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ANNUAL REPORT OF
NATURAL GAS UTILITIES

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DIVISION OF
ECONOMIC REGULATION

RECEIVED
PUBLIC SERVICE
COMMISSION

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, 2007

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

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

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. ²) 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
Centurion Plaza, Suite 904
West Palm Beach, Florida 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, 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2007, and the results of its operations for the year ended December 31, 2007, 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
June 6, 2008

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent FLORIDA PUBLIC UTILITIES COMPANY	03 Year of Report December 31, 2007
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) 401 South Dixie Highway, West Palm Beach, FL 33401-5886	
05 Name of Contact Person George Bachman	06 Title of Contact Person Chief Financial Officer & Treasurer
07 Address of Contact Person (Street, City, State, Zip Code) Same as above	
08 Telephone of Contact Person, Including Area Code (561) 838-1731	09 Date of Report (Mo, Da, Yr)

ATTESTATION

I certify that I am the responsible accounting officer of

FLORIDA PUBLIC UTILITIES COMPANY

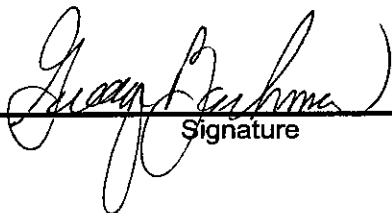
that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2007 to December 31, 2007, 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.

6/11/08
Date


Signature

George Bachman
Name

Chief Financial Officer & Treasurer
Title

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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	\$284,292
Senior Vice President & Chief Operating Officer	Charles L. Stein	\$208,868
Chief Financial Officer, Treasurer & Secretary	George M. Bachman	\$191,462

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	5	\$ -
R.C. Hitchins	325 South Olive Avenue West Palm Beach, Florida	5	\$ 32,001
P.L. Maddock, Jr	275 S County Road Palm Beach, Florida	5	\$ 28,501
D. Hudson (as of 8/05)	PO Box 9012 Stuart, Florida	5	\$ 24,001
Ellen Terry Benoit	250 El Pueblo Way Palm Beach, Florida	5	\$ 21,001
T. Maschmeyer (as of 6/05)	1142 Watertower Road Lake Park, Florida	5	\$ 23,001

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): 12/31/07			
	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities	6,039,767	6,039,767		
TOTAL number of security holders	904	904		
TOTAL votes of security holders listed below	658,898	658,898		
1 Dino Casali, PO Box 387, Thomas, CT 06787	283,530	283,530		
2 Florida Public Utilities, PO Box 3395, West Palm Beach, FL 33402	129,223	129,223		
3 George F. Paris, 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	32,824	32,824		
5 John T. English, 15410 Woodmar Ct. Wellington, FL	29,433	29,433		
6 Eduardo B. Arcentales Trust, 209 Avila Rd., West Palm Beach, FL	28,044	28,044		
7 Charles L. Stein, 711 Hummingbird Way Apt. 106, NPB, FL	19,664	19,664		
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

Florida Public Utilities Company			For the Year Ended	
			December 31, 2007	
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	175,331,789	188,682,029
3	Construction Work in Progress (107)	12	1,951,888	2,405,503
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		177,283,677	191,087,532
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	12	(56,293,436)	(60,598,626)
6	Net Utility Plant (Enter Total of line 4 less 5)		120,990,241	130,488,906
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)	-	2,396,527	859,603
14	Other Investments (124-128, 171)	-	5,715,293	5,621,672
15	Special Funds	-		
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		8,120,256	6,489,711
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	46,668	3,442,010
19	Special Deposits (132-133)	-	3,681,979	3,762,094
20	Working Funds (135)	-	33,700	33,738
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-	297,940	298,411
23	Customer Accounts Receivable (142)	*	9,551,539	10,128,699
24	Other Accounts Receivable (143)	-	57,005	158,153
25	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	-	(364,980)	(264,805)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Assoc. Companies (146)	-	13,452,431	15,251,882
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)	-	1,553,219	1,510,731
32	Merchandise (155)	-	400,795	393,194
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	961,438	860,951
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	1,617,666	1,505,850
41	Miscellaneous Current and Accrued Assets (174)	-		
42	TOTAL Current and Accrued Assets (Enter Total of lines 18 through 41)		31,289,400	37,080,908
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	1,797,719	0
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		0
47	Other Regulatory Assets (182.3)	* 19	9,140,945	7,652,656
48	Prelim. Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-	0	0
50	Temporary Facilities (185)	-	12,836	14,060
51	Miscellaneous Deferred Debits (186+165.3)	19	5,947,855	6,227,313
52	Def. Losses from Disposition of Utility Plant (187)	-		
53	Research, Devel. and Demonstration Expend. (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20	208,741	190,458
55	Accumulated Deferred Income Taxes (190)	24	4,161,318	4,493,908
56	Unrecovered Purchased Gas Costs (1860.21)	19	1,707,678	0
57				
58	TOTAL Deferred Debits (Enter Total of lines 44 through 56)		22,977,092	18,578,395
59	TOTAL Assets and other Debits (Enter Total of lines 6, 7, 8, 16, 42, 57)		183,376,989	192,637,920

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)	-	\$14,793,458	\$14,997,654
3	Preferred Stock Issued (204)	-	600,000	600,000
4	Other Paid-In Capital (208-211) & Accounts 212, 213, 214	-	407,220	440,490
5	Retained Earnings (215, 215.1, 216)	10	32,826,617	34,946,727
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	2,386,527	849,603
7	(Less) Reacquired Capital Stock (217)	-	(2,841,531)	(2,289,976)
8	TOTAL Proprietary Capital (Enter Total of lines 2 through 7)		48,172,291	49,544,498
9	LONG-TERM DEBT			
10	Bonds (221)	* 21	52,500,000	50,771,520
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	50,771,520
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)	-		
19	Accumulated Provision for Property Insurance (228.1)	-	1,636,118	2,387,270
20	Accumulated Provision for Injuries and Damages (228.2)	-	181,443	217,991
21	Accumulated Provision for Pensions and Benefits (228.3)	* -	4,881,025	4,817,053
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-	721,400	26,325
24	TOTAL Other Noncurrent Liabilities (Enter Total of lines 18 through 23)		7,419,986	7,448,639
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-	3,466,000	11,122,000
27	Accounts Payable (232)	* -	10,278,572	9,900,495
28	Notes Payable to Associated Companies (233)	-	0	0
29	Accounts Payable to Associated Companies (234)	-	0	0
30	Customer Deposits (235)	* -	8,024,474	9,742,265
31	Taxes Accrued (236)	-	1,962,101	2,910,651
32	Interest Accrued (237)	-	787,294	1,148,920
33	Dividends Declared (238)	-	652,802	688,174
34	Matured Long-Term Debt (239)	-	0	0
35	Matured Interest (240)	-	0	0
36	Tax Collections Payable (241)	-	640,490	750,142
37	Miscellaneous Current and Accrued Liabilities (242)	* 22	1,340,766	3,419,785
38	Obligations Under Capital Leases-Current (243)	-	0	0
39				
40	TOTAL Current and Accrued Liabilities (Enter Total of lines 26 through 39)		\$27,152,499	\$39,682,431
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	* -	2,314,703	2,407,196
43	Other Deferred Credits (253) & CIAC (271&272)	* 22	18,650,469	16,020,976
44	Other Regulatory Liabilities (2821)	22	9,676,176	10,154,498
45	Accumulated Deferred Investment Tax Credits (255)	23	335,146	266,236
46	Deferred Gains from Disposition of Utility Plant (256)	-		
47	Unamortized Gain on Reacquired Debt (257)	20		
48	Accumulated Deferred Income Taxes (281-283)	24	17,155,719	16,341,925
49	TOTAL Deferred Credits (Enter Total of lines 42 through 48)		48,132,213	45,190,831
50				
51	TOTAL Liabilities and Other Credits (Enter Total of lines 8, 16, 24, 40 and 49)		\$183,376,989	\$192,637,920
52				

* Current year includes reclassification of noted assets and liabilities breakdown of the current portion of the balance. Prior years information was not restated.

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	\$120,370,859	\$119,666,556
3	Operating Expenses			
4	Operation Expenses (401)	27-29	92,685,784	90,661,755
5	Maintenance Expenses (402)	27-29	2,998,611	3,104,317
6	Depreciation Expense (403)	15-16	5,818,771	5,430,705
7	Amort. & Depl. of Utility Plant (404-405) & 407.5		1,537,430	1,560,129
8	Amort. of Utility Plant Acq. Adj. (406)		31,060	31,060
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	9,998,829	9,708,218
14	Income Taxes - Federal (409.1)		2,207,315	3,543,691
15	- Other (409.2)		376,552	605,527
16	Provision for Deferred Inc. Taxes (410.1)	* 24	(1,354,172)	(2,193,047)
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24	-	-
18	Investment Tax Credit Adj. - Net (411.4)	23	(68,910)	(74,963)
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)		114,231,270	112,377,392
24	Net Utility Operating Income (Total of line 2 less 23) (Carry forward to page 14, line 25)		6,139,589	7,289,164
	* 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)	
\$55,520,851	\$48,527,217	\$64,850,008	\$71,139,339	\$0	\$0	1
						2
						3
43,850,103	36,670,819	48,835,681	53,990,936	0	0	4
1,915,790	2,099,313	1,082,821	1,005,004	0	0	5
2,819,833	2,722,496	2,998,938	2,708,209	0	0	6
-		1,537,430	1,560,129			7
-		31,060	31,060			8
-						9
-						10
-						11
-						12
4,282,076	3,982,172	5,716,753	5,726,046	0	0	13
625,169	660,372	1,582,146	2,883,319	0	0	14
106,719	112,523	269,833	493,004	0	0	15
(238,567)	(195,789)	(1,115,605)	(1,997,258)	0	0	16
-				0		17
(29,538)	(32,321)	(39,372)	(42,642)	0	0	18
						19
						20
						21
						22
53,331,585	46,019,585	60,899,685	66,357,807	0	0	23
2,189,266	2,507,632	3,950,323	4,781,532	0	0	24

FLORIDA PUBLIC UTILITIES COMPANY		An Original	For the Year Ended	
			December 31, 2007	
STATEMENT OF INCOME (Continued)				
Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 12)		\$6,139,589	\$7,289,164
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	2,862,097	3,794,992
	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-	(2,500,156)	(3,553,786)
31	Revenues From Nonutility Operations (417)	-	0	0
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-	2,891	3,269
34	Equity in Earnings of Subsidiary Companies (418.1)	10	463,076	157,514
35	Interest and Dividend Income (419)	-	345,624	356,962
36	Allowance for Other Funds Used During Construction (419.1)	-	0	0
37	Miscellaneous Nonoperating Income (421)	-	252,468	259,480
38	Gain on Disposition of Property (421.1)	-	-	-
39	TOTAL Other Income (Enter Total of lines 29 through 38)		1,426,000	1,018,431
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	21,012	33,450
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		21,012	33,450
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)			
47	Income Taxes - Federal (409.1)		213,377	171,465
48	Income Taxes - Other (409.2)		51,197	67,460
49	Provision for Deferred Income Taxes (410.1 & 2)	24	0	6,729
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)		264,574	245,654
54	Net Other Income and Deductions (Enter Total of lines 39,44,53)		1,140,414	739,327
55	Interest Charges			
56	Interest on Long-Term Debt (427)	-	3,948,132	3,948,550
57	Amortization of Debt Disc. and Expense (428)	21	97,523	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	(887,407)	(746,565)
62	Other Interest Expense (431)	33	822,175	557,120
63	(Less) Allow. for Borrowed Funds Used During Const. - Cr. (432)	-	0	0
64	Net Interest Charges (Total of lines 56 through 63)		3,980,423	3,859,710
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		3,299,580	4,168,781
66	Extraordinary Items			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)			
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		\$3,299,580	\$4,168,781
73	Earnings Per Share		0.54	0.69

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)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)		
1	Balance - Beginning of Year		\$32,826,617
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)		2,836,504
11	Appropriations of Retained Earnings (Account 436)		
12	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	687,894
21			
22			
23	TOTAL Dividends Declared - Common Stock (Account 438)		687,894
24	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
25	Balance - End of Year		\$34,946,727
26			
27	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)		
28			
29	Balance - Beginning of Year (Debit or Credit)		2,386,527
30	Equity in Earnings for Year (Credit) (Account 418.1)		463,076
31	(Less) Dividends (Debit)		(2,000,000)
32	Other Changes (Explain)		
33	Balance - End of year		849,603

December 31, 2007

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 Florida Public Service Commission (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 Federal Energy Regulatory Commission (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, allowance for doubtful accounts, 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 2007 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. The Company would be required to expense the regulatory assets and record revenue or reduce expenses for the regulatory liabilities, with the exception of the deferred retirement plan which would be recorded to Other Comprehensive income (loss) and cost of removal, if they no longer were subject to the provisions of SFAS No. 71, or the FPSC disallowed the deferral of these regulatory assets and liabilities. Upon disallowance, it is possible some liabilities would have to be refunded to customers.

Summary of Regulatory Assets and Liabilities
(Dollars in thousands)

	<u>2007</u>	<u>2006</u>
Assets		
Deferred development costs (1)	\$ 4,265	\$ 3,952
Unamortized fuel related regulatory costs (5)	36	48
Environmental assets (2)	7,653	8,271
Storm Reserve assets (3)	-	283
Deferred retirement plan costs (4)	-	587
Unamortized Rate Case expense (7)	535	368
Under-recovery of fuel costs (6)	-	862
Unamortized piping and conversion costs (1)	1,379	1,521
Unamortized loss on reacquired debt (1)	190	209
Total Regulatory Assets	<u>\$14,058</u>	<u>\$16,101</u>
Liabilities		
Tax liabilities (8)	\$ 796	\$ 876
Cost of removal (9)	9,359	8,800
Deferred retirement plan costs (4)	564	-
Storm reserve liabilities(3)	2,387	1,636
Over-recovery of fuel costs (6)	2,761	3,656
Over-recovery of conservation (6)	446	355
Over-earnings liability (3)	26	722
Total Regulatory Liabilities	<u>\$16,339</u>	<u>\$16,045</u>

- (1) Deferred development costs, unamortized piping and conversion costs, and unamortized loss on reacquired debt are included in deferred charges in the consolidated balance sheets.
- (2) The Company has 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 Commission ordered disposition of our 2005 over-earnings to eliminate the related regulatory asset-storm reserve and the storm surcharge collected from customers in our natural gas operations. The remaining over-earnings was used to fund a storm reserve for future storm costs in our natural gas

division. Our natural gas storm reserve is approximately \$613,000 as of December 31, 2007 as a result of this order.

- (4) 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 and at December 31, 2007 resulted in a regulatory liability for \$564,000.
- (5) 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.
- (6) The Company has certain costs that are passed directly through to customers for recovery including fuel and conservation costs. There are amounts related to these expenses that are either over or under-recovered in a calendar year. These over-recoveries will be returned to customers and under-recoveries will be collected from customers in the following year, but both are deferred in the current period.
- (7) The Company has costs associated with preparing and filing a rate proceeding before the FPSC. These costs are amortized over a four or five year period. This represents the unamortized portion of these costs. The Company has incurred additional rate case costs associated with the electric filing expected to be finalized in 2008. The additional costs are expected to be amortized over a four year period beginning mid 2008.
- (8) The Company has deferred tax liabilities associated with property. The Company uses a FPSC-approved method to amortize these liabilities.
- (9) The Company has a liability for the estimated future costs to remove or retire existing fixed assets.

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 in their electric segment, and approval, if any, is expected in the second quarter of 2008.

At December 31, 2007, all of our regulatory assets and all of our regulatory liabilities are reflected or are expected to be reflected in rates charged to customers.

Criteria that give rise to the discontinuance of SFAS 71 include increasing competition that restricts our ability to establish prices to recover specific costs, and a significant change in the manner in which rates are set by regulators from cost-based regulation to another form of regulation. We periodically review these criteria to ensure that the continuing application of SFAS 71 is appropriate. Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, we believe that our regulatory assets are probable of recovery.

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-earning 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.

Interim rate relief for partial recovery of the increased expenditures was approved by the Commission on October 23, 2007. Interim rates which should produce additional annual revenues of approximately \$800,000 went into effect for meter readings on and after November 22, 2007. The permanent rates may differ from the interim rates, and the interim rates are collected subject to refund with interest.

H. Taxes Collected from Customers and Remitted to Governmental Authorities

The Company remits to governmental authorities various taxes collected from customers throughout the year including gross receipts and franchise taxes. These taxes are pass through revenues and expenses and do not impact the Company's results of operations. The amount of gross receipts and franchise taxes for the year ending December 31, 2007 and 2006 was \$7.1 million and \$6.9 million, respectively.

I. 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
2005	\$ 269	356	359	\$ 272
2006	\$ 272	466	623	\$ 429
2007	\$ 429	551	448	\$ 326

J. Utility Plant and Depreciation

Utility plant is stated at original cost. The propane gas utility plant that was acquired through 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	Annual Composite Depreciation	
		2007	2006
Land		\$ 4,675	\$ 1,130
Buildings	2.0% to 4.9%	7,085	6,991
Distribution	2.0% to 7.5%	167,252	158,010
Transmission	2.2% to 3.8%	6,894	6,878
Equipment	2.2% to 20.0%	13,307	12,700
Furniture and Fixtures	4.8% to 20.0%	417	392
Work-in-Progress		2,754	2,867
		<u>\$ 202,384</u>	<u>\$ 188,968</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 3.8% in 2007, 3.9% in 2006 and 3.9% in 2005. Depreciation expense was \$6.7 million, \$6.2 million and \$5.7 million for 2007, 2006 and 2005, respectively.

K. Impact of Recent Accounting Standards

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. On February 12, 2008, the FASB issued proposed FASB Staff Position No. FAS No. 157-2, "Effective Date of FASB Statement No. 157" which defers the effective date for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually) to fiscal years beginning after November 15, 2008. The Company expects to adopt SFAS No. 157 effective January 1, 2009. The Company is still evaluating the impact adoption of this Statement will have on our financial condition or results of operation.

Financial Accounting Standard No. 159

In February 2007, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits measurement at fair value of certain firm commitments, nonfinancial insurance contracts and warranties, host financial instruments and recognized financial assets and liabilities, excluding consolidating investments in subsidiaries, consolidating variable interest entities, various forms of deferred compensation agreements, leases, depository institution deposit liabilities and financial instruments included in shareholders' equity. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not expect to adopt SFAS No. 159.

Financial Accounting Standard No. 160

In December 2007, the FASB issued Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51". This standard requires noncontrolling ownership interests be disclosed separately in equity, separate disclosure of income contributable to each party, changes in controlling interests be reported consistently, and deconsolidation be measured at fair value. As the company does not currently have any noncontrolling interests this standard will not have an impact on our financial condition or results of operations until the Company acquires a noncontrolling interest.

Financial Accounting Standard No. 141R

In December 2007, the FASB issued a revision to Statement No. 141, "Business Combinations". This statement is effective prospectively for business combinations occurring on or after January 1, 2009 for our company. This revision broadens the scope of a business combination to include transactions in which no consideration has been exchanged, sets the acquisition date as the date control is obtained, replaces the cost allocation method with fair value method to assign values to assets and liabilities assumed, requires restructuring costs to be recorded separate of the business combination, and does not permit deferral of contractual contingencies at acquisition date. As this revision is adopted prospectively and all qualifying future business combinations would be evaluated under the new provisions, the effects on our results of operations will

depend on the nature and size of any future acquisitions.

L. Earnings Per Share

The Company includes earnings per common share (basic and diluted) on the consolidated statements of income. The Company does not have dilutive or anti-dilutive shares.

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 with indefinite lives to fair value. The impairment tests performed in 2006 and 2007 showed no impairment for either reporting segment.

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

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

Intangible Assets			
(Dollars in thousands)			
		<u>2007</u>	<u>2006</u>
Customer distribution rights	(Indefinite life)	\$ 1,900	\$ 1,900
Customer relationships	(Indefinite life)	900	900
Software	(Five to nine year life)	3,499	3,122
Accumulated amortization		(1,869)	(1,517)
Total intangible assets, net of amortization		<u>\$4,430</u>	<u>\$ 4,405</u>

The 2007 amortization expense of computer software is approximately \$352,000. 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.

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.

In 2007, there were no estimated natural gas over-earnings.

The Company recorded estimated 2006 over-earnings for regulated natural gas operations of \$25,000. Interest accrued on this estimated over-earnings as of December 31, 2007 is \$1,300. This liability is included in the over-earnings liability on the Company's consolidated balance sheet of December 31, 2007. The calculations supporting these liabilities are complex and involve a variety of projections and estimates before the ultimate settlement of such obligations. Estimates may be revised as expectations change and factors become known and determinable.

The 2006 over-earnings liability is based on the Company's best estimate, but the amount could change upon the FPSC finalization expected in 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.

On August 14, 2007 the Commission finalized the disposition of 2005 over-earnings for the natural gas segment. Total over-earnings was determined to be \$666,000, plus interest of \$76,000.

The Commission ordered disposition of 2005 over-earnings to eliminate the related regulatory asset-storm reserve in natural gas operations and the storm surcharge collected from customers. The remaining over-earnings was used to fund a storm reserve for any future storm costs.

2005 Natural Gas Over-Earnings Summary			
(Dollars in thousands)			
	December 31, 2007		
	Before Application of PSC Order	2007 Adjustment	After Application of PSC Order
Current Assets:			
Other regulatory assets-storm reserve current	\$ 116	\$ (116)	\$ 0
Assets:			
Other regulatory assets-storm reserve	13	(13)	0
Capitalization and Liabilities:			
Over-earnings liability	768	(742)	26
Regulatory liability -storm reserve	1,774	613	2,387
Revenues:			
Natural Gas Revenue	64,866	(16)	64,850
Other Income and (Deductions):			
Interest expense on customer deposits and other	(659)	(76)	(735)

4. Storm Reserves

As of December 31, 2007, the Company had a storm reserve of approximately \$1.8 million for the electric segment and approximately \$613,000 for the natural gas segment. The Company does not have a storm reserve for the propane gas segment.

As noted above, in the August 2007 the Commission ordered disposition of 2005 over-earnings to eliminate the related regulatory asset – storm reserve in natural gas operations and the storm surcharge collected from customers. The remaining over-earnings was used to fund a storm reserve for any future storm costs.

5. Income Taxes

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.

At January 1, 2007, we 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.

In February of 2007, the IRS selected our 2003 and 2004 tax years for examination. As of December 31, 2007, the IRS examination was not complete. We performed an assessment of our uncertain tax positions as of December 31, 2007, and recognized a FIN 48 liability for various tax positions relating solely to the timing of various tax deductions. A disallowance of the shorter deductibility period for these tax positions would not affect the annual effective income tax rate. These tax positions relate to the 2004 through 2007 tax years. The effects of these tax positions are disclosed in the reconciliation below.

Changes during the year in unrecognized tax benefits were as follows:

(Dollars in thousands)

Balance at January 1, 2007	\$ -
Additions based on tax positions related to the current year	(23)
Additions for tax positions of prior years	291
Reductions for tax positions of prior years	-
Settlements	-
Balance at December 31, 2007	\$ 268

In February 2008, the IRS submitted its Notice of Proposed Adjustment to us. We have reviewed and expect to agree to the IRS proposed audit adjustments in March 2008.

It is reasonably possible that a liability associated with uncertain tax positions may arise within the next twelve months. These changes may be the result of the ongoing IRS audit, the expiration of statutes of limitations or from other developments. At this time an estimate of reasonably possible outcomes cannot be made.

We are subject to taxation in the United States and the State of Florida. Our tax years from 2004 through 2007 are subject to examination by the tax authorities.

The Company's policy regarding interest and penalties related to income tax matters is to recognize such items separately and not as components of income tax expense. For the year ended December 31, 2007 we have recognized \$44,000 in interest expense and accrued interest and no penalty expense related to income tax matters.

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. Provision for Income Taxes

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

(Dollars in thousands)	<u>2007</u>	<u>2006</u>
Current payable		
Federal	\$ 2,518	\$ 3,652
State	<u>446</u>	<u>664</u>
Current	<u>2,964</u>	<u>4,316</u>
Deferred		
Federal	(1,028)	(1,723)
State	<u>(170)</u>	<u>(280)</u>
Deferred – net	<u>(1,198)</u>	<u>(2,003)</u>
Investment tax credit	<u>(69)</u>	<u>(75)</u>
Total income taxes	<u>\$ 1,697</u>	<u>\$ 2,238</u>

B. Effective Tax Rate Reconciliation

The difference between the effective income tax rate and the statutory federal income tax rate applied to pretax income is as follows:

(Dollars in thousands)	Years ended December 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Federal income tax at statutory rate (34%)	\$ 1,699	\$ 2,178	\$ 2,222
State income tax, net of federal benefit	181	233	237
Investment tax credit	(69)	(75)	(81)
Tax exempt interest	(85)	(85)	(71)
Other	<u>(29)</u>	<u>(13)</u>	<u>(20)</u>
Total provision for income taxes	<u>\$ 1,697</u>	<u>\$ 2,238</u>	<u>\$ 2,287</u>

C. Deferred Income Taxes

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

(Dollars in thousands)	Years ended December 31,	
	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Environmental liability	\$ 2,249	\$ 2,063
Self insurance liability	763	774
Storm reserve liability	898	509
Vacation payable	384	357
Other deferred credits	-	15
Allowance for doubtful accounts	123	162
Amortizable customer based intangibles	670	-
General liability	82	68
Rate refund liability	10	271
Pension liability	1,086	789
Under/over-recovery of conservation costs	167	134
Other liabilities	<u>47</u>	<u>37</u>

Total deferred tax assets	<u>6,479</u>	<u>5,179</u>
Deferred tax liabilities:		
Utility plant related	20,677	20,274
Deductible intangibles	781	696
Under-recovery of fuel costs	406	643
Deferred rate case expense	201	138
Loss on reacquired debt	71	79
Other	<u>24</u>	<u>32</u>
Total deferred tax liabilities	<u>22,160</u>	<u>21,862</u>
Net deferred income taxes liabilities	<u>\$ 15,681</u>	<u>\$ 16,683</u>

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

(Dollars in thousands)	<u>2007</u>	<u>2006</u>
Deferred income tax asset (liability) – current	\$ 949	\$ (579)
Deferred income tax liability – long term	<u>(16,630)</u>	<u>(16,104)</u>
Net deferred income tax liabilities	<u>\$ (15,681)</u>	<u>\$ (16,683)</u>

6. Capitalization

A. Common Shares Reserved

The Company has 3,817,017 authorized but unissued shares and 129,223 treasury shares as of December 31, 2007. The Company has reserved the following common shares for issuance as of December 31, 2007:

Dividend Reinvestment Plan	37,736
Employee Stock Purchase Plan	24,059
Board Compensation Plan	17,564

B. 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, 2007. The preferred stock is included in stockholders' equity on the balance sheet.

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

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

C. 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, 2007, approximately \$9.6 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. As of December 31, 2007 the Company was not in violation of these covenants.

D. Employee Stock Purchase Plan

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

E. 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 \$1.7 million in 2007 and \$1.8 million in 2006.

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

	Total	2008	2009	2010	2011	2012	Thereafter
Long-term Debt	\$52,490	\$1,409	\$1,409	\$1,409	\$1,409	\$1,409	\$ 45,445

8. Line of Credit

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 \$11.1 million. The Company reserves \$1 million of the line of credit to cover expenses for any major storm repairs in its electric segment. An additional \$250,000 of the line of credit is reserved for a 'letter of credit' insuring our propane facilities. In March 2008, we amended our line of credit to allow us, upon 30 days notice, to increase our maximum credit line to \$26 million. The new agreement expires July 1, 2010. The amendment also reduces the interest rate paid on borrowings by .10% or 10 basis points. The new interest rate terms, if effective for 2007, would have reduced our overall average interest rate for 2007 to approximately 5.7% from 5.8% as of December 31, 2007.

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

Year	Rate
2007	5.8%
2006	6.2%
2005	5.3%

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 indentures governing our two first mortgage bond series outstanding contain "make-whole" provisions (pre-payment penalties that charge for lost interest). The values at December 31 are shown below.

(Dollars in thousands)	2007		2006	
	Carrying Amounts	Approximate Fair Value	Carrying Amounts	Approximate Fair Value
Long-term debt	\$ 52,490	\$60,000	\$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	\$ 4,926	\$ 18,152
Sanford	727	727
Pensacola and Key West	123	123
Total	\$ 5,776	\$ 19,002

The Company currently has \$13.6 million recorded as our best estimate of the 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 \$6 million from insurance and rate recovery, net of costs incurred to date. The remaining balance of \$7.6 million is recorded as a regulatory asset. On October 18, 2004 the FPSC approved recovery of \$9.1 million for environmental liabilities. The amortization of this recovery and reduction to the regulatory asset began on January 1, 2005. The majority of environmental cash expenditures is 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 field investigations for the contamination assessment task in October 2006. Thereafter, The Company retained an engineering consultant, The RETEC Group, Inc. (RETEC), to perform a feasibility study to evaluate appropriate remedies for the site to respond to the reported soil and groundwater impacts. On November 30, 2006, RETEC transmitted a feasibility study to the Company and FDEP. The feasibility study evaluated a wide range of remedial alternatives. 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 are projected to range from \$4.6 million to \$17.9 million. This range of costs covers such remedies as in situ solidification for the deeper impacts, excavation of surficial soils, installation of a barrier wall with a permeable biotreatment zone, or some combination of these remedies.

By letter dated May 7, 2007, FDEP provided its comments to the feasibility study, the substance of which was discussed at a meeting between the Company and FDEP on September 14, 2007. A response to the comments was submitted by the Company to FDEP on October 31, 2007. We are currently awaiting FDEP's comments to the response.

Based on the information provided in the feasibility study, remaining legal fees are currently projected to be approximately \$295,000. Consulting and remediation costs are projected to range from \$4.6 million to \$17.9 million. Thus, the Company's total probable legal and cleanup costs for the West Palm Beach site are currently projected to range from \$4.9 million to \$18.2 million.

Sanford Site

The Company owns a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to the Company's 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. This AOC 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 agreement.

In late September 2006, the EPA sent a Special Notice Letter to the Company, notifying it, and the other responsible parties at the site (Florida Power Corporation, Florida Power & Light Company, Atlanta Gas Light Company, and the City of Sanford, Florida, collectively with FPUC, "the Sanford Group"), of EPA's selection of a final remedy for OU1 (soils), OU2 (groundwater), and OU3 (sediments) for the site. The total estimated remediation costs for the Sanford gasification plant site are now projected to be \$12.9 million. The Sanford Group was further advised that the EPA was willing to negotiate a consent decree with the Sanford Group to provide for the implementation of the final remedy approved by the EPA for the site.

In January 2007, the Company and other members of the Sanford Group signed a Third Participation Agreement, which provides for funding the final remedy approved by the EPA for the site. The Company's share of remediation costs under the Third Participation Agreement is set at a maximum of \$650,000, providing the total cost of the final remedy does not exceed \$13 million. At present, it is not anticipated that the total cost will exceed \$13 million. If it does, the Sanford Group members have agreed to negotiate in good faith at such time that it appears that the total cost will exceed \$13 million for the allocation of the additional cost. The Company has advised the other members of the Sanford Group that the Company is unwilling at this time to agree to pay any sum in excess of the \$650,000 committed by the Company in the Third Participation Agreement.

On June 26, 2007, the Sanford Group transmitted to the EPA a consent decree signed by all Group Members, providing for the implementation by the Sanford Group of the remedy selected by the EPA for the site. The consent decree is currently being circulated within the EPA and the United States Department of Justice for execution by those parties. Thereafter, the consent decree will be lodged with the federal court in Orlando, Florida. Following a public comment period, it is anticipated that the federal court will enter the consent decree. The Sanford Group will then be obligated to implement the remedy approved by the EPA for the site.

Remaining legal fees and costs are currently projected to be approximately \$77,000. The Company's obligation under the Third Participation Agreement is \$650,000. Thus, the Company's total probable legal and cleanup costs for the Sanford site are currently projected to be approximately \$727,000.

Pensacola Site

We are the prior owner/operator of the former Pensacola gasification plant, located in Pensacola, Florida. Following notification on October 5, 1990 that FDEP had determined that we were one of several responsible parties for any environmental impacts associated with the former gasification plant site, we entered into cost sharing

agreements with three other responsible parties providing for the funding of certain contamination assessment activities at the site.

Consulting and remediation costs are projected to be \$26,000 and legal fees are projected to be \$4,000, for total probable costs for the Pensacola site of \$30,000.

Key West Site

From 1927-1938, we owned and operated a gasification plant in Key West, Florida. The plant discontinued operations in the late 1940s; the property on which the plant was located is currently used for a propane gas distribution business. In March 1993, a Preliminary Contamination Assessment Report (PCAR) was prepared by a consultant jointly retained by the current site owner and the Company and was delivered to FDEP. The PCAR reported that very limited soil and groundwater impacts were present at the site. By letter dated December 20, 1993, FDEP notified us that the site did not warrant further "CERCLA consideration and a Site Evaluation Accomplished disposition is recommended." FDEP then referred the matter to its Marathon office for consideration of whether additional work would be required by FDEP's district office under Florida law.

Consulting and remediation costs are projected to be \$83,000 and legal fees are projected to be \$10,000, for total probable costs for the Key West site of \$93,000.

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 2023. At December 31, 2007, 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 \$41.9 million during 2008 related to gas purchase agreements. Substantially all costs incurred under the electric and gas purchase agreements are currently recoverable from customers through fuel adjustment clause mechanisms.

12. Employee Benefit Plans

The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 resulting in an additional liability for retirement plans, pension plan and retirees' medical plan have been recorded.

A. Pension Plan

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.

Our Company adopted the recognition provisions of Statement 158, as required, at December 31, 2006 and used December 31 as the measurement date to measure the assets and obligations of its retirement plans. This resulted in an additional liability for retirement plans. The tax on the non-regulated portion of the liability has been recorded as a deferred income tax asset/liability. As an offset, the regulatory portion of this liability has been deferred as a regulatory asset/liability to be recovered in future rate proceedings and the remaining income/loss has been included in other accumulated comprehensive income/loss.

The fair value of our retirement plan assets and obligations are subject to change based on market fluctuations.

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, 2007 and a statement of the funded status as of December 31, of all three years:

Benefit Obligations and Funded Status

	Years Ended December 31,		
	2007	2006	2005
(1) Change in Projected Benefit Obligation			
(a) Projected Benefit Obligation at the Beginning of the Year	\$38,650,888	\$36,349,925	\$34,926,383
(b) Service Cost	1,053,824	1,225,495	1,195,723
(c) Interest Cost	2,293,540	2,160,719	2,000,099
(d) Actuarial (Gain) or Loss	(909,856)	541,865	(842,777)
(e) Benefits Paid	(1,568,572)	(1,529,258)	(1,514,341)
(f) Change in Plan Provisions	-	-	-
(g) Curtailment	-	(97,858)	584,838
(h) Projected Benefit Obligation at the End of the Year	\$39,519,824	\$38,650,888	\$36,349,925
(i) Accumulated Benefit Obligation (ABO) at the End of the Year	\$34,139,719	\$33,693,860	\$31,966,513
(2) Change in Plan Assets			
(a) Fair Value of Plan Assets at the Beginning of the Year	\$35,635,214	\$32,936,666	\$32,385,214
(b) Actual Return on Plan Assets	1,923,674	3,977,806	2,065,793
(c) Benefits Paid	(1,568,572)	(1,529,258)	(1,514,341)
(d) Employer Contributions	250,000	250,000	-
(e) Fair Value of Assets at the End of the Year	\$36,240,316	\$35,635,214	\$32,936,666
(3) Funded Status: (2)(e) - (1)h	\$(3,279,508)	\$(3,015,674)	\$(3,413,259)
(4) Amounts Recognized in the Statement of Financial Position Before Applying FAS 158			
(a) Prepaid (Accrued) Benefit Cost	\$(3,466,255)	\$(2,070,740)	\$(721,333)
(b) Net Asset (Liability)	\$(3,466,255)	\$(2,070,740)	\$(721,333)
(c) Charge to Accumulated Other Comprehensive Income:	-	-	-
(5) Adjustments Caused by Applying FAS 158			
(a) Increase in Net Asset (Liability): (3) - (4)(b)	\$186,747	\$(944,934)	N/A
(b) Increase in Charge to Accumulated Other Comprehensive Income:	(29,768)	207,885	N/A
(c) Increase in Charge to Regulatory Asset - retirement plans	(156,979)	737,049	N/A
(d) Subtotal of Adjustments: (a)+(b)+(c)	\$ -	\$ -	N/A
(6) Amount Recognized in Statement of Financial Position After applying FAS 158			
(a) Net Asset (Liability): (4)(b) + (5)(a)	\$(3,279,508)	\$(3,015,674)	\$(721,333)
(b) Charge to Accumulated Other Comprehensive Income: (4)(c) + (5)(b)	\$(29,768)	\$207,885	-
(c) Regulatory Asset-Retirement Plans (5) (c)	\$(156,979)	\$737,049	-
(7) Net Asset (Liability) Recognized in the Statement of Financial Position After applying FAS 158			
(a) Noncurrent Assets	-	-	N/A
(b) (Current Liabilities)	-	-	N/A
(c) (Noncurrent Liabilities)	\$(3,279,508)	\$(3,015,674)	N/A
(d) Total Net Asset (Liability): (a) + (b) + (c)	\$(3,279,508)	\$(3,015,674)	N/A

(8)	Amount Recognized in Accumulated Other Comprehensive Income And Regulatory Asset –Retirement Plans After applying FAS 158			
(a)	Transition Obligation (Asset)	-	-	N/A
(b)	Prior Service Cost (Credit)	\$3,255,374	\$3,992,489	N/A
(c)	Net (Gain)	(3,442,121)	(3,047,555)	N/A
(d)	Total	\$(186,747)	\$944,934	N/A
(9)	Weighted Average Assumption at End of Year			
(a)	Discount Rate	6.65%	6.00%	5.90%
(b)	Rate of Compensation Increase	3.90%	3.25%	3.15%
(c)	Mortality	RP-2000	GAM 83	GAM 83

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2007, 2006 and 2005:

		Net Periodic Pension Costs		
		Years Ended December 31,		
		2007	2006	2005
(1)	Service Cost	\$1,053,824	\$1,225,495	\$1,195,723
(2)	Interest Cost	2,293,540	2,160,719	2,000,099
(3)	Expected Return on Plan Assets	(2,438,964)	(2,426,064)	(2,485,985)
(4)	Amortization of Transition Obligation/(Asset)	-	-	-
(5)	Amortization of Prior Service Cost	737,115	737,115	737,115
(6)	Amortization of Net (Gain)	-	-	-
(7)	Total FAS 87 Net Periodic Pension Cost	\$1,645,515	\$1,697,265	\$1,446,952
(8)	FAS 88 Charges / (Credits)			
(a)	Curtailement	-	(97,858)	-
(9)	Total Net Periodic Pension Cost and Comprehensive Income	\$1,645,515	\$1,599,407	\$1,446,952
(10)	Weighted Average Assumptions			
(a)	Discount Rate at Beginning of the Period	6.00%	5.90%	5.75%
(b)	Expected Return on Plan Assets	8.50%	8.50%	8.50%
(c)	Rate of Compensation Increase	3.25%	3.15%	3.00%

		Plan Assets			
		Target Allocation	Percentage of Plan Assets at December 31		
		2008	2007	2006	2005
(1)	Plan Assets				
(a)	Equity Securities	40% - 75%	64%	68%	67%
(b)	Debt Securities	25% - 50%	36%	30%	32%
(c)	Real Estate	0% - 0%	0%	0%	0%
(d)	Other	0% - 15%	0%	2%	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 50 to 60 percentile range of returns on investment portfolios with asset diversification similar to that of the Pension Plan's target asset allocation.

Investment Policy and Strategy

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, 2008	
	(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) 2008	\$1,854,039
	(b) 2009	\$2,012,880
	(c) 2010	\$2,141,170
	(d) 2011	\$2,237,970
	(e) 2012	\$2,370,069
	(f) 2013 - 2017	\$14,320,239
(3)	Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/08	-

Other Accounting Items

	Years Ended December 31,		
	2007	2006	2005
(1) Market-Related Value of Assets as of the Beginning of fiscal year	\$31,290,939	\$29,290,131	\$30,016,761
(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	10.56	10.80	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, 2007	December 31, 2006	December 31, 2005

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, 2007:

		Benefit Obligations and Funded Status		
		Fiscal Year Ending		
		12/31/2007	12/31/2006	12/31/2005
(1)	Change in Accumulated Postretirement Benefit Obligation (ABO)			
(a)	Accumulated Postretirement Benefit Obligation at the Beginning of the Year	\$1,865,353	\$2,343,583	\$1,925,254
(b)	Service Cost	54,603	59,982	100,054
(c)	Interest Cost	95,348	105,483	127,312
(d)	Actuarial (Gain) or Loss	(329,969)	(568,755)	282,812
(e)	Benefits Paid	(96,975)	(117,459)	(135,166)
(f)	Change in Plan Provisions	-	-	-
(g)	Plan Participant's Contributions	33,193	42,519	43,317
(h)	Accumulated Postretirement Benefit Obligation at the End of the Year	<u>\$1,621,553</u>	<u>\$1,865,353</u>	<u>\$2,343,583</u>
(2)	Change in Plan Assets			
(a)	Fair Value of Plan Assets at the Beginning of the Year	\$ -	\$ -	\$ -
(b)	Benefits Paid	(96,975)	(117,459)	(135,166)
(c)	Employer Contributions	63,782	74,940	91,849
(d)	Plan Participant's Contributions	33,193	42,519	43,317
(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>\$(1,621,553)</u>	<u>\$(1,865,353)</u>	<u>\$(2,343,583)</u>
(4)	Amounts Recognized in the Statement of Financial Position Before Applying FAS 158			
(a)	Prepaid (Accrued) Benefit Cost	\$(2,138,886)	\$(2,057,833)	\$(1,942,393)
(b)	(Additional Liability due to an Unfunded ABO)	-	-	-
(c)	Intangible Asset	-	-	-
(d)	Net Asset (Liability): (a) + (b) + (c)	<u>\$(2,138,886)</u>	<u>\$(2,057,833)</u>	<u>\$(1,942,393)</u>
(e)	Charged to Accumulated Other Comprehensive Income:	-	-	-
(5)	Adjustments Caused by Applying FAS 158			
(a)	Increase in Net Asset (Liability): (3) - (4)(d)	\$517,333	\$192,480	N/A
(b)	Increase in charge to Accumulated Other Comprehensive Income:			
(c)	Increase in charge to Regulatory Asset-retirement plans	(110,565)	(42,346)	N/A
(d)	Subtotal of Adjustments: (a) + (b) + (c)	<u>(406,768)</u>	<u>(150,134)</u>	N/A
(6)	Amounts Recognized in the Statement of Financial Position After applying FAS 158			
(a)	Net Asset (Liability): (4)(d) +(5)(a)	\$ (1,621,553)	\$ (1,865,353)	\$ (1,942,393)

	Charge to Accumulated Other Comprehensive Income:			
(b)	(4)(e) + (5)(b)	(110,565)	(42,346)	-
(c)	Charge to Regulatory Asset-Retirement Plans (5)(c)	(406,768)	(150,134)	-
(7)	Net Asset (Liability) Recognized in the Statement of Financial Position After Applying FAS 158			
(a)	Noncurrent Assets	\$ -	\$ -	N/A
(b)	(Current Liabilities)	(88,176)	(150,589)	N/A
(c)	(Noncurrent Liabilities)	(1,533,377)	(1,714,764)	N/A
(d)	Total Net Asset (Liability): (a) + (b) + (c)	<u>\$(1,621,553)</u>	<u>\$(1,865,353)</u>	<u>N/A</u>
(8)	Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Asset After Applying FAS 158			
(a)	Transition Obligation (Asset)	\$214,470	\$257,366	N/A
(b)	Prior Service Cost (Credit)	-	-	N/A
(c)	Net (Gain) or Loss	(731,803)	(449,846)	N/A
(d)	Total	<u>\$(517,333)</u>	<u>\$(192,480)</u>	<u>N/A</u>
(9)	Weighted Average Assumptions at the End of the Year			
(a)	Discount Rate	6.45%	6.00%	5.90%
(b)	Rate of Compensation Increase	N/A	N/A	N/A
(c)	Mortality	RP-2000	GAM 83	GAM 83
(10)	Assumed Health Care Cost Trend Rates			
(a)	Health Care Cost Trend Rate Assumed for Next Year	10.50%	11.50%	9.00%
(b)	Ultimate Rate	5.00%	5.00%	5.00%
(c)	Year that the Ultimate Rate is Reached	2014	2014	2010

Net Periodic Postretirement Benefit Cost

		Years ended December 31,		
		2007	2006	2005
(1)	Service Cost	\$54,603	\$59,982	\$100,054
(2)	Interest Cost	95,348	105,483	127,312
(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	<u>(48,012)</u>	<u>(17,981)</u>	<u>-</u>
(6)	Total Net Periodic Benefit Cost	<u>\$144,835</u>	<u>\$190,380</u>	<u>\$270,262</u>
(7)	Weighted Average Assumptions			
(a)	Discount Rate	6.00%	5.90%	5.75%
(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	11.50%	12.50%	10.00%
(b)	Ultimate Rate	5.00%	5.00%	5.00%
(c)	Year that the Ultimate Rate is Reached	2014	2014	2010

Expected Amortizations

		Years ended December 31,		
		2007	2006	2005
(1)	Expected Amortization of Transition Obligation (Asset)	\$42,896	\$42,896	N/A
(2)	Expected Amortization of Prior Service Cost (Credit)	-	-	N/A
(3)	Expected Amortization of Net Loss (Gain)	(51,238)	(48,012)	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	\$19,948	\$(17,221)	
(b)	Effect on Postretirement Benefit Obligation	\$185,949	\$(162,342)	

Plan Assets

		Target Allocation	Percentage of Plan Assets at December 31		
		2008	2007	2006	2005
(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 12/31/2008				
(a)	Expected Employer Contributions				\$88,176
(b)	Expected Employee Contributions				\$30,968
(2)	Estimated Future Benefit Payments Reflecting Expected Future Service for the Fiscal Year(s) Ending				
		<u>Total</u>	<u>Medicare Part-D Reimbursement</u>	<u>Employee</u>	<u>Employer</u>
(a)	12/31/2008	\$126,474	\$7,330	\$30,968	\$88,176
(b)	12/31/2009	\$130,300	\$8,172	\$33,442	\$88,686
(c)	12/31/2010	\$166,738	\$8,678	\$39,755	\$118,305
(d)	12/31/2011	\$180,399	\$9,266	\$41,073	\$130,060
(e)	12/31/2012	\$204,537	\$9,819	\$45,314	\$149,404
(f)	12/31/2013 – 12/31/2017	\$1,136,086	\$66,675	\$253,092	\$816,319
(3)	Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/08				\$0

Other Accounting Items

	Years Ended December 31,		
	2007	2006	2005
(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	10.90	11.10	13.35
(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, 2007	December 31, 2006	December 31, 2005

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," a prescription drug pricing tool 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. Because the subsidy is the same regardless of the cost sharing structure (unless the plan is not "Actuarial Equivalent"), in general a plan that has higher cost sharing would reduce their annual cost as a percentage greater than a plan would that has lower cost sharing.

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 were approximately \$1.8 million in 2007, \$1.7 million in 2006 and \$1.6 million in 2005 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 provides 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 enhanced match was successfully negotiated with our six union contracts in 2007. Employees are automatically enrolled at 3% contribution, with the option of opting out, and are eligible for the company match after six months of continuous service, with vesting of 100% after three years of continuous service.

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 2007, 2006 and 2005 is summarized as follows:

(Dollars in thousands)	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues			
Natural gas	\$ 64,850	\$ 71,139	\$ 69,094
Electric	55,521	48,527	47,450
Propane gas	<u>16,171</u>	<u>15,115</u>	<u>13,741</u>
Consolidated	<u>\$ 136,542</u>	<u>\$ 134,781</u>	<u>\$ 130,285</u>
Operating income, excluding income tax			
Natural gas	\$ 4,647	\$ 6,118	\$ 6,049
Electric	2,653	3,053	3,502
Propane gas	<u>1,521</u>	<u>1,006</u>	<u>1,086</u>
Consolidated	<u>\$ 8,821</u>	<u>\$ 10,177</u>	<u>\$ 10,637</u>
Identifiable assets			
Natural gas	\$ 99,295	\$ 93,689	\$ 96,106
Electric	54,202	52,251	51,317
Propane gas	19,371	19,239	19,567
Common	<u>19,476</u>	<u>16,055</u>	<u>15,676</u>
Consolidated	<u>\$ 192,344</u>	<u>\$ 181,234</u>	<u>\$ 182,666</u>
Depreciation and amortization			
Natural gas	\$ 4,374	\$ 4,095	\$ 3,928
Electric	2,714	2,610	2,404
Propane gas	898	720	621
Common	<u>300</u>	<u>317</u>	<u>313</u>
Consolidated	<u>\$ 8,286</u>	<u>\$ 7,742</u>	<u>\$ 7,266</u>
Construction expenditures			
Natural gas	\$ 11,134	\$ 7,643	\$ 6,357
Electric	4,387	3,184	3,775
Propane gas	773	1,885	2,133
Common	<u>446</u>	<u>404</u>	<u>176</u>
Consolidated	<u>\$ 16,740</u>	<u>\$ 13,116</u>	<u>\$ 12,441</u>
Income tax expense			
Natural gas	\$ 730	\$ 1,336	\$ 1,283
Electric	430	546	666
Propane gas	272	110	245
Common	<u>265</u>	<u>246</u>	<u>93</u>
Consolidated	<u>\$ 1,697</u>	<u>\$ 2,238</u>	<u>\$ 2,287</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.

(Dollars in thousands, except per share amounts):	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007				

Revenues	\$	38,612	\$	32,468	\$	31,641	\$	33,821
Gross profit	\$	13,843	\$	11,769	\$	11,062	\$	12,047
Operating income	\$	3,738	\$	1,596	\$	1,414	\$	2,073
Earnings before income taxes	\$	2,827	\$	607	\$	519	\$	1,045
Net Income	\$	1,798	\$	410	\$	355	\$	738
Earnings per common share (basic and diluted)	\$	0.30	\$	0.07	\$	0.06	\$	0.12

2006

Revenues	\$	43,410	\$	29,975	\$	29,535	\$	31,861
Gross profit	\$	14,197	\$	11,499	\$	10,987	\$	12,127
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)	\$	0.37	\$	0.12	\$	0.05	\$	0.14

FLORIDA PUBLIC UTILITIES COMPANY		For the Year Ended	
		December 31, 2007	
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)	185,892,179	103,667,288
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	969,580	969,580
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)	188,682,029	106,453,447
12	107 Construction Work in Progress	2,405,503	1,313,220
13	Accum. Prov. for Depr., Amort., & Depl.	60,598,626	29,769,208
14	Net Utility Plant (Enter total of lines 11 plus 12 less line 13)	130,488,906	77,997,459
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	59,831,831	29,006,104
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)	59,831,831	29,006,104
22	Leased to Others		
23	108 Depreciation	-	-
24	111 Amortization and Depletion	357,358	357,358
25	TOTAL Leased to Others (Enter Total of lines 23 and 24)	357,358	357,358
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	409,437	405,746
32	TOTAL Acc. Provisions (Should agree with line 13 above) (Enter Total of lines 21, 25, 29, 30, and 31)	60,598,626	29,769,208

For the Year Ended

December 31, 2007

5,816,568

Electric (c)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
76,673,511	Not Applicable	Not Applicable	Not Applicable	5,551,380	3
-	-			-	4
-	-			-	5
-	-			-	6
-	-			-	7
-	-			-	8
-	-			-	9
3,691	-			-	10
76,677,202	-			5,551,380	11
827,095	-			265,188	12
28,780,303	-			2,049,115	13
48,723,994	-			3,767,453	14
					15
					16
28,776,612	-			2,049,115	17
					18
					19
-	-			-	20
28,776,612	-			2,049,115	21
					22
-	-			-	23
-	-			-	24
-	-			-	25
					26
-	-			-	27
-	-			-	28
-	-			-	29
3,691	-			-	30
					31
28,780,303	-			2,049,115	32

Annual Status Report Analysis of Plant in Service Accounts

Company: FLORIDA PUBLIC UTILITIES COMPANY
For the Year Ended December 31, 2007

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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		219,332	3,545,163	-				3,764,495
	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	2.80%	476,935	-	-				476,935
3761	Mains - Plastic	2.60%	21,896,252	2,984,761	(100,072)				24,780,941
3762	Mains - Other	3.40%	27,146,296	(43,584)	(101,732)				27,000,980
378	Meas. and Reg. Sta. Equipment - General	3.50%	306,191	66	-				306,257
379	Meas. and Reg. Sta. Equipment - City Gate	3.20%	2,014,157	4,129	-				2,018,286
3801	Services - Plastic	3.20%	19,836,767	1,717,603	(107,141)				21,447,229
3802	Services - Other	7.50%	2,177,669	1,929	(32,405)				2,147,193
381	Meters	3.30%	5,563,931	164,170	(32,386)			(7,255)	5,688,458
382	Meter Installations	3.00%	2,443,399	366,298	(9,141)				2,800,556
383	House Regulators	3.50%	1,735,639	224,741	(9,139)			10,367	1,961,608
384	House Reg. Installations	3.40%	857,112	51,126	(4,086)				904,152
385	Industrial Meas. and Reg. Sta. Equipment	3.30%	70,461	487	-				70,948
386	Other Property on Customers Prem.		0						-
387	Other Equipment		504,843	96,663	(6,325)				595,181
	TOTAL DISTRIBUTION PLANT		85,143,669	5,588,389	(402,429)			3,112	90,312,742
GENERAL PLANT									
390	Structures and Improvements	2.50%	1,394,552	22,608	(13,417)				1,403,743
3911	Office Furniture	4.80%	109,890	3,158	(2,467)				110,581
3912	Office Equipment	7.50%	39,553	7,349	-			19,493	66,395
3913	EDP Equipment	11.10%	580,961	52,494	(26,532)			32,109	639,032
391305	Software	11.10%	484,509	45,658	-				530,167
3921	Accum. Dep. - Transportation - Cars	11.30%	178,002	-	(70,911)			17,745	124,836
3922	Accum. Dep. - Transportation - Light Trucks, vans	8.20%	3,341,376	406,788	(217,626)				3,530,538
3923	Accum. Dep. - Transportation - Heavy Trucks	0.00%	0	-	-				-
3924	Accum. Dep. - Transportation - Trailers	5.80%	43,385	3,568	-			(2,041)	44,912
393	Stores Equipment	4.60%	9,562	-	-				9,562

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

Company: FLORIDA PUBLIC UTILITIES COMPANY
For the Year Ended December 31, 2007

Acct. No. Description (Continued)	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
394 Tools, Shop, and Garage Equipment	6.60%	283,133	47,566	(13,907)	-	-	-	316,792
395 Laboratory Equipment	2.20%	0	-	-	-	-	-	-
396 Power Operated Equipment	6.30%	327,925	4,980	(5,850)	-	(4,523)	-	322,532
397 Communication Equipment	7.80%	269,554	6,021	(48,144)	-	-	-	227,431
398 Miscellaneous Equipment	6.00%	144,506	9,980	(4,597)	-	-	-	149,889
SUBTOTAL		7,426,240	4,155,333	(403,451)	-	-	62,783	11,240,905
399 Other Tangible Property	20							
TOTAL General Plant		7,426,240	4,155,333	(403,451)	-	-	62,783	11,240,905
TOTAL (Accounts 101 and 106)		94,683,550	9,723,722	(805,880)	0	0	65,895	103,667,288
TOTAL GAS PLANT IN SERVICE		94,683,550	9,723,722	(805,880)	-	-	65,895	103,667,288
Capital Recovery Schedules:								
NONE								
Total Account 101*		94,683,550	9,723,722	(805,880)	-	-	65,895	103,667,288
Amortizable Assets:								
114 Acquisition Adjustment		1,816,579	-	-	-	-	-	1,816,579
118 Other Utility Plant		5,202,777	484,689	(78,748)	-	-	(57,338)	5,551,380
Other - Common								
Total Utility Plant		101,702,906	10,208,411	(884,628)	-	-	8,557	111,035,247

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, 2007

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
Amortizable General Plant Assets:										
301	Organization Intangible Plant	-	-	-	-	-	-	-	-	-
303	Misc. Intangible Plant	96,182	7,260	-	-	-	-	-	-	103,442
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	(8,076)	-	-	-	-	-	-	-	-
3741	Land Rights	408	-	-	-	-	-	-	-	(7,668)
375	Structures and Improvements	240,054	13,356	-	-	-	-	-	-	253,410
3761	Mains - Plastic	3,972,070	603,096	-	(100,072)	-	(786)	-	75,577	4,549,885
3762	Mains - Other	13,689,229	704,792	-	(101,732)	-	(30,230)	-	-	14,262,059
378	Meas. and Reg. Sta. Equipment - General	79,707	10,416	-	-	-	(31)	-	-	90,092
379	Meas. and Reg. Sta. Equipment - City Gate	401,457	70,498	-	(107,141)	-	(1,340)	-	7,740	470,615
3801	Services - Plastic	4,937,740	657,188	-	(32,405)	-	(62,366)	-	-	5,433,161
3802	Services - Other	1,867,030	162,144	-	(32,386)	-	(126,692)	-	-	1,870,077
381	Meters	2,005,062	184,519	-	(32,386)	2,942	(111)	1,985	(12,905)	2,149,104
382	Meter Installations	681,514	78,258	-	(9,141)	-	(877)	-	1,637	751,391
383	House Regulators	676,161	78,258	-	(9,139)	-	-	584	86	732,100
384	House Reg. Installations	246,164	64,408	-	(4,086)	-	-	-	-	271,872
385	Industrial Meas. and Reg. Sta. Equipment	11,283	1,599	-	-	-	-	-	-	12,882
386	Other Property on Customers Prem.	-	-	-	-	-	-	-	-	-
387	Other Equipment	101,556	20,345	-	(6,325)	-	(362)	-	-	115,576
389	Land - General	-	-	-	-	-	-	-	-	-
TOTAL DISTRIBUTION PLANT		28,900,951	2,600,821	-	(402,429)	2,942	(222,795)	2,569	72,135	30,954,194
GENERAL PLANT										
390	Structures and Improvements	305,868	35,050	-	(13,417)	-	-	-	-	327,501
3911	Office Furniture	14,995	5,358	-	(2,467)	-	-	-	-	17,886
3912	Office Equipment	33,530	3,622	-	-	-	-	-	5,548	42,700
3913	EDP Equipment	43,028	66,053	-	(26,532)	-	-	-	(2,400)	80,149
391305	Software	34,829	57,053	-	-	-	-	-	-	91,882
3921	Accum. Dep. - Transportation - Cars	56,441	20,291	-	(70,911)	4,835	-	-	15,084	25,740
3922	Accum. Dep. - Trans. - Light Trucks, vans	851,192	273,859	-	(217,626)	17,916	(112)	-	-	925,229
3923	Accum. Dep. - Trans. - Heavy Trucks	-	-	-	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	25,111	2,581	-	-	-	-	-	(1,513)	26,179
393	Stores Equipment	8,916	444	-	-	-	-	-	-	9,360

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Company: FLORIDA PUBLIC UTILITIES COMPANY
 For the Year Ended December 31, 2007

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustmts	Transfers	Ending Balance*
394	Tools, Shop, and Garage Equipment	155,261	19,885	-	(13,907)	1,327	-	-	-	162,566
395	Laboratory Equipment	1	-	-	-	-	-	-	-	1
396	Power Operated Equipment	105,374	20,739	-	(5,850)	-	-	-	(1,285)	118,978
397	Communication Equipment	120,599	20,752	-	(48,144)	47	-	-	-	93,254
398	Miscellaneous Equipment	10,289	8,780	-	(4,597)	187	-	-	-	14,639
	SUBTOTAL	1,765,414	534,467	-	(403,451)	24,312	(112)	-	15,434	1,936,064
399	Other Tangible Property	-	-	-	-	-	-	-	-	-
	TOTAL General Plant	1,765,414	534,467	-	(403,451)	24,312	(112)	-	15,434	1,936,064
	Reclassification for SFAS no. 143. COR	(3,767,075)		(220,521)						(3,987,596)
	Subtotal	26,995,472	3,142,548	(220,521)	(605,880)	27,254	(222,907)	2,569	87,569	29,006,104
COMMON PLANT										
389	Land - General	-	-	-	-	-	-	-	-	-
390	Structures and Improvements	429,446	53,711	-	-	-	(3,766)	-	-	479,391
3911	Office Furniture	10,739	1,824	-	-	-	-	-	-	12,563
3912	Office Equipment	34,579	10,532	-	(952)	-	-	-	-	44,159
3913	EDP Equipment	146,783	72,451	-	(77,796)	-	-	-	(5,548)	135,890
391305	Software	1,112,156	193,984	-	-	-	-	-	8,780	1,314,920
3921	Accum. Dep. - Transportation - Cars	31,560	9,504	-	-	-	-	-	-	41,064
3922	Accum. Dep. - Transportation - Trucks	24,374	10,224	-	-	-	-	-	-	34,598
397	Communication Equipment	(32,969)	9,120	-	-	-	-	-	-	(23,849)
398	Miscellaneous Equipment	231	498	-	-	-	-	-	-	729
399	Miscellaneous Assets	3,746	5,904	-	-	-	-	-	-	9,650
	Subtotal	1,760,645	367,752	0	(78,748)	0	(3,766)	0	3,232	2,049,115
	Grand Total	28,756,117	3,510,300	(220,521)	(884,628)	27,254	(226,673)	2,569	90,801	31,055,219

Note: * The grand total of beginning and ending balances must agree to Line 17, Page 12.

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	* 938,460	415,275
3	Other	* 193,678	0
4			
5			
6			
7	CENTRAL FLORIDA		
8	Main Extensions	* 136,320	189,557
9	Other	* 44,762	323,330
10			
11	* Grouped Items		
12			
13	TOTAL	\$1,313,220	\$928,162

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	* \$255,942	
3			
4	Allowance for funds used during construction	-	
5			
	TOTAL	\$255,942	\$10,082,702

* 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)	621,954
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)	238,997
7	TOTAL Prepayments	860,951

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	TOTAL					

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	0			0
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21	TOTAL					

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	\$283,326	\$11,941	2280.12	\$295,268	\$590,535
2	Environmental	8,270,704	0	2530.32	(1,208,583)	\$7,062,121
3	Other Regulatory Assets	311,832	0	2280.31	(311,832)	\$0
4						
5						
6						
7						
8						
9						
10	Total	8,865,862				7,652,656
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				0
3	-Accrued Payroll	0	10,000		0	10,000
4	Amortized Piping Costs	1,375,637	204,956		(472,982)	1,107,611
5	Amortized Conversion Cost	145,008	464,350		(347,573)	261,785
6	Underrecovery Conservation	0	4,925		(4,925)	0
7	Underrecovery Natural Gas (AEP)	3,952,093	827,363		(514,774)	4,264,682
8						
9	Underrecovery Fuel	1,707,678	174		(627,917)	1,079,935
10	Penny Elimination	0				0
11						
12						
13	Misc. Work in Progress	843,079				\$1,118,085
14	Deferred Regulatory Comm. Expenses					
15	(See Page 31)	(367,962)	(166,888)	928	0	(\$534,850)
16	TOTAL	\$7,655,533				\$7,307,248

December 31, 2007

**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 or redemption price and name of the principal underwriting firm through which the security transactions were consummated.

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

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

None

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

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on 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	621,600	208,741	
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

December 31, 2007

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

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e. year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible. 2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

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

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

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	INTEREST FOR YEAR		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1	FIRST MORTGAGE BONDS:						
2							
3							
4	9.57% Series Due 2018	5/1/88	5/1/18	10,000,000	9.57%	957,000	10,000,000
5	10.03% Series Due 2018	5/1/88	5/1/18	5,500,000	10.03%	551,650	5,500,000
6	9.08% Series Due 2022	6/1/92	6/1/22	8,000,000	9.08%	726,400	8,000,000
7	4.90% Series Due 2031	11/1/01	11/1/31	14,000,000	4.90%	686,000	14,000,000
8	6.85% Series Due 2031	9/27/01	10/1/31	15,000,000	6.85%	1,027,081	14,990,000
9							
10							
11							
12							
13							
14							
15	TOTAL			52,500,000		3,948,131	52,490,000

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 indispensed 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	45,671	(7,211)	38,460
4	10.03% Series Due 2018	5,500,000	97,070	5/1/88	5/1/18	24,590	(3,883)	20,707
5	9.08% Series Due 2022	8,000,000	121,967	6/1/92	6/1/22	63,036	(4,404)	58,632
6	4.90% Series Due 2031	14,000,000	825,028	11/1/01	11/1/31	667,269	(25,882)	641,387
7	6.85% Series Due 2031	15,000,000	1,153,193	10/1/01	10/1/31	997,153	(37,659)	959,294
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 2007 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 2007 is \$1,751							
11								
12								
13								
14								
15								
16	The amortization of debt discount occurs in Account 4280.2. The associated amount for 2007 was \$79,239							
17								
18	Total Account 4280 = \$ 97,523							
19								
20		52,597,523	2,377,531			1,797,719	(79,239)	1,718,480
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	1,289,281
3	Outside Audit Fees	124,000
4	Commission Funds	1,677
5	Sun Trust Analysis	4,440
6	Employee Fund	15,420
7	Misc. Current and Accrued Liability	26,250
8		
9		
10	TOTAL	1,461,068

OTHER DEFERRED CREDITS (Account 253)

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

Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
			Contra Account (c)	Amount (d)		
1	Over Recovery of Fuel Adjustment - Electric (Amortized over succeeding six month period)	845,464	456.1	300	1,617,339	2,462,503
2			456.11			
3						
4	Over Recovery of Fuel Adjustment - Gas (Amortized over succeeding twelve month period)	3,656,021	495.1	2,277,742	0	1,378,279
5			495			
6						
7	Environmental Insurance Proceeds	13,753,006	1860.1	775,442	651,838	13,629,402
8	Over Recovery - Conservation (Electric)	44,652	456.6	26,857	-	17,795
9	Over Recovery - Conservation (Gas)	310,673	495.7	42,686	160,598	428,585
10	Over Recovery - Unbundling (Gas)	0	495.8	-	-	0
11	Gain on sale of property (Electric)	-	4030.1	-	-	0
12	Gain on sale of property (Gas)	40,653	4030.1	40,653	-	0
13	Other Deferred Credit - Cashier over/short	0		988	988	0
14	Other Reg. Liability - Retirement Plan	0			563,747	563,747
	TOTAL	\$18,650,469		\$3,164,668	\$2,994,510	\$18,480,311

OTHER REGULATORY LIABILITIES (Account 254)

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

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

TAXES OTHER THAN INCOME TAXES (Account 408.1)											
Line No.	Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Franchise	Other	Total
2	Gas (Account 408.1, 409.1)	1,187,081			566,608	2,105,767	318,496	(1,016)	1,533,486	6,331	5,716,753
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	lit Penalty	-			-	-	-	-	-	-	-
11		-			-	-	-	-	-	-	-
12		-			-	-	-	-	-	-	-
13		-			-	-	-	-	-	-	-
14		-			-	-	-	-	-	-	-
15	Less: Charged to Construction	-			-	-	-	-	-	-	-
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	1,891,556	-	-	817,460	3,514,095	359,914	(1,815)	3,610,988	6,631	9,998,829

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									
2	3%	0		4110.4			0	35 Years		
3	4%	2		4110.4	2		0	35 Years		
4	8%	25,502		4110.4	3,131		22,371			
5	10%	184,680		4110.4	36,239		148,441	35 Years		
6										
7										
8										
9										
10	TOTAL	210,184			39,372		170,812			
Notes										

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

ACCUMULATED DEFERRED INCOME TAXES (Account 180)

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	
2	AMT						
3	Interest Not Cap. & Amort. of Depl.	15,298	(15,298)				
4	Deferred Gain						
5	Regulatory						
6	Sent Insurance Res. & Audit Fee	524,029	26,877				550,706
7	Uncollectible	111,122	(23,307)				87,815
8	Vacation Pay	186,318	7,247				203,565
9	Environmental	2,062,991	186,059				2,249,050
10	Misc. Accrual						
11	General liability	38,234	6,523				44,757
12	Storm Reserve	(106,616)	337,203				230,587
13	Rate Refund	271,481	(261,565)				9,906
14	TOTAL Gas (Lines 15 - 23)	3,132,965	265,519				3,378,384
15	Other (Specify) Electric	1,048,453	67,071				1,115,524
16	Other (Specify) Common						
17	TOTAL (Account 180)	4,181,318	332,590				4,493,908
18	(Enter Total of lines 13, 24 & 25)						

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

Line No.	Account Subdivisions	Balance at Beginning of Year	Changes During Year		Adjustments		Balance at End of Year
			Amounts Debited to 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	8,423,835	392,772				8,816,607
8	Gas	10,611,681	(15,269)				10,596,412
9	Other-Common	371,483					371,483
10	TOTAL ACCOUNT 282 (Lines 8 thru 10)	19,007,000	377,503				19,384,503
11	ACCOUNT 283 - OTHER						
12	Electric	514,205	(221,276)				292,929
13	Gas	(489,369)	863,354				373,985
14	Other						
15	Other - Common						
16	TOTAL ACCOUNT 283 - OTHER (Lines 13 thru 15)	24,836	642,078				666,914
17	ELECTRIC						
18	Federal Income Tax	5,860,835	92,538				5,953,373
19	State Income Tax	977,225	78,958				1,056,183
20	TOTAL ELECTRIC (Lines 19 thru 20)	6,838,060	171,496				7,009,556
21	GAS						
22	Federal Income Tax	8,986,358	783,350				9,769,708
23	State Income Tax	1,428,154	66,730				1,494,884
24	TOTAL GAS (Lines 23 thru 24)	10,414,512	850,080				11,264,592
25	OTHER						
26	Federal Income Tax -						
27	State Income Tax -						
28	TOTAL OTHER (Lines 27 thru 30)	0	0				0
29	Federal Income Tax - Common	704,163					704,163
30	State Income Tax - Common	270,332					270,332
31	TOTAL OTHER (Lines 27 thru 30)	974,495					974,495
32	TOTAL (Total of lines 6, 11, 17 and Lines 21, 25, 31)	18,032,065	1,021,582				19,053,647
33	Other Reclassification for SFAS no. 143, COR	8,799,830					8,799,830
34	TOTAL	26,831,895	1,021,582				27,853,477
35	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) *	\$2,837,611
2	Reconciling Items for the Year	
3	Interest on Water Installment Payment	(252,595)
4	Taxable Income Not Reported on Books	
5	Service Contributions	1,280,207
6	Depreciation	2,099,116
7	Penalties	3,007
8	Pension Reserve	1,395,515
9	Self Insurance Reserve	136,219
10	Underrecoveries of Purchased Energy Costs	627,743
11	Conservation Program Costs	91,055
12	Outside Audit Fees	25,800
13	Storm Reserve	1,034,479
14	Electric Consultant Fee	12,100
15	Deductions Recorded on Books Not Deducted for Return	
16	Meals Expense	13,291
17	ESPP Compensation	37,260
18	Rate Case Expense	173,388
19	Natural Gas Odorizer	11,089
20	Vacation Pay	56,983
21	General Liability	36,548
22	Loss on Reacquired Debt	18,283
23	Income Taxes (excluding current state income of \$ 534,300)	889,952
24	Refurbish Project	0
25	Bare Steel Replacement Program	566,308
26	Misc. Deferrals	0
27	Environmental Costs	38,095
28	Lobby cost	0
29	Capitalized Interest	303,037
30	Income Recorded on Books Not Included in Return	
31		
32	AEP Depreciation	397,288
33	Deferred Gain	40,653
34	Amortization of Intangibles	227,545
35	Rate Refund Pending	695,075
36	Uncollectible Reserve	100,174
37	Deductions on Return Not Charged Against Book Income	
38		
39	Ordinary Loss on ACRS Property Retirements	480,000
40	Cost of Removal ADR Property	54,000
41		
42		
43	Federal Tax Net Income	9,439,756
44	Show Computation of Tax:	
45		
46	Tax at 34%	3,209,517
47	Rounding	(17)
48	TOTAL Federal Income Tax Payable	3,209,500
	* Excludes Flo-Gas Net Income of	\$463,076

December 31, 2007

GAS OPERATING REVENUES (Account 400)

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

Line No.	Title of Account (a)	OPERATING REVENUES		THERMS OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUST / MO.		Line No.
		Amount for Year (b)	Amount for Previous Year (c)	Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year	Number for Previous Year (g)	
1	GAS SERVICE REVENUES							1
2	FIRM SALES SERVICE							2
3	480 Residential Sales	21,523,825	24,864,744	11,894,870	12,102,640	46,723	46,432	3
4	481 Commercial & Industrial Sales - Small	14,545,355	17,384,270	11,752,940	11,735,730	3,395	3,350	4
5	481 Commercial & Industrial Sales - Large	19,641,530	24,529,981	17,957,760	18,702,550	921	928	5
6	481 Outdoor Lighting	238,936	358,775	358,260	395,600	46	47	6
7	481							7
8	481							8
9	INTERRUPTIBLE SALES SERVICE							9
10	481 Commercial & Industrial Sales - Interruptible	121,552	311,975	156,030	284,060	0	1	10
11	481							11
12	FIRM TRANSPORTATION SERVICE							12
13	489	2,894,939	3,616,470	12,998,360	13,210,950	485	436	13
14	489							14
15	489							15
16	INTERRUPTIBLE TRANSPORTATION SERV							16
17	489	775,596	764,761	5,549,360	5,498,660	13	12	17
18	484 Interdepartmental	53,646	69,414	67,630	74,120	1	1	18
19	484 Fix Rate - Refund							19
20	TOTAL Sales to Ultimate Consumers	59,795,379	71,900,390	60,735,210	62,004,310	51,584	51,207	20
21	483 Sales for Resale							21
22	Off-System Sales 4000.4954* & 4955*	708,864	743,490					22
23	TOTAL Nat. Gas Service Revenues	60,504,243	72,643,880	60,735,210	62,004,310	51,584	51,207	23
24	TOTAL Gas Service Revenues	60,504,243	72,643,880					24
25	OTHER OPERATING REVENUES							25
26	485 Intracompany Transfers							26
27	487 Forfeited Discounts	779,565	840,660					27
28	488 Misc. Service Revenues	750,244	731,046					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	(117,912)	(310,673)					35
36	Collection in lieu of disconnect							36
37	AEP & Storm Surcharge 4956	681,189	744,114					37
38	Unbilled Revenue 495.3	(98,445)	98,975					38
39	Other 495.2	43,080	68,758					39
40	495.1 Overrecoveries Purchased Gas	2,277,743	(3,656,021)					40
41	TOTAL Other Operating Revenues	4,315,464	(1,483,141)					41
42	TOTAL Gas Operating Revenues	64,819,707	71,160,739					42
43	(Less) 496 Provision for Rate Refunds	30,301	(21,400)					43
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	64,850,008	71,139,339					44
45								45
46	Sales for Resale							46
47	Other Sales to Public Authority							47
48	Interdepartmental Sales							48
49	TOTAL	64,850,008	71,139,339	60,735,210	62,004,310			49

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	28,000,982	31,004,686
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	4,311,274	4,167,135
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases	0	2,915,899
16	(Less) 805.1 Purchased Gas Cost Adjustments		
17	TOTAL Purchased Gas (Enter Total of Lines 8 to 16)	32,312,256	38,087,720
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses	0	23,574
24	807.5 Other Purchased Gas Expenses	7,600	8,006
25	TOTAL Purchased Gas Expenses (Enter Total of lines 20 through 24)	7,600	31,580
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	163,596	150,433
36	TOTAL Other Gas Supp. Exp. (Total of Lines 17,18,25,26 through 29,34,35)	32,483,452	38,269,733
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)	6,069	6,501
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			

Florida Public Utilities Company		An Original	For the Year Ended
			December 31, 2007
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	358,050	366,788
50	871 Distribution Load Dispatching	12,616	13,240
51	872 Compressor Station Labor and Expenses	0	0
52	873 Compressor Station Fuel and Power	0	0
53	874 Mains and Services Expenses	1,534,635	1,535,443
54	875 Measuring and Regulating Station Expenses--General	0	0
55	876 Measuring and Regulating Station Expenses--Industrial	13,381	12,007
56	877 Measuring and Regulating Station Expenses--City Gate Check Sta.	18,621	32,477
57	878 Meter and House Regulator Expenses	1,522,394	1,432,055
58	879 Customer Installations Expenses	173,028	146,929
59	880 Other Expenses	771,906	777,718
60	881 Rents	54,638	41,688
61	TOTAL Operation (Enter Total of lines 49 through 60)	4,459,269	4,358,345
62	Maintenance		
63	885 Maintenance Supervision and Engineering	107,592	112,441
64	886 Maintenance of Structures and Improvements	113,678	69,377
65	887 Maintenance of Mains	326,572	382,505
66	888 Maintenance of Compressor Station Equipment	0	0
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	16,058	10,972
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	0	(242)
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Sta.	50,074	59,406
70	892 Maintenance of Services	174,122	32,614
71	893 Maintenance of Meters and House Regulators	121,391	57,461
72	894 Maintenance of Other Equipment	11,604	16,089
73	TOTAL Maintenance (Enter Total of Lines 63 through 72)	921,091	740,623
74	TOTAL Distribution Expenses (Enter Total of Lines 61 and 73)	5,380,360	5,098,968
75	5. CUSTOMER ACCOUNTS EXPENSES		
76	Operation		
77	901 Supervision	204,846	211,408
78	902 Meter Reading Expenses	711,351	537,958
79	903 Customer Records and Collection Expenses	1,369,373	1,300,733
80	904 Uncollectible Accounts	243,221	312,154
81	905 Miscellaneous Customer Accounts Expenses	121,600	192,217
82	TOTAL Customer Accounts Expenses (Enter Total of Lines 77 through 81)	2,650,391	2,554,470
83	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
84	Operation		
85	906.1 Under-recoveries Conservation	0	82,931
86	907 Supervision	142,208	69,270
87	908 Customer Assistance Expenses	1,279,694	1,302,115
88	909 Informational and Instructional Expenses	839,998	636,048
89	910 Miscellaneous Customer Service and Informational Expenses	30,288	25,271
90	TOTAL Customer Service and Informational Expenses (Enter Total of Lines 85 through 88)	2,292,188	2,115,635
91	7. SALES EXPENSES		
92	Operation		
93	911 Supervision	120,444	131,779
94	912 Demonstrating and Selling Expenses	929,994	1,154,745
95	913 Advertising Expenses	154,603	158,852
96	916 Miscellaneous Sales Expenses	542,365	546,808
97	TOTAL Sales Expenses (Enter Total of lines 92 through 95)	1,747,406	1,992,184
98			

Florida Public Utilities Company		An Original	For the Year Ended
		December 31, 2007	
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	1,309,029	1,247,515
102	921 Office Supplies and Expenses	328,868	294,875
103	(Less) (922) Administrative Expenses Transferred--Cr.	0	0
104	923 Outside Services Employed	318,110	318,796
105	924 Property Insurance	216,577	249,747
106	925 Injuries and Damages	1,138,724	651,638
107	926 Employee Pensions and Benefits	1,593,003	1,618,428
108	927 Franchise Requirements	0	0
109	928 Regulatory Commission Expenses	112,151	132,979
110	(Less) (929) Duplicate Charges--Cr.	0	0
111	930.1 General Advertising Expenses	0	0
112	930.2 Miscellaneous General Expenses	159,642	163,808
113	931 Rents	20,802	16,282
114	TOTAL Operation (Enter Total of lines 100 through 113)	5,196,906	4,694,068
115	Maintenance		
116	935 Maintenance of General Plant	161,730	264,381
117	TOTAL Administrative and General Exp. (Total of lines 115 and 116)	5,358,636	4,958,449
118	TOTAL Gas O. and M. Exp. (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	49,918,502	54,995,940
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,		
134	or any payroll period ending 60 days before or after October 31.		
135	2. If the respondent's payroll for the reporting period includes any special construction personnel,		
136	include such employees on line 3, and show the number of such special construction employees in a footnote.		
137	3. The number of employees assignable to the gas department from joint functions of combination utilities		
138	may be determined by estimate, on the basis of employee equivalents. Show the estimated number of		
139	equivalent employees attributed to the gas department from joint functions.		
140			
141	1. Payroll Period Ended (Date)		11/5/2007
142	2. Total Regular Full-Time Employees		272
143	3. Total Part-Time and Temporary Employees		11
144	4. Total Employees		283
145			
146			
147			
148			

GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)

- | | |
|--|---|
| <p>1. Provide totals for the following accounts:</p> <p>800 Natural Gas Well Head Purchases</p> <p>800.1 Natural Gas Well Head Purchases, Intracompany Transfers</p> <p>801 Natural Gas Field Line Purchases</p> <p>802 Natural Gas Gasoline Plant Outlet Purchases</p> <p>803 Natural Gas Transmission Line Purchases</p> <p>804 Natural Gas City Gate Purchases</p> <p>804.1 Liquefied Natural Gas Purchases</p> <p>805 Other Gas Purchases</p> <p>805.1 Purchase Gas Cost Adjustments</p> | <p>The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.</p> <p>2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.</p> <p>3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).</p> <p>4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)</p> |
|--|---|

Line No.	Account Title (a)	Gas Purchased-Therms (14.73 psia 60 F) (b)	Cost of Gas (In dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	800 - Natural Gas Well Head Purchases			
2	800.1 - Natural Gas Well Head Purchases, Intracompany Transfers			
3	801 - Natural Gas Field Line Purchases	21,077,150	28,000,982	132.850
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases	38,235,910	4,311,274	11.275
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases		0	
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Enter Total of lines 1 through 9)	59,313,060	32,312,256	54.477

NOTES TO GAS PURCHASES

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 810, 811, 812)

- | | |
|---|---|
| <p>1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.</p> <p>2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.</p> <p>3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.</p> | <p>4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).</p> <p>5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.</p> |
|---|---|

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas Amount of Credit (d)
1	810 Gas used for Compressor Station Fuel - Cr.			
2	811 Gas used for Products Extraction - Cr.			
3	Gas Shrinkage and Other Usage in Respondent's Own Proc.			
4	Gas Shrinkage, Etc. for Respondent's Gas Processed by Others			
5	812 Gas used for Other Util. Oprs-- Cr. (Report separately for each principal uses. Group minor uses)			
6				
7	Heat, Hot Water, A/C	812	68,750	
8				

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		Deferred to Account 186 (i)	Contra Account (j)	Amount (k)	
				Account No. (g)	Amount (h)				
1	All expenses incurred by the company in its								
2	filings for Rate Relief for electric. Docket								
3	Number 030438-EI	(190,702)	(190,702)	Electric-33556	84,756	84,756	928		(105,946)
4									
5	All expenses incurred by the company in its								
6	filings for Rate Relief for Gas. Docket								
7	Number 040216-GU	(177,260)	(177,260)	Gas - 33800	88,630	88,630	928		(88,630)
8									
9	All expenses incurred by the company in its								
10	filings for Rate Relief for electric. Docket								
11	Number 070304 - EI	0	0	Electric-36164	(340,274)	(340,274)	928		(340,274)
12	TOTAL	(367,962)	(367,962)		(166,888)	(166,888)		0	(534,850)

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	\$16,604
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other: FNGA	0 19,607
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	22,826
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	0
6		
7	Directors Fees and Expenses	Items 43 24,480
8	Miscellaneous Expenses	195 12,673
9	Chamber of Commerce	2 77
10	Stock Issuance	24 63,375
11		
12		
13		
14		
15		
16		
17		
18		
19		159,642

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	Electric			
2	TOTAL Operation and Maintenance - Electric	2,109,016	981,082	3,090,098
3	Gas			
4	Operation			
5	Production - Manufactured Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.	146,717		
6	Transmission	-		
7	Distribution	2,821,536		
8	Customer Accounts	1,074,963		
9	Customer Service and Informational	524,618		
10	Sales	893,149		
11	Administrative and General	(580,527)		
12	TOTAL Operation (Enter Total of lines 5 through 11)	4,880,456		
13	Maintenance			
14	Production - Manufactured Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.	-		
15	Transmission	-		
16	Distribution	607,636		
17	Administrative and General	2,015		
18	TOTAL Maintenance (Enter Total of lines 14 through 17)	609,651		
19	Total Operation and Maintenance			
20	Production - Manufactured Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.	146,717		
21	Transmission (Enter Total of lines 6 and 15)	-		
22	Distribution (Enter Total of lines 7 and 16)	3,429,172		
23	Customer Accounts (Transcribe from line 8)	1,074,963		
24	Customer Service and Informational (Transcribe from line 9)	524,618		
25	Sales (Transcribe from line 10)	893,149		
26	Administrative and General (Enter Total of lines 11 and 17)	(578,512)		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	5,490,107	1,239,146	6,729,253
28	Other Utility Departments			
29	Operation and Maintenance - Water	-	-	-
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	7,599,123	2,220,227	9,819,350
31	Utility Plant			
32	Construction (By Utility Departments)			
33	Electric Plant	1,178,350	-	1,178,350
34	Gas Plant	1,706,282	-	1,706,282
35	Other	44,405	-	44,405
36	TOTAL Construction (Enter Total of lines 33 through 35)	2,929,037	-	2,929,037
37	Plant Removal (By Utility Department)			
38	Electric Plant	117,486	-	117,486
39	Gas Plant	165,587	-	165,587
40	Other	-	-	-
41	TOTAL Plant Removal (Enter Total of lines 38 through 40)	283,073	-	283,073
42				
43	Other Accounts (Specify):			
44	Other Accounts Receivable/Employee	158,387	-	158,387
45	Temporary Facilities	26,752	-	26,752
46	Stores Expense	531,218	-	531,218
47	Clearing Accounts	324,542	-	324,542
48	Miscellaneous Deferred Debits	207,742	-	207,742
49	Merchandise and Jobbing	745,513	-	745,513
50	Taxes other Than Income Taxes-Electric/Gas/Water	(463,664)	-	(463,664)
51	Vacation Pay	(91,119)	-	(91,119)
52	Other Accounts Receivable	3,085,219	272,937	3,358,156
53	Merchandise plant leased to other - Gas	5,454	-	5,454
54	TOTAL Other Accounts	4,530,044	272,937	4,802,981
55	TOTAL SALARIES AND WAGES	15,341,277	2,493,165	17,834,442

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	320,000
3	(b) Professional Accounting Services.	
4	(c) Based on services rendered.	
5	(d) Total charges for services, utility departments and accounts charged:	
6	Account Utility Allocation %	
7	923 GAS 51.0%	
8	923 ELECTRIC 31.0%	
9	4160.73 MERCH 2.0%	
10	923 FLO-GAS 16.0%	
11	2. (a) Akerman, Senterfit & Eidson, P.O. Box 231 Orlando, FL 32802	
12	(b) Professional Legal Services for Environmental Issues.	78,840
13	(c) Based on services rendered.	
14	(d) Total charges for services, utility department and account charged:	
15		
16	1860 FPU 52,110	
17	2280 FPU 3,409	
18	2320 FPU (402)	
19	2420 FPU 3,554	
20	2530 FPU 20,076	
21	4010 Elec 93	
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		
4	Account 426: Miscellaneous Income Deductions	
5	426.11 Charitable Contributions: Inside Service Area	12,079
6	426.12 Charitable Contributions: Outside Service Area	0
7	426.13 Civic and Social Club Dues	3,836
8	426.2 Life Insurance	0
9	426.3 Penalties	3,007
10	426.4 Expenditures for Lobbying and Other Politically Related Activities	0
11	426.5 Other	2,090
12	TOTAL MISCELLANEOUS INCOME DEDUCTIONS	21,012
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)	(887,407)
17		
18		
19	Account 431: Other Interest Expense	
20	431.1 Interest on Customer Deposits	515,950
21	431.2 Interest on Notes Payable	186,708
22	431.3 Interest on Miscellaneous	119,517
23	TOTAL OTHER INTEREST EXPENSE	822,175

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

FLORIDA PUBLIC UTILITIES COMPANY

For the Year Ended December 31, 2007

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).

(a) Line No.	(b) Description	(c) Gross Operating Revenues per Page 26	(d) Interstate and Sales for Resale Adjustments	(e) Adjusted Interstate Gross Operating Revenues	(f) Intrastate Gross Operating Revenues per RAF Return	(g) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	59,795,379	-	59,795,379	56,124,845	3,670,534
2	Sales for Resale (483)	708,864	-	708,864	-	708,864
3	Total Natural Gas Service Revenues	60,504,243	-	60,504,243	56,124,845	4,379,398
4	Total Other Operating Revenues (485-495)	4,315,464	-	4,315,464	8,741,264	(4,425,800)
5	Total Gas Operating Revenues	64,819,707	-	64,819,707	64,866,109	(46,402)
6	Provision for Rate Refunds (496)	30,301	-	30,301	-	30,301
7	Other (Specify) Deferred Conservation Cost Recovery	-	-	-	117,912	(117,912)
8	PGA Over/Under Recoveries	-	-	-	(2,277,742)	2,277,742
9	Rate Refund Pending Adjustment	-	-	-	(46,400)	46,400
10	Total Gross Operating Revenues	64,850,008	-	64,850,008	62,659,879	2,190,129

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, 2007**

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

Effective
Date

January-07

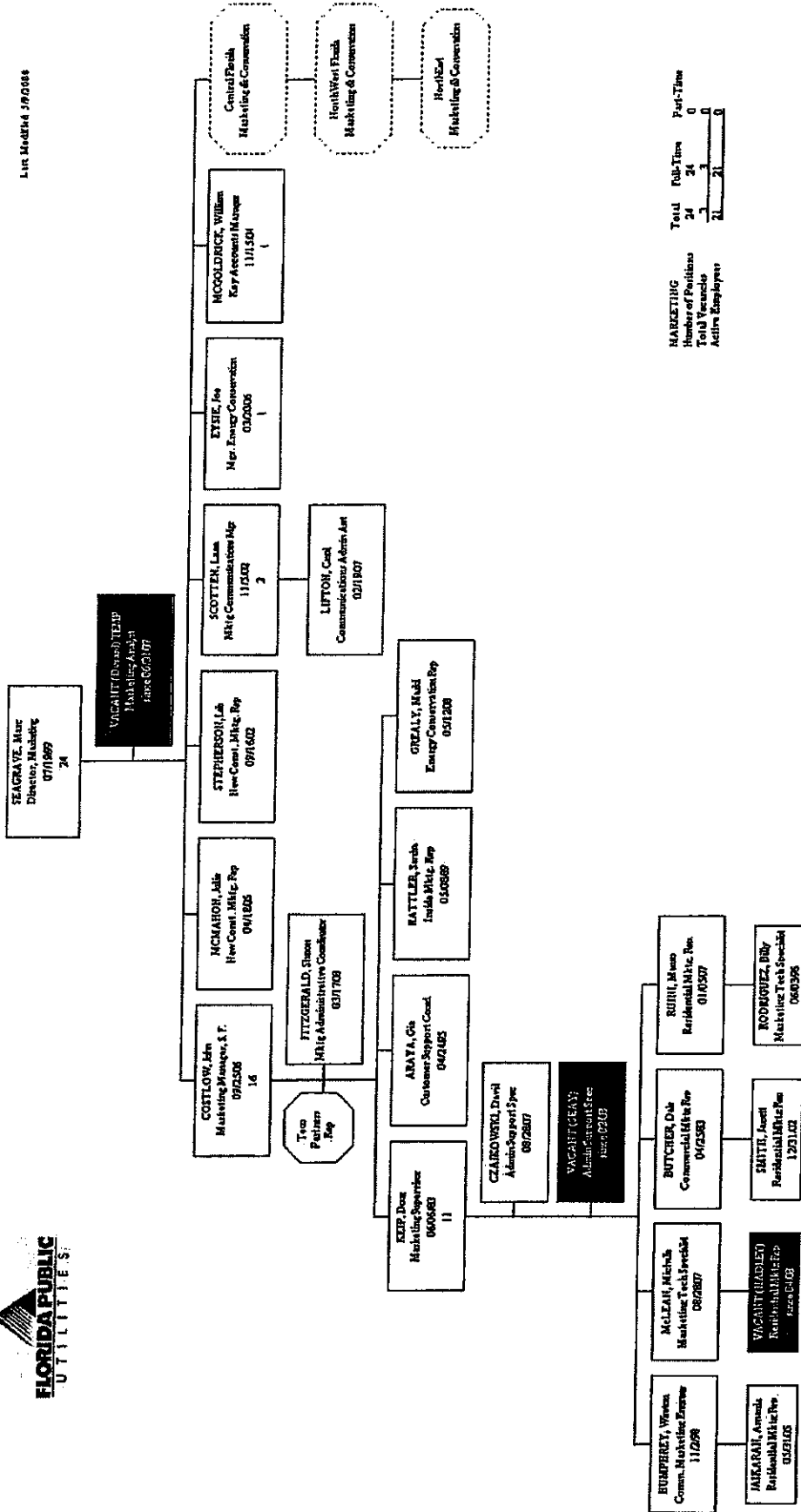
We have enclosed copies of our updated Organizational Charts for Florida Public Utilities Company.

Flo-Gas Corporation does not have any employees.



MARKETING DEPARTMENT

Ltr. Modifed 3/9/08

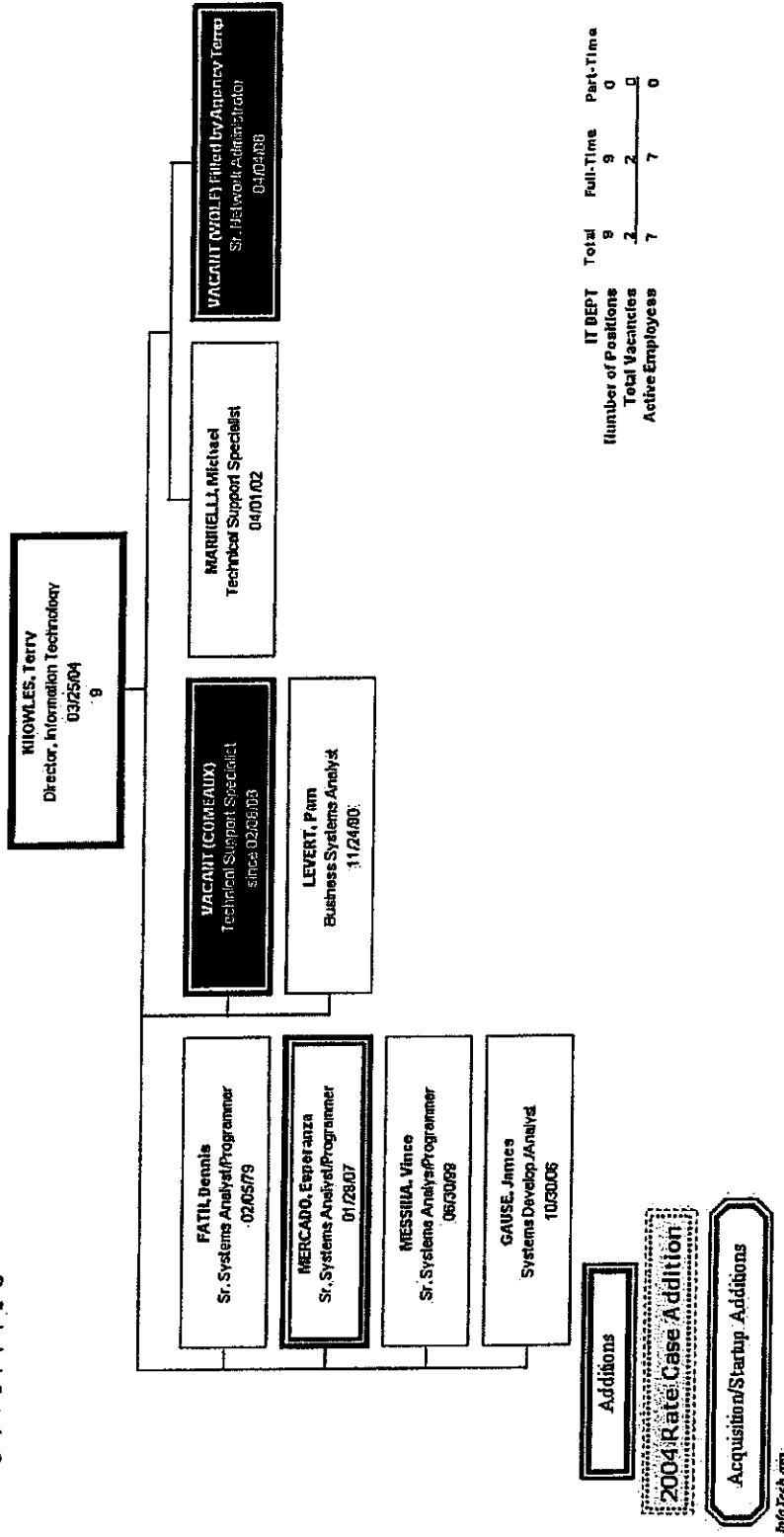


MARKETING	Total	Full-Time	Part-Time
Number of Positions	24	24	0
Total Vacancies	1	1	0
Active Employees	23	23	0



INFORMATION TECHNOLOGY DEPARTMENT (IT)

Last Modified 6/6/2008



IT DEPT			
Number of Positions	Total	Full-Time	Part-Time
Total Vacancies	8	9	0
Active Employees	7	7	0

Additions

2004 Rate Case Addition

Acquisition/Startup Additions

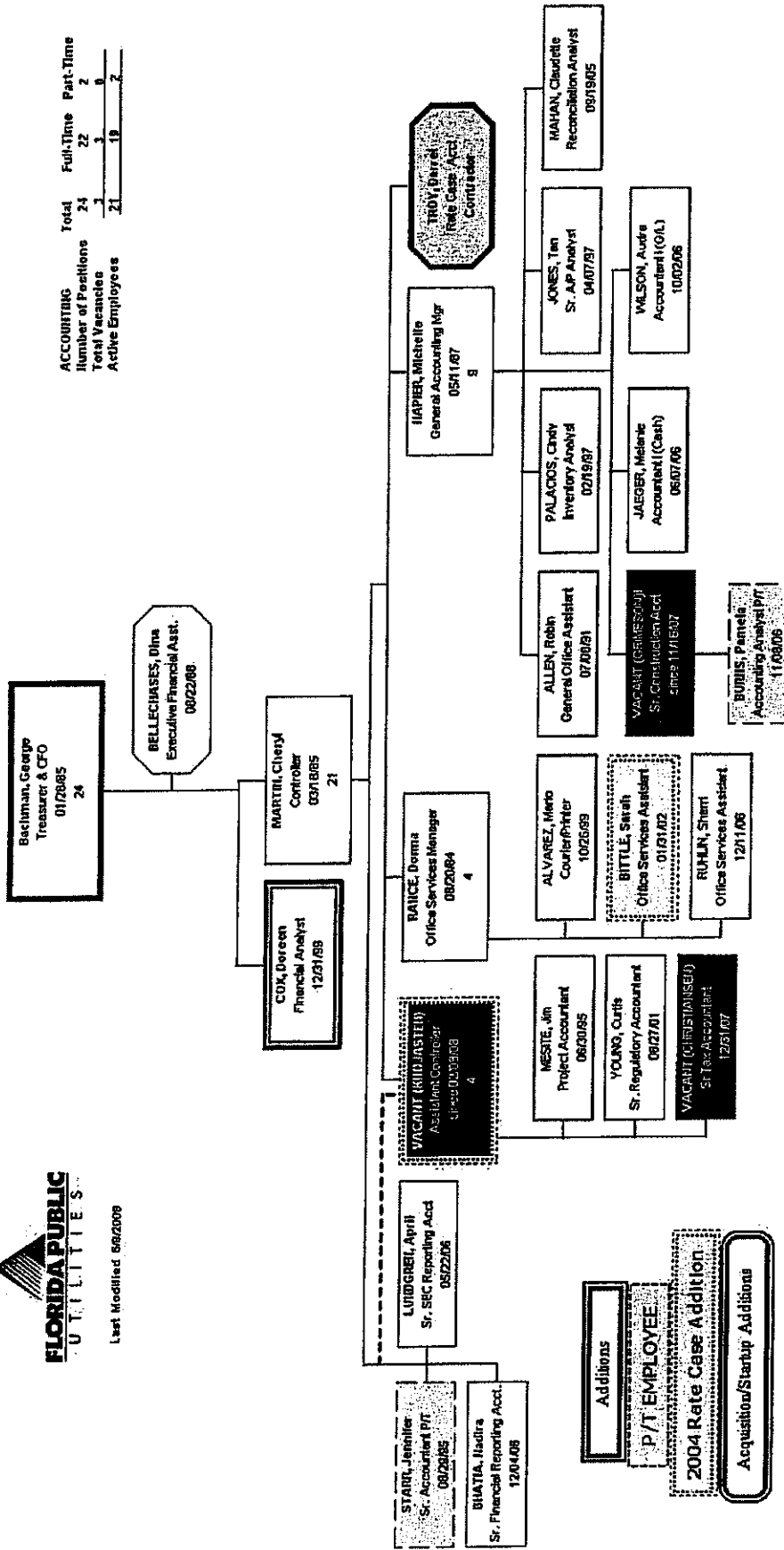
Info Tech. Dept.

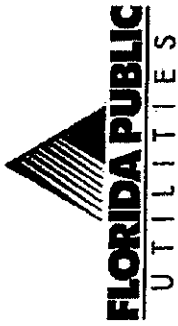
ACCOUNTING DEPARTMENT



Last Modified: 08/20/08

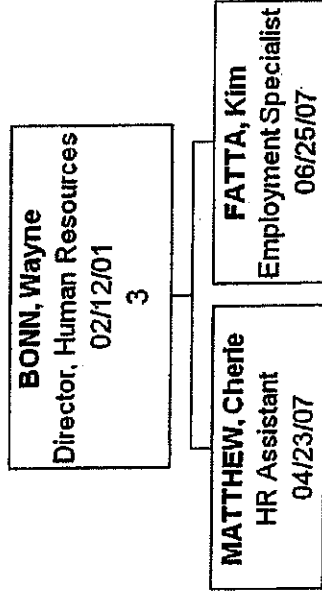
ACCOUNTING	Total	Full-Time	Part-Time
Number of Positions	24	22	2
Total Vacancies	2	1	1
Active Employees	21	19	2





HUMAN RESOURCES DEPARTMENT

Last Modified 5/8/2008



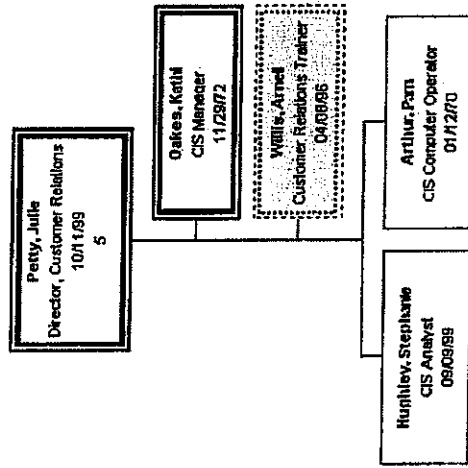
Human Resources	Total	Full-Time	Part-Time
Number of Positions	3	3	0
Total Vacancies	0	0	0
Active Employees	3	3	0

P/T EMPLOYEE
2004 Rate Case Addition



CUSTOMER RELATIONS DEPARTMENT

Last Modified 5/6/2008



Additions
 Acquisitions/Startup Additions
 2004 Rate Case Addition

CustomerRel.rpt

Customer Relations	Total	Full-Time	Part-Time
Number of Positions	5	6	0
Total Vacancies	0	0	0
Active Employees	5	5	0

CORPORATE SERVICES



SCHNEIDERMANN, Marc
Director, Corporate Services
02/21/89
12

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

GILMORE, AL
Bldg Maint, PT
04/05/05

SNYDER, Chris
Gas Logistics Manager
07/08/91
2

ROHOMAN, Abdell
Energy Logistics Specialist
08/02/04

STOTTSBERRY, Donnie
Corporate Fleet Manager
03/07/05
4

ALLEWELT, Herold
Garage Mechanic
12/09/96

HAASE, Bruce
Garage Mechanic
05/22/05

STUCKART, Gerry
Safety Manager
10/17/05
3

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

MILNER, Alan (ASBESTOS)
EPCOR Technicians
2/10/07

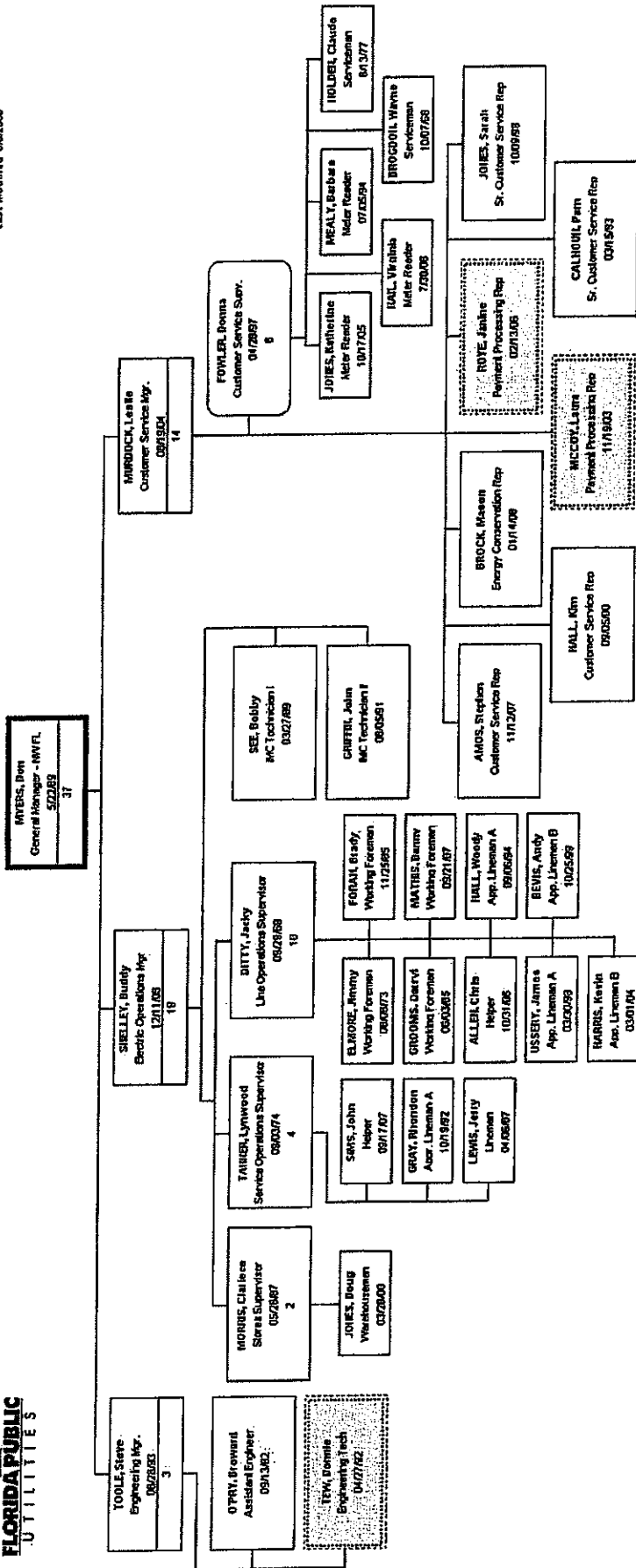
VACANT (SHELTON)
Elec. Safety Coordinator
Contractor

CORPORATE SERVICES	Total	Full-Time	Part-Time
Number of Positions	12	10	2
Total Vacancies	1	1	0
Active Employees	11	9	2

Northwest Florida Division - Organizational Chart



Last Modified 6/6/2009

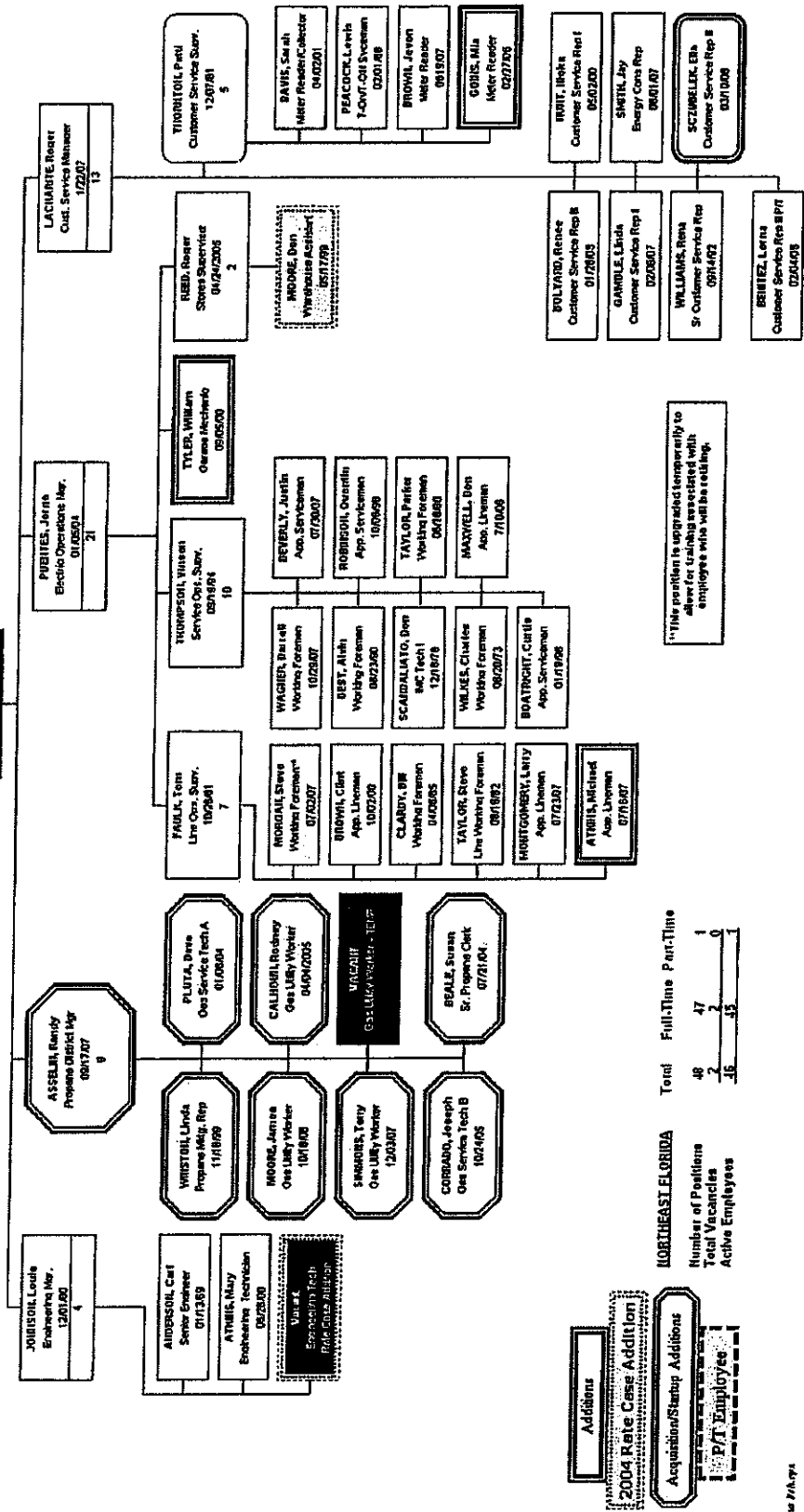


2004 Rate Case Addition
 Additions
 Acquisition/Startup Additions

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

NORTHEAST FLORIDA DIVISION - ORGANIZATIONAL CHART

Last Modified 8/20/08



*This position is upgraded temporarily to allow for training associated with employee who will be retiring.

NORTHEAST FLORIDA		Total	Full-Time	Part-Time
Number of Positions	48	47	1	
Total Vacancies	2	2	0	
Active Employees	46	45	1	

Additions

2004 Rate Case Addition

Acquisition/Startup Additions

P/T Employee

SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Company: FLORIDA PUBLIC UTILITIES COMPANY
For the Year Ended December 31, 2007

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 12/31/07

	<u>Year-to-Date Actual</u>	<u>Last Year-to-Date Actual</u>
Operating Revenue	16,171,521	14,726,330
Operation Expenses	13,189,980	12,472,621
Maintenance Expenses	403,134	379,960
Depreciation Expense	898,467	719,625
Amortization of Utility Plant- Acquisition Adjustment	-	-
Tax Other Than Income Tax-Utility Operation Expense	159,758	148,386
Income Tax - Federal - Utility Operating Income	53,792	(66,249)
Income Tax - State - Utility Operating Income	9,369	(11,457)
Deferred Income Tax - Utility Operating Income	169,831	183,242
Investment Tax Credit - Utility Operating Income	-	(418)
Operating Income	<u><u>1,287,190</u></u>	<u><u>900,620</u></u>
 <u>Other Income and Deductions</u>		
Interest and Dividend Income	-	-
Misc. Non-Operating Income	405,503	528,259
Other Income Deductions	(300,960)	(517,139)
Taxes Other Than Income - Other	-	-
Income Taxes-Federal-Other Income	(39,290)	(5,391)
Income Taxes-State-Other Income	-	-
Other (Income) and Deductions	<u><u>65,253</u></u>	<u><u>5,729</u></u>
 <u>Interest Charges</u>		
Interest on Debt to Associated Companies	887,407	746,565
Other Interest Expense	1,960	2,270
Interest Charges	<u><u>889,367</u></u>	<u><u>748,835</u></u>
 <u>Extraordinary Items</u>		
Cumulative Effect - Change in Accounting Principles - Net	-	-
 Net Income	 <u><u>463,076</u></u>	 <u><u>157,514</u></u>

ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT
FLO-GAS
BALANCE SHEET - 09
December 31, 2007

	Current	Last Year End
Assets and Other Debits	<u> </u>	<u> </u>
Utility Plant		
Utility Plant in Service	17,642,573	17,093,284
Utility Plant Purchased/Sold	-	-
Completed Construction Not Classified		
Construction Work in Progress	464,351	1,047,029
Utility Plant	<u>18,106,924</u>	<u>18,140,313</u>
Accumulated Depreciation		
Accumulated Dep. - Utility Plant in Service	(4,592,157)	(4,246,234)
Accumulated Dep. - Transportation Equip.	(648,828)	(714,612)
Retirement Work in Progress		
Accumulated Dep. - Rental Equipment	-	-
Accumulated Depreciation	<u>(5,240,985)</u>	<u>(4,960,846)</u>
Other Utility Plant		
Utility Plant Acquisition Adj.	-	-
Accum. Amort. - Utility Acq. Adj.	-	-
Other Utility Plant	<u>-</u>	<u>-</u>
Other Property and Investments		
Investment in Assoc. Companies - Common Stock	-	-
Other Property and Investments	<u>-</u>	<u>-</u>
Current and Accrued Assets		
Customer Accounts Receivable	1,984,620	1,729,152
Allowance for Uncollectible Accounts	(61,361)	(64,399)
Accounts Rec. from Associated Companies		
Operating Supplies - Propane	2,346,847	2,166,364
Prepayments - Taxes	-	692
Interest and Dividends Receivable	-	24,208
Merchandise-Applian.& Supplies		
Accrued Utility Revenues	373,052	339,173
Current and Accrued Assets	<u>4,643,158</u>	<u>4,195,190</u>
Deferred Debits		
Goodwill	1,852,435	1,852,435
Misc. Deferred Debits - Other W.I.P.		
Misc. Deferred Debits - Miscellaneous	688	-
Accum. Deferred Income Taxes	62,142	183,576
Deferred Debits	<u>1,915,265</u>	<u>2,036,011</u>
ASSETS AND OTHER DEBITS	<u>19,424,362</u>	<u>19,410,668</u>

ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT
FLO-GAS
BALANCE SHEET - 09
December 31, 2007

	<u>Current</u>	<u>Last Year End</u>
Liabilities and Other Credits		
Proprietary Capital		
Common Stock Issued	10,000	10,000
Appropriated Retained Earnings	-	-
Unappropriated Retained Earnings	<u>386,527</u>	<u>2,229,012</u>
Proprietary Capital	<u><u>396,527</u></u>	<u><u>2,239,012</u></u>
Current and Accrued Liabilities		
Accounts Payable to Assoc. Companies	15,251,882	13,452,431
Customer Deposits	804,803	718,150
Taxes Accrued	(1,570,271)	(1,483,455)
Interest Accrued	1,510	1,769
Dividends Declared	-	-
Tax Collections Payable	77,845	60,547
Misc. Current and Accrued Liabilities	-	-
Customer Advances for Construction	90,163	392,376
Other Deferred Income Taxes - Other	-	-
Accumulated Deferred I.T.C.	-	-
Current and Accrued Liabilities	<u><u>14,655,932</u></u>	<u><u>13,141,818</u></u>
Operating Reserves		
Misc. Operating Reserves	-	-
Accum. Deferred Income Tax - Liberalized Depreciation	3,908,827	3,872,324
Accum. Deferred Income Taxes - Other	-	-
Operating Reserves	<u><u>3,908,827</u></u>	<u><u>3,872,324</u></u>
Year-to-Date Income/Loss	<u><u>463,076</u></u>	<u><u>157,514</u></u>
LIABILITIES AND OTHER CREDITS	<u><u>19,424,362</u></u>	<u><u>19,410,668</u></u>

NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY
For the Year Ended December 31, 2007

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 tariff 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, 2007

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>	(12,751,755)
<i>Flo-Gas Corporation</i>	<i>Payroll Payment by Florida Public Utilities Company for Flo-Gas Corporation. Recurring.</i>	(3,080,768)
<i>Flo-Gas Corporation</i>	<i>Cash Receipts - Recurring.</i>	16,989,733
<i>Flo-Gas Corporation</i>	<i>Depreciation - Recurring.</i>	53,677
<i>Flo-Gas Corporation</i>	<i>Revenue- Recurring</i>	384,298
<i>Flo-Gas Corporation</i>	<i>Transportation - Recurring</i>	(149,375)
<i>Flo-Gas Corporation</i>	<i>Dividends - Non-Recurring</i>	(2,000,000)
<i>Flo-Gas Corporation</i>	<i>Insurance Accruals and adjustments - Recurring</i>	40,421
<i>Flo-Gas Corporation</i>	<i>Income Tax adjustment - Non-Recurring</i>	(26,457)
<i>Flo-Gas Corporation</i>	<i>Intercompany Interest - Recurring</i>	(108,366)
<i>Flo-Gas Corporation</i>	<i>Clearing - Recurring</i>	(819,127)
<i>Flo-Gas Corporation</i>	<i>Plant Transfer - Non-Recurring</i>	(32,395)
<i>Flo-Gas Corporation</i>	<i>Merchandise/Appliance Transfer - Non-Recurring</i>	(92,468)

ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES							
FLORIDA PUBLIC UTILITIES COMPANY							
For the Year Ended December 31, 2007							
Provide a summary of affiliated transactions involving asset transfers or the right to use assets.							
Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
Purchases from Affiliates:		51,391	17,637	33,754	\$ N/A	\$ N/A	N/A
Flo-Gas Corporation	Meters	40,338	14,268	26,070	N/A	Transfer	N/A
	Transp Equipment	2,798	1,713	1,085	N/A	Transfer	N/A
	Regulators	1,059	371	688	N/A	Transfer	N/A
	Computer Equipment	2,673		2,673	N/A	Transfer	N/A
	Power Equipment	4,523	1,285	3,238	N/A	Transfer	N/A
Sales to Affiliates:		60,951	7,264	53,687	\$ N/A	Sales Price	N/A
	Meters	33,083	1,310	31,773	N/A	Transfer	N/A
	Regulators	11,426	458	10,968	N/A	Transfer	N/A
	Transp Equipment	757	201	556	N/A	Transfer	N/A
	Computer Equipment	15,685	5,295	10,390	N/A	Transfer	N/A
Total						\$	

FLORIDA PUBLIC UTILITIES COMPANY			
For the Year Ended			
List employees earning more than \$30,000 annually transferred to/from the utility to/from an affiliate company.			
Company Transferred From	Old Job Assignment	New Job Assignment	Transfer Perm or Temporary and Duration
NONE			

**Florida Public Utilities Company
AEP Reconciliation
As Of December 31, 2007**

Rev Start Date	AEP #	Facilities Area	Bal @ Beginning of year		12 Months Ended 12/07		Over/Under Collection	Charges to Date	
			Surcharge Revenues	Facilities Cost	Surcharge* Revenues	Facilities** Cost		Surcharge Revenues	Facilities Cost
Sep-98	20001	Deltona HP #1	592,381.85	749,567.05	67,301.99	10,112.82		659,683.84	759,679.87
Feb-99	20092	Stone Gable	21,211.50	27,641.31	2,167.97	436.19		23,379.47	28,077.50
May-99	20093	Deltona HP #2	235,964.40	619,575.64	25,766.12	30,648.96		261,730.52	650,224.60
Apr-99	20098	DeBary Golf & CC	38,676.48	66,569.95	5,297.73	2,083.02		43,974.21	68,652.97
Jun-00	20193	Spring Valley Unit 5	14,380.29	17,535.00	2,707.83	152.40		17,088.12	17,687.40
May-00	20289	Convert Deltona Ph III	285,667.63	662,877.52	39,628.87	29,584.83		325,296.50	692,462.35
Feb-01	20345	Crystal Cove	24,347.25	33,549.98	8,674.98	379.17		33,022.23	33,929.15
Sep-00	20347	Westward Expansion	228,535.43	244,742.79	23,880.62	230.44	7,586.24	252,416.05	244,973.23
Jun-01	20498	La Chalet	28,618.18	59,543	5,877.59	2,334.76		34,495.77	61,877.30
Oct-01	20561	Victoria Pk. Ph. I	236,310.52	673,558	95,083.60	32,053.25		331,394.12	705,611.51
May-01	20591	Fawn Ridge Sub.	23,169.55	47,625	7,763.96	1,704.81		30,933.51	49,330.04
May-02	20660	Thor./Versailles	114,908.25	687,074	43,740.29	45,587.73		158,648.54	732,661.55
Apr-02	20695	Mizner Falls Subdiv.	26,552.56	168,064	6,964.36	11,432.44		33,516.92	179,496.12
Mar-03	20734	Kenco Commun.	5,806.98	65,494	4,065.91	4,766.15		9,872.89	70,260.28
Jun-02	20769	Ibis Parcel V-Terra	9,363.67	13,816	3,936.85	196.79		13,300.52	14,012.67
Aug-02	20798	Lake Mary H.S.	4,041.73	19,611	1,184.07	1,242.59		5,225.80	20,853.41
Oct-02	20849	Equestrian Club	57,699.04	144,279	16,454.80	6,425.92		74,153.84	150,704.78
Feb-03	20851	Juno Beach	37,552.03	197,484	16,226.55	12,467.70		53,778.58	209,951.61
Dec-02	20861	Victoria Grove	94,365.27	353,087	31,458.96	20,177.21		125,824.23	373,263.87
Nov-02	20865	Hamilton Bay	29,099.19	151,328	7,965.29	9,776.65		37,064.48	161,104.87
Oct-02	20881	Springview Unit 6	11,161.25	23,639	3,278.19	902.22		14,439.44	24,541.49
Dec-02	20892	Black Diamond	50,947.71	71,796.43	15,943.36	1,037.58		66,891.07	72,834.01
Feb-03	20974	Deerfield Ph II	17,791.79	57,102.92	4,958.19	3,022.84		22,749.98	60,125.76
Aug-03	20976	Wyndsong Estates	9,730.14	49,316.84	5,188.30	3,071.34		14,918.44	52,388.18
	20999	Downtown Gas Lt. Dist.	-	20,776.73	-	1,720.04		-	22,496.77
Mar-03	21007	SE 6th Ave	7,373.39	21,212.32	1,373.31	1,084.25		8,746.70	22,296.57
Oct-04	21025	SR 441 - Palmetto Pk.	4,502.24	94,684.91	3,934.15	7,322.39		8,436.39	102,007.30
Feb-03	21031	Winter Springs Town Ctr.	20,487.55	163,849.29	6,788.35	11,617.32		27,275.90	175,466.61
Jun-05	21151	Lakes of Deland	598.59	90,829.71	951.50	7,427.69		1,550.09	98,257.40
Jun-04	21160	Riverside at DeBary	9,772.90	148,110.24	7,514.97	11,170.68		17,287.87	159,280.92
Jan-04	21195	Cedar Creek Subdiv.	6,406.45	29,115.86	2,676.04	1,776.17		9,082.49	30,892.03
Jan-04	21212	Equis Subdiv	6,663.71	65,527.82	5,342.94	4,624.40		12,006.65	70,152.22
Mar-06	21242	Casa Bella Subdiv	813.63	61,328.32	2,784.11	4,897.37		3,597.74	66,225.69
Jul-04	21315	Arbor Ridge	30,788.69	206,702.35	19,223.00	13,684.44		50,011.69	220,386.79
Nov-04	21328	Inlet Shore Estates	2,243.86	15,539.01	1,604.60	1,035.51		3,848.46	16,574.52
	21344	Talavera Subdiv	-	19,465.31	-	1,611.44		-	21,076.75
Oct-05	21391	441 Belv to Okeechobee	11,145.26	59,272.45	9,618.32	3,603.27		20,763.58	62,875.72
	21436	Wellington Town Sq	-	1,183.96	-	57,193.79		-	58,377.75
Jun-06	21686	Deltona Woods	287.99	10,823.19	1,695.36	798.07		1,983.35	11,621.26
	21743	Bella Foresta	-	37,901.43	-	3,137.73		-	41,039.16
	21933	Longwood Hills	-	260.00	-	650.60		-	910.60
	22076	Wellington Woods	-	-	-	-		-	49,748.89
	22081	Florida Days	-	-	-	-		-	35,225.93
	22121	SummerGlen Conversion	-	-	-	-		5,750.91	294,836.04
	22130	Canopy Creek Subdiv.	-	-	-	-		-	57,990.20
	22132	Long Pond Subdivision	-	-	-	-		-	-
	22133	Veramonte Subdivision	-	-	-	-		-	18,793.00
	Total		2,299,366.95	6,251,459.61	509,023.03	363,182.97	7,586.24	2,814,140.89	7,071,236.64

Note:

- * Collections posted to 1860.4
- ** Includes interest

Balance in 1860.4	
at 12/31/2007	4,264,681.99
Plus Revenues	2,814,140.89
Less Over/under Recovery	(7,586.24)
	<u>7,071,236.64</u>

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