GU603-10-AR

ANNUAL REPORT OF

NATURAL GAS UTILITIES

Florida Public Utilities Company

(EXACT NAME OF RESPONDENT)

401 South Dixie Highway
West Palm Beach, FL 33401-5886

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2010

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

Name: Thomas A. Geoffroy	Title: Vice President, Regulatory Affairs & Business Planning	
Address: 401 South Dixie Highway	City: WPB	State: FL
Telephone No. (561) 838-1703		PSC/ECR 020-G (12/09)

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. <u>Btu per cubic foot</u> - 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. <u>Respondent</u> - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

ParenteBeard

Independent Auditors' Report

Boards of Directors
Chesapeake Utilities Corporation and Florida Public Utilities Company

We have audited the balance sheet of Florida Public Utilities Company as of December 31, 2010 and 2009, and the accompanying statements of income for each of the two years in the period ended December 31, 2010 and the statement of retained earnings for the year ended December 31, 2010 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, as filed with 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 audits.

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

As described in Note A, these financial statements were prepared in accordance with the accounting requirements of the Florida Public Service Commission, which is 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Public Utilities Company as of December 31, 2010 and 2009 and the results of its operations for the years then ended, in accordance with 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 the applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the boards of directors of Chesapeake Utilities Corporation and management of Chesapeake Utilities Corporation and Florida Public Utilities and for filing with the Florida Public Service Commission and should not be used for any other purpose.

ParenteBeard LLC

Malvern, Pennsylvania
August 12, 2011

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent Florida Public Utilities Company	02 Year of Report December 31, 2010
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 Thomas A. Geoffroy	06 Title of Contact Person Vice President, Regulatory & Business Planning
07 Address of Contact Person (Street, City, State, Zip Code) Same as above	
08 Telephone of Contact Person, Including Area Code (561) 838-1709	09 Date of Report (Mo., Day, Yr) August 15, 2011

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, 2010 to December 31, 2010, 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.

Beth W. Cooper
Signature

August 15, 2011
Date

BETH W. COOPER
Name

SR VICE PRESIDENT, CHIEF FINANCIAL OFFICER
Title

TABLE OF CONTENTS

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s).
2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

1. As of October 28, 2009, Florida Public Utilities Company is a wholly owned subsidiary of Chesapeake Utilities Corporation.

2. Chesapeake Utilities Corporation form 10-K report filed with the SEC is for fiscal year ending December 31, 2010.

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%	

Note: Our Parent company, Chesapeake Utilities Corporation does directly and indirectly control other subsidiaries. These organization are listed in Chesapeake's Form 10-K.

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)
Chief Executive Officer		John Schimkaitis	$	129,000
President, Chief Operating Officer		Michael P. McMasters	$	60,511
Sr. Vice President		Stephen C. Thompson	$	-
Sr. Vice President & Chief Financial Officer		Beth Cooper	$	41,301
Vice President		Thomas A. Geoffroy	$	-
President, FPU		Jeffry Householder	$	105,472
Vice President Customer Care, FPU		Jeffrey S. Sylvester	$	-
Vice President, Business, FPU		Kevin J. Webber	$	-
COO, FPU	*	Chuck Stein	$	209,256
CFO, FPU	**	George Bachman	$	73,645

Note: The salaries above represent only that portion allocated to regulated FPU.

* Officer until 1/31/2011
** Officer until 2/28/2011

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)
Ralph J. Adkins, Chairman of Board	909 Silver Lake Blvd., Dover Delaware 19901	14	$	6,886
John R. Schimkaitis, Vice Chairman	909 Silver Lake Blvd., Dover Delaware 19901	14	$	-
Michael P. McMasters, President & CEO	909 Silver Lake Blvd., Dover Delaware 19901	14	$	-
Eugene H. Bayard, Director	909 Silver Lake Blvd., Dover Delaware 19901	7	$	9,756
Richard Bernstein, Director	909 Silver Lake Blvd., Dover Delaware 19901	9	$	10,473
Thomas J. Bresnan, Director	909 Silver Lake Blvd., Dover Delaware 19901	8	$	10,473
Thomas P. Hill, Jr., Director	909 Silver Lake Blvd., Dover Delaware 19901	8	$	10,473
Dennis S. Hudson, III, Director	909 Silver Lake Blvd., Dover Delaware 19901	8	$	10,473
Paul L. Maddock, Jr., Director	909 Silver Lake Blvd., Dover Delaware 19901	7	$	9,756
J. Peter Martin, Director	909 Silver Lake Blvd., Dover Delaware 19901	8	$	10,473
Joseph E. Moore, Esq., Director	909 Silver Lake Blvd., Dover Delaware 19901	11	$	12,804
Calvert A. Morgan, Jr., Director	909 Silver Lake Blvd., Dover Delaware 19901	11	$	12,804
Dianna F. Morgan, Director	909 Silver Lake Blvd., Dover Delaware 19901	9	$	10,473

Note: The fees above represent only that portion allocated to FPU Natural Gas

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 complied 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			
	Number of votes as of (date):			
Name (Title) and Address of Security Holder (a)	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities				
TOTAL number of security holders				
TOTAL votes of security holders listed below				

Effective October 28, 2009 FPU became a wholly-owned subsidiary of Chesapeake Utilities Corporation.

IMPORTANT CHANGES DURING THE YEAR

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

1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.
2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.
3. Important extension or reduction of transmission or distribution system; State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.
4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

1 None

2 On August 1, 2010 FPU purchased the natural gas operating assets of Indiantown Gas Co (IGC), which provides natural gas distribution services to approximately 700 customers including two large industrial customers in Indiantown, Florida.

3 None

4 In May 2010 a FPU propane customer filed a class action complaint against FPU relating to a particular charge by FPU on its bills to propane customers. FPU entered into a settlement agreement with the plaintiff in September 2010. The judgement becomes final when the time for appeal expires, which occured on March 13, 2011. This litigation relates only to the unregulated propane operations.

5 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	235,488,190	242,959,052
3	Construction Work in Progress (107)	12	1,799,781	2,793,199
4	TOTAL Utility Plant Total of lines 2 and 3)		237,287,971	245,752,251
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	(69,578,199)	(87,071,272)
6	Net Utility Plant (Total of line 4 less 5)		167,709,772	158,680,979
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	1,234,026
13	Investment in Subsidiary Companies (123.1)	-	335,339	995,694
14	Other Investments (124)	-	14,934	15,109
15	Special Funds (125, 126, 128)	-		
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		358,709	2,253,265
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	2,658,120	(2,326,326)
19		-	0	0
20	Working Funds (135)	-	35,650	17,996
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-	5,846,619	0
23	Customer Accounts Receivable (142)	-	10,189,198	13,205,304
24	Other Accounts Receivable (143)	-	168,893	268,071
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	(425,094)	(195,951)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Associated Companies (146)	-	16,623,757	0
28	Fuel Stock (151)	-		0
29	Fuel Stock Expense Undistributed (152)	-		
30	Residuals (Electric) and Extracted Products (Gas) (153)	-		
31	Plant Material and Operating Supplies (154)	-	1,429,800	1,511,680
32	Merchandise (155)	-	226,266	110,649
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	369,339	308,373
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	5,631,270	6,063,029
41	Miscellaneous Current and Accrued Assets (174)	-	890,678	0
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		43,644,496	18,962,825
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	0	86,004
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	9,748,189	14,692,680
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)	-		31,818
49	Clearing Accounts (184)	-	0	780
50	Temporary Facilities (185)	-	0	1,589
51	Miscellaneous Deferred Debits (186)	19	3,432,617	1,574,606
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20	135,606	1,667,672
55	Accumulated Deferred Income Taxes (190)	24	5,638,723	0
56	Unrecovered Purchased Gas Costs (191)		0	(5,949,858)
57	TOTAL Deferred Debits (Total of lines 44 through 56)		18,955,135	12,105,291
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		230,668,112	192,002,360

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)	-	0	0
3	Preferred Stock Issued (204)	-	0	0
4	Other Paid-In Capital (208-214)	-	76,038,774	76,038,774
5	Retained Earnings (215, 216)	10	1,503,364	10,146,021
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	325,338	455,853
7	(Less) Reacquired Capital Stock (217)	-	0	0
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		77,867,476	86,640,648
9	LONG-TERM DEBT			
10	Bonds (221)	21	19,183,167	17,864,000
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21		
13	Other Long-Term Debt (224)	21		
14	Unamortized Premium on Long-Term Debt (225)	21		
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21		
16	TOTAL Long-Term Debt (Total of lines 10 through 15)		19,183,167	17,864,000
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)	-		
19	Accumulated Provision for Property Insurance (228.1)	-	2,554,477	2,682,097
20	Accumulated Provision for Injuries and Damages (228.2)	-	169,761	234,307
21	Accumulated Provision for Pensions and Benefits (228.3)	-	11,255,466	15,376,906
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-	257,745	0
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		14,237,449	18,293,310
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-	0	0
27	Accounts Payable (232)	-	11,266,647	14,977,597
28	Notes Payable to Associated Companies (233)	-	0	0
29	Accounts Payable to Associated Companies (234)	-	8,948,348	1,487,840
30	Customer Deposits (235)	-	12,779,268	11,541,609
31	Taxes Accrued (236)	-	1,668,535	2,055,275
32	Interest Accrued (237)	-	882,227	770,105
33	Dividends Declared (238)	-	0	0
34	Long-Term Debt Current (239)	-	28,642,629	1,409,000
35	Matured Interest (240)	-	0	0
36	Tax Collections Payable (241)	-	798,893	2,417,715
37	Miscellaneous Current and Accrued Liabilities (242)	22	4,448,728	3,320,772
38	Obligations Under Capital Leases-Current (243)	-	0	0
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		69,435,275	37,979,913
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	-	2,076,017	2,666,002
43	Other Deferred Credits (253)	22	13,065,167	11,748,526
44	Other Regulatory Liabilities (254)	22	11,692,864	0
45	Accumulated Deferred Investment Tax Credits (255)	-	141,455	92,542
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	22,969,242	16,717,419
49	TOTAL Deferred Credits (Total of lines 42 through 48)		49,944,745	31,224,489
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		230,668,112	192,002,360

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	169,747,124	147,678,582
3	Operating Expenses			
4	Operation Expenses (401)	27-29	125,437,473	115,261,594
5	Maintenance Expenses (402)	27-29	4,245,441	3,874,543
6	Depreciation Expense (403)	15-16	7,011,309	6,883,353
7	Amortization & Depletion of Utility Plant (404-405)	-	2,194,192	1,792,300
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	31,519	31,520
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	14,078,575	12,105,040
14	Income Taxes - Federal (409.1)	-	4,775,790	(1,230,633)
15	- Other (409.1)	-	1,098,448	130,827
16	Provision for Deferred Income Taxes (410.1)	24	3,193,751	2,978,934
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24	(3,908,694)	-
18	Investment Tax Credit Adjustment - Net (411.4)	23	(48,913)	(61,342)
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)		158,108,892	141,766,136
23	Net Utility Operating Income (Total of line 2 less 22)			
24	(Carry forward to page 9, line 25)		11,638,232	5,912,446

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.	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	100,585,302	88,275,669	69,161,822	59,402,913		
3						
4	82,449,057	74,201,459	42,988,416	41,060,135		
5	2,721,011	2,400,641	1,524,430	1,473,902		
6	3,473,186	3,428,419	3,538,123	3,454,934		
7	-	-	2,194,192	1,792,300		
8	-	-	31,519	31,520		
9	-	-				
	-	-				
10	-	-				
11	-	-				
12	-	-				
13	7,467,431	6,524,016	6,611,144	5,581,024		
14	2,222,982	(1,143,860)	2,552,808	(86,773)		
15	488,628	(77,325)	609,820	208,152		
16	1,432,233	1,626,292	1,761,518	1,352,642		
17	(2,900,430)	-	(1,008,264)			
18	(18,416)	(25,168)	(30,497)	(36,174)		
19	-	-				
20	-	-				
21	-	-				
22	97,335,682	86,934,474	60,773,209	54,831,662	0	0
23						
24	3,249,619	1,341,195	8,388,613	4,571,251	0	0

STATEMENT OF INCOME (Continued)

Line No.	Account (a)	Ref. Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 8)		11,638,232	5,912,446
26	**Other Income and Deductions**			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	2,237,710	2,312,656
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-	(1,887,337)	(1,966,797)
31	Revenues From Nonutility Operations (417)	-	-	-
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-	-	3,039
34	Equity in Earnings of Subsidiary Companies (418.1)	10	696,326	241,558
35	Interest and Dividend Income (419)	-	152,864	263,866
36	Allowance for Other Funds Used During Construction (419.1)	-	-	-
37	Miscellaneous Nonoperating Income (421)	-	(5,747)	254,998
38	Gain on Disposition of Property (421.1)	-		-
39	TOTAL Other Income (Total of lines 29 through 38)		1,193,816	1,109,320
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	-	29,558
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		-	29,558
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-	-	-
47	Income Taxes - Federal (409.2)	-	485,585	190,240
48	Income Taxes - Other (409.2)	-	(272,072)	46,403
49	Provision for Deferred Income Taxes (410.2)	24		(5,506)
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)		213,513	231,137
54	Net Other Income and Deductions (Total of lines 39,44,53)		980,303	848,625
55	**Interest Charges**			
56	Interest on Long-Term Debt (427)	-	2,004,962	3,709,144
57	Amortization of Debt Discount and Expense (428)	21	18,093	98,918
58	Amortization of Loss on Reacquired Debt (428.1)	-	85,843	-
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	(111,782)	(151,509)
62	Other Interest Expense (431)	33	1,282,436	682,962
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-	-	
64	Net Interest Charges (Total of lines 56 through 63)		3,279,552	4,339,515
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		9,338,983	2,421,556
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)		9,338,983	2,421,556

Florida Public Utilities Company	For the Year Ended
	December 31, 2010

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		1,503,364
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Balance Transferred from Income (Account 433 less Account 418.1)		8,642,657
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		8,642,657
7	Debit: Chesapeake Utilities Corporations Acquisition of FPU		-
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		-
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	-
13	Dividends Declared - Common Stock (Account 438) TOTAL	2380	-
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)		10,146,021
	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)		325,338
19	Equity in Earnings for Year (Credit) (Account 418.1)		696,326
20	(Less) Dividends (Debit)		-
21	Other Changes		(565,811)
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		455,853
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		10,601,874

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.

A. Summary of Accounting Policies:

Nature of Business
Florida Public Utilities Company ("we," "us," "our," "FPU" 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. We are subject to the jurisdiction of the Florida Public Service Commission ("FPSC") with respect to our 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. We also distribute propane gas through a non-regulated subsidiary.

On October 28, 2009, we merged with Chesapeake Utilities Corporation ("Chesapeake"), pursuant to which FPU became a wholly-owned subsidiary of Chesapeake.

On August 9, 2010, we added a new division through the purchase of the natural gas operating assets of Indiantown Gas Company ("IGC").

Basis of Presentation
The financial statements include the accounts of Florida Public Utilities Company and its wholly owned non-regulated subsidiary. The accounts of its non-regulated subsidiary and the new division, Indiantown Gas Company ("IGC"), are accounted for under the equity method of accounting. All significant intercompany balances and transactions have been eliminated. Under the equity method of accounting, our non-regulated subsidiary's and IGC's accounts are not reflected within our balance sheet and statement of income, however, the Company's share of earnings and losses are reflected in the aggregate as equity in earnings of subsidiary and associated companies in the accompanying statements of income and the Company's carrying value of it non-regulated subsidiary and IGC are reflected in the Company's balance sheet. Where applicable the accompanying notes to the financial statements include amounts on a consolidated basis, inclusive of amounts and balances of our non-regulated subsidiary and IGC. In addition, the accompanying statement of cash flows is presented on a consolidated basis inclusive of the results of our non-regulated subsidiary's and IGC's operations and cash flows.

System of Accounts
Our financial statements are prepared in conformity with the accounting requirements of the FERC as set forth in the applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("GAAP"). We also maintain our accounts in accordance with recognized policies prescribed by the FPSC. The accounting requirements of the FERC and FPSC are consistent with GAAP, except for:

- Lack of reclassifications of certain negative balances on the balance sheets as required by GAAP;
- The presentation of deferred income tax assets and liabilities separately rather than as a single amount as required by GAAP;
- The omission of the statement of cash flows, for the current year and prior year as required by US GAAP.
- The omission of the statement of retained earnings for the prior year for a comparative presentation as required by GAAP;
- The presentation of positive acquisition adjustments in Account 114, which are included in the plant assets on the balance sheets, rather than as a regulatory asset or goodwill in accordance with GAAP;
- The presentation of costs of removal in Account 108, which is included in accumulated depreciation on the balance sheets, rather than as a liability as required by GAAP.; and
- Lack of detail Property, Plant, and Equipment component costs disclosure required by US GAAP.

Property, Plant, Equipment and Depreciation
Property, plant and equipment is stated at original cost. Costs include direct labor, materials and third-party construction contractor costs, allowance for capitalized interest and certain indirect costs related to equipment and employees engaged in construction. The costs of repairs and minor replacements are charged against income as incurred, and the costs of major renewals and betterments are capitalized. The provision for depreciation is computed using the straight-line method at rates that amortize the unrecovered cost of depreciable property over the estimated remaining useful life of the asset. Depreciation and amortization expenses for the regulated energy operations are provided at various annual rates, as approved by the FPSC.

Allowance for Funds Used During Construction
The allowance for funds used during construction ("AFUDC") is an accounting procedure whereby the cost of borrowed and other funds used to finance construction projects is capitalized as part of utility plant on the balance sheet and is credited as non-cash items on the income statement. The costs of borrowed and equity funds are segregated between interest expenses and other income, respectively. We did not capitalize any AFUDC during 2010 and 2009.

Related Party Transactions
FPUC allocates costs between our regulated and non-regulated operations (Flo-Gas) and IGC which generate inter-company receivables and payables. These amounts consolidate to zero and were $1.5 million and $7.7 million at December 31, 2010 and 2009 respectively.

Cash and Cash Equivalents
Our policy is to invest cash in excess of operating requirements in overnight income-producing accounts. Such amounts are stated at cost, which approximates market value. Investments with an original maturity of three months or less when purchased are considered cash equivalents. Certain excess cash of FPU may be transferred to and invested in Chesapeake's overnight income-producing accounts.

Pension and Other Postretirement Plans
Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected returns on plan assets, assumed discount rates, the level of contributions made to the plans, and current demographic and actuarial mortality data. Management annually reviews the estimates and assumptions underlying our pension and other postretirement plan costs and liabilities with the assistance of third-party actuarial firms. The assumed discount rates and the expected returns on plan assets are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rates, health care cost trend rates and rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.

The discount rates are utilized principally in calculating the actuarial present value of our pension and postretirement obligations and net pension and postretirement costs. When establishing its discount rates, we consider high quality corporate bond rates based on the Citigroup yield curve, changes in the rates from the prior year, and other pertinent factors, such as the expected life of each of our plans and their respective payment options.

The expected long-term rates of return on assets are utilized in calculating the expected returns on plan assets component of our annual pension and plan costs. We estimate the expected returns on plan assets of each of our plans by evaluating expected bond returns, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors in making a final determination of our expected rates of return on assets.

We estimate the assumed health care cost trend rates used in determining our postretirement net expense based upon actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon our annual reviews of participant census information as of the measurement date.

Actual changes in the fair value of plan assets and the differences between the actual return on plan assets and the expected return on plan assets could have a material effect on the amount of pension and postretirement benefit costs that we ultimately recognize. A 0.25 percent increase in the discount rate could decrease our pension and postretirement costs by approximately $80,000 and a decrease of 0.25 percent could increase our pension and postretirement costs by $115,000. A 0.25 percent increase in the rate of return would decrease our pension cost by approximately $95,000, and a decrease of 0.25 percent would increase our pension cost by approximately $100,000 and will not have an impact on postretirement plan because the plan is not funded.

Income Taxes and Investment Tax Credit Adjustments
Deferred tax assets and liabilities are recorded for the tax effect of temporary differences between the financial statements bases and tax bases of assets and liabilities and are measured using the enacted tax rates in effect in the years in which the differences are expected to reverse. The portions of our deferred tax liabilities applicable to regulated energy operations, which have not been reflected in current service rates, represent income taxes recoverable through future rates. Deferred tax assets are recorded net of any valuation allowance when it is more likely than not that such tax benefits will be realized. Investment tax credits on utility property have been deferred and are allocated to income ratably over the lives of the subject property.

We account for uncertainty in income taxes in the financial statements only if it is "more likely than not" that an uncertain tax position is sustainable based on technical merits. Recognizable tax positions are then measured to determine the amount of benefit recognized in the financial statements.

Financial Instruments
Our natural gas and electric distribution operations have entered into agreements with suppliers to purchase natural gas and electricity for resale to their customers. Purchases under these contracts either do not meet the definition of derivatives or are considered "normal purchases and sales" and are accounted for on an accrual basis.

Operating Revenues and Cost of Sales
Revenues for our natural gas and electric distribution operations are based on rates approved by the FPSC. For deliveries of natural gas and electricity, we read meters and bill customers on monthly cycles that do not coincide with the accounting periods used for financial reporting purposes. We accrue unbilled revenues for natural gas and electricity that have been delivered, but not yet billed, at the end of an accounting period to the extent that they do not coincide. In connection with this accrual, we must estimate the amount of natural gas and electricity that have not been accounted for on our delivery systems and must estimate the amount of the unbilled revenue by jurisdiction and customer class.

Each of our natural gas and electric distribution operation has a purchased fuel cost recovery mechanism. This mechanism provides a method of adjusting the billing rates to reflect changes in the cost of purchased fuel. The difference between the current cost of fuel purchased and the cost of fuel recovered in billed rates is deferred and accounted for as either unrecovered purchased fuel costs or amounts payable to customers. Generally, these deferred amounts are recovered or refunded within one year.

Operations and Maintenance Expenses
Operations and maintenance expenses are costs associated with the operation and maintenance of our natural gas and electric businesses. Major cost components include operation and maintenance salaries and benefits, materials and supplies, usage of vehicles, tools and equipment, payments to contractors, utility plant maintenance, customer service, professional fees and other outside services, insurance expense, minor amounts of depreciation, accretion of cost of removal for future retirements of utility assets, and other administrative expenses.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is recorded against amounts due to reduce the net receivables balance to the amount we reasonably expect to collect based upon our collections experiences and management's assessment of our customers' inability or reluctance to pay. If circumstances change, our estimates of recoverable accounts receivable may also change. Circumstances which could affect such estimates include, but are not limited to, customer credit issues, the level of natural gas and electricity and general economic conditions. Accounts are written off when they are deemed to be uncollectible.

Certain Risks & Uncertainties
Our financial statements are prepared in accordance with recognized policies prescribed or permitted by the FERC and FPSC, which require management to make estimates in measuring assets and liabilities and related revenues and expenses. These estimates involve judgments with respect to, among other things, various future economic factors that are difficult to predict and are beyond our control; therefore, actual results could differ from those estimates.

We record certain assets and liabilities in accordance with ASC Topic 980, "Regulated Operations." In applying provisions of this Topic, our regulated operations may defer costs or revenues in different periods than our unregulated operations would recognize, resulting in their being recorded as assets or liabilities on the applicable operation's balance sheet. If we were required to terminate the application of these provisions to our regulated operations, all such deferred amounts would be recognized in the income statement at that time. This would result in a charge to earnings, net of applicable income taxes, which could be material.

Taxes Collected from Customers and Remitted to Governmental Authorities
We remit 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 our results of operations. The amount of gross receipts and franchise taxes for the years ending December 31, 2010 and 2009 were $10.3 million and $8.9 million, respectively.

Acquisition accounting
The merger with Chesapeake was accounted for under the acquisition method of accounting under GAAP, with Chesapeake treated as the acquirer. The acquisition method of accounting under GAAP requires, among other things, that the assets acquired and liabilities assumed in the merger be recognized at their fair value as of the acquisition date. In estimating the fair value of FPU's assets and liabilities subject to rate regulation, we considered the nature and impact of such regulations on those assets and liabilities as a factor in determining their appropriate fair value. We also considered the existence of a regulatory process that would allow, or sometimes require, regulatory assets and liabilities to be established for fair value adjustment to certain assets and liabilities subject to rate regulation. If a regulatory asset or liability should be established to offset the fair value adjustment based on the current regulatory process, as was the case for fuel contracts and long-term debt, we did not "gross-up" our balance sheet to reflect the fair value adjustment and corresponding regulatory asset/liability, because such "gross-up" would not have resulted in a change to our value of net assets and future earnings. As a result, there were no fair value adjustments to FPU's assets and liabilities subject to rate regulation in the merger.

The merger with Chesapeake resulted in a purchase premium of approximately $34.2 million for FPU's regulated operations, which was reflected in account 114 as part of the plant assets on the balance sheet.

As of December 31, 2010, Chesapeake incurred approximately $1.3 million in costs to consummate the merger, including the cost associated with merger-related litigation and integrating operations following the merger. This includes $389,000 incurred during the year ended December 31, 2010. FPU incurred approximately $4.1 million in acquisition-related costs, all of which were expensed in 2009.

In August 2010, FPU paid approximately $1.2 million for the natural gas operating assets of IGC and recorded $742,000 in goodwill in connection with this acquisition.

Regulatory Assets, Liabilities and Expenditures
We account for our regulated operations in accordance with ASC Topic 980, "Regulated Operations." This Topic includes accounting principles for companies whose rates are determined by independent third-party regulators. When setting rates, regulators often make decisions, the economics of which require companies to defer costs or revenues in different periods than may be appropriate for unregulated enterprises. When this situation occurs, a regulated company defers the associated costs as regulatory assets on the balance sheet and records them as expense on the income statement as it collects revenues. Further, regulators can also impose liabilities upon a regulated company for amounts previously collected from customers, and for recovery of costs that are expected to be incurred in the future as regulatory liabilities.

At December 31, 2010 and 2009, the regulated utility operations had recorded the following regulatory assets and liabilities on the Balance Sheets. We have reclassified certain amounts in the regulatory assets and liabilities for the year ended December 31, 2009 to conform to the current year's presentation. These assets and liabilities will be recognized as revenues and expenses in future periods as they are reflected in customers' rates.

December 31,	2010	2009
(in thousands)		
Regulatory Assets		
Underrecovered purchased fuel costs [1]	$-	($781)
Income tax related amounts due from customers [10]	$249	$679
Deferred post retirement benefits [9]	8,276	3,580
Deferred conversion and development costs [1]	2,069	2,720
Environmental regulatory assets and expenditures [2]	6,168	6,624
Acquisition adjustment [6]	764	795
Deferred regulatory and other expenses [4]	573	906
Loss on reacquired debt [3]	1,668	154
Other	63	167
Total Regulatory Assets	$19,830	$14,844
Regulatory Liabilities		
Self insurance [1]	$234	$170
Overrecovered purchased fuel costs [1]	5,950	1,301
Conservation cost recovery [1]	166	435
Rate refund [1]	-	258
Storm reserve [5]	2,682	2,554
Accrued asset removal cost [8]	12,611	11,693
Tax liabilities [7]	74	895
Total Regulatory Liabilities	$21,717	$17,306

(1) Deferred conversion and development costs and unamortized loss on reacquired debt are included in deferred charges in the consolidated balance sheets. Our 2008 rate proceeding allowed the transfer of approximately $2.3 million in unrecovered Area Expansion Program excess construction costs to rate base.

(2) We have included the amount due from customers as a regulatory asset for environmental costs. The FPSC authorized recovery of these environmental costs from customers over 20 years.

(3) The FPSC 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 $798,000 as of December 31, 2010. Our electric storm reserve is approximately $1.9 million as of December 31, 2010.

(4) The actuarial valuation of the retirement plan obligations has been completed and resulted in a regulatory asset of $8.3 million and $3.6 million at December 31, 2010 and 2009, respectively.

(5) We have certain costs that are passed directly through to customers for recovery including fuel and conservation costs. There are amounts related to expenses that are either over or under-recovered in a calendar year. The over-recoveries will be refunded to customers and under-recoveries will be collected from customers in the following year, but both are deferred in the current period.

(6) We have 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. We have incurred rate case costs associated with the recent electric filing finalized in 2008 and natural gas filing finalized in 2009. Amortization of natural gas costs began in mid 2009.

(7) We have deferred tax liabilities associated with property, plant and equipment. We use a FPSC-approved method to amortize these liabilities.

(8) We have a liability for the estimated future costs to remove or retire existing fixed assets. The balance of accrued assets removal costs were included in account 108 at December 31, 2010. The balance of accrued assets removal costs were included in account 254 at December 31, 2009.

(9) The FPSC approved the recovery in rates of certain acquisition premiums from FPU's previous acquisition.

(10) Income taxes related amounts due from customers, is attributable to the merger with Chesapeake.

(11) We have a regulatory liability related to costs associated with self insurance.

Subsequent Events

We have assessed and reported on subsequent events through August 12, 2011, the date these financial statements are available to be issued.

FASB Statements and Other Authoritative Pronouncements

Other Accounting Amendments Adopted by the Company in 2010

In April 2010, the FASB issued FASB Accounting Standards Update ("ASU") 2010-12 - Income Taxes (Topic 740), "Accounting for Certain Tax effects of the 2010 Health Care Reform Acts." This ASU codifies the SEC staff announcement relating to the accounting for the Health Care and Education Reconciliation Act and the Patient Protection and Affordable Care Act, which allows the two Acts to be considered together for accounting purposes. We adopted this ASU in the first quarter of 2010 and determined that these Acts did not have a material impact on our income tax accounting. (see Note K, "Employee Benefit Plans," for further discussion).

B. Transactions with Affiliates

Cash arrangements

Subsequent to the merger with Chesapeake, we operate under an arrangement with Chesapeake whereby Chesapeake may invest certain of our excess cash in an overnight income producing accounts. We are allocated a portion of interest income generated from those accounts.

Also subsequent to the merger with Chesapeake, the investments totaling $3.5 million from insurance proceeds related to the environmental costs were transferred to Chesapeake's general account that invests in overnight income producing securities. These investments were previously reflected as a non-current investment on the balance sheet prior to the transfer to Chesapeake.

Short-term debt

We utilize Chesapeake's short-term borrowing facility to finance our short-term needs and are allocated a portion of interest expense on Chesapeake's short-term credit facilities.

Allocated Costs from Affiliates

Chesapeake provides us with payroll and treasury services. Chesapeake also provides certain managerial, accounting and information technology oversight functions. For the year ended December 31, 2010, Chesapeake charged us $6.9 million for these services. During the period from the effective date of the merger to December 31, 2009, we were allocated approximately $386,000 of operating expenses from Chesapeake, which primarily represent our share of the insurance and external audit fees for that period.

C. Notes Receivable

As of December 31, 2009 there was approximately $5.8 million in receivables from the 2003 sale of our water assets with the interest rate of 4.34 percent. We received payment for the notes receivable in March 2010.

D. OVER-EARNINGS AND RATE REFUND - 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. We have agreed with the FPSC staff to limit the earned return on equity for regulated natural gas and electric operations.

On December 15, 2009, the FPSC approved the settlement agreement for a final natural gas rate increase of $7,969,000 for our natural gas distribution operation. The rates authorized pursuant to the order approving the settlement agreement became effective on January 14, 2010. In February 2010, we refunded to our natural gas customers approximately $290,000 representing revenues in excess of the amount provided by the settlement agreement that had been billed to customers from June 2009 through January 14, 2010.

E. STORM RESERVES

As of December 31, 2010, we had a storm reserve of approximately $1.9 million for the electric distribution operation and approximately $798,000 for the natural gas distribution operation. As of December 31, 2009, we had a storm reserve of approximately $1.8 million for the electric distribution operation and approximately $792,000 for the natural gas distribution operation. We do not have a storm reserve for the propane distribution operation.

F INCOME TAXES

Prior to the merger with Chesapeake, we filed a separate federal income tax return. After the merger, we are included in the Chesapeake consolidated federal tax return, along with all of Chesapeake's other subsidiaries. We have filed and will continue to file a separate state income tax return for FPU in the state of Florida.

In March 2011 the Internal Revenue Service ("IRS") began conducting its examination of our federal income tax returns for 2008 and the pre-merger period of 2009, which were filed separately from Chesapeake. We are not subject to income tax examination by the IRS for the years before December 31, 2006.

The tables below provide the following: (a) the components of income tax expense; (b) reconciliation between the statutory federal income tax rate and the effective income tax rate; and (c) the components of deferred income tax assets and liabilities at December 31, 2010 and 2009 for FPU on a consolidated basis (inclusive of our non-regulated subsidiary and IGC). Income tax expense attributable to our non-regulated subsidiary and IGC for the years ended December 31, 2010 and 2009 were $462,000 and $256,000 respectively. Net deferred liabilities attributable to our non-regulated subsidiary and IGC at December 31, 2010 and 2009 were $5.1 million and $4.8 million respectively.

For the Years Ended December 31,		2010		2009
(in thousands)				
Current Income Tax Expense				
Federal	$	4,736	$	(1,482)
State		1,143		152
Investment tax credit		(49)		(62)
Total current income tax benefit		5,830		(1,392)
Deferred Income Tax Expense				
Federal		(36)		3,488
State		(8)		208
Total deferred income tax expense		(44)		3,696
Total Income Tax Expense	$	5,786	$	2,304

For the Years Ended December 31,		2010		2009
Reconciliation of Effective Income Tax Rates				
(in thousands)				
Federal income tax at statutory rate	$	5,305	$	1,562
State income tax, net of federal benefit		577		286
Investment tax credit		(49)		(62)
Merger Related Expenses		-		964
Other		(47)		(117)
Total Income Tax Expense	$	5,786	$	2,304
Effective Income tax rate		38.15%		48.34%

At December 31,		2010		2009
(in thousands)				
Deferred Income Taxes				
Deferred income tax liabilities				
Property, plant and equipment	$	27,687	$	30,120
Loss of reacquired debt		642		59
Deferred gas costs		-		2,505
Other		93		
Total deferred income tax liabilities		28,422		33,884
Deferred income tax assets				
Pension and other employee benefits		3,276		3,437
Environmental costs		2,088		2,187
Self insurance		-		63
Storm reserve liability		1,029		987
Other		300		121
Total deferred income tax assets		6,693		6,784
Net Deferred Income Taxes Per Balance Sheet	$	21,732	$	21,900

G LONG TERM DEBT

Our outstanding long-term debt, net of unamortized debt issuance costs, is as shown below:

	December 31, 2010	December 31, 2009
(in thousands)		
Secured first mortgage bonds:		
9.57% bond, due May 1, 2018	$7,248	$8,150
10.03% bond, due May 1, 2018	3,986	4,485
9.08% bond, due June 1, 2022	7,950	7,952
6.85% bond, due October 1, 2031	-	14,012
4.90% bond, due November 1, 2031	-	13,222
Total long-term debt	19,184	47,826
Less: current maturities	(1,409)	(1,443)
Total long-term debt, net of current maturities	$17,775	$46,383

Annual maturities of consolidated long-term debt are as follows: $1,400 for 2011; $1,400 for 2012; $1,400 for 2013; $1,400 for 2014; $1,400 for 2015 and $11,225 thereafter.

Secured First Mortgage Bonds

As of December 31, 2010, our secured first mortgage bonds had a carrying value of $19.2 million, net of unamortized debt issuance costs ($19.3 million in outstanding principal balance). The first mortgage bonds are secured by a lien covering all of our property. The 9.57 percent bond and 10.03 percent bond require annual sinking fund payments of $909,000 and $500,000, respectively.

In January 2010, we redeemed the 6.85 percent and 4.90 percent series of our secured first mortgage bonds prior to their respective maturity for $28.7 million, which represented the outstanding principal balance of those bonds. The difference between the carrying value of those bonds and the amount paid at redemption totaling $1.5 million was deferred as a regulatory asset. On June 23, 2011 Chesapeake issued $29.0 million of 5.68 percent unsecured senior notes to Metropolitan Life Insurance Company and New England Life Insurance Co., pursuant to an agreement Chesapeake entered into with them on June 29, 2010. We used the proceeds to permanently finance the redemption of the 6.85 percent and 4.09 percent series of our first mortgage bonds. Under the same agreement, Chesapeake may issue an additional $7.0 million of unsecured senior notes prior to May 3, 2013, at a rate ranging from 5.28 percent to 6.43 percent based on the timing of the issuance. These notes, if issued, may be used to finance the redemption of other remaining first mortgage bonds.

Each series of FPU's first mortgage bonds contains a restriction that limits the payment of dividends by us. The most restrictive covenant of this type are included within the series that is due in 2022, which provides that we cannot make dividend or other restricted payments in excess of the sum of $2.5 million plus our consolidated net income accrued on and after January 1, 1992. As of December 31, 2010, our cumulative net income base was $65.9 million, offset by restricted payments of $37.6 million, leaving $28.3 million of cumulative net income free of restrictions pursuant to this covenant.

H SHORT TERM BORROWING

In 2004, we entered into an amended and restated loan agreement that allowed us to increase the line of credit to a maximum of $20.0 million, upon 30 days notice. In 2008, the agreement was amended with an expiration date of July 1, 2010, and a maximum of $26.0 million. The amendment also reduces the interest rate paid on borrowings by 0.10 percent or 10 basis points. Effective April 29, 2008, we increased the available line of credit from $12.0 million to $15.0 million, with a current outstanding balance of $12.7 million. We had reserved $1.0 million of the line of credit to cover expenses for any major storm repairs in its electric segment.

In connection with the merger with Chesapeake, the outstanding borrowings under the revolving line of credit totaling $4.2 million were repaid in full in November 2009 and the revolving line of credit was terminated on November 23, 2009.

We utilize Chesapeake's short term borrowing facility to finance our short term needs and are allocated a portion of interest expense on Chesapeake's short-term credit facilities.

I CAPITALIZATION

Common Stock

In connection with the merger with Chesapeake on October 28, 2009, all of the outstanding shares of our common stock were exchanged to Chesapeake common stock and as a result we become a wholly owned subsidiary of Chesapeake.

Preferred Stock

Prior to the merger with Chesapeake, we had 6,000 shares of 4 ¾ percent Series A preferred stock $100 par value authorized for issuance of which 6,000 were issued and outstanding. The preferred shares were redeemed in September 2009, prior to the merger with Chesapeake.

J LEASE OBLIGATIONS

We have entered into several operating lease arrangements for office space, equipment and pipeline facilities, which are not material to our financial position or result of operations.

K. EMPLOYEE BENEFIT PLANS

Retirement Plans

We continue to sponsor and maintain a separate defined benefit pension ("FPU Pension Plan") and a separate unfunded postretirement medical plan ("FPU Medical Plan") after the merger.

We measure the assets and obligations of the defined benefit pension plan and other postretirement benefits plans to determine the plans' funded status as of the end of the year as an asset or a liability on our consolidated balance sheets. We recognize as a component of accumulated other comprehensive income/loss the changes in funded status that occurred during the year that are not recognized as part of net periodic benefit costs, except for the portion related to FPU's regulated energy operations, which is deferred as a regulatory asset to be recovered in the future pursuant to a previous order by the FPSC. The measurement dates were December 31, 2010 and 2009.

Defined Benefit Pension Plan

The FPU Pension Plan covers eligible FPU non-union employees hired before January 1, 2005 and union employees hired before the respective union contract expiration dates in 2005 and 2006.

In March 2009 and October 2009, we amended the FPU Pension Plan in an effort to reduce anticipated future pension expenses. As a result of these amendments, we froze the FPU Pension Plan for all participants effective December 31, 2009. All future benefit accruals under the plan were ceased, including freezing salary rates at 2009 average compensation levels as of December 31, 2009. In addition to the freeze, the reduced early retirement eligibility was lowered from 30 years to 20 years and two additional service years were earned by active participants at the December 31, 2009 average compensation levels for the purposes of benefit accrual, vesting and retirement eligibility. Beyond December 31, 2011, active participants will continue to accrue service years for the purposes of vesting and retirement eligibility. The amendments to the plan were accounted for as a curtailment that resulted in the recognition of approximately $2.7 million in non-cash pretax curtailment loss of which $2.2 million was expensed and $500,000 was reflected on the balance sheet.

Our funding policy provides that payments to the trustee shall be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. In 2010 and 2009 we contributed $1.2 million and $5.9 million, respectively, to the FPU Pension Plan as required by the Pension Protection Act funding rules.

The following schedule summarizes the assets of the FPU Pension Plan, by investment type, at December 31, 2010 and 2009:

At December 31,	2010	2009
Asset Category		
Equity securities	60.00%	63.00%
Debt securities	35.00%	27.00%
Other	5.00%	10.00%
Total	100.00%	100.00%

The asset listed as "Other" in the above table represents monies temporarily held in money market funds, which invest at least 80 percent of their total assets in:

* United States government obligations; and
* Repurchase agreements that are fully collateralized by such obligations.

All of the equity securities held by the FPU Pension Plan as of December 31, 2010 and 2009 are classified under Level 1 of the fair value hierarchy and are recorded at fair value based on unadjusted quoted prices in active markets for identical securities. All of the debt securities and other assets held by the FPU Pension Plan as of December 31, 2010 and 2009 are classified under Level 2 of the fair value hierarchy and are recorded at fair value based on quoted market prices in active markets for similar assets or closing prices reported in active markets for those assets.

The investment policy for the FPU Pension Plan is designed to achieve a long-term rate of return, including investment income and appreciation, sufficient to meet the actuarial requirements of the plan. The FPU Pension Plan's investment strategy is to achieve its return objectives by investing in a diversified portfolio of equity, fixed income and cash securities seeking a balance of growth and stability as well as an adequate level of liquidity for pension distributions as they fall due. Plan assets are constrained such that no more than 10 percent of the portfolio will be invested in any one issue. Investment allocation decisions for the FPU Pension Plan are also made under the direction of the Employee Benefits Committee.

The following schedule sets forth the funded status at December 31, 2010 and 2009:

At December 31,	2010	2009
(in thousands)		
Change in benefit obligation:		
Benefit obligation — beginning of year	$45,420	$41,967
Service cost	-	666
Interest cost	2,729	2,600
Actuarial loss	6,326	2,783
Change in plan provisions	—	2,154
Curtailment	-	(2,351)
Benefits paid	(1,997)	(1,693)
Benefit obligation — end of year	52,478	45,420
Change in plan assets:		
Fair value of plan assets — beginning of year	36,427	25,330
Actual return on plan assets	4,605	6,932
Benefits paid	(1,997)	(1,693)
Employer contributions	1,166	5,858
Fair value of plan assets — end of year	40,201	36,427
Reconciliation:		
Funded status	(12,177)	(8,993)
Accrued pension cost	($12,177)	($8,993)
Assumptions:		
Discount rate	5.25%	5.75%
Expected return on plan assets	7.00%	7.00%

Net periodic pension cost for the FPU Pension Plan for 2010 and 2009 include the components shown below:

For the Years Ended December 31,	2010	2009
(in thousands)		
Components of net periodic pension cost:		
Service cost	$-	$666
Interest cost	2,729	2,601
Expected return on assets	(2,532)	(2,607)
Amortization of prior service cost	-	179
Amortization of actuarial loss	-	54
Curtailment Loss	-	2,712
Net periodic pension cost	$197	$3,605
Assumptions:		
Discount rate	5.75%	5.50%
Expected return on plan assets	7.00%	7.00%

In addition, we recorded $888,000 in expense in 2010 related to continued amortization of the pension regulatory asset for the period prior to the merger with Chesapeake.

Other Postretirement Benefits Plans

The following schedule sets forth the status of the FPU Medical plan:

At December 31,	2010	2009
(in thousands)		
Change in benefit obligation:		
Benefit obligation — beginning of year	$2,417	$1,[illegible]
Service cost	76	89
Interest cost	122	128
Plan participants contributions	–	17
Actuarial loss	595	567
Benefits paid	(112)	(111)
Benefit obligation — end of year	3,098	2,417
Change in plan assets:		
Fair value of plan assets — beginning of year	–	–
Employer contributions	112	74
Plan participants contributions	–	37
Benefits paid	(112)	(111)
Fair value of plan assets — end of year	–	–
Reconciliation:		
Funded status	(3,098)	(2,417)
Accrued pension cost	($3,098)	($2,417)
Assumptions:		
Discount rate	5.15%	5.75%

Net periodic postretirement cost for 2010 and 2009 include the following components:

For the Years Ended December 31,	2010	2009
(in thousands)		
Components of net periodic postretirement cost:		
Service cost	$76	$89
Interest cost	123	117
Amortization of transition obligation	–	34
Amortization of actuarial gain	(6)	(31)
Net periodic postretirement cost	$193	$[illegible]
Assumptions		
Discount rate	5.75%	6.50%

In addition, we recorded $9,000 in expense in 2010 related to continued amortization of the postretirement benefit regulatory asset for the period prior to the merger with Chesapeake.

Assumptions

The assumptions used for the discount rate to calculate the benefit obligation of all the plans were based on the interest rates of high-quality bonds in 2010, reflecting the expected life of the plans. In determining the average expected return on plan assets for the pension plan, various factors, such as historical long-term return experience, investment policy and current and expected allocation, were considered. Since the pension plan is frozen with respect to additional years of service and compensation, the rate of assumed compensation rate increases is not applicable.

The health care inflation rate for 2010 used to calculate the benefit obligation is 10.50 percent for the FPU Medical Plan. A one percentage point increase in the health care inflation rate from the assumed rate would increase the accumulated postretirement benefit obligation by approximately $359,000 as of January 1, 2011, and would increase the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost for 2010 by approximately $25,000. A one percentage point decrease in the health care inflation rate from the assumed rate would decrease the accumulated postretirement benefit obligation by approximately $234,000 as of January 1, 2011, and would decrease the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost for 2010 by approximately $21,000.

Estimated Future Benefit Payments

In 2011, we expect to contribute $1.3 million and $158,000 to the FPU Pension Plan and FPU Medical Plan, respectively. The schedule below shows the estimated future benefit payments for each of our plans previously described.

	FPU Pension Plan[1]	FPU Medical Plan[2][3]
(in thousands)		
2011	$2,324	$158
2012	$2,484	$151
2013	$2,662	$144
2014	$2,815	$160
2015	$2,970	$189
Years 2016 through 2020	$15,974	$1,040

[1] The pension plan is funded; therefore, benefit payments are expected to be paid out of the plan assets.
[2] Benefit payments are expected to be paid out of our general funds.
[3] These amounts are shown net of estimated Medicare Part D reimbursements of $9,000, $10,000, $11,000, $12,000 and $13,000 for the years 2011 to 2015, respectively, and $78,000 for the years 2016 through 2020.

On March 23, 2010, the Patient Protection and Affordable Care Act was signed into law. On March 30, 2010, a companion bill, the Health Care and Education Reconciliation Act of 2010, was also signed into law. Among other things, these new laws, when taken together, reduce the tax benefits available to an employer that receives the Medicare Part D subsidy. The deferred tax effects of the reduced deductibility of the postretirement prescription drug coverage must be recognized in the period these new laws were enacted. The FPU Medical Plan receives the Medicare Part D subsidy. We assessed the deferred tax effects on the reduced deductibility as a result of these new laws and determined that the deferred tax effects were not material to our financial results.

Retirement Savings Plan

We continue to maintain a separate 401(k) retirement savings plan for our employees. Effective January 1, 2011, we match 100 percent of eligible non-union participants' pre-tax contributions to the FPU 401(k) plan up to a maximum of six percent of the eligible compensation. Eligible employees who have not opted out of the plan are automatically enrolled at the three-percent deferral rate and the automatic deferral will increase by one percent per year up to a maximum of six percent, unless an employee elects otherwise, with vesting of 100 percent after two years of service. Employees with one year of service are 20 percent vested and become 100 percent vested after two years of service. Also, we may make other supplemental employer contributions to the plan at such time that we deem appropriate. Supplemental employer contributions may be made to the eligible plan participants based on the employee compensation for the year. Participants are only eligible for the employer and supplemental employer contributions if they have worked for at least 501 hours and 1000 hours respectfully during the Plan Year.

Prior to January 1, 2011, FPU's 401(k) plan provided a matching contribution of 50 percent of an employee's pre-tax contributions, up to six percent of the employee's salary, for a maximum company contribution of up to three percent. For non-union employees the plan provided a company match of 100 percent for the first two percent of an employee's contribution, and a match of 50 percent for the next four percent of an employee's contribution, for a total company match of up to four percent. Employees were automatically enrolled at the three percent contribution, with the option of opting out, and were eligible for the company match after six months of continuous service, with vesting of 100 percent after three years of continuous service. Our contributions to the 401(k) plan totaled $490,000 and $127,000 for the years ended December 31, 2010, and 2009, respectively.

L. **RATES AND OTHER REGULATORY ACTIVITIES**

Our natural gas and electric distribution operations are subject to regulation by the FPSC. The natural gas and electric operations continue to be subject to regulation by the FPSC as separate entities.

On December 15, 2009, the FPSC approved the settlement agreement for a final natural gas rate increase of $7,969,000 for FPU's natural gas distribution operation. The FPSC had approved an annual interim rate increase of $984,054 on February 10, 2009 and approved the permanent rate increase of $8,496,230 in an order issued on May 5, 2009, with the new rates to be effective beginning on June 4, 2009. On June 17, 2009, however, the Office of Public Counsel entered a protest to the FPSC's order and its final natural gas rate increase ruling. Subsequent negotiations led to the settlement agreement between the Office of Public Counsel and FPU, which the FPSC approved on December 15, 2009. The rates authorized pursuant to the order approving the settlement agreement became effective on January 14, 2010. In February 2010, FPU refunded to its natural gas customers approximately $290,000, representing revenues in excess of the amount provided by the settlement agreement that had been billed to customers from June 2009 through January 14, 2010.

In 2010, we recorded a $750,000 accrual related to the regulatory risk for FPU's natural gas distribution operation associated with its earnings, merger benefits and recovery of the purchase premium. We are required to detail known benefits, synergies, cost savings and cost increases resulting from the merger and present the information in the "come-back" filing to the FPSC by April 29, 2011 (within 18 months of the merger). We are currently in discussions with the Office of Public Counsel and the FPSC staff regarding the benefits and cost savings of the merger, current and expected earnings levels as well as the recovery of approximately $34.9 million in purchase premium and $2.2 million in merger-related costs. We recorded this accrual based on our assessment of FPU's current earnings, the regulatory environment in Florida and progress of the current discussions.

On September 1, 2009, FPU's electric distribution operation filed its annual Fuel and Purchased Power Recovery Clause, which seeks final approval of its 2008 fuel-related revenues and expenses and new fuel rates for 2010. On January 4, 2010, the FPSC approved the proposed 2010 fuel rates, effective on or after January 1, 2010.

On September 11, 2009, Chesapeake's Florida division and FPU's natural gas distribution operation separately filed their respective annual Energy Conservation Cost Recovery Clauses, seeking final approval of their 2008 conservation-related revenues and expenses and new conservation surcharge rates for 2010. On November 2, 2009, the FPSC approved the proposed 2010 conservation surcharge rates for both the Florida division and FPU, effective for meters read on or after January 1, 2010.

Also on September 11, 2009, FPU's natural gas distribution operation filed its annual Purchased Gas Adjustment Clause, seeking final approval of its 2008 purchased gas-related revenues and expenses and new purchased gas adjustment cap rate for 2010. On November 4, 2009, the FPSC approved the proposed 2010 purchased gas adjustment cap, effective on or after January 1, 2010.

On September 1, 2010, FPU's electric distribution operation filed its annual Fuel and Purchased Power Cost Recovery Clause, which seeks final approval of the levelized fuel adjustment and purchased power cost recovery factors for 2011. On December 20, 2010, the FPSC issued an order approving the proposed 2011 fuel rates, effective for meters read on and after January 1, 2011.

On September 10, 2010, FPU's electric distribution operation filed its annual Energy Conservation Cost Recovery ("ECCR") Clause, which seeks final approval of the 2009 conservation related revenues and expenses and new ECCR recovery factors for 2011. On November 29, 2010, the FPSC issued an order approving the proposed 2011 ECCR recovery factors, effective for meters read on and after January 1, 2011.

On September 13, 2010, FPU's Indiantown division and FPU's natural gas distribution operation separately filed their annual ECCR Clauses, seeking final approval of the 2009 conservation-related revenues and expenses and new ECCR recovery factors for 2011. On November 29, 2010, the FPSC issued an order approving all of the proposed 2011 ECCR recovery factors, effective for meters read on or after January 1, 2011.

On September 13, 2010, FPU's natural gas distribution operation filed its annual Purchased Gas Adjustment ("PGA") Clause seeking final approval of its 2009 purchased gas-related revenues and expenses and new PGA cap rate for 2011. On November 29, 2010, the FPSC issued an order approving the proposed 2011 PGA cap rate, effective for meters read on or after January 1, 2011.

On, July 7, 2009, the City of Marianna, Florida Commission (the "Commission") passed an ordinance granting a franchise to FPU effective February 1, 2010 for a period not to exceed 10 years for the operation and distribution and/or sale of electric energy (the "franchise agreement"). The franchise agreement provides that FPU will develop and implement new time-of-use ("TOU") and interruptible electric power rates that shall be mutually agreed upon by FPU and the city. The franchise agreement further provides that the TOU and interruptible rates be effective no later than February 17, 2011 and available to all customers within the corporate limits of the City of Marianna. If the rates are not in effect by February 17, 2011, the city has the right to give notice to FPU within 180 days thereafter of its intent to exercise its option to purchase FPU's property (consisting of the electric distribution assets) within the City of Marianna. Any such purchase would be subject to approval by the Commission which would also need to approve the presentation of a referendum to voters in the City of Marianna for the approval of the purchase and the operation by the city of an electric distribution facility. If the purchase is approved by the Commission and the voters in the City of Marianna, the closing of the purchase must occur within 12 months after the referendum is approved. If the city elects to purchase the Marianna property, the agreement requires the city to pay FPU the fair market value for such property as determined by three qualified appraisers. If the purchase occurs, FPU would have a gain in the year of the disposition. Additionally, future financial results would be negatively impacted from the loss in earnings generated from approximately 3,000 customers in the City of Marianna under the franchise agreement.

In accordance with the terms of the franchise agreement, FPU developed reasonable TOU and interruptible rates and on December 14, 2010, FPU filed a petition with the FPSC for authority to implement such proposed TOU and interruptible rates on or before February 17, 2011. On February 11, 2011, the FPSC issued an order approving FPU's petition for authority to implement the proposed TOU and interruptible rates, which became effective on February 8, 2011. The City of Marianna has objected to the proposed rates and has filed a petition protesting the entry of the FPSC's Order. On March 17, 2011, FPU filed a Motion to Dismiss the petition by the City of Marianna and requested oral argument. On June 14, 2011 the FPSC granted FPU's request for oral argument and on July 5, 2011, issued an Order approving FPU's Motion to Dismiss the protest by the City of Marianna, without prejudice. On July 25, 2011, the City of Marianna filed an amended petition protesting the entry of the FPSC's Order.

On January 26, 2011, FPU filed a petition with the FPSC for approval of an amendment to FPU's Generation Services Agreement entered into between FPU and Gulf Power Corporation ("Gulf Power"). The amendment provides for reduction in the capacity demand quantity, which generates the savings necessary to support the TOU and interruptible rates approved by the FPSC. The amendment also extends the current agreement by two years, with a new expiration date of December 31, 2019. Pursuant to its Order dated June 21, 2011 the FPSC approved the amendment. On July 12, 2011, the City of Marianna filed a protest of this decision and requested a hearing on the amendment.

On April 7, 2011 FPU filed a petition for approval of a mid-course reduction to its Northwest Division fuel rates based on two factors: 1) the previously discussed amendment to the Generation Services Agreement with Gulf Power; and 2) a weather-related increase in sales resulting in an accelerated collection of prior year's under-recovered costs. Pursuant to its Order dated July 5, 2011 the FPSC approved the petition which is projected to reduce customers' fuel rates by approximately 10 percent per month.

As disclosed in Note N, "Other Commitments and Contingencies," the City, on March 2, 2011, filed a complaint against FPU in the Circuit Court of the Fourteenth Judicial Circuit in and for Jackson County, Florida, alleging breaches of the Franchise Agreement by FPU and seeking a declaratory judgment that the City has the right to exercise its option to purchase FPU's property in the City of Marianna in accordance with the terms of the Franchise Agreement. FPU filed its answer with the court in the declaratory action on March [illegible], 2011.

M. ENVIRONMENTAL COMMITMENTS AND CONTINGENCIES

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remedy the effect on the environment of the disposal or release of specified substances at current and former operating sites.

We have participated in the investigation, assessment or remediation and have certain exposures at four former Manufactured Gas Plant ("MGP") sites. Those sites are located in Key West, Pensacola, Sanford and West Palm Beach, Florida.

As of December 31, 2010, we had approximately $11.6 million in environmental liabilities related to FPU's MGP sites in Florida, primarily from the West Palm Beach site, which represents our estimate of the future costs associated with those sites. FPU has approval to recover up to $14.0 million of its environmental costs from insurance and from customers through rates. Approximately $7.8 million of FPU's expected environmental costs have been recovered from insurance and customers through rates as of December 31, 2010. We also had approximately $6.2 million in regulatory assets for future recovery of environmental costs from FPU's customers.

The following discussion provides details on each site:

Key West, Florida

FPU formerly owned and operated an MGP in Key West, Florida. Field investigations performed in the 1990s identified limited environmental impacts at the site, which is currently owned by an unrelated third-party, Suburban Propane. In September 2010, the Florida Department of Environmental Protection ("FDEP") issued a Preliminary Contamination Assessment Report, for additional soil and groundwater investigation work that was undertaken by the FDEP in November 2009 and January 2010, after 17 years of regulatory inactivity. Because the FDEP observed that some soil and groundwater standards were exceeded, it is seeking to meet with FPU and the current site owner, Suburban Propane, to discuss additional field work which the FDEP believes is warranted for the site. Potential costs for investigation and remediation are projected to be $153,000.

Pensacola, Florida

FPU formerly owned and operated an MGP in Pensacola, Florida. The MGP was also owned by Gulf Power. Portions of the site are now owned by the city of Pensacola and the Florida Department of Transportation ("FDOT"). In October 2009, the FDEP informed Gulf Power that FDEP would approve a conditional No Further Action ("NFA") determination for the site, which must include a requirement for institutional and engineering controls. On November 5, 2010, an NFA Proposal was submitted to the FDEP, along with a draft restrictive covenant for the property currently owned by FDOT. At this point, it is anticipated that no further monitoring will be required on the site. The remaining consulting and remediation costs are projected to be $7,000.

Sanford, Florida

FPU is the current owner of property in Sanford, Florida, a former MGP site which was operated by several other entities before FPU acquired the property. FPU was never an owner or an operator of the MGP. In late September 2006, United States Environmental Protection Agency ("EPA") sent a Special Notice Letter, notifying FPU, and the other responsible parties at the site (Florida Power Corporation, Florida Power & Light Company, Atlanta Gas Light Company, and the city of Sanford, Florida, collectively with FPU, "the Sanford Group"), of EPA's selection of a final remedy for OU1 (soils), OU2 (groundwater), and OU3 (sediments) for the site. The total estimated remediation costs for this site were projected at the time by EPA to be approximately $12.9 million.

In January 2007, FPU and other members of the Sanford Group signed a Third Participation Agreement, which provides for funding the final remedy approved by EPA for the site. FPU's share of remediation costs under the Third Participation Agreement is set at five percent of a maximum of $13.0 million, or $650,000. As of December 31, 2010, FPU has paid $650,000 to the Sanford Group escrow account for its share of funding requirements.

The Sanford Group, EPA and the U.S. Department of Justice agreed to a Consent Decree in March 2008, which was entered by the federal court in Orlando, Florida on January 15, 2009. The Consent Decree obligates the Sanford Group to implement the remedy approved by EPA for the site. The total cost of the final remedy is now estimated at approximately $18 million. FPU has advised the other members of the Sanford Group that it is unwilling at this time to agree to pay any sum in excess of the $650,000 committed by FPU in the Third Participation Agreement.

Several members of the Sanford Group have concluded negotiations with two adjacent property owners to resolve damages that the property owners allege they have and will incur as a result of the implementation of the EPA-approved remediation. In settlement of these claims, members of the Sanford Group, which in this instance does not include FPU, have agreed to pay specified sums of money to the parties. FPU has refused to participate in the funding of the third-party settlement agreements based on its 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, 2010, FPU's remaining share of remediation expenses, including attorneys' fees and costs, is estimated to be $30,000. However, we are unable to determine, to a reasonable degree of certainty, whether the other members of the Sanford Group will accept FPU's asserted defense to liability for costs exceeding $13.0 million to implement the final remedy for this site or will pursue a claim against FPU for a sum in excess of the $650,000 that FPU has paid under the Third Participation Agreement.

West Palm Beach, Florida

We are 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 FPU in West Palm Beach, Florida, where FPU previously operated an MGP. Pursuant to a Consent Order between FPU and the FDEP, effective April 8, 1991, FPU completed the delineation of soil and groundwater impacts at the site. On June 30, 2008, FPU transmitted a revised feasibility study, evaluating appropriate remedies for the site, to the FDEP. The revised feasibility study considered in 2008 evaluated a wide range of remedial alternatives based on criteria provided by applicable laws and regulations. On April 30, 2009, the FDEP issued a remedial action order, which it subsequently withdrew. In response to the Order and as a condition to its withdrawal, FPU committed to perform additional field work in 2009 and complete an additional engineering evaluation of certain remedial alternatives. The scope of this work has increased in response to the FDEP's requests for additional information.

FPU performed additional field work in August 2010, which included the installation of additional groundwater monitoring wells and performance of a comprehensive groundwater sampling event. FPU also performed vapor intrusion sampling in October 2010. The results of the field work were submitted to the FDEP for their review and comment in October 2010. On November 4, 2010, the FDEP issued its comments on the feasibility study and the proposed remedy. On November 16, 2010, FPU presented to the FDEP a new proposed strategy for the site remedy with an aggressive remedial action plan, and the FDEP agreed with the proposal to implement a phased approach. On December 22, 2010, FPU submitted to the FDEP an interim Remedial Action Plan ("RAP") to remediate the east parcel of the site, which the FDEP conditionally approved on February 4, 2011.

FPU is currently implementing the interim RAP for the east parcel of the West Palm Beach site, including the incorporation of the FDEP's conditions for approval. We estimate that the updated costs of remediation will range from approximately $5.1 million to $13.3 million. This estimate does not include any costs associated with relocation of operations, which is necessary to implement the remedial plan, and any potential costs associated with re-development of the properties.

We continue to expect that all costs related to these activities will be recoverable from customers through rates.

N OTHER COMMITMENTS AND CONTINGENCIES

Natural Gas and Electric

Our natural gas and electric distribution operations have entered into contractual commitments to purchase gas and electricity from various suppliers. The contracts have various expiration dates.

Our electric fuel supply contracts require us to maintain an acceptable standard of creditworthiness based on specific financial ratios. We have an agreement with JEA that requires us to comply with the following ratios based on the result of the prior 12 months: (a) total liabilities to tangible net worth less than 3.75 and (b) fixed charge coverage greater than 1.5. If either of the ratios is not met, we have 30 days to cure the default or provide an irrevocable letter of credit if the default is not cured. Our agreement with Gulf requires us to meet the following ratios based on the average of the prior six quarters: (a) funds from operation interest coverage (minimum of 2 to 1) and (b) total debt to total capital (maximum of 0.65 to 1). If we fail to meet the requirements, we have to provide the supplier a written explanation of action taken or proposed to be taken to be compliant. Failure to comply with the ratios specified in the Gulf agreement could result in us providing an irrevocable letter of credit. We were in compliance with these requirements as of December 31, 2010.

Litigation

In May 2010, a FPU propane customer filed a class action complaint against FPU in Palm Beach County, Florida, alleging, among other things, that FPU acted in a deceptive and unfair manner related to a particular charge by FPU on its bills to propane customers and the description of such charge. The suit sought to certify a class comprised of FPU propane customers to whom such charge was assessed since May 2006 and requested damages and statutory remedies based on the amounts paid by FPU customers for such charge. FPU vigorously denies any wrongdoing and maintains that the particular charge at issue is customary, proper and fair. Without any admission by FPU of any wrongdoing, validity of the claims or a properly certifiable class for the complaint, FPU entered into a settlement agreement with the plaintiff in September 2010 to avoid the burden and expenses of continued litigation. The court approved the final settlement, and the judgment became final on March 13, 2011. In 2010, we recorded $1.2 million of the total estimated costs related to this litigation. Pursuant to the final settlement, the distribution to the class must be made by May 13, 2011. We recorded $1.2 million of the total estimated costs related to this litigation in 2010, which includes the proposed settlement payment, attorneys' fees and expenses and costs of notice and class administration; $835,000 of this contingent liability was determined to be associated with FPU's operations prior to the merger with Chesapeake and was recorded as part of the purchase price allocation. The remaining $370,000 of the total estimated costs, which is related to FPU's operations after the merger with Chesapeake, or the amount incurred after the end of the measurement period for the acquisition accounting, was expensed in 2010.

On March 2, 2011, the City of Marianna, Florida filed a complaint against FPU in the Circuit Court of the Fourteenth Judicial Circuit in and for Jackson County, Florida, alleging that FPU breached its obligations under its franchise with the City to provide electric service to customers within and without the City by failing: (i) to develop and implement TOU and interruptible rates that were mutually agreed to by the City and FPU, (ii) to have such mutually agreed upon rates in effect by February 17, 2011, and (iii) to have such rates available to all of FPU's customers located within and without the corporate limits of the City. The City is seeking a declaratory judgment to exercise its option under the Franchise Agreement to purchase FPU's property (consisting of the electric distribution assets) within the City of Marianna. Any such purchase would be subject to approval by the Marianna Commission, which would also need to approve the presentation of a referendum to voters in the City of Marianna for approval of the purchase and the operation by the City of an electric distribution facility. If the purchase is approved by the Marianna Commission and the referendum, the closing of the purchase must occur within 12 months after the referendum is approved. On March 17, 2011, FPU filed a Motion to Dismiss the City's protest and request for hearing. On March 24, 2011, the City filed its response to FPU's Motion to Dismiss. On March 28, 2011, FPU filed its answer with the court in the declaratory action. FPU intends to vigorously contest this litigation and intends to oppose the adoption of any proposed referendum to approve the purchase of the FPU property in the City of Marianna.

We are involved in certain other legal actions and claims arising in the normal course of business. We are also involved in certain legal proceedings and administrative proceedings before various governmental agencies concerning rates. In the opinion of management, the ultimate disposition of these proceedings will not have a material effect on our consolidated financial position, results of operations or cash flows.

Non-income-based Taxes

From time to time, we are subject to various audits and reviews by the states and other regulatory authorities regarding non-income-based taxes. We are currently undergoing a sales tax audit in Florida. During 2010, we recorded an accrual of $265,000 related to additional sales taxes and gross receipts taxes owed to the state of Florida.

Other

In 2010, we recorded a $750,000 accrual related to the regulatory risk for our natural gas distribution operation associated with its earnings, merger benefits and recovery of purchase premium. We recorded this accrual based on our assessment of the natural gas distribution operation's current earnings, regulatory environment in Florida and progress of current discussions.

O FAIR VALUE OF FINANCIAL INSTRUMENTS

None of our natural 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 ASC Topic 815, "Derivatives and Hedging."

Other Financial Assets and Liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and other accrued liabilities. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

At December 31, 2010, long-term debt, which includes the current maturities of long-term debt, had a carrying value of $19.2 million, compared to a fair value of $24.4 million, using a discounted cash flow methodology that incorporates a market interest rate based on published corporate borrowing rates for debt instruments with similar terms and average maturities, with adjustments for duration, optionality, and risk profile. At December 31, 2009, the estimated fair value was approximately $47.8 million, compared to a carrying value of $53.1 million.

Florida Public Utilities Company

For the Year Ended December 31, 2010

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)	206,466,504	114,551,249
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	1,032,588	1,032,588
9	105 Held for Future Use	-	-
10	114 Acquisition Adjustments	35,459,960	35,943,523
11	TOTAL Utility Plant (Total of lines 3 through 10)	242,959,052	151,527,360
12	107 Construction Work in Progress	2,793,199	2,781,813
13	Accum. Provision for Depreciation, Amortization, & Depletion	87,071,272	42,080,038
14	Net Utility Plant (Total of lines 11 plus 12	-	
	less line 13)	158,680,979	112,229,135
15	DETAIL OF ACCUMULATED PROVISIONS FOR		
	DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	86,061,747	40,961,510
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)	86,061,747	40,961,510
22	Leased to Others	-	
23	108 Depreciation	505,989	618,683
24	111 Amortization and Depletion	-	
25	TOTAL Leased to Others (Total of lines 23 and 24)	618,683	618,683
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	503,536	499,845
32	TOTAL Accum. Provisions (Should agree with line 13 above)	-	
	(Total of lines 21, 25, 29, 30, and 31)	87,071,272	42,080,038

Florida Public Utilities Company

For the Year Ended December 31, 2010

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)	85,410,636	6,504,619
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	(483,563)	-
11	TOTAL Utility Plant (Total of lines 3 through 10)	84,927,073	6,504,619
12	107 Construction Work in Progress	26,978	(15,592)
13	Accum. Provision for Depreciation, Amortization, & Depletion	42,272,757	2,718,477
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	42,681,294	3,770,550
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	42,424,781	2,675,456
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)	42,424,781	2,675,456
22	Leased to Others		
23	108 Depreciation	(155,715)	43,021
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 13 above) (Total of lines 21, 25, 29, 30, and 31)	42,272,757	2,718,477

Annual Status Report
Analysis of Plant in Service Accounts

Company: FLORIDA PUBLIC UTILITIES COMPANY

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass	Adjustments	Transfers	Ending Balance*
301	Organization		-	-	-		-	-	0
303	Miscellaneous Intangible Plant		213,641	-	-		-	-	213,641
374	Land - Distribution		101,108	-	-		-	-	101,108
389	Land - General		3,974,204	-	-		-	-	3,974,204
	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	3.30%	12,909	-	-		-	-	12,909
375	Structures and Improvements	3.10%	478,088	-	-		-	-	478,088
3761	Mains - Plastic	2.50%	28,491,231	1,092,402	(26,246)		-	19,939	29,577,326
3762	Mains - Other	2.80%	28,731,116	597,026	(42,524)		-	-	29,285,617
378	Meas. and Reg. Sta. Equipment - General	3.80%	334,341	-	-		-	-	334,341
379	Meas. and Reg. Sta. Equipment - City Gate	3.80%	2,064,229	31,702	(2,629)		-	4	2,093,306
3801	Services - Plastic	3.40%	23,698,246	901,165	(152,930)		-	795	24,447,276
3802	Services - Other	11.10%	2,105,762	26,598	(30,864)		-	-	2,101,495
381	Meters	3.40%	5,977,980	230,532	(65,391)		-	(17,214)	6,125,907
382	Meter Installations	3.00%	3,281,707	195,044	(7,603)		-	-	3,469,147
383	House Regulators	3.40%	2,126,402	103,153	(1,751)		-	-	2,227,804
384	House Reg. Installations	3.00%	976,656	28,978	(1,705)		-	-	1,003,929
385	Industrial Meas. and Reg. Sta. Equipment	7.80%	49,116	302	-		-	-	49,418
386	Other Property on Customers Prem.		0	-	-		-	-	-
387	Other Equipment	4.70%	833,830	10,628	(1,402)		-	-	843,056
	TOTAL DISTRIBUTION PLANT		99,262,719	3,217,528	(333,045)	-	-	3,525	102,150,728
	GENERAL PLANT								
390	Structures and Improvements	2.60%	1,450,700	11,124	-		-	-	1,461,823
3911	Office Furniture	4.80%	116,359	-	-		-	(51,055)	65,304
3912	Office Equipment	7.30%	65,304	24,398	(42,123)		-	578,100	625,679
3913	EDP Equipment	11.10%	641,566	-	-		-	(525,206)	116,360
391305	Software	11.10%	534,663	2,500	-		-	-	537,163
3921	Transportation - Cars	13.10%	135,654	30,890	(36,121)		-	-	130,422
3922	Transportation - Light Trucks, vans	8.60%	3,926,128	218,722	(363,682)		-	45,600	3,826,769
3923	Transportation - Heavy Trucks	8.20%	0	-	-		-	-	-
3924	Transportation - Trailers	5.20%	60,619	4,319	-		-	-	64,938
393	Stores Equipment	4.00%	11,423	-	-		-	-	11,423

Annual Status Report
Analysis of Plant in Service Accounts

Company: FLORIDA PUBLIC UTILITIES COMPANY
January 0, 1900

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
394	Tools, Shop, and Garage Equipment	7.20%	329,961	22,073	-		-	-	352,034
395	Laboratory Equipment	5.00%	0	-	-		-	-	-
396	Power Operated Equipment	6.80%	399,348	64,531	(2,876)		-	-	461,004
397	Communication Equipment	9.20%	365,037	-	-		-	-	365,037
398	Miscellaneous Equipment	6.00%	190,936	4,911	(1,126)		-	-	194,721
	SUBTOTAL		12,201,901	383,467	(445,927)	-	-	47,440	12,186,880
399	Other Tangible Property	20.00%							
	TOTAL General Plant		12,201,901	383,467	(445,927)	-	-	47,440	12,186,880
	TOTAL (Accounts 101 and 106)		111,678,261	3,600,995	(778,972)	0	0	50,964	114,551,249
	TOTAL GAS PLANT IN SERVICE		111,678,261	3,600,995	(778,972)	-	-	50,964	114,551,249
Capital Recovery Schedules:									
	NONE								
Total Account 101*			111,678,261	3,600,995	(778,972)	-	-	50,964	114,551,249
Amortizable Assets:									
114	Acquisition Adjustment		35,277,662	-	-	665,861		-	35,943,523
									-
									-
104	Leased Plant to Others					1,032,588			1,032,588
	Total Utility Plant		146,955,923	3,600,995	(778,972)	1,698,449	-	50,964	151,527,360

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

Annual Status Report

Analysis of Entries in Accumulated Depreciation & Amortization

Company: FLORIDA PUBLIC UTILITIES COMPANY
January 0, 1900

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	117,962	7,260	-	-	-	-	-	-	125,222
311	Liquefied Petroleum Gas Equipment	-	-	-	-	-	-	-	-	-
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
	DISTRIBUTION PLANT									
374	Land - Distribution	-	-	-	-	-	-	-	-	-
3741	Land Rights	(6,350)	1,411	-	-	-	-	-	-	(4,939)
375	Structures and Improvements	280,170	14,820	-	-	-	-	-	-	294,990
3761	Mains - Plastic	5,758,929	713,772	-	(26,246)	-	(177)	-	-	6,446,278
3762	Mains - Other	15,422,710	805,503	-	(42,524)	-	(11,768)	-	-	16,173,921
378	Meas. and Reg. Sta. Equipment - General	111,380	12,708	-	-	-	(2)	-	-	124,086
379	Meas. and Reg. Sta. Equipment - City Gate	609,325	78,595	-	(2,629)	-	(73)	-	-	685,218
3801	Services - Plastic	6,615,563	813,399	-	(152,930)	501	(2,000)	-	-	7,274,533
3802	Services. - Other	1,945,252	233,084	-	(30,864)	-	(6,100)	-	-	2,141,372
381	Meters	2,412,713	205,750	-	(65,391)	-	(47)	-	(2,465)	2,550,560
382	Meter Installations	916,669	100,076	-	(7,603)	-	(199)	-	-	1,008,943
383	House Regulators	861,070	73,166	-	(1,751)	-	-	-	-	932,485
384	House Reg. Installations	329,734	29,526	-	(1,705)	-	-	-	-	357,555
385	Industrial Meas. and Reg. Sta. Equipment	16,805	3,837	-	-	-	-	-	-	20,642
386	Other Property on Customers Prem.	-	-	-	-	-	-	-	-	-
387	Other Equipment	119,264	39,492	-	(1,402)	-	-	-	-	157,354
389	Land - General	-	-	-	-	-	-	-	-	-
	TOTAL DISTRIBUTION PLANT	35,393,234	3,125,139	-	(333,045)	501	(20,366)	-	(2,465)	38,162,998
	GENERAL PLANT									
390	Structures and Improvements	395,012	37,902	-	-	-	-	-	-	432,914
3911	Office Furniture	41,629	11,640	-	-	-	-	-	-	53,269
3912	Office Equipment	(35,068)	60,873	-	(42,123)	-	-	-	277	(16,041)
3913	EDP Equipment	63,183	5,182	-	-	-	-	-	-	68,365
391305	Software	201,595	59,582	-	-	-	-	-	-	261,177
3921	Accum. Dep. - Transportation - Cars	44,298	17,772	-	(36,121)	-	-	-	-	25,949
3922	Accum. Dep. - Trans. - Light Trucks, vans	1,399,934	339,695	-	(363,682)	7,420	-	-	40,616	1,423,983
3923	Accum. Dep. - Trans. - Heavy Trucks	-	-	-	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	35,601	3,175	-	-	300	-	-	-	39,076
393	Stores Equipment	9,710	72	-	-	-	-	-	-	9,782

Annual Status Report

Analysis of Entries in Accumulated Depreciation & Amortization

Company: FLORIDA PUBLIC UTILITIES COMPANY

January 0, 1900

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustmts	Transfers	Ending Balance*
(Continued)										
394	Tools, Shop, and Garage Equipment	185,159	25,080	-	-	-	-	-	6,151	216,390
395	Laboratory Equipment	-	-	-	-	-	-	-	-	-
396	Power Operated Equipment	144,146	27,391	-	(2,876)	1,758	-	-	-	170,419
397	Communication Equipment	130,085	33,576	-	-	-	-	-	-	163,661
398	Miscellaneous Equipment	34,829	11,599	-	(1,126)	-	-	-	-	45,302
	SUBTOTAL	2,650,113	633,539	-	(445,927)	9,478	-	-	47,044	2,894,246
399	Other Tangible Property	-	-	-	-	-	-	-	-	-
	TOTAL General Plant	2,650,113	633,539	-	(445,927)	9,478	-	-	47,044	2,894,246
	Reclassification for SFAS no. 143 COR	(5,131,260)		5,131,260						-
1190	Acquisition Adjustment	468,326	31,519							499,845
1089	Retirement WIP							(220,956)		(220,956)
1080	Leased Plant to Other			618,683						618,683
	Subtotal	33,498,375	3,797,457	5,749,943	(778,972)	9,979	(20,366)	(220,956)	44,579	42,080,038

										-
										-
										-
										-
										-
										-
										-
										-
										-
										-
										-
	Subtotal	0	0	0	0	0	0	0	0	0
	Grand Total	33,498,375	3,797,457	5,749,943	(778,972)	9,979	(20,366)	(220,956)	44,579	42,080,038

Note: * The subtotal of ending balances must agree to Line 17, Page 12, Column C.

** Cost of Removal included in reserve; prior year re-classified as a liability

Florida Public Utilities Company	For the Year Ended December 31, 2010

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			
3	Main Extensions	* 1,726,172	2,516,838
4	Other	* 1,055,641	475,445
5			
6			
7			
8			
9			
10			
11			
12	* Grouped Items		
13			
14			
15	**TOTAL**	2,781,813	2,992,283

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		
4	Compensation Insurance	* 176,192	
5	Allowance for funds used during construction	-	
6			
7			
8			
9			
10			
11			
12	TOTAL	176,192	5,018,981

* 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	230,936
2	Prepaid Rents	
3	Prepaid Taxes	
4	Prepaid Interest	
5	Gas Prepayments	
6	Miscellaneous Prepayments: Pensions & Software Maintenance (1650.3,4 & 5)	77,437
7		
8	TOTAL	308,373

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: Account Charged (d)	WRITTEN OFF DURING YEAR: Amount (e)	Balance at End of Year (f)
1						
2						
3	None					
4						
5						
6						
7						
8						
9						
10	TOTAL					

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR: Account Charged (d)	WRITTEN OFF DURING YEAR: Amount (e)	Balance at End of Year (f)
1						
2	None					
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL					

Florida Public Utilities Company	For the Year Ended December 31, 2010

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 Account Charged (d)	Credits Amounts (e)	Balance End of Year (f)
1	Storm Reserve	474,935		2280.12		474,935
2	Environmental	6,149,425		2530.3X	(456,348)	5,693,077
3	Pension Reserve	3,580,177	5,720,886	2280.31	(1,025,061)	8,276,002
4	Federal Tax to 35%		248,666			248,666
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15	Reclass of Environmental	(456,348)	456,348			-
16						
17	TOTAL	9,748,189	6,425,900		(1,481,409)	14,692,680

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	38,985	-	1070	(38,985)	-
2	Unamortized Piping & Conversion Costs	1,022,268	724,643	9161	(808,231)	938,680
3						-
4	Underrecovery Conservation	24,452	165,296	906V	(70,688)	119,060
5	Underrecovery Natural Gas AEP	1,698,235	-	1420	(1,698,235)	-
6	Underrecovery Fuel	6,493,671	3,615,614	1910	(2,550,588)	7,558,697
7						-
8						
9						
10						
11						
12						
13						
14	Reclass of Underrecovery of Fuel	(6,933,150)		1910	(625,547)	(7,558,697)
15	Reclass of Underrecovery of Conservation			906V	(119,060)	(119,060)
16						
17	Misc. Work in Progress	897,877				63,421
18	Deferred Regulatory Comm. Expenses	190,279	(32,411)	928	291,810	572,505
19	TOTAL	3,432,617				1,574,606

SECURITIES ISSUED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.
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.
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.
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.

LT TERM DEBT REDEMPTION

29-Jan-10

COUPON RATE	6.85%	4.90%	TOTAL
PAR AMOUNT	$ 15,000,000	$ 14,000,000	$ 29,000,000
Principal Outstanding	$ 14,890,000	$ 13,810,000	$ 28,700,000
Less Unamortized Debt Discount end of Jan 2010	$ 875,358	$ 585,417	$ 1,460,775
Carrying Value	$ 14,014,642	$ 13,224,583	$ 27,239,225
Termination Fee	$ 750	$ 750	$ 1,500
Redemption Price	$ -	$ 138,100	$ 138,100
	$ 14,015,392	$ 13,363,433	$ 27,378,825
Amount Paid	$ 14,890,000	$ 13,810,000	$ 28,700,000
Face Value	$ 14,890,000	$ 13,810,000	$ 28,700,000
Less Unamortized Debt Expense	-	138,100	138,100
Less Unamortized Discount	875,358	585,417	1,460,775
Less Debt Expense from Redemption	750	750	1,500
	14,013,892	13,085,733	27,099,625
Unamortized Loss	$ 876,108	$ 724,267	$ 1,600,375

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

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired or Redeemed (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	5/1/1988	5,000,000	658,168	153,890	135,606
2	Reacquired Debt 12.5%					
3	Due 1988 Maturity date of					
4	new issue - 5/1/18					
5						
6	Unamortized Debt Discount					
7	6.85% redeemed Jan 2010	1/29/2010	15,000,000	876,108	0	839,042
8						
9	Unamortized Debt Discount					
10	4.90% redeemed Jan 2010	1/29/2010	14,000,000	723,517	0	693,024
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: Rate (in %) (e)	Interest for Year: Amount (f)	Total Amount Outstanding (g)
1	Convertible Debentures	2/15/1989	3/1/2014	$ 5,000,000	8.25%	$ 119,034	$ 1,318,000
2	Senior Note 2	10/1/1995	10/1/2010	$ 10,000,000	6.91%	$ 47,114	$ -
3	Senior Note 3	12/15/1997	1/1/2012	$ 10,000,000	6.85%	$ 137,000	$ 1,000,000
4	Senior Note 4	12/29/2000	1/1/2015	$ 20,000,000	7.83%	$ 783,000	$ 8,000,000
5	Senior Note 5	10/31/2002	10/31/2017	$ 30,000,000	6.64%	$ 1,418,545	$ 19,091,000
6	Senior Note 6	10/12/2006	10/12/2020	$ 20,000,000	5.50%	$ 1,100,000	$ 20,000,000
7	Senior Note 7	10/31/2008	10/31/2023	$ 30,000,000	5.93%	$ 1,779,000	$ 30,000,000
8	Promissory Note	7/27/2005	1/31/2011	$ 120,000	5.25%	$ -	$ 265,000
9						Parent Co Notes	$ 79,674,000
10	FPU Note 1	5/1/1988	5/1/2018	$ 10,000,000	9.57%	$ 659,772	$ 7,248,000
11	FPU Note 2	5/1/1988	5/1/2018	$ 5,500,000	10.03%	$ 380,304	$ 3,986,000
12 *	FPU Note 3	6/1/1992	6/1/2022	$ 8,000,000	9.08%	$ 665,887	$ 7,950,000
13	FPU Note	Redeemed 1/28/10		$ 29,000,000	6.85% & 4.90%	$ 295,359	$ -
14							
15	Interest Allocation to FPU Natural Gas	$ 1,263,126				Reclass to Current Maturities	$ (1,409,000)
16	Interest Allocation to FPU Electric	$ 741,836				FMV Adj	89,000
17	Allocation to Other Jurisdictions	$ 5,380,053				FPU Bonds	17,864,000
18							
19		$ 7,385,015					
20	TOTAL			177,620,000		7,385,015	97,538,000

Note: Schedule lists total long term debt for Chesapeake Utilities Corporation. Line number 15 indicates the interest amount that is allocated to the Florida Division.
*. 4.9% ($14M) and 6.85% ($15M) Series due 2031 were redeemed in January 2010.

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: Date From (d)	Amortization Period: Date To (e)	Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
1	Convertible Debentures	$ 5,000,000	$ 98,488	2/15/1989	3/1/2014	$ 20,237	$ (6,971)	$ 13,267
2	Senior Note 2	$ 10,000,000	$ 22,408	10/1/1995	10/1/2010	$ 378	$ (378)	$ (0)
3	Senior Note 3	$ 10,000,000	$ 41,645	12/15/1997	1/1/2012	$ 3,085	$ (2,057)	$ 1,028
4	Senior Note 4	$ 20,000,000	$ 84,896	12/29/2000	1/1/2015	$ 18,641	$ (6,214)	$ 12,428
5	Senior Note 5	$ 30,000,000	$ 132,375	10/31/2002	10/31/2017	$ 44,698	$ (10,100)	$ 34,598
6	Senior Note 6	$ 20,000,000	$ 79,566	10/12/2006	10/12/2020	$ 52,346	$ (8,375)	$ 43,971
7	Senior Note 7	$ 30,000,000	$ 39,518	10/31/2008	10/31/2023	$ 35,092	$ (3,794)	$ 31,298
8	Unamortized Issuance Costs		$ 73,186			$ 71,398	$ (23,827)	$ 47,571
9								
10						$ 245,876	$ (61,716)	$ 184,161
11	Exp Allocation to FPU Natural Gas		$ 11,399					
12	Exp Allocation to FPU Electric		$ 6,694					
13	Exp Allocation to Other Jurisdictions		$ 43,623					
14								
15	Total Chesapeake Utilities Corp.		$ 61,716					
16								
17								
18	TOTAL							

Note: Schedule lists total long term debt for Chesapeake Utilities Corporation. Line number 11 indicates the interest amount that is allocated to the Florida Division.

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	1,598,047
2	Payroll	367,730
3	Bonus	122,153
4	Severance	185,732
5	Other	1,047,110
6		
7		
8		
9		
10		
11		
12		
13	TOTAL	3,320,772

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 Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance End of Year (f)
1	Over Recovery of Fuel Adj - Electric	7,274,602	4560	100,076	4,927,722	12,102,248
2	Over Recovery of Fuel Adj - Gas	1,300,956	4950	1,300,956	-	-
3	Environmental Insurance Proceeds	12,289,324	1860.1	17,908,394	17,201,769	11,582,699
4	Over Recovery - Conservation (Electric)	-		-	-	-
5	Over Recovery - Conservation (Gas)	435,409	4950	515,632	246,050	165,827
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	-		-	-	-
10		-				-
11	Reclass of other reg liability - retirement	-				-
12	Reclass of over recov. fuel & envir proc.	(8,235,124)			(3,867,124)	(12,102,248)
13	TOTAL	13,065,167		19,825,058	18,508,417	11,748,526

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 Contra Account (b)	Debits Amount (c)	Credits (d)	Balance End of Year (e)
1						
2						
3	Reclass for SFAS no. 143: COR	11,692,864	1080	11,692,864		-
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	11,692,864		11,692,864		-

Florida Public Utilities Company	For the Year Ended December 31, 2010

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	Environ-mental, Excise	Franchise	Other*	Total
1	Electric (Account 408.1, 409.1)	576,140			260,361	2,605,548	76,072		3,894,197	55,113	7,467,431
2	Gas (Account 408.1, 409.1)	1,587,438		-	574,723	2,282,780	346,450		1,533,755	285,998	6,611,144
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	I/t Penalty										-
11											-
12											-
13											-
14											-
15	Less: Charged to Construction										-
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	2,163,578	-	-	835,084	4,888,328	422,522	-	5,427,952	341,111	14,078,575

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: Acct. No. (d)	Allocations to Current Year's Income: Amount (e)	Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
1	Gas Utility							
2	3%	-		4110.4	-		-	35 Years
3	4%	-		4110.4	-		-	35 Years
4	7%	15,973		4110.4	3,199		12,774	
5	10%	81,824		4110.4	27,298		54,526	35 Years
6								
7								
8								
9								
10	TOTAL	97,797			30,497		67,300	

Notes

Balance Sheet includes electric	43,658	25,242	Electric

Florida Public Utilities Company

For the Year Ended

December 31, 2010

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.		Balance at Beginning of Year	Changes During 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	Adjustments: Debits Account No.	Debits Amount	Credits Account No.	Credits Amount	Balance at End of Year
1	GAS										
2	Deferred Gain	-									
3	Self Insurance Res. & Audit Fee	594,601								(594,601)	-
4	Uncollectible	31,084								(31,084)	-
5	Vacation Pay	371,127								(371,127)	-
6	Environmental	2,185,261								(2,185,261)	-
7	General liability	43,220								(43,220)	-
8	Storm Reserve	1,042,765								(1,042,765)	-
9	Rate Refund	-	-								-
10											
11	TOTAL Gas (Lines 2 - 10)	4,268,058	-	-	-	-	-	-	-	(4,268,058)	-
12	Other (Specify) Electric	1,365,159								(1,365,159)	-
13	Other (Specify) Common	5,506								(5,506)	-
14	TOTAL (Account 190) (Total of lines 11 and 12)	5,638,723	-	-	-	-	-	-	-	(5,638,723)	-

Notes

* Due to a change in accounting systems, account 190 was consolidated with account 283.

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

Line No.		Balance at Beginning of Year	Changes During 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	Adjustments: Debits Account No.	Debits Amount	Credits Account No.	Credits Amount	Balance at End of Year
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	6,421,293	906,625	(37,477)	68,602			862,139		(130,101)	8,091,081
8	Gas	12,142,015	1,073,954	(65,179)	63,458			759,347		(76,341)	13,897,254
9	Other	3,164,448	110,348	(409,568)	15,514			(2,389,674)		39,096	530,164
10	Reclassification of Deferred taxes									-	-
11	TOTAL Account 282 (Lines 7 thru 9)	21,727,756	2,090,927	(512,224)	147,574			(768,188)		(167,346)	22,518,499
12	Account 283 - Other *										
13	Electric	804,220	183,758	(2,716,834)				905,461		257,405	(565,990)
14	Gas	(5,095,953)	197,597	(287,416)	68,153			2,073,225		571,656	(2,472,738)
15	Other	(5,506)	583,941	(417,691)				(2,567,761)		(355,335)	(2,762,352)
16	TOTAL Account 283 - Other (Lines 12 thru 14)	(4,297,239)	965,296	(3,421,941)	68,153			410,925		473,726	(5,801,080)
17	GAS										
18	Federal Income Tax										-
19	State Income Tax										-
20		-								-	-
21	TOTAL Gas (Lines 17 thru 19)	-	-	-				-		-	-
22	OTHER										
23	Federal Income Tax										-
24	State Income Tax										-
25	TOTAL Other (Lines 22 and 23)	-	-					-		-	-
25											
26	TOTAL (Total of lines 5, 10, 15 and 25)	17,430,517	3,056,223	(3,934,165)	215,727			(357,263)		306,380	16,717,419

Notes

* Due to a change in accounting systems, account 190 was consolidated with account 283.

Florida Public Utilities Company	For the Year Ended
	December 31, 2010

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, L72 - L34)**	8,642,657
2	**Reconciling Items for the Year**	
3	Interest on Water Installment Payment	-
4	**Income on Return not on Books**	
5	Auto lease inclusion	222
6	Contribution in Aid of Construction	266,121
7	**Expenses Booked not Recorded on Return**	
8	Current Federal Income Taxes	4,581,248
9	Deferred Income Taxes	(302,235)
10	Natural Gas Odorizer	11,034
11	Storm Reserve	127,620
12	Purchased Gas Costs	6,493,672
13	Customers Intangibles	63,675
14	Lobbying expenses	4,073
15	Misc. Reserves	1,014,579
16	Insurance Deductibles	92,871
17	Pension Reserve	804,603
18	Other Post-Retirement Benefits	100,323
19	Electric Consultant Fee	12,100
20	Rate Case Expenses	333,260
21	Vacation Accruals	81,338
22	Meals	23,591
23	**Income Recorded on Books Not Included in Return()**	
24	Interest on Water Installments	(31,132)
25	**Deductions on Return Not Charged Against Book Income()**	
26	Conservation Program Costs	(245,130)
27	Loss on Reacquired Debt	(1,513,782)
28	Asset Gain (Loss)	(136,360)
29	Environmental Costs	(250,276)
30	Write-offs of Bad Debt	(229,143)
31	Pension Reserve	(91,947)
32	Amortization of Tax Deductible Goodwill - Atlantic Acquisition	(201,193)
33	Excess of allowable depreciation over that charged to depreciation and other book expenses	(4,452,698)
34	Outside Audit Fess	(7,086)
35	Removal Cost	(159,503)
36	**Federal Tax Net Income**	**15,032,502**
37	Show Computation of Tax:	
38	Tax at 35%	5,261,375
39	Less: Benefit of Federal Consolidated NOL carry forward	(670,045)
40		4,591,330
41	Rounding	
42	**TOTAL Federal Income Tax Payable**	**4,591,330**
43	* Excludes Flo-Gas and Indiantown net income of $660,352 and $35,971 respectively	

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.

		Operating Revenues		Therms of Natural Gas Sold		Avg. No. of Natural Gas Customers Per Mo.	
Line No.	Title of Account (a)	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	22,275,518	20,248,045	13,598,390	11,883,150	46,938	46,781
4	481 Comm & Industrial Sales - Small	9,513,043	11,225,245	7,902,650	9,929,920	3,144	3,257
5	481 Comm & Industrial Sales - Large	25,483,854	18,800,248	23,856,810	19,821,150	1,299	1,156
6	481 Outdoor Lighting	245,951	235,826	396,090	407,130	46	46
7	481						
8	481						
9	**Interruptible Sales Service**						
10	481 Comm & Ind Sales - Interruptible	30	109,593	-	115,790	-	-
11	481						
12	**Firm Transportation Service**						
13	489	5,699,894	4,715,530	14,596,630	13,037,780	581	525
14	489						
15	489						
16	**Interruptible Transportation Serv.**						
17	489	1,537,959	1,186,640	5,737,400	5,288,840	13	13
18	484 Interdepartmental	37,519	31,491	64,190	64,480	7	7
19	482 Other Sales to Public Authorities						
20	484 Flex Rate - Refund						
21	TOTAL Sales to Ultimate Consumers	64,793,768	56,552,618	66,152,160	60,548,240	52,028	51,785
22	483 Sales for Resale						
23	Off-System Sales 4954x & 4955x	365,315	697,852	890,000		1	
24	TOTAL Nat. Gas Service Revenues	65,159,083	57,250,470			Notes	
25	TOTAL Gas Service Revenues	65,159,083	57,250,470				
26	**Other Operating Revenues**						
27	485 Intracompany Transfers						
28	487 Forfeited Discounts	759,739	770,179				
29	488 Misc. Service Revenues	864,370	943,586				
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	269,582	(51,165)				
37	AEP & Storm Surcharge 4956	992,581	667,118				
38	Unbilled Revenue 495.3	71,071	475,564				
39	Other 495.2	678,672	41,897				
40	495.1 Overrecoveries Purchased Gas	110,065	(436,991)				
41	TOTAL Other Operating Revenues	3,746,080	2,410,188				
42	TOTAL Gas Operating Revenues	68,905,163	59,660,658				
43	(Less) 496 Provision for Rate Refunds	256,659	(257,745)				
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	69,161,822	59,402,913				
45	Sales for Resale						
46	Other Sales to Public Authority						
47	Interdepartmental Sales						
48	TOTAL	69,161,822	59,402,913	66,152,160	60,548,240		

Florida Public Utilities Company

For the Year Ended December 31, 2010

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	19,870,774	16,608,359
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	6,031,540	4,452,218
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)	25,902,314	21,816,651
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses	-	-
24	807.5 Other Purchased Gas Expenses	6,015	5,147
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)	6,015	5,147
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	96,421	139,335
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	26,004,750	21,961,133
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)		
38	**2. Natural Gas Storage, Terminaling and Processing Expenses**		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	4,756	10,470
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)		
41	C. TOTAL Liquefied Nat Gas Terminaling & Processing Expenses (Total		
	of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)	4,756	10,470
43	**3. Transmission Expenses**		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)		
45			
46			

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	483,815	419,961
50	871 Distribution Load Dispatching	11,700	15,890
51	872 Compressor Station Labor and Expenses	-	-
52	873 Compressor Station Fuel and Power	-	-
53	874 Mains and Services Expenses	1,468,745	1,473,108
54	875 Measuring and Regulating Station Expenses--General	3,585	4,596
55	876 Measuring and Regulating Station Expenses--Industrial	11,588	19,650
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	56,978	34,715
57	878 Meter and House Regulator Expenses	1,561,235	1,426,023
58	879 Customer Installations Expenses	147,626	177,149
59	880 Other Expenses	744,904	988,631
60	881 Rents	22,131	37,232
61	TOTAL Operation (Total of lines 49 through 60)	4,512,307	4,596,955
62	Maintenance		
63	885 Maintenance Supervision and Engineering	137,125	118,035
64	886 Maintenance of Structures and Improvements	64,761	131,951
65	887 Maintenance of Mains	506,196	463,954
66	888 Maintenance of Compressor Station Equipment	-	-
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	46,815	71,970
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	1,273	994
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	55,884	65,380
70	892 Maintenance of Services	298,427	283,408
71	893 Maintenance of Meters and House Regulators	155,398	132,829
72	894 Maintenance of Other Equipment	35,837	24,535
73	TOTAL Maintenance (Total of Lines 63 through 72)	1,301,716	1,293,056
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	5,814,023	5,890,011
75	**5. Customer Accounts Expenses**		
76	Operation		
77	901 Supervision	196,351	233,051
78	902 Meter Reading Expenses	727,908	771,466
79	903 Customer Records and Collection Expenses	1,409,510	1,577,400
80	904 Uncollectible Accounts	166,043	58,201
81	905 Miscellaneous Customer Accounts Expenses	115,174	136,536
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	2,614,986	2,776,654
83	**6. Customer Service and Informational Expenses**		
84	Operation		
85	906.1 Under-recoveries Conservation	-	-
86	907 Supervision	105,742	154,769
87	908 Customer Assistance Expenses	1,209,759	1,063,785
88	909 Informational and Instructional Expenses	694,967	434,714
89	910 Miscellaneous Customer Service and Informational Expenses	74,256	64,641
90	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	2,084,724	1,717,909
91	**7. Sales Expenses**		
92	Operation		
93	911 Supervision	117,073	125,004
94	912 Demonstrating and Selling Expenses	771,787	765,022
95	913 Advertising Expenses	125,561	181,857
96	916 Miscellaneous Sales Expenses	480,978	524,056
97	TOTAL Sales Expenses (Total of lines 92 through 95)	1,495,399	1,595,939

Florida Public Utilities Company

For the Year Ended December 31, 2010

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	1,887,815	2,314,628
101	921 Office Supplies and Expenses	731,627	385,167
102	(Less) (922) Administrative Expenses Transferred--Credit	-	-
103	923 Outside Services Employed	520,800	536,318
104	924 Property Insurance	36,520	66,324
105	925 Injuries and Damages	616,140	813,799
106	926 Employee Pensions and Benefits	2,006,607	2,773,532
107	927 Franchise Requirements	-	-
108	928 Regulatory Commission Expenses	291,810	115,459
109	(Less) (929) Duplicate Charges--Credit	-	-
110	930.1 General Advertising Expenses	-	-
111	930.2 Miscellaneous General Expenses	161,634	1,377,007
112	931 Rents	18,543	18,841
113	TOTAL Operation (Total of lines 100 through 112)	6,271,496	8,401,075
114	Maintenance		
115	935 Maintenance of General Plant	222,714	180,846
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	6,494,210	8,581,921
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	44,512,848	42,534,037
119			
120			

NUMBER OF GAS DEPARTMENT EMPLOYEES

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

1		
2	1. Payroll Period Ended (Date)	10/31/2010
3	2. Total Regular Full-Time Employees	231
4	3. Total Part-Time and Temporary Employees	1
5	4. Total Employees	232
6		
7		
8		
9		
10		
11		
12		
13		

Florida Public Utilities Company | For the Year Ended December 31, 2010

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	43,323,250	19,870,774	45.866
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases			
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases		-	
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)	43,323,250	19,870,774	45.866

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		N/A	
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	TOTAL	812	-	

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: Charged Currently to Account No. (d)	Expenses Incurred During Year: Charged Currently to Amount (e)	Expenses Incurred During Year: Deferred to Account 186 (f)	Amortized During Year: Contra Account (g)	Amortized During Year: Amount (h)	Deferred in Account 186 End of Year (i)
1	All expenses incurred by the company								
2	in its filings for Rate Relief for electric.								
3	Docket Number 030438-EI	(26,421)	(45,844)	33556		-	928	19,423	26,421
4									
5	All expenses incurred by the company								
6	In its filings for Rate Relief for								
7	Gas Docket Number 080366-GU	698,934	548,022	36710	(32,411)	(32,411)	928	150,912	364,699
8									
9	All expenses incurred by the company								
10	in its filings for Rate Relief for electric.								
11	Docket Number 070304 - EI	(181,385)	(311,899)	36164	-	-	928	130,514	181,385
12									
13									
14	Other						928	(9,039)	
15									
16									
17	TOTAL	491,128	190,279		(32,411)	(32,411)		291,810	572,505

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	24,014
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	
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.	136,405
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	
7	Stock Issuance	
8	Stock Issuance	
9	Miscellaneous Expenses	1,215
10	Miscellaneous Expenses	
11	Broadridge	
12	Broadridge	
13	Write-off Stock offering	
14		
15		
16		
17		
18		
19		
20	TOTAL	161,634

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	3,451,070	871,076	4,322,146
3	**Gas**			
4	Operation			
5	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	82,369		
6	Transmission	-		
7	Distribution	3,084,971		
8	Customer Accounts	1,238,093		
9	Customer Service and Informational	402,656		
10	Sales	763,476		
11	Administrative and General	446,394		
12	TOTAL Operation (Total of lines 5 through 11)	6,017,959		
13	Maintenance			
14	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
15	Transmission	-		
16	Distribution	829,340		
17	Administrative and General	10,580		
18	TOTAL Maintenance (Total of lines 14 through 17)	839,920		
19	Total Operation and Maintenance	6,857,879		
20	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	82,369		
21	Transmission (Enter Total of lines 6 and 15)	-		
22	Distribution (Total of lines 7 and 16)	3,914,311		
23	Customer Accounts (Transcribe from line 8)	1,238,093		
24	Customer Service and Informational (Transcribe from line 9)	402,656		
25	Sales (Transcribe from line 10)	763,476		
26	Administrative and General (Total of lines 11 and 17)	456,974		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	6,857,879	1,441,421	8,299,300
28	**Other Utility Departments**			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	10,308,949	2,312,497	12,621,446
31	**Utility Plant**			
32	Construction (By Utility Departments)			
33	Electric Plant	638,099		638,099
34	Gas Plant	1,174,611		1,174,611
35	Other	376		376
36	TOTAL Construction (Total of lines 33 through 35)	1,813,086		1,813,086
37	Plant Removal (By Utility Department)			
38	Electric Plant	140,211		140,211
39	Gas Plant	102,983		102,983
40	Other	-		-
41	TOTAL Plant Removal (Total of lines 38 through 40)	243,194		243,194
42				
43	Other Accounts (Specify):			
44	Other Accounts Receivable/Employee	141,137		141,137
45	Temporary Facilities	16,942		16,942
46	Stores Expense	387,045		387,045
47	Clearing Accounts	215,780		215,780
48	Miscellaneous Deferred Debits	122,677		122,677
49	Merchandise and Jobbing	-		-
50	Taxes Other Than Income Taxes-Electric	282,393		282,393
51	Taxes Other Than Income Taxes-Gas	593,480		593,480
52	Vacation Pay	(250,642)		(250,642)
53	Non-Operating and Rental Income	-		-
54	Other Accounts Receivable	-	-	-
55	Acrued Liability Insurance	-		-
56	Merchandise plant leased to other - Gas	680		680
57	TOTAL Other Accounts	1,509,492	-	1,509,492
58	TOTAL SALARIES AND WAGES	13,874,721	2,312,497	16,187,218

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		
2	Legal	24,940
3		
4	Audit	129,337
5		
6	Consulting	366,523
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		

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	
5	426.12 Charitable Contributions: Outside Service Area	
6	426.13 Civic and Social Club Dues	
7	426.2 Life Insurance	
8	426.3 Penalties	
9	426.4 Expenditures for Lobbying and Other Politically Related Activities	
10	426.5 Other	
11		
12	TOTAL MISCELLANEOUS INCOME DEDUCTIONS	-
13		
14		
15	Account 430: Interest on Debt to Associated Company	(111,782)
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	726,711
21	431.2 Interest on ST Debt	555,562
22	431.3 Interest on Miscellaneous	163
23	TOTAL OTHER INTEREST EXPENSE	1,282,436
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).

Line No.	(a) Description	(b) Gross Operating Revenues per Page 26	(c) Interstate and Sales for Resale Adjustments	(d) Adjusted Intrastate Gross Operating Revenues	(e) Intrastate Gross Operating Revenues per RAF Return	(f) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	57,555,915		57,555,915	58,305,915	(750,000)
2	Sales for Resale (483)	365,315		365,315		365,315
3	Total Natural Gas Service Revenues	57,921,230		57,921,230	58,305,915	(384,685)
						-
4	Total Other Operating Revenues (485-495)	10,983,933		10,983,933	11,489,026	(505,093)
						-
5	Total Gas Operating Revenues	68,905,163		68,905,163	69,794,941	(889,778)
						-
6	Provision for Rate Refunds (496)	256,659		256,659	256,659	-
7	Other (Specify) Def Conservation Cost Recovery			-	(269,582)	269,582
8	PGA Over/Under Recoveries			-	(110,065)	110,065
9	Rate Refund Pending Adjustment			-	(256,659)	256,659
				-		-
10	**Total Gross Operating Revenues**	69,161,822		69,161,822	69,415,294	(253,472)

Notes:

1 Provision for Refund (net $750,000) included in Total Sale to Ultimate Customers on page 26	(750,000)
2 Off System Sales makes up sale for resale on page 26	365,315
4 Other Gas Revenues. See detail below.	(505,093)
7 Conservation Cost Recovery are reversed to pay the actual collected revenue	269,582
8 PGA Over/Under Recovery are reversed to pay the actual collected revenue	110,065
9 Rate Refund is reversed to pay the actual collected revenue	256,659
Items 2, 4 & 7 are reported as other operating revenue on the RAF Return.	(253,472)

4 Lake Worth Generation variance	$	309,039
Other Gas Revenue	$	196,054
Total Other Gas Revenue	$	505,093

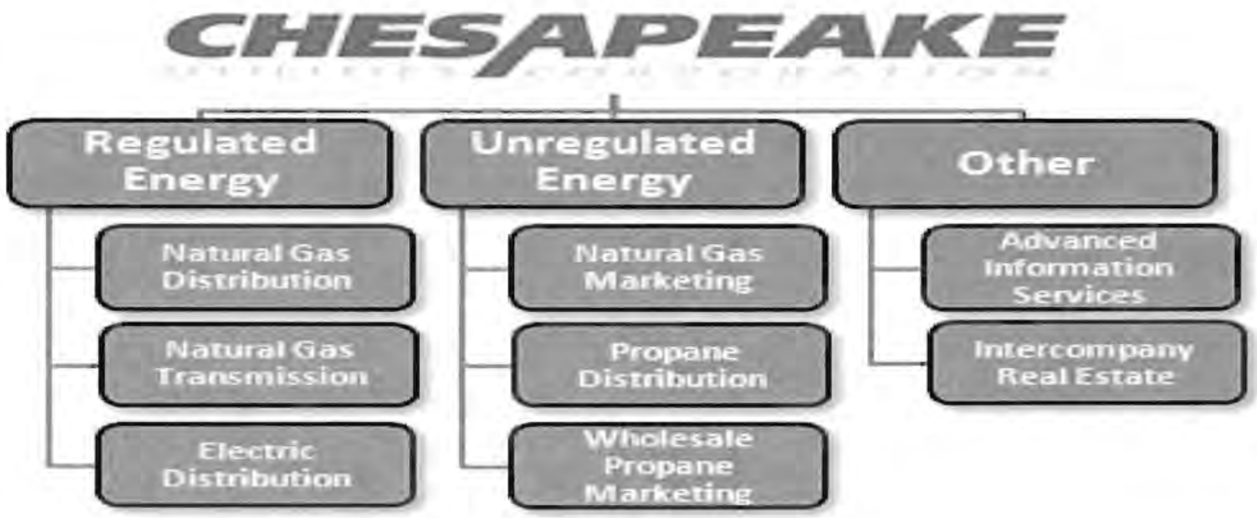
Florida Public Utilities Company For the Year Ended

December 31, 2010

CORPORATE STRUCTURE

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

Effective Date: December-10



Regulated Energy
Natural Gas
- **Distribution**
  - Chesapeake Utilities
  - Central Florida Gas
  - Florida Public Utilities Company
- **Transmission**
  - Peninsula Pipeline Company
  - Eastern Shore Natural Gas Company
- **Electric Distribution**
  - Florida Public Utilities Company

Unregulated Energy
Natural Gas Marketing
- Peninsula Energy Services Company, Inc.

Propane
- **Distribution**
  - Sharp Energy, Inc.
  - Sharpgas, Inc.
  - Florida Public Utilities Company
- **Wholesale Marketing**
  - Xeron, Inc.

Other
Advanced Information Services
- Bravepoint, Inc.

Intercompany Real Estate
- Eastern Shore Real Estate, Inc.
- Skipjack, Inc

Florida Public Utilities Company	For the Year Ended December 31, 2010

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)	"p" or "s" (d)	Total Charge for Year: Account Number (e)	Total Charge for Year: Dollar Amount (f)
Chesapeake Utilities Corporation	Parent Company:				
	Corporate Services		s		$ 1,858,741
	Corporate Overheads		s		$ 1,529,841
Central Florida Gas	Affiliate:				
	Customer Service & Billing		s		na
	Accounting		s		na
Flo-Gas	Subsidiary:				
	Payments and receipts		s		na
	Propane purchases		p		na
PESCO	Affiliate:				
	Customer Service & Billing		s		na
	Net Imbalance Cashouts		s		na

Florida Public Utilities Company	For the Year Ended December 31, 2010

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
	None	

Florida Public Utilities Company	For the Year Ended December 31, 2010

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
None		-	-	-			
		-	-	-			

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, 2010

Rev Start Date	AEP #	Facilities Area	Bal @ Beginning of year: Surcharge Revenues	Bal @ Beginning of year: Facilities Cost	12 Months Ended 12/10: Surcharge* Revenues	12 Months Ended 12/10: Facilities** Cost	Over/Under Collection	Charges to Date: Surcharge Revenues	Charges to Date: Facilities Cost
Sep-98	20001	Deltona HP #1	762,329.79	756,680.63	(928.93)	-	4,720.23	761,400.86	756,680.63
Feb-99	20092	Stone Gable	26,510.52	26,510.52	-	-	-	26,510.52	26,510.52
May-99	20093	Deltona HP #2	298,679.97	297,853.22	-	-	826.75	298,679.97	297,853.22
Apr-99	20098	DeBary Golf & CC	50,809.95	50,809.95	-	-	-	50,809.95	50,809.95
May-00	20289	Convert Deltona Ph III	392,456.96	447,904.50	60,241.36	568.63	4,225.19	452,698.32	448,473.13
Feb-01	20345	Crystal Cove	35,349.42	33,935.16	-	-	1,414.26	35,349.42	33,935.16
Sep-00	20347	Westward Expansion	252,559.45	244,973.21	-	-	7,586.24	252,559.45	244,973.21
Jun-01	20498	La Chalet	46,937.80	58,047.67	13,318.82	477.84	-	60,256.62	58,525.51
Oct-01	20561	Victoria Pk. Ph. I	577,449.19	751,483.47	176,852.25	2,910.47	(91.88)	754,301.44	754,393.94
May-01	20591	Fawn Ridge Sub.	47,270.37	51,096.11	5,285.59	53.81	1,406.04	52,555.96	51,149.92
May-02	20660	Thor /Versailles	271,970.42	464,550.25	109,414.82	11,599.47	-	381,385.24	476,149.72
Apr-02	20695	Mizner Falls Subdiv.	50,478.03	80,305.63	20,798.34	1,788.28	-	71,276.37	82,093.91
Mar-03	20734	Kenco Commun.	27,917.28	55,976.11	24,510.80	1,161.34	-	52,428.08	57,137.45
Aug-02	20798	Lake Mary H.S.	10,509.75	23,327.57	6,966.63	810.89	-	17,476.38	24,138.46
Oct-02	20849	Equestrian Club	108,239.20	161,093.34	27,420.38	3,270.59	-	135,659.58	164,363.93
Feb-03	20851	Juno Beach	86,867.04	189,191.27	40,489.64	6,612.34	-	127,356.68	195,803.61
Dec-02	20861	Victoria Grove	200,328.49	323,369.25	60,852.70	7,819.61	-	261,181.19	331,188.86
Nov-02	20865	Hamilton Bay	55,383.85	98,278.06	15,689.84	2,943.18	-	71,073.69	101,221.24
Oct-02	20881	Springview Unit 6	22,322.38	25,717.71	4,088.62	71.43	621.86	26,411.00	25,789.14
Feb-03	20974	Deerfield Ph II	49,699.74	65,088.66	19,095.28	235.96	3,470.40	68,795.02	65,324.62
Aug-03	20976	Wyndsong Estates	34,317.27	57,615.56	22,890.13	929.34	-	57,207.40	58,544.90
	20999	Downtown Gas Lt. Dist.	-	-	-	-	-	-	-
Mar-03	21007	SE 6th Ave	12,677.84	24,446.77	5,102.47	780.11	-	17,780.31	25,226.88
Oct-04	21025	SR 441 - Palmetto Pk.	23,416.72	68,919.69	11,766.59	3,307.90	-	35,183.31	72,227.59
Feb-03	21031	Winter Springs Town Ctr.	46,047.70	82,497.81	13,598.33	2,551.80	-	59,646.03	85,049.61
Jun-05	21151	Lakes of Deland	5,509.44	16,238.61	4,575.73	646.86	-	10,085.17	16,885.47
Jun-04	21160	Riverside at DeBary	36,813.73	79,477.08	12,601.67	3,039.30	-	49,415.40	82,516.38
Jan-04	21195	Cedar Creek Subdiv.	18,270.99	34,196.87	10,925.52	895.26	-	29,196.51	35,092.13
Jan-04	21212	Equis Subdiv.	36,643.14	78,813.95	46,136.74	1,527.47	-	82,779.88	80,341.42
Mar-06	21242	Casa Bella Subdiv.	15,196.71	76,447.72	17,117.90	4,363.92	-	32,314.61	80,811.64
Jul-04	21315	Arbor Ridge	102,200.76	231,877.33	64,959.86	7,566.25	-	167,160.62	239,443.58
Nov-04	21328	Inlet Shore Estates	7,966.40	18,476.05	3,440.31	729.23	-	11,406.71	19,205.28
May-09	21344	Talavera Subdiv	11,768.91	24,164.97	13,861.71	512.79	-	25,630.62	24,677.76
Oct-05	21391	441 Belv to Okeechobee	44,582.17	68,704.20	22,640.00	1,152.36	-	67,222.17	69,856.56
May-06	21436	Wellington Town Sq	11,409.10	84,205.33	14,492.41	5,500.41	-	25,901.51	89,705.74
Jun-06	21686	Deltona Woods	7,620.11	12,853.63	4,530.02	209.87	-	12,150.13	13,063.50
Jan-08	21743	Bella Foresta	1,628.68	4,132.15	2,968.89	95.09	-	4,597.57	4,227.24
May-08	22076	Wellington Woods	402.84	9,547.71	744.61	720.73	-	1,147.45	10,268.44
Mar-08	22081	Florida Days	105.52	1,730.43	300.58	122.58	-	406.10	1,853.01
Oct-07	22121	SummerGlen Conversion	103,741.46	337,454.79	119,847.83	13,323.69	-	223,589.29	350,778.48
Sep-07	22130	Canopy Creek Subdiv.	998.42	31,831.00	3,895.60	2,412.10	-	4,894.02	34,243.10
Jul-09	22133	Veramonte Subdivision	1,092.33	14,019.39	3,005.30	971.34	-	4,097.63	14,990.73
May-09	22234	Sugar Mill Gardens	150.15	8,241.77	703.27	641.64	-	853.42	8,883.41
Sep-08	22237	Baton Lake Estates	100.33	3,977.85	120.17	318.83	-	220.50	4,296.68
Aug-09	22300	Boca Grove	7.75	9,909.36	443.20	824.55	-	450.95	10,733.91
	22388	Westward Expansion Ph1	-	-	1,183.65	115,721.61	-	1,183.65	115,721.61
Apr-10	22390	Westward Expansion Ph	-	-	4,168.55	197,105.42	-	4,168.55	197,105.42
	Total		3,896,738.07	5,585,972.31	990,117.18	406,294.29	24,179.09	4,886,855.25	5,992,266.60

Note:

* Collections posted to 1860.4

** Includes interest

Balance in 1420 at 12/31/2010	1,129,590.44
Plus Revenues	4,886,855.25
Less Over/under Recovery	(24,179.09)
	5,992,266.60