
43	Miscellaneous Income Deductions (426.1-426.5)	33	(19,956)	19,170
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		(19,956)	19,170
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)			
47	Income Taxes - Federal (409.1)		127,606	99,775
48	Income Taxes - Other (409.2)	24	21,905	16,333
49	Provision for Deferred Income Taxes (410.1 & 2)	24	(77,590)	5,968,936
50	(Less) Provision for Deferred Income Taxes - Cr. (411.2)			
51	Investment Tax Credit Adj.- Net (411.5)	-		
52	(Less) Investment Tax Credits (420)	-		
53	TOTAL Taxes on Other Inc. and Ded. (Enter Total of 46 through 52)		71,921	6,085,044
54	Net Other Income and Deductions (Enter Total of lines 39,44,53)		875,620	10,335,417
55	Interest Charges			
56	Interest on Long-Term Debt (427)	-	3,948,550	3,948,550
57	Amortization of Debt Disc. and Expense (428)	21	102,356	128,746
58	Amortization of Loss on Reacquired Debt (428.1)	-		
59	(Less) Amort. of Premium on Debt - Credit (429)	21		
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-		
61	Interest on Debt to Assoc. Companies (430)	33	(253,469)	(172,149)
62	Other Interest Expense (431)	33	407,721	410,271
63	(Less) Allow. for Borrowed Funds Used During Const. - Cr. (432)	-	0	(33)
64	Net Interest Charges (Total of lines 56 through 63)		4,205,158	4,315,385
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		3,593,716	12,422,267
66	Extraordinary Items			
67	Extraordinary income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)			
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		\$3,593,716	\$12,422,267
73	Earnings Per Share		0.92	3.17

December 31, 2004

## STATEMENT OF RETAINED EARNINGS

1. Report all changes in appropriate retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.

2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).

3. State the purpose and amount for each reservation or appropriation of retained earnings.

4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.

5. Show dividends for each class and series of capital stock.

6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.

7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.

8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 19.

Line No.	Item (a)	Primary Account Affected (b)	Amount (c)
	<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>		
1	Balance - Beginning of Year		\$29,084,452
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit: DIVIDENDS FROM SUBSIDIARY		0
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Enter Total of lines 4 through 8)		0
7	Debit:		
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Enter Total of lines 10 through 14)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		3,315,704
11	Appropriations of Retained Earnings (Account 436)		
12			
13	TOTAL Appropriations of Retained Earnings (Account 436)		
14			
15	Dividends Declared - Preferred Stock (Account 437)		
16	Preferred	2380	28,500
17			
18	TOTAL Dividends Declared - Preferred Stock (Account 437)		28,500
19	Dividends Declared - Common Stock (Account 438)		
20	Common - Cash	2380	2,354,059
21			
22			
23	TOTAL Dividends Declared - Common Stock (Account 438)		2,354,059
24	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
25	Balance - End of Year		\$30,017,597
26			
27	<b>UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)</b>		
28			
29	Balance - Beginning of Year (Debit or Credit)		1,553,071
30	Equity in Earnings for Year (Credit) (Account 418.1)		278,012
31	(Less) Dividends (Debit)		0
32	Other Changes (Explain)		
33	Balance - End of year		1,831,083

December 31, 2004

## NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

SEE ATTACHED 10K SUPPLEMENTS.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting and Reporting Policies

**Business and Regulation** - FPU 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. FPU 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. FPU also distributes propane gas through a non-regulated subsidiary. FPU's accounting policies and practices conform to accounting principles generally accepted in the United States of America as applied to regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the FPSC.

FPU prepares its financial statements in accordance with the provisions of SFAS No. 71 - "Accounting for the Effects of Certain Types of Regulation". 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. Accordingly, FPU has recognized certain regulatory assets and regulatory liabilities in the consolidated balance sheets. FPU believes that the FPSC will continue to allow it to recover such items through its rates. In the event that a portion of FPU's operations are no longer subject to the provisions of SFAS No. 71, it would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, FPU 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. A summary of such items is as follows (dollars in thousands):

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Deferred development costs (1)	\$4,299	\$3,927
Environmental assets (2)	9,297	9,127
Storm Reserve assets (3)	416	-
Unamortized Rate Case expense	704	-
Under recovery of fuel costs	274	-
Unamortized piping and conversion costs (1)	1,449	1,441
Unamortized loss on reacquired debt (1)	245	264
<b>Total Regulatory Assets</b>	<u>\$16,684</u>	<u>\$14,759</u>
<b>Liabilities</b>		
Regulatory tax liabilities	\$1,113	\$1,243
Environmental liability (2)	4,276	4,873
Regulatory liability - cost of removal (4)	7,824	6,093
Storm damage	1,538	2,260
Over recovery of fuel costs, conservation and unbundling	94	1,811
<b>Total Regulatory Liabilities</b>	<u>\$14,845</u>	<u>\$16,280</u>

- (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 accrued approximately \$9 million as a regulatory asset (environmental). This was authorized by the FPSC in their most recent natural gas rate proceeding and will be recovered over 20 years. The environmental liability excludes the \$9 million as it represents a legal but not regulatory liability.
- (3) The Company has petitioned to the FPSC for recovery of its Storm damages incurred in 2004 in its natural gas operations and is expected to recover those costs from its customers. (See "Storm Reserve" in "Outlook" for additional information).
- (4) In accordance with SFAS No. 143 "Accounting for Asset Retirement Obligations", the company has classified cost of removal as a regulatory liability.

FPU has agreed with the FPSC staff to limit its earned return on equity for its regulated natural gas and electric operations. The disposition of any over earnings is left to the discretion of the FPSC, with alternatives including a refund to customers, applying the over earnings to the storm damage reserves, or the reduction of any depreciation reserve deficiency. The FPSC ordered the over earnings for 1997, 1998 and 1999 at one of FPU's electric divisions to be added to that division's storm damage reserve. Since that last order on the 1999 disposition of over earnings, the FPSC has allowed FPU the automatic flexibility of applying the electric over earnings to the storm damage reserves each year following 1999 and allowing additional storm damage accruals up to a cap of \$2.9 million in the electric divisions. FPU applied an additional \$25,800 relating to 2002 over earnings in its electric storm reserve. In 2003 and 2004 FPU did not have any over earnings and accordingly has not applied any additional amounts to its storm damage reserves. As of the end of 2004, the electric storm reserve was at approximately \$1.5 million. In 2005, FPU has requested that the FPSC grant permission to apply the 2002 natural gas over earnings of \$105,000 to the 2004 under recovery of unbundling expenses and to its storm reserves.

FPU filed tariff sheets for its unbundled program to give its commercial natural gas customers the option of purchasing their gas supplies from third parties. FPU officially offered unbundled services to commercial customers on August 1, 2001. Even though FPU feels it has had among the lowest overall gas costs in the Florida market, third party suppliers may be able to offer its customers additional programs, which a regulated gas company cannot offer. Furthermore, by purchasing their gas supplies from third parties, FPU's commercial customers may avoid certain taxes and fees, which FPU is required to collect and impose on the sale of natural gas. FPU's operating results will not be affected as it realizes the same gross profit regardless of whether the customer purchases the gas from FPU or uses FPU's system to transport the gas since it does not profit on the cost of fuel. The FPSC approved various mechanisms which will allow FPU to be reimbursed for the incremental cost of providing unbundled services. In the natural gas rate proceeding completed in 2004, FPU was granted recovery of unbundling expenses through base rates instead of being reimbursed for a pass through expenditure. Any remaining under recovery of these unbundling expenses is expected to be recovered through the application of funds from the 2002 natural gas over earnings.

**Revenue Recognition** 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 and usage not yet billed for the accounting period. Determination of unbilled revenue relies on the use of estimates, fuel purchases and historical data.

The Company's rates include base revenues, fuel adjustment charges and the pass-through of certain governmental imposed taxes based on revenues. The base revenues are determined by the FPSC and remain constant until a request for an increase is filed and approved by the FPSC. Previously the FPSC considered the Company to operate three distinct "entities", i.e., Northwest Florida electric, Northeast Florida electric and its natural gas division, consisting of Palm Beach County, and the Sanford and DeLand area in Central Florida. Thus, for the Company to recover the effects of inflation and construction expenditures for all "entities", a request for an increase in base revenues would have required the filing of three separate rate cases. In 2003 the Company successfully filed for electric rate increases and petitioned to consolidate the two electric "entities" into one entity. In 2004 the Company successfully filed for natural gas rate increase. Fuel adjustment charges are estimated for customer billing purposes and any under/over-recovery difference between the incurred cost of fuel and estimated amounts billed to customers is deferred for future recovery or refund. Then the under/over-recovery is either charged or credited to customers including the interest that has accrued on such under/over-recoveries.

**Consolidation** The consolidated financial statements include the accounts of FPU and its wholly owned subsidiary, Flo-Gas Corporation. All significant intercompany balances and transactions have been eliminated.

Certain reclassifications may have been made to the prior years' financial statements and other financial information contained herein to conform to the 2004 presentation.

**Utility Plant and Depreciation** Utility plant is stated at original cost. Propane utility plant that has been acquired in acquisitions is stated at fair market value at the time of each acquisition. Increases to utility plant include contracted services, direct labor, transportation and materials for additions. Units of property are removed from utility plant when retired, and such costs plus removal costs, less salvage, are charged to accumulated depreciation. 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. See note 5 for additional information relating to the acquisition adjustment.

<b>Plant Classification</b>	<b>Amount</b>
Land	\$ 1,133
Buildings	6,667
Distribution	138,159
Transmission	6,390
Equipment	12,822
Furniture & Fixtures	403
Work in Progress	7,774
	<u>\$ 173,348</u>

Depreciation is computed using the composite straight-line method at rates prescribed by the FPSC for financial accounting purposes. Propane 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 3.6% in 2004, 3.4% in 2003 and 3.3% in 2002. The approximate depreciation of computer software is \$241,000.

**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.

**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 liability reserves, unbilled revenue and hurricane expense cost recovery. Actual results may differ from these estimates and assumptions.

**Financial Instruments** FPU has designated all material contracts meeting the definition of possible derivative instruments as "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

## 2. Impact of Recent Accounting Standards

### Financial Accounting Standard No. 123

In December 2004, The FASB issued SFAS No. 123R (revised 2004) "Share-Based Payment". This revised statement is effective for the first interim or annual reporting period that begins after June 15, 2005. This statement primarily affects transactions in which an entity obtains employee services in share-based payment transactions. The Company does not feel that adoption of this revised FASB will result in any material change to our financial statements and current method of reporting stock based transactions. The Company began recording compensation expense relating to the plan in compliance with SFAS No. 123 in the first quarter of 2004. The 2004 expense was \$68,000.

## 3. Notes Payable

On April 1, 2003 the Company obtained a \$12.0 million, thirty-nine month line of credit ("LOC"). On October 29, 2004, FPU entered into an amended and restated loan agreement that increases the LOC, upon 30 days notice by the Company, to a maximum of \$20.0 million and expires on June 30, 2007. The current outstanding balance on the LOC is \$5.8 million with a remaining current available LOC of \$6.2 million. Until April 1, 2003, the LOC had a \$20.0 million line of credit and had \$19.2 million outstanding at the end of 2002, with interest at LIBOR plus fifty basis points. The Company reserves \$1.0 million of the LOC to cover expenses for any major storm repairs in its Northwest Florida division. An additional \$250,000 of the LOC is reserved for a 'letter of credit' insuring propane facilities. The interest rates for the line of credit at December 31, 2004, 2003 and 2002 were approximately 3.3%, 2.0% and 1.9%, respectively.

## 4. Acquisition

In November 2002, FPU acquired Nature Coast Utilities, a propane gas service distribution company, in cash for stock transaction valued at approximately \$740,000. The acquisition added about 1,200 customers to the Company's new West Florida division.

The excess of the consideration paid over the fair value of assets acquired and liabilities assumed associated with this acquisition, resulted in goodwill of approximately \$223,000. In accordance with SFAS No. 142, the goodwill is not being amortized. In 2003, subsequent acquisition adjustments have increased the goodwill to \$240,000. There are no other intangible assets identified with this acquisition.

## 5. 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, and in the event a segment is impaired, the associated goodwill and intangible assets would be written down to fair value.

Intangible assets associated with the Company's acquisitions have been identified and are shown as a separate line item on the balance sheet. The intangibles subject to amortization over a five-year period are non-compete agreements totaling \$35,000. The related accumulated amortization of \$21,000 is included in the net intangible on the balance sheet. The remaining intangibles are customer distribution rights of approximately \$1.9 million and customer relationships of approximately \$900,000 both of which have indefinite lives and are not subject to amortization.

Goodwill associated with the Company's acquisitions has been identified as a separate line item on the balance sheet and consists of \$500,000 in the natural gas segment and \$1.9 million in the propane gas segment. Impairment tests were performed as of January 1, 2004 and as of January 1, 2003. Neither tests indicated impairment.

FPU requested approval from the FPSC to include in the rate base (regulated investment) the goodwill and intangible assets associated with the acquisition of Atlantic Utilities and in October 2004 was granted recovery as an acquisition adjustment the portion included in goodwill that represented the difference between fair market value of the assets acquired and the original cost. The approved acquisition adjustment amounted to approximately \$1.0 million and was reclassified from goodwill to an acquisition adjustment in the fourth quarter of 2004. The remaining goodwill associated with the natural gas segment is \$500,000.

## 6. Discontinued Operations

### *Water Service*

On December 3, 2002, the Company entered into an agreement to sell certain assets comprising its water utility system to the City of Fernandina Beach ("City"). The closing of this transaction took place on March 27, 2003. The fair value of the consideration was approximately \$25.0 million. The City paid \$19.2 million in cash at closing and agreed to pay future consideration of approximately \$7.4 million in variable annual installments (as summarized below) until February 15, 2010. FPU recognized and recorded the present value of the long-term receivable of \$5.7 million, using a discount rate of 4.34%. The long-term receivable has been subsequently increased to recognize interest income in the amount of \$384,000 at December 31, 2004. The first variable annual installment of \$57,348 was received in February 2004.

The cash received at closing was used to repay short-term debt. The gain on the disposal of discontinued operations, including the income from discontinued operations for the first quarter of 2003 of \$133,000, was \$15.8 million or \$9.9 million after tax, and has subsequently been adjusted to \$15.9 million or \$9.9 million after tax, due to adjustments to sales related expenses that were previously estimated.

The accompanying consolidated financial statements have been restated for all periods presented for the discontinued operations of the water division. Because of regulatory requirements, FPU continued recording depreciation expense through the sale date of March 27, 2003. The total net plant amounted to approximately \$9.7 million, and the net assets less liabilities amounted to approximately \$8.9 million at the date of sale. The assets and liabilities of the water

division were included in current assets and current liabilities as of December 31, 2002, as assets and liabilities held for sale.

**Estimated Annual Future Value of Consideration due from the City for years following December 31, 2004 is as follows (in thousands):**

	Estimated Timing of Payments	Present Value of Long Term Receivable
2005	\$ 371	\$ 369
2006	375	357
2007	375	343
2008	375	328
2009	375	315
2010	5,438	4,374
Total	\$ 7,309	\$ 6,086

Results of discontinued operations were as follows:

<b>Results of Water Division</b> (dollars in thousands):	Years Ended December 31,	
	2003	2002
Revenues	\$679	\$3,116
Gross profit	651	2,983
Income from discontinued operations before income taxes	149	908
Income taxes	(16)	(306)
Income from discontinued operations before gain	\$133	\$602

## 7. Gain on Sale of Property

In 2002 the Company sold certain properties that resulted in a gain of \$715,000 and requested that the FPSC allow the majority of the gains to be deferred. The Company was granted approval by the FPSC to allow amortization of the gains as a reduction of depreciation expense over five-years beginning 2002. The non-regulated portion of the gains were recognized in 2002 and totaled \$70,000, net of income taxes.

## 8. Capitalization

**Common Stock Split** In July 2002, the Company affected a four-for-three stock split in the form of a stock dividend and, accordingly, transferred from paid-in capital to common stock, an amount equal to the aggregate par value of the additional shares. All per share data included herein has been retroactively restated to reflect the stock split.

**Common Shares Reserved** The Company has reserved 78,707 common shares for issuance under the Dividend Reinvestment Plan and 92,641 common shares for issuance under the Employee Stock Purchase Plan.

**Preferred Stock** The Company has 6,000 shares of 4 <sup>3</sup>/<sub>4</sub> Series A preferred stock \$100 par value authorized for issuance of which 6,000 were issued and outstanding at December 31, 2004. FPU also has 5,000 4 <sup>3</sup>/<sub>4</sub> Series B preferred stock \$100 par value authorized for issuance none of which has been issued. The annual dividend rate for the preferred stock is 4.75%.

## 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, 2004, approximately \$5.5 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; however, the Company is not in violation of these covenants.

## 9. Debt

The Company issued its Fourteenth Series of FPU's First Mortgage Bond on September 27, 2001 in the aggregate principal amount of \$15.0 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 \$14.0 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 \$8.0 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 \$8.0 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 \$10.0 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.

On April 1, 2003 the Company changed banks and opened a \$12.0 million, thirty-nine month line of credit, the current outstanding balance of which is \$5.8 million. FPU reserves \$1.0 million of the LOC to cover expenses for any major storm repairs in its Northwest Florida division. An additional \$250,000 of the LOC is reserved for a 'letter of credit' insuring propane facilities.

## 10. Segment Information

FPU is organized into two continuing regulated business segments: natural gas and electric, and one non-regulated business segment, propane gas. Water, a regulated segment, was classified as discontinued operations and has been eliminated from segment information with the exception of Identifiable assets that are shown for 2002. There are no material inter-segment sales or transfers.

Identifiable assets are those assets used in FPU's operations in each business segment. Common assets are principally cash and overnight investments, deferred tax assets and common plant.

Business segment information for 2004, 2003 and 2002 is summarized as follows:  
(in thousands)

	2004	2003	2002
<b>Revenues</b>			
Natural gas	\$ 55,962	\$ 53,610	\$ 40,140
Electric	42,910	39,519	40,930
Propane gas	11,167	9,594	7,391
Consolidated	<u>\$ 110,039</u>	<u>\$ 102,723</u>	<u>\$ 88,461</u>
<b>Operating income from continuing operations excluding income tax</b>			
Natural gas	\$ 4,978	\$ 5,190	\$ 4,291
Electric	3,353	2,249	2,980
Propane gas	655	254	498
Consolidated	<u>\$ 8,986</u>	<u>\$ 7,693</u>	<u>\$ 7,769</u>

**Identifiable assets (1)**

Natural gas	\$ 87,234	\$ 80,924	\$ 60,439
Electric	48,570	43,476	42,557
Propane gas	15,723	14,348	10,288
Water operations – held for sale	-	-	10,096
Common	20,161	24,242	27,240
Consolidated	<u>\$ 171,688</u>	<u>\$ 162,990</u>	<u>\$ 150,620</u>

**Depreciation and amortization**

Natural gas	\$ 2,752	\$ 2,414	\$ 2,272
Electric	2,323	2,333	2,116
Propane gas	560	508	436
Common	265	237	202
Consolidated	<u>\$ 5,900</u>	<u>\$ 5,492</u>	<u>\$ 5,026</u>

**Construction expenditures**

Natural gas	\$ 5,314	\$ 4,331	\$ 9,373
Electric	6,793	3,504	3,278
Propane gas	1,339	1,333	1,298
Common	302	525	187
Consolidated	<u>\$ 13,748</u>	<u>\$ 9,693</u>	<u>\$ 14,136</u>

**Continuing operations- income tax expense**

Natural gas	\$ 843	\$ 856	\$ 741
Electric	565	180	292
Propane gas	130	21	151
Common	77	110	218
Consolidated	<u>\$ 1,615</u>	<u>\$ 1,167</u>	<u>\$ 1,402</u>

(1) 2002 has been restated to conform to SFAS 143, "Accounting for Asset Retirement Obligations".

**11. Income Taxes**

On March 27, 2003, FPU 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 FPU has 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). FPU intends to purchase property that is similar or related in service or use within the replacement period.

A \$2.9 million estimated tax payment 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 (see 'Discontinued Operations'). The Company applied for a refund and received \$3.9 million in July 2004 which included other estimated tax over payments.

The provision (benefit) for income taxes consists of the following (dollars in thousands):

	Years ended December 31,		
	2004	2003	2002
Current payable			
Federal	\$ (566)	\$ (1,007)	\$ 1,609
State	(96)	(174)	274
	<u>(662)</u>	<u>(1,181)</u>	<u>1,883</u>
Deferred			
Federal	2,003	2,070	(338)
State	358	375	(40)
	<u>2,361</u>	<u>2,445</u>	<u>(378)</u>
Investment tax credit	<u>(84)</u>	<u>(97)</u>	<u>(103)</u>
Income taxes – continuing operations	<u>1,615</u>	<u>1,167</u>	<u>1,402</u>
Income taxes – discontinued operations	-	5,971	306
Total	<u>\$ 1,615</u>	<u>\$ 7,138</u>	<u>\$ 1,708</u>

The difference between the effective income tax rate and the statutory federal income tax rate applied to pretax income is accounted for as follows (dollars in thousands):

	Years ended December 31,		
	2004	2003	2002
Federal income tax at statutory rate (34%)	1,771	1,254	1,415
State income taxes, net of federal benefit (5.5%)	\$ 189	\$ 134	\$ 151
Investment tax credit	(84)	(97)	(110)
Tax exempt interest	(94)	(71)	-
Other	<u>(167)</u>	<u>(53)</u>	<u>(54)</u>
Total provision for income taxes from continuing operations	<u>\$ 1,615</u>	<u>\$ 1,167</u>	<u>\$ 1,402</u>

The tax effects of temporary differences producing deferred income taxes in the accompanying consolidated balance sheets are as follows (dollars in thousands):

	Years ended December 31,	
	2004	2003
Deferred tax assets:		
Environmental	\$ 1,766	\$ 1,988
Self insurance	661	684
Storm reserve liability	-	100
Vacation Pay	303	291
Other deferred credits – Gain	105	146
Alternative minimum tax	208	208
Allowance for uncollectible	102	68
Other	<u>76</u>	<u>92</u>
Total Deferred tax assets	<u>\$ 3,221</u>	<u>\$ 3,577</u>



Deferred tax liability:		
Utility plant related	19,756	18,049
Deductible intangibles	408	154
Under recovery of fuel costs	634	327
General liability	187	165
Storm reserve liability	328	-
Pension	181	588
Rate case expense	265	128
Other	127	231
Total deferred tax liability	<u>\$ 21,886</u>	<u>\$ 19,642</u>
Net deferred income tax	<u>\$ 18,665</u>	<u>\$ 16,065</u>

Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

	2004	2003
Deferred income tax - current liabilities	\$ 241	\$ -
Deferred income taxes - long term	18,424	16,065
Net deferred income taxes	<u>\$ 18,665</u>	<u>\$ 16,065</u>

## 12. Employee Benefit Plans

### Pension Plan

FPU sponsors a qualified pension plan for its employees. 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, 2004 and a statement of the funded status as of December 31 of all three years:

### Benefit Obligations and Funded Status

	Years Ended December 31,		
	2004	2003	2002
(1) Change in Projected Benefit Obligation			
(a) Projected Benefit Obligation at the Beginning of the Year	\$31,540,942	\$28,283,326	\$26,164,049
(b) Service Cost	1,084,564	1,012,149	895,888
(c) Interest Cost	1,940,122	1,877,987	1,818,276
(d) Actuarial (Gain) or Loss	1,708,132	1,653,212	591,406
(e) Benefits Paid	(1,347,377)	(1,285,732)	(1,186,293)
(f) Change in Plan Provisions	-	-	-
(g) Plan Participant Contributions	-	-	-
(h) Acquisition	-	-	-
(i) Curtailment	-	-	-
(j) Settlement	-	-	-
(k) Special Termination Benefits	-	-	-
(l) Projected Benefit Obligation at the End of the Year	<u>\$34,926,383</u>	<u>\$31,540,942</u>	<u>\$28,283,326</u>
(m) Accumulated Benefit Obligation at the End of the Year	<u>\$30,518,393</u>	<u>\$26,810,146</u>	<u>\$23,443,150</u>

(2)	Change in Plan Assets			
(a)	Fair Value of Plan Assets at the Beginning of the Year	\$31,081,063	\$26,953,318	\$32,007,418
(b)	Actual Return on Plan Assets	2,651,528	5,413,477	(3,867,807)
(c)	Benefits Paid	(1,347,377)	(1,285,732)	(1,186,293)
(d)	Employer Contributions	-	-	-
(e)	Plan Participant Contributions	-	-	-
(f)	Acquisition	-	-	-
(g)	Settlement	-	-	-
(h)	Fair Value of Assets at the End of the Year	<u>\$32,385,214</u>	<u>\$31,081,063</u>	<u>\$26,953,318</u>
(3)	Net Amount Recognized			
(a)	Funded Status: (2)(h) - (1)(l)	\$(2,541,169)	\$(459,879)	\$(1,330,008)
(b)	Unrecognized Transition Obligation (Asset)	-	-	-
(c)	Unrecognized Prior Service Cost	4,881,881	5,580,092	6,292,020
(d)	Unrecognized Net (Gain) or Loss	<u>(1,615,093)</u>	<u>(3,262,796)</u>	<u>(2,531,878)</u>
(e)	Net Amount Recognized: (a) + (b) + (c) + (d)	<u>\$725,619</u>	<u>\$1,857,417</u>	<u>\$2,430,134</u>
(4)	Amounts Recognized in the Statement of Financial Position			
(a)	Prepaid Benefit Cost	\$725,619	\$1,857,417	\$2,430,134
(b)	Accrued Benefit Cost	-	-	-
(c)	Intangible Asset	-	-	-
(d)	Accumulated Other Comprehensive Income	-	-	-
(e)	Net Amount Recognized: (a) + (b) + (c) + (d)	<u>\$725,619</u>	<u>\$1,857,417</u>	<u>\$2,430,134</u>
(5)	Weighted Average Assumptions at the End of the Year			
(a)	Discount Rate	5.75%	6.25%	6.75%
(b)	Rate of Compensation Increase	3.00%	3.50%	4.00%

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2004, 2003 and 2002:

#### Net Periodic Pension Cost

	Years Ended December 31,		
	2004	2003	2002
(1) Service Cost	\$ 1,084,564	\$1,012,149	\$ 895,888
(2) Interest Cost	1,940,122	1,877,987	1,818,276
(3) Expected Return on Plan Assets	(2,591,099)	(2,668,854)	(2,800,350)
(4) Amortization of Transition Obligation/(Asset)	-	-	-
(5) Amortization of Prior Service Cost	698,211	711,928	714,353
(6) Amortization of Net (Gain) or Loss	-	<u>(360,493)</u>	<u>(787,137)</u>
(7) Total FAS 87 Net Periodic Pension Cost	1,131,798	572,717	(158,970)
(8) FAS 88 Charges / (Credits)			
(a) Settlement	-	-	-
(b) Curtailment	-	-	-

(c) Special Termination Benefits	-	-	-
(d) Total			
(9) Total Net Periodic Pension Cost	<u>\$ 1,131,798</u>	<u>\$ 572,717</u>	<u>\$ (158,970)</u>
(10) Additional Information			
(a) Increase in Minimum Liability Included in Other Comprehensive Income	\$ -	\$ -	\$ -
(11) Weighted Average Assumptions			
(a) Discount Rate	6.25%	6.75%	7.25%
(b) Expected Return on Plan Assets	8.50%	8.50%	8.50%
(c) Rate of Compensation Increase	3.50%	4.50%	4.50%

### Plan Assets

	Target	Percentage of Plan		
	Allocation	Assets at December 31		
	2005	2004	2003	2002
(1) Plan Assets				
(a) Equity Securities	60%	69%	61%	57%
(b) Debt Securities	35	30	37	37
(c) Real Estate	-	-	-	-
(d) Other	5	1	2	6
(e) Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

### Expected Return on Plan Assets

The expected rate of return on plan assets is 8.5%. FPU expects 8.5% to fall within the 50 to 60 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

FPU 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 Ended December 31, 2005		
(a) Expected Employer Contributions	\$	-
(b) Expected Employee Contributions		-
(2) Estimated Future Benefit Payments Reflecting Expected Future Service for the years ending December 31,		
2005	\$	1,504,762
2006		1,585,539
2007		1,668,385

2008	1,739,928
2009	1,848,869
2010-2014	10,815,473

### Other Accounting Items

	Years Ended December 31,		
	2004	2003	2002
(1) Market-Related Value of Assets	\$30,016,761	\$31,222,154	\$32,050,201
(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) Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(5) Termination Description of Special or Contractual Benefits Recognized During the Period	N/A	N/A	N/A
(6) Cost of Benefits Described in (5)	N/A	N/A	N/A
(7) Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(8) Measurement Date Used December 31,	2004	2003	2002

The Board of Directors has approved two resolutions in 2005. The first would be to discontinue eligibility to our pension plan for all new non-union hires, and begin a new 401K match for new hires, effective January 1, 2005. This same change for unionized employees will be negotiated with our respective Unions throughout 2005 and 2006 as their contracts expire. The second resolution was to increase the benefits payable to retirees by 1.5% for each full year between the later of January 1, 2001 and the member's date of retirement or death in service and January 1, 2005.

### Medical Plan

FPU 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, 2004:

#### Benefit Obligations and Funded Status

	Years Ended December 31,		
	2004	2003	2002
(1) Change in Accumulated Postretirement Benefit Obligation			
(a) Accumulated Postretirement Benefit Obligation at the Beginning of the Year	\$1,807,999	\$1,725,639	\$1,410,368
(b) Service Cost	70,300	66,117	59,873

(c) Interest Cost	106,079	108,849	111,207
(d) Actuarial (Gain) or Loss	32,646	(23,328)	184,631
(e) Benefits Paid	(119,005)	(91,909)	(60,938)
(f) Change in Plan Provisions	-	-	-
(g) Plan Participant's Contributions	27,235	22,631	20,498
(h) Acquisition	-	-	-
(i) Curtailment	-	-	-
(j) Settlement	-	-	-
(k) Special Termination Benefits	-	-	-
(l) Accumulated Postretirement Benefit Obligation at the End of the Year	<u>\$1,925,254</u>	<u>\$1,807,999</u>	<u>\$1,725,639</u>
(2) Change in Plan Assets			
(a) Fair Value of Plan Assets at the Beginning of the Year	\$ -	\$ -	\$ -
(b) Actual Return on Plan Assets	-	-	-
(c) Benefits Paid	(119,005)	(91,909)	(60,938)
(d) Employer Contributions	91,770	69,278	40,440
(e) Plan Participant's Contributions	27,235	22,631	20,498
(f) Acquisition	-	-	-
(g) Settlement	-	-	-
(h) Fair Value of Assets at the End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(3) Net Amount Recognized			
(a) Funded Status: (2)(h) - (1)(l)	\$(1,925,254)	\$(1,807,999)	\$(1,725,639)
(b) Unrecognized Transition Obligation (Asset)	343,158	386,054	428,950
(c) Unrecognized Prior Service Cost	-	-	-
(d) Unrecognized Net (Gain) or Loss	(181,884)	(223,196)	(207,989)
(e) Net Amount Recognized: (a) + (b) + (c) + (d)	<u>\$(1,763,980)</u>	<u>\$(1,645,141)</u>	<u>\$(1,504,678)</u>
(4) Amounts Recognized in the Statement of Financial Position			
(a) Prepaid Benefit Cost	\$ -	\$ -	\$ -
(b) Accrued Benefit Liability	(1,763,980)	(1,645,141)	(1,504,678)
(c) Intangible Asset	-	-	-
(d) Accumulated Other Comprehensive Income	-	-	-
(e) Net Amount Recognized: (a) + (b) + (c) + (d)	<u>\$(1,763,980)</u>	<u>\$(1,645,141)</u>	<u>\$(1,504,678)</u>
(5) Weighted Average Assumptions at the End of the Year			
(a) Discount Rate	5.75%	6.25%	6.75%
(b) Rate of Compensation Increase	N/A	N/A	N/A
(6) Assumed Health Care Cost Trend Rates			
(a) Health Care Cost Trend Rate Assumed for Next Year	10.00%	5.25%	5.50%
(b) Ultimate Rate	5.00%	4.00%	4.50%
(c) Year that the Ultimate Rate is Reached	2010	2009	2007

Net Periodic Postretirement Benefit Cost

	Years Ended December 31,		
	2004	2003	2002
(1) Service Cost	\$ 70,300	\$ 66,117	\$ 59,873
(2) Interest Cost	106,079	108,849	111,207
(3) Expected Return on Plan Assets	-	-	-
Amortization of Transition			
(4) Obligation/(Asset)	42,896	42,896	42,896
(5) Amortization of Prior Service Cost	-	-	-
(6) Amortization of Net (Gain) or Loss	(8,666)	(8,121)	(4,822)
(7) Total FAS 106 Net Periodic Benefit Cost	210,609	209,741	209,154
(8) Other Charges / (Credits)			
(a) Settlement	-	-	-
(b) Curtailment	-	-	-
(c) Special Termination Benefits	-	-	-
(d) Total	-	-	-
(9) Total Net Periodic Benefit Cost	<u>\$ 210,609</u>	<u>\$ 209,741</u>	<u>\$209,154</u>
(10) Weighted Average Assumptions			
(a) Discount Rate	6.25%	6.75%	7.25%
(b) Expected Return on Plan Assets	N/A	N/A	N/A
(c) Rate of Compensation Increase	N/A	N/A	N/A
(11) Assumed Health Care Cost Trend Rates			
Health Care Cost Trend Rate			
(a) Assumed for Current Year	12.00%	5.50%	6.25%
(b) Ultimate Rate	5.00%	4.50%	5.00%
Year that the Ultimate Rate is Reached	2010	2009	2007
(12) Impact of One-Percentage-Point Change in Assumed Health Care Cost Trend Rates			
Effect on Service Cost + Interest	Increase	Decrease	
(a) Cost	\$ 24,092	\$ (20,440)	
Effect on Postretirement Benefit Obligation	227,741	(180,608)	

### Cash Flows

Expected contributions for year ended December 31,		
(1)	2005	
(a)	Expected employer contributions	\$121,165
(b)	Expected employee contributions	\$31,521
(2)	Estimated future benefit payments reflecting expected future service for the years ending December 31,	
(a)	2005	\$152,686
(b)	2006	166,969
(c)	2007	125,452

(d) 2008	143,458
(e) 2009	146,951
(f) 2010-2014	1,019,187

Other Accounting Items

	Years Ended December 31		
	2004	2003	2002
(1) Market-Related Value of Assets	N/A	N/A	N/A
Amount of Future Annual Benefits of Plan Participants Covered by Insurance Contracts Issued			
(2) by the Employer or Related Parties	N/A	N/A	N/A
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) Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(5) Description of Special or Contractual Termination Benefits Recognized During the Period	N/A	N/A	N/A
(6) Cost of Benefits Described in (5)	N/A	N/A	N/A
(7) Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(8) Measurement Date Used, December 31,	2004	2003	2002

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 prescription drug coverage of the Florida Public Utilities Company Postretirement Medical Benefits plan to be actuarially equivalent to Medicare Part D.

In determining "Actuarial Equivalence", Aon's 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 FPU 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 FPU plan applies towards prescription drugs. Because the subsidy is the same regardless of the cost sharing structure (unless the plan is not "Actuarial Equivalent"), in general a plan that has higher cost sharing would reduce their annual cost as a percentage greater than a plan would that has lower cost sharing.

We have assumed the plan will be actuarially equivalent to Medicare Part D. On January 1, 2004, the accumulated plan benefit obligation was reduced by \$159,680 to reflect Medicare Part D. The January 1, 2004, actuarial report displays the expected average claims cost per age both before and after reflecting Medicare Part D. The following represents reductions to components of the medical net periodic postretirement benefit cost reduced due to reflecting Medicare Part D.

- 1) Loss/ (Gain) Amortization - Reduced from \$0 to \$(8,666)
- 2) Service Cost - Reduced from \$77,003 to \$70,300
- 3) Interest Cost - Reduced from \$116,059 to \$106,079

## Health Plan

In December 2003, the Company became fully insured for its employee and retiree's medical insurance. Net health care benefits paid by FPU for active employees were approximately \$1.5 million, \$1.1 million and \$732,000 for 2004, 2003 and 2002 excluding administrative and stop-loss insurance.

## Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan offers common stock at a discount to qualified employees. During 2004, 2003 and 2002, 16,109, 18,974 and 17,589 shares were issued under the Plan for aggregate consideration of \$220,000, \$229,000 and \$195,000.

## Dividend Reinvestment Plan

During 2004, 2003 and 2002, 12,342, 13,838 and 13,413 shares were issued under the Company's Dividend Reinvestment Plan for aggregate consideration of \$217,000, \$213,000 and \$185,000.

## 13. 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. As the older bonds contain 'make whole' provisions it would negate any fluctuation in interest rates. The fair value of long-term debt is estimated by discounting the future cash flows of each issuance at rates currently offered to FPU for similar debt instruments of comparable maturities. The values at December 31, shown below.

	2004		2003	
	Carrying Amounts	Approximate Fair Value	Carrying Amounts	Approximate Fair Value
Long-term debt	\$ 52,500,000	\$63,800,000	\$52,500,000	\$ 62,800,000

## 14. Contingencies

### Environmental

FPU 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, FPU does not expect to incur material future expenditures for compliance with existing environmental laws and regulations.

### 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 FPU 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. Numerous reports have been submitted by FPU to FDEP, describing the results of soil and groundwater sampling conducted at the site. A Supplemental Contamination Assessment Report Addendum ("SCARA") was submitted to FDEP in December 2001, summarizing the results of past investigations and providing the results of additional fieldwork conducted in 2001, in response to comments received previously from FDEP.

On September 29, 2003, FPU submitted to FDEP a Comprehensive Soil and Groundwater Assessment Report which described the results of substantial additional fieldwork undertaken in 2003 to respond to FDEP's comments to the SCARA. Following a meeting with FDEP in October 2004 to discuss FDEP's comments to the Comprehensive Soil and Groundwater Assessment Report, FPU agreed to implement additional fieldwork that was initiated in December 2004 and will be completed by Spring 2005. The cost of the additional fieldwork is projected to be approximately \$50,000.



Based on the likely acceptability of proven remedial technologies implemented at similar sites in other states, consulting/remediation costs to address the impacts now characterized at the West Palm Beach site are projected to range from \$10.0-\$15.0 million. This range of costs covers such remedies as in situ solidification, slurry wall and cap containment, air sparge/soil vapor extraction, or in situ chemical oxidation, or some combination of these remedies.

Prior to FDEP's approval of a final remedy for the site, we are unable to determine the complete extent or cost of remedial action which may be required. Remediation costs (including attorneys' fees and costs) for this site are currently projected to range from \$10.2 million to \$15.2 million.

#### Sanford Site

FPU owns a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to FPU's acquisition of the property. Following discovery of soil and groundwater impacts on the property, FPU 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, FPU 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") task and to pay EPA's past and future oversight costs for the RI/FS. The Group also entered into a Participation Agreement and an Escrow Agreement on or about April 13, 1998 ("RI/FS Participation Agreement"). These agreements governed the manner and means by which all parties were to satisfy their respective obligations under the AOC for the RI/FS task. FPU agreed to pay approximately 13.7% of the cost for the RI/FS. Fieldwork for the RI/FS was initiated in 1998. A final RI report was submitted to EPA in July 1999. The Group also submitted a Baseline Risk Assessment to EPA in January 2000, including an Ecological Risk Assessment ("ERA"). FPU's share of the cost of these tasks was previously paid in full. The RI/FS Participation Agreement was amended on September 18, 2003, to authorize an additional \$400,000 to be incurred by the Group to complete the ecological risk assessment and cover EPA oversight costs for the RI/FS. FPU paid its share of \$54,822.40 of the additional RI/FS funding in November 2003.

On July 5, 2000, EPA issued a Record of Decision ("ROD") approving the final remedial action for contaminated soils at the site ("OU1 Remedy"). The initial estimated cost for the OU1 Remedy described in the ROD ranges from \$5.6 million to \$5.8 million. On June 12, 2001, EPA issued a ROD approving the final remedial action for contaminated groundwater at the site ("OU2 Remedy"). The present worth cost estimate for the OU2 Remedy is \$320,252.

FPU is a party to the Second Participation Agreement entered into by members of the Group on August 1, 2000, as amended through June 19, 2002. The Second Participation Agreement provides for funding the remedial design/remedial action task for OU1 and OU2. FPU's share of costs for implementation of the remedial design/remedial action task for OU1 and OU2, including the pre-remedial design fieldwork described below, is 10.5%, providing the total cost of the remedial design/remedial action task, including the pre-remedial design fieldwork, does not exceed \$6.0 million.

Pre-remedial design fieldwork was performed in 2002-2003 to assist in the design of the final remedy for OU1 and OU2. Based on the pre-remedial design fieldwork, it is now anticipated that the final cost of the remedy for OU1 and OU2 will significantly exceed the \$6.0 million combined estimate provided in the RODs for OU1 and OU2. In 2002, FPU paid \$210,178 to the Escrow Agent pursuant to a first call for funds under the Second Participation Agreement. FPU's remaining obligation under the Second Participation Agreement for the remedial design/remedial action task for OU1 and OU2 is \$420,356. This assumes FPU's total allocated share remains no greater than 10.5% of \$6.0 million, as currently set forth in the Second Participation Agreement, as amended through June 19, 2002. FPU has notified Group members that FPU will oppose any effort by the Group to increase FPU's share of total remedial costs above 10.5% of the current \$6.0 million cap, since the increased remedial cost is due to the discovery of additional impacted soils on property not owned by FPU.

In addition, FPU will be obligated to pay for a share of EPA's oversight costs for the remedial design/remedial action task for OU1 and OU2. It is anticipated that FPU's share of these costs will be 10.5% of EPA's total bill. It is not possible at this time to calculate, to a reasonable degree of certainty, EPA's oversight cost. However, based on other similar sites, it

would be reasonable to assume such oversight cost to be approximately 20% of the projected remedial design/remedial action costs for OU1 and OU2. Assuming FPU's maximum exposure for the remedial design/remedial action cost for OUI and OU2 does not exceed 10.5% of \$6.0 million, a reasonable estimate of FPU's share of oversight cost would be approximately \$125,000.

Prior to EPA's approval of a final remedy for the site, and the completion of negotiations among members of the Group on FPU's maximum allocated share, we are unable to determine the complete extent of FPU's remaining exposure at this site. Based on the existing Second Participation Agreement, FPU's remaining exposure for the remedial design/remedial action task for OU1 and OU2, EPA's oversight costs, and FPU's attorneys' fees and costs, is projected to be approximately \$705,000.

#### Pensacola site

FPU is the prior owner/operator of the former Pensacola gasification plant, located at the intersection of Cervantes Street and the Louisville and Nashville (CSX) Railroad line, Pensacola, Florida. Following notification on October 5, 1990, that FDEP had determined that FPU was one of several responsible parties for any environmental impacts associated with the former gasification plant site, FPU entered into cost sharing agreements with three other responsible parties providing for the funding of certain contamination assessment activities at the site.

A final report describing the results of contamination assessment activities at the site was submitted to FDEP in November 1995. The report concluded that soil or groundwater remediation was not warranted at the site. The report further recommended that existing environmental impacts be monitored through periodic sampling of groundwater at the site. By letter dated July 16, 1997, FDEP approved a groundwater-monitoring plan that provides for annual sampling of selected monitoring wells at the site. Such annual sampling has been undertaken at the site since 1998. To date, FPU's share of these costs has not exceeded \$3,000 annually.

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 FPU 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 this date, FPU has not received any written confirmation from EPA or FDEP regarding this matter. Prior to receipt of EPA's written determination regarding site management, FPU is unable to determine whether additional fieldwork or site remediation will be required by EPA, and if so, the scope or costs of such work.

Site	Range From	Range To
West Palm Beach	\$ 10,200,000	\$ 15,200,000
Sanford	705,000	705,000
Pensacola and Other	133,000	133,000
Total	<u>\$ 11,038,000</u>	<u>\$ 16,038,000</u>

#### Insurance Claims and Rate Relief

The Company currently has \$14.0 million reserved as an environmental liability since this was the amount approved by the FPSC based on the above projections as a basis for rate recovery. The Company has recovered \$5.0 million from insurance and rate recovery. The balance of \$9.0 million is recorded as a regulatory asset. On October 18, 2004 the FPSC approved recovery of \$9.1 million for environmental liabilities (included on the balance sheet as Other regulatory assets). The amortization of this recovery and reduction to the regulatory asset will begin on January 1, 2005. The majority of expenses are expected to be incurred before 2010, but will continue for another 20-30 years.

#### 15. Commitments

To ensure a reliable supply of power and natural gas at competitive prices, FPU 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, 2004,

FPU has firm purchase and transportation commitments adequate to supply its expected future sales requirements. FPU is committed to pay demand or similar fixed charges of approximately \$48.1 million during 2004 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.

### Contractual Obligations

	Payments due by period (dollars in thousands):				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-Term Debt	\$ 52,500	\$ -	\$ -	\$ 2,818	\$ 49,682
Operating Lease Obligations	336	116	110	73	37
Natural Gas and Propane Purchase Obligations	83,416	48,111	18,161	8,270	8,874
Electric Purchase Obligations	326	56	111	106	53
Other Purchase Obligations	1,368	694	659	15	-
<b>Total</b>	<b>\$137,946</b>	<b>\$ 48,977</b>	<b>\$ 19,041</b>	<b>\$ 11,282</b>	<b>\$ 58,646</b>

The Long-Term Debt obligations are principal amounts only and exclude interest.

The Company utilizes blanket purchase orders for expected annual requirements to many of our suppliers. Requirements under blanket purchase orders generally do not become an obligation until specifically ordered during the year. We also utilize specific Purchase Orders that are generally included as an obligation. 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 value of purchase orders considered an obligation.

Our pension plan continues to meet all funding requirements under ERISA regulations; however, under current actuarial assumptions contributions may be required as early as 2006. Actuarial forecasts show \$1,030,000 as a potential contribution in 2006 and \$1,430,000 for 2007. Environmental clean up is anticipated to require approximately \$10 million in 2007 the remainder to be paid in the following years.

The Company has medical postretirement payments relating to retiree medical insurance. These payments are not included in the table. Estimated future payments are contained in Note 12 in the Notes to Consolidated Financial Statements.

The Company has historically paid dividends. It is FPU's intent to continue to pay quarterly dividends for the foreseeable future. Dividend policy is reviewed on an ongoing basis by FPU's Board of Directors and is dependent upon FPU's future earnings, cash flow, financial condition, capital requirements and other factors.

### 16. 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. The water division has been classified as discontinued operations and is excluded from revenues, gross profit, and operating income before income tax.

(dollars in thousands, except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
2004				
Revenues	\$ 30,725	\$ 24,729	\$ 24,183	\$ 30,402
Gross profit	\$ 10,906	\$ 9,361	\$ 9,148	\$ 11,274
Operating income from continuing operations before income tax	\$ 3,119	\$ 1,715	\$ 1,255	\$ 2,897
Earnings:				
Income from continuing operations, before income taxes	\$ 1,413	\$ 522	\$ 221	\$ 1,438
Income from discontinued operations, before income taxes	-	-	-	-
<b>Net Income</b>	<b>\$ 1,413</b>	<b>\$ 522</b>	<b>\$ 221</b>	<b>\$ 1,438</b>
Earnings per common share (basic and diluted):	\$ 0.36	\$ 0.13	\$ 0.05	\$ 0.37

Continuing operations				
Discontinued operations				
Total	\$ 0.36	\$ 0.13	\$ 0.05	\$ 0.37
2003				
Revenues	\$ 31,149	\$ 24,409	\$ 21,628	\$ 25,537
Gross profit	\$ 11,241	\$ 9,144	\$ 8,106	\$ 9,242
Operating income from continuing operations before income tax	\$ 4,135	\$ 1,651	\$ 707	\$ 1,200
Earnings:				
Income from continuing operations, before income taxes	\$ 1,813	\$ 482	\$ (82)	\$ 309
Income from discontinued operations, before income taxes	9,882	(61)	(5)	85
Net Income	\$ 11,695	\$ 421	\$ (87)	\$ 394
Earnings per common share (basic and diluted):				
Continuing operations	\$ 0.46	\$ 0.13	\$ (0.02)	\$ 0.08
Discontinued operations	2.54	(0.02)	-	0.02
Total	\$ 3.00	\$ 0.11	\$ (0.02)	\$ 0.10

## 17. Union Contracts

As of February 18, 2005 FPU had approximately 360 total employees, of which approximately 10 were part time. Of these employees, about 171 were covered under union contracts with two labor unions, the International Brotherhood of Electrical Workers and the International Chemical Workers Union. The union contracts expire on the following dates for the following divisions: Northwest Florida 6/15/06, Northeast Florida 2/17/05, South Florida 7/1/05 and Central Florida 8/31/05. The percentage of the union employees whose contract will expire during 2005 is about 42% of the total work force. FPU believes that its labor relations with its employees are good.

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Line No.	Item (a)	Total (b)	Gas (d)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	153,030,071	83,375,383
4	101.1 Property Under Capital Leases	-	-
5	102 Plant Purchased or Sold	-	-
6	106 Completed Construction not Classified	-	-
7	103 Experimental Plant Unclassified	-	-
8	104 Leased to Others	506,358	506,358
9	105 Held for Future Use	-	-
10	114 Acquisition Adjustments	1,820,270	1,816,579
11	TOTAL Utility Plant (Enter Total of lines 3 through 10 )	155,356,699	85,698,320
12	107 Construction Work in Progress	6,975,311	2,362,228
13	Accum. Prov. for Depr., Amort., & Depl.	50,859,345	25,042,301
14	Net Utility Plant (Enter total of lines 11 plus 12 less line 13)	111,472,665	63,018,247
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	50,405,247	24,591,894
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights	-	-
19	111 Amort. of Underground Storage Land and Land Rights	-	-
20	119 Amort. of Other Utility Plant	-	-
21	TOTAL in Service (Enter Total of lines 17 through 20)	50,405,247	24,591,894
22	Leased to Others		
23	108 Depreciation	-	-
24	111 Amortization and Depletion	137,837	137,837
25	TOTAL Leased to Others (Enter Total of lines 23 and 24)	137,837	137,837
26	Held for Future Use		
27	108 Depreciation	-	-
28	111 Amortization	-	-
29	TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28)	-	-
30	111 Abandonment of Leases (Natural Gas)	-	-
31	115 Amort. of Plant Acquisition Adjustment	316,261	312,570
32	TOTAL Acc. Provisions (Should agree with line 13 above) (Enter Total of lines 21, 25, 29, 30, and 31)	50,859,345	25,042,301

For the Year Ended

December 31 2004

Electric (c)	Water (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
64,103,494	-	Not Applicable	Not Applicable	5,551,194	3
-	-			-	4
-	-			-	5
-	-			-	6
-	-			-	7
-	-			-	8
-	-			-	9
3,691	-			-	10
64,107,185	-			5,551,194	11
4,470,058	-			143,025	12
24,182,466	-			1,634,578	13
					14
44,394,777	-			4,059,641	15
					16
24,178,775	-			1,634,578	17
					18
					19
-	-			-	20
24,178,775	-			1,634,578	21
					22
-	-			-	23
-	-			-	24
-	-			-	25
					26
-	-			-	27
-	-			-	28
-	-			-	29
					30
3,691	-			-	31
					32
24,182,466	-			1,634,578	

**Annual Status Report  
Analysis of Plant in Service Accounts**

Company: FLORIDA PUBLIC UTILITIES COMPANY  
For the Year Ended December 31, 2004

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass	Adjustments	Transfers	Ending Balance*
301	Organization		-	-	-	-	-	-	0
303	Miscellaneous Intangible Plant		2,113,641	-	-	-	-	-	2,113,641
374	Land - Distribution		101,108	-	-	-	-	-	101,108
389	Land - General		270,477	-	-	-	-	(8,436)	262,041
	Land - Other - Common		341,926	-	-	-	-	-	341,926
<b>Amortizable General Plant Assets:</b>									
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
<b>DISTRIBUTION PLANT</b>									
3741	Land Rights	3.20%	12,923	-	-	-	-	-	12,923
375	Structures and Improvements	2.90%	535,567	-	(16,075)	-	-	-	519,492
3761	Mains - Plastic	2.50%	15,801,235	1,682,271	(5,114)	-	-	-	17,478,392
3762	Mains - Other	2.70%	25,837,886	628,257	(40,619)	-	-	-	26,425,524
378	Meas. and Reg. Sta. Equipment - General	3.60%	249,699	77,196	(1,807)	-	-	-	325,088
379	Meas. and Reg. Sta. Equipment - City Gate	3.60%	1,778,475	149,734	-	-	-	-	1,928,209
3801	Services - Plastic	3.50%	15,719,323	1,297,755	(142,849)	-	-	-	16,874,229
3802	Services - Other	5.90%	2,282,968	5,091	(46,239)	-	-	-	2,241,820
381	Meters	3.40%	4,309,257	249,585	(45,760)	-	(12,208)	-	4,500,854
382	Meter Installations	3.20%	1,856,075	176,635	(18,875)	-	-	-	2,013,835
383	House Regulators	3.60%	1,336,735	68,587	(6,312)	-	(466)	-	1,398,544
384	House Reg. Installations	3.10%	695,329	51,304	(6,068)	-	-	-	740,565
385	Industrial Meas. and Reg. Sta. Equipment	3.80%	101,275	-	-	-	-	-	101,275
387	Other Equipment	3.90%	470,547	34,508	-	-	-	-	505,055
	<b>TOTAL DISTRIBUTION PLANT</b>		<b>71,085,402</b>	<b>4,420,923</b>	<b>(329,738)</b>	<b>-</b>	<b>(12,674)</b>	<b>-</b>	<b>75,166,914</b>
<b>GENERAL PLANT</b>									
390	Structures and Improvements	2.60%	1,452,802	6,345	(100,448)	-	-	-	1,358,699
3911	Office Furniture	4.60%	93,186	-	-	-	-	-	93,186
3912	Office Equipment	7.70%	67,810	534	(5,136)	-	-	-	63,208
3913	EDP Equipment	8.70%	779,114	10,411	(46,497)	-	13,877	-	756,905
3921	Accum. Dep. - Transportation - Cars	11.30%	285,419	-	(37,276)	-	(14,551)	-	233,592
3922	Accum. Dep. - Transportation - Light Trucks, vans	4.70%	2,044,540	438,840	(159,217)	-	-	-	2,324,163
3923	Accum. Dep. - Transportation - Heavy Trucks	0.00%	0	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	2.70%	40,914	3,275	(985)	-	-	-	43,204
393	Stores Equipment	5.80%	12,997	-	-	-	-	-	12,997

**Annual Status Report  
Analysis of Plant in Service Accounts**

Company: FLORIDA PUBLIC UTILITIES COMPANY  
For the Year Ended December 31, 2004

Acct. No.	Account Description (Continued)	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
394	Tools, Shop, and Garage Equipment	6.50%	281,122	14,015	-	-	-	-	295,137
395	Laboratory Equipment	2.20%	0	-	-	-	-	-	-
396	Power Operated Equipment	6.40%	327,054	38,012	(24,730)	-	-	-	340,336
397	Communication Equipment	7.20%	269,571	24,979	(15,717)	-	(1,143)	-	277,690
398	Miscellaneous Equipment	5.30%	34,770	1,126	(2,226)	-	-	-	33,670
	<b>SUBTOTAL</b>		<b>5,959,776</b>	<b>537,537</b>	<b>(392,232)</b>	<b>-</b>	<b>(10,253)</b>	<b>-</b>	<b>6,094,828</b>
399	Other Tangible Property								
	TOTAL General Plant		5,959,776	537,537	(392,232)	-	(10,253)	-	6,094,828
	TOTAL (Accounts 101 and 106)		79,161,819	4,958,460	(721,970)	0	(22,927)	-	83,375,383
	TOTAL GAS PLANT IN SERVICE		79,161,819	4,958,460	(721,970)	-	(22,927)	-	83,375,383
	Capital Recovery Schedules:								
	NONE								
	Total Account 101*		79,161,819	4,958,460	(721,970)	-	(22,927)	-	83,375,383
	<b>Amortizable Assets:</b>								
114	Acquisition Adjustment		1,816,579	-	-	-	-	-	1,816,579
118	Other Utility Plant		5,499,853	160,223	(88,601)	-	(20,281)	-	5,551,194
	Other - Common								
	<b>Total Utility Plant</b>		<b>86,478,251</b>	<b>5,118,683</b>	<b>(810,571)</b>	<b>-</b>	<b>(43,208)</b>	<b>-</b>	<b>90,743,156</b>

Note: \* The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 12, Page 21.



**Annual Status Report**

**Analysis of Entries in Accumulated Depreciation & Amortization**

Company: FLORIDA PUBLIC UTILITIES COMPANY  
For the Year Ended December 31, 2004

Account No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustmts	Transfers	Ending Balance*
Amortizable General Plant Assets:										
301	Organization Intangible Plant	-	-	-	-	-	-	-	-	-
303	Misc. Intangible Plant	74,402	7,260	-	-	-	-	-	-	81,662
311	Liquefied Petroleum Gas Equipment	-	-	-	-	-	-	-	-	-
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
DISTRIBUTION PLANT										
374	Land - Distribution	-	-	-	-	-	-	-	-	-
3741	Land Rights	(9,286)	408	-	-	-	-	-	-	(8,878)
375	Structures and Improvements	304,257	15,449	-	(16,075)	-	-	-	-	303,631
3761	Mains - Plastic	4,234,608	417,908	-	(5,114)	-	(2,241)	-	-	4,645,161
3762	Mains - Other	12,126,808	707,845	(1,455,004)	(40,619)	-	(84,062)	423	-	11,255,391
378	Meas. and Reg. Sta. Equipment - General	73,455	10,344	-	(1,807)	-	-	-	-	81,992
379	Meas. and Reg. Sta. Equipment - City Gate	293,026	66,705	-	-	-	-	-	-	359,731
3801	Services - Plastic	3,735,598	568,813	-	(142,849)	381	(97,625)	-	-	4,064,318
3802	Services - Other	319,915	133,676	1,455,005	(46,239)	518	(233,219)	238	-	1,629,894
381	Meters	1,568,255	149,433	-	(45,780)	933	-	-	(3,697)	1,669,144
382	Meter Installations	530,863	61,882	-	(18,875)	-	(325)	-	-	573,545
383	House Regulators	541,597	49,248	-	(6,312)	-	-	-	(180)	584,353
384	House Reg. Installations	187,327	22,220	-	(6,068)	-	(6)	-	-	203,473
385	Industrial Meas. and Reg. Sta. Equipment	54,627	3,852	-	-	-	(88)	-	-	58,391
387	Other Equipment	76,584	19,205	-	-	-	7,208	-	-	102,997
389	Land - General	10,694	6,756	-	-	-	-	-	-	17,450
TOTAL DISTRIBUTION PLANT		24,048,328	2,233,744	1	(329,738)	1,832	(410,358)	661	(3,877)	25,540,593
GENERAL PLANT										
390	Structures and Improvements	148,390	38,039	12,305	(100,448)	-	(7,208)	-	-	91,078
3911	Office Furniture	16,876	4,284	28,523	-	-	-	-	-	49,683
3912	Office Equipment	46,667	5,109	-	(5,136)	-	-	-	-	46,640
3913	EDP Equipment	615,491	65,944	-	(46,497)	-	-	-	-	634,938
3921	Accum. Dep. - Cars	256,865	1,717	(123,971)	(37,276)	2,002	-	-	(13,096)	86,241
3922	Accum. Dep. - Trans. - Light Trucks, vans	1,043,574	105,629	(80,043)	(159,217)	9,378	-	-	-	919,321
3923	Accum. Dep. - Trans. - Heavy Trucks	-	-	-	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	23,731	1,133	-	(965)	-	-	-	-	23,879
393	Stores Equipment	10,629	756	-	-	-	-	-	-	11,385

**Annual Status Report**  
**Analysis of Entries in Accumulated Depreciation & Amortization**

Company: FLORIDA PUBLIC UTILITIES COMPANY  
 For the Year Ended December 31, 2004

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
394	Tools, Shop, and Garage Equipment	80,094	18,803	84,980	-	-	-	-	-	183,877
395	Laboratory Equipment	(2,691)	-	2,692	-	-	-	-	-	1
396	Power Operated Equipment	151,873	21,882	-	(24,730)	300	-	13,738	-	163,063
397	Communication Equipment	83,547	20,348	30,674	(15,717)	-	(2,880)	-	(334)	115,638
398	Miscellaneous Equipment	9,832	1,801	-	(2,226)	-	-	-	-	9,407
	SUBTOTAL	2,484,878	285,445	(44,840)	(392,232)	11,680	(10,088)	13,738	(13,430)	2,335,151
399	Other Tangible Property	-	-	-	-	-	-	-	-	-
	TOTAL General Plant	2,484,878	285,445	(44,840)	(392,232)	11,680	(10,088)	13,738	(13,430)	2,335,151
	Reclassification for SFAS no. 143. COR			(3,365,512)						(3,365,512)
	Subtotal	26,607,608	2,526,449	(3,410,351)	(721,970)	13,512	(420,446)	14,399	(17,307)	24,591,894

COMMON PLANT	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
389 Land - General	-	-	-	-	-	-	-	-	-
390 Structures and Improvements	455,471	54,357	60,080	-	-	-	-	-	569,908
3911 Office Furniture	(11,437)	1,248	15,359	-	-	-	-	-	5,170
3912 Office Equipment	18,260	12,300	-	-	-	-	-	-	30,560
3913 EDP Equipment	774,965	215,042	-	(65,994)	-	-	-	-	924,013
3921 Accum. Dep. - Transportation - Cars	90,644	4,721	(55,697)	(22,607)	6,240	-	-	-	23,301
3922 Accum. Dep. - Transportation - Trucks	1,331	1,452	-	-	-	-	-	-	2,783
397 Communication Equipment	34,726	17,756	25,097	-	-	-	-	-	77,579
398 Miscellaneous Equipment	-	15	-	-	-	-	-	-	15
399 Miscellaneous Assets	-	1,249	-	-	-	-	-	-	1,249
Subtotal	1,363,960	308,140	44,839	(88,601)	6,240	0	0	0	1,634,578
Grand Total	27,971,568	2,834,589	(3,365,512)	(810,571)	19,752	(420,446)	14,399	(17,307)	26,226,472

Note: \* The grand total of beginning and ending balances must agree to Line 17, Page 21.

FLORIDA PUBLIC UTILITIES COMPANY  
SOUTH FLORIDA - GAS DIVISION  
REPORT OF DEPRECIATION DATA UNDER RULE 25-6.0436(B)  
2004

PLANT IN SERVICE (\$)				RESERVE (\$)				(CREDIT BALANCES)							
Plant Acct.	Beginning Balance	Additions	Purchases & Adjustments	Transfers	Retirements	Ending Balance	Plant Acct.	Beginning Balance	Accruals	Salvage	Cost of Removal	Purchases & Adjustments	Transfers	Reclassifications	Ending Balance
301	-	-	-	-	-	-	301	-	-	-	-	-	-	-	-
304	-	-	-	-	-	-	304	-	-	-	-	-	-	-	-
305	-	-	-	-	-	-	305	-	-	-	-	-	-	-	-
311	-	-	-	-	-	-	311	-	-	-	-	-	-	-	-
320	-	-	-	-	-	-	320	-	-	-	-	-	-	-	-
360	-	-	-	-	-	-	360	-	-	-	-	-	-	-	-
361	-	-	-	-	-	-	361	-	-	-	-	-	-	-	-
362	-	-	-	-	-	-	362	-	-	-	-	-	-	-	-
374	56,686	-	-	-	-	56,686	374	-	-	-	-	-	-	-	-
3741	12,909	-	-	-	-	12,909	3741	3,298	408	-	-	-	-	-	-
375	512,637	-	-	-	-	512,637	375	292,805	14,868	-	-	-	-	-	307,672
3761	10,713,394	1,326,216	-	-	(2,442)	12,037,168	3761	2,357,940	287,701	-	(1,948)	-	-	-	2,641,252
3762	19,562,088	609,057	-	-	(38,056)	20,153,089	3762	9,739,725	538,853	-	(77,342)	-	-	(1,148,463)	9,013,727
378	165,734	77,196	-	-	(1,807)	243,123	378	55,743	8,040	-	-	-	-	-	61,976
379	1,497,438	148,734	-	(3,445)	-	1,643,727	379	179,141	56,519	-	-	(454)	-	-	235,206
3801	11,692,118	910,096	-	-	(91,058)	12,511,156	3801	2,572,139	422,602	370	(74,184)	-	-	-	2,829,869
3802	1,207,887	(90)	-	-	(22,454)	1,185,343	3802	681	70,634	337	(149,861)	-	-	974,853	874,190
381	2,940,221	249,585	-	(66,564)	(28,539)	3,094,703	381	839,613	102,344	933	(140)	(19,092)	-	-	895,260
382	1,015,399	106,714	-	-	(5,501)	1,116,612	382	335,228	33,965	-	-	-	-	-	363,552
383	1,000,490	68,587	-	(23,119)	-	1,045,958	383	386,532	13,124	-	-	-	-	-	414,371
384	407,351	35,749	-	-	(1,179)	441,921	384	122,978	2,868	-	(6)	(9,017)	-	-	134,917
385	75,323	-	-	-	-	75,323	385	40,172	2,868	-	(54)	-	-	-	42,986
387	367,894	31,152	-	-	-	399,046	387	62,592	15,145	-	7,208	-	-	-	84,945
389	53,025	-	-	-	53,025	-	389	10,694	6,756	-	-	-	-	3,619	17,450
390	100,166	2,175	-	-	-	102,341	390	47,747	2,629	-	(7,208)	-	-	28,523	46,786
3911	26,331	-	-	-	-	26,331	3911	1,212	1,740	-	-	-	-	-	21,097
3912	22,636	-	-	-	-	22,636	3912	8,585	1,740	-	-	-	-	-	10,325
3913	335,682	10,411	-	10,319	(10,458)	345,954	3913	210,364	29,126	-	-	-	-	(91,631)	229,032
3921	202,083	-	-	-	(15,236)	186,847	3921	181,875	-	1,502	-	-	-	(60,833)	76,510
3922	1,365,929	318,603	-	-	(52,379)	1,632,153	3922	731,689	71,664	4,067	(2,880)	-	-	-	694,208
3924	20,869	3,275	-	-	-	24,144	3924	18,323	607	-	-	-	-	-	18,929
393	12,997	-	-	-	-	12,997	393	10,629	756	-	-	-	-	-	11,385
394	187,325	8,047	-	-	-	195,372	394	32,423	12,395	-	-	-	-	63,735	108,554
395	-	-	-	-	-	-	395	2,692	-	-	-	-	-	-	-
396	171,839	38,012	-	-	(24,730)	185,121	396	103,072	11,946	300	-	13,738	-	2,692	104,326
397	166,691	22,831	-	-	-	189,522	397	56,443	13,049	-	-	-	-	-	87,247
398	22,244	1,126	-	-	(2,226)	21,144	398	5,735	1,141	-	-	-	-	20,635	22,244
	53,955,186	3,968,476	-	(82,809)	(296,065)	57,544,788		18,394,836	1,756,948	7,509	(306,415)	13,738	(28,563)	(207,860)	19,334,128
COMMON PLANT															
303	1,833	-	-	-	-	1,833	303	-	-	-	-	-	-	-	-
389	341,926	-	-	-	-	341,926	389	-	-	-	-	-	-	-	-
3891	-	-	-	-	-	-	3891	-	-	-	-	-	-	-	-
390	2,090,343	286	-	-	-	2,090,629	390	455,471	54,357	-	-	-	-	60,080	569,908
3911	27,019	-	-	-	-	27,019	3911	(11,437)	1,248	-	-	-	-	15,359	5,170
3912	159,810	-	-	-	-	159,810	3912	18,280	12,300	-	-	-	-	-	30,560
3913	2,485,263	137,639	-	(20,281)	(65,994)	2,536,627	3913	774,965	215,042	-	-	-	-	(65,697)	924,013
3921	111,725	30,916	-	-	(22,607)	119,118	3921	90,644	4,721	6,240	-	-	-	-	23,301
3922	30,916	18,519	-	-	-	49,435	3922	1,331	1,452	-	-	-	-	25,097	2,783
397	244,774	2,678	-	-	-	247,452	397	34,726	17,756	-	-	-	-	-	77,579
398	-	1,101	-	-	-	1,101	398	15	15	-	-	-	-	-	15
399	6,244	-	-	-	-	6,244	399	1,249	1,249	-	-	-	-	-	1,249
	5,499,633	160,223	0	(20,281)	(88,501)	5,551,194		1,363,960	308,140	6,240	0	0	0	44,839	1,634,578

TOTAL 59,455,039 4,129,699 0 (103,090) (384,666) 63,095,982 19,758,796 (384,666) 2,065,088 13,749 (306,415) 13,738 (28,563) (163,021) 20,968,706

FLORIDA PUBLIC UTILITIES COMPANY  
 CENTRAL FLORIDA - GAS DIVISION  
 REPORT OF DEPRECIATION DATA UNDER RULE 25-6.0436(8)  
 2004

PLANT IN SERVICE (\$)		RESERVE (\$)					(CREDIT BALANCES)									
Plant Acct.	Beginning Balance	Additions	Purchases & Adjustments	Transfers	Retirements	Ending Balance	Plant Acct.	Beginning Balance	Retirements	Accruals	Salvage	Cost of Removal	Purchases & Adjustments	Transfers	Reclassifications	Ending Balance
301	-	-	-	-	-	-	301	-	-	-	-	-	-	-	-	-
303	2,113,641	-	-	-	-	2,113,641	303	74,402	-	7,260	-	-	-	-	-	81,662
304	-	-	-	-	-	-	304	-	-	-	-	-	-	-	-	-
305	-	-	-	-	-	-	305	-	-	-	-	-	-	-	-	-
311	-	-	-	-	-	-	311	-	-	-	-	-	-	-	-	-
320	-	-	-	-	-	-	320	-	-	-	-	-	-	-	-	-
360	-	-	-	-	-	-	360	-	-	-	-	-	-	-	-	-
361	-	-	-	-	-	-	361	-	-	-	-	-	-	-	-	-
362	-	-	-	-	-	-	362	-	-	-	-	-	-	-	-	-
374	44,422	-	-	-	-	44,422	374	-	-	-	-	-	-	-	-	-
3741	14	-	-	-	-	14	3741	(12,584)	-	-	-	-	-	-	-	-
375	22,930	-	-	-	-	22,930	375	6,855	(16,075)	581	-	-	-	-	-	(12,584)
3761	5,087,841	356,055	-	-	-	5,443,896	3761	1,876,668	(2,672)	130,207	11	(23,441)	-	-	-	(4,042)
3762	6,255,798	19,200	-	-	-	6,274,998	3762	2,387,083	(2,563)	168,992	423	(6,720)	-	-	(305,551)	2,003,910
378	83,965	-	-	-	-	83,965	378	17,712	-	2,304	-	-	-	-	-	2,241,664
379	281,037	-	-	3,445	-	284,482	379	113,885	-	10,186	454	-	-	-	-	20,016
3801	4,027,205	387,659	-	-	-	4,414,864	3801	1,163,459	(51,791)	146,211	11	(23,441)	-	-	-	1,234,449
3802	1,075,081	5,181	-	-	-	1,080,262	3802	319,234	(23,785)	63,042	181	(83,358)	-	-	-	755,704
381	1,369,036	-	-	54,356	-	1,423,392	381	728,642	(17,241)	47,089	-	-	-	-	-	773,885
382	840,676	69,921	-	-	-	910,597	382	195,635	(13,374)	27,917	-	(185)	-	15,395	-	209,993
383	356,245	-	-	22,653	-	378,898	383	155,065	(6,312)	12,392	-	-	-	8,837	-	169,982
384	287,978	15,555	-	-	-	303,533	384	64,349	(4,889)	9,096	-	(34)	-	-	-	68,556
385	25,952	-	-	-	-	25,952	385	14,455	-	984	-	-	-	-	-	15,405
387	102,853	3,356	-	-	-	106,209	387	13,992	-	4,060	-	-	-	-	-	18,052
389	217,452	-	-	(8,436)	-	209,016	389	-	-	-	-	-	-	-	-	-
390	1,352,636	4,170	-	-	-	1,356,806	390	100,643	(100,448)	35,410	-	-	-	-	8,686	44,291
3911	66,855	-	-	-	-	66,855	3911	25,515	-	3,072	-	-	-	-	-	28,587
3912	45,174	534	-	-	-	45,708	3912	38,083	(5,136)	3,369	-	-	-	-	-	36,316
3913	443,432	-	-	3,558	-	446,990	3913	405,127	(36,039)	36,818	-	-	-	-	-	405,906
3921	83,336	-	-	(14,551)	-	68,785	3921	74,990	(22,040)	1,717	500	-	-	(13,096)	-	9,731
3922	678,611	120,237	-	-	-	798,848	3922	311,865	(106,838)	33,965	5,311	-	-	-	(19,210)	225,113
3923	-	-	-	-	-	-	3923	-	-	-	-	-	-	-	-	-
3924	20,045	-	-	-	-	20,045	3924	5,408	(985)	526	-	-	-	-	-	4,949
393	-	-	-	-	-	-	393	-	-	-	-	-	-	-	-	-
394	93,799	5,968	-	-	-	99,767	394	47,871	-	6,408	-	-	-	-	21,245	75,324
395	-	-	-	-	-	-	395	1	-	-	-	-	-	-	-	1
396	155,215	-	-	-	-	155,215	396	48,801	-	9,936	-	-	-	-	-	58,737
397	102,860	2,148	-	(1,143)	-	103,865	397	27,104	(15,717)	7,299	-	-	-	(334)	-	28,391
398	12,526	-	-	-	-	12,526	398	4,097	-	660	-	-	-	-	-	4,757
25,206,635		989,984	-	59,882	-	25,830,596	8,212,774		(425,905)	769,501	6,003	(114,031)	661	11,256	163,021	8,623,280

FLORIDA PUBLIC UTILITIES COMPANY  
CONSOLIDATED GAS DIVISIONS  
REPORT OF DEPRECIATION DATA UNDER RULE 25-6.0436(B)  
2004

Plant	PLANT IN SERVICE (\$)					Plant Acct.	Beginning Balance	RESERVE (\$)					Ending Balance
	Beginning Balance	Additions	Purchases & Adjustments	Transfers	Retirements			Ending Balance	Accruals	Salvage	Cost of Removal	Purchases & Adjustments	
301	-	-	-	-	-	301	-	-	-	-	-	-	-
303	2,115,474	-	-	-	-	303	74,402	7,260	-	-	-	-	81,662
304	-	-	-	-	-	304	-	-	-	-	-	-	-
305	-	-	-	-	-	305	-	-	-	-	-	-	-
311	-	-	-	-	-	311	-	-	-	-	-	-	-
320	-	-	-	-	-	320	-	-	-	-	-	-	-
360	-	-	-	-	-	360	-	-	-	-	-	-	-
361	-	-	-	-	-	361	-	-	-	-	-	-	-
362	-	-	-	-	-	362	-	-	-	-	-	-	-
374	101,108	-	-	-	-	374	(9,286)	408	-	-	-	-	(8,878)
3741	12,923	-	-	-	-	3741	304,257	15,449	-	-	-	-	303,631
375	535,567	-	-	-	-	375	4,234,608	417,908	(2,241)	-	-	-	4,645,161
3761	15,801,235	1,682,271	-	-	-	3761	12,126,808	707,845	(84,062)	423	(1,455,004)	-	11,255,391
3762	25,837,886	628,257	-	-	-	3762	73,455	10,344	-	-	-	-	81,992
378	249,699	77,196	-	-	-	378	293,026	66,705	-	-	-	-	359,731
379	1,778,475	149,734	-	-	-	379	3,735,598	568,813	(97,625)	-	-	-	4,064,318
3801	15,719,323	1,297,755	-	-	-	3801	319,915	133,676	(233,219)	238	1,455,005	-	1,629,894
3802	2,282,968	5,091	-	-	-	3802	1,568,255	149,433	-	-	(3,897)	-	1,669,144
381	4,309,257	249,585	-	-	-	381	530,863	61,882	(325)	-	-	-	573,545
382	1,856,075	176,635	-	(12,208)	-	382	541,597	49,248	-	-	(180)	-	584,353
383	1,336,735	68,587	-	(466)	-	383	187,327	22,220	(6)	-	-	-	203,473
384	695,329	51,304	-	-	-	384	54,627	3,852	(86)	-	-	-	56,391
385	101,275	-	-	-	-	385	76,584	19,205	7,208	-	-	-	102,997
387	470,547	34,508	-	-	-	387	10,694	6,756	-	-	-	-	17,450
389	612,403	-	-	-	-	389	603,861	92,396	(7,208)	-	-	-	660,986
390	3,543,145	6,631	-	(8,436)	-	390	5,440	5,532	-	-	-	-	54,854
3911	120,205	-	-	-	-	3911	64,928	17,409	-	-	-	-	77,201
3912	227,620	534	-	-	-	3912	1,390,456	280,986	-	-	-	-	1,556,951
3913	3,264,377	148,050	-	(6,404)	-	3913	347,509	6,438	-	-	-	-	109,542
3921	397,144	-	-	(14,551)	-	3921	1,044,905	107,081	-	(13,096)	-	-	922,104
3922	2,075,456	457,359	-	-	-	3922	23,731	1,133	-	-	-	-	23,879
3923	-	-	-	-	-	3923	10,629	756	-	-	-	-	11,385
3924	40,914	3,275	-	-	-	3924	80,094	18,803	-	-	-	-	183,877
393	12,997	-	-	-	-	393	2,691	-	-	-	-	-	2,692
394	281,124	14,015	-	-	-	394	151,873	21,882	-	-	-	-	183,063
395	-	-	-	-	-	395	118,273	38,104	-	-	-	-	193,217
396	327,054	38,012	-	-	-	396	9,832	1,249	-	-	-	-	9,422
397	514,345	27,657	-	(1,143)	-	397	21,882	38,104	(2,880)	13,738	-	-	1,249
398	34,770	2,227	-	-	-	398	2,226	-	-	-	-	-	2,226
399	6,244	-	-	-	-	399	-	-	-	-	-	-	-
Reclassification for SFAS no. 143, COR													
84,661,674													
5,118,683													
27,971,570													
(810,571)													
2,834,589													
19,752													
(420,446)													
14,399													
(17,307)													
(3,365,512)													
26,226,474													

CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).  
 2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,

Development, and Demonstration (see Acct 107 of the Uniform System of Accounts).  
 3. Minor projects (less than \$500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	SOUTH FLORIDA		
2	Main Extensions	* 1,277,811	213,519
3	Measure/Regulator Equipment	* 126,222	0
4	Services	* 44,741	0
5	Transportation equipment	* 446,001	53,338
6	Other	* 74,202	15,313
7	CENTRAL FLORIDA		
8	Main Extensions	* 116,767	203,688
9	Transportation equipment	* 210,078	16,291
10	Other	* 66,406	204,836
11	* Grouped Items		
12			
13	TOTAL	\$2,362,228	\$706,985

CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.  
 2. On page 30 furnish information concerning construction overheads.  
 3. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain on page 30 the accounting procedures employed

and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.  
 4. Enter on this page engineering, supervision, administrative, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1	Administrative and General Overheads	-	
2	Payroll Taxes, Pensions, Group and Worker's		
3	Compensation Insurance	* \$198,725	
4	Allowance for funds used during construction	-	
5			
	TOTAL	\$198,725	\$4,929,185

\* Information not readily available, estimate used.

**PREPAYMENTS (Account 165)**

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	Prepaid Insurance (100.1650.2)	568,937
2	Prepaid Rents	
3	Prepaid Taxes (page 41)	1,625,304
4	Prepaid Interest	
5	Gas Prepayments	
6	Miscellaneous Prepayments: Pensions & Software Maintenance (1650.3 & .4 & .5)	970,976
7	<b>TOTAL Prepayments</b>	<b>3,165,217</b>

**EXTRAORDINARY PROPERTY LOSSES (Account 182.1)**

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	NONE					
2						
3						
4						
5						
6						
7						
8						
9	<b>TOTAL</b>					

**UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)**

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
10	NONE					
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21	<b>TOTAL</b>					

**OTHER REGULATORY ASSETS (Account 182.3)**

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).

2. For regulatory assets being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	See page 23					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

**MISCELLANEOUS DEFERRED DEBITS (Account 186)**

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.  
2. For any deferred debit being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance at Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1	Energy Conservation Program	\$0	\$0		\$0	\$0
2	Undistributed Capital					
3	-Accrued Payroll	50,828			(22,111)	\$28,717
4	Amortized Piping Costs	1,219,676			49,758	\$1,269,434
5	Amortized Conversion Cost	170,658			(19,474)	\$151,184
6	Underrecovery Conservation	45,372			(7,954)	\$37,418
7	Underrecovery Natural Gas (AEP)	3,927,116			372,199	\$4,299,315
8	Underrecovery Unbundling	561			(561)	\$0
9	Penny Elimination	0			0	0
10						
11						
12	Misc. Work in Progress	851,696				\$1,564,251
13	Deferred Regulatory Comm. Expenses					
14	(See Pages 58 - 59)	(340,505)	(422,595)	928	(58,911)	(\$704,189)
15	TOTAL	\$511,191				\$6,646,130



SECURITIES ISSUED OR ASSUMED AND  
SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish a supplemental statement giving a brief description of security financing and refinancing transaction during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.

2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.

3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate

nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance or redemption price and name of the principal underwriting firm through which the security transactions were consummated.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as particulars (details) of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

None

UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Recquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.

2. In column (c) show the principal amount of bonds or other long-term debt reacquired.

3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with

General Instruction 17 of the Uniform Systems of Accounts.

4. Show loss amounts by enclosing the figures in parentheses.

5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Recquired Debt, or credited to Account 429.1, Amortization of Gain on Recquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	Unamortized Loss on Reacquired Debt 12.5% Due 1988 Maturity date of new issue - 5/1/18	5/1/88	5,000,000	585,032	263,593	
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

LONG-TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e. year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.

4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	INTEREST FOR YEAR		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1	FIRST MORTGAGE BONDS:						
2							
3							
4	9.57% Series Due 2018	5/1/88	5/1/18	10,000,000	9.57%	957,000	10,000,000
5	10.03% Series Due 2018	5/1/88	5/1/18	5,500,000	10.03%	551,650	5,500,000
6	9.08% Series Due 2022	6/1/92	6/1/22	8,000,000	9.08%	726,400	8,000,000
7	4.90% Series Due 2031	11/1/01	11/1/31	14,000,000	4.90%	686,000	14,000,000
8	6.85% Series Due 2031	9/27/01	10/1/31	15,000,000	6.85%	1,027,500	15,000,000
9							
10							
11							
12							
13							
14							
15	TOTAL			52,500,000		3,948,550	52,500,000

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.

2. Show premium amounts by enclosing the figures in parentheses.

3. In column (b) show the principal amount of bonds or other long-term debt originally issued.

4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at Beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	FIRST MORTGAGE BONDS:							
2								
3	9.57% Series Due 2018	10,000,000	180,273	5/1/88	5/1/18	67,304	(7,211)	60,093
4	10.03% Series Due 2018	5,500,000	97,070	5/1/88	5/1/18	36,239	(3,883)	32,356
5	9.08% Series Due 2022	8,000,000	121,967	6/1/92	6/1/22	75,237	(4,067)	71,170
6	4.90% Series Due 2031	14,000,000	825,028	11/1/01	11/1/31	747,886	(26,875)	721,011
7	6.85% Series Due 2031	15,000,000	1,153,193	10/1/01	10/1/31	1,118,020	(40,289)	1,077,731
8								
9								
10	NOTE: Account 189 - \$5,000,000 Reacquired Bond originally due in 1998 has reacquired debt loss and is amortized in Account 4280.1. The associated amount for 2004 was \$18,283.92. \$2,000,000 Reacquired Bond originally due in 2002 has reacquired debt loss and is amortized in Account 428. The associated amount for 2004 is \$1,751							
11								
12								
13								
14								
15								
16	The amortization of debt discount occurs in Account 4280.2. The associated amount for 2004 was \$84,072.24							
17								
18	Total Account 4280 = \$ 102,356							
19								
20								
21		52,602,356	2,377,531			2,044,686	(82,325)	1,962,361

**MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)**

1. Describe and report the amount of other current and accrued liabilities at the end of year. 2. Minor items (less than \$50,000) may be grouped under appropriate title.

Line No.	Item (a)	Balance at End of Year (b)
1		
2	Vacation Pay	1,018,853
3	Outside Audit Fees	108,699
4	Commission Funds	(1,151)
5	Sun Trust Analysis	6,913
6	Employee Fund	5,207
7	Misc. Current and Accrued Liability	-
8		
9		
10	TOTAL	1,138,521

**OTHER DEFERRED CREDITS (Account 253)**

1. Report below the particulars (details) called for concerning other deferred credits. amortization.  
 2. For any deferred credit being amortized, show the period of 3. Minor Items (less than \$25,000) may be grouped by classes.

Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
			Contra Account (c)	Amount (d)		
1	Over Recovery of Fuel Adjustment - Electric (Amortized over succeeding six month period)	2,083,259	456.1	1,782,152	0	301,107
2			456.11			
3						
4	Over Recovery of Fuel Adjustment - Gas (Amortized over succeeding twelve month period)	526,293	495.1	0	581,838	1,108,131
5			495			
6						
7	Environmental Insurance Proceeds	14,000,374	1860.1	271,615	260,468	13,989,227
8	Over Recovery - Conservation (Electric)	106,580	456.6	12,372	37,666	131,874
9	Over Recovery - Conservation (Gas)	0	495.7	-	-	0
10	Over Recovery - Unbundling (Gas)	10,652	495.8	10,653	-	(1)
11	Gain on sale of property (Electric)	-	4030.1	-	-	0
12	Gain on sale of property (Gas)	401,914	4030.1	120,420	-	281,494
13	Other Deferred Credit - Cashier over/short	0		413	413	0
14						
	TOTAL	\$17,129,072		\$2,197,625	\$880,385	\$15,811,832

**OTHER REGULATORY LIABILITIES (Account 254)**

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts). 3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.  
 2. For regulatory liabilities being amortized, show period of amortization in column (a).

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1						
2	See Page 24					
3						
4						
5						
	TOTAL					

TAXES OTHER THAN INCOME TAXES (Account 408.1)											
Line No.	Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA		Regulatory Assessment Fees	Environmental, Excise	Franchise	Other	Total
					SUTA	FUTA					
1	Electric (Account 408.1, 409.1)	522,436			227,246	1,008,774	29,672		1,611,956	963	3,401,047
2	Gas (Account 408.1, 409.1)	1,054,932			508,055	1,269,228	283,331		916,225	5,491	4,037,262
3	Other Utility Departments (408.1, 409.1)	-			-	-	-		-	-	-
4	Other Income and Deductions (408.2, 409.2)	-			-	-	-		-	-	-
5	Extraordinary Items (Account 409.3)										
6	Other Utility Operating Income (408.1, 409.1)										
7	Adjust. to Retained Earnings (Account 439)										
8	Propane Division Expenses										
9	Other										
10	IFT Penalty										
11											
12											
13											
14											
15	Less: Charged to Construction										
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	1,577,368	-	-	735,301	2,278,002	313,003	-	2,528,181	6,454	7,438,309

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)										
Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Allocations to Current Year's Income		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)		
				Acct. No. (d)	Amount (e)					
1	Gas Utility	6		4110.4	6		0	35 Years		
2	3%			4110.4	2,578		2,504	35 Years		
3	4%	5,082		4110.4	2,852		31,760			
4	8%	34,612		4110.4	35,576		262,752	35 Years		
5	10%	288,328								
6										
7										
8										
9										
10	TOTAL	338,028			41,012		297,016			

Report below the information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustment to the account balance shown in column (f).

**ACCUMULATED DEFERRED INCOME TAXES (Account 190)**

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.  
2. At Other (Specify). Include deferrals relating to other income and deductions.  
3. If more space is needed, use separate pages as required.  
4. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under Other.

Line No.	Account Subdivisions	Balance at Beginning of Year	Changes During Year			Adjustments			Balance at End of Year
			Amounts Debited to Acct. 410.1	Amounts Credited to Acct. 411.1	Amounts Debited to Acct. 410.2	Amounts Credited to Acct. 411.2	Debits Amount	Credits Amount	
1		46,562							46,562
2	AMT								
3	Interest Not Cap. & Amort. of Depr.		(45,316)						105,925
4	Deferred Gain	151,241							
5	Regulatory								
6	Self Insurance Res. & Audit Fee	525,643	(78,821)						446,822
7	Uncollectible	29,377	(17,678)						39,825
8	Vacation Pay	175,509	(68,165)						157,851
9	Environmental	1,987,673	(6,781)						1,785,685
10	Misc. Accrual	(93,777)							(93,777)
11	General liability	4,383	(182,737)						(178,354)
12	Storm Reserve	2,819,820	(391,191)						2,274,806
13	TOTAL Gas (Lines 15 - 23)	381,597	(209,562)						177,124
14	Other (Specify) Electric	3,536	4,746						8,282
15	Other (Specify) Common								
16	TOTAL (Account 190)	3,204,953	(596,007)						2,480,212
17	(Enter Total of lines 13, 24 & 25)								

**ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)**

Line No.	Account Subdivisions	Balance at Beginning of Year	Changes During Year			Adjustments			Balance at End of Year
			Amounts Debited to Acct. 410.1	Amounts Credited to Acct. 411.1	Amounts Debited to Acct. 410.2	Amounts Credited to Acct. 411.2	Debits Amount	Credits Amount	
1	ACCOUNT 281 - ACCELERATED AMORTIZATION PROPERTY								
2	Electric								
3	Gas								
4	Other								
5	TOTAL ACCOUNT 281 (Line 2 thru 6)	0	0	0	0	0	0	0	0
6	ACCOUNT 282 - OTHER PROPERTY								
7	Electric	4,191,991	(517,816)						3,674,175
8	Gas	5,971,477	(959,851)						5,011,626
9	Other-Common	17,058,243	(1,477,147)						15,581,096
10	TOTAL ACCOUNT 282 (Lines 10 thru 13)	621,861	(2,154,814)						407,047
11	Electric	560,620	2,154,814						2,715,434
12	Gas								
13	Other - Common								
14	TOTAL ACCOUNT 283 - OTHER (Lines 17 thru 20)	1,202,481	72,844						1,275,325
15	ELECTRIC	4,172,730	(619,041)						3,553,689
16	Federal Income Tax	4,841,072	(114,666)						4,726,406
17	State Income Tax	4,813,859	(793,108)						4,020,751
18	TOTAL ELECTRIC (Lines 24 thru 26)	8,688,401	(1,526,815)						7,161,586
19	Gas	1,023,999	(114,144)						909,855
20	Federal Income Tax	7,522,400	(745,483)						6,776,917
21	State Income Tax								
22	TOTAL GAS (Lines 30 thru 32)	8,546,400	(859,627)						7,686,773
23	OTHER								
24	Federal Income Tax - Common								
25	State Income Tax - Common								
26	TOTAL OTHER (Lines 36 thru 38)								
27	TOTAL (Total of lines 7, 14, 21 and Lines 27, 33, 39)	18,908,724	(1,406,945)						17,501,779
28	Other Reclassification for SFAS no. 143, COR	6,993,046							14,494,825
29	TOTAL	24,401,770	(1,406,945)						23,004,825
30	NOTES								

\* Beginning balance changed due to a prior years adjustment of COR for SFAS no. 143

December 31, 2004

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME  
FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 9) *	\$3,315,704
2	Reconciling Items for the Year	
3		
4	<b>Taxable Income Not Reported on Books</b>	
5	Service Contributions	576,955
6	Depreciation	(1,439,605)
7	Conservation Program Costs	33,248
8	Pension Reserve	1,131,799
9		
10	<b>Deductions Recorded on Books Not Deducted for Return</b>	
11	Meals Expense	13,551
12	Vacation Pay	23,107
13	Depreciation Study	0
14	Loss on Reacquired Debt	18,284
15	Income Taxes (excluding current state income of \$ 110,900)	1,191,977
16	Refurbish Project	5,481
17	Gas Unbundling	40,808
18	Misc. Deferrals	12,712
19	Uncollectible Reserve	57,760
20	Natural Gas Odorizer	5,070
21	Capitalized Interest	309,249
22	<b>Income Recorded on Books Not Included in Return</b>	
23	Environmental Costs	181,148
24	Rate Case Expense	363,685
25	Deferred Gain	120,420
26	Amortization of Intangibles	227,545
27	General Liability	57,966
28		
29		
30	<b>Deductions on Return Not Charged Against Book Income</b>	
31	Ordinary Loss on ACRS Property Retirements	180,000
32	Cost of Removal ADR Property	54,000
33	Under/Over Recoveries-Unbundling Cost	10,093
34	Penalties	0
35	Underrecoveries of Purchased Energy Costs	813,482
36	Self - Insurance Reserve	59,861
37	Outside Audit Fees	75,836
38	Storm Reserve	1,138,087
39		
40	<b>Federal Tax Net Income</b>	<b>2,013,977</b>
41	Show Computation of Tax:	
42		
43	Tax at 34%	684,752
44	Rounding	48
45	<b>TOTAL Federal Income Tax Payable</b>	<b>684,800</b>
	* Excludes Flo-Gas Net Income of	\$278,012

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account in total.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
4. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
5. Report gas service revenues and therms sold by rate schedule.

Line No.	Title of Account (a)	OPERATING REVENUES		THERMS OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUST / MO.		Line No.
		Amount for Year (b)	Amount for Previous Year (c)	Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year	Number for Previous Year (g)	
1	<b>GAS SERVICE REVENUES</b>							1
2	<b>FIRM SALES SERVICE</b>							2
3	480 Residential Sales	19,568,933	17,670,120	12,003,580	11,509,210	44,095	42,622	3
4	481 Commercial & Industrial Sales - Small	13,923,316	12,590,455	12,656,360	12,362,550	3,334	3,298	4
5	481 Commercial & Industrial Sales - Large	16,260,345	15,229,878	16,342,280	16,540,410	880	884	5
6	481 Outdoor Lighting	33,685	-	32,640	-	6	-	6
7	481							7
8	481							8
9	<b>INTERRUPTIBLE SALES SERVICE</b>							9
10	481 Commercial & Industrial Sales - Interruptible	654,370	816,890	775,430	1,072,040	3	4	10
11	481							11
12	<b>FIRM TRANSPORTATION SERVICE</b>							12
13	489	2,726,110	2,139,981	13,977,350	12,356,310	373	302	13
14	489							14
15	489							15
16	<b>INTERRUPTIBLE TRANSPORTATION SERV</b>							16
17	489	412,237	346,020	4,919,270	4,491,620	11	10	17
18	482 Other Sales to Public Authorities	0	0	0	0	0	0	18
19	484 Flex Rate - Refund							19
20	<b>TOTAL Sales to Ultimate Consumers</b>	<b>53,578,996</b>	<b>48,793,344</b>	<b>60,706,910</b>	<b>58,332,140</b>	<b>48,702</b>	<b>47,120</b>	20
21	483 Sales for Resale							21
22	Off-System Sales 4000.4954* & 4955*	780,281	1,515,138	0	1,006,860	-	1	22
23	<b>TOTAL Nat. Gas Service Revenues</b>	<b>54,359,277</b>	<b>50,308,482</b>	<b>60,706,910</b>	<b>59,339,000</b>	<b>48,702</b>	<b>47,121</b>	23
24	<b>TOTAL Gas Service Revenues</b>	<b>54,359,277</b>	<b>50,308,482</b>					24
25	<b>OTHER OPERATING REVENUES</b>		<b>4,001,139</b>					25
26	485 Intracompany Transfers							26
27	487 Forfeited Discounts	719,999	700,717					27
28	488 Misc. Service Revenues & AEP	922,477	809,900					28
29	489 Rev. from Trans. of Gas of Others (not included in above rate schedules)	0	0					29
30	493 Rent from Gas Property							30
31	494 Interdepartmental Rents							31
32	495 Other Gas Revenues							32
33	Initial Connection							33
34	Overrecoveries Conservation 495.7	10,653	68,135					34
35	Collection in lieu of disconnect							35
36	Returned Check							36
37	Unbilled Revenue 495.3	458,966	68,058					37
38	Other 495.2	72,525	1,573,675					38
39	495.1 Overrecoveries Purchased Gas	(581,838)	186,509					39
40	<b>TOTAL Other Operating Revenues</b>	<b>1,602,782</b>	<b>3,406,994</b>					40
41	<b>TOTAL Gas Operating Revenues</b>	<b>55,962,059</b>	<b>53,715,476</b>					41
42	(Less) 496 Provision for Rate Refunds	0	(105,000)					42
43	<b>TOTAL Gas Operating Revenues Net of Provision for Refunds</b>	<b>55,962,059</b>	<b>53,610,476</b>					43
44	Sales for Resale							44
45	Other Sales to Public Authority							45
46	Interdepartmental Sales							46
47	<b>TOTAL</b>	<b>55,962,059</b>	<b>53,610,476</b>	<b>60,706,910</b>	<b>59,339,000</b>			47
48								48
49								49

**GAS OPERATION AND MAINTENANCE EXPENSES**

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account	Amount for Current Year	Amount for Previous Year
1	<b>1. PRODUCTION EXPENSES</b>		
2	A. Manufactured Gas Production		
3	B. TOTAL Natural Gas Prod. and Gathering (Enter Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Enter Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Enter Total of Accts. 795 through 798)		
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases	25,738,512	23,609,255
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	4,143,996	4,227,657
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases	0	0
16	(Less) 805.1 Purchased Gas Cost Adjustments		
17	TOTAL Purchased Gas (Enter Total of Lines 8 to 16)	29,882,508	27,836,912
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses	0	750
24	807.5 Other Purchased Gas Expenses		
25	TOTAL Purchased Gas Expenses (Enter Total of lines 20 through 24)	0	750
26	808.1 Gas Withdrawn from Storage--Debit		
27	(Less) 808.2 Gas Delivered to Storage--Credit		
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit	0	0
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit		
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	0	0
35	813 Other Gas Supply Expenses	111,863	124,114
36	TOTAL Other Gas Supp. Exp. (Total of Lines 17,18,25,26 through 29,34,35)	29,994,371	27,961,776
37	TOTAL Production Expenses (Enter Total of Lines 2,3,4,5 and 36)		
38	<b>2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES</b>		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	28,336	44,349
40	B. TOTAL Other Storage Expenses (Enter Total of Accounts 840 through 843.9)		
41	C. TOTAL Liquefied Nat Gas Terminaling & Processing Expenses (Enter Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Enter Total of lines 39, 40, and 41)		
43	<b>3. TRANSMISSION EXPENSES</b>		
44	TOTAL Transmission Expenses (Enter Total of Accounts 850 through 867)		
45			
46			



December 31, 2004

## GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	4. DISTRIBUTION EXPENSES		
48	Operation		
49	870 Operation Supervision and Engineering	261,281	219,071
50	871 Distribution Load Dispatching	16,244	13,542
51	872 Compressor Station Labor and Expenses	0	0
52	873 Compressor Station Fuel and Power	0	0
53	874 Mains and Services Expenses	1,379,729	1,375,308
54	875 Measuring and Regulating Station Expenses—General	233	2,465
55	876 Measuring and Regulating Station Expenses—Industrial	15,761	14,483
56	877 Measuring and Regulating Station Expenses—City Gate Check Sta.	17,000	17,345
57	878 Meter and House Regulator Expenses	1,156,521	1,122,864
58	879 Customer Installations Expenses	172,257	198,000
59	880 Other Expenses	563,039	546,323
60	881 Rents	41,871	39,865
61	TOTAL Operation (Enter Total of lines 49 through 60)	3,623,936	3,549,266
62	Maintenance		
63	885 Maintenance Supervision and Engineering	122,478	105,722
64	886 Maintenance of Structures and Improvements	62,552	74,124
65	887 Maintenance of Mains	278,278	541,390
66	888 Maintenance of Compressor Station Equipment	0	0
67	889 Maintenance of Meas. and Reg. Sta. Equip.—General	24,700	11,345
68	890 Maintenance of Meas. and Reg. Sta. Equip.—Industrial	725	97
69	891 Maintenance of Meas. and Reg. Sta. Equip.—City Gate Check Sta.	33,043	30,668
70	892 Maintenance of Services	183,258	116,303
71	893 Maintenance of Meters and House Regulators	157,738	94,686
72	894 Maintenance of Other Equipment	17,915	15,075
73	TOTAL Maintenance (Enter Total of Lines 63 through 72)	880,687	989,410
74	TOTAL Distribution Expenses (Enter Total of Lines 61 and 73)	4,504,623	4,538,676
75	5. CUSTOMER ACCOUNTS EXPENSES		
76	Operation		
77	901 Supervision	191,662	181,239
78	902 Meter Reading Expenses	434,368	432,750
79	903 Customer Records and Collection Expenses	1,077,987	1,013,166
80	904 Uncollectible Accounts	170,068	(1,119)
81	905 Miscellaneous Customer Accounts Expenses	69,819	57,664
82	TOTAL Customer Accounts Expenses (Enter Total of Lines 77 through 81)	1,943,904	1,683,700
83	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
84	Operation		
85	906.1 Under-recoveries Conservation	7,954	111,543
86	907 Supervision	61,253	48,736
87	908 Customer Assistance Expenses	1,514,810	1,249,636
88	909 Informational and Instructional Expenses	539,615	654,922
89	910 Miscellaneous Customer Service and Informational Expenses	11,690	51,114
90	TOTAL Customer Service and Informational Expenses (Enter Total of Lines 85 through 88)	2,135,322	2,115,951
91	7. SALES EXPENSES		
92	Operation		
93	911 Supervision	104,496	118,131
94	912 Demonstrating and Selling Expenses	741,972	774,690
95	913 Advertising Expenses	254,940	247,828
96	916 Miscellaneous Sales Expenses	519,097	481,695
97	TOTAL Sales Expenses (Enter Total of lines 92 through 95)	1,620,505	1,622,344
98			

December 31, 2004

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
99	<b>8. ADMINISTRATIVE AND GENERAL EXPENSES</b>		
100	Operation		
101	920 Administrative and General Salaries	1,100,396	1,076,650
102	921 Office Supplies and Expenses	330,242	420,875
103	(Less) (922) Administrative Expenses Transferred--Cr.	0	0
104	923 Outside Services Employed	157,665	267,528
105	924 Property Insurance	53,286	52,748
106	925 Injuries and Damages	557,570	476,633
107	926 Employee Pensions and Benefits	1,336,691	1,124,264
108	927 Franchise Requirements	0	0
109	928 Regulatory Commission Expenses	22,307	23,968
110	(Less) (929) Duplicate Charges--Cr.	0	0
111	930.1 General Advertising Expenses	0	0
112	930.2 Miscellaneous General Expenses	153,853	123,295
113	931 Rents	10,990	10,987
114	<b>TOTAL Operation (Enter Total of lines 100 through 112)</b>	<b>3,723,000</b>	<b>3,576,948</b>
115	Maintenance		
116	935 Maintenance of General Plant	76,138	88,200
117	<b>TOTAL Administrative and General Exp. (Total of lines 113 and 115)</b>	<b>3,799,138</b>	<b>3,665,148</b>
118	<b>TOTAL Gas O. and M. Exp. (Lines 37, 42, 44, 74, 82, 89, 96, and 116)</b>	<b>44,026,199</b>	<b>41,631,944</b>
119			
120			
121			
122			
123			
124			
125			
126			
127			
128			
129			
130			
131	<b>NUMBER OF GAS DEPARTMENT EMPLOYEES</b>		
132			
133	1. The data on number of employees should be reported for payroll period ending nearest to October 31,		
134	or any payroll period ending 60 days before or after October 31.		
135	2. If the respondent's payroll for the reporting period includes any special construction personnel,		
136	include such employees on line 3, and show the number of such special construction employees in a footnote.		
137	3. The number of employees assignable to the gas department from joint functions of combination utilities		
138	may be determined by estimate, on the basis of employee equivalents. Show the estimated number of		
139	equivalent employees attributed to the gas department from joint functions.		
140			
141	1. Payroll Period Ended (Date)		10/19/2004
142	2. Total Regular Full-Time Employees		266
143	3. Total Part-Time and Temporary Employees		8
144	4. Total Employees		274
145			
146			
147			
148			



REGULATORY COMMISSION EXPENSES (Account 928)

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.  
 2. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.  
 3. The totals of columns (e), (i), (k), and (l) must agree with the totals shown at the bottom of page 19 for Account 186.  
 4. List in column (f), (g) and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.  
 6. Minor items (less than \$25,000) may be grouped.

Line No.	Description (Furnish name of regulatory commission or body, the docket or case number, and a description of the case.) (a)	Total Expenses to Date (d)	Deferred in Account 186 at Beginning of Year (e)	EXPENSES INCURRED DURING YEAR			AMORTIZED DURING YEAR		Deferred in Account 186 End of Year (l)
				CHARGED CURRENTLY TO		Deferred to Account 186 (i)	Contra Account (j)	Amount (k)	
				Account No. (g)	Amount (h)				
1	All expenses incurred by the company in its								
2	filings for Rate Relief for electric. Docket								
3	Number 030438-EI	(366,211)	(307,300)	Electric-33556	(111,826)	(111,826)	928	(58,911)	(360,215)
4									
5	All expenses incurred by the company in its								
6	filings for Rate Relief for Gas. Docket								
7	Number 040216-GU	(33,205)	(33,205)	Gas - 33800	(310,769)	(310,769)	928		(343,974)
8									
9									
10									
11	TOTAL	(399,416)	(340,505)		(422,595)	(422,595)		(58,911)	(704,189)

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	\$9,294
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other: FNGA	0 10,659
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent	28,101
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown)	
5	Economic Development Expense	8,046
6		
7	Directors Fees and Expenses	45 items 15,117
8	Miscellaneous Expenses	79 items 25,505
9	Chamber of Commerce	1 item 77
10	Stock Insurance	57,054
11		
12		
13		
14		
15		
16		
17		
18		
19		153,853

**DISTRIBUTION OF SALARIES AND WAGES**

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	<b>Electric</b>			
2	TOTAL Operation and Maintenance - Electric	1,994,356	484,437	2,478,793
3	<b>Gas</b>			
4	<b>Operation</b>			
5	Production - Manufactured Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.	109,014		
6	Transmission	-		
7	Distribution	-		
8	Customer Accounts	2,251,810		
9	Customer Service and Informational	1,043,524		
10	Sales	233,797		
11	Administrative and General	760,739		
12	TOTAL Operation (Enter Total of lines 5 through 11)	(333,737)		
13	<b>Maintenance</b>	4,065,147		
14	Production - Manufactured Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.	-		
15	Transmission	-		
16	Distribution	-		
17	Administrative and General	596,112		
18	TOTAL Maintenance (Enter Total of lines 14 through 17)	2,277		
19	<b>Total Operation and Maintenance</b>	598,389		
20	Production - Manufactured Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.	109,014		
21	Transmission (Enter Total of lines 6 and 15)	-		
22	Distribution (Enter Total of lines 7 and 16)	-		
23	Customer Accounts (Transcribe from line 8)	2,847,922		
24	Customer Service and Informational (Transcribe from line 9)	1,043,524		
25	Sales (Transcribe from line 10)	233,797		
26	Administrative and General (Enter Total of lines 11 and 17)	760,739		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	(331,460)		
28	<b>Other Utility Departments</b>	4,663,536	836,983	5,500,519
29	Operation and Maintenance - Water	-	-	-
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	6,657,892	1,321,420	7,979,312
31	<b>Utility Plant</b>			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	1,055,517	-	1,055,517
35	Other	1,317,284	-	1,317,284
36	TOTAL Construction (Enter Total of lines 33 through 35)	-	-	-
37	Plant Removal (By Utility Department)	2,372,801	-	2,372,801
38	Electric Plant			
39	Gas Plant	85,389	-	85,389
40	Other	241,019	-	241,019
41	TOTAL Plant Removal (Enter Total of lines 38 through 40)	-	-	-
42		326,408	-	326,408
43	<b>Other Accounts (Specify):</b>			
44	Other Accounts Receivable/Employee	143,759	-	143,759
45	Temporary Facilities	27,321	-	27,321
46	Stores Expense	465,923	-	465,923
47	Clearing Accounts	241,295	-	241,295
48	Miscellaneous Deferred Debits	702,830	-	702,830
49	Merchandise and Jobbing	943,631	-	943,631
50	Taxes other Than Income Taxes-Electric/Gas/Water	(480,757)	-	(480,757)
51	Vacation Pay	(36,948)	-	(36,948)
52	Other Accounts Receivable	3,139,593	630,191	3,769,784
53	Environmental Cost	-	-	-
54	TOTAL Other Accounts	5,146,647	630,191	5,776,838
55	<b>TOTAL SALARIES AND WAGES</b>	14,503,748	1,951,611	16,455,359

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.

(a) Name and address of person or organization rendering services,  
 (b) description of services received during year and project or case to which services relate,  
 (c) basis of charges,  
 (d) total charges for the year, detailing utility department and account charged.

2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.  
 3. Designate with an asterisk associated companies.

1	Description (a)	Amount (b)
2	1. (a) BDO Seidmen, LLP, 1601Forum Place Suite 904, West Palm Beach, FL 33401	170,000
3	(b) Professional Accounting Services.	
4	(c) Based on services rendered.	
5	(d) Total charges for services, utility departments and accounts charged:	
6	Account Utility Allocation %	
7	923 GAS 51.0%	
8	923 ELECTRIC 32.0%	
9	4160.73 MERCH 3.0%	
10	923 FLO-GAS 14.0%	
11	2. (a) Akerman, Senterfitt & Eidson, P.O. Box 231 Orlando, FL 32802	
12	(b) Professional Legal Services for Environmental Issues.	336,825
13	(c) Based on services rendered.	
14	(d) Total charges for services, utility department and account charged:	
15	1430 GAS 1,096	
16	1650 FPU 1,162	
17	1840 FPU 8,767	
18	1849 FPU 2,217	
19	1860 FPU 68,045	
20	2280 FPU 73,273	
21	2320 FPU 96,374	
22	2420 FPU 32,055	
23	2530 FPU 52,265	
24	4260 FPU 843	
25	9121 GAS 728	
26		

**PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS**

1. Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.

(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charged, the total of amortization charged for the year, and the period of amortization.  
 (b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts.  
 (c) Other Interest Expense ( account 431) - Report particulars including the amount and interest rate for each other interest charges incurred during the year

1	Items	Amounts
2	Account 425: Miscellaneous Amortization	None
3	Account 426: Miscellaneous Income Deductions	
5	426.12 Charitable Contributions: Outside Service Area	0
6	426.13 Civic and Social Club Dues	2,227
7	426.2 Life Insurance	0
8	426.3 Penalties	0
9	426.4 Expenditures for Lobbying and Other Politically Related Activities	104
10	426.5 Other	
11	True-up Income Tax Related to the 2003 Sale of Water division	(30,967)
12	<b>TOTAL MISCELLANEOUS INCOME DEDUCTIONS</b>	<b>(19,956)</b>
13		
14		
15	Account 430: Interest on Debt to Associated Company	
16	Accounts Payable at 4.844% (12 mo. avg. of the interest rates applied)	(253,469)
17		
18		
19	Account 431: Other Interest Expense	
20	431.1 Interest on Customer Deposits	365,573
21	431.2 Interest on Notes Payable	42,148
22	431.3 Interest on Miscellaneous	0
23	<b>TOTAL OTHER INTEREST EXPENSE</b>	<b>407,721</b>

**Reconciliation of Gross Operating Revenues  
Annual Report versus Regulatory Assessment Fee Return**

**FLORIDA PUBLIC UTILITIES COMPANY**

**For the Year Ended December 31, 2004**

For the current year, reconcile the gross operating revenues as reported on Page 46 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

Line No.	(a) Description	(b) Gross Operating Revenues per Page 46	(c) Interstate and Sales for Resale Adjustments	(d) Adjusted Intrastate Gross Operating Revenues	(e) Intrastate Gross Operating Revenues per RAF Return	(f) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	53,578,996		53,578,996	50,440,648	3,138,348
2	Sales for Resale (483)	780,281		780,281	-	780,281
3	Total Natural Gas Service Revenues	54,359,277	-	54,359,277	50,440,648	3,918,629
4	Total Other Operating Revenues (485-495)	1,602,782		1,602,782	5,521,409	(3,918,627)
5	Total Gas Operating Revenues	55,962,059	-	55,962,059	55,962,057	2
6	Provision for Rate Refunds (496)	-		-		-
7	Other (Specify) Deferred Conservation Cost Recovery				(10,654)	10,654
8	PGA Over/Under Recoveries				581,838	(581,838)
9	Sales for Electric Generation					
10	<b>Total Gross Operating Revenues</b>	55,962,059	-	55,962,059	56,533,241	(571,182)

Notes:

Transportation Revenues of \$3,138,348 are included in Total Sale to Ultimate Customers on page 46 and Off System Sales of \$780,281 make up Sales for Resale on page 46. These items are reported as other operating revenue on the Regulatory Assessment Fee Return.

Deferred Conservation Cost Recovery of \$10,654 and PGA Over/Under Recoveries of \$581,838 are reversed to pay RAF on the actual collected revenue.

**CORPORATE STRUCTURE**

**Company: FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended December 31, 2004**

Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

Effective  
Date

January-04

We have enclosed copies of our updated Organizational Charts for Florida Public Utilities Company.

Flo-Gas Corporation does not have any employees.

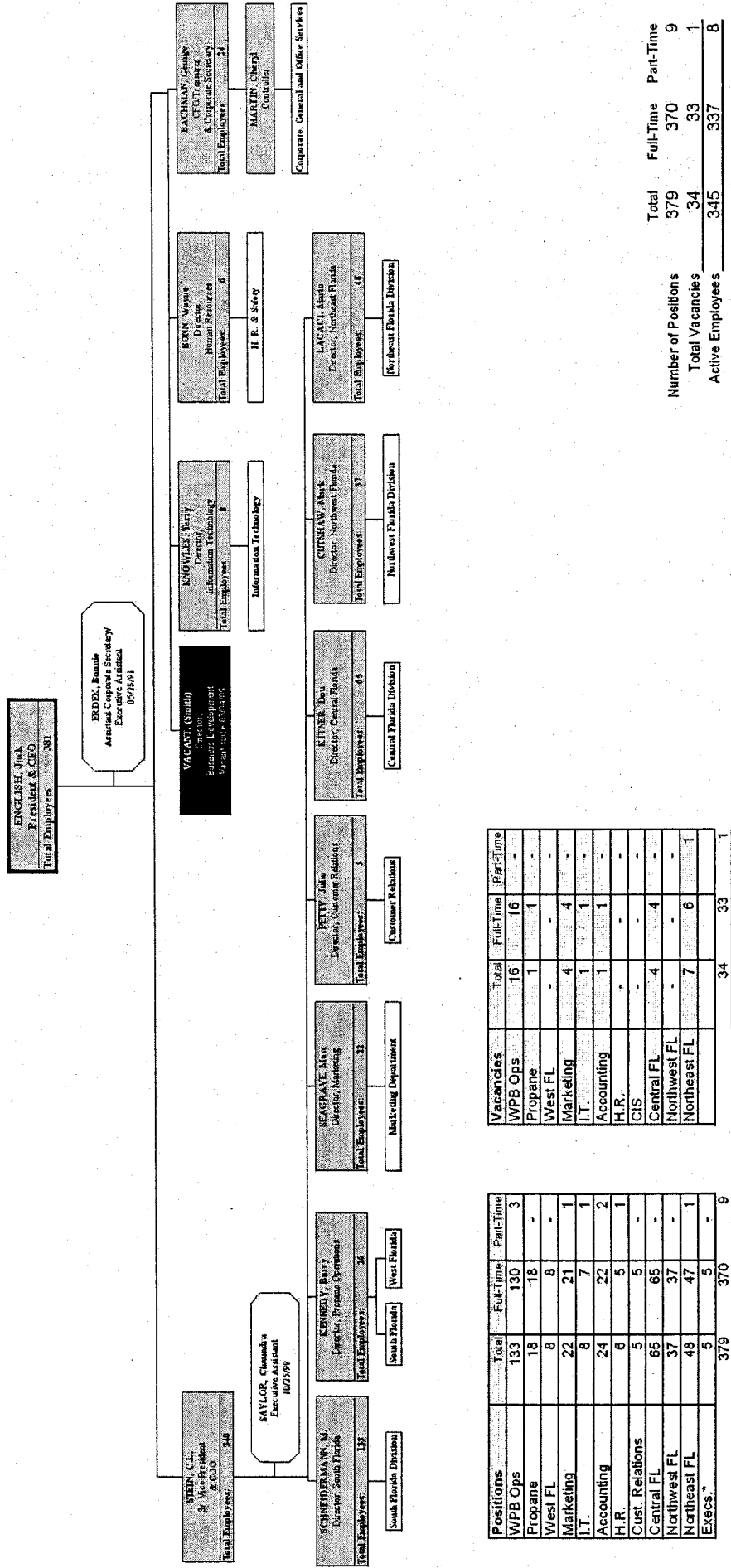




# CORPORATE STRUCTURE

SENIOR MANAGEMENT TEAM

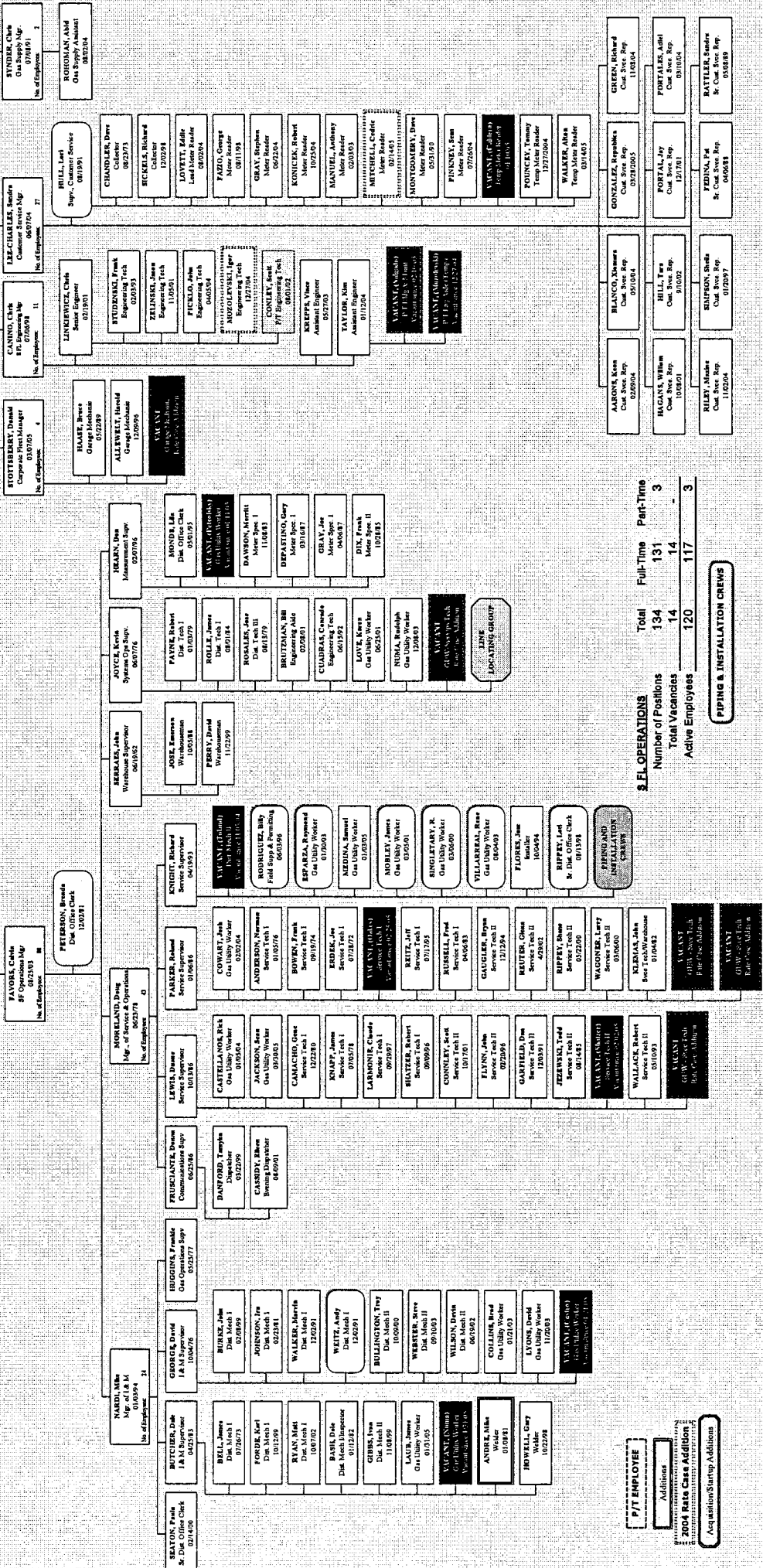
March 10, 2005



# SOUTH FLORIDA GAS OPERATIONS - ORGANIZATIONAL CHART



940/005



**\$ EL OPERATIONS**

	Total	Full-Time	Part-Time
Number of Positions	134	131	3
Total Vacancies	14	14	-
Active Employees	120	117	3

**PIPING & INSTALLATION CREWS**

**P/T EMPLOYEE**

Additions  
 2004 REAC CREW Addition  
 Acquisition/Starting Additions

# Propane Operations Organizational Chart



03/17/05

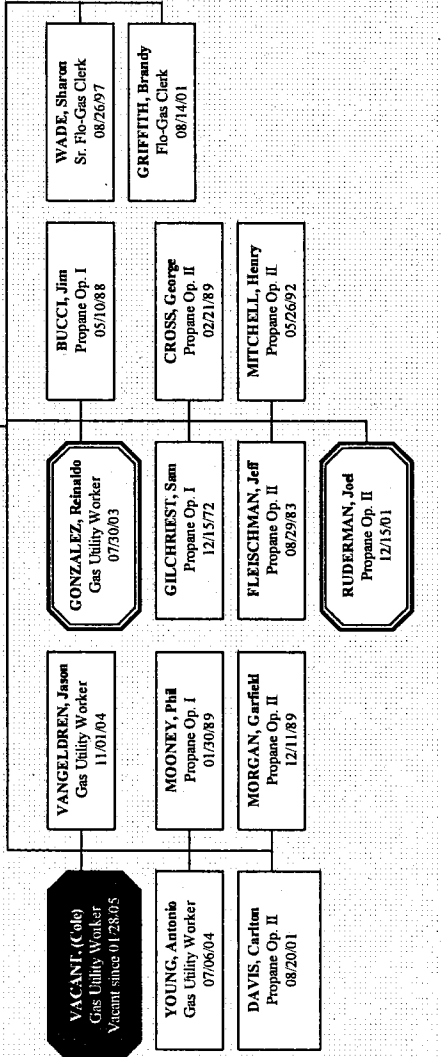
**KENNEDY, Barry**  
Director, Propane Operations  
06/14/04  
Total Employees: 25

**HURD, Jonathan**  
Propane District Manager  
02/21/05  
No. of Employees: 16

**POMEROY, Keith**  
Propane District Mgr  
09/07/04  
No. of Employees: 8

Central Florida  
Propane Operations

Northeast Florida  
Propane Operations



**SE PROPA NE OPS**

Total	Full-Time	Part-Time
Number of Positions	17	0
Total Vacancies	1	1
Active Employees	16	0

**W FL PROPA NE OPS**

Total	Full-Time	Part-Time
Number of Positions	8	8
Total Vacancies	0	0
Active Employees	8	0

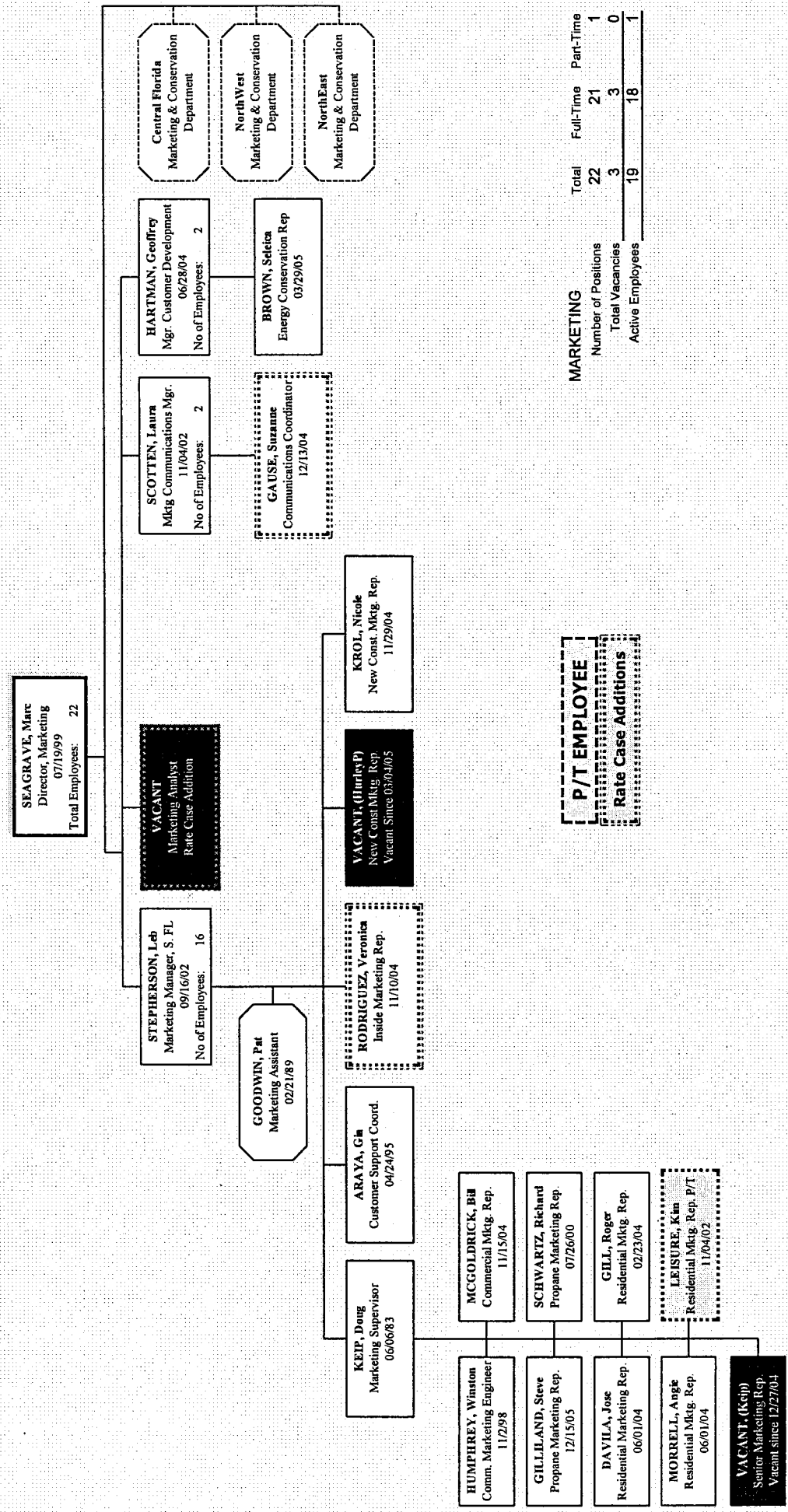
Additions

Acquisition/Startup Additions

REVISED  
03/30/05

MARKETING DEPARTMENT



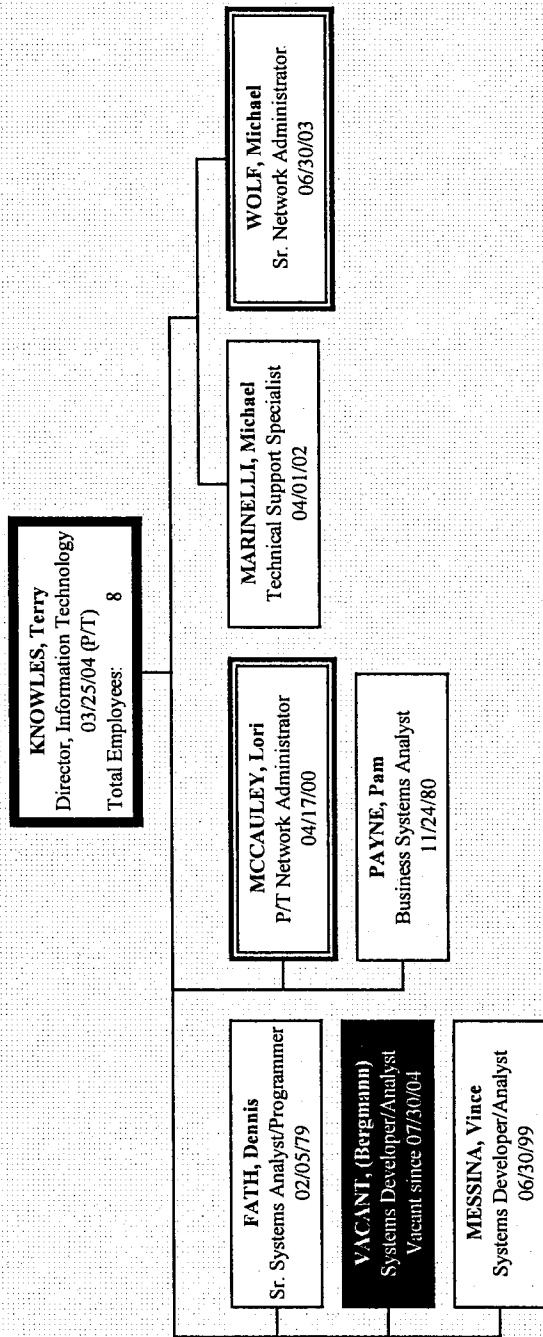
P/T EMPLOYEE  
Rate Case Additions

MARKETING

Total	Full-Time	Part-Time
22	21	1
Number of Positions	3	0
Total Vacancies	19	18
Active Employees	3	1

# INFORMATION TECHNOLOGY DEPARTMENT (IT)

03/01/05



Additions

**2004 Rate Case Addition**

Acquisition/Startup Additions

IT DEPT	Total	Full-Time	Part-Time
Number of Positions	8	7	1
Total Vacancies	1	1	0
Active Employees	7	6	1

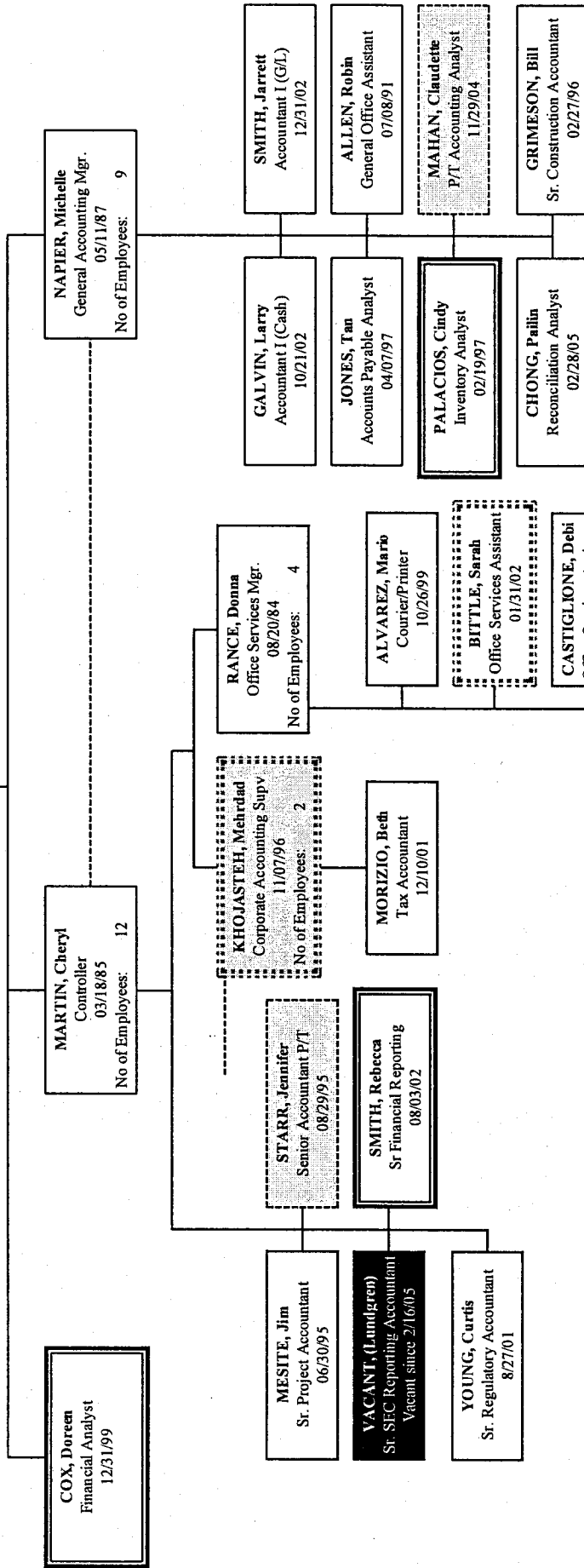
# ACCOUNTING DEPARTMENT



03/08/05

**BACHMAN, George**  
Treasurer & CFO  
01/28/85  
Total Employees: 24

**DYSARD, Heidi**  
Executive Financial Asst.  
11/16/01



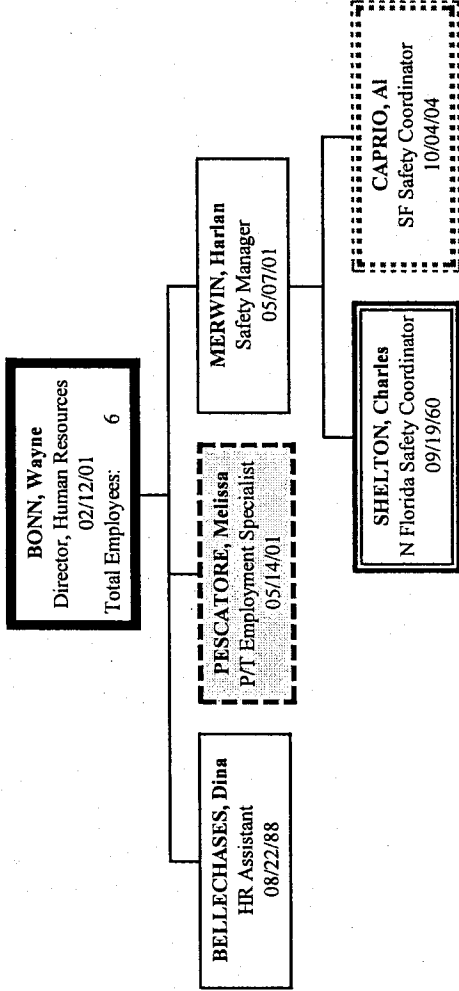
**P/T EMPLOYEE**  
2004 Rate Case Addition

**Additions**  
Acquisition/Startup Additions

ACCOUNTING	Total	Full-Time	Part-Time
Number of Positions	24	22	2
Total Vacancies	1	1	-
Active Employees	23	21	2

**HUMAN RESOURCES DEPARTMENT**

03/01/05

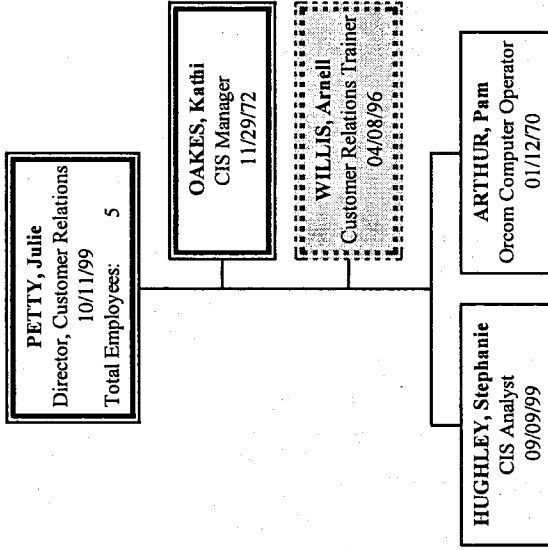


P/T EMPLOYEE  
2004 Rate Case Addition

Human Resources	Total	Full-Time	Part-Time
Number of Positions	6	5	1
Total Vacancies	0	0	0
Active Employees	6	5	1

# CUSTOMER RELATIONS DEPARTMENT

03/01/05



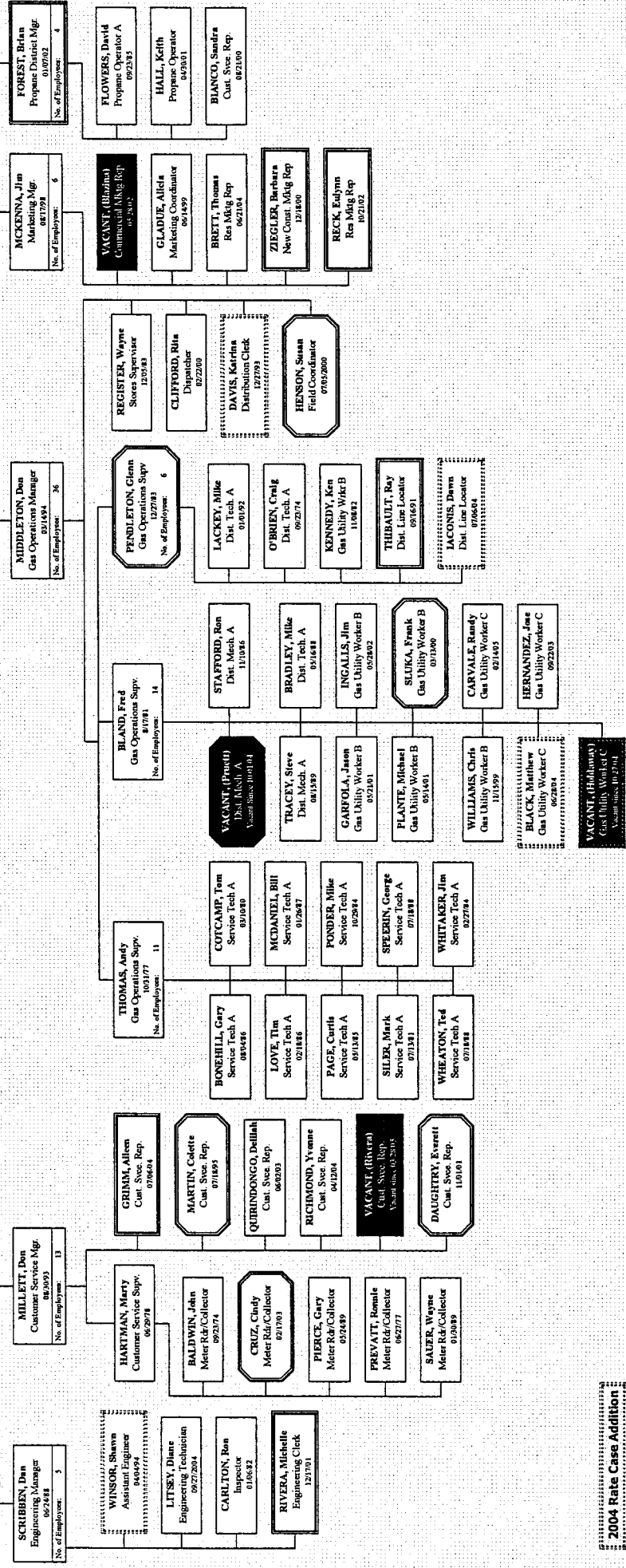
Additions
Acquisition/Startup Additions
2004 Rate Case Addition

Customer Relations	Total	Full-Time	Part-Time
Number of Positions	5	5	0
Total Vacancies	0	0	0
Active Employees	5	5	0



# CENTRAL FLORIDA DIVISION

March 28, 2005



	Total	Full-Time	Part-Time
Number of Positions	65	65	0
Total Vacancies	4	4	0
Active Employees	61	61	0

**CENTRAL FLORIDA**

2004 Rate Case Addition

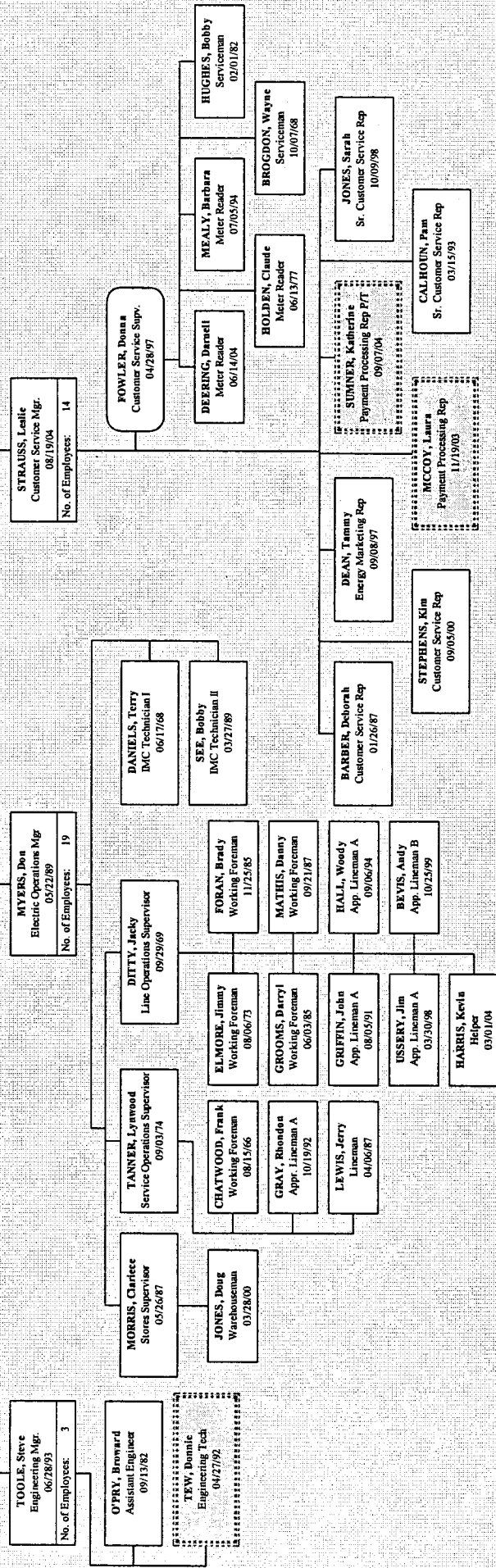
Additions

Acquisition/Startup Additions

# Northwest Florida Division - Organizational Chart



**CUTSHAW, Mark**  
Director, Northwest Florida  
05/13/91  
Total Employees: 37



03/01/05

2004 Rate Case Addition  
Additions  
Acquisition/Startup Additions

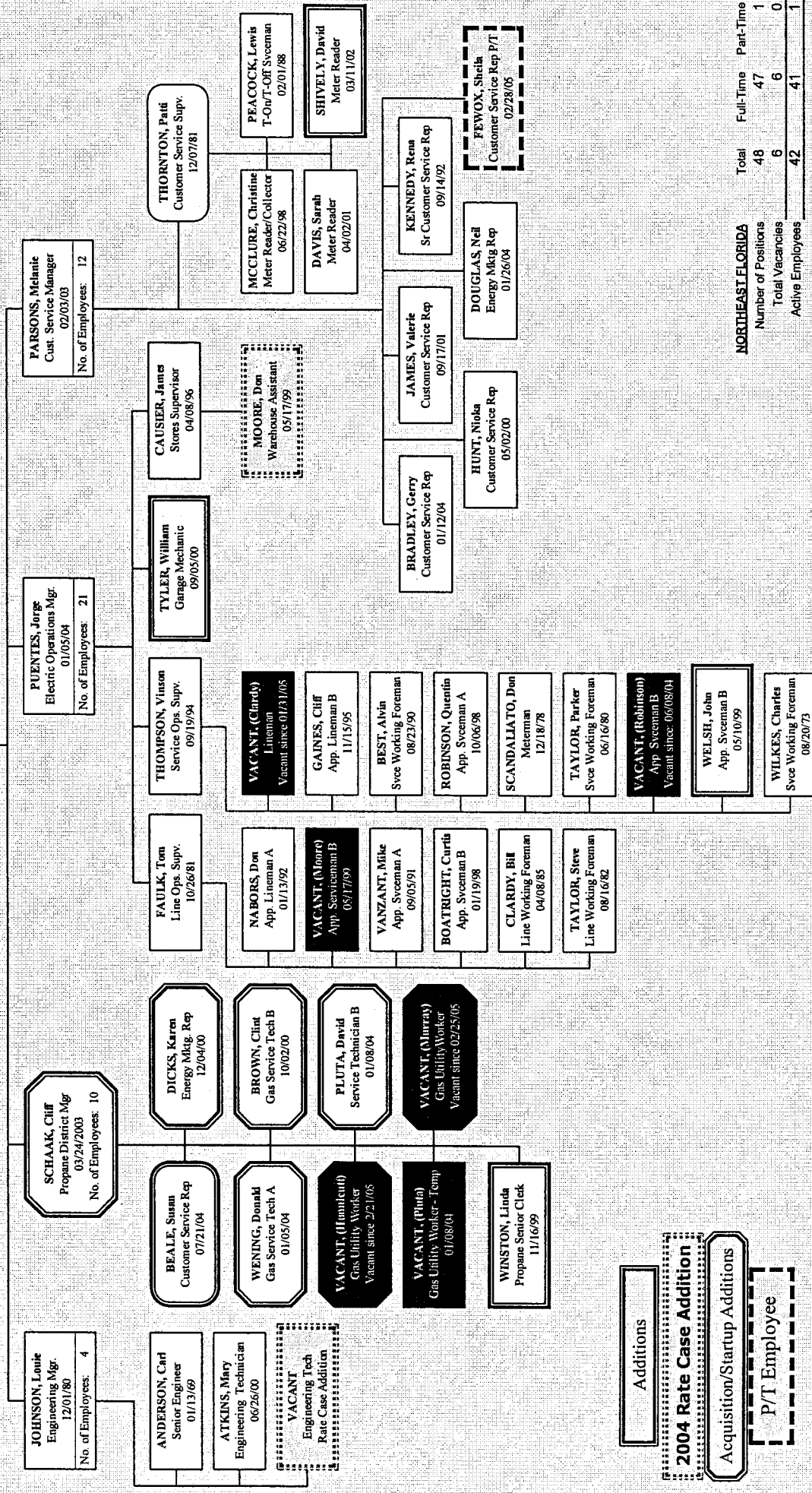
NORTHWEST FLORIDA			
	Total	Full-Time	Part-Time
Number of Positions	37	37	0
Total Vacancies	0	-	0
Active Employees	37	37	0

# NORTHEAST FLORIDA DIVISION - ORGANIZATIONAL CHART

03/14/05



**LACACI, Mario**  
Director, Northeast Florida  
06/18/01  
Total Employees: 48



**NORTHEAST FLORIDA**

Number of Positions	Total	Full-Time	Part-Time
Total Vacancies	48	47	1
Active Employees	6	6	0
	42	41	1

**SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS**

**Company: FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended December 31, 2004**

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

(a) Enter name of affiliate.  
 (b) Give description of type of service, or name the product involved.  
 (c) Enter contract or agreement effective dates.  
 (d) Enter the letter "p" if the service or product is a purchased by the Respondent: "s" if the service or product is sold by the Respondent.  
 (e) Enter utility account number in which charges are recorded.  
 (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
	<i>SEE ATTACHED SCHEDULES</i>				

(Schedules 2,3 & 4)

## **ANALYSIS OF DIVERSIFICATION ACTIVITY REPORT**

Flo-Gas Corporation is a wholly-owned subsidiary of Florida Public Utilities Company and transactions that exceed \$300 annually are numerous. Therefore, the enclosed summaries of Flo-Gas' Income Statement and Balance Sheet should be sufficient to meet the requirements of the report.

- Items relating specifically to Flo-Gas are charged directly.
- Corporate general expenses relating to both companies are allocated using factors previously reviewed by the Florida Public Service Commission during our last rate proceeding.
- Items that typically create intercompany transactions include payroll, cash Payments and receipts, and propane purchases.
- Flo-Gas does not have employees or cash.

Detailed transactions are available at our corporate office. If you require additional information, please let us know.

NOTE: Flo-Gas' Income Statement and Balance Sheet (Supplement pages 1 through 3).

**ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT**  
**FLO-GAS**  
**INCOME STATEMENT**  
**12 MONTHS ENDING 12/31/04**

	Year-to-Date Actual	Last Year-to-Date Actual
	<u>          </u>	<u>          </u>
Operating Revenue	11,167,405	9,593,690
Operation Expenses	9,454,094	8,354,317
Maintenance Expenses	377,809	361,025
Depreciation Expense	560,091	507,699
Amortization of Utility Plant- Acquisition Adjustment	-	-
Tax Other Than Income Tax-Utility Operation Expense	120,532	116,737
Income Tax - Federal - Utility Operating Income	(193,929)	(311,224)
Income Tax - State - Utility Operating Income	(33,339)	(53,112)
Deferred Income Tax - Utility Operating Income	359,584	386,546
Investment Tax Credit - Utility Operating Income	(2,523)	(3,280)
<b>Operating Income</b>	<u><u>525,086</u></u>	<u><u>234,982</u></u>
 <u>Other Income and Deductions</u>		
Interest and Dividend Income	-	-
Misc. Non-Operating Income	454,377	311,513
Other Income Deductions	(439,210)	(317,298)
Taxes Other Than Income - Other	-	-
Income Taxes-Federal-Other Income	(5,724)	2,200
Income Taxes-State-Other Income	-	-
<b>Other (Income) and Deductions</b>	<u><u>9,443</u></u>	<u><u>(3,585)</u></u>
 <u>Interest Charges</u>		
Interest on Debt to Associated Companies	253,469	172,149
Other Interest Expense	3,048	489
<b>Interest Charges</b>	<u><u>256,517</u></u>	<u><u>172,638</u></u>
 <u>Extraordinary Items</u>		
Cumulative Effect - Change in Accounting Principles - Net	-	-
 Net Income	 <u><u>278,012</u></u>	 <u><u>58,759</u></u>

**ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT**  
**FLO-GAS**  
**BALANCE SHEET - 09**  
**December 31, 2004**

Assets and Other Debits	<u>Current</u>	<u>Last Year End</u>
Utility Plant		
Utility Plant in Service	13,584,056	12,805,761
Utility Plant Purchased/Sold	-	-
Completed Construction Not Classified		
Construction Work in Progress	798,714	499,968
<b>Utility Plant</b>	<u>14,382,770</u>	<u>13,305,729</u>
Accumulated Depreciation		
Accumulated Dep. - Utility Plant in Service	(4,273,517)	(2,996,932)
Accumulated Dep. - Transportation Equip.	507,785	(507,330)
Retirement Work in Progress		
Accumulated Dep. - Rental Equipment	-	-
<b>Accumulated Depreciation</b>	<u>(3,765,732)</u>	<u>(3,504,262)</u>
Other Utility Plant		
Utility Plant Acquisition Adj.	-	-
Accum. Amort. - Utility Acq. Adj.	-	-
<b>Other Utility Plant</b>	<u>-</u>	<u>-</u>
Other Property and Investments		
Investment in Assoc. Companies - Common Stock	-	-
<b>Other Property and Investments</b>	<u>-</u>	<u>-</u>
Current and Accrued Assets		
Customer Accounts Receivable	1,298,236	1,111,997
Allowance for Uncollectible Accounts	(71,468)	(39,629)
Accounts Rec. from Associated Companies		
Operating Supplies - Propane	1,571,614	1,207,710
Prepayments - Taxes	-	-
Interest and Dividends Receivable	95,350	
Merchandise-Applian.& Supplies		
Accrued Utility Revenues	402,665	318,116
<b>Current and Accrued Assets</b>	<u>3,296,397</u>	<u>2,598,194</u>
Deferred Debits		
Goodwill	1,852,435	1,852,435
Misc. Deferred Debits - Other W.I.P.		
Misc. Deferred Debits - Miscellaneous	53,248	96,592
Accum. Deferred Income Taxes	186,111	154,267
<b>Deferred Debits</b>	<u>2,091,794</u>	<u>2,103,294</u>
<b>ASSETS AND OTHER DEBITS</b>	<u>16,005,229</u>	<u>14,502,955</u>

**ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT**  
**FLO-GAS**  
**BALANCE SHEET - 09**  
**December 31, 2004**

	<u>Current</u>	<u>Last Year End</u>
Liabilities and Other Credits		
Proprietary Capital		
Common Stock Issued	10,000	10,000
Appropriated Retained Earnings	-	-
Unappropriated Retained Earnings	<u>1,553,071</u>	<u>1,494,313</u>
<b>Proprietary Capital</b>	<u><u>1,563,071</u></u>	<u><u>1,504,313</u></u>
Current and Accrued Liabilities		
Accounts Payable to Assoc. Companies	11,351,417	10,628,339
Customer Deposits	560,958	515,569
Taxes Accrued	(1,258,149)	(811,317)
Interest Accrued	2,345	2,451
Dividends Declared	-	-
Tax Collections Payable	82,406	73,578
Misc. Current and Accrued Liabilities	-	-
Customer Advances for Construction	552,485	168,277
Other Deferred Income Taxes - Other	-	-
Accumulated Deferred I.T.C.	<u>1,901</u>	<u>4,424</u>
<b>Current and Accrued Liabilities</b>	<u><u>11,293,363</u></u>	<u><u>10,581,321</u></u>
Operating Reserves		
Misc. Operating Reserves	-	-
Accum. Deferred Income Tax - Liberalized Depreciation	2,870,783	2,358,563
Accum. Deferred Income Taxes - Other	-	-
<b>Operating Reserves</b>	<u><u>2,870,783</u></u>	<u><u>2,358,563</u></u>
<b>Year-to-Date Income/Loss</b>	<u><u>278,012</u></u>	<u><u>58,759</u></u>
<b>LIABILITIES AND OTHER CREDITS</b>	<u><u>16,005,229</u></u>	<u><u>14,502,956</u></u>



**NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES**

**COMPANY: FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended December 31, 2004**

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

Name of Affiliated Company (a)	Synopsis of Contract (b)
	None

**INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000**

**Company: FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended #REF!**

Provide information regarding individual affiliated transactions in excess of \$25,000. Recurring monthly affiliated transactions which exceed \$25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

Name of Affiliate (a)	Description of Transaction (b)	Dollar Amount (c)
<i>Flo-Gas Corporation</i>	<i>Accounts Payable general expenses. Can not readily determine if it is recurring or non-recurring</i>	(8,491,756)
<i>Flo-Gas Corporation</i>	<i>Payroll Payment by Florida Public Utilities Company for Flo-Gas Corporation. Recurring.</i>	(3,136,176)
<i>Flo-Gas Corporation</i>	<i>Cash Receipts - Recurring.</i>	11,760,969
<i>Flo-Gas Corporation</i>	<i>Revenue- Recurring</i>	452,145
<i>Flo-Gas Corporation</i>	<i>Transportation - Recurring</i>	(132,270)
<i>Flo-Gas Corporation</i>	<i>Dividends - Non-Recurring</i>	-
<i>Flo-Gas Corporation</i>	<i>Insurance Accruals and adjustments - Recurring</i>	(179,297)
<i>Flo-Gas Corporation</i>	<i>Income Tax adjustment - Non-Recurring</i>	120,792

**ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES**

**FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended December 31, 2004**

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
Purchases from Affiliates:		35,332	17,598	17,734	\$ N/A	\$ N/A	N/A
Flo-Gas Corporation	Meters	12,768	3,988	8,780	N/A	Transfer	N/A
	Vehicle	14,551	13,096	1,455	N/A	Transfer	N/A
	Regulators	466	180	286	N/A	Transfer	N/A
	Communication Equip	1,143	334	809	N/A	Transfer	N/A
	Computer Equipment	6,404	N/A	6,404	N/A	Transfer	N/A
Sales to Affiliates:		560	291	269	\$ N/A	Sales Price	N/A
	Computer Equipment			-	N/A	Transfer	N/A
	Meters	560	291	269	N/A	Transfer	N/A
	Power Operated Equip			-	N/A	Transfer	N/A
				-	N/A	Transfer	N/A
<b>Total</b>						\$	

**FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended**

List employees earning more than \$30,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From	Old Job Assignment	New Job Assignment	Transfer Perm or Temporary and Duration
NONE			

Florida Public Utilities Company  
AEP Reconciliation  
As Of December 31, 2004

Beginning Date of Surcharge Revenues	AEP Facilities Area	Balance at Beginning of year		12 Months Ended December 04		Charges to Date	
		Surcharge Revenues	Facilities Cost	Surcharge * Revenues	Facilities ** Cost	Surcharge Revenues	Facilities Cost
Sep-98	AEP #20000 Alaqua Lakes	67,631.68	7,556.15	222,858.29	280,485.01	290,489.97	288,041.16
Sep-98	AEP # 20001 Deltona HP #1	68,945.00	29,034.57	371,389.81	685,702.99	440,334.61	714,737.56
Feb-99	AEP # 20092 Stone Gable	2,781.21	1,051.40	13,552.04	25,264.91	16,333.25	26,316.31
May-99	AEP # 20093 Deltona HP #2	36,850.26	32,712.54	137,869.43	524,676.22	174,719.69	557,388.76
Apr-99	AEP # 20098 DeBary Golf & CC	3,307.87	3,060.30	24,766.23	58,503.93	28,074.10	61,564.23
Jun-00	AEP # 20193 Spring Valley Unit 5	2,497.71	908.31	6,381.46	15,724.70	8,879.17	16,633.01
May-00	AEP # 20289 Convert Deltona Ph III	50,569.60	36,169.76	144,240.82	563,103.90	194,810.42	599,273.66
Feb-01	AEP # 20345 Crystal Cove	2,002.39	2,189.55	5,188.85	28,703.06	7,191.24	30,892.61
Sep-00	AEP # 20347 Westward Expansion	33,606.14	16,284.87	81,721.40	243,694.49	115,327.54	259,979.36
Jun-01	AEP # 20498 La Chalet	5,628.89	3,395	10,837.28	50,533.21	16,466.17	53,928.63
Oct-01	AEP # 20561 Victoria Pk. Ph. I	26,162.61	43,335	56,415.38	551,809.82	82,577.99	595,144.78
May-01	AEP # 20591 Fawn Ridge Sub.	1,735.10	3,545	5,433.43	43,851.03	7,168.53	47,396.45
May-02	AEP # 20660 Thor/Versailles	11,987.32	44,300	24,524.71	550,286.58	36,512.03	594,586.35
Apr-02	AEP # 20695 Mizner Falls Subdiv.	4,205.48	10,803	7,480.33	134,841.01	11,685.81	145,644.33
Aug-02	AEP # 20798 Lake Mary H.S.	671.84	1,264	898.97	15,787.68	1,570.81	17,051.40
Oct-02	AEP # 20881 Springview Unit 6	1,325.61	1,568	3,058.01	19,673.42	4,383.62	21,241.71
	AEP # 20734 Kenco Commun.	1,039.33	4,198	840.11	51,938.06	1,879.44	56,135.92
Jun-02	AEP # 20769 Ibis Parcel V-Terra	1,301.05	888	1,885.05	11,721.05	3,186.10	12,608.86
Oct-02	AEP # 20849 Equestrian Club	6,514.92	9,499	12,640.25	118,776.35	19,155.17	128,275.49
	AEP # 20851 Juno Beach	3,101.20	15,205	8,362.96	156,159.24	11,464.16	171,363.89
	AEP # 20861 Victoria Grove	8,254.81	135,296	21,980.22	173,763.12	30,235.03	309,058.79
Nov-02	AEP # 20865 Hamilton Bay	3,217.33	9,850	7,780.24	121,697.43	10,997.57	131,547.85
	AEP # 20892 Black Diamond	2,494.68	4,939.71	10,875.25	60,778.34	13,369.93	65,718.05
	AEP # 20974 Deerfield Ph II	2,808.28	(3,320.61)	4,870.66	53,752.64	7,678.94	50,432.03
	AEP # 20976 Wyndsong Estates	118.72	39,219.49	2,138.24	3,553.88	2,256.96	42,773.37
	AEP # 20999 Downtown Gas Lt. Dist.	-	15,850.75	-	1,799.29	-	17,650.04
	AEP # 21007 SE 6th Ave	1,340.12	17,495.53	2,198.71	1,347.05	3,538.83	18,842.58
	AEP # 21025 SR 441 - Palmetto Pk.	-	74,088.74	249.85	6,610.98	249.65	80,699.72
	AEP # 21031 Winter Springs Town Ctr.	2,486.76	130,015.24	4,774.12	11,186.71	7,270.88	141,201.95
	AEP # 21151 Lakes of Deland	-	31,953.38	-	45,231.12	-	77,184.50
	AEP # 21160 Riverside at DeBary	-	37,624.60	637.68	88,837.87	637.68	126,462.47
	AEP # 21195 Cedar Creek Subdiv.	-	23,257.18	1,299.35	2,038.28	1,299.35	25,295.46
	AEP # 21212 Equis Subdiv	-	-	525.11	61,160.32	525.11	61,160.32
	AEP # 21242 Casa Bella Subdiv	-	-	-	37,378.80	-	37,378.80
	AEP # 21315 Arbor Ridge	-	-	1,623.34	201,427.99	1,623.34	201,427.99
	AEP # 21328 Inlet Shore Estates	-	-	118.48	13,349.46	118.48	13,349.46
	AEP # 21344 Talavera Subdiv	-	-	-	1,914.19	-	1,914.19
	AEP # 21391 441 Belv to Okeechobee	-	-	-	50,808.44	-	50,808.44
	AEP # 21436 Wellington Town Sq	-	-	-	216.00	-	216.00
	<b>Total</b>	<b>352,595.91</b>	<b>783,237.91</b>	<b>1,199,415.66</b>	<b>5,068,068.57</b>	<b>1,552,011.57</b>	<b>5,851,326.48</b>

Note:

\* Collections posted to 1860.4  
\*\* Includes interest

Balance in 1860.4  
at 12/31/2004 4,299,314.91  
Plus Revenues 1,552,011.57  
5,851,326.48

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