

# ANNUAL REPORT OF NATURAL GAS UTILITIES

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FLORIDA PUBLIC SERVICE  
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ECONOMIC REGULATION  
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**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, 2006

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

Name	<b>George M. Bachman</b>	Title	<b>CFO &amp; Treasurer</b>
Address	<b>P.O. Box 3395</b>	City	<b>West Palm Beach State Florida</b>
Telephone No.	<b>(561) 838-1731</b>		<b>PSC/ECR 020-G (10/03)</b>

**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.



**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, 2006, and the related statements of income – regulatory basis and retained earnings –regulatory basis for the year then ended, included on pages 6 through 11, excluding additional information on page 8a – Electric, Gas and Other Utility Divisions, of the accompanying Annual Report of Natural Gas Utilities to the Florida Public Service Commission. 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 the 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 of 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 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 notes are not comparable in certain respects with the accompanying balance sheet –regulatory basis and income statement –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, 2006, and the results of its operations for the year ended December 31, 2006, 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 page 8a 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  
April 24, 2007

# 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, 2006</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

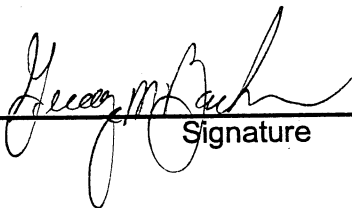
that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2006 to December 31, 2006, 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.

4/30/07  
Date

  
Signature

George Bachman  
Name

Chief Financial Officer & Treasurer  
Title

December 31, 2006

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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	\$268,640
Senior Vice President & Chief Operating Officer	Charles L. Stein	\$198,560
Chief Financial Officer, Treasurer & Secretary	George M. Bachman	\$181,040

**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 members 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	6	\$ -
R.C. Hitchens	325 South Olive Avenue West Palm Beach, Florida	6	\$ 31,495
P.L. Maddock, Jr	275 S County Road Palm Beach, Florida	6	\$ 30,495
D. Hudson (as of 8/05)	PO Box 9012 Stuart, Florida	6	\$ 23,995
Ellen Terry Benoit	250 El Pueblo Way Palm Beach, Florida	6	\$ 22,995
T. Maschmeyer (as of 6/05)	1142 Watertower Road Lake Park, Florida	6	\$ 24,995



**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	5,993,589	5,993,589		
TOTAL number of security holders	932	932		
TOTAL votes of security holders listed below	683,459	683,459		
1 Dino Casali, PO Box 387, Thomas, CT 06787	282,030	282,030		
2 Florida Public Utilities, PO Box 3395, West Palm Beach, FL 33402	160,349	160,349		
3 George F. Parris, Jr., P. O. Box 1420, Las Vegas, NV 89125-1420	87,439	87,439		
4 Walter P. Large, 11479 Orange Grove Blvd, Royal Palm Beach, FL	31,693	31,693		
5 Eduardo B. Arcentales Trust, 209 Avila Rd., West Palm Beach, FL	28,044	28,044		
6 John T. English, 15410 Woodmar Ct. Wellington, FL	27,958	27,958		
7 Charles L. Stein, 711 Hummingbird Way Apt. 106, NPB, FL	17,205	17,205		
8 Mildred K. Hall, 12944 SE Papaya St. Hobe Sound, FL	16,743	16,743		
9 Joyce Davis, 3709 Quando Cir, Orlando, FL 32812	15,999	15,999		
10 Edward J Patterson III, P.O. Box 1512, Jupiter, FL 33468	15,999	15,999		

**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 None
- 4 None
- 5 None

December 31, 2006

## 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	164,766,497	175,331,789
3	Construction Work in Progress (107)	12	4,336,065	1,951,888
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		169,102,562	177,283,677
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	12	(53,241,795)	(56,293,436)
6	Net Utility Plant (Enter Total of line 4 less 5)		115,860,767	120,990,241
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)	-	8,436	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)	-	2,239,013	2,396,527
14	Other Investments (124-128, 171)	-	5,746,180	5,715,293
15	Special Funds	-		
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		7,993,629	8,120,256
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	652,745	46,668
19	Special Deposits (132-133)	-	3,257,814	3,681,979
20	Working Funds (135)	-	39,100	33,700
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-	298,411	297,940
23	Customer Accounts Receivable (142)	-	12,840,862	9,551,539
24	Other Accounts Receivable (143)	-	236,599	57,005
25	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	-	(216,748)	(364,980)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Assoc. Companies (146)	-	12,872,618	13,452,431
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)	-	1,442,448	1,553,219
32	Merchandise (155)	-	421,892	400,795
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	950,750	961,438
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	1,510,318	1,617,666
41	Miscellaneous Current and Accrued Assets (174)	-		
42	TOTAL Current and Accrued Assets (Enter Total of lines 18 through 41)		34,306,809	31,289,400
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	1,880,040	1,797,719
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	9,319,979	9,140,945
48	Prelim. Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-	0	0
50	Temporary Facilities (185)	-	21,285	12,836
51	Miscellaneous Deferred Debits (186+165.3)	19	6,548,936	5,947,855
52	Def. Losses from Disposition of Utility Plant. (187)	-		
53	Research, Devel. and Demonstration Expend. (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20	227,025	208,741
55	Accumulated Deferred Income Taxes (190)	24	3,877,356	4,161,318
56	Unrecovered Purchased Gas Costs (1860.21)	19	4,527,745	1,707,678
57				
58	TOTAL Deferred Debits (Enter Total of lines 44 through 56)		26,402,366	22,977,092
59	TOTAL Assets and other Debits (Enter Total of lines 6, 7, 8, 16, 42, 57)		184,563,571	183,376,989

## 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)	-	\$14,602,975	\$14,793,458
3	Preferred Stock Issued (204)	-	600,000	600,000
4	Other Paid-In Capital (208-211) & Accounts 212, 213, 214	-	624,320	407,220
5	Retained Earnings (215, 215.1, 216)	10	31,396,084	32,826,617
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	2,229,013	2,386,527
7	(Less) Reacquired Capital Stock (217)	-	(3,349,120)	(2,841,531)
8	TOTAL Proprietary Capital (Enter Total of lines 2 through 7)		46,103,272	48,172,291
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)	-	1,536,145	1,636,118
20	Accumulated Provision for Injuries and Damages (228.2)	-	296,132	181,443
21	Accumulated Provision for Pensions and Benefits (228.3)	-	2,662,982	4,881,025
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-	700,000	721,400
24	TOTAL Other Noncurrent Liabilities (Enter Total of lines 18 through 23)		5,195,259	7,419,986
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-	9,558,000	3,466,000
27	Accounts Payable (232)	-	13,165,663	10,278,572
28	Notes Payable to Associated Companies (233)	-	0	0
29	Accounts Payable to Associated Companies (234)	-	0	0
30	Customer Deposits (235)	-	7,453,496	8,024,474
31	Taxes Accrued (236)	-	586,155	1,962,101
32	Interest Accrued (237)	-	1,011,667	787,294
33	Dividends Declared (238)	-	623,174	652,802
34	Matured Long-Term Debt (239)	-	0	0
35	Matured Interest (240)	-	0	0
36	Tax Collections Payable (241)	-	977,939	640,490
37	Miscellaneous Current and Accrued Liabilities (242)	22	1,200,053	1,340,766
38	Obligations Under Capital Leases-Current (243)	-	0	0
39				
40	TOTAL Current and Accrued Liabilities (Enter Total of lines 26 through 39)		\$34,576,147	\$27,152,499
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	-	1,830,828	2,314,703
43	Other Deferred Credits (253) & CIAC (271&272)	22	15,421,746	18,650,469
44	Other Regulatory Liabilities (2821)	22	9,247,234	9,676,176
45	Accumulated Deferred Investment Tax Credits (255)	23	410,109	335,146
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	19,278,976	17,155,719
49	TOTAL Deferred Credits (Enter Total of lines 42 through 48)		46,188,893	48,132,213
50				
51	TOTAL Liabilities and Other Credits (Enter Total of lines 8, 16, 24, 40 and 49)		\$184,563,571	\$183,376,989
52				

December 31, 2006

## 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	\$119,666,556	\$116,544,008
3	Operating Expenses			
4	Operation Expenses (401)	27-29	90,661,755	88,583,224
5	Maintenance Expenses (402)	27-29	3,104,317	3,208,695
6	Depreciation Expense (403)	15-16	5,430,705	5,091,584
7	Amort. & Depl. of Utility Plant (404-405) & 407.5		1,560,129	1,523,029
8	Amort. of Utility Plant Acq. Adj. (406)		31,060	31,056
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	9,708,218	8,555,986
14	Income Taxes - Federal (409.1)		3,543,691	1,918,488
15	- Other (409.2)		605,527	328,317
16	Provision for Deferred Inc. Taxes (410.1)	* 24	(2,193,047)	(218,458)
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24	-	-
18	Investment Tax Credit Adj. - Net (411.4)	23	(74,963)	(79,178)
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)		112,377,392	108,942,743
24	Net Utility Operating Income (Total of line 2 less 23) (Carry forward to page 14, line 25)		7,289,164	7,601,265
	* 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		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
\$48,527,217	\$47,449,558	\$71,139,339	\$69,094,450	\$0	\$0	1
36,670,819	35,425,590	53,990,936	53,157,634	0	0	2
2,099,313	2,044,133	1,005,004	1,164,562	0	0	3
2,722,496	2,520,504	2,708,209	2,571,080	0	0	4
-	-	1,560,129	1,523,029	-	-	5
-	-	31,060	31,056	-	-	6
-	-	-	-	-	-	7
-	-	-	-	-	-	8
-	-	-	-	-	-	9
-	-	-	-	-	-	10
-	-	-	-	-	-	11
-	-	-	-	-	-	12
3,982,172	3,957,574	5,726,046	4,598,412	0	0	13
660,372	1,511,556	2,883,319	406,932	0	0	14
112,523	258,739	493,004	69,578	0	0	15
(195,789)	(1,068,870)	(1,997,258)	850,412	0	0	16
-	-	-	-	0	0	17
(32,321)	(34,988)	(42,642)	(44,190)	0	0	18
-	-	-	-	-	-	19
-	-	-	-	-	-	20
-	-	-	-	-	-	21
-	-	-	-	-	-	22
46,019,585	44,614,238	66,357,807	64,328,505	0	0	23
2,507,632	2,835,320	4,781,532	4,765,945	0	0	24

FLORIDA PUBLIC UTILITIES COMPANY		An Original	For the Year Ended	
			December 31, 2006	
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)		\$7,289,164	\$7,601,265
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	3,794,992	3,857,066
	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-	(3,553,786)	(3,987,313)
31	Revenues From Nonutility Operations (417)	-	0	0
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-	3,269	893
34	Equity in Earnings of Subsidiary Companies (418.1)	10	157,514	397,930
35	Interest and Dividend Income (419)	-	356,962	375,077
36	Allowance for Other Funds Used During Construction (419.1)	-	0	0
37	Miscellaneous Nonoperating Income (421)	-	259,480	190,705
38	Gain on Disposition of Property (421.1)	-	-	-
39	TOTAL Other Income (Enter Total of lines 29 through 38)		1,018,431	834,358
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	33,450	29,358
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		33,450	29,358
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)			
47	Income Taxes - Federal (409.1)		171,465	174,244
48	Income Taxes - Other (409.2)		67,460	30,835
49	Provision for Deferred Income Taxes (410.1 & 2)	24	6,729	(112,296)
50	(Less) Provision for Deferred Income Taxes - Cr. (411.2)	24		
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)		245,654	92,783
54	Net Other Income and Deductions (Enter Total of lines 39,44,53)		739,327	712,217
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	100,605	100,605
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	(746,565)	(499,439)
62	Other Interest Expense (431)	33	557,120	515,955
63	(Less) Allow. for Borrowed Funds Used During Const. - Cr. (432)	-	0	0
64	Net Interest Charges (Total of lines 56 through 63)		3,859,710	4,065,671
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		4,168,781	4,247,811
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)		\$4,168,781	\$4,247,811
73	Earnings Per Share	*	0.71	0.71

\* On July 25, 2005 we issued a three for two stock split in the form of a stock dividend to our shareholders of record on July 15, 2005. All common share information has been restated to reflect the stock split.

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		\$31,396,084
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)		4,011,267
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	2,552,234
21			
22			
23	TOTAL Dividends Declared - Common Stock (Account 438)		2,552,234
24	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
25	Balance - End of Year		\$32,826,617
26			
27	<b>UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)</b>		
28			
29	Balance - Beginning of Year (Debit or Credit)		2,229,013
30	Equity in Earnings for Year (Credit) (Account 418.1)		157,514
31	(Less) Dividends (Debit)		0
32	Other Changes (Explain)		
33	Balance - End of year		2,386,527

**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

#### A. General

The Company is an operating public utility engaged principally in the purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution, sale and transportation of natural gas. The Company is subject to the jurisdiction of the FPSC with respect to its natural gas and electric operations. The suppliers of electric power to the Northwest Florida division and of natural gas to the natural gas divisions are subject to the jurisdiction of the FERC. The Northeast Florida division is supplied most of its electric power by a municipality which is exempt from FERC and FPSC regulation. The Company also distributes propane gas through a non-regulated subsidiary.

#### B. Basis of Presentation

The consolidated financial statements include the accounts of Florida Public Utilities Company (FPU) and its wholly owned subsidiary, Flo-Gas Corporation. All significant intercompany balances and transactions have been eliminated. The Company's accounting policies and practices conform to accounting principles generally accepted in the United States of America (GAAP) as applied to regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the FPSC and in accordance to the rule requirements of the Securities and Exchange Commission (SEC).

#### C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of these estimates include the accruals for pensions, allowances, environmental liabilities, liability reserves, unbilled revenue, regulatory deferred tax liabilities and over-earnings liability. Actual results may differ from these estimates and assumptions.

#### D. Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the 2006 presentation.

#### E. Regulation

The financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71 – "Accounting for the Effects of Certain Types of Regulation". SFAS No. 71 recognizes that accounting for rate-regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. A regulated utility may defer recognition of a cost (a regulatory asset) or show recognition of an obligation (a regulatory liability) if it is probable that, through the ratemaking process, there will be a corresponding increase or decrease in revenues. The Company has recognized certain regulatory assets and liabilities in the consolidated balance sheets. The Company believes that the FPSC will continue to allow recovery of such items through rates. As these regulatory assets and liabilities are recovered through rates or paid through a reduction of rates, the assets and liabilities are amortized to revenue and expense. In the event that a portion of the

Company's operations are no longer subject to the provisions of SFAS No. 71, the Company would be required to write-off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if an impairment related to other assets exists, including plant, and write-down the assets, if impaired, to their fair value.

### Summary of Regulatory Assets and Liabilities

(Dollars in thousands)

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Deferred development costs (1)	\$ 3,952	\$ 4,190
Unamortized fuel related regulatory costs (6)	48	24
Environmental assets (2)	8,284	8,868
Storm Reserve assets (3)	270	452
Deferred retirement plan costs (5)	587	-
Unamortized Rate Case expense	368	541
Under-recovery of fuel costs	862	3,375
Unamortized piping and conversion costs (1)	1,521	1,587
Unamortized loss on reacquired debt (1)	209	227
Total Regulatory Assets	\$16,101	\$19,264
<b>Liabilities</b>		
Tax liabilities	\$ 876	\$ 991
Cost of removal	8,800	8,256
Storm reserve liabilities	1,636	1,536
Over-recovery of fuel costs	3,656	-
Over-recovery of conservation	355	24
Over-earnings liability (4)	722	700
Total Regulatory Liabilities	\$16,045	\$11,507

- (1) Deferred development costs, unamortized piping and conversion costs, and unamortized loss on reacquired debt are included in deferred charges in the consolidated balance sheets.
- (2) The Company has included the amount due from customers as a regulatory asset for environmental costs. The FPSC authorized recovery of these environmental costs from customers over 20 years.
- (3) The FPSC has authorized the Company to recover storm damages incurred in 2004 in their natural gas operations. Recovery of these costs from customers over 30 months began November 2005.
- (4) The Company originally estimated the 2005 over-earnings for regulated natural gas operations at \$700,000. In 2006 the estimate was reduced to \$650,000. The Company has estimated 2006 over-earnings for regulated natural gas operations of \$72,000. The Company has recorded these liabilities which reduced revenues. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.
- (5) The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in a regulatory asset for the portion of the loss of \$587,000 to be recovered in future rate proceedings.
- (6) The Company has deferred certain regulatory fuel related costs and as of January 2006 has been amortizing these over five years according to a FPSC order in the November 2005 fuel hearings.

The base revenue rates for regulated segments are determined by the FPSC and remain constant until a request for an increase is filed and approved by the FPSC or the FPSC orders the Company to reduce their rates. For the Company to recover increased costs from the effects of inflation and construction expenditures for regulated segments, a request for an increase in base revenues would be required. Separate filings would be required for the electric and natural gas segments. The Company is currently seeking rate relief for electric storm preparedness initiatives required in 2007.

#### F. Derivatives

None of the Company's gas or electric contracts are accounted for using the fair value method of accounting. All material contracts that meet the definition of derivative instruments are considered "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

#### G. Revenue Recognition

The Company's revenues consist of base revenues, fuel adjustment charges, conservation charges and the pass-through of certain governmental imposed taxes based on revenues.

The FPSC approves base revenue rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. Fuel adjustment charges, conservation charges and the pass-through of certain governmental imposed taxes based on revenues are approved by the FPSC to allow recovery of fuel, conservation and revenue based taxes from the Company's customers. Any over or under-recovery of these expense items are deferred and subsequently refunded or collected in the following period.

Annually, any earnings in excess of this maximum amount permitted in the base rates are accrued for as an over-earnings liability and revenues are reduced an equivalent amount. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. The FPSC determines the disposition of any over-earnings with alternatives that include refunding to customers, funding storm damage or environmental reserves, or reducing any depreciation reserve deficiency.

The Company bills utility customers on a monthly cycle basis; however, the billing cycle periods for most customers do not coincide with the accounting periods used for financial reporting. The Company accrues estimated revenue for gas and electric customers on usage not yet billed for the accounting period. Determination of unbilled revenue relies on the use of estimates, fuel purchases and historical data.

#### H. Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on historical information and trended current economic conditions. The following is a summary of the activity in Allowance for Doubtful Accounts for the years ending December 31:

Allowance for Doubtful Accounts (Dollars in thousands)				
	Balance at Beginning of Year	Write-offs	Provisions to Bad Debt Expense	Balance at End of Year
2004	\$ 180	320	409	\$ 269

2005	\$ 269	356	359	\$ 272
2006	\$ 272	466	623	\$ 429

## I. Utility Plant and Depreciation

Utility plant is stated at original cost. The propane gas utility plant that has been acquired in acquisitions was stated at fair market value when acquired. Additions to utility plant include contracted services, direct labor, transportation and materials for additions. Units of property are removed from utility plant when retired. Maintenance and repairs of property and replacement and renewal of items determined not to be units of property are charged to operating expenses. Substantially all of the utility plant and the shares of Flo-Gas Corporation collateralize the Company's first mortgage bonds.

### Utility Plant (Dollars in thousands)

Plant Classification	Annual Composite Depreciation Rate	2006	2005
Land		\$ 1,130	\$ 1,124
Buildings	2.0% to 4.9%	6,991	6,862
Distribution	2.0% to 8.6%	158,010	147,580
Transmission	2.2% to 3.8%	6,878	6,799
Equipment	2.0% to 20.0%	12,700	11,534
Furniture and Fixtures	4.8% to 20.0%	392	369
Work-in-Progress		2,867	5,010
		<u>\$ 188,968</u>	<u>\$ 179,278</u>

Depreciation for the Company's regulated segments is computed using the composite straight-line method at rates prescribed by the FPSC for financial accounting purposes. Propane gas depreciation is computed using a composite straight-line method at an average rate based on estimated average life of approximately 20-30 years. Such rates are based on estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximate 3.9% in 2006, 3.9% in 2005 and 3.6% in 2004.

## J. Impact of Recent Accounting Standards

### *Financial Accounting Standard Board Interpretation No. 48*

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). The interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for calendar years beginning January 1, 2007.

We have performed an analysis of tax positions taken and expected to be taken on the tax returns and assessed the technical merits of each tax position by relying on legislation, statutes, common legislative intent, regulations, rulings and case law and determined that the Company has no material uncertain tax positions. Additionally, the IRS concluded an audit of the 2002 and 2003 tax years in September of 2005.

In February of 2007, the IRS informed us that it selected our 2003 and 2004 tax years for examination. As our tax positions have remained consistent with those from the previously audited tax years, we are not expecting any material adverse findings as the result of the impending IRS audit.

Based on the aforementioned, we believe that the adoption of FASB Interpretation No. 48 will not have a material impact on our financial condition or results of operations.

***Financial Accounting Standard No. 157***

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements". This Statement clarifies fair value as the market value received to sell an asset or paid to transfer a liability, that is, the exit value, and applies to any assets or liabilities that require recurring determination of fair value. The measurement includes any applicable risk factors and does not include any adjustment for volume. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within. The Company expects to adopt SFAS No. 157 effective January 1, 2008. The Company does not believe adoption of this Statement will have a material impact on our financial condition or results of operation.

***Financial Accounting Standard No. 158***

In September 2006, the FASB issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". Statement 158 requires the Company to show the funded status of its pension and retiree health care plans as a prepaid asset or accrued liability, and to show the net deferred and unrecognized gains and losses related to the retirement plans, net of tax, as part of accumulated other comprehensive income in shareholders' equity. Previously, the net deferred and unrecognized gains and losses were netted in the prepaid asset or accrued liability recorded for the retirement plans. The Company adopted the recognition provisions of Statement 158, as required, at December 31, 2006.

The Company uses December 31 as the measurement date to measure the assets and obligations of its retirement plans. Statement 158 will also require the Company to use December 31 as the measurement date no later than fiscal years ending after December 15, 2008. The Company currently uses this date as the measurement date, and has used it for all periods presented.

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in an additional liability for retirement plans. The tax on the non-regulated portion of this liability has been recorded as a deferred income tax asset. As an offset, the regulatory portion of this liability has been deferred as a regulatory asset-retirement plans to be recovered in future rate proceedings and the remaining expense from recording the liability has been included in other comprehensive income. The fair value of

retirement plan assets and obligations are subject to change based on market fluctuations. The table below summarizes the effects to our financial statements.

FASB 158 Implementation Summary (Dollars in thousands)			
	December 31, 2006		
	Before Application of SFAS 158	Adjustment	After Application of SFAS 158
<b>Assets:</b>			
Other regulatory assets- retirement plans	\$ -	\$587	\$587
<b>Liabilities and Equity:</b>			
Accumulated other comprehensive income/(loss)	-	(103)	(103)
Other accruals and payables	2,034	151	2,185
Long term medical and pension reserve	4,129	602	4,731
Deferred income taxes	16,167	(63)	16,104

**Staff Accounting Bulletin No. 108**

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB 108 requires that public companies utilize a "dual-approach" to assessing the quantitative effects of financial misstatements. This dual approach includes an assessment from both an income statement and a balance sheet focus. The guidance in SAB 108 must be applied to annual financial statements for fiscal years ending after November 15, 2006. The Company has adopted SAB No.108 and there has not been any impact on our consolidated financial position or results of operations as the result of this adoption.

**2. Goodwill and Intangible Assets**

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", the Company does not amortize goodwill or intangibles with indefinite lives. The Company periodically tests the applicable reporting segments, natural gas and propane gas, for impairment. In the event a segment becomes impaired, the Company would write down the associated goodwill and intangible assets to fair value. The impairment tests performed in 2005 and 2006 showed no impairment for either reporting segment.

Goodwill associated with the Company's acquisitions is identified as a separate line item on the consolidated balance sheet and consists of \$1.9 million in the propane gas segment and \$500,000 in the natural gas segment.

Intangible assets associated with the Company's acquisitions and software have been identified as a separate line item on the balance sheet. Summaries of those intangible assets at December 31 are as follows:

<b>Intangible Assets</b> (Dollars in thousands)		<u>2006</u>	<u>2005</u>
Customer distribution rights	(Indefinite life)	\$ 1,900	\$ 1,900
Customer relationships	(Indefinite life)	900	900
Software	(Five to nine year life)	3,122	2,971
Non-compete agreement	(Five year life)	-	35
Accumulated amortization		(1,517)	(1,415)
Total intangible assets, net of amortization		\$4,405	\$ 4,391

The 2006 amortization expense of computer software is approximately \$300,000. The Company expects the amortization expense of computer software to be approximately \$300,000 annually over the next five years, with the current level of software investment. The non-compete agreements expired in 2006.

### **3. Over-earnings-Natural Gas**

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. The Company has agreed with the FPSC staff to limit the earned return on equity for regulated natural gas and electric operations.

The Company estimated 2005 over-earnings for regulated natural gas operations of \$700,000. The 2005 over-earnings estimate was revised in 2006 to be \$650,000. The Company estimated 2006 over-earnings for regulated natural gas operations of \$72,000. These liabilities have been included in the over-earnings liability on the Company's balance sheet. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations.

The Company feels the estimates of the 2005 and 2006 over-earnings liabilities are accurate, but the amounts could change upon the FPSC finalization and review of earnings expected in 2007 and 2008. The FPSC determines the disposition of over-earnings with alternatives that include refunding to customers, increasing storm damage or environmental reserves or reducing any depreciation reserve deficiency.

### **4. Storm Reserves**

As of December 31, 2006, the electric segment storm reserve was approximately \$1.6 million. Since the last order on the 1999 disposition of electric over-earnings, the FPSC has allowed the Company the flexibility of automatically applying the electric over-earnings to the storm damage reserves each year since 1999 and allowing additional storm damage accruals up to a cap of \$2.9 million. In 2006, 2005 and 2004 there were no electric over-earnings and accordingly no additional over-earnings amounts were added to the storm damage reserves.

In October 2005, the FPSC approved recovery of 2004 natural gas segment storm costs plus interest and revenue taxes over a 30-month period beginning November 2005. The Company deferred storm costs as a regulatory asset due from customers on the balance sheet. As of December 31, 2006, the unrecovered amount of natural gas regulatory asset relating to storm costs was \$270,000.

The Company has requested that the FPSC allow 2005 over-earnings in natural gas to be used to recover the regulatory asset -storm and discontinue this storm surcharge. As part of this same request, the Company has also asked the FPSC to allow any excess over-earnings amount to provide additional funds for the "regulatory liability- storm reserve" for natural gas. We expect the FPSC to rule on this request during 2007.

In 2005, the FPSC approved applying 2002 natural gas over-earnings of \$118,000 to the storm reserve to cover future storm costs.

### **5. Income Taxes**

Deferred income taxes are provided on all significant temporary differences between the financial statements and tax basis of assets and liabilities at currently enacted tax rates. Investment tax credits have been deferred and are amortized based upon the average useful life of the related property in accordance with the rate treatment.

#### **A. Income Taxes related to Deferred Gain on Water Sale**

On March 27, 2003, the Company sold substantially all of its assets of the water division to the City of Fernandina Beach. The sale was made pursuant to a "threat of condemnation" during the fourth quarter of 2002. For tax purposes the Company elected to defer the gain on the sale of the assets pursuant to Code Section 1033 of the Internal Revenue Code of 1986 (IRC). Section 1033 allows non-recognition of gain if property is disposed as a result of threat of condemnation and property that is similar or related in service or use is purchased to replace the disposed property. To qualify, the replacement property must be purchased within the replacement period, which begins on the earlier of date of disposition (March 27, 2003) or date of threat of condemnation (December 31, 2002) and ending two years after the close of the year of sale (December 31, 2005). For real property, the replacement period is extended to three years (December 31, 2006).

The Company purchased property that is similar or related in service or use within the replacement periods with the exception of the intangible assets. During the IRS audit in 2005, the IRS disallowed a portion, approximately \$900,000 of the deferral relating to the intangible assets, since replacement was no longer expected.

A \$2.9 million estimated tax payment was made in 2003 related to the gain on the sale of the water division. It was subsequently determined that the income tax would be deferred. The Company applied for a refund and received \$3.9 million in July 2004, which included other estimated tax overpayments.

## B. Provision for Income Taxes

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

(Dollars in thousands)	Years ended December 31,		
	2006	2005	2004
Current payable			
Federal	\$ 3,652	\$ 2,150	\$ (566)
State	664	370	(96)
Current – net	<u>4,316</u>	<u>2,520</u>	<u>(662)</u>
Deferred			
Federal	(1,723)	(143)	2,003
State	(280)	(9)	358
Deferred – net	<u>(2,003)</u>	<u>(152)</u>	<u>2,361</u>
Investment tax credit	<u>(75)</u>	<u>(81)</u>	<u>(84)</u>
Total income taxes	<u>\$ 2,238</u>	<u>\$ 2,287</u>	<u>\$ 1,615</u>

## C. Effective Tax Rate Reconciliation

The difference between the effective income tax rate and the statutory federal income tax rate applied to pretax income is of continuing operations accounted for as follows:

(Dollars in thousands)	Years ended December 31,		
	2006	2005	2004
Federal income tax at statutory rate (34%)	\$ 2,178	\$ 2,222	\$ 1,771
State income tax, net of federal benefit (5.5%)	233	237	189
Investment tax credit	(75)	(81)	(84)
Tax exempt interest	(85)	(71)	(94)
Other	<u>(13)</u>	<u>(20)</u>	<u>(167)</u>



Total provision for income taxes

\$ 2,238 \$ 2,287 \$ 1,615

#### D. Deferred Income Taxes

Temporary timing differences which produce deferred income taxes in the accompanying consolidated balance sheets are as follows:

(Dollars in thousands)	Years ended December 31,	
	<u>2006</u>	<u>2005</u>
Deferred tax assets:		
Environmental	\$ 2,063	\$ 1,932
Self insurance	774	731
Storm reserve liability	509	408
Vacation pay	357	320
Other deferred credits	15	61
Allowance for uncollectible accounts receivable	162	103
General liability	68	111
Rate refund	271	263
Pension	789	286
Under/over-recovery of conservation costs	134	9
Other	37	37
Total deferred tax assets	<u>5,179</u>	<u>4,261</u>
Deferred tax liabilities:		
Utility plant related	20,274	20,319
Deductible intangibles	696	577
Under-recovery of fuel costs	643	1,704
Rate case expense	138	204
Loss on reacquired debt	79	85
Other	32	6
Total deferred tax liabilities	<u>21,862</u>	<u>22,895</u>
Net deferred income taxes liabilities	<u>\$ 16,683</u>	<u>\$ 18,634</u>

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

(Dollars in thousands)	<u>2006</u>	<u>2005</u>
Deferred income tax – current	\$ 579	\$ 1,066
Deferred income tax – long term	<u>16,104</u>	<u>17,568</u>
Net deferred income tax liabilities	<u>\$ 16,683</u>	<u>\$ 18,634</u>

#### E. IRS Audit

The IRS has informed us that it has selected our 2003 and 2004 tax returns for examination. Management does not expect any material adjustments from the audit but the effects, if any, that result from the final resolution of this IRS audit will be recorded when they become known and estimable. The Company expects the audit will be completed before the end of 2007.

The IRS completed an audit in 2005 of the Company's 2002 and 2003 federal income tax returns. The audit resulted in a current income tax payable amount of \$361,000 due to adjustments to depreciation, reserve accounts and recognition of a portion of the water sale gain that was previously deferred. This amount was partially offset by \$285,000 in deferred tax liabilities previously established.

## 6. Capitalization

### A. Stock Dividend

On July 25, 2005 a three-for-two stock split in the form of a stock dividend was issued to the shareholders of record on July 15, 2005. All common share information has been restated to reflect the stock split for all periods presented.

### B. Common Shares Reserved

The Company has 3,833,352 authorized but unissued shares and 160,349 treasury shares as of December 31, 2006. The Company has reserved the following common shares for issuance as of December 31, 2006:

Dividend Reinvestment Plan	54,071
Employee Stock Purchase Plan	52,035
Board Compensation Plan	20,714

### C. Preferred Stock

The Company has 6,000 shares of 4 ¾% Series A preferred stock \$100 par value authorized for issuance of which 6,000 were issued and outstanding at December 31, 2006. The preferred stock is included in stockholders' equity on the balance sheet.

The Company also has 5,000, 4 ¾% Series B preferred stock \$100 par value authorized for issuance none of which has been issued.

The Company also has 32,500, \$1.12 Convertible Preference stock, \$20 par value and \$22 redemption price, authorized for issuance none of which has been issued.

### D. Dividend Restriction

The Company's Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At December 31, 2006, approximately \$9 million of retained earnings were free of such restriction and therefore available for the payment of dividends. The line of credit agreement contains covenants that, if violated, could restrict or prevent the payment of dividends. At December 31, 2006 the Company is not in violation of these covenants.

### E. Treasury Shares

In prior years, common shares resulting from stock dividends have been allocated to common shares held as treasury shares. Treasury shares are not eligible to receive such allocations. Some of these treasury shares were subsequently reissued, resulting in an overstatement of additional paid-in capital. Accordingly, the Company has restated all periods presented to reflect the correct number of treasury shares and the value of treasury shares and additional paid-in capital at each year-end. As the adjustment is a reallocation of amounts between treasury stock and additional paid-in capital, there is no

effect on net income, earnings per common share or total stockholders' equity in any period presented.

**F. Employee Stock Purchase Plan**

The Company's Employee Stock Purchase Plan offers common stock at a discount to qualified employees.

**G. Dividend Reinvestment Plan**

The Company's Dividend Reinvestment Plan is offered to all Company shareholders and allows the shareholder to reinvest dividends received and purchase additional shares without a fee.

**7. Long-term Debt**

The Company issued its Fourteenth Series of FPU's First Mortgage Bond on September 27, 2001 in the aggregate principal amount of \$15 million as security for the 6.85% Secured Insured Quarterly Notes, due October 1, 2031 (IQ Notes). Interest on the pledged bond accrues at the annual rate of 6.85% payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year beginning January 1, 2002.

The Company issued \$14 million of Palm Beach County municipal bonds (Industrial Development Revenue Bonds) on November 14, 2001 to finance development in the area. The interest rate on the thirty-year callable bonds is 4.90%. The bond proceeds were restricted and held in trust until construction expenditures were actually incurred by the Company. In 2002 the remaining \$8 million was drawn from the restricted funds held by the trustee.

In 1992, the Company issued its First Mortgage Bond 9.08% Series in the amount of \$8 million. The thirty-year bond is due in June 2022.

The Company issued two of its Twelfth Series First Mortgage bond series on May 1, 1988; the 9.57% Series due 2018 in the amount of \$10 million and 10.03% Series due 2018 in the amount of \$5.5 million. These two issuances require sinking fund payments of \$909,000 and \$500,000 respectively, beginning in 2008.

Long-term debt on the balance sheet has been reduced for unamortized debt discount. The unamortized debt discount at December 31 included in long-term debt on the balance sheet is \$1.8 million in 2006 and \$1.9 million in 2005.

**Annual Maturities of Long-Term Debt  
(Dollars in thousands)**

	Total	2007	2008	2009	2010	2011	Thereafter
Long-term Debt	\$52,500	-	\$1,409	\$1,409	\$1,409	\$1,409	\$ 46,864

**8. Notes Payable**

In 2004, FPU entered into an amended and restated loan agreement that allows the Company to increase the line of credit upon 30 days notice by the Company to a maximum of \$20 million. In 2006 the agreement was renewed with an expiration date of July 1, 2008. We have not exercised our option to increase the line of credit limit which is currently at \$12 million with an outstanding balance of \$3.5 million and a remaining amount available of \$8.5 million. The Company reserves \$1 million of the line of credit to cover expenses for any major storm repairs

in its Northwest Florida division. An additional \$250,000 of the line of credit is reserved for a 'letter of credit' insuring our propane facilities.

The average interest rates for the line of credit were as follows as of December 31:

Year	Rate
2006	6.2%
2005	5.3%
2004	3.3%

## 9. Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for investments held in escrow for environmental costs, notes payable, taxes accrued and other accrued liabilities approximate fair value. The fair value of long-term debt excluding the unamortized debt discount is estimated by discounting the future cash flows of each issuance at rates currently offered to the Company for similar debt instruments of comparable maturities. The values at December 31 are shown below.

(Dollars in thousands)	2006		2005	
	Carrying Amounts	Approximate Fair Value	Carrying Amounts	Approximate Fair Value
Long-term debt	\$ 52,500	\$63,000	\$52,500	\$ 63,000

## 10. Contingencies

### Environmental

The Company is subject to federal and state legislation with respect to soil, groundwater and employee health and safety matters and to environmental regulations issued by the Florida Department of Environmental Protection (FDEP), the United States Environmental Protection Agency (EPA) and other federal and state agencies. Except as discussed below, the Company does not expect to incur material future expenditures for compliance with existing environmental laws and regulations.

(Dollars in thousands)

Site	Range From	Range To
West Palm Beach	\$ 4,801	\$ 18,027
Sanford	710	710
Pensacola and Other	110	110
Total	\$ 5,621	\$ 18,847

The Company currently has \$13.8 million reserved as an environmental liability. The FPSC approved up to \$14 million for total recovery from insurance and rates based on the original 2005 projections as a basis for rate recovery. The Company has recovered a total of \$5.5 million from insurance and rate recovery, net of costs incurred to date. The remaining balance of \$8.3 million is recorded as a regulatory asset. On October 18, 2004 the FPSC approved recovery of \$9.1 million for environmental liabilities (the remaining amount to be recovered is \$8.3 million and is included on the balance sheet as "Other regulatory assets – environmental"). The amortization of this recovery and reduction to the regulatory asset began on January 1, 2005. The majority of environmental cash expenditures are expected to be incurred before 2010, but may continue for another 10 years.

### ***West Palm Beach Site***

The Company is currently evaluating remedial options to respond to environmental impacts to soil and groundwater at and in the immediate vicinity of a parcel of property owned by it in West Palm Beach, Florida upon which the Company previously operated a gasification plant. The Company entered into a Consent Order with the FDEP effective April 8, 1991, that requires the Company to delineate the extent of soil and groundwater impacts associated with the prior operation of the gasification plant and to remediate such soil and groundwater impacts, if necessary. The Company completed the delineation of soil and groundwater impacts at the site in October 2006. An engineering consultant was retained to perform a feasibility study to evaluate appropriate remedies for the site. The feasibility study was transmitted to FDEP on November 30, 2006.

The feasibility study evaluated a wide range of remedial alternatives based on criteria provided by applicable laws and regulations. The total costs for the remedies evaluated in the feasibility study ranged from a low of \$2.8 million to a high of \$54.6 million. Based on the likely acceptability of proven remedial technologies described in the feasibility study and implemented at similar sites, consulting/remediation costs to address the impacts now characterized at the West Palm Beach site are projected to range from \$4.6 million to \$17.9 million. This range of costs covers such remedies as in situ solidification for deeper soil impacts, excavation of superficial soil impacts, installation of a barrier wall with a permeable biotreatment zone (PBZ), monitored natural attenuation of dissolved impacts in groundwater (MNA) or some combination of these remedies. The feasibility study proposed a remedy of superficial soil excavation, and installation of a hanging barrier wall with PBZ and MNA, the cost of which is projected to range from \$4.6 million to \$9.9 million.

Prior to FDEP's approval of a final remedy for the site, the Company is unable to determine, to a reasonable degree of certainty, the complete extent or cost of remedial action that may be required. As of December 31, 2006, and subject to the limitations described above, remediation costs (including attorneys' fees and costs) for this site are projected to range from approximately \$4.8 million to \$18 million.

### ***Sanford Site***

The Company owns a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to its acquisition of the property. Following discovery of soil and groundwater impacts on the property, the Company has participated with four former owners and operators of the gasification plant in the funding of numerous investigations of the extent of the impacts and the identification of an appropriate remedy. On or about March 25, 1998, the Company executed an Administrative Order on Consent (AOC) with the four former owners and operators (collectively, the Group) and the EPA that obligated the Group to implement a Remedial Investigation/Feasibility Study (RI/FS) and to pay EPA's past and future oversight costs. The Group also entered into a Participation Agreement and an Escrow Agreement on or about April 13, 1998 (WFS Participation Agreement). Work under the RI/FS AOC and RI/FS Participation Agreement is now complete and the Company has no further obligations under either document.

In late September 2006, EPA sent a Special Notice Letter to the Company, notifying the Company of EPA's selection of a final remedy for OU1 (soils), OU2 (groundwater), and OU3 (sediments), and giving the Company and the other Group members sixty (60) days within which to submit a "good faith offer" to EPA to provide for implementation of the

selected remedies. The Special Notice Letter included an Amended Record of Decision (ROD) for OU1 (the ROD for OU1 was amended to account for a significant increase in the volume of off-site soil impacts and a change in the selected remedy), the original ROD for OU2, and a ROD for OU3. The total estimated remediation costs for the Sanford Gasification Plant Site are now projected to be \$12.5 million. On November 30, 2006, the Company and the Group submitted to EPA a good faith offer to implement the approved remedies as set forth in the RODs for OU1 through OU3.

In January, the Company along with the other members of the Group signed a Third Participation Agreement, which provides for funding the remediation work specified in the RODs for OU1 through OU3 and supercedes and replaces the Second Participation Agreement. The Company's share of remediation costs under the Third Participation Agreement is set at 5% of a maximum of \$13 million, or \$650,000. At present, it is not anticipated that the total cost of remediation will exceed \$13 million. If it does, the Group members have agreed to negotiate in good faith to allocate the excess costs at such time that it reasonably appears that the total remediation costs will exceed \$13 million. In any such event, the Company does not expect our share of such additional costs to be greater than 5%; and its share of such additional costs may be less than 5%.

The Company's future legal costs and expenses and its share future remediation expenses for this site are currently projected to be approximately \$710,000.

#### ***Pensacola Site***

The Company is the prior owner/operator of the former Pensacola gasification plant, located in Pensacola, Florida. Following notification on October 5, 1990 that FDEP had determined that the Company was one of several responsible parties for any environmental impacts associated with the former gasification plant site, the Company entered into cost sharing agreements with three other responsible parties providing for the funding of certain contamination assessment activities at the site.

Following field investigations performed on behalf of the responsible parties, on July 16, 1997, FDEP approved a final remedy for the site that provides for annual sampling of selected monitoring wells. Such annual sampling has been undertaken at the site since 1998. The Company's share of these costs is less than \$2,000 annually or a total of \$27,000.

In March 1999, EPA requested site access in order to undertake an Expanded Site Inspection (ESI). The ESI was completed by EPA's contractor in 1999 and an ESI Report was transmitted to the Company in January 2000. The ESI Report recommends additional work at the site. The responsible parties met with FDEP on February 7, 2000 to discuss EPA's plans for the site. In February 2000, EPA indicated preliminarily that it will defer management of the site to FDEP; however, as of December 31, 2006, the Company has not received any written confirmation from EPA or FDEP regarding this matter. Prior to receipt of EPA's written determination regarding site management, the Company is unable to determine whether additional field work or site remediation will be required by EPA and, if so, the scope or costs of such work.

#### ***Key West Site***

From 1927 to 1938, the Company owned and operated a gasification plant in Key West, Florida. The plant discontinued operations in the late 1940s; the property on which the plant was located is currently used for a propane gas distribution business. In March 1993, a Preliminary Contamination Assessment Report (PCAR) was prepared by a

consultant jointly retained by the Company and the current site owner and was delivered to FDEP. The PCAR reported that very limited soil and groundwater impacts were present at the site. By letter dated December 20, 1993, FDEP notified the Company that the site did not warrant further "CERCLA consideration and a Site Evaluation Accomplished disposition is recommended." FDEP then referred the matter to its Marathon office for consideration of whether additional work would be required by FDEP's district office under Florida law. As of December 31, 2006, the Company has received no further communication from FDEP with respect to the site. At this time, we are unable to determine whether additional fieldwork will be required by FDEP and, if so, the scope or costs of such work. In 1999, the Company received an estimate from its consultant that additional costs to assess and remediate the reported impacts would be approximately \$166,000. Assuming the current owner shared in such costs according to the allocation agreed upon by the parties for the PCAR, the Company's share would be approximately \$83,000.

## 11. Commitments

### A. General

To ensure a reliable supply of electric and natural gas at competitive prices, the Company has entered into long-term purchase and transportation contracts with various suppliers and producers, which expire at various dates through 2015. Purchase prices under these contracts are determined by formulas either based on market prices or at fixed prices. At December 31, 2006, the Company has firm purchase and transportation commitments adequate to supply its expected future sales requirements. The Company is committed to pay demand or similar fixed charges of approximately \$37.8 million during 2007 related to gas purchase agreements. Substantially all costs incurred under the electric and gas purchase agreements are recoverable from customers through fuel adjustment clause mechanisms.

### B. Operating Leases

The Company's total operating lease obligation is \$352,000. The Company is leasing property from the City of Fernandina Beach in our Northeast division. The Company is in the process of renegotiating the terms of this lease and it may be able to terminate this lease at an earlier date. The Company leases an appliance showroom in the same division for approximately \$35,000 annually. The Company also has other operating lease agreements with various terms and expiration dates. The following table shows the approximate future obligations under noncancelable agreements.

	2007	2008	2009	2010	2011
Operating Lease Obligations	\$161,000	\$116,000	\$47,000	\$38,000	-

## 12. Employee Benefit Plans

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 at December 31, 2006 resulted in an additional liability for retirement plans, pension plan and retirees medical plan. See Footnote 1J, Impact of Recent Accounting Standards, Financial Accounting Standard 158 for a summary of the impact to our financial statements.

### A. Pension Plan

The Company sponsors a qualified defined benefit pension plan for non-union employees that were hired before January 1, 2005 and for unionized employees that work under one

of the six Company union contracts and were hired before their respective contract dates in 2005.

The following tables provide a reconciliation of the changes in the plan's benefit obligations and fair value of assets over the 3-year period ending December 31, 2006 and a statement of the funded status as of December 31, of all three years:

**Benefit Obligations and Funded Status**

	Years Ended December 31,		
	2006	2005	2004
(1) Change in Projected Benefit Obligation			
(a) Projected Benefit Obligation at the Beginning of the Year	\$36,349,925	\$34,926,383	\$31,540,942
(b) Service Cost	1,225,495	1,195,723	1,084,564
(c) Interest Cost	2,160,719	2,000,099	1,940,122
(d) Actuarial (Gain) or Loss	541,865	(842,777)	1,708,132
(e) Benefits Paid	(1,529,258)	(1,514,341)	(1,347,377)
(f) Change in Plan Provisions	-	584,838	-
(g) Curtailment	(97,858)	-	-
(h) Projected Benefit Obligation at the End of the Year	<u>\$38,650,888</u>	<u>\$36,349,925</u>	<u>\$34,926,383</u>
(i) Accumulated Benefit Obligation at the End of the Year	<u>\$33,693,860</u>	<u>\$31,966,513</u>	<u>\$30,518,393</u>
(2) Change in Plan Assets			
(a) Fair Value of Plan Assets at the Beginning of the Year	\$32,936,666	\$32,385,214	\$31,081,063
(b) Actual Return on Plan Assets	3,977,806	2,065,793	2,651,528
(c) Benefits Paid	(1,529,258)	(1,514,341)	(1,347,377)
(d) Employer Contributions	250,000	-	-
(e) Fair Value of Assets at the End of the Year	<u>\$35,635,214</u>	<u>\$32,936,666</u>	<u>\$32,385,214</u>
(3) Funded Status: (2)(e) - (1)(h)	\$(3,015,674)	\$(3,413,259)	\$(2,541,169)
(4) Amounts Recognized in the Statement of Financial Position Before Applying FAS 158			
(a) Prepaid (Accrued) Benefit Cost	<u>\$(2,070,740)</u>	<u>\$(721,333)</u>	<u>\$725,619</u>
(b) Net Asset (liability)	<u>\$(2,070,740)</u>	<u>\$(721,333)</u>	<u>\$725,619</u>
(c) Charge to Accumulated Other Comprehensive Income:	-	-	-
(5) Adjustments Caused by Applying FAS 158			
(a) Increase in Net Asset (Liability): (3) - (4)(b)	\$944,934	N/A	N/A
(b) Increase in Charge to Accumulated Other Comprehensive Income:	207,885	N/A	N/A
(c) Increase in Charge to Regulatory Asset - retirement plans	737,049	N/A	N/A
(d) Subtotal of Adjustments: (a)+(b)+(c)	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>
(6) Amount Recognized in Statement of Financial Position After applying FAS 158			
(a) Net Asset (Liability): (4)(b) + (5)(a)	\$(3,015,674)	\$(721,333)	\$725,619
(b) Charge to Accumulated Other Comprehensive Income: (4)(c) + (5)(b)	\$207,885	-	-



(c)	Regulatory Asset-Retirement Plans (5) (c)	\$737,049	-	-
(7)	Net Asset (Liability) Recognized in the Statement of Financial Position After applying FAS 158			
(a)	Noncurrent Assets	-	N/A	N/A
(b)	(Current Liabilities)	-	N/A	N/A
(c)	(Noncurrent Liabilities)	<u>\$(3,015,674)</u>	<u>N/A</u>	<u>N/A</u>
(d)	Total Net Asset (Liability): (a) + (b) + (c)	<u>\$(3,015,674)</u>	<u>N/A</u>	<u>N/A</u>
(8)	Amount Recognized in Accumulated Other Comprehensive Income And Regulatory Asset –Retirement Plans After applying FAS 158			
(a)	Transition Obligation (Asset)	-	N/A	N/A
(b)	Prior Service Cost (Credit)	\$3,992,489	N/A	N/A
(c)	Net (Gain) or Loss	<u>(3,047,555)</u>	<u>N/A</u>	<u>N/A</u>
(d)	Total	<u>\$944,934</u>	<u>N/A</u>	<u>N/A</u>
(9)	Weighted Average Assumption at End of Year			
(a)	Discount Rate	6.00%	5.90%	5.75%
(b)	Rate of Compensation Increase	3.25%	3.15%	3.00%
(c)	Mortality	GAM 83	GAM 83	GAM 83

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2006, 2005 and 2004:

		Net Periodic Pension Costs		
		Years Ended December 31,		
		2006	2005	2004
(1)	Service Cost	\$1,225,495	\$1,195,723	\$1,084,564
(2)	Interest Cost	2,160,719	2,000,099	1,940,122
(3)	Expected Return on Plan Assets	(2,426,064)	(2,485,985)	(2,591,099)
(4)	Amortization of Transition Obligation/(Asset)	-	-	-
(5)	Amortization of Prior Service Cost	737,115	737,115	698,211
(6)	Amortization of Net (Gain) or Loss	-	-	-
(7)	Total FAS 87 Net Periodic Pension Cost	<u>\$1,697,265</u>	<u>\$1,446,952</u>	<u>\$1,131,798</u>
(8)	FAS 88 Charges / (Credits)			
(a)	Curtailement	<u>(97,858)</u>	-	-
(9)	Total Net Periodic Pension Cost and Comprehensive Income	<u>\$1,599,407</u>	<u>\$1,446,952</u>	<u>\$1,131,798</u>
(10)	Weighted Average Assumptions			
(a)	Discount Rate at Beginning of the Period	5.90%	5.75%	6.25%
(b)	Expected Return on Plan Assets	8.50%	8.50%	8.50%
(c)	Rate of Compensation Increase	3.15%	3.00%	3.50%

		Plan Assets			
		Target Allocation	Percentage of Plan Assets at December 31		
		2007	2006	2005	2004
(1)	Plan Assets				
(a)	Equity Securities	40%-60%	68%	67%	69%
(b)	Debt Securities	25%-40%	30%	32%	30%
(c)	Real Estate	5%-15%	0%	0%	0%

(d)	Other	5%-15%	2%	1%	1%
(e)	Total		100%	100%	100%

### ***Expected Return on Plan Assets***

The expected rate of return on plan assets is 8.5%. The Company expects 8.5% to fall within the 40 to 50 percentile range of returns on investment portfolios with asset diversification similar to that of the Pension Plan's target asset allocation.

### ***Investment Policy and Strategy***

The Company has established and maintains an investment policy designed to achieve a long-term rate of return, including investment income and appreciation, sufficient to meet the actuarial requirements of the Pension Plan. The Company seeks to accomplish its return objectives by investing in a diversified portfolio of equity, fixed income and cash securities seeking a balance of growth and stability as well as an adequate level of liquidity for pension distributions as they fall due. Plan assets are constrained such that no more than 10% of the portfolio will be invested in any one issue.

### **Cash Flows**

(1)	Expected Contributions for Fiscal Year Ending December 31, 2007	
	(a) Expected Employer Contributions	\$250,000
	(b) Expected Employee Contributions	-
(2)	Estimated Future Benefit Payments Reflecting Expected Future Service for the years ending December 31,	
	(a) 2007	\$1,756,069
	(b) 2008	\$1,839,843
	(c) 2009	\$1,975,656
	(d) 2010	\$2,092,003
	(e) 2011	\$2,182,628
	(f) 2012 - 2016	\$13,040,794
(3)	Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/07	-

### **Other Accounting Items**

	Years Ended December 31,		
	2006	2005	2004
(1) Market-Related Value of Assets as of the Beginning of fiscal year	\$29,290,131	\$30,016,761	\$31,222,154
(2) Amount of Future Annual Benefits of Plan Participants Covered by Insurance Contracts Issued by the Employer or Related Parties	\$ 0	\$ 0	\$ 0
(3) Alternative Amortization Methods Used to Amortize			
(a) Prior Service Cost	Straight Line	Straight Line	Straight Line
(b) Unrecognized Net (Gain) or Loss	Straight Line	Straight Line	Straight Line
(4) Average Future Service	10.80	10.95	10.95
(5) Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(6) Description of Special or Contractual Termination Benefits Recognized During the Period	N/A	N/A	N/A

(7) Cost of Benefits Described in (6)	N/A	N/A	N/A
(8) Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(9) Measurement Date Used	December 31, 2006	December 31, 2005	December 31, 2004

## B. Medical Plan

The Company sponsors a postretirement medical program. The medical plan is contributory with participants' contributions adjusted annually. The following tables provide required financial disclosures over the three-year period ended December 31, 2006:

### Benefit Obligations and Funded Status

	Fiscal Year Ending		
	12/31/2006	12/31/2005	12/31/2004
(1) Change in Accumulated Postretirement Benefit Obligation			
Accumulated Postretirement Benefit Obligation at the			
(a) Beginning of the Year	\$2,343,583	\$1,925,254	\$1,807,999
(b) Service Cost	59,982	100,054	70,300
(c) Interest Cost	105,483	127,312	106,079
(d) Actuarial (Gain) or Loss	(568,755)	282,812	32,646
(e) Benefits Paid	(117,459)	(135,166)	(119,005)
(f) Change in Plan Provisions	-	-	-
(g) Plan Participant's Contributions	42,519	43,317	27,235
(h) Accumulated Postretirement Benefit Obligation at the End of the Year	<u>\$1,865,353</u>	<u>\$2,343,583</u>	<u>\$1,925,254</u>
(2) Change in Plan Assets			
(a) Fair Value of Plan Assets at the Beginning of the Year	\$ -	\$ -	\$ -
(b) Benefits Paid	(117,459)	(135,166)	(119,005)
(c) Employer Contributions	74,940	91,849	91,770
(d) Plan Participant's Contributions	42,519	43,317	27,235
(e) Fair Value of Assets at the End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(3) Net Amount Recognized			
(a) Funded Status: (2)(e) - (1)(h)	<u>\$(1,865,353)</u>	<u>\$(2,343,583)</u>	<u>\$(1,925,254)</u>
(4) Amounts Recognized in the Statement of Financial Position Before Applying FAS 158			
(a) Prepaid (Accrued) Benefit Cost	(2,057,833)	(1,942,393)	(1,763,980)
(b) (Additional Liability due to an Unfunded ABO)	-	-	-
(c) Intangible Asset	-	-	-
(d) Net Asset (Liability): (a) + (b) + (c)	<u>\$(2,057,833)</u>	<u>\$(1,942,393)</u>	<u>\$(1,763,980)</u>
(e) Charged to Accumulated Other Comprehensive Income:	-	-	-
(5) Adjustments Caused by Applying FAS 158			
(a) Increase in Net Asset (Liability): (3) - (4)(d)	\$192,480	N/A	N/A
Increase in charge to Accumulated Other			
(b) Comprehensive Income:	(42,346)	N/A	N/A
Increase in charge to Regulatory Asset-retirement			
(c) plans	<u>(150,134)</u>	<u>N/A</u>	<u>N/A</u>
(d) Subtotal of Adjustments: (a) + (b) + (c)	\$ -	N/A	N/A

Amounts Recognized in the Statement of Financial Position				
(6)	After applying FAS 158			
(a)	Net Asset (Liability): (4)(d) +(5)(a)	(1,865,353)	(1,942,393)	(1,763,980)
	Charge to Accumulated Other Comprehensive Income:			
(b)	(4)(e) + (5)(b)	(42,346)	-	-
(c)	Charge to Regulatory Asset-Retirement Plans (5)(c)	(150,134)	-	-
Net Asset (Liability) Recognized in the Statement of				
(7)	Financial Position After Applying FAS 158			
(a)	Noncurrent Assets	\$ -	N/A	N/A
(b)	(Current Liabilities)	(150,589)	N/A	N/A
(c)	(Noncurrent Liabilities)	(1,714,764)	N/A	N/A
(d)	Total Net Asset (Liability): (a) + (b) + (c)	\$(1,865,353)	N/A	N/A
Amounts Recognized in Accumulated Other Comprehensive				
(8)	Income and Regulatory Asset After Applying FAS 158			
(a)	Transition Obligation (Asset)	\$ -	N/A	N/A
(b)	Prior Service Cost (Credit)	-	N/A	N/A
(c)	Net (Gain) or Loss	(192,480)	N/A	N/A
(d)	Total	\$(192,480)	N/A	N/A
(9)	Weighted Average Assumptions at the End of the Year			
(a)	Discount Rate	6.00%	5.90%	5.75%
(b)	Rate of Compensation Increase	N/A	N/A	N/A
(c)	Mortality	GAM 83	GAM 83	GAM 83
(10)	Assumed Health Care Cost Trend Rates			
(a)	Health Care Cost Trend Rate Assumed for Next Year	11.50%	9.00%	10.00%
(b)	Ultimate Rate	5.00%	5.00%	5.00%
(c)	Year that the Ultimate Rate is Reached	2014	2010	2010

**Net Periodic Postretirement Benefit Cost**

		Years ended December 31,		
		2006	2005	2004
(1)	Service Cost	\$59,982	\$100,054	\$70,300
(2)	Interest Cost	105,483	127,312	106,079
(3)	Amortization of Transition Obligation/(Asset)	42,896	42,896	42,896
(4)	Amortization of Prior Service Cost	-	-	-
(5)	Amortization of Net (Gain) or Loss	(17,981)	-	(8,666)
(6)	Total Net Periodic Benefit Cost	<u>\$190,380</u>	<u>\$270,262</u>	<u>\$210,609</u>
(7)	Weighted Average Assumptions			
(a)	Discount Rate	5.90%	5.75%	6.25%
(b)	Expected Return on Plan Assets	N/A	N/A	N/A
(c)	Rate of Compensation Increase	N/A	N/A	N/A
(8)	Assumed Health Care Cost Trend Rates			
(a)	Health Care Cost Trend Rate Assumed for Current Year	12.50%	10.00%	12.00%
(b)	Ultimate Rate	5.00%	5.00%	5.00%
(c)	Year that the Ultimate Rate is Reached	2014	2010	2010

**Expected Amortizations**

		Years ended December 31,		
		2007	2006	2005
(1)	Expected Amortization of Transition Obligation (Asset)	-	N/A	N/A
(2)	Expected Amortization of Prior Service Cost (Credit)	-	N/A	N/A
(3)	Expected Amortization of Net Loss (Gain)	\$(536)	N/A	N/A
(9)	Impact of One-Percentage-Point Change in Assumed Health Care Cost Trend Rates	<u>Increase</u>	<u>Decrease</u>	
(a)	Effect on Service Cost + Interest Cost	\$20,533	\$(17,812)	
(b)	Effect on Postretirement Benefit Obligation	\$203,809	\$(179,005)	

**Plan Assets**

		Target Allocation	Percentage of Plan Assets at December 31		
		2007	2006	2005	2004
(1)	Plan Assets				
(a)	Equity Securities	N/A	N/A	N/A	N/A
(b)	Debt Securities	N/A	N/A	N/A	N/A
(c)	Real Estate	N/A	N/A	N/A	N/A
(d)	Other	N/A	N/A	N/A	N/A
(e)	Total	N/A	N/A	N/A	N/A

**Cash Flows**

(1)	Expected Contributions for Fiscal Year Ending 12/31/2007	
(a)	Expected Employer Contributions	\$150,589
(b)	Expected Employee Contributions	\$48,832

(2) Estimated Future Benefit Payments Reflecting Expected Future Service for the Fiscal Year(s) Ending

		Total	Medicare Part-D Reimbursement	Employee	Employer
(a)	12/31/2007	\$199,421	\$0	\$48,832	\$150,589
(b)	12/31/2008	\$143,659	\$8,266	\$36,130	\$99,263
(c)	12/31/2009	\$146,580	\$8,749	\$36,535	\$101,296
(d)	12/31/2010	\$160,560	\$9,504	\$41,759	\$109,297
(e)	12/31/2011	\$199,681	\$10,062	\$51,049	\$138,570
(f)	12/31/2012 – 12/31/2016	\$1,407,957	\$61,062	\$350,375	\$996,520

(3) Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/07 \$0

**Other Accounting Items**

	Years Ended December 31,		
	2006	2005	2004
(1) Market-Related Value of Assets	N/A	N/A	N/A
(2) Amount of Future Annual Benefits of Plan Participants Covered by Insurance Contracts Issued by the Employer or Related Parties	-	-	-
(3) Alternative Amortization Methods Used to Amortize			
(a) Prior Service Cost	Straight Line	Straight Line	Straight Line
(b) Unrecognized Net (Gain) or Loss	Straight Line	Straight Line	Straight Line
(4) Average Future Service	11.10	13.35	12.48
(5) Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(6) Description of Special or Contractual Termination Benefits Recognized During the Period	N/A	N/A	N/A
(7) Cost of Benefits Described in (6)	N/A	N/A	N/A
(8) Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(9) Measurement Date Used	December 31, 2006	December 31, 2005	December 31, 2004

***Discount Rate Assumption***

The discount rate assumption used to determine the postretirement benefit obligations is based on current yield rates in the double A bond market. The current year's discount rate was selected using a method that matches projected payouts from the plan with a zero-coupon double A bond yield curve. This yield curve was constructed from the underlying bond price and yield data collected as of the plan's measurement date and is represented by a series of annualized, individual discount rates with durations ranging from six months to thirty years. Each discount rate in the curve was derived from an equal weighting of the double A or higher bond universe, apportioned into distinct maturity groups. These individual discount rates are then converted into a single equivalent discount rate, which is then used for FAS discount purposes. To assure that the resulting rates can be achieved by a postretirement benefit plan, only bonds that satisfy certain criteria and are expected to remain available through the period of maturity of the plan benefits are used to develop the discount rate. Prior years' discount rate assumptions were set based on investment yields available on double A, long-term corporate bonds.

***Actuarial Equivalent***

In determining "Actuarial Equivalence," our plan's actuary, Aon Consulting, proprietary prescription drug pricing tool, Aon Rx, was used. This tool allowed us to determine the estimated Per Member Per Month (PMPM) prescription drug cost for both the Company plan and the Medicare plan. The two PMPM's were adjusted for monthly retiree contributions. We assumed that 60% of the monthly combined medical and prescription drug retiree contribution for the Company plan applies towards prescription drugs.

***Voluntary Prescription Drug Coverage***

Legislation enacted in December 2003 provides for the addition of voluntary prescription drug coverage under Medicare starting in 2006. The legislation also provides for a 28% tax-free subsidy for each qualified covered retiree's drug cost between certain thresholds

if the employer's coverage is at least actuarially equivalent to the standard Medicare drug benefit. Based on the final regulations issued by the Centers for Medicare and Medicaid Services on January 21, 2005, we determined our prescription drug coverage of the Postretirement Medical Benefits plan to be actuarially equivalent to Medicare Part D.

### C. Health Plan

In December 2003, the Company became fully insured for its employee and retiree's medical insurance. Net health care benefits paid by the Company for active employees were approximately \$1.7 million in 2006, \$1.6 million in 2005 and \$1.5 million in 2004, excluding administrative and stop-loss insurance.

### D. 401K Plan

The Company has discontinued eligibility to the defined benefit pension plan for all new hires, and replaced it with a new 401K match.

For new hires not eligible for the defined benefit pension plan, we established an employer match to the employee's contribution to their 401K plans. It provided for a company match of 50% for each dollar contributed by the employee, up to 6% of their salary, for a Company contribution of up to 3%. Beginning in 2007, for non-union employees the plan was enhanced to provide a company match of 100% for the first 2% of an employee's contribution, and a match of 50% for the next 4% of an employee's contribution, for a total company match of up to 4%. This new enhanced match will be negotiated with our six union contracts during 2007, to be effective on their respective contract date within 2007. The employees are eligible for the company match after six months of continuous service, with vesting of 100% after three years of continuous service. The expenses incurred in 2005 and 2006 relating to the Company's 401K plan are not material.

### E. Employee Stock Purchase Plan

The Company offers an employee stock purchase plan to substantially all of its employees. The plan offers a 15% discount on the Company's stock at market price fixed six months prior to the date of purchase. The recorded stock compensation expense relating to the Company's employee stock purchase plan is not material.

## 13. Segment Information

The Company is organized into two regulated business segments: natural gas and electric, and one non-regulated business segment, propane gas. There are no material inter-segment sales or transfers.

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

Business segment information for 2006, 2005 and 2004 is summarized as follows:

(Dollars in thousands)	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>			
Natural gas	\$ 71,139	\$ 69,094	\$ 55,962
Electric	48,527	47,450	42,910
Propane gas	<u>14,727</u>	<u>13,479</u>	<u>11,167</u>

Consolidated	\$	<u>134,393</u>	\$	<u>130,023</u>	\$	<u>110,039</u>
<b>Operating income, excluding income tax</b>						
Natural gas	\$	6,118	\$	6,049	\$	4,978
Electric		3,053		3,502		3,353
Propane gas		<u>1,006</u>		<u>1,086</u>		<u>655</u>
Consolidated	\$	<u>10,177</u>	\$	<u>10,637</u>	\$	<u>8,986</u>
<b>Identifiable assets</b>						
Natural gas	\$	93,689	\$	96,106	\$	87,729
Electric		52,251		51,317		48,687
Propane gas		19,239		19,567		15,731
Common		<u>15,734</u>		<u>15,676</u>		<u>18,356</u>
Consolidated	\$	<u>180,913</u>	\$	<u>182,666</u>	\$	<u>170,503</u>
<b>Depreciation and amortization</b>						
Natural gas	\$	4,095	\$	3,928	\$	2,752
Electric		2,610		2,404		2,323
Propane gas		720		621		560
Common		<u>317</u>		<u>313</u>		<u>265</u>
Consolidated	\$	<u>7,742</u>	\$	<u>7,266</u>	\$	<u>5,900</u>
<b>Construction expenditures</b>						
Natural gas	\$	7,643	\$	6,357	\$	5,314
Electric		3,184		3,775		6,793
Propane gas		1,885		2,133		1,339
Common		<u>404</u>		<u>176</u>		<u>285</u>
Consolidated	\$	<u>13,116</u>	\$	<u>12,441</u>	\$	<u>13,731</u>
<b>Income tax expense</b>						
Natural gas	\$	1,336	\$	1,283	\$	843
Electric		546		666		565
Propane gas		110		245		130
Common		<u>246</u>		<u>93</u>		<u>77</u>
Consolidated	\$	<u>2,238</u>	\$	<u>2,287</u>	\$	<u>1,615</u>

#### 14. Quarterly Financial Data (Unaudited)

The quarterly financial data presented below reflects the influence of seasonal weather conditions, the timing of rate increases and the migration of winter residents and tourists to Central and South Florida during the winter season. Significant increases in the fourth quarter of 2005 expenses relate to the performance of previously delayed expenditures from previous quarters.

(Dollars in thousands, except per share amounts):	First Quarter	Second Quarter	Third Quarter *	Fourth Quarter
<b>2006</b>				
Revenues	\$ 43,348	\$ 29,878	\$ 29,415	\$ 31,752
Gross profit	\$ 14,135	\$ 11,402	\$ 10,867	\$ 12,018
Operating income	\$ 4,528	\$ 2,065	\$ 1,263	\$ 2,321
Earnings before income taxes	\$ 3,507	\$ 1,162	\$ 384	\$ 1,354
Net Income	\$ 2,221	\$ 738	\$ 335	\$ 875
Earnings per common share (basic and diluted):				
Continuing operations	\$ 0.37	\$ 0.12	\$ 0.05	\$ 0.14



2005					
Revenues	\$	35,438	\$	28,329	\$ 29,190 \$ 37,066
Gross profit	\$	13,619	\$	10,963	\$ 10,374 \$ 12,263
Operating income	\$	4,684	\$	2,215	\$ 1,578 \$ 2,160
Earnings before income taxes	\$	3,711	\$	1,205	\$ 573 \$ 1,046
Net Income	\$	2,353	\$	851	\$ 260 \$ 784
Earnings per common share (basic and diluted):					
Continuing operations	\$	0.40	\$	0.14	\$ 0.04 \$ 0.13

\* The third quarter of 2006 has been restated and revised for pension expense and income tax expense to reflect a correction of the valuation of our pension liability. The pension liability and expense increased by \$225,000 and the deferred tax expense and deferred tax liability decreased by \$85,000 in the third quarter of 2006. The following summary shows the effect on our financial statements.

#### Summary of Third Quarter 2006 Adjustment

(Dollars in thousands, except per share amounts):	Third Quarter		Third Quarter
	Before Revision	Adjustment	After Revision
2006			
Revenues	\$ 29,415	-	\$ 29,415
Gross profit	\$ 10,867	-	\$ 10,867
Operating income	\$ 1,488	(225)	\$ 1,263
Earnings before income taxes	\$ 609	(225)	\$ 384
Net Income	\$ 475	(140)	\$ 335
Earnings per common share (basic and diluted):			
Continuing operations	\$ 0.08	(.03)	\$ 0.05

FLORIDA PUBLIC UTILITIES COMPANY		For the Year Ended	
		December 31, 2006	
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)	172,633,486	94,683,551
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	878,033	878,033
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 )	175,331,789	97,378,163
12	107 Construction Work in Progress	1,951,888	954,241
13	Accum. Prov. for Depr., Amort., & Depl.	56,293,436	27,633,780
14	Net Utility Plant (Enter total of lines 11 plus 12 less line 13)	120,990,241	70,698,624
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	55,651,437	26,995,472
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)	55,651,437	26,995,472
22	Leased to Others		
23	108 Depreciation	-	-
24	111 Amortization and Depletion	263,622	263,622
25	TOTAL Leased to Others (Enter Total of lines 23 and 24)	263,622	263,622
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	378,377	374,686
32	TOTAL Acc. Provisions (Should agree with line 13 above) (Enter Total of lines 21, 25, 29, 30, and 31)	56,293,436	27,633,780

For the Year Ended

December 31, 2006

Electric (c)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
72,747,158	Not Applicable	Not Applicable	Not Applicable	5,202,777	3
-	-			-	4
-	-			-	5
-	-			-	6
-	-			-	7
-	-			-	8
-	-			-	9
3,691	-			-	10
72,750,849	-			5,202,777	11
778,242	-			219,405	12
26,899,011	-			1,760,645	13
					14
46,630,080	-			3,661,537	15
					16
					17
26,895,320	-			1,760,645	18
					19
-	-			-	20
26,895,320	-			1,760,645	21
					22
-	-			-	23
-	-			-	24
-	-			-	25
					26
-	-			-	27
-	-			-	28
-	-			-	29
					30
3,691	-			-	31
					32
26,899,011	-			1,760,645	

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

Company: FLORIDA PUBLIC UTILITIES COMPANY  
For the Year Ended December 31, 2006

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		262,041	-	-	-	-	(42,709)	219,332
	Land - Other - Common		341,926	-	-	-	-	-	341,926
Amortizable General Plant Assets:									
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
DISTRIBUTION PLANT									
3741	Land Rights	3.20%	12,909	-	-	-	-	-	12,909
375	Structures and Improvements	2.90%	522,709	5,813	(51,587)	-	-	-	476,935
3761	Mains - Plastic	2.50%	19,338,445	2,567,249	(9,442)	-	-	-	21,896,252
3762	Mains - Other	2.70%	26,691,091	472,783	(17,578)	-	-	-	27,146,296
378	Mains and Reg. Sta. Equipment - General	3.60%	315,138	-	(8,947)	-	-	-	306,191
379	Mains and Reg. Sta. Equipment - City Gate	3.60%	2,017,291	41,243	(44,377)	-	-	-	2,014,157
3801	Services - Plastic	3.50%	18,294,452	1,657,250	(114,935)	-	-	-	19,836,767
3802	Services - Other	5.90%	2,215,172	1,828	(39,331)	-	-	-	2,177,669
381	Meters	3.40%	4,968,374	670,430	(54,426)	-	(20,447)	-	5,563,931
382	Meter Installations	3.20%	2,187,436	266,432	(10,469)	-	-	-	2,443,399
383	House Regulators	3.60%	1,551,032	195,203	(10,353)	-	(243)	-	1,735,639
384	House Reg. Installations	3.10%	782,005	79,593	(4,486)	-	-	-	857,112
385	Industrial Meas. and Reg. Sta. Equipment	3.80%	85,533	21,940	(37,012)	-	-	-	70,461
387	Other Equipment	3.90%	507,201	11,834	(14,192)	-	-	-	504,843
	TOTAL DISTRIBUTION PLANT		79,589,896	5,991,598	(417,135)	-	(20,690)	-	85,143,670
GENERAL PLANT									
390	Structures and Improvements	2.60%	1,359,949	46,130	(6,250)	-	-	(5,277)	1,394,552
3911	Office Furniture	4.60%	92,144	24,687	(2,581)	-	-	(4,360)	109,890
3912	Office Equipment	7.70%	48,507	13,420	(4,588)	-	-	(17,786)	39,553
3913	EDP Equipment	8.70%	587,939	89,207	(133,570)	-	-	37,385	580,961
391305	Software	8.70%	75,557	410,021	(1,069)	-	-	-	484,509
3921	Accum. Dep. - Transportation - Cars	11.30%	185,190	-	(88,021)	-	-	80,833	178,002
3922	Accum. Dep. - Transportation - Light Trucks, vans	4.70%	2,806,310	862,295	(311,514)	-	-	(15,715)	3,341,376
3923	Accum. Dep. - Transportation - Heavy Trucks	0.00%	0	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	2.70%	43,204	10,565	-	-	-	(10,384)	43,385
393	Stores Equipment	5.80%	9,562	-	-	-	-	-	9,562

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

Company: FLORIDA PUBLIC UTILITIES COMPANY  
For the Year Ended December 31, 2006

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
394	Tools, Shop, and Garage Equipment	6.50%	290,951	17,763	(25,581)	-	-	-	283,133
395	Laboratory Equipment	2.20%	0	-	-	-	-	-	-
396	Power Operated Equipment	6.40%	353,056	64,914	(52,033)	-	(38,012)	-	327,925
397	Communication Equipment	7.20%	258,215	10,393	(4,379)	-	5,325	-	269,554
398	Miscellaneous Equipment	5.30%	40,353	104,153	-	-	-	-	144,506
	<b>SUBTOTAL</b>		<b>6,412,978</b>	<b>1,653,548</b>	<b>(629,586)</b>	<b>-</b>	<b>(10,700)</b>	<b>(10,700)</b>	<b>7,426,240</b>
399	Other Tangible Property								
	<b>TOTAL General Plant</b>		<b>6,412,978</b>	<b>1,653,548</b>	<b>(629,586)</b>	<b>-</b>	<b>(10,700)</b>	<b>(10,700)</b>	<b>7,426,240</b>
	<b>TOTAL (Accounts 101 and 106)</b>		<b>88,116,515</b>	<b>7,645,146</b>	<b>(1,046,721)</b>	<b>0</b>	<b>0</b>	<b>(31,390)</b>	<b>94,683,551</b>
	<b>TOTAL GAS PLANT IN SERVICE</b>		<b>88,116,515</b>	<b>7,645,146</b>	<b>(1,046,721)</b>	<b>-</b>	<b>-</b>	<b>(31,390)</b>	<b>94,683,551</b>
Capital Recovery Schedules:									
	NONE								
	<b>Total Account 101*</b>		<b>88,116,515</b>	<b>7,645,146</b>	<b>(1,046,721)</b>	<b>-</b>	<b>-</b>	<b>(31,390)</b>	<b>94,683,551</b>
<b>Amortizable Assets:</b>									
114	Acquisition Adjustment		1,816,579	-	-	-	-	-	1,816,579
118	Other Utility Plant		5,507,641	393,015	(565,380)	-	-	(132,499)	5,202,777
	Other - Common								
	<b>Total Utility Plant</b>		<b>95,440,735</b>	<b>8,038,161</b>	<b>(1,612,101)</b>	<b>-</b>	<b>-</b>	<b>(163,889)</b>	<b>101,702,907</b>

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

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

Company: FLORIDA PUBLIC UTILITIES COMPANY  
For the Year Ended December 31, 2006

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustmnts	Transfers	Ending Balance*
Amortizable General Plant Assets:										
301	Organization Intangible Plant	-	-	-	-	-	-	-	-	-
303	Misc. Intangible Plant	88,922	7,260	-	-	-	-	-	-	96,182
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	(8,484)	408	-	-	-	-	-	-	(8,076)
375	Structures and Improvements	315,498	14,062	-	(51,587)	-	(37,919)	-	-	240,054
3761	Mains - Plastic	3,454,915	525,926	-	(9,442)	-	671	-	-	3,972,070
3762	Mains - Other	13,053,784	696,335	-	(17,578)	-	(43,312)	-	-	13,689,229
378	Meas. and Reg. Sta. Equipment - General	82,214	10,631	-	(8,947)	-	(4,191)	-	-	79,707
379	Meas. and Reg. Sta. Equipment - City Gate	374,909	70,925	-	(44,377)	-	-	-	-	401,457
3801	Services - Plastic	4,518,866	607,455	-	(114,935)	-	(73,646)	-	-	4,937,740
3802	Services - Other	1,881,447	165,008	-	(39,331)	-	(140,094)	-	-	1,867,030
381	Meters	1,898,951	167,928	-	(54,426)	-	(70)	-	(7,321)	2,005,062
382	Meter Installations	623,928	68,430	-	(10,469)	-	(375)	-	-	681,514
383	House Regulators	629,266	57,370	-	(10,353)	-	-	-	(122)	676,161
384	House Reg. Installations	223,424	27,234	-	(4,486)	-	(8)	-	-	246,164
385	Industrial Meas. and Reg. Sta. Equipment	45,985	2,310	-	(37,012)	-	-	-	-	11,283
387	Other Equipment	96,603	19,145	-	(14,192)	-	-	-	-	101,556
389	Land - General	24,206	1,689	-	-	-	-	-	(25,895)	-
	TOTAL DISTRIBUTION PLANT	27,215,512	2,434,856	-	(417,135)	-	(298,944)	-	(33,338)	28,900,951
GENERAL PLANT										
390	Structures and Improvements	278,833	34,389	-	(6,250)	-	-	-	(1,104)	305,868
3911	Office Furniture	26,498	4,302	-	(2,581)	-	-	-	(13,224)	14,995
3912	Office Equipment	35,298	2,820	-	(4,588)	-	-	-	-	33,530
3913	EDP Equipment	106,857	66,755	-	(133,570)	-	-	-	2,986	43,028
391305	Software	27,293	8,605	-	(1,069)	-	-	-	-	34,829
3921	Accum. Dep. - Transportation - Cars	80,873	23,674	-	(88,021)	4,151	-	-	35,764	56,441
3922	Accum. Dep. - Trans. - Light Trucks, vans	908,285	240,988	-	(311,514)	17,878	-	-	(4,445)	851,192
3923	Accum. Dep. - Trans. - Heavy Trucks	-	-	-	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	26,385	2,375	-	-	-	-	-	(3,649)	25,111
393	Stores Equipment	8,472	444	-	-	-	-	-	-	8,916

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

Company: FLORIDA PUBLIC UTILITIES COMPANY  
 For the Year Ended December 31, 2006

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustmts	Transfers	Ending Balance*
394	Tools, Shop, and Garage Equipment	160,632	19,150	-	(25,581)	1,060	-	-	-	155,261
395	Laboratory Equipment	1	-	-	-	-	-	-	-	1
396	Power Operated Equipment	145,351	22,291	-	(52,033)	2,517	-	-	(12,752)	105,374
397	Communication Equipment	102,459	20,377	-	(4,379)	-	-	-	2,142	120,599
398	Miscellaneous Equipment	7,545	2,724	-	-	-	-	-	-	10,269
	SUBTOTAL	1,914,782	448,894	-	(629,586)	25,606	-	-	5,718	1,765,414
399	Other Tangible Property	-	-	-	-	-	-	-	-	-
	TOTAL General Plant	1,914,782	448,894	-	(629,586)	25,606	-	-	5,718	1,765,414
	Reclassification for SFAS no. 143. COR	(3,365,512)		(401,563)						(3,767,075)
	<b>Subtotal</b>	<b>25,853,704</b>	<b>2,891,010</b>	<b>(401,563)</b>	<b>(1,046,721)</b>	<b>25,606</b>	<b>(298,944)</b>	<b>-</b>	<b>(27,620)</b>	<b>26,995,472</b>

COMMON PLANT	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustmts	Transfers	Ending Balance*
389 Land - General	-	-	-	-	-	-	-	-	-
390 Structures and Improvements	429,358	52,476	-	(52,388)	-	-	-	-	429,446
3911 Office Furniture	7,710	1,706	-	(513)	-	-	-	1,836	10,739
3912 Office Equipment	32,039	10,888	-	(8,348)	-	-	-	-	34,579
3913 EDP Equipment	429,487	65,443	-	(374,612)	-	-	-	26,465	146,783
391305 Software	1,074,344	205,912	-	(129,519)	-	-	-	(38,581)	1,112,156
3921 Accum. Dep. - Transportation - Cars	30,420	20,143	-	-	-	-	-	(19,003)	31,560
3922 Accum. Dep. - Transportation - Trucks	15,310	9,064	-	-	-	-	-	-	24,374
397 Communication Equipment	(43,090)	8,891	-	-	-	-	-	1,230	(32,969)
398 Miscellaneous Equipment	99	132	-	-	-	-	-	-	231
399 Miscellaneous Assets	2,497	1,249	-	-	-	-	-	-	3,746
<b>Subtotal</b>	<b>1,978,174</b>	<b>375,904</b>	<b>0</b>	<b>(565,380)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,053)</b>	<b>1,760,645</b>

<b>Grand Total</b>	<b>27,831,878</b>	<b>3,266,914</b>	<b>(401,563)</b>	<b>(1,612,101)</b>	<b>25,606</b>	<b>(298,944)</b>	<b>-</b>	<b>(55,673)</b>	<b>28,756,117</b>
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Note: \* The grand total of beginning and ending balances must agree to Line 17, Page 12.

FLORIDA PUBLIC UTILITIES COMPANY  
SOUTH FLORIDA - GAS DIVISION  
REPORT OF DEPRECIATION DATA UNDER RULE 25-5.0436(8)  
2006

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	-	-	-	-	-	-	-	-	-
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	4,114	-	-	-	-	-	-	-	-
375	517,044	5,813	-	-	(51,587)	471,270	375	322,126	13,906	408	-	(37,173)	-	-	-	4,522
3761	13,568,592	1,792,341	-	-	(3,366)	15,357,567	3761	2,392,619	367,625	-	-	1,451	-	-	-	2,756,329
3762	20,411,121	461,670	-	-	(5,667)	20,867,124	3762	9,957,702	533,010	-	-	(24,755)	-	-	-	10,460,290
378	261,123	-	-	-	(1,816)	259,307	378	70,856	8,855	-	-	-	-	-	-	77,895
379	1,781,755	33,876	-	-	(44,026)	1,771,605	379	293,500	62,511	-	-	(55,862)	-	-	-	311,985
3801	13,536,395	1,229,613	-	-	(80,875)	14,685,133	3801	3,369,739	449,191	-	-	(66,146)	-	-	-	3,682,193
3802	1,174,334	-	-	-	(14,487)	1,159,847	3802	971,485	87,592	-	-	(70)	-	-	-	948,442
381	3,509,377	673,880	-	-	(48,240)	4,024,935	381	1,274,201	118,550	-	-	(167)	-	-	-	1,304,601
382	1,221,991	212,410	-	-	(3,239)	1,431,162	382	395,264	38,695	-	-	(167)	-	-	-	430,553
383	1,184,908	194,360	-	-	(41,827)	1,337,431	383	444,736	43,846	-	-	(15,262)	-	-	-	473,320
384	469,205	64,967	-	-	(601)	533,571	384	149,708	16,373	-	-	(8)	-	-	-	165,472
385	75,323	21,940	-	-	(37,012)	60,251	385	45,470	1,974	-	-	-	-	-	-	10,432
387	378,372	-	-	-	(10,568)	367,804	387	78,395	14,233	-	-	-	-	-	-	82,080
389	53,025	-	-	-	(42,709)	10,316	389	24,206	1,689	-	-	-	-	-	-	-
390	102,341	3,489	-	-	(5,277)	94,303	390	203,120	2,375	-	-	-	-	-	-	15,819
3911	25,103	24,687	-	-	(4,360)	45,430	3911	4,786	1,121	-	-	(182,322)	-	-	-	9,454
3912	12,379	-	-	-	-	12,379	3912	1,284	924	-	-	5,383	-	-	-	2,208
3913	406,563	61,095	-	-	(107,759)	384,124	3913	187,089	46,340	-	-	-	-	-	-	125,194
391305	34,222	260,402	-	-	(1,069)	293,555	391305	16,401	3,957	-	-	-	-	-	-	19,289
3921	138,445	-	-	-	(73,516)	163,498	3921	52,766	20,982	-	-	-	-	-	-	50,847
3922	1,945,703	557,383	-	-	(225,401)	2,316,748	3922	635,569	164,407	-	-	3,851	-	-	-	600,694
3924	24,144	10,565	-	-	-	34,709	3924	20,332	1,471	-	-	-	-	-	-	21,803
393	9,562	-	-	-	-	9,562	393	8,472	444	-	-	-	-	-	-	8,916
394	201,002	12,290	-	-	(14,497)	198,795	394	90,663	13,115	-	-	-	-	-	-	89,476
395	-	-	-	-	-	-	395	-	-	-	-	-	-	-	-	-
396	207,207	64,914	-	-	(51,109)	213,866	396	84,437	13,757	-	-	-	-	-	-	50,878
397	174,826	10,393	-	-	(4,379)	180,840	397	73,755	13,838	-	-	-	-	-	-	83,214
398	25,364	65,639	-	-	-	92,003	398	6,111	1,636	-	-	-	-	-	-	7,747
	61,519,021	5,762,717	-	-	(49,544)	66,446,730		21,178,906	2,042,845	19,677	(212,732)	(176,939)	(23,368)	-	-	22,042,925
<b>COMMON PLANT</b>																
303	1,833	-	-	-	-	1,833	303	-	-	-	-	-	-	-	-	-
389	341,926	-	-	-	-	341,926	389	-	-	-	-	-	-	-	-	-
3891	-	-	-	-	-	-	3891	-	-	-	-	-	-	-	-	-
390	2,092,535	73,955	-	-	(52,388)	2,114,102	390	429,356	52,476	-	-	-	-	-	-	429,446
3911	29,475	4,599	-	-	(513)	37,921	3911	7,710	1,706	-	-	-	-	-	-	10,739
3912	150,690	-	-	-	(6,348)	142,342	3912	32,039	10,888	-	-	-	-	-	-	34,579
3913	753,804	158,826	-	-	(45,919)	920,099	3913	429,487	65,443	-	-	-	-	-	-	146,783
391305	1,865,961	33,083	-	-	(52,467)	1,917,058	391305	1,074,344	205,912	-	-	-	-	-	-	1,112,156
3921	93,105	32,553	-	-	(41,532)	84,126	3921	30,420	20,143	-	-	-	-	-	-	31,560
3922	49,435	75,233	-	-	-	124,668	3922	15,310	9,064	-	-	-	-	-	-	24,374
397	113,897	4,586	-	-	3,059	116,956	397	8,891	8,891	-	-	-	-	-	-	(32,969)
398	2,190	-	-	-	-	2,190	398	99	132	-	-	-	-	-	-	231
399	12,790	10,180	-	-	-	22,970	399	2,497	1,249	-	-	-	-	-	-	3,746
	5,507,641	393,015	0	(132,499)	(565,360)	5,202,777		1,978,174	(565,360)	375,904	0	(28,063)	0	(28,063)	0	1,760,645
TOTAL	67,026,662	6,155,732	0	(182,043)	(1,350,844)	71,649,507	TOTAL	23,157,080	2,418,749	19,677	(212,732)	(176,939)	(51,421)	-	-	23,803,570



FLORIDA PUBLIC UTILITIES COMPANY  
 CENTRAL FLORIDA - GAS DIVISION  
 REPORT OF DEPRECIATION DATA UNDER RULE 25-6.0436(8)  
 2006

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	88,922	-	-	-	-	-	-	-	-	96,182
303	2,113,641	-	-	-	-	2,113,641	303	-	-	7,260	-	-	-	-	-	-	-
304	-	-	-	-	-	-	304	-	-	-	-	-	-	-	-	-	-
305	-	-	-	-	-	-	305	-	-	-	-	-	-	-	-	-	-
311	-	-	-	-	-	-	311	-	-	-	-	-	-	-	-	-	-
320	-	-	-	-	-	-	320	-	-	-	-	-	-	-	-	-	-
360	-	-	-	-	-	-	360	-	-	-	-	-	-	-	-	-	-
361	-	-	-	-	-	-	361	-	-	-	-	-	-	-	-	-	-
362	-	-	-	-	-	-	362	-	-	-	-	-	-	-	-	-	-
374	44,422	-	-	-	-	44,422	374	-	-	-	-	-	-	-	-	-	-
3741	-	-	-	-	-	-	3741	(12,598)	-	-	-	-	-	-	-	-	(12,598)
375	5,665	-	-	-	-	5,665	375	(6,628)	-	156	-	(746)	-	-	-	(7,218)	(7,218)
3761	5,769,853	774,908	-	-	(6,076)	6,538,685	3761	1,062,296	(6,076)	158,301	-	(780)	-	-	-	1,213,741	1,213,741
3762	6,279,970	11,113	-	-	(11,911)	6,279,172	3762	3,096,082	(11,911)	163,325	-	(18,557)	-	-	-	3,228,939	3,228,939
378	94,015	-	-	-	(7,131)	46,884	378	11,358	(7,131)	1,776	-	(4,191)	-	-	-	1,812	1,812
379	235,536	7,367	-	-	(351)	242,552	379	81,409	(351)	8,414	-	-	-	-	-	89,472	89,472
3801	4,768,057	427,637	-	-	(34,060)	5,151,634	3801	1,149,127	(34,060)	158,264	-	(17,784)	-	-	-	1,255,547	1,255,547
3802	1,040,838	1,828	-	-	(24,844)	1,017,822	3802	909,962	(24,844)	77,416	-	(43,946)	-	-	-	918,588	918,588
381	1,458,997	(3,450)	-	-	(6,186)	1,538,996	381	228,750	(6,186)	49,378	-	-	-	-	-	700,461	700,461
382	965,445	54,022	-	-	(7,230)	1,012,237	382	228,664	(7,230)	29,735	-	(208)	-	-	-	250,961	250,961
383	386,124	853	-	-	(10,353)	395,208	383	184,550	(10,353)	13,524	-	-	-	-	-	202,841	202,841
384	312,800	14,626	-	-	(3,885)	323,541	384	73,716	(3,885)	10,861	-	-	-	-	-	80,692	80,692
385	10,210	-	-	-	-	10,210	385	515	-	336	-	-	-	-	-	851	851
387	128,829	11,834	-	-	(3,624)	137,039	387	18,208	(3,624)	4,892	-	-	-	-	-	19,476	19,476
389	209,016	-	-	-	-	209,016	389	-	-	-	-	-	-	-	-	-	-
390	1,257,608	42,641	-	-	-	1,300,249	390	75,713	-	32,014	-	-	182,322	-	-	290,049	290,049
3911	67,041	-	-	-	(2,581)	64,460	3911	21,713	(2,581)	3,181	-	-	(5,383)	-	-	5,542	5,542
3912	36,128	13,420	-	-	(4,588)	27,174	3912	34,015	(4,588)	1,896	-	-	-	-	-	31,323	31,323
3913	181,376	28,112	-	-	(25,811)	196,837	3913	(80,232)	(25,811)	20,415	-	-	-	-	-	(82,166)	(82,166)
391305	41,335	149,619	-	-	-	190,954	391305	10,892	-	4,648	-	-	-	-	-	15,540	15,540
3921	46,745	-	-	-	(14,505)	14,504	3921	28,107	(14,505)	2,892	-	-	-	-	-	5,594	5,594
3922	860,607	304,912	-	-	(86,113)	1,024,628	3922	272,716	(86,113)	76,581	-	-	-	-	-	250,498	250,498
3923	-	-	-	-	-	-	3923	-	-	-	-	-	-	-	-	-	-
3924	19,060	-	-	-	(10,384)	8,676	3924	6,053	-	904	-	-	-	-	-	3,308	3,308
393	-	-	-	-	-	-	393	-	-	-	-	-	-	-	-	-	-
394	89,950	5,473	-	-	(11,084)	84,339	394	69,969	(11,084)	6,035	-	-	-	-	-	65,785	65,785
395	-	-	-	-	-	-	395	1	-	-	-	-	-	-	-	1	1
396	145,849	-	-	-	(924)	114,059	396	60,914	(924)	8,534	-	-	-	-	-	54,496	54,496
397	83,389	-	-	-	(30,866)	88,714	397	28,704	-	6,539	-	-	-	-	-	37,385	37,385
398	14,989	37,514	-	-	-	52,503	398	1,434	-	1,088	-	-	-	-	-	2,522	2,522
	26,597,495	1,882,429	-	-	18,154	28,236,621		8,040,312	(261,257)	848,165	5,929	(86,212)	176,939	(4,252)	0	8,719,624	8,719,624

**FLORIDA PUBLIC UTILITIES COMPANY**  
**CONSOLIDATED GAS DIVISIONS**  
**REPORT OF DEPRECIATION DATA UNDER RULE 25-6.0436(8)**  
**2006**

PLANT IN SERVICE (\$)					RESERVE (\$)					(CREDIT BALANCES)						
Plant	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	88,922	-	-	-	-	-	-	-	-
303	2,115,474	-	-	-	-	2,115,474	303	-	-	7,260	-	-	-	-	-	96,182
304	-	-	-	-	-	-	304	-	-	-	-	-	-	-	-	-
305	-	-	-	-	-	-	305	-	-	-	-	-	-	-	-	-
311	-	-	-	-	-	-	311	-	-	-	-	-	-	-	-	-
320	-	-	-	-	-	-	320	-	-	-	-	-	-	-	-	-
360	-	-	-	-	-	-	360	-	-	-	-	-	-	-	-	-
361	-	-	-	-	-	-	361	-	-	-	-	-	-	-	-	-
362	-	-	-	-	-	-	362	-	-	-	-	-	-	-	-	-
374	101,108	-	-	-	-	101,108	374	-	-	-	-	-	-	-	-	-
3741	12,909	-	-	-	-	12,909	3741	(8,484)	-	408	-	-	-	-	-	(8,076)
375	522,709	5,813	-	-	(51,587)	476,935	375	315,498	(51,587)	14,062	-	(37,919)	-	-	-	240,054
3761	19,338,445	2,567,249	-	-	(9,442)	21,896,252	3761	3,454,915	(9,442)	525,926	-	671	-	-	-	3,972,070
3762	26,691,091	472,783	-	-	(17,578)	27,146,296	3762	13,053,784	(17,578)	696,335	-	(43,312)	-	-	-	13,689,229
378	315,138	-	-	-	(8,947)	306,191	378	82,214	(8,947)	10,631	-	(4,191)	-	-	-	79,707
379	2,017,291	41,243	-	-	(44,377)	2,014,157	379	374,909	(44,377)	70,925	-	-	-	-	-	401,457
3801	18,294,452	1,657,250	-	-	(114,935)	19,836,767	3801	4,518,866	(114,935)	607,455	-	(73,646)	-	-	-	4,937,740
381	4,968,374	670,430	-	-	(39,331)	5,563,931	3802	1,881,447	(39,331)	165,008	-	(140,094)	-	-	-	1,867,030
382	2,187,436	1,828	-	-	(54,426)	2,443,399	381	1,898,951	(54,426)	167,928	-	(70)	-	-	-	2,005,062
383	1,551,032	266,432	-	(20,447)	(10,469)	1,735,639	382	623,928	(10,469)	68,430	-	(375)	-	-	-	681,514
384	782,005	79,593	-	(243)	(10,353)	857,112	383	629,266	(10,353)	57,370	-	-	-	(122)	-	676,161
385	85,533	21,940	-	-	(37,012)	70,461	384	223,424	(4,486)	27,234	-	(8)	-	-	-	246,164
387	507,201	11,834	-	-	(14,192)	504,843	385	45,985	(37,012)	2,310	-	-	-	-	-	11,283
389	603,967	-	-	(42,709)	-	561,258	387	96,603	(14,192)	19,145	-	-	(25,895)	-	-	101,556
390	3,452,484	120,085	-	(5,277)	(58,638)	3,508,654	389	24,206	-	1,689	-	-	(1,104)	-	-	735,314
3911	121,619	29,286	-	-	(3,094)	147,811	390	708,191	(58,638)	86,865	-	-	(11,388)	-	-	25,735
3912	199,197	13,420	-	(17,786)	(12,936)	181,895	3911	34,209	(3,094)	6,008	-	-	-	-	-	68,110
3913	1,341,743	248,033	-	(8,534)	(508,182)	1,073,060	3912	67,338	(12,936)	13,708	-	-	-	-	-	189,811
391305	1,941,518	443,104	-	(52,467)	(130,588)	2,201,567	3913	536,344	(508,182)	132,198	-	-	-	29,451	-	1,146,985
3921	278,295	32,553	-	39,301	(88,021)	262,128	391305	1,101,637	(130,588)	214,517	-	-	-	(38,581)	-	88,001
3922	2,855,745	937,528	-	(15,715)	(311,514)	3,466,044	3921	111,293	(88,021)	43,817	-	-	-	16,761	-	875,566
3923	-	-	-	-	-	-	3922	923,595	(311,514)	250,052	-	-	-	(4,445)	-	-
3924	43,204	10,565	-	(10,384)	-	43,385	3923	-	-	2,375	-	-	-	(3,649)	-	25,111
393	9,562	-	-	-	-	9,562	3924	26,385	-	444	-	-	-	-	-	8,916
394	290,952	17,763	-	-	(25,581)	283,134	393	8,472	-	444	-	-	-	-	-	155,261
395	-	-	-	-	-	-	394	160,632	(25,581)	19,150	-	-	-	-	-	1
396	353,056	64,914	-	(38,012)	(52,033)	327,925	395	1	-	-	-	-	-	(12,752)	-	105,374
397	372,112	10,393	-	8,384	(4,379)	386,510	396	145,351	(52,033)	22,291	-	-	-	3,372	-	87,630
398	42,543	108,739	-	-	-	151,282	397	59,369	(4,379)	29,268	-	-	-	-	-	10,500
399	12,790	10,180	-	-	-	22,970	398	7,644	-	2,856	-	-	-	-	-	3,746
399	-	-	-	-	-	-	399	2,497	-	1,249	-	-	-	-	-	-
Reclassification for SFAS no. 143, COR																
93,624,157																
8,038,161																
(163,889)																
(1,612,101)																
99,886,328																
31,197,392																
(1,612,101)																
3,266,914																
25,606																
(298,944)																
(55,673)																
(3,767,075)																
(3,767,075)																
28,756,119																

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	* 712,200	1,202,706
3	Other	* 6,077	0
4	Land and Land Rights	0	4,980,000
5			
6			
7	CENTRAL FLORIDA		
8	Main Extensions	* 203,799	315,230
9	Other	* 32,165	0
10			
11	* Grouped Items		
12			
13	TOTAL	\$954,241	\$6,497,936

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 Compensation Insurance	* \$236,404	
3			
4	Allowance for funds used during construction	-	
5			
	TOTAL	\$236,404	\$6,571,474

\* 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)	602,237
2	Prepaid Rents	
3	Prepaid Taxes (page 41)	0
4	Prepaid Interest	
5	Gas Prepayments	
6	Miscellaneous Prepayments: Pensions & Software Maintenance (1650.3 & .4 & .5)	359,201
7	<b>TOTAL Prepayments</b>	<b>961,438</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	Regulatory Assets - Retirement Plans	0	516,847			516,847
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 ©	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	Storm Reserve	\$452,327	\$54,294	2280.12	(\$223,295)	\$283,326
2	Environmental	8,867,652	133,500	2530.32	(730,448)	\$8,270,704
3	Other Reg Assets-Retirement	0	275,083	2190.1	0	275,083
4	Other Regulatory Assets	0	311,832	2280.31	0	311,832
5						
6						
7						
8						
9						
10	Total	9,319,979				9,140,945
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					0
3	-Accrued Payroll	24,068	454,774		(478,842)	0
4	Amortized Piping Costs	1,418,375	831,883		(874,621)	1,375,637
5	Amortized Conversion Cost	144,756	245,036		(244,784)	145,008
6	Underrecovery Conservation	82,931	298,934		(381,865)	0
7	Underrecovery Natural Gas (AEP)	4,190,130	368,895		(606,932)	3,952,093
8						
9	Underrecovery Fuel	4,527,745	7,749,666		(10,569,733)	1,707,678
10	Penny Elimination	0			0	0
11						
12						
13	Misc. Work in Progress	1,756,549				\$843,079
14	Deferred Regulatory Comm. Expenses					
15	(See Page 31)	(541,348)	173,386	928	0	(\$367,962)
16	TOTAL	\$11,603,206				\$7,655,533

December 31, 2006

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 transactions 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 of redemption price and name of the 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 Reacquired 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 Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-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	603,316	227,025	
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

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

December 31, 2006

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	52,882	(7,211)	45,671
4	10.03% Series Due 2018	5,500,000	97,070	5/1/88	5/1/18	28,473	(3,883)	24,590
5	9.08% Series Due 2022	8,000,000	121,967	6/1/92	6/1/22	67,103	(4,067)	63,036
6	4.90% Series Due 2031	14,000,000	825,028	11/1/01	11/1/31	694,140	(26,871)	667,269
7	6.85% Series Due 2031	15,000,000	1,153,193	10/1/01	10/1/31	1,037,442	(40,289)	997,153
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 2006 was \$16,533. \$2,000,000 Reacquired Bond originally due in 2002 has reacquired debt loss and is amortized in Account 4280.1. The associated amount for 2006 is \$1,751							
11								
12								
13								
14								
15								
16	The amortization of debt discount occurs in Account 4280.2. The associated amount for 2006 was \$82,321							
17								
18	Total Account 4280 = \$ 100,605							
19								
20		52,600,605	2,377,531			1,880,040	(82,321)	1,797,719
21								

**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	1,198,162
3	Outside Audit Fees	98,200
4	Commission Funds	(142)
5	Sun Trust Analysis	7,111
6	Employee Fund	12,435
7	Misc. Current and Accrued Liability	25,000
8		
9		
10	<b>TOTAL</b>	<b>1,340,766</b>

**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 amortization. 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)	1,152,894	456.1	1,448,868	1,141,438	845,464
2			456.11			
3						
4	Over Recovery of Fuel Adjustment - Gas (Amortized over succeeding twelve month period)	0	495.1	5,026,191	8,682,212	3,656,021
5			495			
6						
7	Environmental Insurance Proceeds	14,000,745	1860.1	1,065,863	818,124	13,753,006
8	Over Recovery - Conservation (Electric)	107,034	456.6	196,798	134,416	44,652
9	Over Recovery - Conservation (Gas)	0	495.7	1,227,827	1,538,500	310,673
10	Over Recovery - Unbundling (Gas)	-1	495.8	-	1	0
11	Gain on sale of property (Electric)	-	4030.1	-	-	0
12	Gain on sale of property (Gas)	161,074	4030.1	120,421	-	40,653
13	Other Deferred Credit - Cashier over/short	0	-	2,020	2,020	0
14						
	<b>TOTAL</b>	<b>\$15,421,746</b>		<b>\$9,087,988</b>	<b>\$12,316,711</b>	<b>\$18,650,469</b>

**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						
	<b>TOTAL</b>					



TAXES OTHER THAN INCOME TAXES (Account 408.1)										
Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Franchise	Other	Total
1 Electric (Account 408.1, 409.1)	513,885	-	-	244,108	1,184,787	34,408	(8,261)	2,012,632	613	3,982,172
2 Gas (Account 408.1, 409.1)	1,120,147	-	-	569,733	2,047,917	370,340	(10,095)	1,626,445	1,559	5,726,046
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 Int Penalty	-	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-
15 Less: Charged to Construction	-	-	-	-	-	-	-	-	-	-
16 TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	1,634,032	-	-	813,841	3,232,704	404,748	(18,356)	3,639,077	2,172	9,708,218

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	0	-	4110.4	-	-	0	35 Years		
2	3%	477	-	4110.4	475	-	2	35 Years		
3	4%	28,631	-	4110.4	3,129	-	25,502	-		
4	8%	223,718	-	4110.4	39,038	-	184,680	35 Years		
5	10%	-	-	-	-	-	-	-		
6	-	-	-	-	-	-	-	-		
7	-	-	-	-	-	-	-	-		
8	-	-	-	-	-	-	-	-		
9	-	-	-	-	-	-	-	-		
10	TOTAL	252,826	-	-	42,642	-	210,184	-		

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).

Notes

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	
1							
2	AMT						
3	Interest Not Cap. & Amort of Depl.	60,612	(45,314)				15,298
4	Deferred Gain						
5	Regulatory	478,922	45,107				524,029
6	Self Insurance Res. & Audit Fee	70,523	40,599				111,122
7	Uncollectible	169,849	26,467				196,316
8	Vacation Pay	1,931,582	131,409				2,062,991
9	Environmental						
10	Misc. Accrual						
11	General liability	61,289	(23,055)				38,234
12	Storm Reserve	(159,201)	52,586				(106,616)
13	Rate Refund	283,438	8,063				271,491
14	TOTAL Gas (Lines 15 - 23)	2,877,014	235,851				3,112,865
15	Other (Specify) Electric	997,076	51,377				1,048,453
16	Other (Specify) Common	3,266					
17	TOTAL (Account 190)						
18	(Enter Total of lines 13, 24 & 25)	3,877,356	283,962				4,161,318

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

Line No.	Description	Balance at Beginning of Year	Changes During Year		Adjustments		Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	
1	ACCOUNT 281 - ACCELERATED AMORTIZATION PROPERTY						
2	Electric						
3	Gas						
4	Other						
5	TOTAL ACCOUNT 281 (Lines 3 thru 5)	0	0	0	0	0	0
6	ACCOUNT 282 - OTHER PROPERTY *						
7	Electric	5,689,588	116,969			1,460,009	6,423,655
8	Gas	9,807,573	314,454			1,460,009	10,611,881
9	Other-Common	3,112,430	(3,463)			1,460,009	971,493
10	TOTAL ACCOUNT 282 (Lines 8 thru 10)	18,609,571	427,960	0	0	2,144,000	18,007,229
11	ACCOUNT 283 - OTHER						
12	Electric	606,968	27,443			0	514,205
13	Gas	1,053,316	1,446,963			0	(489,369)
14	Other	0	0			0	0
15	Other - Common	1,660,284	1,474,396	0	0	0	161,052
16	TOTAL ACCOUNT 283 - OTHER (Lines 13 thru 16)	5,418,053	228,215	0	0	(826,760)	5,960,835
17	ELECTRIC	83,803	878,473			(24,496)	977,225
18	Federal Income Tax	6,296,536	144,412	0	0	(851,256)	6,938,060
19	State Income Tax	9,398,920	1,680,925			(1,100,161)	8,696,358
20	TOTAL ELECTRIC (Lines 19 thru 20)	10,860,869	1,761,407	0	0	(1,118,762)	10,122,912
21	Gas	1,501,969	80,482			(18,607)	1,426,154
22	Federal Income Tax	10,860,869	1,761,407	0	0	(1,118,762)	10,122,912
23	State Income Tax	0	0			0	0
24	TOTAL GAS (Lines 23 thru 24)	0	0	0	0	0	0
25	OTHER						
26	Federal Income Tax -	0	0			0	0
27	State Income Tax -	2,521,775	(10,182)			0	1,830,806
28	Federal Income Tax - Common	980,695	6,729			0	313,584
29	State Income Tax - Common	3,112,430	(3,463)			0	2,144,400
30	TOTAL OTHER (Lines 27 thru 30)	20,269,855	1,902,356	0	0	(1,970,018)	18,032,065
31	TOTAL (Total of lines 6, 11, 17 and Lines 21, 25, 31)	8,256,355	1,902,356	0	0	543,475	8,799,830
32	Other Reclassification for SFAS no. 143, COR	28,526,210	1,902,356	0	0	(1,426,543)	26,831,895
33	TOTAL						

NOTES

**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) *	\$4,011,267
2	Reconciling Items for the Year	
3	Interest on Water Installment Payment	(251,631)
4	<b>Taxable Income Not Reported on Books</b>	
5	Service Contributions	1,185,549
6	Depreciation	1,699,475
7	Penalties	14,296
8	Pension Reserve	1,289,452
9	Self Insurance Reserve	115,440
	Underrecoveries of Purchased Energy Costs	2,820,067
	Conservation Program Costs	331,222
	Outside Audit Fees	9,095
	Storm Reserve	268,975
10	<b>Deductions Recorded on Books Not Deducted for Return</b>	
11	Meals Expense	15,504
12	ESPP Compensation	51,920
13	Rate Case Expense	173,386
14	Rate Refund Pending	179,500
15	Vacation Pay	77,533
16	Depreciation Study	0
17	Loss on Reacquired Debt	18,284
18	Income Taxes (excluding current state income of \$ 765,500)	1,361,361
19	Refurbish Project	0
20	Bare Steel Replacement Program	566,308
21	Misc. Deferrals	0
22	Uncollectible Reserve	148,232
23	Lobby cost	167
24	Capitalized Interest	261,732
25	<b>Income Recorded on Books Not Included in Return</b>	
26	Environmental Costs	107,137
27	AEP Depreciation	291,945
28	Deferred Gain	120,420
29	Amortization of Intangibles	227,545
30	General Liability	114,689
	Natural Gas Odorizer	24,020
31	<b>Deductions on Return Not Charged Against Book Income</b>	
32		
33	Ordinary Loss on ACRS Property Retirements	480,000
34	Cost of Removal ADR Property	54,000
35	Electric Consultant Fee	23,910
36		
37	Federal Tax Net Income	12,903,468
38	Show Computation of Tax:	
39		
40	Tax at 34%	4,387,179
41	Rounding	(79)
42	<b>TOTAL Federal Income Tax Payable</b>	<b>4,387,100</b>
	* Excludes Flo-Gas Net Income of	\$157,514

**GAS OPERATING REVENUES (Account 400)**

1. Report below natural gas operating revenues for each prescribed account in tototal.
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	24,864,744	23,210,749	12,102,640	12,612,630	46,432	45,574	3
4	481 Commercial & Industrial Sales - Small	17,384,270	15,561,406	11,735,730	11,821,820	3,350	3,282	4
5	481 Commercial & Industrial Sales - Large	24,529,981	21,758,511	18,702,550	17,918,370	928	911	5
6	481 Outdoor Lighting	358,775	352,499	395,600	375,470	47	44	6
7	481							7
8	481							8
9	<b>INTERRUPTIBLE SALES SERVICE</b>							9
10	481 Commercial & Industrial Sales - Interruptible	311,975	654,380	284,060	689,950	1	2	10
11	481							11
12	<b>FIRM TRANSPORTATION SERVICE</b>							12
13	489	3,616,470	3,785,358	13,210,950	14,340,520	436	416	13
14	489							14
15	489							15
16	<b>INTERRUPTIBLE TRANSPORTATION SERV</b>							16
17	489	764,761	605,509	5,498,660	5,185,140	12	11	17
18	484 Interdepartmental	69,414	66,379	74,120	74,230	1	1	18
19	484 Flex Rate - Refund							19
20	TOTAL Sales to Ultimate Consumers	71,900,390	65,994,791	62,004,310	63,018,130	51,207	50,241	20
21	483 Sales for Resale							21
22	Off-System Sales 4000.4954* & 4955*	743,490	763,868					22
23	TOTAL Nat. Gas Service Revenues	72,643,880	66,758,659	62,004,310	63,018,130	51,207	50,241	23
24	TOTAL Gas Service Revenues	72,643,880	66,758,659					24
25	<b>OTHER OPERATING REVENUES</b>		5,507,234					25
26	485 Intracompany Transfers							26
27	487 Forfeited Discounts	840,660	811,097					27
28	488 Misc. Service Revenues & AEP	1,475,160	1,327,920					28
29	489 Rev. from Trans. of Gas of Others (not included in above rate schedules)	0	0					29
30								30
31	493 Rent from Gas Property							31
32	494 Interdepartmental Rents							32
33	495 Other Gas Revenues							33
34	Initial Connection							34
35	Overrecoveries Conservation 495.7	(310,673)	0					35
36	Collection in lieu of disconnect							36
37	Returned Check							37
38	Unbilled Revenue 495.3	98,975	(233,859)					38
39	Other 495.2	68,758	54,210					39
40	495.1 Overrecoveries Purchased Gas	(3,656,021)	1,108,131					40
41	TOTAL Other Operating Revenues	(1,483,141)	3,067,499					41
42	TOTAL Gas Operating Revenues	71,160,739	69,826,158					42
43	(Less) 496 Provision for Rate Refunds	(21,400)	(731,709)					43
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	71,139,339	69,094,449					44
45								45
46	Sales for Resale							46
47	Other Sales to Public Authority							47
48	Interdepartmental Sales							48
49	<b>TOTAL</b>	<b>71,139,339</b>	<b>69,094,449</b>	<b>62,004,310</b>	<b>63,018,130</b>			<b>49</b>

NOTES

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	1. PRODUCTION EXPENSES		
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		
11	802 Natural Gas Gasoline Plant Outlet Purchases	31,004,686	36,551,247
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases		
14	804.1 Liquefied Natural Gas Purchases	4,167,135	4,338,303
15	805 Other Gas Purchases		
16	(Less) 805.1 Purchased Gas Cost Adjustments	2,915,899	(2,915,899)
17	TOTAL Purchased Gas (Enter Total of Lines 8 to 16)	38,087,720	37,973,651
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	23,574	0
24	807.5 Other Purchased Gas Expenses	8,006	6,726
25	TOTAL Purchased Gas Expenses (Enter Total of lines 20 through 24)	31,580	6,726
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	150,433	142,147
36	TOTAL Other Gas Supp. Exp. (Total of Lines 17,18,25,26 through 29,34,35)	38,269,733	38,122,524
37	TOTAL Production Expenses (Enter Total of Lines 2,3,4,5 and 36)		
38	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	6,501	7,816
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	3. TRANSMISSION EXPENSES		
44	TOTAL Transmission Expenses (Enter Total of Accounts 850 through 867)		
45			
46			

December 31, 2006

## 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	366,788	299,122
50	871 Distribution Load Dispatching	13,240	17,155
51	872 Compressor Station Labor and Expenses	0	0
52	873 Compressor Station Fuel and Power	0	0
53	874 Mains and Services Expenses	1,535,443	1,499,160
54	875 Measuring and Regulating Station Expenses—General	0	86
55	876 Measuring and Regulating Station Expenses—Industrial	12,007	19,370
56	877 Measuring and Regulating Station Expenses—City Gate Check Sta.	32,477	20,199
57	878 Meter and House Regulator Expenses	1,432,055	1,326,444
58	879 Customer Installations Expenses	146,929	185,044
59	880 Other Expenses	777,718	852,891
60	881 Rents	41,688	34,711
61	TOTAL Operation (Enter Total of lines 49 through 60)	4,358,345	4,254,182
62	Maintenance		
63	885 Maintenance Supervision and Engineering	112,441	134,479
64	886 Maintenance of Structures and Improvements	69,377	89,428
65	887 Maintenance of Mains	382,505	437,942
66	888 Maintenance of Compressor Station Equipment	0	
67	889 Maintenance of Meas. and Reg. Sta. Equip.—General	10,972	20,814
68	890 Maintenance of Meas. and Reg. Sta. Equip.—Industrial	(242)	1,686
69	891 Maintenance of Meas. and Reg. Sta. Equip.—City Gate Check Sta.	59,406	96,462
70	892 Maintenance of Services	32,614	134,987
71	893 Maintenance of Meters and House Regulators	57,461	105,088
72	894 Maintenance of Other Equipment	16,089	14,663
73	TOTAL Maintenance (Enter Total of Lines 63 through 72)	740,623	1,035,549
74	TOTAL Distribution Expenses (Enter Total of Lines 61 and 73)	5,098,968	5,289,731
75	5. CUSTOMER ACCOUNTS EXPENSES		
76	Operation		
77	901 Supervision	211,408	217,999
78	902 Meter Reading Expenses	537,958	512,505
79	903 Customer Records and Collection Expenses	1,300,733	1,180,345
80	904 Uncollectible Accounts	312,154	262,706
81	905 Miscellaneous Customer Accounts Expenses	192,217	143,685
82	TOTAL Customer Accounts Expenses (Enter Total of Lines 77 through 81)	2,554,470	2,317,240
83	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
84	Operation		
85	906.1 Under-recoveries Conservation	82,931	(45,513)
86	907 Supervision	69,270	81,344
87	908 Customer Assistance Expenses	1,302,115	1,450,856
88	909 Informational and Instructional Expenses	636,048	658,950
89	910 Miscellaneous Customer Service and Informational Expenses	25,271	26,410
90	TOTAL Customer Service and Informational Expenses (Enter Total of Lines 85 through 88)	2,115,635	2,172,047
91	7. SALES EXPENSES		
92	Operation		
93	911 Supervision	131,779	152,023
94	912 Demonstrating and Selling Expenses	1,154,745	914,607
95	913 Advertising Expenses	158,852	197,405
96	916 Miscellaneous Sales Expenses	546,808	637,953
97	TOTAL Sales Expenses (Enter Total of lines 92 through 95)	1,992,184	1,901,988
98			

Florida Public Utilities Company		An Original	For the Year Ended
			December 31, 2006
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account	Amount for Current Year	Amount for Previous Year
99	8. ADMINISTRATIVE AND GENERAL EXPENSES		
100	Operation		
101	920 Administrative and General Salaries	1,247,515	1,059,495
102	921 Office Supplies and Expenses	294,875	363,967
103	(Less) (922) Administrative Expenses Transferred—Cr.	0	0
104	923 Outside Services Employed	318,796	305,197
105	924 Property Insurance	249,747	67,955
106	925 Injuries and Damages	651,638	792,276
107	926 Employee Pensions and Benefits	1,618,428	1,424,969
108	927 Franchise Requirements	0	0
109	928 Regulatory Commission Expenses	132,979	152,348
110	(Less) (929) Duplicate Charges—Cr.	0	0
111	930.1 General Advertising Expenses	0	0
112	930.2 Miscellaneous General Expenses	163,808	202,955
113	931 Rents	16,282	12,675
114	TOTAL Operation (Enter Total of lines 100 through 113)	4,694,068	4,381,837
115	Maintenance		
116	935 Maintenance of General Plant	264,381	129,013
117	TOTAL Administrative and General Exp. (Total of lines 115 and 116)	4,958,449	4,510,850
118	TOTAL Gas O. and M. Exp. (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	54,995,940	54,322,196
119			
120			
121			
122			
123			
124			
125			
126			
127			
128			
129			
130			
131	NUMBER OF GAS DEPARTMENT EMPLOYEES		
132			
133	1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.		
134			
135	2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.		
136			
137	3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.		
138			
139			
140			
141	1. Payroll Period Ended (Date)		11/5/2006
142	2. Total Regular Full-Time Employees		273
143	3. Total Part-Time and Temporary Employees		8
144	4. Total Employees		281
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 pre-vious 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 Account No. (g)	Amount (h)	Deferred to Account 186 (i)	Contra Account (j)	Amount (k)	
1	All expenses incurred by the company in its								
2	filings for Rate Relief for electric. Docket								
3	Number 030438-EI	(275,458)	(275,458)	Electric-33556	84,756	84,756	928		(190,702)
4									
5	All expenses incurred by the company in its								
6	filings for Rate Relief for Gas. Docket								
7	Number 040216-GU	(265,890)	(265,890)	Gas - 33800	88,630	88,630	928		(177,260)
8									
9									
10									
11	TOTAL	(541,348)	(541,348)		173,386	173,386		0	(367,962)

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	\$34,009
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other: FNGA	0
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	17,914
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	5,000
6		
7	Directors Fees and Expenses	51 items 26,281
8	Miscellaneous Expenses	156 items 10,928
9	Chamber of Commerce	3 item 153
10	Stock Insurance	69,523
11		
12		
13		
14		
15		
16		
17		
18		
19		163,808

**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	2,147,967	687,101	2,835,068
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.	140,570		
6	Transmission	-		
7	Distribution	2,654,122		
8	Customer Accounts	1,142,588		
9	Customer Service and Informational	261,167		
10	Sales	1,056,989		
11	Administrative and General	(394,498)		
12	TOTAL Operation (Enter Total of lines 5 through 11)	4,860,938		
13	<b>Maintenance</b>			
14	Production - Manufactured Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.	-		
15	Transmission	-		
16	Distribution	571,032		
17	Administrative and General	1,967		
18	TOTAL Maintenance (Enter Total of lines 14 through 17)	572,999		
19	<b>Total Operation and Maintenance</b>			
20	Production - Manufactured Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.	140,570		
21	Transmission (Enter Total of lines 6 and 15)	-		
22	Distribution (Enter Total of lines 7 and 16)	3,225,154		
23	Customer Accounts (Transcribe from line 8)	1,142,588		
24	Customer Service and Informational (Transcribe from line 9)	261,167		
25	Sales (Transcribe from line 10)	1,056,989		
26	Administrative and General (Enter Total of lines 11 and 17)	(392,531)		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	5,433,937	1,246,420	6,680,357
28	<b>Other Utility Departments</b>			
29	Operation and Maintenance - Water	-	-	-
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	7,581,904	1,933,521	9,515,425
31	<b>Utility Plant</b>			
32	<b>Construction (By Utility Departments)</b>			
33	Electric Plant	943,364	-	943,364
34	Gas Plant	1,576,026	-	1,576,026
35	Other	4,178	-	4,178
36	TOTAL Construction (Enter Total of lines 33 through 35)	2,523,568	-	2,523,568
37	<b>Plant Removal (By Utility Department)</b>			
38	Electric Plant	105,379	-	105,379
39	Gas Plant	194,383	-	194,383
40	Other	-	-	-
41	TOTAL Plant Removal (Enter Total of lines 38 through 40)	299,762	-	299,762
42				
43	<b>Other Accounts (Specify):</b>			
44	Other Accounts Receivable/Employee	165,227	-	165,227
45	Temporary Facilities	27,586	-	27,586
46	Stores Expense	489,680	-	489,680
47	Clearing Accounts	298,653	-	298,653
48	Miscellaneous Deffered Debits	122,234	-	122,234
49	Merchandise and Jobbing	928,614	84,063	1,012,677
50	Taxes other Than Income Taxes-Electric/Gas/Water	(454,247)	-	(454,247)
51	Vacation Pay	(122,414)	-	(122,414)
52	Other Accounts Receivable	3,185,140	280,211	3,465,351
53	Merchandise plant leased to other - Gas	18,487	-	18,487
54	TOTAL Other Accounts	4,658,960	364,274	5,023,234
55	<b>TOTAL SALARIES AND WAGES</b>	<b>15,064,194</b>	<b>2,297,795</b>	<b>17,361,989</b>

**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	140,000
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 52.0%	
8	923 ELECTRIC 32.0%	
9	4160.73 MERCH 1.0%	
10	923 FLO-GAS 15.0%	
11	2. (a) Akerman, Senterfitt & Eidson, P.O. Box 231 Orlando, FL 32802	
12	(b) Professional Legal Services for Environmental Issues.	109,944
13	(c) Based on services rendered.	
14	(d) Total charges for services, utility department and account charged:	
15	1070 GAS 100,217	
16	1860 FPU 190	
17	2280 FPU 909	
18	2320 FPU 402	
19	2420 FPU 1,171	
20	4160 FPU 594	
21	4010 GAS 6,461	
22		
23		
24		
25		
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	
4	426.11 Charitable Contributions: Inside Service Area	11,117
5	426.12 Charitable Contributions: Outside Service Area	0
6	426.13 Civic and Social Club Dues	2,548
7	426.2 Life Insurance	0
8	426.3 Penalties	14,296
9	426.4 Expenditures for Lobbying and Other Politically Related Activities	167
10	426.5 Other	5,322
11		
12	<b>TOTAL MISCELLANEOUS INCOME DEDUCTIONS</b>	<b>33,450</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)	(746,565)
17		
18		
19	Account 431: Other Interest Expense	
20	431.1 Interest on Customer Deposits	452,737
21	431.2 Interest on Notes Payable	108,590
22	431.3 Interest on Miscellaneous	(4,207)
23	<b>TOTAL OTHER INTEREST EXPENSE</b>	<b>557,120</b>

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

FLORIDA PUBLIC UTILITIES COMPANY

For the Year Ended December 31, 2006

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 26	(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)	71,900,390		71,900,390	67,519,158	4,381,232
2	Sales for Resale (483)	743,490		743,490	-	743,490
3	Total Natural Gas Service Revenues	72,643,880	-	72,643,880	67,519,158	5,124,722
4	Total Other Operating Revenues (485-495)	(1,483,141)		(1,483,141)	3,462,082	(4,945,223)
5	Total Gas Operating Revenues	71,160,739	-	71,160,739	70,981,240	179,499
6	Provision for Rate Refunds (496)	(21,400)		(21,400)		(21,400)
7	Other (Specify) Deferred Conservation Cost Recovery				310,673	(310,673)
8	PGA Over/Under Recoveries				3,656,021	(3,656,021)
9	Rate Refund Pending Adjustment				-	-
10	<b>Total Gross Operating Revenues</b>	<b>71,139,339</b>	<b>-</b>	<b>71,139,339</b>	<b>74,947,934</b>	<b>(3,808,595)</b>

Notes:

- 1 Transportation Revenues are included in Total Sale to Ultimate Customers on page 26
- 2 Off System Sales makes up sale for resale on page 26
- 3 Rate Refund is included in Total Other Operating Revenue on the RAF Return
- 4 Conservation Cost Recovery are reversed to pay the actual collected revenue
- 5 PGA Over/Under Recovery are reversed to pay the actual collected revenue
- 6 Rate Refund is included in Total Gross Operating Revenue on page 26
- 7 Rate Refund is reversed to pay the actual collected revenue

Items 1, 2, 3 & 4 are reported as other operating revenue on the RAF Return.

**CORPORATE STRUCTURE**

**Company: FLORIDA PUBLIC UTILITIES COMPANY  
For the Year Ended December 31, 2006**

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

Effective  
Date

January-06

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

Flo-Gas Corporation does not have any employees.



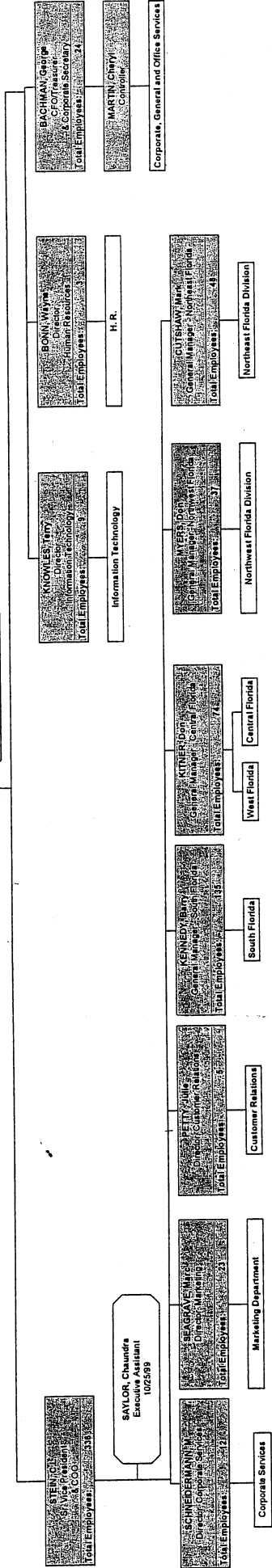
# CORPORATE STRUCTURE

## SENIOR MANAGEMENT TEAM

March 7, 2007

ERDEK, Mark  
President & CEO  
Total Employees: 374

ERDEK, Beate  
Assistant Corporate Secretary/  
Executive Assistant  
052891



**ORGANIZATIONAL CHART TOTAL**

Total	Full-Time	Part-Time
Number of Positions	374	368
Total Vacancies	21	19
Active Employees	353	349

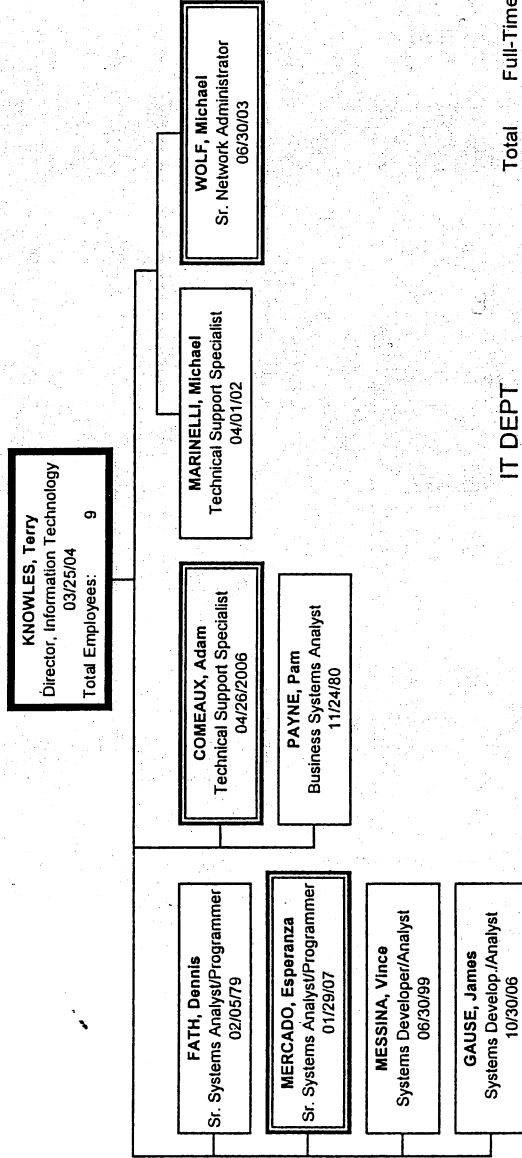
Positions	Total	Full-Time	Part-Time
WPB Ops	135	133	2
Marketing	23	23	-
I.T.	9	9	-
Accounting	24	23	1
H.R.	3	3	-
CIS	5	5	-
Central FL	74	74	-
Northwest FL	37	37	-
Northeast FL	48	47	1
Corporate Svcs	12	10	2
Execs.*	4	4	-
	374	368	6

Vacancies	Total	Full-Time	Part-Time
WPB Ops	9	8	1
Marketing	1	1	-
I.T.	-	-	-
Accounting	-	-	-
H.R.	-	-	-
CIS	-	-	-
Central FL	2	2	-
Northwest FL	1	1	-
Northeast FL	7	6	1
Corporate Svcs	1	1	-
	21	19	2



INFORMATION TECHNOLOGY DEPARTMENT (IT)

03/06/07



IT DEPT

Number of Positions	Total	Full-Time	Part-Time
9	9	9	0
Total Vacancies	0	0	0
Active Employees	9	9	0

Additions

2004 Rate Case Addition

Acquisition/Startup Additions



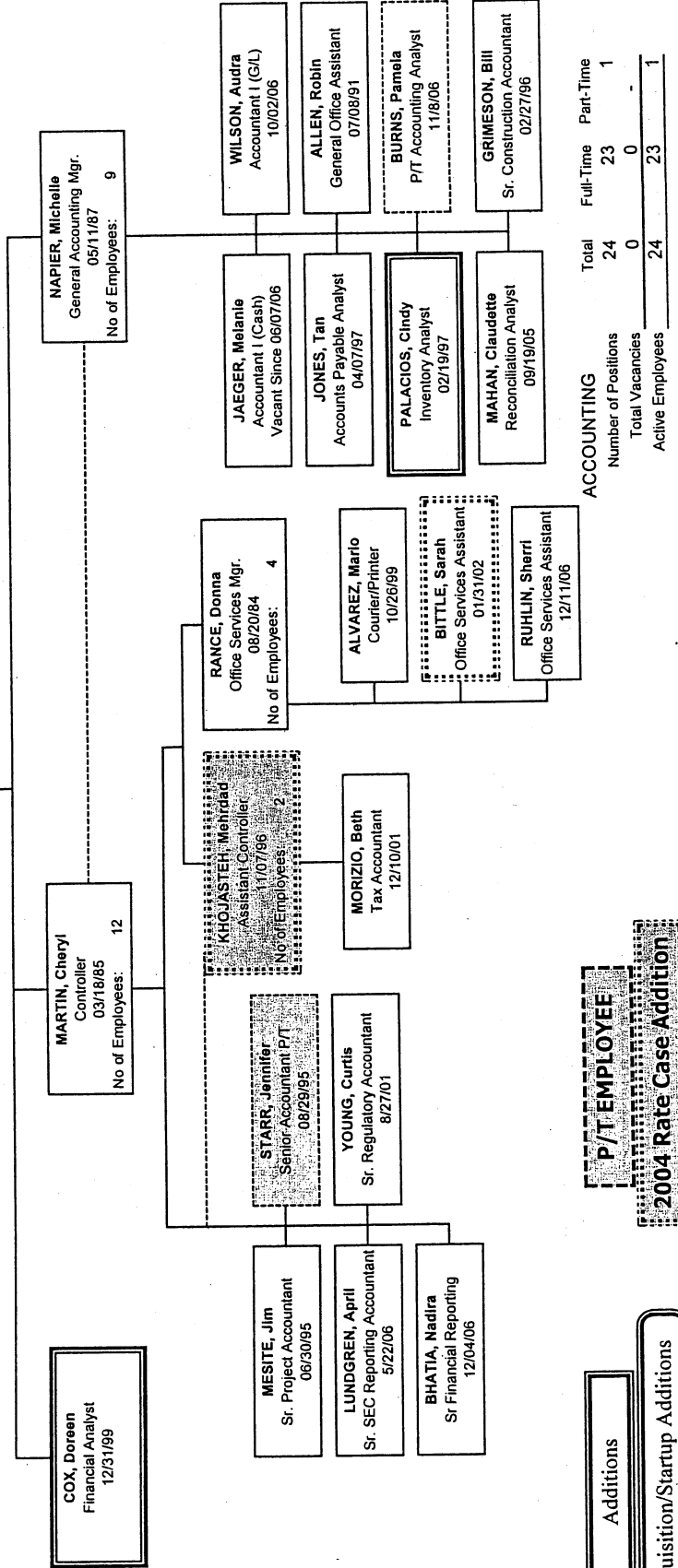
# ACCOUNTING DEPARTMENT

03/06/07



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

**BELLECHASES, Dina**  
Executive Financial Ass.  
08/22/88



**ACCOUNTING**

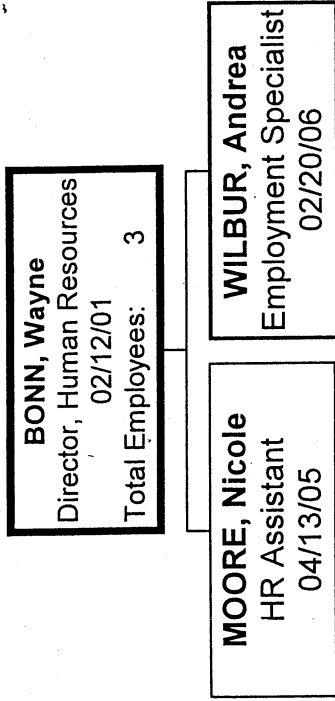
Total	Full-Time	Part-Time
Number of Positions	24	23
Total Vacancies	0	0
Active Employees	24	23

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

**Additions**  
**Acquisition/Startup Additions**

# HUMAN RESOURCES DEPARTMENT

03/06/07

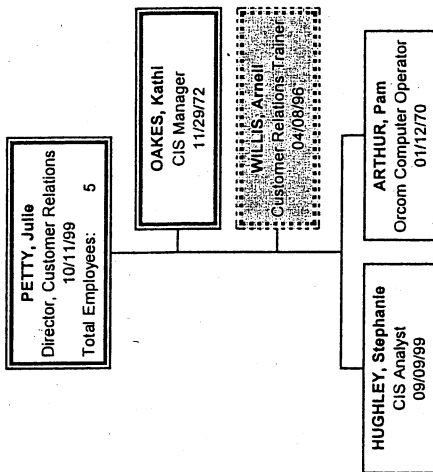


Human Resources	Total	Full-Time	Part-Time
Number of Positions	3	3	-
Total Vacancies	0	-	-
Active Employees	3	3	0

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

# CUSTOMER RELATIONS DEPARTMENT

03/06/07

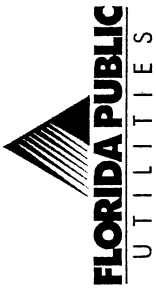


Additions  
 Acquisition/Startup Additions  
 2004 Rate Case Addition

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

**CORPORATE SERVICES**

3/6/07



**SCHNEIDERMANN, Marc**  
Director, Corporate Services  
02/21/89

GILMORE, Al  
Bldg. Maint. PT  
04/05/05

PRENTICE, James  
Bldg Maint. PT  
07/12/06

**SNYDER, Chris**  
Gas Logistics Manager  
07/08/91

**ROHOMAN, Abid**  
Gas Logistics Assistant  
06/02/04

**STOTTSBERRY, Donnie**  
Corporate Fleet Manager  
03/07/05

**ALLEWELT, Harold**  
Garage Mechanic  
12/09/96

**HAASE, Bruce**  
Garage Mechanic  
05/22/05

**STUCKART, Gerry**  
Safety Manager  
10/17/05

**DELAHAY, Dan**  
Gas Safety Coordinator  
03/05/07

**RAGOONATH, Darrel**  
Garage Mechanic  
03/23/06

**VACANT**  
Elec. Safety Coordinator

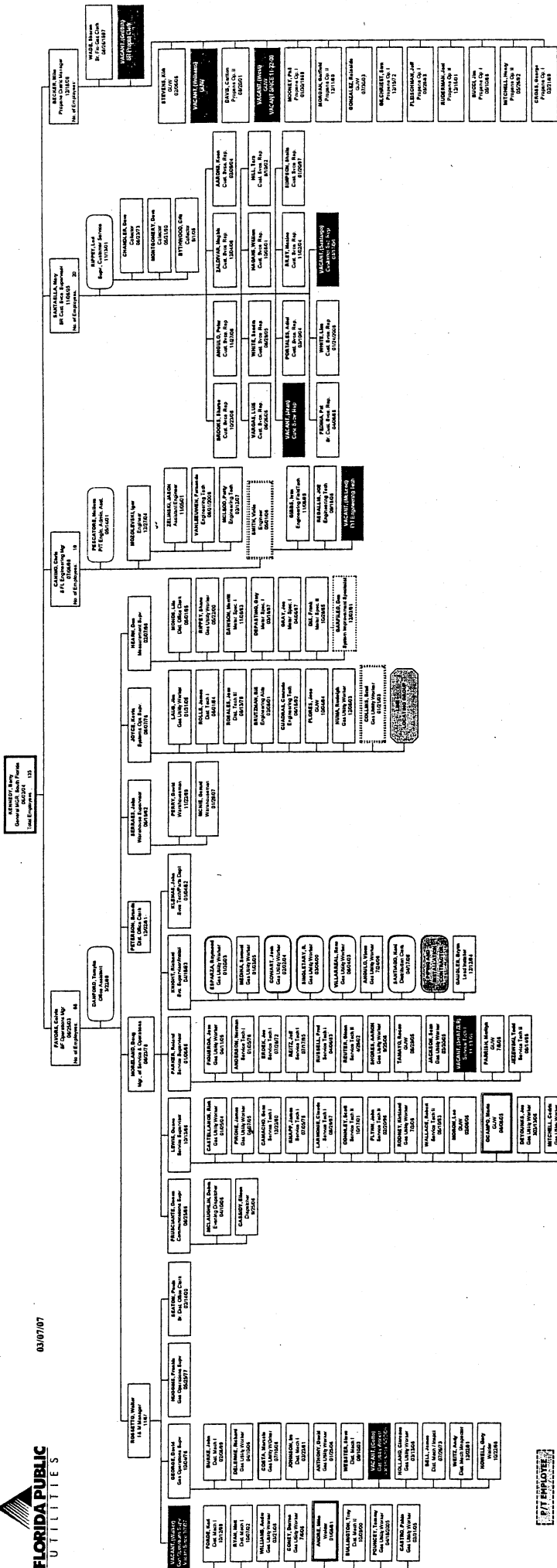
**CORPORATE SVS**

Total	12	10	2
Number of Positions	1	1	-
Total Vacancies	11	9	2
Active Employees			

SOUTH FLORIDA GAS OPERATIONS - ORGANIZATIONAL CHART



03/07/07



**FL OPERATIONS**

Total	Full-Time	Part-Time
Number of Positions	135	2
Total Vacancies	9	8
Active Employees	126	125

PIPING & INSTALLATION CREWS

PIPING & INSTALLATION CREWS  
Acquisition/Startup Additions  
2004 State Census Additions

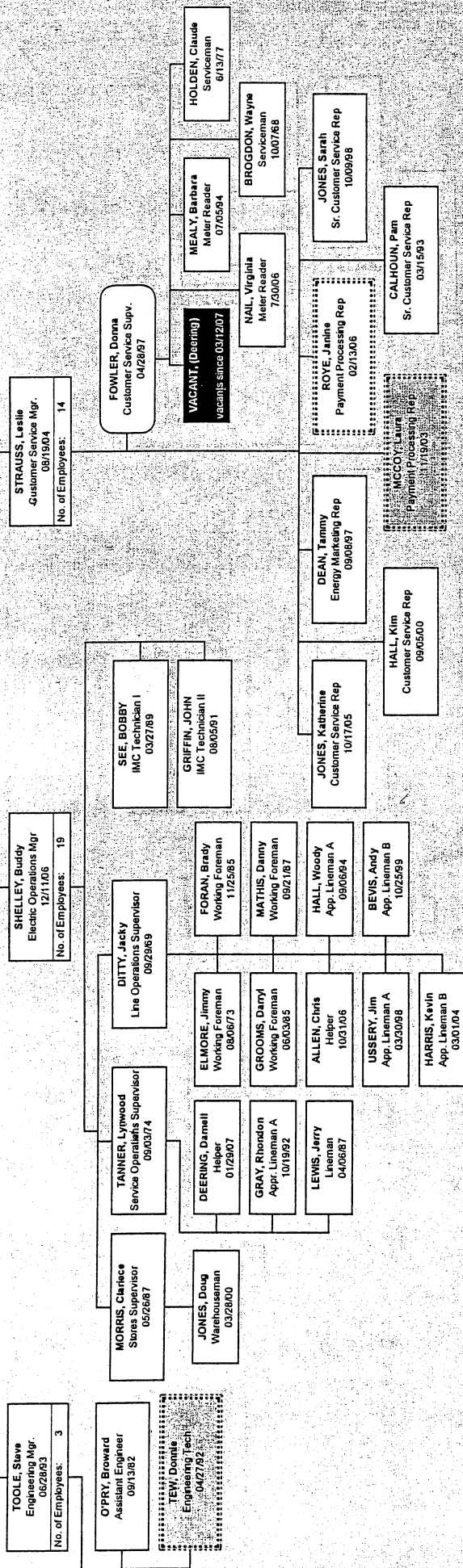


# Northwest Florida Division - Organizational Chart

03/06/07



**MYERS, Don**  
General Manager - NWFL  
52285  
Total Employees: 37



**NORTHWEST FLORIDA**

	Total	Full-Time	Part-Time
Number of Positions	37	37	-
Total Vacancies	1	1	-
Active Employees	36	36	-

2004 Rate Case Addition  
 Additions  
 Acquisition/Startup Additions





**SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS**

**Company: FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended December 31, 2006**

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 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 12/31/06**

	<u>Year-to-Date</u> Actual	<u>Last</u> <u>Year-to-Date</u> Actual
Operating Revenue	14,726,330	13,478,914
Operation Expenses	12,472,621	11,280,579
Maintenance Expenses	379,960	357,270
Depreciation Expense	719,625	620,866
Amortization of Utility Plant- Acquisition Adjustment	-	-
Tax Other Than Income Tax-Utility Operation Expense	148,386	134,322
Income Tax - Federal - Utility Operating Income	(66,249)	44,272
Income Tax - State - Utility Operating Income	(11,457)	7,608
Deferred Income Tax - Utility Operating Income	183,242	178,039
Investment Tax Credit - Utility Operating Income	(418)	(1,482)
<b>Operating Income</b>	<u><u>900,620</u></u>	<u><u>857,440</u></u>
 <u>Other Income and Deductions</u>		
Interest and Dividend Income	-	-
Misc. Non-Operating Income	528,259	735,637
Other Income Deductions	(517,139)	(676,410)
Taxes Other Than Income - Other	-	-
Income Taxes-Federal-Other Income	(5,391)	(16,472)
Income Taxes-State-Other Income	-	-
<b>Other (Income) and Deductions</b>	<u><u>5,729</u></u>	<u><u>42,755</u></u>
 <u>Interest Charges</u>		
Interest on Debt to Associated Companies	746,565	499,439
Other Interest Expense	2,270	2,826
<b>Interest Charges</b>	<u><u>748,835</u></u>	<u><u>502,265</u></u>
 <u>Extraordinary Items</u>		
Cumulative Effect - Change in Accounting Principles - Net	-	-
 Net Income	 <u><u>157,514</u></u>	 <u><u>397,930</u></u>

**ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT**  
**FLO-GAS**  
**BALANCE SHEET - 09**  
**December 31, 2006**

Assets and Other Debits	Current	Last Year End
Utility Plant		
Utility Plant in Service	17,093,284	15,224,487
Utility Plant Purchased/Sold	-	-
Completed Construction Not Classified		
Construction Work in Progress	1,047,029	1,282,328
<b>Utility Plant</b>	<u>18,140,313</u>	<u>16,506,815</u>
Accumulated Depreciation		
Accumulated Dep. - Utility Plant in Service	(4,246,234)	(3,732,602)
Accumulated Dep. - Transportation Equip.	(714,612)	(629,950)
Retirement Work in Progress		
Accumulated Dep. - Rental Equipment	-	-
<b>Accumulated Depreciation</b>	<u>(4,960,846)</u>	<u>(4,362,552)</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	1,729,152	1,922,959
Allowance for Uncollectible Accounts	(64,399)	(55,250)
Accounts Rec. from Associated Companies		
Operating Supplies - Propane	2,166,364	1,916,798
Prepayments - Taxes	692	-
Interest and Dividends Receivable	24,208	47,650
Merchandise-Applian. & Supplies		
Accrued Utility Revenues	339,173	407,676
<b>Current and Accrued Assets</b>	<u>4,195,190</u>	<u>4,239,833</u>
Deferred Debits		
Goodwill	1,852,435	1,852,435
Misc. Deferred Debits - Other W.I.P.		
Misc. Deferred Debits - Miscellaneous	-	28,466
Accum. Deferred Income Taxes	183,576	88,090
<b>Deferred Debits</b>	<u>2,036,011</u>	<u>1,968,991</u>
<b>ASSETS AND OTHER DEBITS</b>	<u>19,410,668</u>	<u>18,353,087</u>

**ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT**  
**FLO-GAS**  
**BALANCE SHEET - 09**  
**December 31, 2006**

	<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	2,229,012	1,831,083
<b>Proprietary Capital</b>	<u>2,239,012</u>	<u>1,841,083</u>
Current and Accrued Liabilities		
Accounts Payable to Assoc. Companies	13,452,431	12,872,618
Customer Deposits	718,150	614,064
Taxes Accrued	(1,483,455)	(1,287,074)
Interest Accrued	1,769	2,264
Dividends Declared	-	-
Tax Collections Payable	60,547	75,765
Misc. Current and Accrued Liabilities	-	-
Customer Advances for Construction	392,376	515,562
Other Deferred Income Taxes - Other	-	-
Accumulated Deferred I.T.C.	-	418
<b>Current and Accrued Liabilities</b>	<u>13,141,818</u>	<u>12,793,617</u>
Operating Reserves		
Misc. Operating Reserves	-	-
Accum. Deferred Income Tax - Liberalized Depreciation	3,872,324	3,320,457
Accum. Deferred Income Taxes - Other	-	-
<b>Operating Reserves</b>	<u>3,872,324</u>	<u>3,320,457</u>
<b>Year-to-Date Income/Loss</b>	<u>157,514</u>	<u>397,930</u>
<b>LIABILITIES AND OTHER CREDITS</b>	<u>19,410,668</u>	<u>18,353,087</u>

**NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES**

**COMPANY: FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended December 31, 2006**

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 December 31, 2006**

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>	(12,865,105)
<i>Flo-Gas Corporation</i>	<i>Payroll Payment by Florida Public Utilities Company for Flo-Gas Corporation. Recurring.</i>	(3,181,787)
<i>Flo-Gas Corporation</i>	<i>Cash Receipts - Recurring.</i>	16,294,250
<i>Flo-Gas Corporation</i>	<i>Revenue- Recurring</i>	997,722
<i>Flo-Gas Corporation</i>	<i>Transportation - Recurring</i>	(172,299)
<i>Flo-Gas Corporation</i>	<i>Dividends - Non-Recurring</i>	-
<i>Flo-Gas Corporation</i>	<i>Insurance Accruals and adjustments - Recurring</i>	2,940
<i>Flo-Gas Corporation</i>	<i>Income Tax adjustment - Non-Recurring</i>	-
<i>Flo-Gas Corporation</i>	<i>Intercompany Interest - Recurring</i>	(821,476)
<i>Flo-Gas Corporation</i>	<i>Clearing - Recurring</i>	(738,896)
<i>Flo-Gas Corporation</i>	<i>Plant Transfer - Non-Recurring</i>	(32,395)

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

**FLORIDA PUBLIC UTILITIES COMPANY**  
**For the Year Ended December 31, 2006**

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
<b>Purchases from Affiliates:</b>		166,647	72,435	94,212	\$ N/A	\$ N/A	N/A
Flo-Gas Corporation	Meters	20,447	7,321	13,126	N/A	Transfer	N/A
	Transp Equipment	26,100	8,094	18,006	N/A	Transfer	N/A
	Regulators	242	122	120	N/A	Transfer	N/A
	Misc. Equipment	55,797	24,141	31,656	N/A	Transfer	N/A
	Computer Equipment	16,075	5,758	10,317	N/A	Transfer	N/A
	Lantana Yard	47,986	26,999	20,987	N/A	Transfer	N/A
<b>Sales to Affiliates:</b>		39,301	16,762	22,539	\$ N/A	Sales Price	N/A
	Transp Equipment	39,301	16,762	22,539	N/A	Transfer	N/A
				-	N/A	Transfer	N/A
				-	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
<b>NONE</b>			

**Florida Public Utilities Company**  
**AEP Reconciliation**  
As Of December 31, 2006

Rev Start Date	AEP #	Facilities Area	Bal @ Beginning of year		12 Months Ended 12/06		Over/Under Collection	Charges to Date	
			Surcharge Revenues	Facilities Cost	Surcharge* Revenues	Facilities** Cost		Surcharge Revenues	Facilities Cost
Sep-98	20001	Deltona HP #1	519,833.37	734,678.14	72,548.48	14,888.91		592,381.85	749,567.05
Feb-99	20092	Stone Gable	18,920.47	27,057.01	2,291.03	584.30		21,211.50	27,641.31
May-99	20093	Deltona HP #2	207,505.88	588,753.14	28,458.52	30,822.50		235,964.40	619,575.64
Apr-99	20098	DeBary Golf & CC	33,265.53	64,205.91	5,410.95	2,364.04		38,676.48	66,569.95
Jun-00	20193	Spring Valley Unit 5	11,645.24	17,182.39	2,735.05	352.61		14,380.29	17,535.00
May-00	20289	Convert Deltona Ph III	242,647.73	631,939.07	43,019.90	30,938.45		285,667.63	662,877.52
Feb-01	20345	Crystal Cove	14,801.16	32,618.28	9,546.09	931.70		24,347.25	33,549.98
Sep-00	20347	Westward Expansion	172,718.64	270,292.91	55,816.79	(25,550.12)		228,535.43	244,742.79
Jun-01	20498	La Chalet	22,627.19	56,896	5,990.99	2,646.78		28,618.18	59,542.54
Oct-01	20561	Victoria Pk. Ph. I	149,388.06	636,303	86,922.46	37,255.36		236,310.52	673,558.26
May-01	20591	Fawn Ridge Sub.	15,270.89	50,463	7,898.66	(2,837.88)		23,169.55	47,625.23
May-02	20660	Thor./Versailles	73,367.26	641,011	41,540.99	46,062.96		114,908.25	687,073.82
Apr-02	20695	Mizner Falls Subdiv.	19,430.15	156,799	7,122.41	11,264.94		26,552.56	168,063.68
Mar-03	20734	Kenco Commun.	2,973.46	60,756	2,833.52	4,738.05		5,806.98	65,494.13
Jun-02	20769	Ibis Parcel V-Terra	5,502.71	13,329	3,860.96	487.10		9,363.67	13,815.88
Aug-02	20798	Lake Mary H.S.	2,680.17	18,344	1,361.56	1,266.94		4,041.73	19,610.82
Oct-02	20849	Equestrian Club	39,242.34	136,833	18,456.70	7,446.06		57,699.04	144,278.86
Feb-03	20851	Juno Beach	22,325.55	184,544	15,226.48	12,939.99		37,552.03	197,483.91
Dec-02	20861	Victoria Grove	62,115.74	331,701	32,249.53	21,385.63		94,365.27	353,086.66
Nov-02	20865	Hamilton Bay	20,146.79	141,493	8,952.40	9,835.54		29,099.19	151,328.22
Oct-02	20881	Springview Unit 6	7,841.70	22,541	3,319.55	1,098.65		11,161.25	23,639.27
Dec-02	20892	Black Diamond	32,210.66	69,442.69	18,737.05	2,353.74		50,947.71	71,796.43
Feb-03	20974	Deerfield Ph II	12,631.12	53,856.42	5,160.67	3,246.50		17,791.79	57,102.92
Aug-03	20976	Wyndsong Estates	6,023.55	46,090.24	3,706.59	3,226.60		9,730.14	49,316.84
	20999	Downtown Gas Lt. Dist.	-	19,164.43	-	1,612.30		-	20,776.73
Mar-03	21007	SE 6th Ave	5,601.45	20,067.24	1,771.94	1,145.08		7,373.39	21,212.32
Oct-04	21025	SR 441 - Palmetto Pk.	1,700.33	87,553.48	2,801.91	7,131.43		4,502.24	94,684.91
Feb-03	21031	Winter Springs Town Ctr.	13,087.65	152,443.73	7,399.90	11,405.56		20,487.55	163,849.29
Jun-05	21151	Lakes of Deland	6.76	83,806.86	591.83	7,022.85		598.59	90,829.71
Jun-04	21160	Riverside at DeBary	4,210.60	137,143.98	5,562.30	10,966.26		9,772.90	148,110.24
Jan-04	21195	Cedar Creek Subdiv.	3,909.34	27,250.73	2,497.11	1,865.13		6,406.45	29,115.86
Jan-04	21212	Equis Subdiv	2,609.61	66,274.73	4,054.10	(746.91)		6,663.71	65,527.82
Mar-06	21242	Casa Bella Subdiv	-	56,579.02	813.63	4,749.30		813.63	61,328.32
Jul-04	21315	Arbor Ridge	12,745.54	218,071.09	18,043.15	(11,368.74)		30,788.69	206,702.35
Nov-04	21328	Inlet Shore Estates	875.30	14,453.26	1,368.56	1,085.75		2,243.86	15,539.01
	21344	Talavera Subdiv	-	17,954.79	-	1,510.52		-	19,465.31
Oct-05	21391	441 Belv to Okeechobee	2,032.25	55,155.59	9,113.01	4,116.86		11,145.26	59,272.45
	21436	Wellington Town Sq	-	720.55	-	463.41		-	1,183.96
Jun-06	21686	Deltona Woods	-	8,257.41	287.99	2,565.78		287.99	10,823.19
	21743	Bella Foresta	-	-	-	37,901.43		-	37,901.43
	21933	Longwood Hills	-	-	-	260.00		-	260.00
	<b>Total</b>		<b>1,761,894.19</b>	<b>5,952,024.25</b>	<b>537,472.76</b>	<b>299,435.36</b>	<b>-</b>	<b>2,299,366.95</b>	<b>6,251,459.61</b>

<p>Note:</p> <ul style="list-style-type: none"> <li>* Collections posted to 1860.4</li> <li>** Includes interest</li> </ul>	<p>Balance in 1860.4 at 12/31/2006 3,952,092.66  Pluss Revenues 2,299,366.95  Less Over/under Recovery -  <b>6,251,459.61</b></p>
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