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ANNUAL REPORT OF
NATURAL GAS UTILITIES

Florida Public Utilities Company

(EXACT NAME OF RESPONDENT)

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

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2008

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

INDEPENDENT AUDITORS' REPORT

Florida Public Utilities Company
West Palm Beach, Florida

We have audited the balance sheet –regulatory basis- of Florida Public Utilities Company (the “Company”) as of December 31, 2008, and the related statement 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, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of the Company as of December 31, 2008, and the results of its operations for the year then ended, 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

BDO Seidman, LLP
Certified Public Accountants
May 27, 2009

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent Florida Public Utilities Company	02 Year of Report 31-Dec-08
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., Day, Yr)

ATTESTATION

I certify that I am the responsible accounting officer of

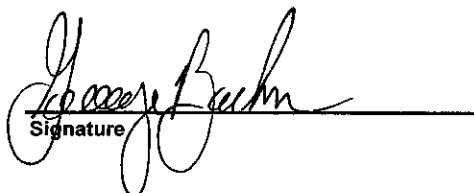
Florida Public Utilities Company

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, 2008 to December 31, 2008, 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 or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.


Signature

George Bachman
Name

5/27/09
Date

Chief Financial Officer & Treasurer
Title

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CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or organization. If control was held by a trustee(s), state name of combination of such organizations jointly held control over the trustee(s).
 respondent at end of year, state name of controlling corporation. If the above required information is available from the SEC or organization, manner in which control was held, and extent of 10K Report Form filing, a specific reference to the report form control. If control was in a holding company organization, show (i.e. year and company title) may be listed provided the fiscal the chain of ownership or control to the main parent company if 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	294,432
Sr. Vice President & COO	Charles L. Stein	198,291
CFO, Treasurer & Secretary	George M. Bachman	216,318

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	14	-
R.C. Hitchins	325 South Olive Avenue West Palm Beach, Florida	14	28,000
P.L. Maddock, Jr	275 S County Road Palm Beach, Florida	14	26,500
D. Hudson	PO Box 9012 Stuart, Florida	14	21,000
Ellen Terry Benoit	250 El Pueblo Way Palm Beach, Florida	14	19,000
T. Maschmeyer	1142 Watertower Road Lake Park, Florida	14	20,000

SECURITY HOLDERS AND VOTING POWERS

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

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

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

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

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

VOTING SECURITIES

Name (Title) and Address of Security Holder (a)	Number of votes as of (date): 12/31/2008			
	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities	6087441	6,087,441		
TOTAL number of security holders	872	872		
TOTAL votes of security holders listed below	632,652	632,652		
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	97,350	97,350		
3 George F. Parris, Jr., P. O. Box 1420, Las Vegas, NV 89125-1420	87,439	87,439		
4 Walter P. Large, 11479 Orange Grove Blvd, Royal Palm Beach, FL	34,109	34,109		
5 John T. English, 15410 Woodmar Ct. Wellington, FL	31,014	31,014		
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	22,425	22,425		
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.

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

- 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.
- 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.
- 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.

- None
- None
- None
- None
- None

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)	12	188,682,029	197,227,669
3	Construction Work in Progress (107)	12	2,405,503	2,011,845
4	TOTAL Utility Plant Total of lines 2 and 3)		191,087,532	199,239,514
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	(60,598,626)	(64,967,958)
6	Net Utility Plant (Total of line 4 less 5)		130,488,906	134,271,556
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 Companies (123)	-	0	0
13	Investment in Subsidiary Companies (123.1)	-	859,603	1,480,594
14	Other Investments (124)	-	5,621,672	5,619,015
15	Special Funds (125, 126, 128)	-		
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		6,489,711	7,108,045
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	3,442,010	2,961,407
19	Special Deposits (132-134)	-	3,762,094	3,636,815
20	Working Funds (135)	-	33,738	35,650
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-	298,411	252,000
23	Customer Accounts Receivable (142)	-	10,128,699	11,825,771
24	Other Accounts Receivable (143)	-	158,153	930,802
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	(264,805)	(389,382)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Associated Companies (146)	-	15,251,882	14,712,473
28	Fuel Stock (151)	-		
29	Fuel Stock Expense Undistributed (152)	-		
30	Residuals (Electric) and Extracted Products (Gas) (153)	-		
31	Plant Material and Operating Supplies (154)	-	1,510,731	1,524,027
32	Merchandise (155)	-	393,194	401,495
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-		
36	Prepayments (165)	18	860,951	1,036,785
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	1,505,850	1,714,063
41	Miscellaneous Current and Accrued Assets (174)	-		
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		37,080,908	38,641,906
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	0	0
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18	0	0
47	Other Regulatory Assets (182.3)	19	7,652,656	17,037,022
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-	0	0
50	Temporary Facilities (185)	-	14,060	(3,698)
51	Miscellaneous Deferred Debits (186)	19	6,227,313	6,394,122
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20	190,458	172,174
55	Accumulated Deferred Income Taxes (190)	24	4,493,908	5,648,204
56	Unrecovered Purchased Gas Costs (191)	19	0	756,074
57	TOTAL Deferred Debits (Total of lines 44 through 56)		18,578,395	30,003,898
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		192,637,920	210,025,405

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)	-	14,997,654	\$15,189,314
3	Preferred Stock Issued (204)	-	600,000	600,000
4	Other Paid-In Capital (208-214)	-	440,490	(1,376,218)
5	Retained Earnings (215, 216)	10	34,946,727	34,979,795
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	849,603	1,444,205
7	(Less) Reacquired Capital Stock (217)	-	(2,289,976)	(1,725,042)
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		49,544,498	49,112,054
9	LONG-TERM DEBT			
10	Bonds (221)	21	50,771,520	49,329,161
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-Debit (226)	21		
16	TOTAL Long-Term Debt (Total of lines 10 through 15)		50,771,520	49,329,161
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)	-		
19	Accumulated Provision for Property Insurance (228.1)	-	2,387,270	2,417,615
20	Accumulated Provision for Injuries and Damages (228.2)	-	217,991	264,922
21	Accumulated Provision for Pensions and Benefits (228.3)	-	4,817,053	19,351,582
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-	26,325	0
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		7,448,639	22,034,119
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-	11,122,000	12,747,000
27	Accounts Payable (232)	-	9,900,495	11,480,775
28	Notes Payable to Associated Companies (233)	-	0	0
29	Accounts Payable to Associated Companies (234)	-	0	0
30	Customer Deposits (235)	-	9,742,265	10,250,728
31	Taxes Accrued (236)	-	2,910,651	551,512
32	Interest Accrued (237)	-	1,148,920	1,079,676
33	Dividends Declared (238)	-	688,174	724,077
34	Long-Term Debt Current (239)	-	0	0
35	Matured Interest (240)	-	0	0
36	Tax Collections Payable (241)	-	750,142	1,228,989
37	Miscellaneous Current and Accrued Liabilities (242)	22	3,419,785	3,291,907
38	Obligations Under Capital Leases-Current (243)	-	0	0
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		39,682,431	\$41,354,664
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	-	2,407,196	2,405,970
43	Other Deferred Credits (253)	22	16,020,976	14,620,227
44	Other Regulatory Liabilities (254)	22	10,154,498	11,011,140
45	Accumulated Deferred Investment Tax Credits (255)	23	266,236	202,797
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	16,341,925	19,955,273
49	TOTAL Deferred Credits (Total of lines 42 through 48)		45,190,831	48,195,407
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		192,637,920	\$210,025,405

31-Dec-08

STATEMENT OF INCOME

1. Use page 11 for important notes regarding the statement of income or any account thereof.
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.
3. Enter on page 11 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.
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

Line No.	Account (a)	Ref. Page No. (b)	Total Current Year (c)	Total Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	151,279,113	120,370,859
3	Operating Expenses			
4	Operation Expenses (401)	27-29	120,245,263	92,685,784
5	Maintenance Expenses (402)	27-29	3,303,752	2,998,611
6	Depreciation Expense (403)	15-16	6,507,435	5,818,771
7	Amortization & Depletion of Utility Plant (404-405)	-	1,549,477	1,537,430
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	31,060	31,060
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-	-	-
10	Amortization 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	11,874,190	9,998,829
14	Income Taxes - Federal (409.1)	-	(925,763)	2,207,315
15	- Other (409.1)	-	(170,261)	376,552
16	Provision for Deferred Income Taxes (410.1)	24	2,359,060	(1,354,172)
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24	-	-
18	Investment Tax Credit Adjustment - Net (411.4)	23	(63,439)	(68,910)
19	(Less) Gains from Disposition of Utility Plant (411.6)	-	-	-
20	Losses from Disposition of Utility Plant (411.7)	-	-	-
21	Other Operating Income (412-414)	-	-	-
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		144,710,774	114,231,270
23	Net Utility Operating Income (Total of line 2 less 22)		6,568,339	6,139,589
24	(Carry forward to page 9, line 25)			

STATEMENT OF INCOME

- | | |
|--|---|
| <p>1. Use page 11 for important notes regarding the statement of income or any account thereof.</p> <p>2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.</p> <p>3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year</p> | <p>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.</p> <p>4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.</p> |
|--|---|

Line No.	Total Electric Utility Current Year (e)	Total Electric Utility Previous Year (f)	Total Gas Utility Current Year (g)	Total Gas Utility Previous Year (h)	Total Other Current Year (i)	Total Other Previous Year (j)
1						
2	\$78,654,826	\$55,520,851	\$72,624,287	\$64,850,008		
3						
4	63,230,942	43,850,103	57,014,321	48,835,681		
5	2,146,970	1,915,790	1,156,782	1,082,821		
6	3,314,955	2,819,833	3,192,480	2,998,938		
7	-	-	1,549,477	1,537,430		
8	-	-	31,060	31,060		
9	-	-				
10	-	-				
11	-	-				
12	-	-				
13	5,757,128	4,282,076	6,117,062	5,716,753		
14	(95,850)	625,169	(829,913)	1,582,146		
15	(28,461)	106,719	(141,800)	269,833		
16	1,080,190	(238,567)	1,278,870	(1,115,605)		
17	-	-				
18	(26,598)	(29,538)	(36,841)	(39,372)		
19	-	-				
20	-	-				
21	-	-				
22	75,379,276	53,331,585	69,331,498	60,899,685	0	0
23						
24	3,275,550	2,189,266	3,292,789	3,950,323	0	0

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 8)		6,568,339	6,139,589
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (41)	-	2,494,461	2,862,097
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (-	(2,250,801)	(2,500,156)
31	Revenues From Nonutility Operations (417)	-	-	-
32	(Less) Expenses of Nonutility Operations (417.1)	-	-	-
33	Nonoperating Rental Income (418)	-	3,156	2,891
34	Equity in Earnings of Subsidiary Companies (418.1)	10	594,602	463,076
35	Interest and Dividend Income (419)	-	381,094	345,624
36	Allowance for Other Funds Used During Construction (419.1)	-	-	-
37	Miscellaneous Nonoperating Income (421)	-	252,229	252,468
38	Gain on Disposition of Property (421.1)	-	-	-
39	TOTAL Other Income (Total of lines 29 through 38)		1,474,741	1,426,000
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	25,378	21,012
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		25,378	21,012
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-	-	-
47	Income Taxes - Federal (409.2)	-	195,885	213,377
48	Income Taxes - Other (409.2)	-	45,546	51,197
49	Provision for Deferred Income Taxes (410.2)	24	188	-
50	(Less) Provision for Deferred Income Taxes - Credit (411.2)	24	-	-
51	Investment Tax Credit Adjustment - Net (411.5)	-	-	-
52	(Less) Investment Tax Credits (420)	-	-	-
53	TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)		241,619	264,574
54	Net Other Income and Deductions (Total of lines 39,44,53)		1,207,744	1,140,414
55	Interest Charges			
56	Interest on Long-Term Debt (427)	-	3,854,840	3,948,132
57	Amortization of Debt Discount and Expense (428)	21	99,925	97,523
58	Amortization of Loss on Reacquired Debt (428.1)	-	-	-
59	(Less) Amortization of Premium on Debt - Credit (429)	21	-	-
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-	-	-
61	Interest on Debt to Associated Companies (430)	33	(525,316)	(887,407)
62	Other Interest Expense (431)	33	859,559	822,175
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (-	0	-
64	Net Interest Charges (Total of lines 56 through 63)		4,289,008	3,980,423
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		3,487,075	3,299,580
66	Extraordinary Items			
67	Extraordinary Income (434)	-	-	-
68	(Less) Extraordinary Deductions (435)	-	-	-
69	Net Extraordinary Items (Total of line 67 less line 68)		-	-
70	Income Taxes - Federal and Other (409.3)	-	-	-
71	Extraordinary Items After Taxes (Total of line 69 less line 70)		-	-
72	Net Income (Total of lines 65 and 71)		3,487,075	3,299,580
73	Earnings Per Share		0.57	0.54

STATEMENT OF RETAINED EARNINGS

1. Report all changes in appropriated retained earnings, and unappropriated retained 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 11.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance - Beginning of Year		34,946,727
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit		
8	Debit:	4XXX	2,892,473
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		2,892,473
10	Balance Transferred from Income (Account 433 less Account 418.1)		
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL	2380	28,500
13	Dividends Declared - Common Stock (Account 438) TOTAL	2380	2,830,905
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	FAS 133 Other Comprehensive Income		
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		
			34,979,795
APPROPRIATED RETAINED EARNINGS (Account 215)			
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18	Balance - Beginning of Year (Debit or Credit)		849,603
19	Equity in Earnings for Year (Credit) (Account 418.1)		594,602
20	(Less) Dividends (Debit)		
21	Other Changes (Explain)		
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		1,444,205
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		36,424,000

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

Florida Public Utilities Company (FPUC or 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 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 2008 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>2008</u>	<u>2007</u>
Assets		
Deferred development costs (1)	\$ 4,161	\$ 4,265
Unamortized fuel related regulatory costs (5)	24	36
Environmental assets (2)	7,092	7,653
Deferred retirement plan costs (4)	9,945	-
Unamortized Rate Case expense (7)	861	535
Under-recovery of fuel costs (6)	756	-
Unamortized piping and conversion costs (1)	1,273	1,379
Unamortized loss on reacquired debt (1)	172	190
Total Regulatory Assets	\$24,284	\$14,058
Liabilities		
Tax liabilities (8)	\$ 707	\$ 796
Cost of removal (9)	10,304	9,359
Deferred retirement plan costs (4)	-	564
Storm reserve liabilities(3)	2,418	2,387
Over-recovery of fuel costs (6)	1,608	2,761
Over-recovery of conservation (6)	357	446
Over-earnings liability (3)	-	26
Total Regulatory Liabilities	\$15,394	\$16,339

- (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 in 2008 of our 2006 natural gas over-earnings to additionally fund our storm reserve for our natural gas operations. Our natural gas storm reserve is approximately \$790,000 as of December 31, 2008. Our electric storm reserve is approximately \$1,629,000 as of December 31, 2008.
- (4) The actuarial valuation of the retirement plan obligations has been completed and the recognition provisions of Statement 158 resulted in a regulatory liability for \$564,000 at December 31, 2007 and a regulatory asset for \$9.9 million at December 31, 2008.
- (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 rate proceedings before the FPSC. These costs are amortized over a four year period. This represents the

unamortized portion of these costs. The Company has incurred rate case costs associated with the recent electric filing finalized in 2008 and the natural gas filing expected to be finalized in 2009. Amortization will not begin on the natural gas proceeding until mid 2009.

- (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 natural gas segment. Approval of interim rate relief of \$1.0 million was granted effective for meter readings on or after March 12, 2009 and final approval, if any, is expected in the second quarter of 2009.

At December 31, 2008, 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 No. 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 No. 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 purchase" 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.

Electric interim rate relief for partial recovery of the increased expenditures was approved by the FPSC on October 23, 2007. Interim rates were effective November 2007. A final annual electric rate increase of approximately \$3.9 million a year was approved in April 2008, with the new rates which began on May 22, 2008. These revenues provided an increase to our overall profitability for the electric segment and recovery of increased expenditures including depreciation, storm readiness mandates and initiatives and other expenses incurred throughout 2008.

We filed a request with the FPSC in the fourth quarter of 2008 for a base rate increase in our natural gas segment. This request included recovery of increased expenses and some capital expenditures since our last rate proceeding in 2004. Finalization of this request and approval, if any, of a natural gas base rate increase would not occur until mid 2009. Interim rates which will produce additional annual revenues of approximately \$1 million went into effect for meter readings on and after March 12, 2009. These interim revenues are collected subject to refund pending the outcome of our final rate increase.

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, 2008 and 2007 was \$8.7 million and \$7.1 million, respectively.

I. Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts. This liability is estimated based on historical information and trended current economic conditions, certain assumptions, and is subject to unknown future events. Actual results could differ from our estimates.

Our accounts receivable are considered delinquent after 21 days. The customer receives a delinquent notice reminder to pay within 5 days. If payment is not received by the date specified on the delinquent notice, we send a collector out to either collect the past due amount or disconnect the account for nonpayment. We provide for a bad debt provision for all accounts over 90 days unless special circumstances exist. We also provide for a bad debt provision based on historical data for those accounts less than 90 days. All accounts are generally written off after 90 days and sent to an outside, third party collection agency.

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
2006	\$ 272	466	623	\$ 429
2007	\$ 429	551	448	\$ 326
2008	\$ 326	702	831	\$ 455

A large industrial customer in our Northeast electric division filed for bankruptcy on January 26, 2009. This customer has currently paid for all outstanding receivable amounts as of December 31, 2008 and accordingly, there has been no provision for bad debt allowances as of December 31, 2008 for this customer.

J. Utility Plant and Depreciation

Utility plant is stated at original cost. The propane gas utility plant that was acquired was stated at fair market value at the time of the acquisition. 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.

Plant Classification	Utility Plant (Dollars in thousands)		
	Annual Composite Depreciation Rate	2008	2007
Land		\$ 4,545	\$ 4,537
Buildings	2.0% to 4.9%	7,647	7,085
Distribution	1.8% to 7.5%	174,810	167,327
Transmission	1.8% to 3.8%	6,970	6,957
Equipment	2.2% to 20.0%	14,190	13,307
Furniture and Fixtures	4.8% to 20.0%	444	417
Work-in-Progress		2,022	2,754
		<u>\$ 210,628</u>	<u>\$ 202,384</u>

Depreciation for the Company's regulated segments is computed using the composite straight-line method at rates prescribed by the FPSC for financial accounting purposes. Propane gas depreciation is computed using a composite straight-line method at an average rate based on estimated average life of approximately 20-30 years. Such rates are based on estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximate 3.9% in 2008, 3.8% in 2007 and 3.9% in 2006. Depreciation expense was \$7.3 million, \$6.7 million and \$6.2 million for 2008, 2007 and 2006, respectively.

K. Earnings Per Share

The Company includes earnings per common share (basic and diluted) on the consolidated statements of income. The Company does not have any outstanding stock based awards that would be dilutive or anti-dilutive.

L. Impact of Recent Accounting Standards

Financial Accounting Standard No. 157

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) 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. 157-2, "Effective Date of FASB Statement No. 157" which deferred 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 has adopted SFAS No. 157 effective January 1, 2008 for financial assets and liabilities and effective January 1, 2009 for nonfinancial assets and nonfinancial liabilities. This statement did not have a material impact on our financial condition or results of operation.

Financial Accounting Standard No. 159

In February 2007, the FASB issued 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. We did not elect to report any additional assets or liabilities at fair value and accordingly, the adoption of SFAS 159 did not have a material effect on our on our financial position or results of operations.

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.

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 from the business combination. 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.

Financial Accounting Standard No. 161

In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133". This standard requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company expects to adopt SFAS No. 161 effective January 1, 2009. The Company does not anticipate the adoption of this standard will have a material effect on our disclosures.

FASB Staff Position, FAS No. 142-3

In April 2008, the FASB issued FASB Staff Position, or "FSP", FAS 142-3, "Determination of the Useful Life of Intangible Assets," effective for financial statements issued for fiscal year beginning after December 15, 2008, and interim periods within those fiscal years. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142 "Goodwill and Other Intangible Assets," thereby resulting in improved consistency between the useful life applied under SFAS No. 142, and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141R, "Business Combinations." We will adopt FSP FAS 142-3 effective January 1, 2009. We do not expect that the adoption of FSP, FAS No. 142-3 will have a material effect on our results of operations or financial position.

Financial Accounting Standard No. 162

In May 2008, the FASB issued Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles". This standard offers guidance on the principles used to prepare financial statements in accordance with GAAP. FASB Statements of Financial Accounting Concepts now supersede industry practice. The Company does not anticipate the adoption of this standard will

have a material effect on our financial position or results of operation.

M. Advertising Expense

The Company follows the accounting policy of expensing advertising costs as they are incurred. The amounts recognized for advertising expenses were \$249,000 and \$308,000 in 2008 and 2007, respectively.

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 at least annually, or periodically, if events or circumstances may indicate possible impairment tests the goodwill and indefinite lived intangibles for impairment by reporting segment. In the event impairment exists, the Company would write-down the associated goodwill and intangible assets with indefinite lives to fair value. The impairment tests performed in 2007 and 2008 resulted in no impairment charges.

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 \$550,000 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>2008</u>	<u>2007</u>
Customer distribution rights	(Indefinite life)	\$ 2,800	\$ 2,800
Software	(Five to nine year life)	3,542	3,499
Accumulated amortization		<u>(2,284)</u>	<u>(1,869)</u>
Total intangible assets, net of amortization		<u>\$4,058</u>	<u>\$ 4,430</u>

The 2008 amortization expense of computer software was approximately \$424,000. The Company expects the amortization expense of computer software to be approximately \$400,000 annually over the next five years, with the current level of software investment.

3. Notes Receivables

As of December 31, 2008 there was approximately \$5.9 million in receivables from the 2003 sale of our water assets with the interest of 4.34%. We received an installment of \$252,000 in February of 2009. Final payment of principal and interest totaling \$5.8 million is expected in February 2010.

4. Over-earnings - Natural Gas

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. The Company has agreed with the FPSC staff to limit the earned return on equity for regulated natural gas and electric operations. The table below summarizes our overearnings activities for the years ending 2008, 2007 and 2006.

Natural Gas Over-Earnings Summary (Dollars in thousands)

	<u>Years Ended December 31</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:			
Revenues excluding over-earnings	\$72,759	\$64,820	\$71,160
2005 Over-earnings	-	(16)	-

2006 Over-earnings	(135)	46	(21)
Natural Gas Revenue	\$72,624	\$ 64,850	\$71,139

Other Income and (Expense):

Interest expense excluding interest on over-earnings	\$649	\$658	\$551
2005 Over-earnings interest	-	76	-
2006 Over-earnings interest	16	1	-
Interest expense on customer deposits and other	\$ 665	\$ 735	\$ 551

As of December 31,

	<u>2008</u>	<u>2007</u>
Capitalization and Liabilities:		
Beginning Over-earnings liability	\$26	\$722
Adjustment for 2005 Over-earnings	-	92
Transfer of 2005 Over-earnings to storm reserve	-	(610)
Applied 2005 Over-earnings to regulatory asset – storm reserve	-	(133)
Adjustment for 2006 Over-earnings	151	(45)
Transfer of 2006 Over-earnings to storm reserve	(177)	-
Ending Over-earnings liability	\$ -	\$ 26

In 2008, there are no estimated natural gas and electric over-earnings.

On September 29, 2008 the FPSC finalized the 2006 over-earnings for the natural gas segment. Total over-earnings was determined to be \$160,000, plus interest of \$ 17,000. The FPSC ordered the disposition of 2006 over-earnings to provide additional funds for the natural gas storm reserve.

On August 14, 2007 the FPSC 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 FPSC 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. Storm Reserves

As of December 31, 2008, the Company had a storm reserve of approximately \$1.6 million for the electric segment and approximately \$790,000 for the natural gas segment. The Company does not have a storm reserve for the propane gas segment.

The FPSC 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 2005 over-earnings and the 2006 over-earnings were used to fund a storm reserve for any future storm costs.

6. Income Taxes

A. Provision for Income Taxes

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

(Dollars in thousands)	Years ended December 31,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current payable:			
Federal	\$ (558)	\$ 2,518	\$ 3,652
State	(102)	446	664
Current	(660)	2,964	4,316
Deferred:			

Federal	2,152	(1,028)	(1,723)
State	374	(170)	(280)
Deferred – net	2,526	(1,198)	(2,003)
Investment tax credit	(63)	(69)	(75)
Total income taxes	\$ 1,803	\$ 1,697	\$ 2,238

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)	Effective Rate Reconciliation		
	Years ended December 31,		
	2008	2007	2006
Federal income tax at statutory rate (34%)	\$ 1,798	\$ 1,699	\$ 2,178
State income tax, net of federal benefit	194	181	233
Investment tax credit	(63)	(69)	(75)
Tax exempt interest	(83)	(85)	(85)
Other	(43)	(29)	(13)
Total provision for income taxes	\$ 1,803	\$ 1,697	\$ 2,238

C. Deferred Income Taxes

Tax effect of temporary differences which give rise to deferred taxes assets and deferred tax liabilities are as follows:

(Dollars in thousands)	Years ended December 31,	
	2008	2007
Deferred tax assets:		
Environmental liability	\$ 2,384	\$ 2,249
Self insurance liability	792	763
Vacation payable	542	384
Allowance for doubtful accounts	171	123
General liability	100	82
Storm reserve liability	910	898
Amortizable customer based intangible	733	670
Pension liability	847	1,086
Under/over Recoveries – conservation costs	134	167
Other assets	117	57
Total deferred tax assets	\$ 6,730	\$ 6,479
Deferred tax liabilities:		
Utility plant related and intangibles	\$ 22,790	\$ 21,458
Underrecovery of fuel costs	843	406
Rate case expense	324	201
Other liabilities	80	95
Total deferred tax liabilities	\$ 24,037	\$ 22,160
Net deferred income taxes	\$ 17,307	\$ 15,681

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

(Dollars in thousands)	Years ended December 31,	
	2008	2007

Deferred income tax - long term liabilities	\$	17,820	\$	16,630
Less: Deferred income tax - current assets		<u>513</u>		<u>949</u>
Net deferred income tax liabilities	\$	<u>17,307</u>	\$	<u>15,681</u>

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.

D. Financial Accounting Standard Board Interpretation No. 48

On January 1, 2007 the Company adopted FIN 48. The interpretation prescribes a more likely-than-not recognition threshold and establishes new measurement requirements for financial statements reporting of an entity's income tax positions. We have performed an analysis of tax positions taken and expected to be taken on the tax returns and assessed the technical merits of each tax position (by relying on legislation and statutes, common legislative intent, regulations, rulings, and case law). We have determined that we have no material uncertain tax positions.

E. IRS Audits and Income Taxes Receivable

In February 2008, the IRS completed its examination of our 2003 and 2004 federal income tax returns. We reclassified the tax liability recognized in 2007 related to this audit as a current tax payable. We paid this tax liability and the interest of approximately \$195,000 and \$48,000 respectively in July 2008. This adjustment does not affect our annual effective income tax rate, and did not result in a material change in our financial position.

The Company amended its 2004 Florida corporate income tax returns to reflect the 2004 IRS audit adjustments.

During 2008, the IRS also examined our 2005 and 2006 tax years. Based on the completion of the IRS examination, at December 31, 2008 we had an income tax receivable of \$346,000 and interest income of approximately \$45,000 for the 2005 and 2006 tax years. The federal portion of this refund was received in 2009.

Due to the significant increase in our pension liability and in our pension contributions, our income tax for 2008 will be lower than originally estimated. We paid tax estimates in the first half of 2008 with the expectation of paying pension payments that were consistent with prior years. The additional tax deduction that will result from the increased pension expense will result in an overpayment of taxes for 2008. We have filed for a quick refund of that estimate overpayment of approximately \$1.9 million which is included in income taxes receivable on the consolidated balance sheets at December 2008. We expect to receive this tax refund in the first half of 2009.

7. Capitalization

A. Common Shares Reserved

The Company has 3,800,930 authorized but unissued shares and 97,350 treasury shares as of December 31, 2008. The Company has reserved the following common shares for issuance as of December 31, 2008:

Dividend Reinvestment Plan	21,649
Employee Stock Purchase Plan	121,351
Board Compensation Plan	13,399

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, 2008. 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, 2008, approximately \$10.2 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, 2008 the Company was not in violation of these covenants. See Note 14 in Notes to Consolidated Financial Statements.

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.

8. Long-term Debt

The Company issued its Fourteenth Series of 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. 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 Company's long-term mortgage bonds are callable only if they are in default or the Company is in violation or the Company wishes to pre-pay the bonds. Although the Company has the option to pre-pay the bonds, the company currently does not plan to do so within the next 12 months.

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 annual sinking fund payments of \$909,000 and \$500,000 respectively, which began 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 \$1.6 million in 2008 and \$1.7 million in 2007.

Annual Maturities of Long-Term Debt

(Dollars in thousands)

	Total	2009	2010	2011	2012	2013	Thereafter
Long-term Debt	\$50,966	\$1,409	\$1,409	\$1,409	\$1,409	\$1,409	\$ 43,921

9. Line of Credit

In 2004, the Company 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 2008, the agreement was amended with an expiration date of July 1, 2010, and a maximum of \$26 million. The amendment also reduces the interest rate paid on borrowings by 0.10% or 10 basis points. Effective April 29, 2008, we increased the available line of credit from \$12 million to \$15 million, with a current outstanding balance of \$12.7 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.

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

Year	Rate
2008	3.5%
2007	6.1%
2006	6.0%

10. 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)	2008		2007	
	Carrying Amounts	Approximate Fair Value	Carrying Amounts	Approximate Fair Value
Long-term debt	\$ 50,966	\$56,600	\$ 52,490	\$60,000

11. 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, the United States Environmental Protection Agency 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.

Site	(Dollars in thousands)	
	Range From	Range To
West Palm Beach	\$ 5,100	\$ 18,300
Sanford	645	645
Pensacola and Key West	120	120
Total	\$ 5,865	\$ 19,065

The Company currently has \$13.4 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. On October 18, 2004 the FPSC approved recovery of \$9.1 million for environmental liabilities from rates. The Company has recovered a total of \$6.3 million from insurance and rate recovery, net of costs incurred to date. The remaining balance of \$7.1 million is recorded as a regulatory asset. 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 us in West Palm Beach, Florida upon which we previously operated a gasification plant. Pursuant to a Consent Order between the Company and the Florida Department of Environmental Protection effective April 8, 1991, the Company completed the delineation of soil and groundwater impacts at the site. On June 30, 2008, the Company transmitted a revised feasibility study, evaluating appropriate remedies for the site, to the Florida Department of Environmental Protection.

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

Negotiations between the Company and the Florida Department of Environmental Protection on a final remedy for the site continue. Prior to the conclusion of those negotiations, we are unable to determine, to a reasonable degree of certainty, the complete extent or cost of remedial action that may be required. As of December 31, 2008, and subject to the limitations described above, the Company's remediation expenses, including attorneys' fees and costs, are projected to range from approximately \$5.1 million to \$18.3 million for this site.

Sanford Site

The Company owns a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to our acquisition of the property. On March 25, 1998, the Company executed an Administrative Order on Consent with the four former owners and operators (collectively, the "Group") and the United States Environmental Protection Agency that obligated the Group to implement a Remedial Investigation/Feasibility Study and to pay the United States Environmental Protection Agency's past and future oversight costs. The Group also entered into a Participation Agreement and an Escrow Agreement on or about April 13, 1998. Work under the Remedial Investigation/Feasibility Study Administrative Order on Consent and Participation Agreement and an Escrow Agreement is now complete and the Company has no further obligations under either document.

In 2008, a revised Consent Decree was signed by all Group Members and the United States Environmental Protection Agency, providing for the implementation by the Group of the remedies the United States Environmental Protection Agency approved earlier for the site, which are set forth in the Records of Decision for Operable Units 1-3, and for the payment of the United States Environmental Protection Agency's past and future oversight costs. The Consent Decree was entered by the federal Court in Orlando and became effective on January 15, 2009; the parties to the Consent Decree are now obligated to implement the remedy approved by United States Environmental Protection Agency for the site.

In January 2007, the Company and other members of the Group signed a Third Participation Agreement, which provides for funding the remediation work specified in the Records of Decision for Operable Units 1-3 and supersedes and replaces the Second Participation Agreement. The Company's share of remediation costs under the Third Participation Agreement is set at 5% of a maximum of \$13 million, or \$650,000. To date, the Company has contributed \$100,000 of its total share of remediation costs under the Third Participation Agreement. It is currently anticipated that the total cost of the final remedy will exceed \$13 million. The Company has advised the other members of the Sanford Group that we are unwilling at this time to agree to pay any sum in excess of the \$650,000 committed by us in the Third Participation Agreement.

Several members of the Sanford Group recently concluded negotiations with two adjacent property owners to resolve damages that the property owners allege that they have/will incur as a result of the implementation of the EPA approved remedy. In settlement of these claims, members of the Sanford Group (excluding the Company) have agreed to pay specified sums of money to the parties. In one case, the settlement agreement requires the select members of the Sanford Group to purchase the third party's property for approximately \$2 million; the third party then has an option to buy back the property after completion of the remedy for approximately the same amount. In the other case, the select members agreed to a lump sum payment of \$428,000. The Company has refused to participate in the funding of the third party settlement agreements based on the contention that it did not contribute to the release of hazardous substances at the site giving rise to the third party claims.

As of December 31, 2008, the Company's share of remediation expenses, plus the Company's attorneys' fees and costs, are projected to be approximately \$645,000 for this site. However, at this time, we are unable to determine, to a reasonable degree of certainty, whether the other members of the Sanford Group will accept the Company's asserted defense to liability for costs exceeding \$13 million to implement the final remedy for the site or will pursue a claim against the Company for a sum in excess of the \$650,000 that FPUC has committed to fund the remedy. Accordingly, we are unable to conclude that the likelihood of an adverse outcome is probable or remote.

Pensacola Site

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

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

In March 1999, the United States Environmental Protection Agency requested site access in order to undertake an Expanded Site Inspection. The Expanded Site Inspection was completed by the United States Environmental Protection Agency's contractor in 1999 and an Expanded Site Inspection

Report was transmitted to the Company in January 2000. The Expanded Site Inspection Report recommends additional work at the site. The responsible parties met with the Florida Department of Environmental Protection on February 7, 2000 to discuss the United States Environmental Protection Agency's plans for the site. In February 2000, the United States Environmental Protection Agency indicated preliminarily that it will defer management of the site to the Florida Department of Environmental Protection; as of July 31, 2008, the Company has not received any written confirmation from the United States Environmental Protection Agency or the Florida Department of Environmental Protection regarding this matter. Prior to receipt of the United States Environmental Protection Agency's written determination regarding site management, we are unable to determine whether additional field work or site remediation will be required by the United States Environmental Protection Agency and, if so, the scope or costs of such work.

As of December 31, 2008, the Company's share of remediation expenses for the site, including attorney's fees and costs, are projected to be approximately \$27,000.

Key West Site

Between 1927 and 1938, the Company owned and operated a gasification plant on Catherine Street, 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 was prepared by a consultant jointly retained by the Company and the current site owner and was delivered to the Florida Department of Environmental Protection. The Preliminary Contamination Assessment Report reported that very limited soil and groundwater impacts were present at the site. By letter dated December 20, 1993, the Florida Department of Environmental Protection notified the Company that the site did not warrant further "CERCLA consideration and a Site Evaluation Accomplished disposition is recommended." the Florida Department of Environmental Protection then referred the matter to its Marathon office for consideration of whether additional work would be required by the Florida Department of Environmental Protection's district office under Florida law. As of December 31, 2008, the Company has received no further communication from the Florida Department of Environmental Protection with respect to the site. At this time, we are unable to determine whether additional field work will be required by the Florida Department of Environmental Protection and, if so, the scope or costs of such work. In 1999, the Company received an estimate from its consultant that additional costs to assess and remediate the reported impacts would be approximately \$166,000. As of December 31, 2008 and assuming the current owner shared in such costs according to the allocation agreed upon by the parties for the Preliminary Contamination Assessment Report, the Company's share of remediation expenses, including attorneys' fees and costs, is projected to be \$93,000 for this site.

12. 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, 2008, the Company had 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 \$31.1 million during 2009 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.

13. Employee Benefit Plans

A. Pension Plan

The Company sponsors a qualified defined benefit pension plan for non-union employees that were hired before January 1, 2005 and for unionized employees that work under one of the six Company union contracts and were hired before their respective contract dates in 2005 and 2006.

In an effort to reduce the anticipated expenses and pension liability, the Company is proposing to freeze the pension plan effective December 31, 2009 for all employees currently in the Company's pension plan. The freeze will reduce both pension expenses and pension contribution beginning in 2010. The freeze will stop additional benefits from accruing in the future, including freezing salary rates at levels existing in 2009. With the freeze, total pension expense and total pension contributions for the next five years are expected to be approximately \$1 million and \$12 million, respectively.

Our Company adopted the recognition provisions of SFAS No. 158, as required, at December 31, 2006 and used December 31 as the measurement date to measure the assets and obligations of our 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. As an offset, the regulatory portion of this liability has been deferred as a regulatory asset to be recovered in future periods and the remaining loss has been included in other accumulated comprehensive income (loss) net of taxes.

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

The following tables provide a reconciliation of the changes in the plan's benefit obligations and fair value of assets over the three year period ending December 31, 2008 and a statement of the funded status as of December 31, of all three years:

Benefit Obligations and Funded Status			
	Fiscal Year Ending December 31,		
	2008	2007	2006
Accumulated Benefit Obligation at the End of the Year	\$37,441,162	\$34,139,719	\$33,693,860
Change in Projected Benefit Obligation on a Measurement Year Basis:			
Projected Benefit Obligation at the Beginning of the Period	39,519,824	38,650,888	36,349,925
Service Cost	1,014,581	1,053,824	1,225,495
Interest Cost	2,582,227	2,293,540	2,160,719
Actuarial (Gain) or Loss	1,553,709	(909,856)	541,865
Benefits Paid	(1,603,717)	(1,568,572)	(1,529,258)
Curtailment	-	-	(97,858)
Projected Benefit Obligation at the End of the Period	<u>\$43,066,624</u>	<u>\$39,519,824</u>	<u>\$38,650,888</u>
Change in Plan Assets on a Measurement Year Basis:			
Fair Value of Plan Assets at the Beginning of the Period	\$36,240,316	\$35,635,214	\$32,936,666
Actual Return on Plan Assets	(9,726,707)	1,923,674	3,977,806
Benefits Paid	(1,603,717)	(1,568,572)	(1,529,258)
Employer Contributions	400,000	250,000	250,000
Fair Value of Assets at the End of the Period	<u>\$25,309,892</u>	<u>\$36,240,316</u>	<u>\$35,635,214</u>
Funded Status at the End of the Measurement Year:	<u>\$(17,756,732)</u>	<u>\$(3,279,508)</u>	<u>\$(3,015,674)</u>

Amounts Recognized in the Statement of Financial Position At Year-End after Applying FAS 158:

Portion of Amount Recognized as Accumulated Other Comprehensive (Income) Loss	\$2,590,973	\$(29,768)	\$207,885
Portion of Amount Recognized as Regulatory Asset (Liability) –retirement plans	10,363,894	(156,979)	737,049
Net Amount Recognized at Year-End	<u>\$12,954,867</u>	<u>\$(186,747)</u>	<u>\$944,934</u>

Amounts Recognized in Accumulated Other Comprehensive (Income) Loss and Regulatory Asset (Liability) after Applying FAS 158:

Transition Obligation (Asset)	\$ -	\$ -	\$ -
Prior Service Cost (Credit)	2,535,898	3,255,374	3,992,489
Net (Gain) or Loss	<u>10,418,969</u>	<u>(3,442,121)</u>	<u>(3,047,555)</u>
Net Amount Recognized at the End of the Year (Note 13. C.)	<u>\$12,954,867</u>	<u>\$(186,747)</u>	<u>\$944,934</u>

Weighted Average Assumptions at the End of the Year

Discount Rate	6.35%	6.65%	6.00%
Rate of Compensation Increase	3.75%	3.90%	3.25%
Mortality	RP-2000	RP-2000	GAM 83

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2008, 2007 and 2006:

Net Periodic Pension Cost

	Years Ended December 31,		
	2008	2007	2006
(1) Service Cost	\$1,014,581	\$1,053,824	\$1,225,495
(2) Interest Cost	2,582,227	2,293,540	2,160,719
(3) Expected Return on Plan Assets	(2,580,674)	(2,438,964)	(2,426,064)
(4) Amortization of Transition Obligation/(Asset)	-	-	-
(5) Amortization of Prior Service Cost	719,476	737,115	737,115
(6) Amortization of Net (Gain)	-	-	-
(7) Total FAS 87 Net Periodic Pension Cost	<u>\$1,735,610</u>	<u>\$1,645,515</u>	<u>\$1,697,265</u>
(8) FAS 88 Charges / (Credits)			
(a) Curtailment	-	-	(97,858)
(9) Total Net Periodic Pension Cost	<u>\$1,735,610</u>	<u>\$1,645,515</u>	<u>\$1,599,407</u>
(10) Weighted Average Assumptions			
(a) Discount Rate at Beginning of the Period	6.65%	6.00%	5.90%
(b) Expected Return on Plan Assets	8.50%	8.50%	8.50%
(c) Rate of Compensation Increase	3.90%	3.25%	3.15%

Expected Amortizations

	Fiscal Year Ending December 31,		
	2009	2008	2007
(1) Expected Amortization of Transition Obligation (Asset)	\$ -	\$ -	\$ -
(2) Expected Amortization of Prior Service Cost (Credit)	684,830	719,476	737,115
(3) Expected Amortization of Net Loss (Gain)	\$140,000	\$ -	\$ -

		Plan Assets			
		Target Allocation	Percentage of Plan Assets at December 31		
		2009	2008	2007	2006
(1)	Plan Assets				
	(a) Equity Securities	40% - 75%	69%	64%	68%
	(b) Debt Securities	25% - 50%	30%	36%	30%
	(c) Real Estate	0% - 0%	0%	0%	0%
	(d) Other	0% - 15%	1%	0%	2%
	(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. As a guideline, no more than 10% of the portfolio is invested in any one issue.

Cash Flows

(1)	Expected Contributions for Fiscal Year Ending December 31, 2009	
	Required Minimum Employer Contributions for 2008 plan year	\$ 560,000
	Voluntary Employer Contributions for 2008 plan year	4,065,000
	Total Employer Contributions in 2009 for 2008 plan year	4,625,000
	Required Minimum Payments for 2009 plan year	1,230,000
	Expected Employer Contributions in 2009	\$5,855,000
	Expected Employee Contributions	-
(2)	Estimated Future Benefit Payments Reflecting Expected Future Service for the years ending December 31,	
	2009	\$2,007,172
	2010	\$2,130,588
	2011	\$2,229,920
	2012	\$2,373,239
	2013	\$2,550,996
	2014 - 2018	\$15,225,040
(3)	Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/09	-

Other Accounting Items

		Years Ended December 31,		
		2008	2007	2006
(1)	Market-Related Value of Assets as of beginning of fiscal year	\$31,152,347	\$29,485,534	\$29,290,131

(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	10.3	10.56	10.8
(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	12/31/2008	12/31/2007	12/31/2006

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, 2008:

Benefit Obligations and Funded Status

	Fiscal Year Ending December 31,		
	2008	2007	2006
Change in Accumulated Postretirement Benefit Obligation on a Measurement Year Basis:			
Accumulated Postretirement Benefit Obligation at the Beginning of the Period	\$1,621,553	\$1,865,353	\$ 2,343,583
Service Cost	52,592	54,603	59,982
Interest Cost	103,917	95,348	105,483
Actuarial (Gain) or Loss	(13,642)	(329,969)	(568,755)
Benefits Paid	(105,953)	(96,975)	(117,459)
Change in Plan Provisions	-	-	-
Plan Participant Contributions	34,740	33,193	42,519
Accumulated Postretirement Benefit Obligation at the End of the Period	\$1,693,207	\$1,621,553	\$1,865,353
Change in Plan Assets on a Measurement Year Basis:			
Fair Value of Plan Assets at the Beginning of the Period	\$ -	\$ -	\$ -
Benefits Paid	(105,953)	(96,975)	(117,459)
Employer Contributions	71,213	63,782	74,940
Plan Participant Contributions	34,740	33,193	42,519
Fair Value of Assets at the End of the Period	\$ -	\$ -	\$ -
Funded Status at the End of the Measurement Year:	\$ (1,693,207)	\$ (1,621,553)	\$ (1,865,353)
Amounts Recognized in the Statement of Financial Position At Year-End After Applying FAS 158			
Net Asset (Liability):	\$ (1,693,207)	\$ (1,621,553)	\$ (1,865,353)
Portion of Amount Recognized as Accumulated Other Comprehensive (Income)	(104,845)	(110,565)	(42,346)
Portion of Amount Recognized as Regulatory Asset	(419,380)	(406,768)	(150,134)

(Liability) -retirement plans

Net Asset (Liability) Recognized in the Statement of Financial
Position At Year-End After Applying FAS 158

(Current Liabilities) included in Other Accruals and
Payables

(98,355) (88,176) (150,589)

(Noncurrent Liabilities) included in Long-term medical and
pension reserve

(1,594,852) (1,533,377) (1,714,764)

Total Net Asset (Liability):

\$(1,693,207) \$(1,621,553) \$(1,865,353)

Amounts Recognized in Accumulated Other Comprehensive
Income After Applying FAS 158

Transition Obligation (Asset)

171,574 214,470 257,366

Prior Service Cost (Credit)

(695,799) (731,803) (449,846)

Net (Gain) or Loss

\$(524,225) \$(517,333) \$(192,480)

Net Amount Recognized at the End of the Year (Note 13. C.)

Weighted Average Assumptions at the End of the Year

Discount Rate

6.60% 6.45% 6.00%

Rate of Compensation Increase

N/A N/A N/A

Mortality

RP-2000 RP-2000 GAM 83

Assumed Health Care Cost Trend Rates

Health Care Cost Trend Rate Assumed for Next Year

9.50% 10.50% 11.50%

Ultimate Rate

5.00% 5.00% 5.00%

Year that the Ultimate Rate is Reached

2014 2014 2014

Net Periodic Postretirement Benefit Cost

		Years ended December 31,		
		2008	2007	2006
(1)	Service Cost	\$52,592	\$54,603	\$59,982
(2)	Interest Cost	103,917	95,348	105,483
(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	(49,646)	(48,012)	(17,981)
(6)	Total Net Periodic Benefit Cost	<u>\$149,759</u>	<u>\$144,835</u>	<u>\$190,380</u>
(7)	Weighted Average Assumptions			
(a)	Discount Rate	6.45%	6.00%	5.90%
(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	10.50%	11.50%	12.50%
(b)	Ultimate Rate	5.00%	5.00%	5.00%
(c)	Year that the Ultimate Rate is Reached	2014	2014	2014

Expected Amortizations

		Years ended December 31,		
		2009	2008	2007
(1)	Expected Amortization of Transition Obligation (Asset)	\$42,896	\$42,896	\$42,896
(2)	Expected Amortization of Prior Service Cost (Credit)	-	-	-
(3)	Expected Amortization of Net Loss (Gain)	\$(49,668)	\$(49,646)	\$(48,012)
(4)	Impact of One-Percentage-Point Change in			

Sensitivity

(1) Assumed Health Care Cost Trend Rates	<u>Increase</u>	<u>Decrease</u>
(a) Effect on Service Cost + Interest Cost	\$21,105	(\$18,078)
(b) Effect on Postretirement Benefit Obligation	\$184,496	(\$160,397)

Plan Assets

	<u>Target Allocation</u>	<u>Percentage of Plan Assets at December 31</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
(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 12/31/2009				
(a) Expected Employer Contributions				\$98,355
(b) Expected Employee Contributions				\$36,332
(2) Estimated Future Benefit Payments Reflecting Expected Future Service for the Fiscal Year(s) Ending				
		<u>Medicare Part-D</u>		
	<u>Total</u>	<u>Reimbursement</u>	<u>Employee</u>	<u>Employer</u>
(a) 12/31/2009	\$146,143	\$11,456	\$36,332	\$98,355
(b) 12/31/2010	\$157,907	\$12,004	\$39,325	\$106,578
(c) 12/31/2011	\$169,174	\$12,603	\$39,728	\$116,843
(d) 12/31/2012	\$192,641	\$13,099	\$43,581	\$135,961
(e) 12/31/2013	\$187,531	\$14,050	\$45,505	\$127,976
(f) 12/31/2014 - 12/31/2018	\$1,136,158	\$82,872	\$269,523	\$783,763
(3) Amount of Plan Assets Expected to be Returned to the Employer in the Fiscal Year Ending 12/31/2009				\$ 0

Other Accounting Items

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
(1) Market-Related Value of Assets as of beginning of year	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	10.60	10.90	11.10
(5) Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the	None	None	None

Employer's Accounting for the Plan)				
(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	12/31/2008	12/31/2007	12/31/2006

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," Aon's proprietary prescription drug pricing tool was used. This tool allowed us to determine the estimated Per Member Per Month prescription drug cost for both the company plan and the Medicare plan. The two Per Member Per Month'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. Accumulated Other Comprehensive (Income) Loss and Regulatory Asset/ (Liability)

The amount recognized in Accumulated Other Comprehensive Income after applying FAS 158 is shown in the Balance Sheet as Regulatory Asset – Retirement Plan and is computed as follows:

	Year Ending December 31,	
	2008	2007
Amount recognized in Accumulated Other Comprehensive Income After Applying FAS 158:		
Relating to Pension	\$ 12,954,867	\$ (186,747)
Deferred Tax relating to Pension	(974,983)	14,258
Relating to Post Retirement Medical	(524,225)	(517,333)

Deferred Tax relating to Post Retirement Medical	39,453	38,549
Total Amounts Recognized in Accumulated		
Other Comprehensive Income After Applying FAS 158	<u>\$ 11,495,112</u>	<u>\$ (651,273)</u>
Allocated portion to regulated segments,		
shown as Regulatory Asset (Liability)-Retirement Plan	\$ 9,944,514	\$ (563,747)
Allocated portion to non-regulated segments,		
shown as Other Comprehensive (Income)/Loss	2,486,128	(140,333)
Deferred Tax	<u>(935,530)</u>	<u>52,807</u>
Other Comprehensive (Income) Loss net of Deferred Tax	<u>1,550,598</u>	<u>(87,526)</u>
Total for regulated and non-regulated segments	<u>\$ 11,495,112</u>	<u>\$ (651,273)</u>

D. 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 \$2 million in 2008, \$1.8 million in 2007 and \$1.7 million in 2006 excluding administrative and stop-loss insurance.

E. 401K Plan

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

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.

The Company plans to replace the current pension plan with the 401K match discussed above at the end of 2009 for all remaining employees.

F. 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.

14. Covenants

We have historically met all our line of credit and fuel supplier covenants. As of December 2008 we were in violation of a covenant regarding our total liabilities to tangible net worth ratio included in one of our supply agreements with a fuel provider. The violation was caused primarily by a significant increase in our pension liability. Failure to meet this covenant would have required us to provide a one year irrevocable letter of credit for \$3.3 million; however, we received a 30 day time extension to March 27, 2009 to meet this covenant ratio. On March 20, 2009, we calculated the covenant ratio, as of February 28, 2009, and are now are in compliance with this covenant. We plan to notify the fuel provider before March 27, 2009 of our compliance. At this time management does not anticipate any further covenant violations.

Our line of credit contains a similar covenant ratio. The Company is in compliance with all covenants on our line of credit and other fuel supply agreements at December 31, 2008. Management is

continuing to take steps to comply with all covenants going forward, but there can be no assurance that further deterioration of the market or the economy will not occur and give rise to a violation.

15. 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 2008, 2007 and 2006 is summarized as follows:

(Dollars in thousands)	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues			
Natural gas	\$ 72,624	\$ 64,850	\$ 71,139
Electric	78,655	55,521	48,527
Propane gas	17,269	16,171	15,115
Consolidated	<u>\$ 168,548</u>	<u>\$ 136,542</u>	<u>\$ 134,781</u>
Operating income, excluding income tax			
Natural gas	\$ 3,563	\$ 4,647	\$ 6,118
Electric	4,205	2,653	3,053
Propane gas	1,341	1,521	1,006
Consolidated	<u>\$ 9,109</u>	<u>\$ 8,821</u>	<u>\$ 10,177</u>
Identifiable assets			
Natural gas	\$ 101,920	\$ 99,295	\$ 93,689
Electric	58,220	54,202	52,251
Propane gas	18,534	19,371	19,239
Common	30,257	19,476	16,055
Consolidated	<u>\$ 208,931</u>	<u>\$ 192,344</u>	<u>\$ 181,234</u>
Depreciation and amortization			
Natural gas	\$ 4,569	\$ 4,374	\$ 4,095
Electric	3,202	2,714	2,610
Propane gas	824	898	720
Common	317	300	317
Consolidated	<u>\$ 8,912</u>	<u>\$ 8,286</u>	<u>\$ 7,742</u>
Construction expenditures			
Natural gas	\$ 6,017	\$ 11,134	\$ 7,643
Electric	3,907	4,387	3,184
Propane gas	1,041	773	1,885
Common	262	446	404
Consolidated	<u>\$ 11,227</u>	<u>\$ 16,740</u>	<u>\$ 13,116</u>
Income tax expense			
Natural gas	\$ 270	\$ 730	\$ 1,336
Electric	929	430	546
Propane gas	361	272	110
Common	243	265	246
Consolidated	<u>\$ 1,803</u>	<u>\$ 1,697</u>	<u>\$ 2,238</u>

16. **Quarterly Financial Data (Unaudited)**

The quarterly financial data presented below reflects the influence of seasonal weather conditions, the timing of rate increases and the migration of winter residents and tourists to Central and South Florida during the winter season.

(Dollars in thousands, except per share amounts):	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2008				
Revenues	\$ 45,030	\$ 41,376	\$ 41,934	\$ 40,208
Gross profit	\$ 14,118	\$ 12,025	\$ 11,863	\$ 13,221
Operating income	\$ 4,011	\$ 1,142	\$ 1,566	\$ 2,390
Earnings before income taxes	\$ 3,016	\$ 60	\$ 644	\$ 1,569
Net Income	\$ 1,950	\$ 81	\$ 424	\$ 1031
Earnings per common share (basic and diluted)	\$ 0.32	\$ 0.01	\$ 0.07	\$ 0.17
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

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

Line No.	Item (a)	Total (b)	Gas (c)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	194,408,219	108,358,405
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	999,180	999,180
9	105 Held for Future Use	-	-
10	114 Acquisition Adjustments	1,820,270	1,816,579
11	TOTAL Utility Plant (Total of lines 3 through 10)	197,227,669	111,174,164
12	107 Construction Work in Progress	2,011,845	1,337,311
13	Accum. Provision for Depreciation, Amortization, & Depletion	64,967,958	31,912,522
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	134,271,556	80,598,953
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	64,071,443	31,019,698
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rig	-	-
19	111 Amort. of Underground Storage Land and Land Rights	-	-
20	119 Amortization of Other Utility Plant	-	-
21	TOTAL in Service (Total of lines 17 through 20)	64,071,443	31,019,698
22	Leased to Others		
23	108 Depreciation	-	-
24	111 Amortization and Depletion	456,018	456,018
25	TOTAL Leased to Others (Total of lines 23 and 24)	456,018	456,018
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 Amortization of Plant Acquisition Adjustment	440,497	436,806
32	TOTAL Accum. Provisions (Should agree with line 14 above (Total of lines 21, 25, 29, 30, and 31)	64,967,958	31,912,522

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

Line No.	Item (a)	Electric (b)	Common (c)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	80,039,877	6,009,937
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	-	-
9	105 Held for Future Use	-	-
10	114 Acquisition Adjustments	3,691	-
11	TOTAL Utility Plant (Total of lines 3 through 10)	80,043,568	6,009,937
12	107 Construction Work in Progress	615,905	58,629
13	Accum. Provision for Depreciation, Amortization, & Depletion	30,635,073	2,420,363
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	50,024,400	3,648,203
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	30,631,382	2,420,363
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights		
19	111 Amort. of Underground Storage Land and Land Rights		
20	119 Amortization of Other Utility Plant		
21	TOTAL in Service (Total of lines 17 through 20)	30,631,382	2,420,363
22	Leased to Others		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	TOTAL Leased to Others (Total of lines 23 and 24)		
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 Amortization of Plant Acquisition Adjustment	3,691	
32	TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31)	30,635,073	2,420,363

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

Company: FLORIDA PUBLIC UTILITIES COMPANY
31-Dec-08

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		3,764,495	-	-	-	-	-	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	6,818	-	-	-	(5,665)	478,088
3761	Mains - Plastic	2.60%	24,780,941	2,148,326	(51,865)	-	-	-	26,877,402
3762	Mains - Other	2.60%	27,000,980	360,595	(141,494)	-	-	-	27,220,081
378	Meas. and Reg. Sta. Equipment - General	3.40%	306,257	9,862	(658)	-	-	2,445	317,906
379	Meas. and Reg. Sta. Equipment - City Gate	3.50%	2,018,286	28,459	(6,576)	-	-	-	2,040,169
3801	Services - Plastic	3.20%	21,447,229	1,340,792	(128,766)	-	-	-	22,659,255
3802	Services - Other	7.50%	2,147,193	700	(72,486)	-	-	-	2,075,407
381	Meters	3.30%	5,688,458	208,343	(71,888)	-	-	(875)	5,824,040
382	Meter Installations	3.00%	2,800,556	268,794	(7,991)	-	-	-	3,061,359
383	House Regulators	3.50%	1,961,608	95,386	(7,682)	-	-	(2,446)	2,046,866
384	House Reg. Installations	3.40%	904,152	46,901	(2,354)	-	-	-	948,699
385	Industrial Meas. and Reg. Sta. Equipment	3.30%	70,948	-	-	-	-	-	70,948
386	Other Property on Customers Prem.		0	-	-	-	-	-	-
387	Other Equipment	3.70%	595,181	55,980	(14,859)	-	-	6,720	643,022
	TOTAL DISTRIBUTION PLANT		90,312,741	4,570,956	(506,617)	-	-	179	94,377,260
GENERAL PLANT									
390	Structures and Improvements	2.50%	1,403,743	25,133	-	-	-	5,665	1,434,541
3911	Office Furniture	4.80%	110,581	7,813	(1,252)	-	-	-	117,142
3912	Office Equipment	7.50%	66,395	7,456	(1,163)	-	-	-	72,688
3913	EDP Equipment	11.10%	639,032	190,659	(133,374)	-	-	-	696,317
391305	Software	11.10%	530,167	32,082	(9,090)	-	-	-	553,159
3921	Accum. Dep. - Transportation - Cars	11.30%	124,836	25,000	(20,000)	-	-	(17,745)	112,091
3922	Accum. Dep. - Transportation - Light Trucks, va	8.20%	3,530,538	249,926	(224,716)	-	250,015	(37,202)	3,768,561
3923	Accum. Dep. - Transportation - Heavy Trucks	0.00%	0	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	5.80%	44,912	-	-	-	15,707	-	60,619
393	Stores Equipment	4.60%	9,562	1,861	-	-	-	-	11,423

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

Company: FLORIDA PUBLIC UTILITIES COMPANY
39813

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
	(Continued)								
394	Tools, Shop, and Garage Equipment	6.60%	316,792	559	(5,591)		8,499	-	320,259
395	Laboratory Equipment	2.20%	0	-	-		-	-	-
396	Power Operated Equipment	6.30%	322,532	12,005	-		38,012	-	372,549
397	Communication Equipment	7.80%	227,431	143,513	(1,729)		-	-	369,215
398	Miscellaneous Equipment	6.00%	149,889	68,294	-		-	(3,738)	214,445
	SUBTOTAL		11,240,905	764,301	(396,915)	-	312,233	(53,020)	11,867,504
399	Other Tangible Property	20							
	TOTAL General Plant		11,240,905	764,301	(396,915)	-	312,233	(53,020)	11,867,504
	TOTAL (Accounts 101 and 106)		103,667,287	5,335,257	(903,532)	0	312,233	(52,841)	108,358,405
	TOTAL GAS PLANT IN SERVICE		103,667,287	5,335,257	(903,532)	-	312,233	(52,841)	108,358,405
	Capital Recovery Schedules:								
	NONE								
	Total Account 101*		103,667,287	5,335,257	(903,532)	-	312,233	(52,841)	108,358,405
	Amortizable Assets:								
114	Acquisition Adjustment		1,816,579	-	-		-	-	1,816,579
118	Other Utility Plant		5,551,380	466,924	(23,130)		-	14,763	6,009,937
	Other - Common								
	Total Utility Plant		111,035,246	5,802,181	(926,662)	-	312,233	(38,078)	116,184,921

Note: * The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12.

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Company: FLORIDA PUBLIC UTILITIES COMPANY

39813

Page 1 of 2

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustmts	Transfers	Ending Balance*
Amortizable General Plant Assets:										
301	Organization Intangible Plant	-	-	-	-	-	-	-	-	-
303	Misc. Intangible Plant	103,442	7,260	-	-	-	-	-	-	110,702
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	-	-	-	-	-	-	-	-	(7,260)
3741	Land Rights	(7,668)	408	-	-	-	-	-	-	266,064
375	Structures and Improvements	253,410	13,280	-	-	-	-	-	(626)	5,160,498
3761	Mains - Plastic	4,549,885	664,428	-	(51,865)	-	(1,950)	-	-	14,775,096
3762	Mains - Other	14,262,059	703,205	-	(141,494)	-	(50,940)	2,266	-	100,009
378	Meas. and Reg. Sta. Equipment - General	90,092	10,553	-	(656)	-	(7)	-	29	534,375
379	Meas. and Reg. Sta. Equipment - City Gate	470,615	70,731	-	(6,576)	-	(395)	-	-	5,943,600
3801	Services - Plastic	5,433,161	703,196	-	(128,766)	-	(63,991)	-	-	1,855,484
3802	Services - Other	1,870,077	158,907	-	(72,486)	-	(101,014)	-	-	2,269,019
381	Meters	2,149,104	189,724	-	(71,886)	-	(120)	-	2,197	829,764
382	Meter Installations	751,391	87,326	-	(7,991)	-	(962)	-	-	793,999
383	House Regulators	732,100	69,610	-	(7,682)	-	-	-	(29)	300,928
384	House Reg. Installations	271,872	31,410	-	(2,354)	-	(362)	-	-	14,147
385	Industrial Meas. and Reg. Sta. Equipment	12,882	1,620	-	-	-	-	-	-	-
386	Other Property on Customers Prem.	(362)	-	-	-	362	-	-	-	-
387	Other Equipment	115,576	23,752	-	(14,859)	-	-	-	235	124,704
389	Land - General	-	-	-	-	-	-	-	-	-
TOTAL DISTRIBUTION PLANT		30,954,194	2,728,150	-	(506,617)	369	(219,741)	2,266	1,806	32,960,427
GENERAL PLANT										
390	Structures and Improvements	327,501	35,413	-	-	-	(3,291)	-	626	360,249
3911	Office Furniture	29,274	5,493	-	(1,252)	-	-	-	-	33,515
3912	Office Equipment	31,312	5,086	-	(1,163)	-	-	-	-	35,235
3913	EDP Equipment	80,149	71,591	-	(133,374)	-	-	-	-	18,366
391305	Software	91,882	61,388	-	(9,090)	-	-	-	-	144,180
3921	Accum. Dep. - Transportation - Cars	25,740	15,358	-	(20,000)	-	(66)	-	(5,588)	15,444
3922	Accum. Dep. - Trans. - Light Trucks, vans	925,229	309,768	-	(224,716)	-	(2,217)	-	25,083	1,033,147
3923	Accum. Dep. - Trans. - Heavy Trucks	-	-	-	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	26,376	3,574	-	-	-	-	-	2,315	32,265
393	Stores Equipment	9,360	272	-	-	-	-	-	-	9,632

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Company: FLORIDA PUBLIC UTILITIES COMPANY

39813

Page 2 of 2

Acc'l. Account No. Description (Continued)	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustmts	Transfers	Ending Balance*
394 Tools, Shop, and Garage Equipment	162,369	21,442	-	(5,591)	-	-	-	(4,382)	173,838
395 Laboratory Equipment	1	(1)	-	-	-	-	-	-	-
396 Power Operated Equipment	118,978	23,026	-	-	-	-	-	15,233	157,237
397 Communication Equipment	93,254	17,775	-	(1,729)	-	-	-	(106)	109,194
398 Miscellaneous Equipment	14,639	11,534	-	-	-	-	-	(111)	26,062
SUBTOTAL	1,936,064	581,719	-	(396,915)	-	(5,574)	-	33,070	2,148,364
399 Other Tangible Property	-	-	-	-	-	-	-	-	-
TOTAL General Plant	1,936,064	581,719	-	(396,915)	-	(5,574)	-	33,070	2,148,364
Reclassification for SFAS no. 143. COR	(3,987,596)	-	(212,199)	-	-	-	-	-	(4,199,795)
Subtotal	29,006,104	3,317,129	(212,199)	(903,532)	369	(225,315)	2,266	34,876	31,019,698
COMMON PLANT									
389 Land - General	479,391	59,080	-	-	-	-	-	-	538,471
390 Structures and Improvements	12,563	1,983	-	-	-	-	-	-	14,546
3911 Office Furniture	38,612	9,963	-	(1,661)	-	-	-	-	46,914
3912 Office Equipment	150,217	81,822	-	(9,128)	-	-	-	-	222,911
391305 Software	1,306,140	201,250	-	-	-	-	-	-	1,507,390
3921 Accum. Dep. - Transportation - Cars	41,064	9,672	-	(12,341)	-	-	-	5,568	43,983
3922 Accum. Dep. - Transportation - Trucks	34,598	10,266	-	-	-	-	-	-	44,864
397 Communication Equipment	(23,849)	9,159	-	-	-	-	-	-	(14,690)
398 Miscellaneous Equipment	729	1,125	-	-	-	-	-	(123)	1,731
399 Miscellaneous Assets	9,650	4,593	-	-	-	-	-	-	14,243
Subtotal	2,049,115	388,913	0	(23,130)	0	0	0	5,465	2,420,363
Grand Total	31,055,219	3,706,042	(212,199)	(926,662)	369	(225,315)	2,266	40,341	33,440,061

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 Account 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			
2	SOUTH FLORIDA		
3	Main Extensions	* 952,174	433,505
4	Other	* 311,763	503,292
5			
6			
7			
8	CENTRAL FLORIDA		
9	Main Extensions	* 41,792	722,734
10	Other	* 31,582	403,007
11			
12	* Grouped Items		
13			
14			
15	TOTAL	1,337,311	2,062,538

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. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed
 and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.
 3. 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			
2	Administrative and General Overheads	-	
3	Payroll Taxes, Pensions, Group and Worker's Compensation Insurance	* \$235,805	
4			
5	Allowance for funds used during construction	-	
6			
7			
8			
9			
10			
11			
12	TOTAL	235,805	5,359,348

* 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	643,740
2	Prepaid Rents	
3	Prepaid Taxes pg 41	
4	Prepaid Interest	
5	Gas Prepayments	
6	Miscellaneous Prepayments: Pensions & Software Maintenance (1650.3,4 & 5)	393,045
7		
8	TOTAL	1,036,785

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						
10						

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)	
1	Regulatory Assets - Retirement Plans		9,944,514			9,944,514
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

OTHER REGULATORY ASSETS (Account 182.3)

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

2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	Storm Reserve	590,535		2280.12	(103,800)	486,735
2	Environmental	7,062,121		2530.32	(456,348)	6,605,773
3	Pension Reserve	-	9,944,514	2280.31		9,944,514
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	TOTAL	7,652,656	9,944,514		(560,148)	17,037,022

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 Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1	Undistributed Cap. - Accrued Payroll	10,000	12,745			22,745
2	Amortized Piping Costs	1,107,611	165,601		(375,993)	897,219
3	Amortized Conversion Cost	261,785	357,461		(265,902)	353,344
4	Underrecovery Conservation	-	26,890			26,890
5	Underrecovery Natural Gas AEP	4,264,682	424,058		(527,759)	4,160,981
6	Underrecovery Fuel	1,079,935	1,160,507			2,240,442
7	Penny Elimination	-	194		(89)	105
8						
9						
10						
11						
12						
13						
14	Reclass of Underrecovery of Fuel	(1,079,935)				(1,511,258)
15						
16						
17	Misc. Work in Progress	1,118,085				1,467,408
18	Deferred Regulatory Comm. Expenses	(534,850)	(258,636)	928	285,806	(507,680)
19	TOTAL	6,227,313				7,150,196

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

- | | |
|--|--|
| <p>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.</p> <p>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, 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.</p> | <p>and gains or losses relating to securities retired or refunded.</p> <p>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.</p> <p>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.</p> |
|--|--|

None

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

- | | |
|--|--|
| <p>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.</p> <p>2. In column (c) show the principal amount of bonds or other long-term debt reacquired.</p> <p>3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with</p> | <p>General Instruction 17 of the Uniform Systems of Accounts</p> <p>4. Show loss amounts by enclosing the figures in parentheses.</p> <p>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.</p> |
|--|--|

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	5/1/1988	5,000,000	639,884	190,458	153,890
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

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 (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%	899,006	9,091,000
5	10.03% Series Due 2018	5/1/88	5/1/18	5,500,000	10.03%	518,217	5,000,000
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%	684,469	13,900,000
8	6.85% Series Due 2031	9/27/01	10/1/31	15,000,000	6.85%	1,026,748	14,975,000
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			52,500,000		3,854,840	50,966,000

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.

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

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

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt Issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	FIRST MORTGAGE BONDS:							
2								
3								
4	9.57% Series Due 2018	10,000,000	180,273	5/1/88	5/1/18	38,460	(6,555)	31,905
5	10.03% Series Due 2018	5,500,000	97,070	5/1/88	5/1/18	20,707	(3,530)	17,177
6	9.08% Series Due 2022	8,000,000	121,967	6/1/92	6/1/22	58,632	(4,067)	54,565
7	4.90% Series Due 2031	14,000,000	825,028	11/1/01	11/1/31	641,387	(26,865)	614,522
8	6.85% Series Due 2031	15,000,000	1,153,193	9/27/01	10/1/31	959,294	(40,624)	918,670
9								
10						1,718,480	(81,641)	1,636,839
11								
12	NOTE: Account 189 - \$5,000,000 Reacquired Bond originally due in 1998 has reacquired debt loss and is amortized in Account 4280.1.							
13	The associated amount for 2008 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 2008 is \$1,751							
14								
15								
16	The amortization of debt discount occurs in Account 4280.2. The associated amount for 2008 was \$81,641							
17	Total Account 4280 =	99,925						
18								

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	Balance at End of Year
1	Vacation Pay	1,439,639
2	Outside Audit Fees	213,857
3	Commission Funds	1,005
4	Sun Trust Analysis	7,817
5	Employee Fund	14,619
6	Misc. Current and Accrued Liability	16,000
7		
8	Reclass from def. to current	1,598,970
9		
10		
11		
12		
13	TOTAL	3,291,907

OTHER DEFERRED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.

2. For any deferred credit being amortized, show the period of amortization.

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

Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance End of Year (f)
			Contra Account (c)	Amount (d)		
1	Over Recovery of Fuel Adj - Electric	2,462,503		100	630,236	3,092,639
2	Over Recovery of Fuel Adj - Gas	1,378,279		1,378,279		-
3	Environmental Insurance Proceeds	13,629,402	1860.1	773,545	572,745	13,428,602
4	Over Recovery - Conservation (Electric)	17,795		19,798	2,003	-
5	Over Recovery - Conservation (Gas)	428,585		54,566	10,225	384,244
6	Gain on sale of property (Electric)	-	4030.1			-
7	Gain on sale of property (Gas)	-	4030.1			-
8	Other Deferred Credit - Cash over/short	-				-
9	Other Reg. Liability - Retirement Plan	-		1,319	1,319	-
10						-
11	Reclass of other reg liability - retirement	563,747				-
12	Reclass of over recov. fuel & envir proc.	(2,459,335)				(2,285,258)
13	TOTAL	16,020,976		2,227,607	1,216,528	14,620,227

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).

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

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.

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						
3	See Page 24					
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL					

TAXES OTHER THAN INCOME TAXES (Account 408.1)

Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Franchise	Other*	Total
1 Electric (Account 408.1, 409.1)	558,710			282,462	1,949,358	57,017		2,909,174	405	5,757,126
2 Gas (Account 408.1, 409.1)	1,315,176			612,148	2,131,203	356,680		1,697,796	4,061	6,117,064
3 Other Utility Dept (408.1, 409.1)										
4 Other Inc & Ded (408.2, 409.2)										
5 Extraordinary Items (Account 409.3)										
6 Other Utility Op Inc (408.1, 409.1)										
7 Adjust. to RE (Account 439)										
8 Propane Division Expenses										
9 Other										
10 Int Penalty										
11										
12										
13										
14										
15 Less: Charged to Construction										
16 TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	1,873,886	-	-	894,610	4,080,561	413,697	-	4,606,970	4,466	11,874,190

Note: *List separately each item in excess of \$500.

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

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).

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%	-		4110.4	-		-	35 Years
3	4%	-		4110.4	-		-	35 Years
4	7%	22,371		4110.4	3,130		19,241	
5	10%	148,441		4110.4	33,711		114,730	35 Years
6								
7								
8								
9								
10	TOTAL	170,812			36,841		133,971	

Notes

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. At Other (Specify), include deferrals relating to other income and deductions.
 2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Line No.	Description	Balance at Beginning of Year	Changes During Year				Adjustments		Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits Account No.	Credits Account No.	
1	GAS								
2	Deferred Gain								
3	Self Insurance Res. & Audit Fee	550,706	78,957					629,663	
4	Uncollectible	87,815	53,845					141,660	
5	Vacation Pay	203,563	83,558					287,121	
6	Environmental	2,249,050	135,223					2,384,273	
7	General liability	46,757	10,066					56,823	
8	Storm Reserve	230,587	798,902					1,029,489	
9	Rate Refund	9,906	(9,906)						
10									
11	TOTAL Gas (Lines 2 - 10)	3,378,384	1,150,845					4,529,029	
12	Other (Specify) Electric & Common	1,115,524	3,651					1,119,175	
13	TOTAL (Account 190) (Total of lines 11 and 12)	4,493,908	1,154,296					5,648,204	

Notes

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

Line No.	Description	Balance at Beginning of Year	Changes During Year				Adjustments		Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits Account No.	Credits Account No.	
1	Account 281 - Accelerated Amortization Property								
2	Electric								
3	Gas								
4	Other								
5	TOTAL Account 281 (Lines 2 thru 4)								
6	Account 282 - Other Property								
7	Electric	5,407,822	536,351					5,944,173	
8	Gas	9,471,508	981,941					10,453,449	
9	Other	2,921,062	188					3,086,927	
10	Reclassification of Deferred taxes								
11	TOTAL Account 282 (Lines 7 thru 9)	17,800,392	1,518,480					19,484,549	
12	Account 283 - Other								
13	Electric	719,494	547,490					1,266,984	
14	Gas	(1,382,410)	1,447,574					65,164	
15	Other								
16	TOTAL Account 283 - Other (Lines 12 thru 14)	(662,916)	1,995,064					1,332,148	
17	GAS								
18	Federal Income Tax	6,916,471	1,970,009					8,886,480	
19	State Income Tax	1,172,627	459,506					1,632,133	
20									
21	TOTAL Gas (Lines 17 thru 19)	8,089,098	2,429,515					10,870,303	
22	OTHER								
23	Federal Income Tax	7,698,630	929,080					8,627,432	
24	State Income Tax	1,349,748	154,939					1,504,687	
25	TOTAL Other (Lines 22 and 23)	9,048,378	1,084,029					10,132,407	
26	Other Reclassification for SFAS no. 143 COR	9,356,947					2820	10,303,991	
26	TOTAL (Total of lines 5, 10, 15 and 25)	26,486,423	3,513,544				(684,980)	30,986,413	

Notes

Provision for Deferred Income Taxes (410.1)	1,080,190
Provision for Deferred Income Taxes (410.1)	1,278,870
	2,359,060

Electric Utility
Gas Utility

**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, 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)	2,892,473
2	Reconciling Items for the Year	
3	Interest on Water Installment Payment	(243,682)
4	Taxable Income Not Reported on Books	
5	Depreciation	1,115,063
6	Penalties	327
7	Self Insurance Reserve	176,638
8	Outside Audit Fees	89,857
9	Storm Reserve	30,344
10	Electric Consultant Fee	12,102
11	Customers Intangibles	168,981
12	Deductions Recorded on Books Not Deducted for Return	
13	Meals Expense	8,456
14	Natural Gas Odorizer	10,244
15	Vacation Pay	345,372
16	Loss on Reacquired Debt	18,284
17	Income Taxes (excluding current state income of \$ 98,000)	1,280,884
18	Environmental Costs	359,350
19	Uncollectible Reserve	98,188
20	Lobby cost	251
21	General Liability	46,931
22	ESPP Compensation Expense	45,549
23	Income Recorded on Books Not Included in Return	
24	Rate Case Expense	(326,129)
25	Rate Refund Pending	(26,325)
26		
27		
28		
29	Deductions on Return Not Charged Against Book Income	
30	Underrecoveries of Purchased Energy Costs	(1,680,507)
31	Conservation Program Costs	(89,027)
32	Pension Reserve	(2,889,389)
33		
34		
35		
36		
37	Federal Tax Net Income	1,444,235
38	Show Computation of Tax:	
39		
40	Tax at 34%	491,040
41	Rounding	36
42	TOTAL Federal Income Tax Payable	491,076
43	* Excludes Flo-Gas Net Income of	620,991

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account in total.
2. 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.
3. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
4. Report gas service revenues and therms sold by rate schedule.
5. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

Line No.	Title of Account (a)	Operating Revenues		Therms of Natural Gas Sold		Avg. No. of Natural Gas Customers Per Mo.	
		Amount for Year (b)	Amount for Previous Year (c)	Current Year (d)	Previous Year (e)	Current Year (f)	Previous Year (g)
1	Gas Service Revenues						
2	Firm Sales Service						
3	480 Residential Sales	23,675,371	21,523,825	11,861,290	11,894,870	47,038	46,723
4	481 Comm & Industrial Sales - Small	16,867,185	14,545,355	11,788,330	11,752,940	3,437	3,395
5	481 Comm & Industrial Sales - Large	23,699,649	19,641,530	17,890,380	17,957,760	929	921
6	481 Outdoor Lighting	372,658	238,936	417,940	358,260	46	46
7	481						
8	481						
9	Interruptible Sales Service						
10	481 Comm & Ind Sales - Interruptible	402,958	121,552	346,780	156,030	1	-
11	481						
12	Firm Transportation Service						
13	489	2,522,858	2,894,939	11,903,540	12,998,360	487	485
14	489						
15	489						
16	Interruptible Transportation Serv.						
17	489	739,823	775,596	5,235,230	5,549,360	12	13
18	484 Interdepartmental	68,092	53,646	64,150	67,630	7	7
19	482 Other Sales to Public Authorities						
20	484 Flex Rate - Refund						
21	TOTAL Sales to Ultimate Consumers	68,348,594	59,795,379	59,507,640	60,735,210	51,957	51,590
22	483 Sales for Resale						
23	Off-System Sales 4954x & 4955x	719,856	708,864				
24	TOTAL Nat. Gas Service Revenues	69,068,450	60,504,243				
25	TOTAL Gas Service Revenues	69,068,450	60,504,243				
26	Other Operating Revenues						
27	485 Intracompany Transfers						
28	487 Forfeited Discounts	901,323	779,565				
29	488 Misc. Service Revenues	739,383	750,244				
30	489 Rev. from Trans. of Gas of Others						
31	not included in above rate schedules)						
32	493 Rent from Gas Property						
33	494 Interdepartmental Rents						
34	495 Other Gas Revenues						
35	Initial Connection						
36	Overrecoveries Conservation 495.7	44,342	(117,912)				
37	AEP & Storm Surcharge 4956	529,324	681,189				
38	Unbilled Revenue 495.3	62,823	(98,445)				
39	Other 495.2	35,308	43,080				
40	495.1 Overrecoveries Purchased Gas	1,378,279	2,277,743				
41	TOTAL Other Operating Revenues	3,690,782	4,315,464				
42	TOTAL Gas Operating Revenues	72,759,232	64,819,707				
43	(Less) 496 Provision for Rate Refunds	(134,945)	30,301				
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	72,624,287	64,850,008				
45	Sales for Resale						
46	Other Sales to Public Authority						
47	Interdepartmental Sales						
48	TOTAL	72,624,287	64,850,008	59,507,640	60,735,210		

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. TOTAL Manufactured Gas Production (Total of Accounts 700-742)		
3	B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (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	36,197,148	28,000,982
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	4,805,548	4,311,274
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases	(756,074)	-
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)		
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	40,246,622	32,312,256
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	-	-
24	807.5 Other Purchased Gas Expenses	11,073	7,600
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)	11,073	7,600
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	-	-
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)	-	-
35	813 Other Gas Supply Expenses	171,511	163,596
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	40,429,206	32,483,452
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)		
38	2. Natural Gas Storage, Terminating and Processing Expenses		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	13,890	6,069
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)		
41	C. TOTAL Liquefied Nat Gas Terminating & Processing Expenses (Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)	13,890	6,069
43	3. Transmission Expenses		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)		
45			
46			

December 31, 2001

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	364,974	358,050
50	871 Distribution Load Dispatching	15,336	12,616
51	872 Compressor Station Labor and Expenses	-	-
52	873 Compressor Station Fuel and Power	-	-
53	874 Mains and Services Expenses	1,461,245	1,534,635
54	875 Measuring and Regulating Station Expenses--General	28	-
55	876 Measuring and Regulating Station Expenses--Industrial	13,241	13,381
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	27,221	18,621
57	878 Meter and House Regulator Expenses	1,389,034	1,522,394
58	879 Customer Installations Expenses	179,420	173,028
59	880 Other Expenses	748,748	771,906
60	881 Rents	28,074	54,638
61	TOTAL Operation (Total of lines 49 through 60)	4,227,321	4,459,269
62	Maintenance		
63	885 Maintenance Supervision and Engineering	119,790	107,592
64	886 Maintenance of Structures and Improvements	88,420	113,678
65	887 Maintenance of Mains	378,166	326,572
66	888 Maintenance of Compressor Station Equipment	-	-
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	39,432	16,058
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	209	-
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	27,958	50,074
70	892 Maintenance of Services	211,821	174,122
71	893 Maintenance of Meters and House Regulators	108,886	121,391
72	894 Maintenance of Other Equipment	24,134	11,604
73	TOTAL Maintenance (Total of Lines 63 through 72)	998,816	921,091
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	5,226,137	5,380,360
75	5. Customer Accounts Expenses		
76	Operation		
77	901 Supervision	221,966	204,846
78	902 Meter Reading Expenses	795,560	711,351
79	903 Customer Records and Collection Expenses	1,470,336	1,369,373
80	904 Uncollectible Accounts	503,800	243,221
81	905 Miscellaneous Customer Accounts Expenses	108,146	121,600
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	3,099,808	2,650,391
83	6. Customer Service and Informational Expenses		
84	Operation		
85	906.1 Under-recoveries Conservation	-	-
86	907 Supervision	87,457	142,208
87	908 Customer Assistance Expenses	1,301,422	1,279,694
88	909 Informational and Instructional Expenses	518,510	839,998
89	910 Miscellaneous Customer Service and Informational Expenses	44,807	30,288
90	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	1,952,196	2,292,188
91	7. Sales Expenses		
92	Operation		
93	911 Supervision	123,772	120,444
94	912 Demonstrating and Selling Expenses	812,916	929,994
95	913 Advertising Expenses	166,674	154,603
96	916 Miscellaneous Sales Expenses	590,821	542,365
97	TOTAL Sales Expenses (Total of lines 92 through 95)	1,694,183	1,747,406

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
98	8. Administrative and General Expenses		
99	Operation		
100	920 Administrative and General Salaries	1,261,163	1,309,029
101	921 Office Supplies and Expenses	641,959	328,868
102	(Less) (922) Administrative Expenses Transferred--Credit	-	-
103	923 Outside Services Employed	419,960	318,110
104	924 Property Insurance	58,216	216,577
105	925 Injuries and Damages	778,198	1,138,724
106	926 Employee Pensions and Benefits	1,862,952	1,593,003
107	927 Franchise Requirements	-	-
108	928 Regulatory Commission Expenses	124,529	112,151
109	(Less) (929) Duplicate Charges--Credit	-	-
110	930.1 General Advertising Expenses	26	-
111	930.2 Miscellaneous General Expenses	428,090	159,642
112	931 Rents	22,624	20,802
113	TOTAL Operation (Total of lines 100 through 112)	5,597,717	5,196,906
114	Maintenance		
115	935 Maintenance of General Plant	157,966	161,730
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	5,755,683	5,358,636
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	58,171,103	49,918,502
119			
120			

NUMBER OF GAS DEPARTMENT EMPLOYEES

- The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
- If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
- The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

1		
2	1. Payroll Period Ended (Date)	11/11/2008
3	2. Total Regular Full-Time Employees	256
4	3. Total Part-Time and Temporary Employees	4
5	4. Total Employees	260
6		
7		
8		
9		
10		
11		
12		
13		

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

1. Provide totals for the following accounts:
 800 - Natural Gas Well Head Purchases
 800.1- Natural Gas Well Head Purchases
 Intracompany Transfers
 801 - Natural Gas Field Line Purchases
 802 - Natural Gas Gasoline Plant Outlet Purchases
 803 - Natural Gas Transmission Line Purchases
 804 - Natural Gas City Gate Purchases
 804.1- Liquefied Natural Gas Purchases
 805 - Other Gas Purchases
 805.1- Purchases Gas Cost Adjustments

The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.
 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.
 3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).
 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.)

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	18,864,460	36,197,148	191.880
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases	39,969,510	4,805,548	12.023
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases		(756,074)	
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)	58,833,970	40,246,622	68.407

Notes to Gas Purchases

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)

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.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.

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).
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas Amount of Credit (d)
1	812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.)			
2	Heat, Hot Water, A/C		64,200	
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	TOTAL	812	64,200	

REGULATORY COMMISSION EXPENSES (Account 928)

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

Line No.	Description (Name of regulatory commission, the docket number, and a description of the case.) (a)	Total Expenses to Date (b)	Deferred in Account 186 Beginning of Year (c)	Expenses Incurred During Year		Deferred to Account 186 (f)	Amortized During Year		Deferred in Account 186 End of Year (i)
				Charged Currently to Account No. (d)	Amount (e)		Contra Account (g)	Amount (h)	
1	All expenses incurred by the company								
2	in its filings for Rate Relief for electric.								
3	Docket Number 030438-EI	(65,267)	(105,946)	33556		-	928	40,679	(65,267)
4									
5	All expenses incurred by the company								
6	in its filings for Rate Relief for								
7	Gas Docket Number 040216-GU	-	(88,630)	33800		-	928	88,630	-
8									
9	All expenses incurred by the company								
10	in its filings for Rate Relief for electric.								
11	Docket Number 070304 - EI	(183,777)	(340,274)	36164	(258,636)	(258,636)	928	156,497	(442,413)
12									
13									
14									
15									
16									
17	TOTAL	(249,044)	(534,850)		(258,636)	(258,636)		285,806	(507,680)

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Items	Amount (b)	
1	Industry Association Dues			19,397
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other: FGNA Vendor #5299		4	20,831
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.	4 13	1840 1849	22,568 15,404
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			-
6	Directors Fees and Expenses	65	1849	35,190
7	Stock Issuance	12	1840	50,870
8	Stock Issuance	14	1849	8,601
9	Miscellaneous Expenses	7	1840	1,084
10	Miscellaneous Expenses	96	1849	1,323
11	Broadridge	7	1849	3,924
12	Write-off Stock offering	2	1849	248,817
13				
14		Allocations	1840	1849
15		Gas	62%	51%
16		Electric	38%	31%
17				
18				
19				
20	TOTAL			428,009

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	2,406,803	911,782	3,318,585
3	Gas			
4	Operation			
5	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	149,552		
6	Transmission	-		
7	Distribution	2,771,105		
8	Customer Accounts	1,172,114		
9	Customer Service and Informational	476,853		
10	Sales	873,059		
11	Administrative and General	(529,018)		
12	TOTAL Operation (Total of lines 5 through 11)	4,913,665		
13	Maintenance			
14	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
15	Transmission	-		
16	Distribution	650,762		
17	Administrative and General	2,136		
18	TOTAL Maintenance (Total of lines 14 through 17)	652,898		
19	Total Operation and Maintenance	5,566,563		
20	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	149,552		
21	Transmission (Enter Total of lines 6 and 15)	-		
22	Distribution (Total of lines 7 and 16)	3,421,867		
23	Customer Accounts (Transcribe from line 8)	1,172,114		
24	Customer Service and Informational (Transcribe from line 9)	476,853		
25	Sales (Transcribe from line 10)	873,059		
26	Administrative and General (Total of lines 11 and 17)	(526,882)		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	5,566,563	1,217,513	6,784,076
28	Other Utility Departments			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	7,973,366	2,129,295	10,102,661
31	Utility Plant			
32	Construction (By Utility Departments)			
33	Electric Plant	1,140,509		1,140,509
34	Gas Plant	1,572,034		1,572,034
35	Other	6,884		6,884
36	TOTAL Construction (Total of lines 33 through 35)	2,719,427		2,719,427
37	Plant Removal (By Utility Department)			
38	Electric Plant	120,698		120,698
39	Gas Plant	166,126		166,126
40	Other	-		-
41	TOTAL Plant Removal (Total of lines 38 through 40)	286,824		286,824
42				
43	Other Accounts (Specify):			
44	Other Accounts Receivable/Employee	208,702		208,702
45	Temporary Facilities	13,143		13,143
46	Stores Expense	535,368		535,368
47	Clearing Accounts	307,621		307,621
48	Miscellaneous Deferred Debits	298,949		298,949
49	Merchandise and Jobbing	648,876		648,876
50	Taxes Other Than Income Taxes-Electric	(116,608)		(116,608)
51	Taxes Other Than Income Taxes-Gas	(332,366)		(332,366)
52	Vacation Pay	(150,358)		(150,358)
53	Non-Operating and Rental Income	-		-
54	Other Accounts Receivable	3,088,159	264,134	3,352,293
55	Environmental Cost	-		-
56	Merchandise plant leased to other - Gas	4,855		4,855
57	TOTAL Other Accounts	4,506,341	264,134	4,770,475
58	TOTAL SALARIES AND WAGES	15,485,958	2,393,429	17,879,387

Florida Public Utilities Company		For the Year Ended
		31-Dec-08
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 of person or organization rendering services, (b) description of services received, (c) basis of charges, (d) total charges for the year, detailing account charged. 2. For any services which are of a continuing nature, give the date and term of contract. 3. Designate with an asterisk associated companies.
	Description	Amount
1	1. (a) BDO Seidmen, LLP, 1601Forum Place Suite 904, West Palm Beach, FL 33401	223,437
2	(b) Professional Accounting Services. (c) Based on services rendered.	
3	(d) Total charges for services, utility departments and accounts charged: 100.2420.3	
4	2. (a) Messer, Caparello & Self, PO Box 15579, Tallahassee, FL 32317	127,245
5	(b) Professional Legal Services (c) Based on services rendered.	
6	(d) Total charges for services, utility department and account charged: 100.2420.31	
7	3. (a) Akerman, Senterfitt & Eidson, P.O. Box 231 Orlando, FL 32802	275,099
8	(b) Professional Legal Services for Environmental Issues. (c) Based on services rendered.	
9	(d) Total charges for services, utility department and account charged: 100.2420.31	
10	4. (a) AON Consulting, PO Box 905188, Charlotte, NC 28290-5188	75,572
11	(b) Professional Pension Services. (c) Based on services rendered.	
12	(d) Total charges for services, utility department and account charged: 100.2420.3	
13	5. (a) Crowe Harwath, LLP, PO Box 145415, Cincinnati, Oh 45250-9791	132,979
14	(b) Professional Accounting Services for internal audits (c) Based on services rendered.	
15	(d) Total charges for services, utility department and account charged: 100.2420.3	
16	6. (a) Bryan Cave LLP, 700 13th Street, Washington, DC 20005	414,344
17	(b) Professional SEC Legal Services (c) Based on services rendered.	
18	(d) Total charges for services, utility department and account charged: 100.2420.31	
19	7. (a) Ana Blanchard, CPA PA, 215 N. Olive Avenue, Ste 118, WPB, FL 33401	108,250
20	(b) Professional Accounting Services. (c) Based on services rendered.	
21	(d) Total charges for services, utility department and account charged: 100.2420.3	
22	8. (a) Jackson Lewis LLP, PO Box 34973, Newark, NJ 07189-4973	192,964
23	(b) Professional HR Legal Services (c) Based on services rendered.	
24	(d) Total charges for services, utility department and account charged: 100.2420.31	
25	9. (a) Greenberg Traurig PA, 401 East Las Olas Blvd, Ft. Lauderdale, FL 33301	56,116
26	(b) Professional Legal Services for Environmental Issues. (c) Based on services rendered.	
27	(d) Total charges for services, utility department and account charged: 100.2420.31	
28	10. (a) Templeton & Company LLP 222 Lakeview Avenue, WPB, FL 33401	28,000
29	(b) Professional Impairment Testing (c) Based on services rendered.	
30	(d) Total charges for services, utility department and account charged: 100.2420.3	

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS		
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 charges, 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 (Details) including the amount and interest rate for each other interest charges incurred during the year.		
	Item	Amount
1	Account 425: Miscellaneous Amortization	-
2		
3	Account 426: Miscellaneous Income Deductions	
4	426.11 Charitable Contributions: Inside Service Area	14,634
5	426.12 Charitable Contributions: Outside Service Area	-
6	426.13 Civic and Social Club Dues	4,074
7	426.2 Life Insurance	-
8	426.3 Penalties	327
9	426.4 Expenditures for Lobbying and Other Politically Related Activities	250
10	426.5 Other	6,093
11		
12	TOTAL MISCELLANEOUS INCOME DEDUCTIONS	25,378
13		
14		
15	Account 430: Interest on Debt to Associated Company	(525,316)
16	Accounts Payable at 4.844% (12 mo. avg. of the interest rates applied)	
17		
18		
19	Account 431: Other Interest Expense	
20	431.1 Interest on Customer Deposits	538,045
21	431.2 Interest on Notes Payable	296,342
22	431.3 Interest on Miscellaneous	25,172
23	TOTAL OTHER INTEREST EXPENSE	859,559
24		

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

For the current year, reconcile the gross operating revenues as reported on Page 26 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)	68,348,594		68,348,594	65,085,912	3,262,682
2	Sales for Resale (483)	719,856		719,856	719,856	
3	Total Natural Gas Service Revenues	69,068,450		69,068,450	65,085,912	3,982,538
4	Total Other Operating Revenues (485-495)	3,690,782		3,690,782	7,538,375	(3,847,593)
5	Total Gas Operating Revenues	72,759,232		72,759,232	72,624,287	134,945
6	Provision for Rate Refunds (496)	(134,945)		(134,945)	-	(134,945)
7	Other (Specify) Def Conservation Cost Recovery				(44,342)	44,342
8	PGA Over/Under Recoveries				(1,378,279)	1,378,279
9	Rate Refund Pending Adjustment				134,945	(134,945)
10	Total Gross Operating Revenues	72,624,287		72,624,287	71,336,611	1,287,676

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
- 4 Rate Refund is included in Total Other Operating Revenue on the RAF Return
- 7 Conservation Cost Recovery are reversed to pay the actual collected revenue
- 8 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
- 9 Rate Refund is reversed to pay the actual collected revenue
- Items 1, 2, 4 & 7 are reported as other operating revenue on the RAF Return.

3,262,681
719,856
(134,945)
(44,342)
(1,378,279)
(134,945)
134,945

CORPORATE STRUCTURE

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

Effective Date: January-08

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

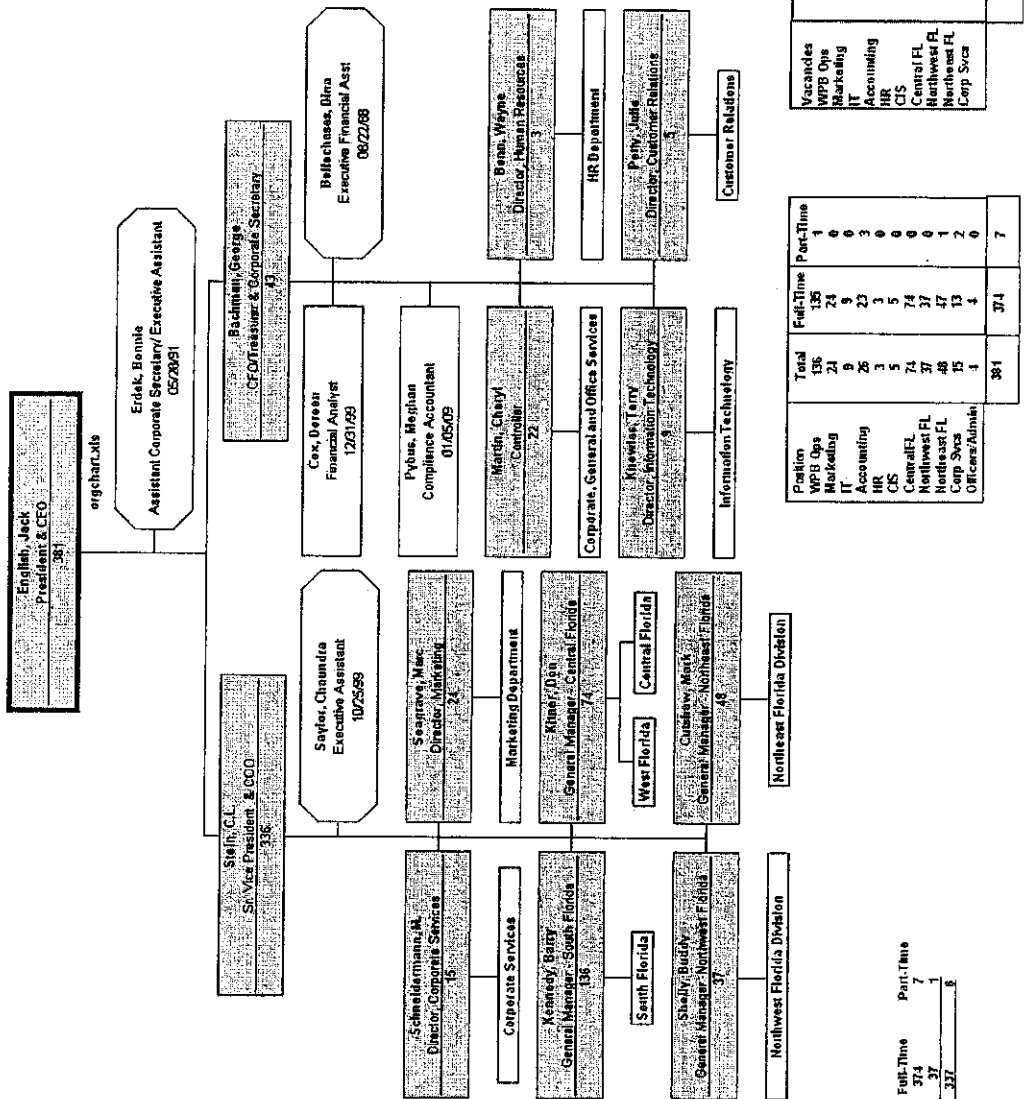
Flo-Gas Corporation does not have any employees.



Last Modified 3/30/2009

CORPORATE STRUCTURE

Senior Management Team



ORGANIZATIONAL CHART TOTAL

Total	381
Number of Positions	374
Total Vacancies	7
Active Employees	377

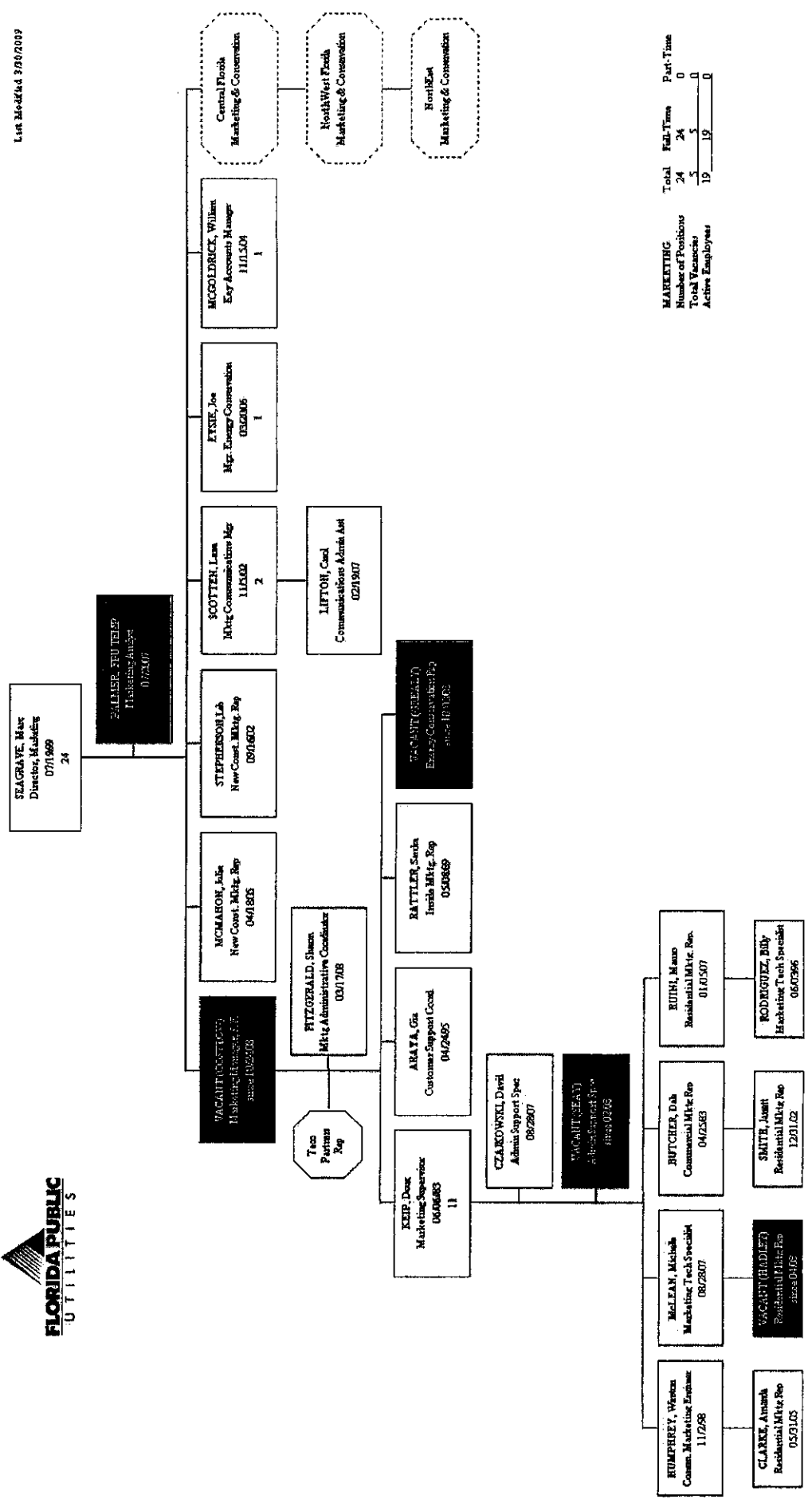
Position	Total	Full-Time	Part-Time
WPB Ops	136	136	0
Marketing	24	24	0
IT	9	9	0
Accounting	26	23	3
HR	3	3	0
CS	5	5	0
Central FL	74	74	0
Northwest FL	37	37	0
Northwest FL	48	47	1
Corp Svcs	15	13	2
Officers/Admin	1	1	0
Total	381	374	7

Vacancies	Total	Full-Time	Part-Time
WPB Ops	0	0	0
Marketing	2	2	0
IT	0	0	0
Accounting	0	0	0
HR	1	1	0
CS	0	0	0
Central FL	0	0	0
Northwest FL	0	0	0
Northwest FL	1	1	0
Corp Svcs	2	2	0
Total	38	37	1



MARKETING DEPARTMENT

Last Modified 3/26/2009

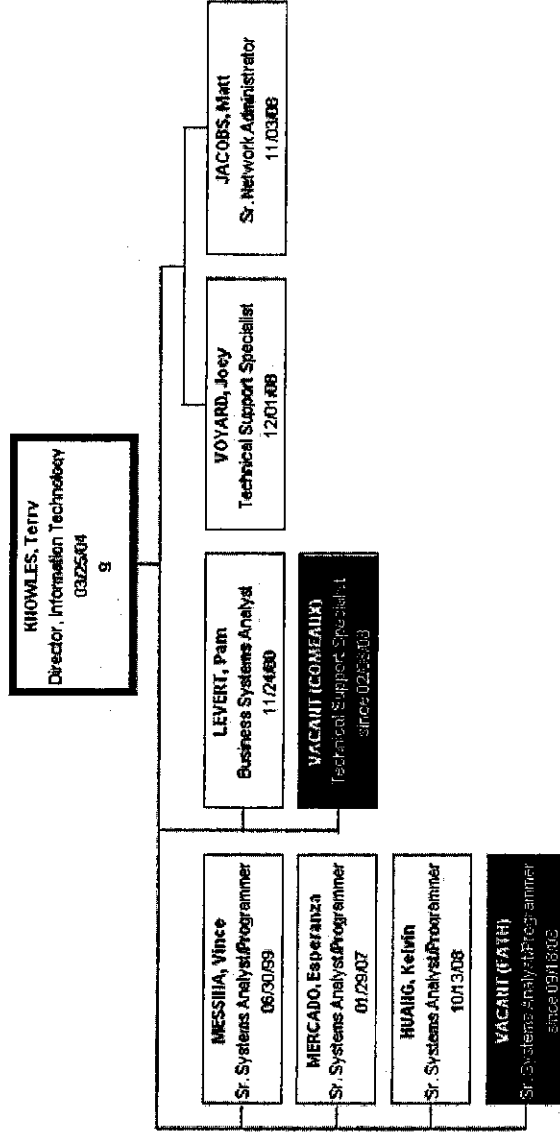


MARKETING			
Number of Positions	Total Vacancies	Total Full-Time	Part-Time
24	3	24	0
19	3	19	0
Active Employees			



INFORMATION TECHNOLOGY DEPARTMENT (IT)

Last Modified 3/13/2008



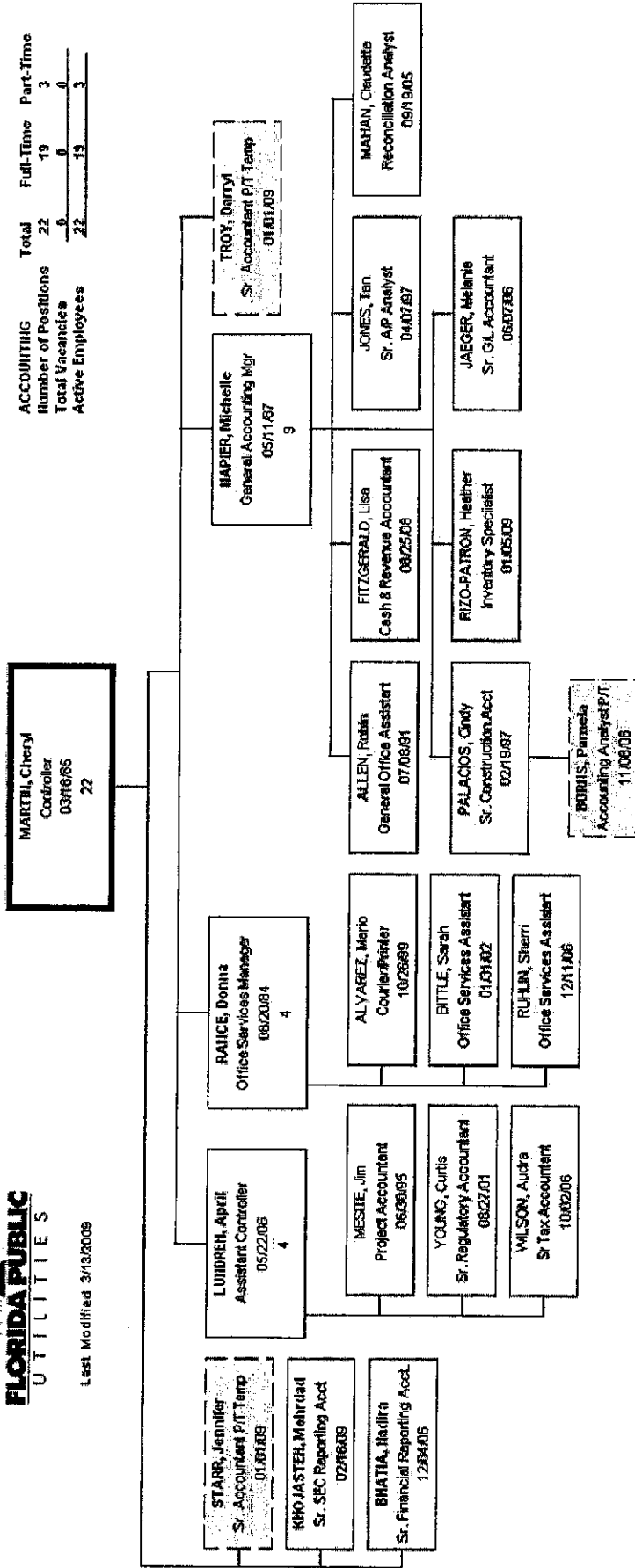
IT DEPT		
Number of Positions	Total	Part-Time
9	9	0
Total Vacancies	2	2
Active Employees	7	7

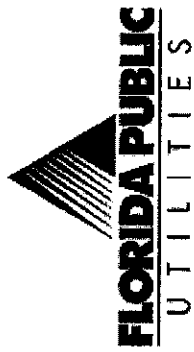
ACCOUNTING DEPARTMENT



Last Modified 3/13/2009

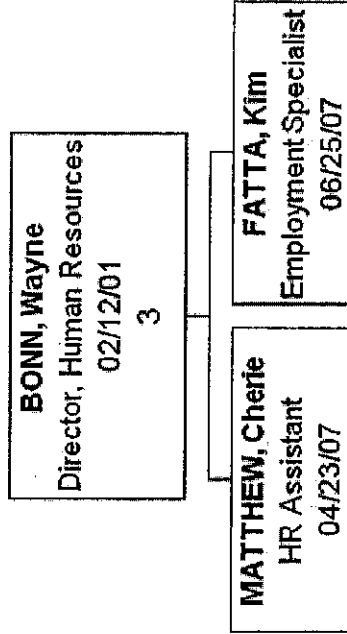
ACCOUNTING	Total	Full-Time	Part-Time
Number of Positions	22	19	3
Total Vacancies	0	0	0
Active Employees	22	19	3





HUMAN RESOURCES DEPARTMENT

Last Modified 3/17/2009

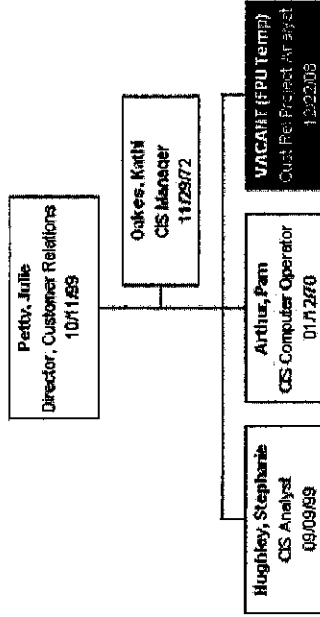


Human Resources	Total	Full-Time	Part-Time
Number of Positions	3	3	0
Total Vacancies	0	0	0
Active Employees	3	3	0



CUSTOMER RELATIONS DEPARTMENT

Last Modified 3/13/2009



CUSTOMER RELATIONS	Total	Full-Time	Part-Time
Number of Positions	5	5	0
Total Vacancies	1	1	0
Active Employees	4	4	0



CORPORATE SERVICES

SCHNEIDERMAN, Marc
 Director, Corporate Services
 02/21/89
 15

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

VACANT
 Administrative Assistant
 Approved 4th Qtr 2008

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

ROHMAN, Abidal
 Energy Logistics Specialist
 08/02/04

WILLIS, Amell
 CR Trainer
 04/08/96
 1

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

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

STUCKART, Gerry
 Safety Manager
 10/17/05
 4

ALLEWELT, Harold
 Garage Mechanic
 12/09/96

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

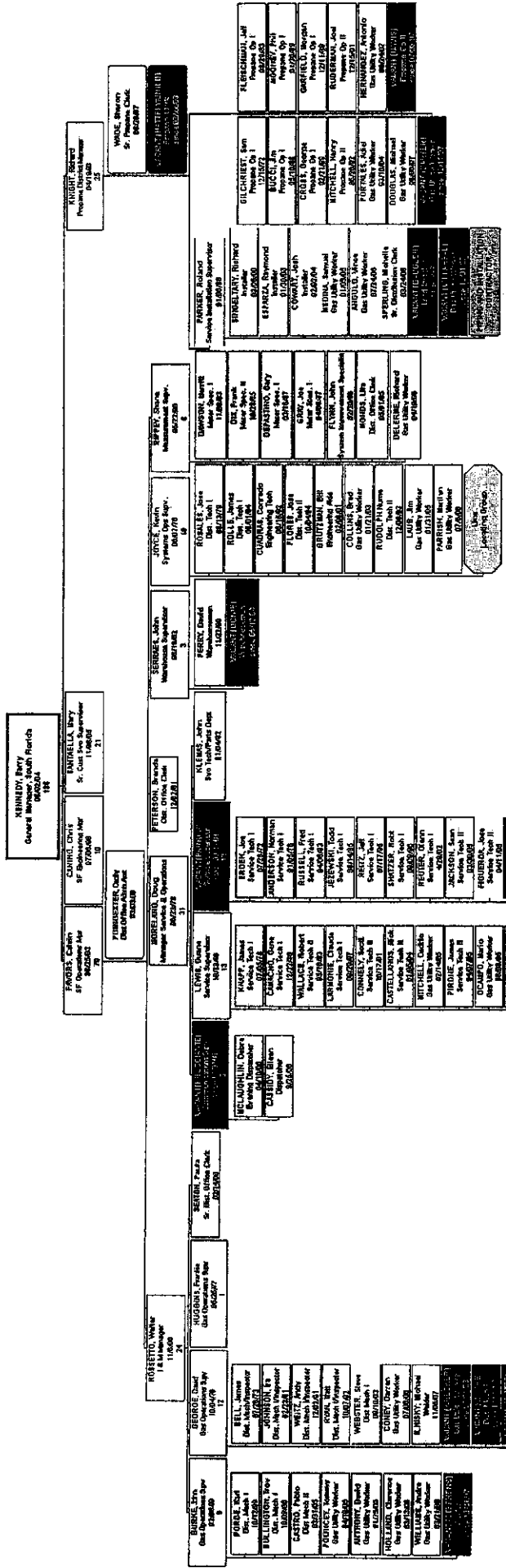
HAASE, Bruce
 Garage Mechanic
 05/22/05

SHELTON, Charles Temp
 NE Elec. Safety Coordinator III
 01/12/09

MILITARY LEAVE (RAGONATH)
 Garage Mechanic
 since 04/08

VACANT
 NW Elec. Safety Coordinator III

CORPORATE SERVICES	Total	Full-Time	Part-Time
Number of Positions	15	13	2
Total Vacancies	2	2	0
Active Employees	13	11	2

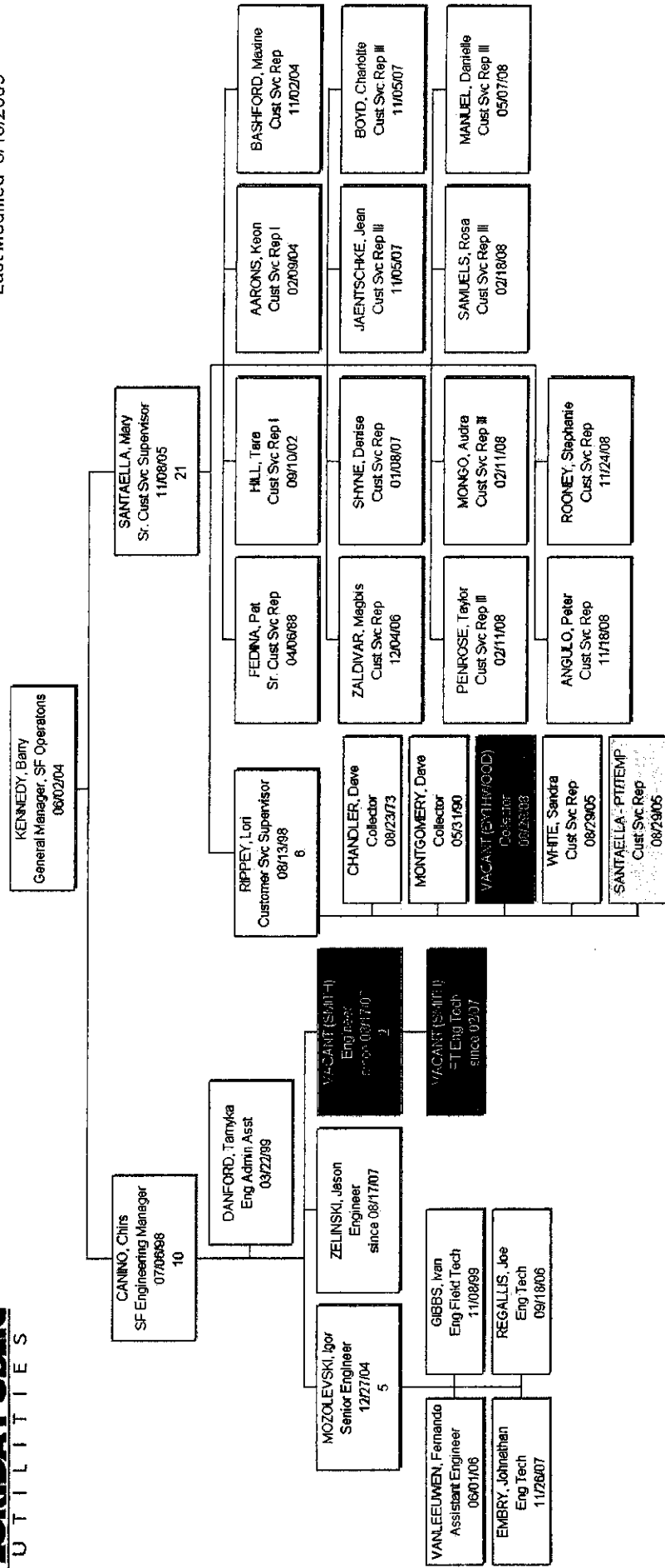


FLORIDA PUBLIC UTILITIES	Total Full-Time Employees	Total Part-Time Employees	Total Temporary Employees
FLORIDA PUBLIC UTILITIES	11	17	158

SOUTH FLORIDA OPERATIONS
ENGINEERING & CUSTOMER SERVICE

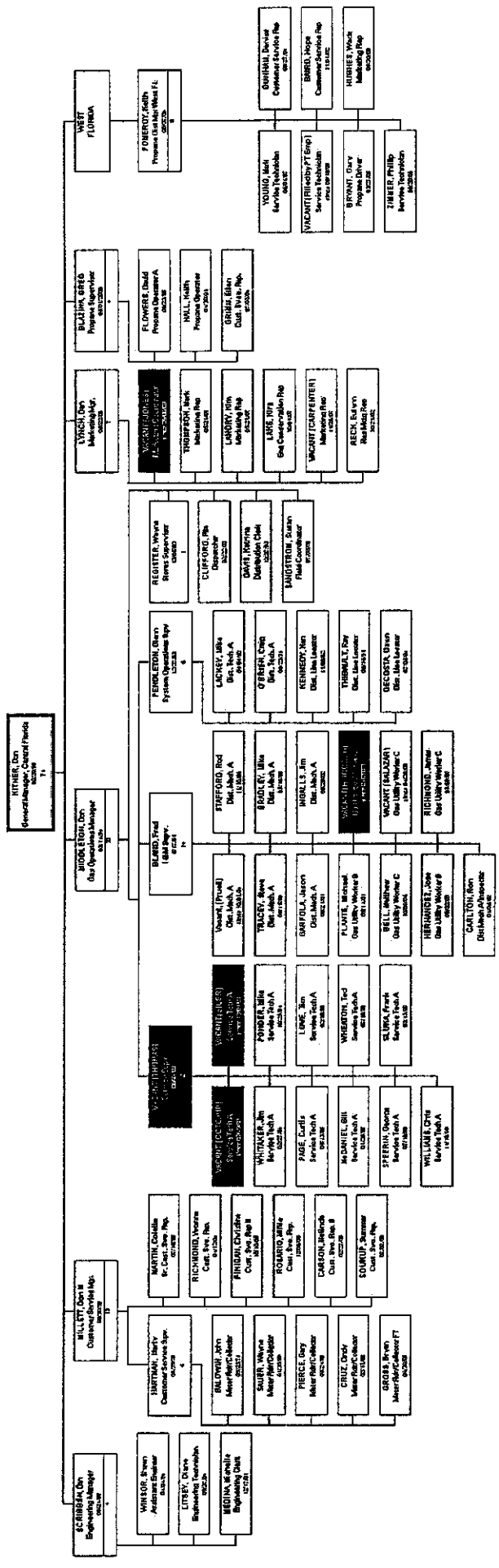


Last Modified 3/13/2009



CENTRAL FLORIDA DIVISION

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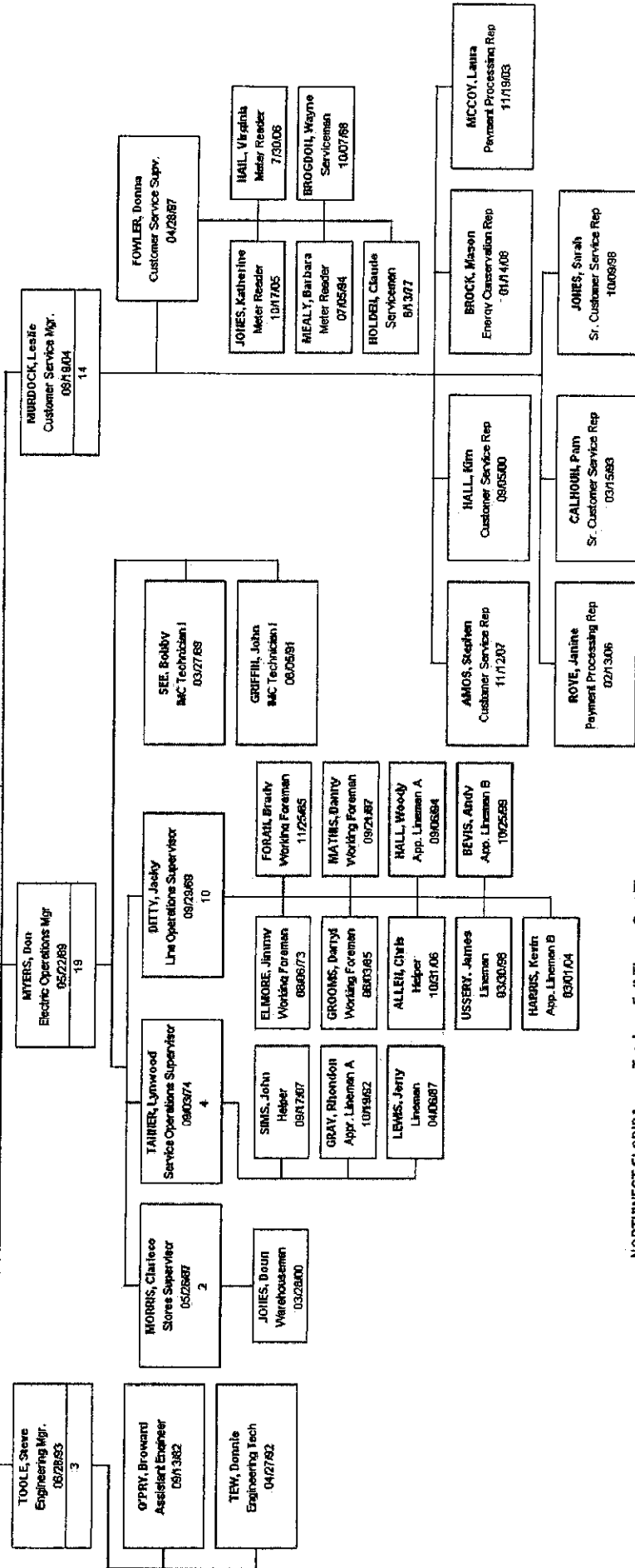
CENTRAL FLORIDA
 Member Information
 All in dollars
 To this period we include

Northwest Florida Division - Organizational Chart



Last Modified 3/13/2008

SHELLEY, Buddy General Manager - NW FL 12/11/06 37
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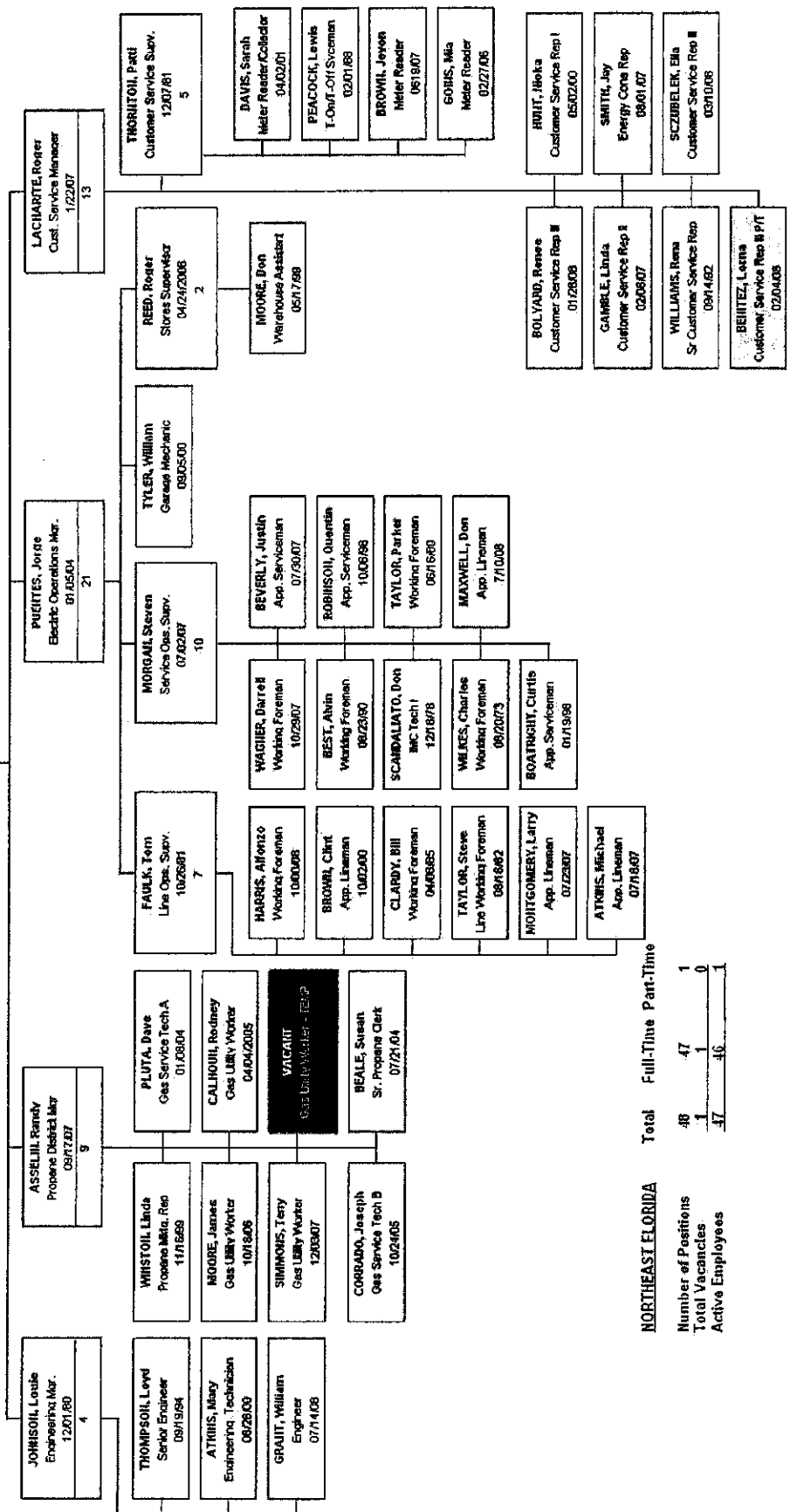
NORTHWEST FLORIDA			
Number of Positions	Total	Full-Time	Part-Time
Total Vacancies	0	0	0
Active Employees	37	37	0

NORTHEAST FLORIDA DIVISION - ORGANIZATIONAL CHART



Last Modified 9/17/2008

CUTSHAW, Mark
 General Manager - NE FL
 05/31/89
 48



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

SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

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)
	SEE ATTACHED SCHEDULES				

(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 12/31/08

	Year-to-Date Actual	Last Year-to-Date Actual
	<u> </u>	<u> </u>
Operating Revenue	17,269,044	16,171,521
Operation Expenses	14,477,195	13,189,980
Maintenance Expenses	432,979	403,134
Depreciation Expense	823,816	898,467
Amortization of Utility Plant-		
Acquisition Adjustment	-	-
Tax Other Than Income Tax-Utility		
Operation Expense	167,744	159,758
Income Tax - Federal - Utility		
Operating Income	126,469	53,792
Income Tax - State - Utility		
Operating Income	14,000	9,369
Deferred Income Tax - Utility		
Operating Income	167,096	169,831
Investment Tax Credit - Utility		
Operating Income	-	-
Operating Income	<u><u>1,059,745</u></u>	<u><u>1,287,190</u></u>
<u>Other Income and Deductions</u>		
Interest and Dividend Income	-	-
Misc. Non-Operating Income	509,381	405,503
Other Income Deductions	(367,787)	(300,960)
Taxes Other Than Income - Other	-	-
Income Taxes-Federal-Other Income	(53,271)	(39,290)
Income Taxes-State-Other Income	-	-
Other (Income) and Deductions	<u><u>88,323</u></u>	<u><u>65,253</u></u>
<u>Interest Charges</u>		
Interest on Debt to Associated Companies	525,316	887,407
Other Interest Expense	1,761	1,960
Interest Charges	<u><u>527,077</u></u>	<u><u>889,367</u></u>
<u>Extraordinary Items</u>		
Cumulative Effect - Change in Accounting Principles - Net	-	-
Net Income	<u><u>620,991</u></u>	<u><u>463,076</u></u>

ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT
FLO-GAS
BALANCE SHEET - 09
December 31, 2008

	Current	Last Year End
Assets and Other Debits		
Utility Plant		
Utility Plant in Service	18,177,554	17,642,573
Utility Plant Purchased/Sold	-	-
Completed Construction Not Classified		
Construction Work in Progress	34,477	464,351
Utility Plant	18,212,031	18,106,924
Accumulated Depreciation		
Accumulated Dep. - Utility Plant in Service	(4,807,980)	(4,592,157)
Accumulated Dep. - Transportation Equip.	(749,235)	(648,828)
Retirement Work in Progress		
Accumulated Dep. - Rental Equipment	-	-
Accumulated Depreciation	(5,557,215)	(5,240,985)
Other Utility Plant		
Utility Plant Acquisition Adj.	-	-
Accum. Amort. - Utility Acq. Adj.	-	-
Other Utility Plant	-	-
Other Property and Investments		
Investment in Assoc. Companies - Common Stock	-	-
Other Property and Investments	-	-
Current and Accrued Assets		
Customer Accounts Receivable	1,620,573	1,984,620
Allowance for Uncollectible Accounts	(65,879)	(61,361)
Accounts Rec. from Associated Companies		
Operating Supplies - Propane	2,035,957	2,346,847
Prepayments - Taxes	-	-
Interest and Dividends Receivable	-	-
Merchandise-Applian.& Supplies		
Accrued Utility Revenues	327,158	373,052
Current and Accrued Assets	3,917,809	4,643,158
Deferred Debits		
Goodwill	1,852,435	1,852,435
Misc. Deferred Debits - Other W.I.P.		
Misc. Deferred Debits - Miscellaneous	1,768	688
Accum. Deferred Income Taxes	100,968	62,142
Deferred Debits	1,955,171	1,915,265
ASSETS AND OTHER DEBITS	18,527,796	19,424,362

ANALYSIS OF DIVERSIFICATION ACTIVITY SUPPLEMENT
FLO-GAS
BALANCE SHEET - 09
December 31, 2008

	<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	823,214	386,527
Proprietary Capital	<u>833,214</u>	<u>396,527</u>
Current and Accrued Liabilities		
Accounts Payable to Assoc. Companies	14,712,473	15,251,882
Customer Deposits	847,778	804,803
Taxes Accrued	(1,716,341)	(1,570,271)
Interest Accrued	1,339	1,510
Dividends Declared	-	-
Tax Collections Payable	57,266	77,845
Misc. Current and Accrued Liabilities	-	-
Customer Advances for Construction	70,325	90,163
Other Deferred Income Taxes - Other	-	-
Accumlated Deferred I.T.C.	-	-
Current and Accrued Liabilities	<u>13,972,840</u>	<u>14,655,932</u>
Operating Reserves		
Misc. Operating Reserves	-	-
Accum. Deferred Income Tax - Liberalized Depreciation	3,100,751	3,908,827
Accum. Deferred Income Taxes - Other	-	-
Operating Reserves	<u>3,100,751</u>	<u>3,908,827</u>
Year-to-Date Income/Loss	<u>620,991</u>	<u>463,076</u>
LIABILITIES AND OTHER CREDITS	<u>18,527,796</u>	<u>19,424,362</u>

NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES

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

Name of Affiliate	Synopsis of Contract
	None

INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000

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	Description of Transaction	Dollar Amount
<i>Flo-Gas Corporation</i>	<i>Accounts Payable general expenses. Can not readily determine if it is recurring or non-recurring</i>	(12,939,015)
<i>Flo-Gas Corporation</i>	<i>Payroll - Payment by FL Public Utilities Company for Flo-Gas Corporation, Recurring</i>	(3,082,049)
<i>Flo-Gas Corporation</i>	<i>Cash Receipts - Recurring.</i>	18,415,678
<i>Flo-Gas Corporation</i>	<i>Depreciation - Recurring.</i>	53,144
<i>Flo-Gas Corporation</i>	<i>Revenue- Recurring</i>	289,529
<i>Flo-Gas Corporation</i>	<i>Transportation - Recurring</i>	(188,239)
<i>Flo-Gas Corporation</i>	<i>Dividends - Non-Recurring</i>	-
<i>Flo-Gas Corporation</i>	<i>Insurance Accruals and adjustments - Recurring</i>	(120,060)
<i>Flo-Gas Corporation</i>	<i>Income Tax adjustment - Non-Recurring</i>	(1,013,998)
<i>Flo-Gas Corporation</i>	<i>Intercompany Interest - Recurring</i>	282,565
<i>Flo-Gas Corporation</i>	<i>Clearing - Recurring</i>	(993,583)
<i>Flo-Gas Corporation</i>	<i>Plant Transfer - Non-Recurring</i>	(28,515)
<i>Flo-Gas Corporation</i>	<i>Merchandise/Appliance Transfer - Non-Recurring</i>	(73,079)
<i>Flo-Gas Corporation</i>	<i>Stores/inventory - Non-Recurring</i>	(60,759)

ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

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:		\$	\$		\$	\$	
Flo-Gas Corporation	Meters	6,086	4,791	1,295	N/A	Transfer	N/A
	Trans Equip	265,722	39,157	226,565	N/A	Transfer	N/A
	Regulators			-	N/A	Transfer	N/A
	Computer			-	N/A	Transfer	N/A
	Power Equip	38,012	15,233	22,779	N/A	Transfer	N/A
	Tools	8,499	4,382	4,117	N/A	Transfer	
Total		309,820	59,181	250,639		\$	
Sales to Affiliates:		\$	\$	\$	\$	Sales Price	
	Meters	6,962	2,593	4,369	N/A	Transfer	N/A
	Trans Equip	37,202	11,760	25,442	N/A	Transfer	N/A
	Regulators			-	N/A	Transfer	N/A
	Computer			-	N/A	Transfer	N/A
					N/A	Transfer	N/A
Total		44,164	14,353	29,811		\$	

EMPLOYEE TRANSFERS

List employees earning more than \$50,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From	Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
None				

Florida Public Utilities Company
AEP Reconciliation
As Of December 31, 2008

Rev Start Date	AEP #	Facilities Area	Bal @ Beginning of year		12 Months Ended 12/08		Over/Under Collection	Charges to Date	
			Surcharge Revenues	Facilities Cost	Surcharge* Revenues	Facilities** Cost		Surcharge Revenues	Facilities Cost
Sep-98	20001	Deltona HP #1	659,683.84	759,679.87	65,406.68	5,659.64		725,090.52	765,339.51
Feb-99	20092	Stone Gable	23,379.47	28,077.50	2,022.20	311.36		25,401.67	28,388.86
May-99	20093	Deltona HP #2	261,730.52	650,224.60	24,208.14	31,477.41		285,938.66	681,702.01
Apr-99	20098	DeBary Golf & CC	43,974.21	68,652.97	4,400.78	1,879.91		48,374.99	70,532.88
Jun-00	20193	Spring Valley Unit 5	17,088.12	17,687.40	1,244.11	6.91	637.92	18,332.23	17,694.31
May-00	20289	Convert Deltona Ph III	325,296.50	692,462.35	38,819.42	29,143.65		364,115.92	721,606.00
Feb-01	20345	Crystal Cove	33,022.23	33,929.15	2,327.19	6.01	1,414.26	35,349.42	33,935.16
Sep-00	20347	Westward Expansion	252,416.05	244,973.23	143.40	(0.02)	7,586.24	252,559.45	244,973.21
Jun-01	20498	La Chalet	34,495.77	61,877	5,370.23	2,077.53		39,866.00	63,954.83
Oct-01	20561	Victoria Pk. Ph. I	331,394.12	705,612	108,549.92	26,953.95		437,944.04	732,565.46
May-01	20591	Fawn Ridge Sub.	30,933.51	49,330	8,614.97	1,194.06		39,548.48	50,524.10
May-02	20660	Thor./Versailles	158,648.54	732,662	39,434.12	46,164.75		198,082.66	778,826.30
Apr-02	20695	Mizner Falls Subdiv.	33,516.92	179,496	6,744.39	11,922.54		40,261.31	191,418.66
Mar-03	20734	Kenco Commun.	9,872.89	70,260	7,226.51	4,711.18		17,099.40	74,971.46
Jun-02	20769	Ibis Parcel V-Terra	13,300.52	14,013	1,677.27	5.14	959.98	14,977.79	14,017.81
Aug-02	20798	Lake Mary H.S.	5,225.80	20,853	1,165.64	1,261.36		6,391.44	22,114.77
Oct-02	20849	Equestrian Club	74,153.84	150,705	16,563.14	5,709.65		90,716.98	156,414.43
Feb-03	20851	Juno Beach	53,778.58	209,952	15,114.13	12,362.77		68,892.71	222,314.38
Dec-02	20861	Victoria Grove	125,824.23	373,264	29,683.48	19,519.19		155,507.71	392,783.06
Nov-02	20865	Hamilton Bay	37,064.48	161,105	7,761.59	10,060.61		44,826.07	171,165.48
Oct-02	20881	Springview Unit 6	14,439.44	24,541	3,309.89	709.52		17,749.33	25,251.01
Dec-02	20892	Black Diamond	66,891.07	72,834.01	7,839.80	93.02	1,803.84	74,730.87	72,927.03
Feb-03	20974	Deerfield Ph II	22,749.98	60,125.76	7,769.83	2,795.54		30,519.81	62,921.30
Aug-03	20976	Wyndsong Estates	14,918.44	52,388.18	6,750.52	2,835.28		21,668.96	55,223.46
	20999	Downtown Gas Lt. Dist.	-	22,496.77	-	1,880.52		-	24,377.29
Mar-03	21007	SE 6th Ave	8,746.70	22,296.57	1,016.27	1,090.50		9,762.97	23,387.07
Oct-04	21025	SR 441 - Palmetto Pk.	8,436.39	102,007.30	5,564.46	7,614.72		14,000.85	109,622.02
Feb-03	21031	Winter Springs Town Ctr.	27,275.90	175,466.61	7,306.07	12,109.41		34,581.97	187,576.02
Jun-05	21151	Lakes of Deland	1,550.09	98,257.40	1,621.28	8,018.70		3,171.37	106,276.10
Jun-04	21160	Riverside at DeBary	17,287.87	159,280.92	8,288.33	11,547.12		25,576.20	170,828.04
Jan-04	21195	Cedar Creek Subdiv.	9,082.49	30,892.03	2,463.93	1,726.42		11,546.42	32,618.45
Jan-04	21212	Equis Subdiv	12,006.65	70,152.22	7,460.41	4,511.27		19,467.06	74,663.49
Mar-06	21242	Casa Bella Subdiv	3,597.74	66,225.69	3,315.49	5,093.58		6,913.23	71,319.27
Jul-04	21315	Arbor Ridge	50,011.69	220,386.79	21,340.74	13,359.54		71,352.43	233,746.33
Nov-04	21328	Inlet Shore Estates	3,848.46	16,574.52	1,725.56	990.05		5,574.02	17,564.57
May-09	21344	Talavera Subdiv	-	21,076.75	4,992.28	1,759.07		4,992.28	22,835.82
Oct-05	21391	441 Belv to Okeechobee	20,763.58	62,875.72	8,540.03	3,185.92		29,303.61	66,061.64
May-06	21436	Wellington Town Sq	-	58,377.75	-	4,879.86		-	63,257.61
Jun-06	21686	Deltona Woods	1,983.35	11,621.26	2,354.22	714.01		4,337.57	12,335.27
Jan-08	21743	Bella Foresta	-	41,039.16	177.91	3,424.14		177.91	44,463.30
	21933	Longwood Hills	-	910.60	-	(910.60)		-	(0.00)
May-08	22076	Wellington Woods	-	49,748.89	71.16	4,157.82		71.16	53,906.71
Mar-08	22081	Florida Days	-	35,225.93	23.54	2,943.68		23.54	38,169.61
Oct-07	22121	SummerGlen Conversion	5,750.91	294,836.04	40,084.58	22,454.56		45,835.49	317,290.60
Sep-07	22130	Canopy Creek Subdiv.	-	57,990.20	315.44	24,641.82		315.44	82,632.02
	22133	Veramonte Subdivision	-	18,793.00	-	1,570.93		-	20,363.93
	22234	Sugar Mill Gardens	-	-	-	24,801.93		-	24,801.93
Sep-08	22237	Baton Lake Estates	-	-	12.60	31,094.75		12.60	31,094.75
	22300	Boca Grove	-	-	-	8,784.35		-	8,784.35
	Total		2,814,140.89	7,071,236.64	526,821.65	418,305.03	12,402.24	3,340,962.54	7,489,541.67

Balance in 1860.4 at 12/31/2008
Pluss Revenues 4,160,981.37
Less Over/under Recovery (12,402.24)
7,489,541.67

Note:
* Collections posted to 1860.4
** Includes interest

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