Florida Public Utilities Company

401 S. Dixie Highway
West Palm Beach, Florida 33401
(561) 838-1725

December 11, 2000

001783-GU

Florida Public Service Commission
Ms. Blanca S. Bayo, Director
Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Application of Florida Public Utilities Company for Authority to Issue and Sell Securities During the Calendar Year 2001 Pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code

Dear Ms. Bayo:

Florida Public Utilities Company has enclosed for filing the original unbound and five copies, bound, of the Application of Florida Public Utilities Company for Authority to Issue and Sell Securities. A separate copy of the filing has been sent to the Office of Public Counsel.

Please let us know if you or your staff have any questions or require any additional information. Thank you.

Sincerely,

Cheryl M. Martin

Cheryl M. Martin
Manager of Corporate Accounting

Enclosure

CC: Mr. George M. Bachman
Mr. Jack R. Brown
Mr. Jack English
Mr. Chuck Stein
Mr. Jack Shreve, Esq. (Office of Public Counsel) (w/ enclosure)
Mr. Norman H. Horton, Jr., Esq. (w/ enclosure)

Docket No.

Florida Public Service Commission
Tallahassee, Florida

Application of

Florida Public Utilities Company

For Authority to Issue and Sell Securities

Pursuant to Section 366.04, Florida Statutes,

And Chapter 25-8, Florida Administrative Code

Address communications in connection with this Application to:

Jack R. Brown, Treasurer
Florida Public Utilities Company
PO Box 3395
West Palm Beach, Florida 33402-3395
(561) 838-1729

George M. Bachman, Controller and Assistant Treasurer
Florida Public Utilities Company
PO Box 3395
West Palm Beach, Florida 33402-3395
(561) 838-1731

Norman H. Horton, Jr.
Messer, Caparello & Self
215 South Monroe Street, Suite 701
PO Box 1876
Tallahassee, Florida 32302-1876
(850) 222-0720

The Date of this Application is December 11, 2000

APPLICATION OF FLORIDA PUBLIC UTILITIES COMPANY (FPUC) FOR AUTHORITY TO ISSUE AND SELL SECURITIES PURSUANT TO SECTION 366.04, FLORIDA STATUTES, AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE

A. Applicability

This Application is filed in accordance with Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code.

B. Contents of Application

1. Name and Principal Business Office Address

Business Office:
Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, Florida 33401-5886

Mailing Address:
Florida Public Utilities Company
PO Box 3395
West Palm Beach, Florida 33402-3395

2. State and Date Incorporated

State of Florida

The company was incorporated by letters patent issued by the State of Florida on March 6, 1924 under the name of Palm Beach Gas Company. By subsequent amendment the name was changed to Florida Public Utilities Company on October 14, 1927. On April 25, 1929 the Company was incorporated under the 1925 Florida Corporation Law and is continuing its corporate existence pursuant to the 1925 Corporation Law and its Certificate of Reincorporation, as amended.

3. Persons Authorized to Receive Notices and Communications

Jack R. Brown, Treasurer
Florida Public Utilities Company
PO Box 3395
West Palm Beach, Florida 33402-3395
(561) 838-1729

George M. Bachman, Controller and Assistant Treasurer
Florida Public Utilities Company
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(850) 222-0720

4. Capital Stock and Funded Debt

(a)-(g) Information responsive to description and amounts authorized, outstanding, reacquired, pledged, owned by affiliated corporations and held in any fund are contained in Exhibit C "Statement of Capital Stock and Debt – September 30, 2000".

5. Proposed Transactions

(a)(b)(c) Description of proposed transactions, kind and nature of securities and the maximum principal amounts and present estimate of interest rates and dividend rates.

Florida Public Utilities Company (FPUC) seeks permission to issue and sell and/or exchange any combination of the long-term debt, short-term notes and equity securities described below and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed $35,000,000 during the calendar year 2001.

The long-term debt securities may include first mortgage bonds, medium-term notes, debentures convertible or exchangeable debentures, notes, convertible or exchangeable notes, or other straight debt or hybrid debt securities, whether secured or unsecured, with maturities ranging from one to one hundred years. The expected interest rate on long-term debenture bonds is 8.50 %.

The short-term notes with a maturity of less than three years are to bear interest at the London Interbank Offered Rates (LIBOR) plus 50 basis points. Authority to issue up to $ 25,000,000 of short-term notes will give the Company financial flexibility with respect to future permanent financing. At the present time the interest rate is 7.12 %.

The equity securities would be common stock issued at Fair Market Value less any issuance costs. The expected dividend rate would be $ .72 per share annually. The expected issuance price would be $ 16 per share (net) with a maximum number of shares to be issued of 2,000,000.

6. Purposes of Issues

(a)(b)(c) The net proceeds to be received from the issuance and sale and/or exchange of the debt and equity securities will be added to FPUC's general funds and will be used to provide additional facilities through construction expenditures, to repay long-term debt and to repay short-term notes. In addition, the overall company-financing plan is expected to bring our debt/equity ratio to approximately 50/50. Excess proceeds, if any, will be temporarily invested in short-term instruments pending their application to the foregoing purposes.

FPUC maintains a continuous construction program. In addition to normal construction expenditures, a major construction project for Lake Worth Generation including related expenditures of approximately $6,000,000 is expected to begin in 2001. This project recently went before the Commission; see Order No.PSC-00-1882-PAA-GU for more details.

Under future market conditions, the interest rate on new issue long-term debt may be such that it becomes economically attractive to reacquire a portion or all of certain of its long-term debt securities or equity securities.

The short-term securities are to provide funds temporarily to finance portions of FPUC's general construction program, operating expenses and capital commitments and for other corporate purposes. Significant parts of FPUC cash requirements may temporarily be financed through the sale of short-term securities from time to time. Also, during the 2001 period, FPUC may need short-term financing capabilities for seasonal fuel requirements, contingency financing such as fuel under recoveries or storm restorations costs or general operating expenditures.

FPUC currently plans to repay short-term notes with the issuance of long-term debt or equity in amounts not to exceed $ 25,000,000.

7. Facts Supporting Legality, Necessity or Appropriateness

The Company's Certificate of Incorporation, as amended, and the Laws of the State of Florida under which the Company is organized permit the Company to issue its securities for proper corporate purposes, including the refunding of bank loans and for construction expenditures. The issuance of the securities for which approval is now being sought will not impair the ability of the Company to perform its public utilities services in an efficient manner and will enable the Company to meet the growing needs of the communities that it services and is reasonably necessary and appropriate for such purposes.

8. Name and Address of Counsel Passing upon the Legality of the Proposed Issues

Norman H. Horton, Jr.
Messer, Caparello & Self
215 South Monroe Street, Suite 701
PO Box 1876
Tallahassee, Florida 32302-1876
(850) 222-0720

9. Other State or Federal Regulatory Body

If required a Registration Statement with respect to each sale of securities hereunder subject to the Securities Act of 1933, as amended will be filed with the Securities and Exchange Commission at the following address:

Securities and Exchange Commission
Judiciary Plaza, 450 Fifth Street
NW. Washington, D.C. 20549

In addition, issuance of the $ 25,000,000 unsecured, promissory notes are an exempt transaction under the provisions of the Securities Act of 1933.

10. Control or Ownership

There is no measure of control or ownership exercised by or over applicant as to any public utility. No inter-corporate relationship exists with the exception of the wholly owned subsidiary, Flo-Gas Corporation. Applicant is not a member of any holding company system.

C. Exhibits

Exhibit Number:

Exhibit A - Annual Report on Form 10-K for the calendar year ended December 31, 1999 and Form 10-Q for the nine months ended September 30, 2000. *

Exhibit B - Sources and Uses of Funds Forecast and Construction Budget for Gross Property Additions for calendar year 2001.

Exhibit C - Statement of Capital Stock and Debt as of September 30, 2000.

*As permitted by Rule 25-8.003 (1)(a)(6), Florida Administrative Code, FPUC is satisfying the requirements for Schedules A (1) through A (5) by submitting its Annual Report on Form 10-K for the calendar year ended December 31, 1999 and Form 10-Q for the nine months ended September 30, 2000 in conjunction with this Application.

SIGNATURE

Pursuant to the provisions of Section 366.04, Florida Statutes and Chapter 25-8, Florida Administrative Code, Florida Public Utilities Company has caused its duly authorized officer to execute this Application on this 11th day of December 2000.

Florida Public Utilities Company

By: George Bachman

George Bachman
Controller and Assistant Treasurer
401 South Dixie Highway
West Palm Beach, Florida 33401

George M. Bachman, personally known to me, appeared before me today, December 11th, 2000.

Bonnie L. Erdek

Bonnie L. Erdek
Notary

BONNIE L ERDEK
COMMISSION # CC823113
EXPIRES APR 04, 2003
BONDED THROUGH
ADVANTAGE NOTARY

NOTARY PUBLIC STATE OF FLORIDA

My Commission Expires April 04, 2003

EXHIBIT A

1999 ANNUAL REPORT

FLORIDA PUBLIC
UTILITIES COMPANY

WHAT DOES IT MEAN TO BE PART OF THE FPUC TEAM?

It means that more is expected of each person individually, and as a team. It means that our front-line people have authority to make decisions, but also take responsibility for the decisions they make. It means that creative ideas from employees for providing better customer service, saving the company money, and doing jobs more efficiently are thoughtfully considered and, in many cases, implemented. It means that all FPUC employees recognize that we are operating in a new business environment that demands innovation ..requires taking calculated risks...and mandates an unprecedented level of service to our customers. Combined, these factors enable us to work more efficiently, develop new business opportunities, attract and retain new and existing customers, and grow our business

Who are our customers? In part, it is the people who buy energy and water services from us. But our customers are also every FPUC employee. When a dispatcher in West Palm Beach gives directions to a crew ..a secretary in Marianna starts a fundraiser for an employee's family whose home burned down ..a lineman helps a crewmate install conductors...a supervisor spends Friday nights serving homeless people food . we are also serving each other. How well we do our job, the depth of empathy that we have for each other, and the image we project in our communities has a direct and indirect effect on every FPUC employee, and on every FPUC customer.

We do not work in a vacuum. In this era of utility industry competition and consolidation, the only way to increase earnings and keep shareholders satisfied is to have committed employees, a good operating strategy, and a competitive return on investment. We can and will grow our business through teamwork...a process that can be personally satisfying, far more interesting and greatly rewarding to ourselves and our shareholders.

This empowerment process has already started. Today we hire for attitude. We can teach skills to a motivated employee. We want thoughtful people working with us who have a passionate can-do, let's get-it-done attitude. Thus, when a person seeks a position with FPUC, they are individually interviewed by several potential co-workers and managers The interviewing team decides whether the potential employee will fit in at FPUC It works.

The FPUC Customer Information System Team is developing the customer information framework that will be included in a new companywide customer service and billing program that's to be implemented in October. Employees from throughout the company volunteered to be part of this creative seven-person team.

Other employee teams, such as supervisors, storekeepers, office managers and engineers, also cut across division and specialty lines, and also meet periodically in teams to talk about their operations and share information.

Our FPUC 101 program brings recently hired and long-time employees from throughout the company to West Palm Beach to meet each other, as well as the company's management team. They not only receive a company orientation, but they talk to each other about their roles and their operations By talking and listening, each of us learn...and we all grow.

We want to treat our employees as our number-one asset. If they are being treated as number one, and they are happy and feel good about their jobs, then it all flows over to our customers and our shareholders. That is exciting. Because, in the end, it's the little things that make the customers say, "That's a company that I enjoy doing business with."

That's Florida Public Utilities A company of good employees...working together as a team for themselves, our customers and our shareholders

FLORIDA PUBLIC UTILITIES COMPANY

Florida Public Utilities Company provides energy and water services to communities in growing markets throughout Florida. The company's distribution systems provide natural and propane gas service in three areas in central and southern Florida, electric service in two areas in northern Florida, and water service in one location in northern Florida.

Since 1924, Florida Public Utilities has purchased all of its energy – electricity, natural gas and propane gas – from primary suppliers, and sold it to residents and businesses in our market areas at competitive rates. The Company does not generate electricity, or produce natural or propane gas. The rates charged to our customers, except for propane gas, are regulated by the Florida Public Service Commission.

Marianna

Fernandina Beach

DeLand

Sanford

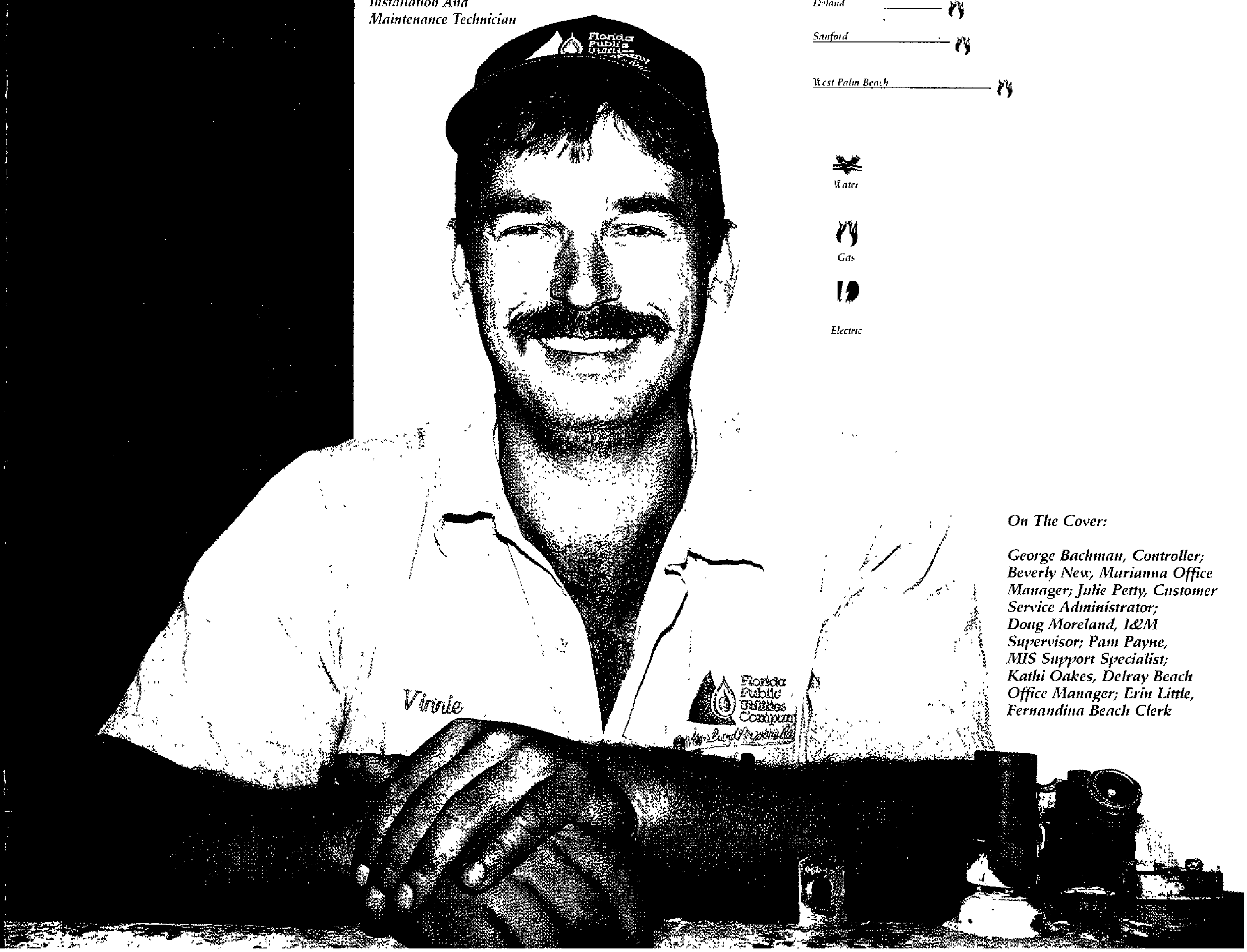
West Palm Beach

Water

Gas

Electric

Vinnie Polizzi
Installation And Maintenance Technician



On The Cover:

George Bachman, Controller; Beverly New, Marianna Office Manager; Julie Petty, Customer Service Administrator; Doug Moreland, I&M Supervisor; Pam Payne, MIS Support Specialist; Kathi Oakes, Delray Beach Office Manager; Erin Little, Fernandina Beach Clerk

FLORIDA PUBLIC UTILITIES COMPANY'S VISION:

To be a high-quality, low-cost distributor of energy, and a premier provider of related services. We will emphasize providing excellent and friendly service by encouraging our employees to be empathetic, innovative and creative. Employee satisfaction, empowerment and teamwork will be given the highest priority. We are committed to providing a good and caring working environment with equal advancement opportunities for all employees.

FLORIDA PUBLIC UTILITIES COMPANY: MAKING OUR EMPLOYEES NUMBER ONE

Florida Public Utilities Company employees are the cornerstone of our business and our long-term success. Over the past several years, we have embarked on a process of reshaping our corporate culture to one that is employee-focused. We have made this process part of our long-term strategy. We believe that motivated, focused, dedicated and committed employees are an integral part of FPUC's continued success in the 21st century. Some may view such a philosophy as simply a management style We firmly believe that it is a pragmatic and vital function of our business. Our employees are the company. How well our employees perform their jobs – whether expanding a new substation in Marianna...planning a new water tower in Fernandina Beach... or helping West Palm Beach home builders realize that natural gas brings added value to new communities – determines their personal success, and the success of our company. From the meter readers who spend hours walking in all kinds of weather to record our customers' water, gas and electric usage...to the retired army sergeant and Desert Storm veteran who is learning to be a propane system installer...to the management team who negotiated the purchase of electricity so that we deliver the lowest power rates in Florida... these and all other employees are part of a team. The FPUC team.

Jackie Ball, Secretary

Contents

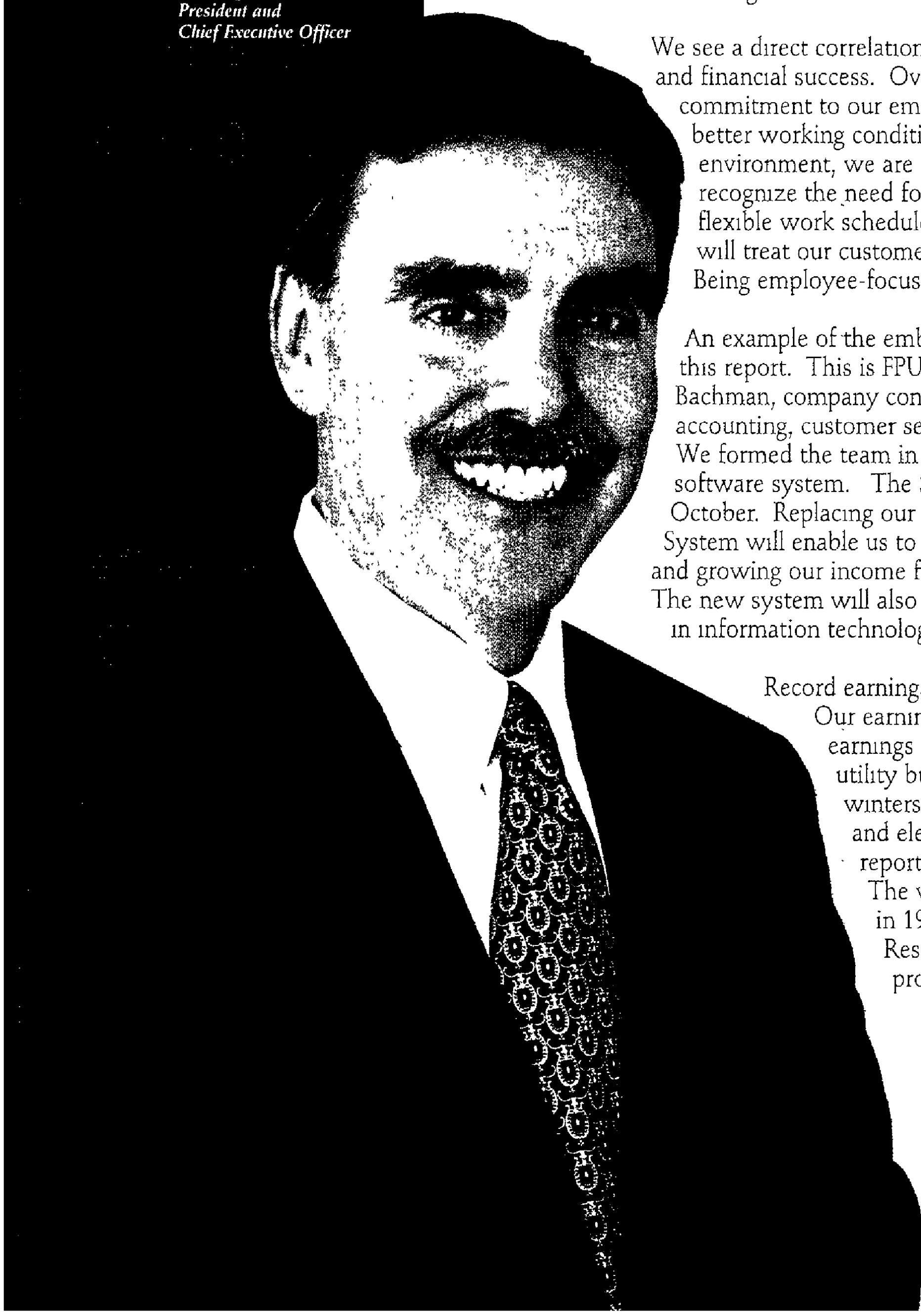
Letter to Shareholders	2
Highlights	4
Quarterly Stock Prices and Dividends Paid	4
Electric Operations	6
Gas Operations	9
Water Operations	12
Propane Operations	14
Operating Statistics	16
Selected Financial Data	17
Management's Discussion and Analysis of Results of Operations and Financial Condition	18
Consolidated Statements of Income	21
Consolidated Balance Sheets	22
Consolidated Statements of Capitalization	23
Consolidated Statements of Common Shareholders' Equity	23
Consolidated Statements of Cash Flows	24
Notes to Consolidated Financial Statements	25
Independent Auditors' Report	32
Directors, Executive Officers, Corporate Data	Inside Back Cover

Chris Williams And Vinnie Polizzi Installing A Residential Propane System

Chris Williams I&M Technician

Willie Carson
Office Services
Technician

Jack English
President and
Chief Executive Officer



1999 Letter to Shareholders

This 1999 annual report is dedicated to our employees. We have done so to acknowledge their dedication and commitment in helping us achieve improved financial performance over the past several years. We recognize that the strength of our Company lies within our creative, empowered and team-oriented employees whose individual and collective contributions enable us to grow and strengthen our business.

We see a direct correlation between the way a company treats its employees and financial success. Over the past several years, we have demonstrated our commitment to our employees through improved benefits, increased training, better working conditions and honest communications In today's competitive environment, we are asking more from our employees; however, we do recognize the need for balance between work and home by allowing more flexible work schedules when possible Employees who feel valued and trusted will treat our customers similarly and provide outstanding customer service. Being employee-focused has proven to be a successful strategy for FPUC.

An example of the embodiment of this strategy are the people on the cover of this report. This is FPUC's Customer Information System Team led by George Bachman, company controller. The team consists of employees from our accounting, customer service, information systems and operations departments. We formed the team in 1999 to implement a new billing and customer information software system. The $1 million project is scheduled to be completed by this October. Replacing our legacy software with an Enterprise Customer Information System will enable us to meet our goals of providing extraordinary customer service and growing our income from regulated and non-regulated businesses. The new system will also allow the Company to leverage recent investments in information technology to become more customer friendly.

Record earnings in 1999 followed our best previous financial performance. Our earnings per share increased 15 percent over 1998, producing earnings of $1.17, compared with $1.02 per share in 1998. In the utility business, record earnings are normally associated with cold winters and hot summers, requiring our customers to use more gas and electricity for heating and air conditioning. I am pleased to report that our improved earnings were not weather related. The winter weather during 1999 was 5 percent warmer than in 1998, and the spring and summer were milder than 1998. Results of operations improved primarily because of increased profitability in our propane gas and water divisions.

Our excellent financial performance in 1999 and 1998 led the FPUC Board of Directors to increase the quarterly dividend paid on common stock to $.17 from $.16 in July 1999. The resulting annual dividend of $.68 per share is a 6.25 percent increase in 1999 that follows a 6.7 percent increase in 1998, while maintaining a payout ratio of less than 70 percent.

The Company filed a petition with the Florida Public Service Commission in June 1999 requesting an increase in rates for our water operation. Final resolution will culminate with increased water rates effective about the time you are reading this message. We required a rate increase because of the substantial investment the Company has made in our water division due primarily to growth over the past decade. Among the improvements was a new 500,000-gallon water tower and two new pumping and treatment water plants. These many improvements have placed a considerable workload on many employees who have responded with dedication and commitment. They are to be commended for their loyalty.

It is with deep sadness that I inform you of the loss of a friend, co-worker and fellow board of directors member. On December 27, 1999, Robert L. Terry passed away after a brief illness. Bob was devoted to the Company for more than 50 years, and held the positions of chairman of the board, CEO and, most recently, chairman of the executive committee. We will greatly miss his humor, friendliness and counsel.

For the year 2000 and beyond, we are confident that our strong financial performance will continue and that our employee team will respond to the trust we have placed in them, resulting in enhanced shareholder wealth.

Sincerely,

Jack English

Jack English
President and Chief Executive Officer

Steve Taylor, Lineman; Danny Barrows, Working Foreman

Andy Weitz,
Distribution Mechanic

Highlights

Years Ended December 31 (dollars in thousands, except per share data)	1999	1998	1997
Operating Results			
Revenues	**$ 74,098**	$ 76,192	$ 78,134
Operating margin	**29,342**	28,491	26,679
Operating income	**6,170**	5,896	5,518
Net Income	**$ 3,529**[1]	$ 3,068	$ 3,191[1]
Per Common Share			
Earnings	**$ 1.17**[1]	$ 1.02	$ 1.07[1]
Dividends Paid	**.66**	.62	.60
Book value	**9.23**	9.21	8.80
Customers (at December 31)			
Electric	**24,890**	24,248	23,942
Natural Gas	**38,406**	37,089	35,655
Propane Gas	**8,261**	8,829	9,853
Water	**6,665**	6,361	6,070
Total	**78,222**	76,527	75,520
Units Sold			
MWH – electricity	**719,070**	708,183	641,890
MDth – natural gas	**4,309**	4,552	4,467
MDth – propane gas	**240**	264	267
MM gallons – water	**1,267**	1,191	1,024
Transportation Units			
MDth – natural gas	**2,903**	2,536	2,033
Utility Plant			
Utility additions and replacements	**$ 8,177**	$ 6,952	$ 7,034
Utility plant – net	**78,272**	75,227	72,724

[1] 1999 and 1997 include a gain after income taxes from the sale of non-utility real property of $83,000, $0.03 per share and $522,000, $0.18 per share, respectively

Quarterly Stock Prices and Dividends Paid

	1999		1998	
STOCK PRICES	Low	High	Low	High
Quarter ended				
March 31	$ 14.63	- $ 17.38	$ 11.56	- $ 13.63
June 30	14.63	- 18.88	12.81	- 16.38
September 30	17.88	- 19.63	14.25	- 16.50
December 31	16.75	- 20.00	13.13	- 17.50

DIVIDENDS PAID	1999	1998
January 1	$ .16	$ .15
April 1	.16	.15
July 1	.17	.16
October 1	.17	.16

Rhondon Gray-Ma
Apprentice Linema

OPERATIONS

Terry Daniels
Electric Meterman

ELECTRIC OPERATIONS

Tammy Dean listened intently as Lynn Large, a Marianna home builder, explained a problem one of his customers was having with moisture buildup around the windows of a recently built house. Tammy, Florida Public Utilities' energy conservation specialist in Marianna, told Mr. Large that she would look into the problem and get back to him with a solution.

Plant closings in the last three years have heightened FPUC Division Manager Mark Cutshaw's involvement with the Jackson County Development Council. The group attends trade shows and works with Enterprise Florida to follow up on industry contacts.

Later, Tammy noted that 18 months ago, Lynn and other home builders in the Florida Panhandle area served by FPUC probably wouldn't have discussed problems like that with her. Today, it's different because she's made a difference.

Tammy Dean
Florida Public Utilities'
Energy Conservation
Specialist

During the past two years since being hired as the division's conservation specialist, the hometown lady has made herself and her company's services known to contractors, homebuilders, air conditioning sales companies, residents and businesses. She's advertised FPUC's Good Cents conservation services in local newspapers and on radio stations, given conservation speeches at clubs, and has gotten involved in local organizations in the three counties served by the Marianna division. And she's followed through with free residential energy inspections, provided heating/cooling analysis for home builders and solving customers' energy bills problems.

When she can't solve a problem, she calls Terry Daniels, the division's electric meterman "He'll bring gadgets out to the customer's home, connect them to the meter, and see whether the meter is functioning properly," Tammy said.

Terry, a 31-year FPUC employee, enjoys solving those kind of problems. "It helps the customer to really see where they are using energy," he said. "It's enjoyable to help somebody find their problem after they've been scratching their head trying to figure it out."

Taking time with customers is a skill honed by the gentlemanly Bobby Hughes during his 28 years with FPUC. Although Bobby is known as the "hookman" – the FPUC employee who visits customers' homes to collect past-due bills and disconnect or reconnect service – his philosophy is to gently help customers see that they need to pay their bills.

"I treat that customer the way I like to be treated," Bobby said. "You can't ask for better than that."

Treating customers and their community with respect is a theme echoed throughout the division. Twice a year, division employees pitch in for a fund raiser by selling tickets for bar-b-que plates With Bobby as the head cook, and other employees making deliveries, 500 meals were prepared last year raising $2,300 for the March of Dimes.

Listening to customers is what Sally Jones does every day. "For some people, coming to our office is the highlight of their day," Sally says. "Many of them are going to talk to you about what's going on in their lives. There may be other people waiting behind them, but I'm going to listen to them."

With another customer service representative, Sally also credits the accounts paid by mail. Over time, she has gotten to know her customers. So when an elderly person forgets to pay their bill or a customer is ill, she'll tell Bobby who will personally visit to remind the person.

That caring attitude is also conveyed internally. Jackie Ball organizes monthly lunches, arranges birthday parties and lets people know when an employee is ill, or a family member has passed on Starting with the company as a clerk in 1986, she's now secretary to Mark Cutshaw, division manager

"I try to come up with things so that everybody can have a good time," Jackie said. "It's part of pulling together."

In 1999, Florida Public Utilities added 7.35 miles of aerial and underground distribution infrastructure to its 840-mile system in Marianna, and Fernandina Beach added 6.2 miles of distribution infrastructure to its 176-mile system. The Marianna electrical operation added 142 residential and 56 commercial customers last year, and lost, through plant closings, seven commercial and industrial customers. It delivered electricity to 9,664 homes, 2,098 businesses, 140 other accounts, and four industrial customers. The Fernandina electrical operations added 356 new residential and 68 commercial customers, and provides service to a total of 11,445 homes, 1,340 businesses, and two industrial customers.

The company's family atmosphere is appreciated by Rhondon Gray, an FPUC apprentice lineman. Since 1992, he has worked up from helper to his current position, learning the electric distribution construction trade.

"We may have our disagreements at times, but when something happens to you or your family, these folks here are real close; they'll dig in, right from the lowest guy up to Mark, all of them, they'll really back you and they'll tell you that they're behind you," Rhondon said. "That's one of the things I like about working here. The people."

Bobby Hughes - 28 Years With FPUC

Sally Jones - Customer Service

Brady Foran - 14 Year Veteran

Lynn Large & Tammy Dean

ELECTRIC OPERATIONS *concluded*

Supporting and believing in people also extends to the job. In the past, Marianna division subcontracted out substation construction work. Last year, when a feeder bay was to be added to a Marianna substation, a team of employees was tapped for the job

"It made me feel good to know that the company trusted us to figure out what to do, and then to do the job," said Brady Foran, a 14-year veteran and team leader on the project.

Teamwork is working in Fernandina Beach, as well. Pat Foster, the area's division manager, directly involves electric crew leaders in the outfitting of their new work trucks. This gives crew leaders ownership of their trucks, Patrick says "It's theirs; and they have what they need to do their job rather than what someone has given them."

Tommy Faulk, Working Foreman

That process sits well with Tommy Faulk a 19-year FPUC veteran, who customized his truck – The Monster – in 1998. The equipment, resources and company's confidence in their decisions help Tommy stay focused on his job. And that's vital when working around energized power lines.

"We try to keep the trucks all about the same, but we add some things to make it more convenient for us to work," said Tommy, a lineman. "Overall, I think it made everybody excited about being here and being part of the team."

Teamwork was vitally important when Hurricane Floyd swept up Florida's coast in September, falling trees, knocking down power lines and cutting off electric service to Fernandina Beach and the rest of Amelia Island. Tommy and Danny Barrows stayed in the company's office and rode out the storm After Floyd brushed the island, FPUC power crews returned, and worked for 10 hours straight, restoring power to Fernandina Beach homes and businesses.

Linda Winston, Meter Reader

That can-do, get-it-done philosophy is very much a part of how Charles Wilkes operates A working underground foreman and 26-year company employee, Charles has sat down with the company's management team and encouraged them to think of their employees as being number one.

"When employees are number one, they take care of the customers," Wilkes said. "Our company is heading in the right direction."

FPU Restoring Service After Hurricane Floyd

GAS OPERATIONS

Frank Bowen could smell gas as soon as he opened his truck door. The 26-year Florida Public Utilities Company veteran surveyed the scene as he walked across the road. New $250,000 homes up and down the street in the West Palm Beach community of Ibis, their gray cinder blocks unpainted. Another company's directional boring rig was on one side of the street, and on the other side, its operators were looking down into a hole. Inside the three-foot hole, Frank, an FPUC serviceman, saw that their bore head had gashed FPUC's yellow gas line. Gas was leaking out. He had to work quickly.

Frank donned flame-proof coveralls, pulled a hood over his head and snapped goggles over his eyes. Grabbing a shovel he methodically and carefully extended the hole along the length of the pipe another five feet. Using stainless steel clamps, he crimped the flexible plastic pipe on each side of the gash, effectively shutting off the gas flow. A few minutes later, Todd Jezewski, a distribution mechanic, and Joe Flores, a distribution mechanic, drove up, dismounted from their trucks, and got to work, rapidly and safely cutting the damaged pipe and splicing in a new line.

Dan Garfield, Distribution Mechanic; Mike Bobrowski, Distribution Mechanic

For Frank, Todd and Joe, the hour-long repair is all part of doing their job, and it's part of the appeal of their work - the variety of tasks, being outdoors, and the pay and benefits.

"It's why I like working here," Todd said.

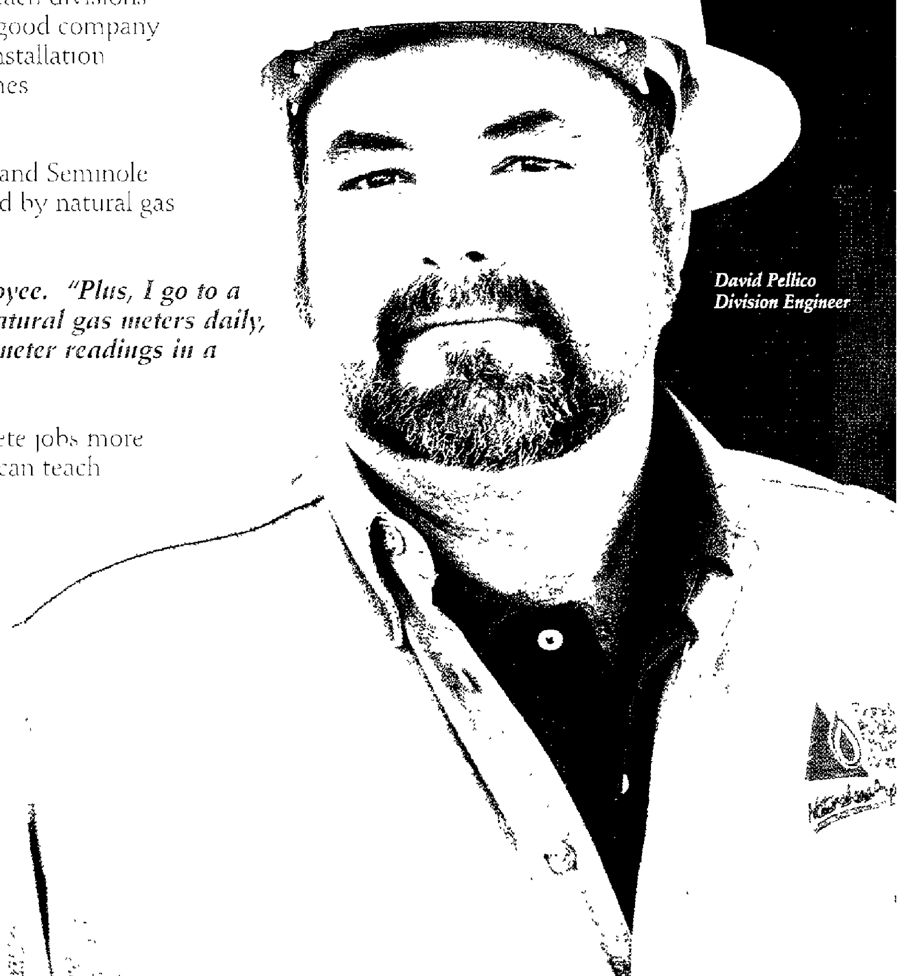
Employees in FPUC's Mid-Florida and West Palm Beach divisions echo that thought. They talk about FPUC being a "good company to work for" because of the diversity of work, the installation solutions they create for customers and the sometimes adrenaline-pumping problems that they overcome.

In the Mid-Florida Division, which services Volusia and Seminole counties, those thoughts and work ethic are reflected by natural gas meter reader John Baldwin.

"I enjoy the outdoors," said John, a 24-year employee. "Plus, I go to a lot of different areas." Reading more than 300 natural gas meters daily, John strides quickly from house to house to enter meter readings in a hand-held computer.

FPUC employees work in teams, not only to complete jobs more quickly, but often so that a senior skilled employee can teach a new hire their craft.

In Boca Raton, Carl Forde, a former disc jockey, is also learning to be an I & M technician from Joe Torjak, a pipe fitter and a 19-year FPUC veteran. Joe talks Carl through a pipe installation. At first the work goes slowly. But as Joe sees the solution in his mind, he works more quickly, selecting and installing the right-sized pipes and elbows, and directing Carl to help him complete the job.



*David Pellico
Division Engineer*

Steve Charlse, Homebuilder With Bill Hurley, Residential New Construction Supervisor

Donna Frusciante Communications Supervisor

GAS OPERATIONS *Continued*

"When we're through, there'll be a finished rock wall here. And the shutoff valve will fit exactly flush with it," Joe said with certainty and pride

That can-do, focused commitment to excellence and teamwork is echoed by Donna Frusciante, FPUC's communications supervisor in West Palm Beach who coordinates crews throughout the division.

A 14-year FPUC employee, Donna is at the hub of the company's daily activities. With ringing phones, a buzzing teletype machine, computer screens refreshing information and workers calling on the radio, the job is demanding. Yet, she handles organizing teletyped customer service orders, crew dispatching, and work forecasting and scheduling with an upbeat, business-like manner That competence comes across in her voice on the radio, and in the way she manages crews.

Throughout the day, crews call Donna and her associate dispatcher, Tamyka Jones, letting them know when they are moving on to their next job. "Toward the end of the day, I'll start shifting the people who have finished their work to crews that need help finishing up," Donna said. "I try to bring them all in on time. They all like that. At the end of the day, it's all about teamwork. Working together. Communication. And teamwork."

At FPUC, teamwork also goes beyond the day-to-day tasks. For Dave Pellico, Palm Beach division engineer, it also means saving the company money. When the Florida Department of Transportation wanted to build a new bridge across the Intracoastal Waterway from West Palm Beach to Palm Beach, the company was faced with a $200,000 cost to relocate gas mains attached to an old bridge due for removal. Dave thought the company shouldn't have to pay for the relocation.

Last year, FPUC installed a new natural gas air conditioning system at its headquarters. Although the company took bids for the job - the lowest being $50,000 - it had employees make the installation at a cost of about $3,000. Not only did the company save money, but it engendered a sense of pride and accomplishment among the employees who completed the job.

"My staff and I did some research on our own and found that we had an Army Corps of Engineers permit which allowed us to be on the old bridge," Dave said. The permit also enabled the company to have FDOT pay for the relocation.

Dave and his engineering team also stay on top of city, county and state road construction projects in the division. Whenever a road construction is to occur, the engineering team determines whether the company also needs to expand mains or add service beneath the road The monitoring process saves the company thousands of dollars in road restoration expense.

Teamwork is readily apparent in Bill Hurley's successes in developing customers in newly constructed residential communities. Selling a new home developer on the company's gas service is just the first step. Bill, FPUC's supervisor of residential new construction marketing, works with Dave's team to make sure that there are mains near new developments, and coordinates new service design with the engineering team and the developer. Bill follows through to see that the jobs are turned over to installation and maintenance to schedule the work When the homes are built, Bill meets with the new homeowners to discuss their natural gas appliance needs.

Although a team effort, Bill's perseverance and customer commitment over the last 11 years, has made natural gas converts out of many Palm Beach County residential community developers.

"Over time, homebuilders have come to realize that natural gas can be a marketing tool for selling the new homes," Bill said.

Steve Charlse, president of Charlse-Watt Communities, which is building Bristol Pointe in Delray Beach with homes from $500,000, is a developer who realizes the value of natural gas

"Natural gas is used as a marketing tool in our residential communities," Steve explained "Many of our buyers are from northern climates and grew up with and expect to continue using natural gas. Also, our clients realize that natural gas is a more economical energy source for nearly all appliances and pool heaters Our company will continue offering natural gas to our clients whenever possible."

And that pleases Bill.

Teamwork also removes barriers. Until this year, the West Palm Beach natural gas operation was divided into north and south regions. Crews worked basically the same jobs for years, rarely crossing territories. In 1999, the barrier fell, and the natural gas operation was reorganized into installation and maintenance under Jim Lynch, and new construction under Doug Moreland.

"Although it's a new way of operating, we seem to be working more efficiently," Tony Accardi, department superintendent said. "The main result is better communications and job coordination." Better communications also is resulting from weekly staff and supervisor meetings to anticipate problems and develop solutions in the field and between company operations.

In the 44-employee Mid-Florida Division, two service areas will be merged in 2000 with the construction of a new building with modern computer and customer service systems to house the operations and serve the fast-growing Volusia and Seminole counties east of Orlando. A division employee committee helped tailor the building's design and functionality to their customer service and work needs.

Teamwork. .it all adds up to success for FPUC natural gas employees.

John Baldwin - Meter Reader

Joe Torjak - In The Field

Tamyka Jones - Dispatcher

Repairing A Gas Main In West Palm Beach

Watermen
Quentin Robinson
And Randy Moore

WATER OPERATIONS

Rising 142 feet over the City of Fernandina Beach, a round, blue and white water tower symbolizes the strides that Florida Public Utilities Company has made during the past year to deliver improved water services to its customers.

Connected to pumps and a chlorination system, the tower increased Florida Public Utilities Company's water storage capacity nearly seven-fold from a steel water tower that had served the community since 1932. Modern times necessitated modern service. With 500,000 gallons of storage capacity, the pedisphere tower is the cornerstone of the company's efforts to improve the consistency of water delivery to its 6,665 customers on Amelia Island in northeast Florida.

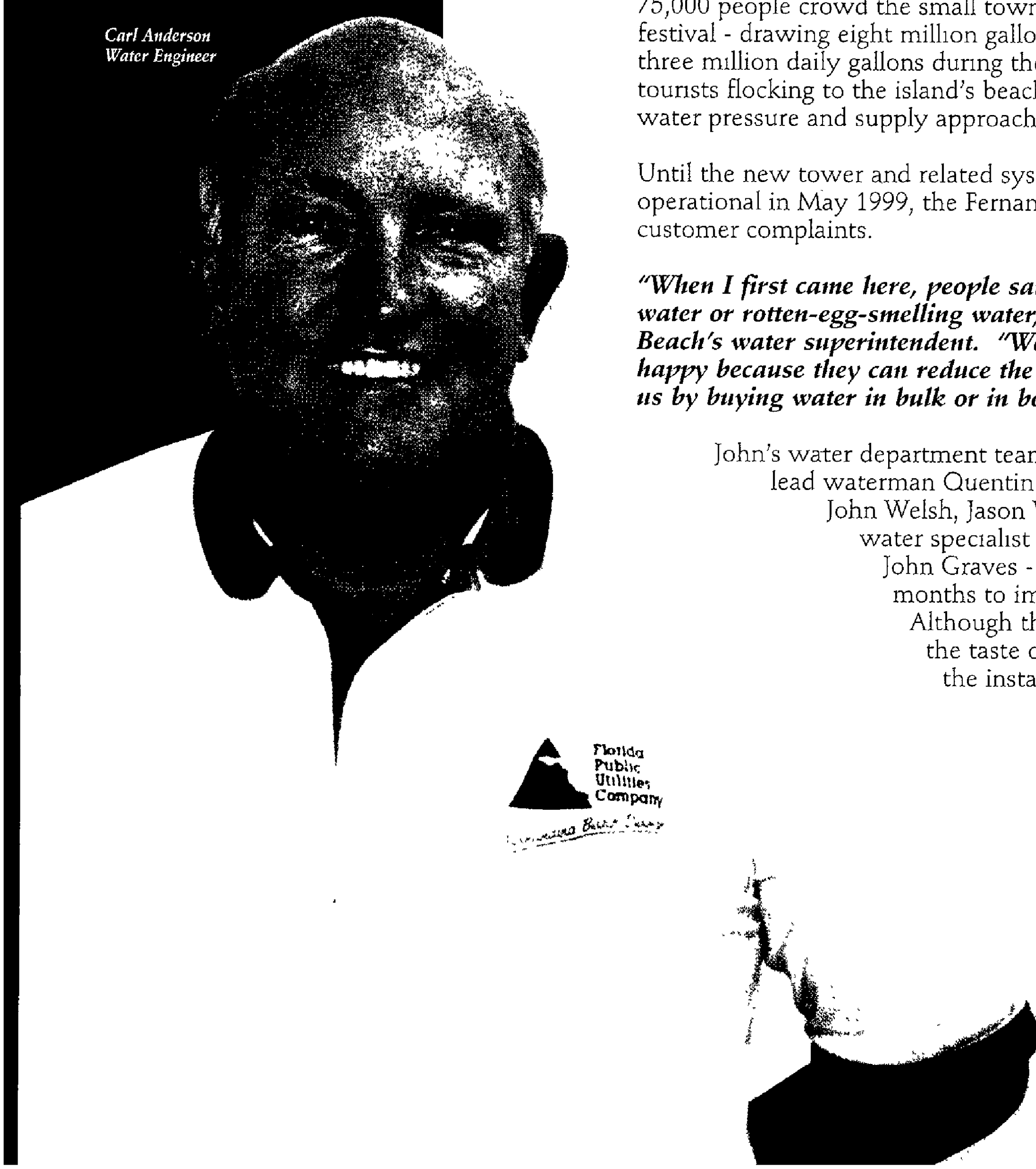
With the customer base on the 26-square-mile barrier island growing three percent last year, the island's water system is further challenged every spring and summer by an influx of festival goers and tourists. About 75,000 people crowd the small town's streets in May for an annual festival - drawing eight million gallons of water per day, compared to the three million daily gallons during the winter. And, each summer, with tourists flocking to the island's beaches and filling hotels and condominiums, water pressure and supply approach maximum capacity.

Until the new tower and related system improvements were fully operational in May 1999, the Fernandina water system also received customer complaints.

"When I first came here, people said they were either drinking pool water or rotten-egg-smelling water," said John Mandrick, Fernandina Beach's water superintendent. "We needed to make our customers happy because they can reduce the amount of water bought from us by buying water in bulk or in bottles."

John's water department team - Carl Anderson, water engineer; lead waterman Quentin Robinson; watermen Randy Moore, John Welsh, Jason Walters and Darryl Edmonds; water specialist Bill Pittman; and stores specialist John Graves - worked together during the past 18 months to improve the company's water system. Although the water quality was outstanding, the taste of the water was improved with the installation of a new chlorination system.

Carl Anderson
Water Engineer



In the past, the chlorine mix was adjusted manually once at the beginning of each day. Today, a computerized system continually monitors the water at points throughout the 200-mile distribution network and automatically infuses chlorine into the water as needed. The team also redesigned the company's above-ground water holding tank, creating a baffle system that continually moves water and allows naturally present sulphur in the water to thoroughly dissipate. Plans are also being made to increase capacity by adding another well field and tower near the island's airport.

"Our customers don't complain any more," John said.

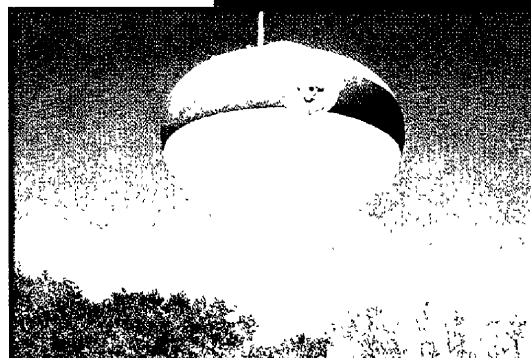
From the company's office near downtown Fernandina Beach, John and Carl, the water engineer, use a computer to monitor the new tower's water level, the rate at which the water pumps are drawing water out of the ground, the amount of chlorine going into the system, and the overall water quality.

"This system is a significant advance for our company, and a major improvement for our customers," John said. "As a result of this, and the employee involvement in making it happen, there has been a huge shift in employee pride in their company. Today, they are proud of what they do, their workmanship and the top-quality product they deliver."

That pride is reflected in the field where Quentin was working with waterman Randy to repair a water pipe near the beach. "I like the atmosphere here," said Quentin, a working foreman who has been with FPUC a little more than a year. "It's a teamwork company. If we have a water break at 3:30 p.m., and if the guy working on it is in a jam, we come together as a team and go and assist the guy to get the job done so everybody can get out on time."

For Quentin and other members of his team, customer service is the bottom line. "We talk to customers every day," he said. "We explain to customers what we are doing and why we are doing it. If they have low water pressure in their building, we try to take care of them as soon as possible."

Teamwork, a superior product, customer service all add up to building a stronger, employee-focused company.



New Fernandina Beach Water Tower

John Mandrick - Water Superintendent

Randy, Darryl, John And Quentin In The Field

John Walters And Todd Love

Mark Siler,
Service Technician

PROPANE OPERATIONS

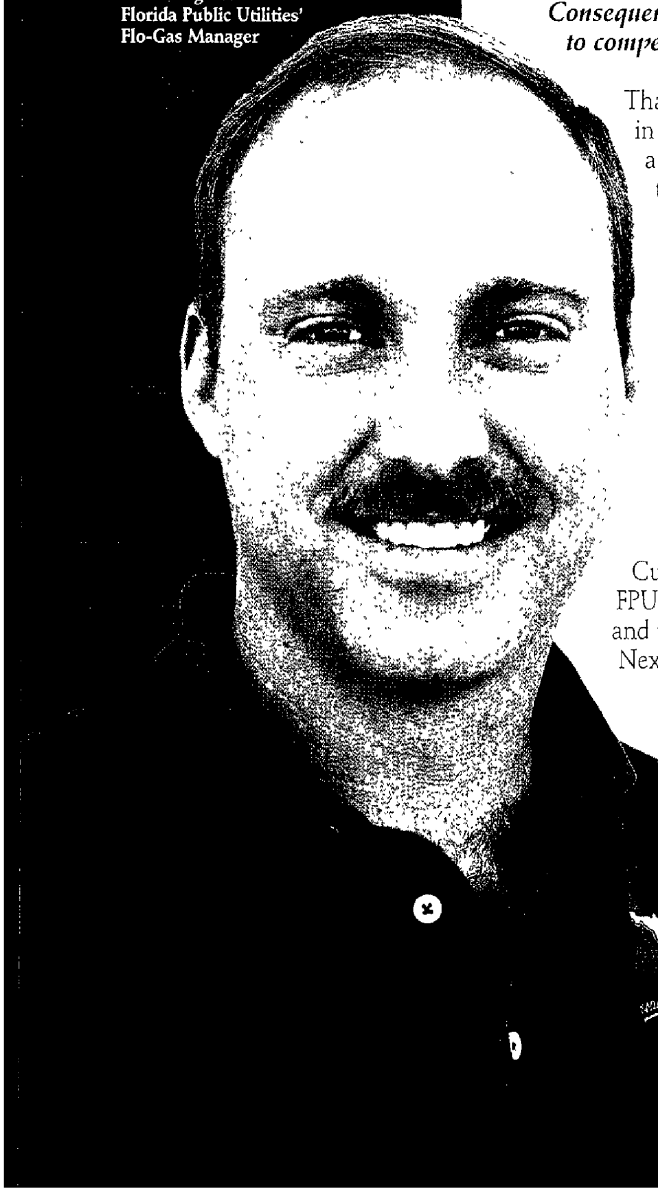
Florida Public Utilities Company reorganized its gas operations in 1999, separating its Flo-Gas operations from natural gas to create a separate, distinctly branded profit center.

Previously operated as an adjunct of the company's natural gas operations in Palm Beach County and mid-Florida, Flo-Gas, for the first time, has a manager dedicated specifically to growing the operation and developing new business

Last year, Marc Seagrave, an experienced industry manager, was hired to reorganize and grow the propane business. During the past year, he has beefed up operations by adding a marketing representative and making Flo-Gas' rates more competitive. Marc emphasizes a balanced approach to selling propane. One method offers the customer the advantage of metered service, thus paying for the gas monthly as it is consumed. The other method offers the customer the price advantage of paying for the gas when the tank is filled.

"We needed to increase the volume of propane that we sell," Marc said. "The only way we are going to do that is by being competitive in the market. Consequently, we've become more flexible with our gas rates, and we are now able to competitively bid on residential, commercial and industrial business."

Marc Seagrave
Florida Public Utilities'
Flo-Gas Manager



That flexibility and competitiveness flow into the field where FPUC employees work in teams to complete jobs quickly and efficiently. One day last year, Vinnie Polizzi, a 14-year installation and maintenance technician, and Chris Williams, a new I & M technician and 22-year Army veteran, worked about 10 miles outside of Sanford installing new propane service to a home.

The variety of work and overcoming challenges motivate Vinnie to work hard and deliver quality customer service "We don't do the same thing every day," Vinnie said. "We install propane and natural gas meters, install tanks, natural gas services, pipe into houses, put in water heaters, pool heaters, ranges . anything that connects with gas, I connect it."

For Chris, 40, working for FPUC was a way to transition from the Army to civilian life, and to have an active job. "I get to meet a lot of people, and I'm learning a skill from Vinnie," said the former tank driver and Gulf War veteran.

Customer service commitment is also part of Mark Siler's philosophy The 18-year FPUC employee loops the propane hose over his shoulder, and runs across yards and up hills unreeling the thick rubber hose from the propane truck as he goes. Next to a customer's house, he opens the tank lid, inserts the nozzle and fills the tank.

Mark, who was filling in for a vacationing employee, is committed to working for the company. "They've treated me fairly over the years," he said. "Sure it gets to be a job after a while, but it's a good job "

Like Vinnie, the diversity of work and the variety of challenges that he works through keep the job interesting.

These kind of employees will help grow the Flo-Gas business, Marc said. "We have a committed group of people, and we are now focused on one thing: Building the propane business into a tremendously successful operation for Florida Public Utilities Company, our employees and our shareholders."

Rosales
System Operations Technician

OPERATING STATISTICS
AND FINANCIALS

Operating Statistics

	1999	1998	1997	1996	1995
REVENUES (in thousands)					
Gas					
Residential	**$ 12,959**	$ 12,516	$ 12,836	$ 13,064	$ 11,118
Commercial and industrial	**18,645**	19,208	22,138	20,166	14,459
Other	**2,549**	2,053	2,566	3,025	4,703
Total gas revenues	**34,153**	33,777	37,540	36,255	30,280
Electric					
Residential	**17,944**	18,907	18,277	19,726	19,204
Commercial and industrial	**19,627**	20,576	19,928	20,124	19,882
Other	**(27)**	771	478	851	987
Total electric revenues	**37,544**	40,254	38,683	40,701	40,073
Water	**2,401**	2,161	1,911	1,854	1.674
Total revenues	**$ 74,098**	$ 76,192	$ 78,134	$ 78,810	$ 72,027
GAS STATISTICS					
Number of customers (at December 31)					
Residential	**42,486**	41,840	41,533	41,199	40,811
Commercial and industrial	**3,962**	3,868	3,758	3,539	3,542
Other	**219**	210	217	212	207
Total customers	**46,667**	45,918	45,508	44,950	44,560
Purchases and sales (MDth)					
Natural gas	**4,138**	4,273	4,284	4,344	3,987
Propane gas	**266**	266	286	343	335
Company use and unaccounted for	**145**	277	164	80	198
Gas sold	**4,549**	4,816	4,734	4,767	4,520
Sales (MDth)					
Residential	**1,115**	1,098	1,036	1,141	1,089
Commercial and industrial	**3,307**	3,603	3,556	3,509	3,215
Other	**127**	115	142	117	216
Total sales	**4,549**	4,816	4,734	4,767	4,520
Transportation Units					
MDth natural gas	**2,903**	2,536	2,033	1,720	2,083
Miles of main	**1,188**	1,144	1,096	1,072	1.034
Propane gas tank capacities installed (MDth)	**143**	141	139	139	139
Use and revenue per residential customer					
Gas used (Dth)	**26.2**	26 2	24.9	27.7	26.7
Revenue	**$ 305.02**	$ 299 14	$ 309.06	$ 317.10	$ 272.43
Revenue per Mth	**$ 11.62**	$ 11.40	$ 12.39	$ 11 45	$ 10.21

Continued ▶

ELECTRIC STATISTICS	1999	1998	1997	1996	1995
Number of customers (at December 31)					
Residential	**21,155**	20,621	20,427	19,884	19,436
Commercial and industrial	**3,449**	3,340	3,247	3,178	3,103
Other	**286**	287	268	257	239
Total customers	**24,890**	24,248	23,942	23,319	22,778
Purchases and sales (MWH)					
Purchases	**753,944**	742,415	670,298	656,944	627,893
Company use and unaccounted for	**(34,874)**	(34,232)	(28,408)	(33,383)	(31,798)
Electricity sold	**719,070**	708,183	641,890	623,561	596,095
Sales (MWH)					
Residential	**290,633**	294,981	266,788	273,601	261,637
Commercial and industrial	**413,094**	402,983	356,876	341,158	323,708
Other	**15,343**	10,219	18,226	8,802	10,750
Total sales	**719,070**	708,183	641,890	623,561	596,095
Pole line miles	**1,036**	1,021	1,009	997	986
Use and revenue per residential customer					
Kilowatt-hours	**13,738**	14,305	13,061	13,760	13,461
Revenue	**$ 848.22**	$ 916.88	$ 894.75	$ 992.05	$ 988.06
Revenue per kilowatt-hour	**6.2¢**	6.4¢	6.9¢	7.2¢	7.3¢
WATER STATISTICS					
Water sold (MM Gallons)	**1,267**	1,191	1,024	1,014	895
Water customers (at December 31)	**6,665**	6,361	6,070	5,803	5,627

Note Certain amounts in the years 1995 through 1998 have been restated to conform with the current year's presentation

Selected Financial Data

(in thousands, except per share data)

	Years Ended December 31,				
	1999	1998	1997	1996	1995
Revenues	**$ 74,098**	$ 76,192	$ 78,134	$ 78,810	$ 72,027
Operating margin	**29,342**	28,491	26,679	26,937	25,514
Net income	**3,529**[1]	3,068	3,191[1]	2,751	2,438
Earnings per common share	**1.17**[1]	1.02	1.07[1]	.93	.83
Dividends per common share	**.66**	.62	.60	.60	.58
Total assets	**96,807**	92,406	89,050	88,169	85,240
Utility plant – net	**78,272**	75,227	72,724	69,876	66,278
Current debt	**13,000**	8,200	7,600	7,900	5,600
Long-term debt	**23,500**	23,500	23,500	23,500	23,500
Common shareholders' equity	**25,866**	27,622	26,189	24,511	23,302

[1] Includes a gain after income taxes from the sale of non-utility real property of $83,000, $.03 per share (1999) and $522,000, $0.18 per share (1997)

Jack Brown, Treasurer; Chuck Stein, Sr. Vice President

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results Of Operations

Overview The Company is organized into three regulated business segments, natural gas, electric and water and one non-regulated business segment, propane gas. The gas and electric segments aggregate approximately 92% of total operating margin.

Contributing to variations in operating margins are the effects of seasonal weather conditions, the timing of rate increases and the migration of winter residents and tourists to Florida during the winter season.

From the Florida Public Service Commission's (FPSC) perspective, the Company operates four distinct "entities", i.e., Marianna electric, Fernandina Beach electric, Fernandina Beach water and natural gas, consisting of Palm Beach County, Sanford and DeLand. The Company last received rate increases as follows: natural gas operations, May 1995; Marianna electric division, February 1994; and Fernandina Beach electric division, February 1989. The Company receives an increase each year for its water operation through a price index mechanism provided by the FPSC. The Company filed for a rate increase in its Fernandina Beach Water Division in 1999. See "Rate Matters" in the Notes to Financial Statements (Notes).

Summary of Operating Margins
(in thousands)

	1999	1998	1997
Natural Gas	$14,484	$13,879	$13,342
Propane Gas	2,673	2,602	2,300
Electric	9,890	9,946	9,214

Operating Margin Operating margin, defined as gross operating revenues less fuel costs and taxes based on revenues which are passed through to customers, provides a more meaningful basis for evaluating utility operations. Fuel costs and taxes passed-through to customers have no effect on results of operations and fluctuations in such costs distort the relationship of gross operating revenues and operating margin (net revenues retained by the company for operating purposes).

Natural and Propane Gas Service Natural gas service operating margin increased $605,000 or 4.4% in 1999 as compared with 1998. Transportation revenues accounted for $460,000 of the $605,000 increase in operating margin as some customers are opting to purchase their own gas and use our system to transport the gas to their location. The remaining $145,000 increase in operating margin was due principally to an approximate 4.2% increase in average customers for 1999, as compared with 1998, 650 of whom were converted from our Mid-Florida propane gas division. The effect of the added customers on consumption was mitigated by winter weather warmer than last year. Propane gas operating margin increased $71,000 or about 2.7% versus 1998 and was also affected by the warmer winter weather. Propane gas had a 10% decrease in average customers for 1999, most of whom were converted to our Mid-Florida natural gas system. Propane gas operating margin per customer increased 14% versus 1998, due primarily to an increase in rates that became effective April 1998.

Total natural gas service operating margin increased $537,000 or 4.0% in 1998 as compared with 1997. The increase in natural gas operating margin was due principally to a 2.6% increase in average customers as compared with 1997. Propane gas operating margin increased $302,000 or about 13% versus 1997 Propane gas had a 4.4% decrease in average customers for 1998, most of whom were converted to natural gas. The net increase in propane operating margin is due primarily to the propane rate increase that became effective in April 1998.

In 1999, operating expenses increased $442,000 or about 3.5%, excluding cost of fuel and taxes passed-through to customers. Other than general increases in all classifications of expense, most of the increase is attributable to additional marketing staff, increases in customer service costs, including postage increase, and additional expenses for natural gas mains and regulator costs.

In 1998, operating expenses, excluding cost of fuel and taxes passed-through to customers, increased $458,000. Operating expenses have increased in all classifications of expense due to inflationary pressures, with depreciation, maintenance, increased payroll and related costs and expenses and a decrease in the credit amortization of net periodic pension cost accounting for most of the increase.

Electric Service Electric service operating margin decreased $56,000 in 1999 versus 1998 Average customers increased about 2% as compared with last year, however, consumption decreased slightly, due mainly to a milder winter in 1999 as compared with 1998. Total electric service operating margin increased $732,000 in 1998 or 8% versus 1997. There was a 6% increase in average consumption per customer due primarily to milder weather in 1998 as compared with 1997, and an increase in customers of almost 2%. Resulting from such increase in consumption and customers was an increase of more than 6% in average operating margin per customer, excluding industrial customers.

In 1999, operating expenses, excluding cost of fuel and taxes passed-through to customers, remained essentially flat. There was a 7% increase in depreciation in 1999 due primarily to adjustments resulting from a depreciation study in our Fernandina Beach Division in 1999 and our Marianna Division in 1998. Such increase was offset by across-the-board decreases in the other classifications of expense.

In 1998, operating expenses, excluding cost of fuel and taxes passed-through to customers, increased 9.5%. Operating expenses have increased in all classifications of expense due to inflationary pressures with larger than normal increases in administrative and general expenses, maintenance and taxes other than income taxes. These increases were primarily caused by a decrease in the credit amortization of the net periodic pension cost, additional tree trimming and facilities maintenance and an increase in ad valorem taxes in the Fernandina Beach Division.

Interest Charges Interest charges consist of interest on bonds, short-term borrowings and customer deposits. The primary factor causing interest amounts to fluctuate are changes in amounts borrowed under the line of credit and related interest rate changes. See "Notes Payable" and "Capitalization" in the Notes for additional information.

Liquidity And Capital Resources

Cash Flows Net cash provided by operating activities decreased $912,000 when compared with 1998 There were two significant changes in operating assets and liabilities in 1999 when compared with 1998. Deferred costs relating to the Area Expansion Program increased $752,000 in 1999, primarily due to expansion of the natural gas system in our Mid-Florida Division. Also, deferred income taxes increased by $714,000, principally relating to such expansion

Cash used in investing activities usually fluctuates within a narrow range as construction expenditures have averaged about $7.2 million over the last five years. Included in construction expenditures are more than $750,000 and $500,000, in 1999 and 1998, respectively, towards modernizing and expanding our water plant in Fernandina Beach.

Cash used by financing activities fluctuated because of changes in short-term borrowings and the purchase of 218,464 common shares for the treasury. The Company has a $15,000,000 line of credit with its primary bank, of which $13,000,000 is outstanding at December 31, 1999 The line provides for interest at LIBOR plus 50 basis points and expires in 2000. The Company is approved by the FPSC to borrow up to $15,000,000 on a line of credit basis, $14,000,000 of which is available for general corporate purposes with the remaining $1,000,000 reserved as a contingency for major storm repairs in the Marianna electric division. The line matures on April 30, 2000 and is expected to be renewed for approximately $20,000,000 at the same terms and conditions.

The Company usually has no material commitments for construction expenditures. Capital expenditures for 2000 have been budgeted for $9,780,000; however, while the actual amount expended for construction is influenced by many factors, the Company anticipates that expenditures for 2000 will not be significantly different from amounts historically incurred. For additional information see "Notes Payable" and "Capitalization" in the Notes.

The Company anticipates that its future construction expenditures and commitments are likely to require additional debt and/or equity financing.

From Top Left: Dave Little, Manager Information Systems; Marc Schneidermann, Division Manager; Bob Smith, Marketing Director; George Bachman, Controller

Michelle Napier, General Accounting Manager

Issuance of Additional Bonds The Company's 1942 Indenture of Mortgage and Deed of Trust, which is a mortgage on all real and personal property, permits the issuance of additional bonds based upon a calculation of unencumbered net real and personal property. At December 31, 1999, such calculation would permit the issuance of approximately $43,000,000 of additional bonds.

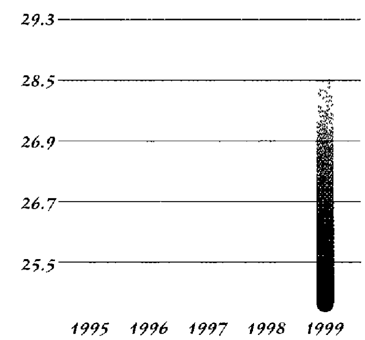
Other

The Year 2000 Project The Company successfully completed its preparation for Year 2000 and as a result there were no disruptions of service or any other adverse reactions as 1999 became 2000. The total cost of the Y2K project was not significant.

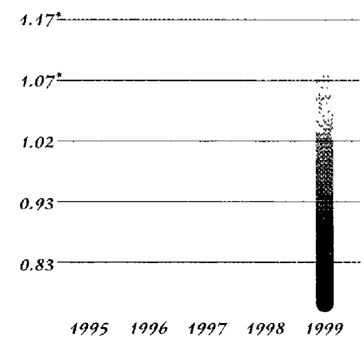
Forward Looking Information This report contains forward looking information that is intended to qualify for the safe harbor provided by the Private Securities Litigation Reform Act of 1995 Although the Company believes that its expectations are based on reasonable assumptions, actual results could differ materially from those currently anticipated. Factors that could cause actual results to differ from those anticipated include, but are not limited to, the effects of regulatory actions, competition, future economic conditions and weather.

Environmental Matters The Company has several contamination sites in various stages of assessment investigation, see "Contingencies" in the Notes. The Company believes that all future contamination assessment and remedial costs, legal fees and other related costs will not be in excess of the rate relief granted the Company and insurance settlement proceeds received.

Operating Margin ($ Millions)

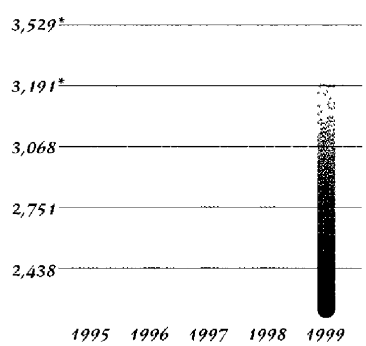


Earnings Per Share (Dollars)



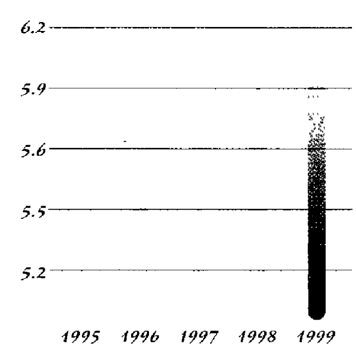
**Includes gain from sale of non-utility real property*

Net Income ($ Thousands)



**Includes gain from sale of non-utility real property*

Operating Income ($ Millions)



Consolidated Statements of Income

(dollars in thousands, except per share data)

	Years Ended December 31.		
	1999	1998	1997
Revenues			
Electric	**$ 37,544**	$ 40,254	$ 38,683
Natural gas	**30,287**	29,734	33,475
Propane gas	**3,866**	4,043	4,065
Water	**2,401**	2,161	1,911
Total revenues	**74,098**	76,192	78,134
Cost of fuel and taxes based on revenues	**44,756**	47,701	51,455
Operating Margin	**29,342**	28,491	26,679
Operating Expenses			
Operations	**12,013**	11,755	11,283
Maintenance	**2,763**	2,807	2,512
Depreciation and amortization	**4,557**	4,269	4,029
Taxes other than income taxes	**2,211**	2,196	2,051
Income taxes	**1,628**	1,568	1,286
Total operating expenses	**23,172**	22,595	21,161
Operating Income	**6,170**	5,896	5,518
Interest Charges and Other			
Long-term debt	**2,235**	2,235	2,235
Short-term borrowings	**473**	355	407
Customer deposits and other interest	**260**	250	253
Other-net	**(244)**	(12)	(46)
Gain from sale of non-utility property	**(134)**		(837)
Income taxes on above gain	**51**		315
Total interest charges and other	**2,641**	2,828	2,327
Net Income	**3,529**	3,068	3,191
Preferred Stock Dividends	**29**	29	29
Earnings for Common Stock	**$ 3,500**	$ 3,039	$ 3,162
Earnings Per Common Share	**$ 1.17**	$ 1.02	$ 1 07
Dividends Per Common Share	**.66**	.62	.60
Average Shares Outstanding	**2,995,721**	2,992,938	2,967,504

See Notes to Consolidated Financial Statements

Doreen Cox, Financial Analyst; Cheryl Martin, Corporate Accounting Manager; Cindy Palacios, Regulatory Accountant; Mehrdad Khojasteh, Tax Accountant; Jim Mesite, Project Accountant

Donna Rance, Office Services Manager

Consolidated Balance Sheets

(in thousands)

	December 31, 1999	1998
Assets		
Utility Plant		
Electric	$ 51,075	$ 48,955
Natural gas	53,330	50,644
Propane gas	6,441	6,658
Water	9,493	8,033
Common	3,559	3,366
Total	123,898	117,656
Less accumulated depreciation	45,626	42,429
Net utility plant	78,272	75,227
Current Assets		
Cash	165	564
Accounts receivable	8,154	7,879
Allowance for uncollectible accounts	(128)	(114)
Inventories (at average or unit cost)	2,430	2,172
Prepayments and deferrals	621	472
Total current assets	11,242	10,973
Other Assets		
Investments held in escrow for environmental costs	2,877	3,133
Deferred charges	4,416	3,073
Total other assets	7,293	6,206
Total	$ 96,807	$ 92,406

Capitalization And Liabilities

	1999	1998
Capitalization		
Common shareholders' equity	$ 25,866	$ 27,622
Preferred stock	600	600
Long-term debt	23,500	23,500
Total capitalization	49,966	51,722
Current Liabilities		
Notes payable	13,000	8,200
Accounts payable	5,481	5,388
Insurance accrued	2,050	2,113
Interest accrued	537	597
Other accruals and payables	2,268	2,115
Over recovery of fuel costs	1,569	1,124
Customer deposits	3,994	3,867
Total current liabilities	28,899	23,404
Other Liabilities		
Deferred income taxes	6,900	6,110
Unamortized investment tax credits	1,092	1,222
Environmental liability	4,594	5,004
Regulatory tax liabilities	1,818	1,968
Customer advances for construction	1,672	1,374
Storm damage and environmental reserve	1,866	1,602
Commitments and contingencies		
Total other liabilities	17,942	17,280
Total	$ 96,807	$ 92,406

See Notes to Consolidated Financial Statements

Consolidated Statements Of Capitalization

(dollars in thousands)

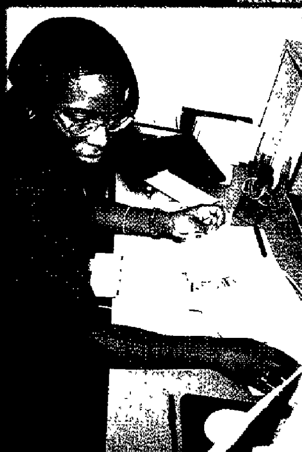
	December 31, 1999	1998
Common Shareholders' Equity		
Common stock, $1 50 par value, authorized 3,500,000 shares; issued 3,212,201 shares in 1999, 3,200,860 shares in 1998	**$ 4,819**	$ 4,801
Paid-in capital	**9,344**	9,065
Retained earnings	**17,204**	15,686
Treasury stock — at cost (409,816 shares in 1999, 200,945 shares in 1998)	**(5,501)**	(1,930)
Total common shareholders' equity	**25,866**	27,622
Preferred Stock		
4¾% Series A, $100 par value, redemption price $106 00, authorized and outstanding 6,000 shares	**600**	600
Long-Term Debt		
First mortgage bonds		
Series		
9.57% due 2018	**10,000**	10,000
10.03% due 2018	**5,500**	5,500
9 08% due 2022	**8,000**	8,000
Total long-term debt	**23,500**	23,500
Total Capitalization	**$ 49,966**	$ 51,722

Consolidated Statements Of Common Shareholders' Equity

(dollars in thousands)

	Common Stock Shares Issued	Common Stock Aggregate Par Value	Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Cost
Balance, December 31, 1996	1,585,478	$ 2,379	$ 10,992	$ 13,151	111,831	$ (2,011)
Net income				3,191		
Dividends				(1,810)		
Stock plans	8,874	13	241		(6,065)	43
Balance, December 31, 1997	1,594,352	2,392	11,233	14,532	105,766	(1,968)
Net income				3,068		
Dividends				(1,914)		
Stock plans	9,006	13	228		(7,630)	38
Two-for-one stock split	1,597,502	2,396	(2,396)		102,809	
Balance, December 31, 1998	3,200,860	4,801	9,065	15,686	200,945	(1,930)
Net income				3,529		
Dividends				(2,011)		
Stock plans	11,341	18	279		(9,593)	34
Purchase of treasury shares					218,464	(3,605)
Balance, December 31, 1999	3,212,201	$ 4,819	$ 9,344	$ 17,204	409,816	$ (5,501)

See Notes to Consolidated Financial Statements



Tanzanika Jones, Cashier

Consolidated Statements Of Cash Flows

(in thousands)	Years Ended December 31, 1999	1998	1997
Cash Flows from Operating Activities			
Net income	**$ 3,529**	$ 3,068	$ 3,191
Adjustments to reconcile net income to net cash from operating activities			
Depreciation	**4,557**	4,269	4,029
Deferred income taxes	**641**	(73)	(349)
Investment tax credits	**(130)**	(120)	(121)
Other	**133**	216	385
Gain on sale of non-utility property	**(134)**		(837)
Effects of changes in			
Receivables	**(261)**	(158)	269
Inventories and prepayments	**(407)**	253	16
Accounts payable and accruals	**519**	547	(1,341)
Over/(under) recovery of fuel costs	**446**	731	1,722
Area expansion program deferred costs	**(945)**	(193)	
Environmental Liability	**(424)**	172	301
Other	**19**	(257)	(241)
Net cash provided by operating activities	**7,543**	8,455	7,024
Cash Flows from Investing Activities			
Construction expenditures	**(8,177)**	(6,952)	(7,034)
Customer advances for construction	**298**	48	287
Other	**271**	(109)	(73)
Proceeds from sale of non-utility property	**154**		886
Net cash used by investing activities	**(7,454)**	(7,013)	(5,934)
Cash Flows from Financing Activities			
Net short-term borrowings (repayments)	**4,800**	600	(300)
Proceeds from common stock plans	**331**	279	297
Dividends paid	**(2,014)**	(1,880)	(1,805)
Purchase of treasury shares	**(3,605)**		
Net cash used by financing activities	**(488)**	(1,001)	(1,808)
Net Increase (Decrease) in Cash	**(399)**	441	(718)
Cash at Beginning of Year	**564**	123	841
Cash at End of Year	**$ 165**	$ 564	$ 123
Supplemental Cash Flow Information			
Cash was paid during the years as follows:			
Interest	**$ 2,792**	$ 2,513	$ 2,719
Income Taxes	**1,188**	1,729	1,845

See Notes to Consolidated Financial Statements

Notes To Consolidated Financial Statements

Summary of Significant Accounting and Reporting Policies

Business and Regulation Florida Public Utilities Company (the Company) is an operating public utility engaged principally in the purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution, sale and transportation of natural gas. The Company is subject to the jurisdiction of the Florida Public Service Commission (FPSC) with respect to its electric, natural gas and water operations. The suppliers of electrical power to the Marianna division and of natural gas to the natural gas divisions are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). The Fernandina Beach division is supplied most of its electrical power by a municipality which is exempt from FERC and FPSC regulation.

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

The Company prepares its financial statements in accordance with the provisions of Statement of Financial Accounting Standards No. 71 - "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). In general, SFAS 71 recognizes that accounting for rate regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation. As a result, a regulated utility may defer recognition of a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that, through the rate making process, there will be a corresponding increase or decrease in revenues.

Accordingly, the Company has recognized certain regulatory assets (included in deferred charges) related to area expansion program costs and unamortized debt reacquisition costs and regulatory liabilities (included in current and other liabilities) related to deferred income taxes, over recovery of fuel costs, and storm and environmental self-insurance reserves The Company believes that the FPSC will continue to allow the Company to recover such items through its rates.

The Company has agreed with the FPSC staff to limit its earned return on equity for its regulated electric and natural gas operations. The disposition of any excess earnings is left to the discretion of the FPSC, with alternatives including a refund to customers, additional contributions to storm damage reserves, or the reduction of any depreciation reserve deficiency. Excess earnings for 1997 and 1998 at one of the Company's electric divisions were ordered by the FPSC to be added to that division's storm damage reserve. The Company believes it has adequately reserved for 1999 excess earnings.

Following FPSC rules for water utilities, the Company filed for and was granted a price index revenue increase in the Fernandina Beach water division. This increase, approximating $11,000 on an annual basis, was placed into effect in June 1999. The Company filed for a rate increase in its water rates with the FPSC in 1999. The process was recently completed and final rates are expected to increase revenues $380,000 annually beginning in March 2000

Various states, other than Florida, have enacted or are considering enacting legislation or other initiatives that would provide utility customers with the ability to choose their supplier This year, the FPSC is expected to issue an order that will allow any commercial natural gas customer to choose their supplier. Some of our commercial natural gas customers may elect to choose a different supplier, however, the Company's operating results would not be affected as the Company realizes the same operating margin regardless of whether the customer purchases the gas from us or uses our system to transport the gas.

Revenues The Company records utility revenues as service is provided and bills its customers monthly on a cycle billing basis Accordingly, at the end of each month, the Company accrues for estimated unbilled revenues.

The rates of the Company include base revenues, fuel adjustment charges and the pass-through of certain governmental imposed taxes based on revenues. The base revenues are determined by the FPSC and remain constant until a request for an increase in such rates is filed and approved by the FPSC. From the FPSC perspective, the Company operates four distinct "entities", i.e., Marianna electric, Fernandina Beach electric, Fernandina Beach water, and natural gas, consisting of Palm Beach County, Sanford and DeLand. Thus, for the Company to recover through rate relief the effects of inflation for all such "entities", a request for an increase in base revenues would require the filing of four separate rate cases The FPSC allows for an annual automatic rate increase for water operations through the use of a price index Fuel adjustment charges are estimated for customer billing purposes and any under/over-recovery difference between the incurred cost of fuel and estimated amounts billed to customers is deferred for future recovery or refund and either charged or credited to customers Interest accrues on such under/over-recoveries and is included in the subsequent adjustment.

Pat Gerald, Sr. Customer Service Representative

Pam Payne, MIS Support Specialist; Dennis Fath, Programmer; Vince Messina, Programmer

Summary of Significant Accounting and Reporting Policies

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

Certain reclassifications have been made to the prior years' financial statements and other financial information contained herein to conform with the 1999 presentation.

Utility Plant and Depreciation Utility plant is stated at original cost. The costs of additions to utility plant include contracted services, direct labor and materials. The costs of units of property retired are removed from utility plant, and such costs plus removal costs, less salvage, are charged to accumulated depreciation. Maintenance and repairs of property and replacement and renewal of items determined to be less than units of property are charged to operating expenses. Substantially all of the utility plant and the shares of Flo-Gas Corporation collateralize the Company's First Mortgage Bonds.

Depreciation is computed using the composite straight-line method at rates prescribed by the FPSC for financial accounting purposes. Such rates are based on estimated service lives of the various classes of property. Depreciation provisions on average depreciable property approximate 3.6% per year.

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

Use of Estimates Inherent in the accounting process is the use of estimates when preparing financial statements in accordance with generally accepted accounting principles. Actual results could differ from these estimates. The Company has used estimates in the preparation of its financial statements including the accrual for uninsured liability claims. The Company is self-insured for the first $250,000 of each liability claim and therefore accrues for estimated losses occurring from both asserted and unasserted claims. The estimate for unasserted claims arising from unreported incidents is based on an analysis of historical claims data. The Company's portion of liability claims incurred for the ten year period ended in 1999 averaged approximately $45,000 per year and the accrual for such claims was approximately $800,000 at December 31, 1999. The Company believes that its accrual for potential liability claims is adequate.

Notes Payable

The Company has a line of credit agreement with its primary bank providing for a $15,000,000 loan with interest at LIBOR plus fifty basis points. $14,000,000 of such loan is available for general corporate purposes with the remaining $1,000,000 reserved as a contingency for major storm repairs in the Marianna electric division. The interest rates at December 31, 1999 and 1998 were approximately 6.3% and 5.6%, respectively

Capitalization

Common Stock Split In July 1998, the Company effected a two-for-one stock split in the form of a stock dividend and, accordingly, transferred from paid-in capital to common stock, an amount equal to the aggregate par value of the additional shares. All per share data included herein have been retroactively restated to reflect the stock split.

Common Shares Reserved The Company has reserved 13,499 common shares for issuance under the Dividend Reinvestment Plan and 33,984 common shares for issuance under the Employee Stock Purchase Plan.

Dividend Restriction The Indenture of Mortgage and Deed of Trust and supplements thereto provide for restriction of the payment of cash dividends. At December 31, 1999 approximately $3,900,000 of retained earnings were free of such restriction.

Maturities of Long-Term Debt Sinking fund payments are scheduled to begin in 2008.

Segment Information

The Company operates distribution systems providing natural and propane gas service in three locations in central and southern Florida, electric service in two locations in northern Florida and water service in one location in northern Florida. There are no material intersegment sales or transfers.

Operating profit consists of revenues less operating expenses and does not include other income, interest income, interest expense and income taxes.

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

Business segment information for 1999, 1998 and 1997 is summarized as follows (in thousands).

	REGULATED				NON-REGULATED	
	Gas	Electric	Water	Common	Propane Gas	Consolidated
1999						
Revenues	$ 30,287	$ 37,544	$ 2,401	$	$ 3,866	$ 74,098
Operating profit	3,493	3,173	739		393	7,798
Identifiable assets	38,355	35,384	7,199	10,870	4,999	96,807
Depreciation	1,998	1,863	260	133	303	4,557
Construction expenditures	3,337	2,774	1,462	220	384	8,177
Income tax expense	729	621	191	209	87	1,837
1998						
Revenues	29,734	40,254	2,161		4,043	76,192
Operating profit	3,444	3,213	599		207	7,463
Identifiable assets	36,870	34,605	5,941	9,856	5,134	92,406
Depreciation	1,838	1,733	223	135	340	4,269
Construction expenditures	3,136	2,585	767	158	306	6,952
Income tax expense	688	715	157	17	8	1,585
1997						
Revenues	33,475	38,683	1,911		4,065	78,134
Operating profit	3,288	3,065	468		(17)	6,804
Identifiable assets	35,227	34,021	5,270	8,655	5,877	89,050
Depreciation	1,733	1,629	208	116	343	4,029
Construction expenditures	2,925	2,641	866	323	279	7,034
Income tax expense	695	580	98	351	(87)	1,637

Debi Castiglione, Office Services Assistant

Chris Snyder, Gas Supply Manager; Arnell Willis, Gas Supply Assistant

Income Taxes

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

	1999	1998	1997
Current payable			
Federal	$ 954	$ 1,484	$ 1,547
State	163	277	208
	1,117	1,761	1,755
Deferred			
Federal	526	(54)	(378)
State	115	(19)	29
	641	(73)	(349)
Investment tax credit	(130)	(120)	(120)
Total – operating	1,628	1,568	1,286
Included in interest charges and other-net	209*	17	351
Total	$ 1,837	$ 1,585	$ 1,637

*Includes income tax of $51,000 and $315,000 on gain from the sale of non-utility property, 1999 and 1997, respectively

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

	1999	1998	1997
Federal income tax at statutory rate	$ 1,824	$ 1,582	$ 1,642
State income taxes, net of federal benefit	183	170	156
Investment tax credit	(130)	(120)	(120)
Other	(40)	(47)	(41)
Total provision for income taxes	$ 1,837	$ 1,585	$ 1,637

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

	1999	1998
Deferred tax assets		
Environmental	$ 2,111	$ 2,083
Other	343	468
Total deferred tax assets	2,454	2,551
Deferred tax liabilities		
Utility plant related	8,525	8,395
Under recovery of fuel costs	129	
Area expansion program	428	73
Other	272	193
Total deferred tax liabilities	9,354	8,661
Net deferred income taxes	$ 6,900	$ 6,110

Employee Benefit Plans

Florida Public Utilities Company sponsors a qualified pension plan and post-retirement medical and life benefit plans for its employees. The life plan obligations are insignificant and are not reflected in the following disclosures. In 1998, the Company changed the benefit formula to provide for improved pension benefits. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ending December 31, 1999 and 1998, and a statement of the funded status at December 31, 1999 and 1998 (in thousands):

	Pension Benefits		Medical Benefits	
	1999	1998	1999	1998
Reconciliation of Benefit Obligation				
Prior year obligation at December 31	$ 19,279	$ 14,803	$ 1,475	$ 1,318
Service cost	771	764	72	73
Interest cost	1,369	1,245	109	96
Participant contributions	0	0	11	14
Plan amendments	259	3,440	0	0
Actuarial (gain) loss	423	(137)	121	87
Benefit payments	(974)	(836)	(80)	(113)
Current year obligation at December 31	$ 21,127	$ 19,279	$ 1,708	$ 1,475
Reconciliation of Fair Value of Plan Assets				
Prior year fair value of plan assets at December 31	$ 32,531	$ 29,080	$ 0	$ 0
Actual return on plan assets	4,828	4,287	0	0
Employer contributions	0	0	69	99
Participant contributions	0	0	11	14
Benefit payments	(974)	(836)	(80)	(113)
Current year fair value of plan assets at December 31	$ 36,385	$ 32,531	$ 0	$ 0
Funded Status				
Funded status at December 31	$ 15,258	$ 13,252	$ (1,708)	$ (1,475)
Unrecognized transition (asset) obligation	(183)	(367)	558	600
Unrecognized prior service cost	4,238	4,401	0	0
Unrecognized (gain) loss	(17,750)	(15,990)	170	50
Net amount recognized	$ 1,563	$ 1,296	$ (980)	$ (825)

The following table provides the components of net periodic benefit cost for the Plans for 1999, 1998 and 1997 (in thousands):

	Pension Benefits			Medical Benefits		
	1999	1998	1997	1999	1998	1997
Service cost	$ 771	$ 764	$ 549	$ 72	$ 73	$ 65
Interest cost	1,369	1,245	963	109	96	83
Expected return on plan assets	(2,171)	(1,943)	(1,546)	0	0	0
Amortization of transition (asset) obligation	(183)	(183)	(183)	43	43	43
Amortization of prior service cost	422	401	151	0	0	0
Amortization of net (gain) loss	(474)	(424)	(255)	0	0	0
Net periodic benefit cost	$ (266)	$ (140)	$ (321)	$ 224	$ 212	$ 191

Chaundra Saylor, Executive Assistant; Bonnie Erdek, Executive Assistant

The prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

The pension plan is non-contributory; the postretirement medical plan is contributory with participants' contributions subject to adjustment annually. The accounting for the health care plan anticipates future cost-sharing changes to the written plan such that retiree contributions will increase at the same rate as the total plan cost.

Ken Mahaney, Safety Director

The assumption used in the measurement of the Company's benefit obligation are shown in the following table:

Weighted-average assumptions as of December 31	Pension Benefits 1999	1998	1997	Medical Benefits 1999	1998
Discount rate-benefit obligation	7.0%	7.0%	7.0%	7.0%	7.0%
Expected return on plan assets	8.5%	8.5%	8.0%	N/A	N/A
Rate of compensation increase	5.5%	5.5%	5.5%	N/A	N/A

For measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits during 1999 was 8.0% for retirees under 65 and 7.1% for retirees over 65. These rates were assumed to decrease gradually each year to a rate of 5.5% for 2007 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	$ 27,475	$ (23,847)
Effect on the health care components of the accumulated postretirement benefit obligation	$ 222,537	$ (198,858)

Health Plan The Company is principally self-insured for its employee and retiree medical insurance plan. The Company's health care liability under the plan is limited to $60,000 per individual per year, with a maximum total liability of $865,000

A reserve for future benefit payments for active employees is maintained at a level sufficient to provide for estimated outstanding claims under the plan net of amounts contributed by employees. Net health care benefits paid by the Company for active employees were approximately $516,000, $455,000 and $457,000 for 1999, 1998 and 1997, respectively.

Employee Stock Purchase Plan The Company's Employee Stock Purchase Plan offers common stock at a discount to qualified employees. During 1999, 1998 and 1997, 8,193, 7,230 and 5,665 shares respectively, were issued under the Plan for aggregate consideration of $116,000, $100,000 and $103,000, respectively.

Dividend Reinvestment Plan During 1999, 1998 and 1997, 11,341, 9,006 and 8,874 shares, respectively, were issued under the Company's Dividend Reinvestment Plan for aggregate consideration of $193,000, $169,000 and $185,000, respectively.

Financial Instruments
The carrying amounts reported in the balance sheet for investments held in escrow for environmental costs, notes payable, taxes accrued and other accrued liabilities approximate fair value. The Company does not enjoy a debt rating and therefore the Company has no reasonable way of estimating the current rate at which similar first mortgage bonds would be made to borrowers with similar debt ratings and maturities. However, the current bonds outstanding were issued in 1988 and 1992 and since that time interest rates have declined, and thus it is reasonable to assume that the fair value of existing first mortgage bonds would be more than their carrying value.

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

West Palm Beach Site The Company is currently conducting a contamination assessment investigation of a parcel of property owned by it in West Palm Beach, Florida. After a preliminary contamination assessment investigation indicated soil and groundwater impacts, the Company entered into a consent order with the FDEP. The consent order requires the Company to delineate the extent of soil and groundwater impacts associated with the prior operation of a gasification plant on the property and requires the Company to remediate any soil and ground-water impacts, if necessary. In June 1992 the Company commenced the contamination assessment investigation.

The original contamination assessment report ("CAR") was submitted to FDEP in December 1995. A CAR addendum is scheduled to be submitted to FDEP in early 2000, in response to FDEP comments to the CAR. Prior to the completion of this work, and review of same by FDEP, it is not possible to determine to an acceptable degree of certainty the complete extent or cost of remedial action, if any, which may be required. However, a preliminary estimate from the Company's environmental consultant suggested that additional contamination assessment and remediation costs for this site may reach approximately $1,400,000. Until the FDEP concludes that the contamination assessment investigation is complete, it is not possible to determine whether remediation is necessary and, if so, when and how much of such costs the Company will have to pay. A portion of the on-site impacts have been determined to be eligible for reimbursement from a state fund and the FDEP has determined that a portion of the work conducted off-site is eligible for reimbursement under state law.

Sanford Site The Company owns a parcel of property located in Sanford, Florida. Prior to the Company's acquisition of this property, it had been the site of a gasification plant The FDEP issued a Warning Notice to the Company which required the Company to conduct a contamination assessment investigation of the property. A preliminary investigation revealed that soil was impacted throughout the center of the property.

Thereafter, in cooperation with four former owners and operators of the gasification plant, the Company participated in the funding of an initial contamination assessment investigation, the results of which are set forth in a Contamination Assessment Report delivered to FDEP on February 4, 1994. On July 11, 1997, the EPA notified the Company of its potential liability under applicable federal laws for assessment and remediation of the site. Similar notices were sent by the EPA to the four former owners and operators of the site. On or about March 25, 1998, the Company and the four former owners and operators (collectively, the "Group") and the EPA executed an Administrative Order on Consent ("AOC") that obligates the Group to implement a Remedial Investigation/Feasibility Study ("RI/FS") task. The Group also entered into a Participation Agreement and an Escrow Agreement on or about April 13, 1998. These agreements govern the manner and means by which all parties will satisfy their respective obligations under the AOC On or about April 13, 1998, the Group also entered into services agreements (collectively, the "RI/FS Agreement") with two environmental consulting entities, to undertake RI/FS and associated risk assessment activities called for under the terms of the AOC The total combined budget for the consultants' services is presently approximately $637,850. The Company has agreed to pay approximately 13 7% of the cost for the RI/FS. Field work for the RI/FS was initiated in 1998. A final RI report was submitted to the EPA in July, 1999. Also submitted to EPA in July 1999, were a draft FS report and a draft Baseline Risk Assessment (BRA). In response to EPA comments to the BRA, a second draft BRA was submitted in October 1999 and a third draft BRA was submitted in January 2000. FDEP also issued comments to the draft FS report, responses to which were due to FDEP by the end of January 2000. Prior to the completion of the RI/FS field activities and approval by EPA of the complete RI/FS Report and BRA, the Company is unable to determine the appropriate remedy for the site or, what the Company's share of the cost of that remedy would be However, a preliminary estimate from the Group's environmental consultant suggested that remedial costs for removal of the visible extent of impacted soils at the site and adjacent thereto may cost up to $5,800,000. Recent allocation negotiations between members of the Group have resulted in a tentative allocation to the Company of approximately 10.5% of the soil removal costs. It is not known at this time whether groundwater remediation will be required at the property The Group's environmental consultant has proposed to complete a FS for groundwater for approximately $35,000. The Company's share of this cost is 13 7%

Insurance Claims and Rate Relief The Company notified its insurance carriers of environmental impacts detected at the former manufactured gas plant (MGP) sites discussed above. As a result of negotiations with the Company's major insurance carriers that concluded in 1997, such carriers agreed to pay settlement proceeds totaling approximately $4,300,000 for certain environmental costs. Most recently, in September 1999, certain British based insurers agreed to settle claims in the approximate total amount of $7,600. Since 1991, the FPSC has also allowed the Company to recover through rate relief environmental expenses of $2,116,000 at the rate of approximately $240,000 per year; such recovery will end in February 2001.

The company believes that all future contamination assessment and remedial costs, legal fees and other related costs will not be in excess of the rate relief granted the Company and insurance settlement proceeds received.

Dina Bellechases, Human Resources Assistant

Gia Araya, Residential Marketing Clerk; Lila Monds, Marketing Support Clerk

Commitments

To ensure a reliable supply of power and natural gas at competitive prices, the Company has entered into long-term purchase and transportation contracts with various suppliers and producers which expire at various dates through 2015. Purchase prices under these contracts are determined by formulas based on market prices or at fixed prices. At December 31, 1999, the Company has firm purchase and transportation commitments adequate to supply its expected future sales requirements. The Company is committed to pay demand or similar fixed charges of approximately $5,700,000 during 2000 related to these agreements. Substantially all costs incurred under these agreements are recoverable from customers through fuel adjustment clause mechanisms.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (FAS) 133, "Accounting for Derivative Instruments and Hedging Activities". FAS133 requires derivatives, as defined in the statement, to be measured at their fair value. The FASB deferred the effective date of FAS 133 until the first quarter of 2001 at which time certain issues will be clarified and the scope narrowed. Subject to that final determination, the Company does not believe that it will be subject to the revised FAS in a material fashion, if at all.

Quarterly Financial Data (Unaudited)

The quarterly financial data presented below reflects the influence of, among other things, seasonal weather conditions, the timing of rate increases and the migration of winter residents and tourists to central and southern Florida during the winter season (in thousands, except per share amounts).

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 19,507	$ 17,389	$ 18,467	$ 18,735
Operating margin	8,039	6,939	6,965	7,399
Operating profit	2,888	1,665	1,506	1,739
Net income	1,451	736[1]	550	792
Earnings per share	.48	.24[1]	.18	.27
1998				
Revenues	$ 20,712	$ 18,115	$ 18,644	$ 18,721
Operating margin	7,919	6,740	6,652	7,180
Operating profit	2,870	1,577	1,382	1,634
Net income	1,403	571	448	646
Earnings per share	.47	.19	.15	.21

[1] Includes a gain after income taxes from the sale of non-utility real property of $83,000, $0 03 per share

Independent Auditors' Report

To the Directors and Shareholders of Florida Public Utilities Company:

We have audited the accompanying consolidated balance sheets and statements of capitalization of Florida Public Utilities Company and its wholly owned subsidiary, Flo-Gas Corporation, as of December 31, 1999 and 1998, and the related consolidated statements of income, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. 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 generally accepted auditing standards. 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.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Florida Public Utilities Company and its wholly owned subsidiary, Flo-Gas Corporation, at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Certified Public Accountants
West Palm Beach, Florida
February 18, 2000

Directors, Executive Officers, Corporate Data

Directors

E. James Carr, Jr.
Retired Director of Industrial Service
Goodwill Industries, Inc.
West Palm Beach, FL

Franklin C. Cressman*
Retired Chairman of the Board
and Chief Executive Officer
Florida Public Utilities Company

Daniel Downey*
Law Firm Partner
Downey & Downey, P.A.
Palm Beach, FL

John T. English*
Florida Public Utilities Company

Richard C. Hitchins
President CPA Firm
Richard C. Hitchins & Co., P.A.
West Palm Beach, FL

Gordon O. Jerauld
Retired Senior Vice President
Florida Public Utilities Company

Paul L. Maddock, Jr.
President of Palamad Development Co.
West Palm Beach, FL

Rudy E. Schupp
Chairman and Chief Executive Officer of
Republic Security Bank
West Palm Beach, FL

*Member of Executive Committee

Executive Officers

John T. English
President, Chief Executive Officer
and Chief Operating Officer

Charles L. Stein
Senior Vice President

Darryl L. Troy
Vice President

Jack R. Brown
Treasurer and Secretary

Corporate Data

Annual Meeting
Tuesday, April 18, 2000,
11:00 A.M. at the Corporate Headquarters,
401 South Dixie Highway, West Palm Beach, FL

World-wide Web Address
www.fpuc.com

Common Stock
The Company's common stock is traded under
the symbol FPU on the American Stock Exchange

Independent Public Accountants
Deloitte & Touche LLP
West Palm Beach, FL

Registrar and Transfer Agent
American Stock Transfer & Trust Company

Address Shareholder Inquiries and
Certificates for Transfer and Address Changes To:
40 Wall Street
46th Floor
New York, NY 10005

Telephone Numbers:
(800) 937-5449
(718) 921-8200

E-Mail Address:
www.amstock.com

Dividend Reinvestment Plan
An automatic dividend reinvestment plan is available to all Florida Public Utilities Company common stockholders. The plan allows you to increase your investment in the Company by using your dividends to purchase additional shares without a commission or other expenses normally incurred when purchasing shares through a stock broker. In addition, optional payments of up to $2,000 quarterly can also be invested without such additional costs. The direct deposit of quarterly dividend checks is available to all shareholders upon completion of a direct deposit authorization agreement.

Information regarding the dividend reinvestment plan and the direct deposit of dividends can be obtained by writing, telephone or E-mailing the American Stock Transfer & Trust Company, or the Company, attention Jack Brown.

Form 10-K
A copy of the annual report on Form 10-K for the year ended December 31, 1999, as filed with the Securities and Exchange Commission, may be obtained without charge by writing or telephoning Jack Brown, Treasurer, Florida Public Utilities Company, P.O. Box 3395, West Palm Beach, FL 33402-3395, (561) 838-1729.

Design By: Florida's Competitive Edge

Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, Florida 33401
(561) 832-2461
www.fpuc.com

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-1055

FLORIDA PUBLIC UTILITIES COMPANY
(Exact name of registrant as specified in its charter)

Florida	59-0539080
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
401 South Dixie Highway, West Palm Beach, FL	33401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (561) 832-2461

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.50 per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K(Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price on March 10, 2000, was $39,702,564.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. At March 10, 2000, there were 2,810,901 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy statement for Annual Meeting of Stockholders, April 18, 2000. (Part III)

PART I

Item 1 Business

General

The Company was incorporated on April 29, 1925 under the 1925 Florida Corporation Law and is continuing its corporate existence pursuant to such law and its Certificate of Reincorporation, as amended. The Company is regulated by the Florida Public Service Commission (except for propane gas service)and provides natural and propane gas service, electric service and water service to consumers in Florida. The Company is comprised of the following four divisions and number of customers as of December 31, 1999:(1) West Palm Beach, located in southeast Florida, serves natural gas to 28,784 customers and propane gas to 5,405 customers; (2) Mid-Florida, consisting of the Sanford and DeLand districts, serves 9,622 natural gas customers and 2,856 propane customers; (3) Marianna, located in the Florida panhandle, provides electricity to 11,934 customers; and (4) Fernandina Beach, located in extreme northeast Florida, serves 12,956 electric customers and 6,665 water customers. The economies of West Palm Beach, Sanford, and DeLand rely somewhat on the migration of seasonal residents and tourists during the winter season. Agriculture and citrus processing, together with light industry, provide year-round stability. Marianna's economy is predominantly agricultural including peanuts, soy beans, corn, pork and beef. The area has many small industries. Fernandina's economy is centered around two large paper mills; ITT Rayonier, Inc. and Container Corporation of America. The beach area, Amelia Island, is noted for its fine beaches and resort amenities.

The population by counties, as estimated by the University of Florida's Bureau of Economic and Business Research, in which the service areas are located, as of April 1, 1999, is as follows:

West Palm Beach	(Palm Beach County)	1,042,000
Sanford	(Seminole County)	354,000
DeLand	(Volusia County)	427,000
Marianna	(Jackson, Calhoun & Liberty Counties)	72,000
Fernandina Beach	(Nassau County)	57,000

In Fernandina Beach, two large paper mills accounted for 16.7% of total 1999 electric division operating revenues and 8.5% of the Company's total operating revenues. However, such mills accounted for 5.8% of total 1999 electric division operating margin and 2.0% of the Company's total operating margin.

Sources of Gas and Electricity

Natural Gas

The Company receives its total supply of natural gas at eleven City Gate Stations connected to Florida Gas Transmission Company's (FGT) pipeline system. The Company has the adequate redundancy of gate stations in each distribution system to assure high levels of continuous service to our customers.

FGT is the sole natural gas pipeline serving peninsular Florida and is under the jurisdiction of the Federal Energy Regulatory Commission (FERC). The Company uses FGT solely as a carrier of natural gas. All gas supplies for the Company's traditional sales markets are independently procured by the Company using gas marketers and producers. The Company's transportation customers are responsible for obtaining their own gas supplies and arranging for pipeline transportation.

The Company has continued to be in full compliance with the Gas Industry Standards Board's (GISB) standards. The GISB was formed to develop a uniform nationwide network of natural gas producers, marketers, gathering systems, pipelines, distribution companies and customers. The GISB's standards places all participants on the same time schedules for procurement, capacity transactions, invoicing, etc. It caused the network to be fully available twenty-four hours per day, 365 days per year.

Over the last nine years, the Company has gained vast experience directly contracting for gas supplies with marketers and producers while contracting for transportation services from FGT. This experience appropriately postures the Company to be most effective in operating within an unbundled industry environment. The Company lowered its fuel cost substantially by directly purchasing gas supplies from sources other than FGT. All fuel costs and associated savings are passed along to our traditional sales customers. Additionally, the Company has actively reduced demand charges it pays for the pipeline capacity by "subletting" unused capacity, for short terms, to other shippers on FGT's system. The Company continues to be one of Florida's lowest cost suppliers of natural gas.

The Company continued its activity in Off-System Sales since receiving approval for the appropriate tariff from the Florida Public Service Commission (FPSC). Off-System Sales allow the Company to broaden its market to include any customer within the state of Florida who currently uses natural gas. Since inception, Off-Systems Sales have been transacted between the Company and national marketers, electric generators, other gas distributors and agricultural firms, to name a few. The tariff permits for profit sharing between the Company and its customers. The Company will employ every future potential opportunity to keep its total cost of gas as low as possible.

During 1999, the Company completed the process of upgrading its Systems Control and Data Acquisitions (SCADA) system software. The upgrade will assist in the management of transportation customers. This system effectively allows the Company to closely monitor such customers to maximize sales and avoid high pipeline penalties.

The Company has been an active participant in the FPSC unbundling docket. This docket focuses on the potential for unbundling natural gas services of distribution companies regulated by the FPSC, including the Company. During 1999, the FPSC conducted agenda hearings and workshops to determine if the FPSC would require local distribution companies to offer transportation services to all commercial customers. This year, the FPSC is expected to issue an order that will allow any commercial natural gas customer to choose their supplier. Some of our commercial natural gas customers may elect to choose a different supplier, however, the Company's operating results would not be affected as the Company realizes the same operating margin regardless of whether the customer purchases the gas from the Company or uses our system to transport the gas.

Electricity
The Company purchases most of its electrical power supply requirements at wholesale rates from two nearby generating utilities. Less than 1% of the Company's power supply is purchased on an "as available" basis from a self-generating paper mill.

Deregulation of the wholesale power market has enabled the Company to negotiate long term power supply agreements which reduced our cost of purchased power. Cost savings from these lower power supply costs are passed on to our customers. The Company's residential and commercial electric rates are lower than most of Florida's other electric utilities.

During 1996, the Company executed a power supply agreement with Gulf Power Company to supply electric power for the Marianna Division. It is an eleven-year agreement which became effective January 1, 1997.

The Jacksonville Electric Authority executed a new power supply agreement with the Company which commenced on January 1, 1996. The contract has a seven-year primary term and provides for substantial cost reductions.

The following table sets forth the revenues, operating profit and identifiable assets of each of the Company's business segments. (See "Segment Information" in the Notes to Financial Statements.)

	1999	1998 (in thousands)	1997
Revenues			
Natural gas	$30,287	$29,734	$33,475
Electric	37,544	40,254	38,683
Water	2,401	2,161	1,911
Propane gas	3,866	4,043	4,065
Operating profit (loss)			
Natural gas	3,493	3,444	3,288
Electric	3,173	3,213	3,065
Water	739	599	468
Propane gas	393	207	(17)
Identifiable assets			
Natural gas	38,355	36,870	35,227
Electric	35,384	34,605	34,021
Water	7,199	5,941	5,270
Propane gas	4,999	5,134	5,877

Regulation
The Florida Public Service Commission, pursuant to State Statutes, has authority encompassing natural gas, electric and water rates, conditions of service, the issuance of securities and certain other matters affecting the operations of the Company.

Franchises
The Company holds franchises in each of the incorporated municipalities where natural gas, electric and water operations take place. These franchises generally have terms from 15 to 30 years and terminate at various dates.

Employees
On December 31, 1999 the Company had 301 employees, of whom 84 were covered under union contracts with two labor unions, the International Brotherhood of Electrical Workers and the International Chemical Workers Union. The Company does not engage in research activities.

Competition
Generally, in municipalities and other areas where the Company provides natural gas, electric and water services, no other utility directly renders such service.

Item 2. Properties

The Company's properties consist primarily of distribution systems and related facilities. At December 31, 1999 the Company owned 22 miles of electric transmission lines and 1,036 miles of electric distribution lines. The gas properties distribute gas through 1,188 miles of gas main. The water property consists of deep wells, pumping equipment, water treatment facilities and a distribution system. The propane gas systems operated by the Company's subsidiary have bulk storage facilities and tank installations on the customers' premises.

Certain properties of the Company and the shares of Flo-Gas Corporation, a wholly-owned subsidiary, are subject to a lien collateralizing the funded indebtedness of the Company under its Mortgage Indenture.

Item 3. Legal Proceedings

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The high and low closing quotations of the Registrant's Common Stock for each quarter of the last two fiscal years is included under the caption, "Quarterly Stock Prices and Dividends Paid" in the Registrant's 1999 Annual Report to Shareholders. Such shares are traded on the American Stock Exchange under the symbol FPU.

At March 10, 2000, there were 1,024 holders of record of the Registrant's Common Stock.

The quarterly cash dividends paid on the Registrant's Common Stock for the last two years is included under the caption "Quarterly Stock Prices and Dividends Paid" in the Registrant's 1999 Annual Report to Shareholders.

See "Capitalization, Dividend Restriction" in the Notes to Consolidated Financial Statements for information concerning restriction on the payment of cash dividends.

Item 6. Selected Financial Data

The information required by this item is included under the caption "Selected Financial Data" in the Registrant's 1999 Annual Report to Shareholders.

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition

The information required by this item is included under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" in the Registrant's 1999 Annual Report to Shareholders.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The long-term debt due in 2018 can be retired beginning in 2013 with a premium that is not interest rate sensitive that decreases until maturity and the long-term debt due in 2022 cannot be retired early. Investments held in escrow for environmental costs are invested in fixed income debt securities at an average yield of 6.4% whose carrying amounts approximate fair value. The investments mature from 2000 to 2004 and are held to maturity. Therefore, such long-term debt and investments are not subject to changes in interest rates.

Item 8. Financial Statements and Supplementary Data

The information required by this item is included on pages 21 through 32 of the Registrant's 1999 Annual Report to Shareholders.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information concerning directors and nominees of the Registrant is included under the caption "Nominees and Continuing Directors" in the Registrant's Proxy Statement for the 2000 Annual Meeting of Shareholders and is incorporated by reference herein.

The following table sets forth certain information about the executive officers of the Registrant as of March 10, 2000.

Name	Age	Position	Date
John T. English	56	Chief Executive Officer	1998 - Present
		President	1997 - Present
		Chief Operating Officer	1997 - Present
Charles L. Stein	50	Senior Vice President	1997 - Present
Darryl L. Troy	58	Vice President	1993 - Present
Jack R. Brown	65	Corporate Secretary	1995 - Present
		Treasurer	1988 - Present

Mr. English was Senior Vice President from 1993 preceding his appointment as President and Chief Operating Officer.

Mr. Stein was Vice President from 1993 preceding his appointment as Senior Vice President.

There are no family relationships between the executive officers.

All executive officers are elected for a one year term.

Item 11. Executive Compensation

Information concerning executive compensation is included under the caption "Executive Compensation" in the Registrant's Proxy Statement and is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information concerning the security ownership of certain of the Registrant's beneficial owners and management is included under the captions "Security Ownership of Certain Beneficial Owners" and "Nominees and Continuing Directors" in the Registrant's Proxy Statement and is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions

Information concerning certain relationships and related transactions is included under the caption "Transactions with Management" in the Registrant's Proxy Statement and is incorporated by reference herein.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

The following consolidated financial statements of Florida Public Utilities Company are included herein and in the Registrant's 1999 Annual Report to Shareholders.

Consolidated Statements of Income
Consolidated Balance Sheets
Consolidated Statements of Capitalization
Consolidated Statements of Common Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Independent Auditors' Report

2. Financial Statement Schedules

All schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements and related notes thereto.

3. Exhibits

Not included herein.

(b) Reports on Form 8-K.

Form 8-K, Item 5. Other Events was reported on and filed on November 16, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLORIDA PUBLIC UTILITIES COMPANY

By /s/ Jack R. Brown Date: March 21, 2000
Jack R. Brown, Treasurer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ John T. English Date: March 21, 2000
John T. English
President, Chief Executive Officer, Chief Operating Officer and Director

/s/ Franklin C. Cressman Date: March 21, 2000
Franklin C. Cressman
Director

/s/ E. James Carr, Jr. Date: March 21, 2000
E. James Carr, Jr.
Director

/s/ Daniel Downey Date: March 21, 2000
Daniel Downey
Director

/s/ Richard C. Hitchins Date: March 21, 2000
Richard C. Hitchins
Director

/s/ Gordon O. Jerauld Date: March 21, 2000
Gordon O. Jerauld
Director

/s/ Paul L. Maddock, Jr. Date: March 21, 2000
Paul L. Maddock, Jr.
Director

/s/ Rudy E. Schupp Date: March 21, 2000
Rudy E. Schupp
Director

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2000**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number **0-1055**

FLORIDA PUBLIC UTILITIES COMPANY
(Exact name of registrant as specified in its charter)

Florida	**59-0539080**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
401 South Dixie Highway, West Palm Beach, FL	**33401**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **(561) 832-2461**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes **x** No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. **At October 31, 2000 there were 2,827,805 shares of $1.50 par value common shares outstanding.**

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

	September 30, 2000	December 31, 1999
ASSETS		
Utility Plant	$129,893	$123,898
Less accumulated depreciation	47,796	45,626
Net utility plant	82,097	78,272
Current Assets		
Cash	99	165
Accounts receivable	8,461	8,026
Inventories and prepayments	3,121	2,787
Total	11,681	10,978
Investments Held in Escrow for Environmental Costs	2,877	2,877
Deferred Charges	5,745	4,416
Total	$102,400	$ 96,543
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$ 27,117	$ 25,866
Preferred stock	600	600
Long-term debt	23,500	23,500
Total	51,217	49,966
Current Liabilities		
Notes payable	13,800	13,000
Accounts payable	6,975	5,481
Other	8,163	6,160
Customer deposits	4,226	3,994
Total	33,164	28,635
Deferred Credits	9,594	9,224
Deferred Income Taxes and Regulatory Liability	8,425	8,718
Total	$102,400	$ 96,543

See accompanying notes.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenues				
Natural gas	$ 7,553	$ 6,112	$26,069	$21,741
Electric	11,083	10,957	29,795	28,889
Propane gas	783	731	3,220	2,890
Water	763	667	2,105	1,843
Total revenues	20,182	18,467	61,189	55,363
Cost of Fuel and Taxes Based on Revenues	12,959	11,502	38,044	33,420
Operating Margin	7,223	6,965	23,145	21,943
Operating Expenses				
Operations	4,576	4,347	13,639	12,499
Depreciation	1,162	1,112	3,503	3,385
Income taxes	198	259	1,208	1,362
Total operating expenses	5,936	5,718	18,350	17,246
Operating Income	1,287	1,247	4,795	4,697
Interest Expense	(885)	(733)	(2,566)	(2,187)
Other Income	78	36	203	145
Gain from Sale of Non-Utility Property	--	--	--	134
Income Taxes on Above Gain	--	--	--	(51)
Net Income	480	550	2,432	2,738
Preferred Stock Dividends	7	7	21	21
Earnings For Common Stock	$ 473	$ 543	$ 2,411	$ 2,717
Earnings Per Common Share	$ .17	$ .18	$ .86	$ .90
Dividends Per Common Share	$ .18	$ .17	$ .52	$ .49
Weighted Average Common Shares Outstanding	2,824,431	3,018,191	2,816,744	3,011,619

See accompanying notes.

FLORIDA PUBLIC UTILITIES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Net Cash Provided by Operating Activities	$ 7,456	$ 7,632
Cash Flows from Investing Activities		
Construction expenditures	(7,284)	(6,740)
Proceeds from sale of non-utility property	--	154
Other	110	250
Net cash used by investing activities	(7,174)	(6,336)
Cash Flows from Financing Activities		
Net change in short-term borrowings	800	200
Dividends paid	(1,482)	(1,494)
Other	334	282
Net cash used by financing activities	(348)	(1,012)
Net Increase/(Decrease) in Cash	(66)	284
Cash at Beginning of Period	165	564
Cash at End of Period	$ 99	$ 848

See accompanying notes.

FLORIDA PUBLIC UTILITIES COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

1. In the opinion of the Company, the accompanying condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial information contained therein. The results of operations are not necessarily indicative of the results expected for the full year.

2. The First Mortgage Bond Indentures provide for restrictions on the payment of cash dividends. At September 30, 2000 under the most restrictive provision, approximately $4,900,000 of retained earnings were unrestricted.

3. In May 1999, the Company sold non-utility, unimproved real property for a gain after income taxes of $83,000, equal to $0.03 per share.

4. Segment information is summarized as follows:

Nine months ended September 30,	Regulated Gas	Regulated Electric	Regulated Water	Non-Regulated Propane Gas	Consolidated
2000					
Revenues	$26,069	$29,795	$2,105	$3,220	$61,189
Operating profit	2,635	2,464	733	171	6,003
1999					
Revenues	21,741	28,889	1,843	2,890	55,363
Operating profit	2,521	2,532	632	374	6,059
Three Months ended September 30,					
2000					
Revenues	7,553	11,083	763	783	20,182
Operating profit	271	990	297	(73)	1,485
1999					
Revenues	6,112	10,957	667	731	18,467
Operating profit	246	1,012	253	(6)	1,505

Notes:

1. Operating profit consists of revenues less operating expenses and does not include interest, income taxes, and other income.

2. Total assets have not changed materially from December 31, 1999.

FLORIDA PUBLIC UTILITIES COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition. The Company has a $20,000,000 line of credit with its primary bank of which $13,800,000 is outstanding at September 30, 2000. The line provides for interest at LIBOR plus fifty basis points. The Company has agreed with the Florida Public Service Commission to borrow up to $19,000,000 for general corporate purposes with the remaining $1,000,000 reserved as a contingency for major storm repairs in the Marianna electric division.

Overview. The Company is organized into three regulated business segments, natural gas, electric and water and a non-regulated operation, propane gas. The water operations are not significant, approximating 3% of revenues.

Contributing to variations in operating margins are the effects of seasonal weather conditions, the timing of rate increases and the migration of winter residents and tourists to Florida during the winter season.

Summary of Operating Margins
(in thousands)

	Nine Months Ended September 30,	
	2000	1999
Natural Gas	$11,314	$10,620
Propane gas	2,016	2,036
Electric	7,804	7,525

	Three Months Ended September 30,	
	2000	1999
Natural Gas	$ 3,137	$ 3,049
Propane gas	524	543
Electric	2,834	2,736

Operating Margin. Operating margin, defined as gross operating revenues less fuel costs and taxes based on revenues, which are passed-through to customers, provides a more meaningful basis for evaluating utility operations. Fuel costs and taxes passed-through to customers have no effect on results of operations and fluctuations in such costs distort the relationship of gross operating revenues and operating margin (net revenues retained by the Company for operating purposes).

Nine Months Ended September 30, 2000 Compared With Nine Months Ended September 30, 1999

Natural and Propane Gas Service. Natural gas service operating margin increased $694,000 in 2000 as compared with 1999. Transportation revenues accounted for $383,000 of the increase as certain customers are opting to purchase their own gas and use our system to transport the gas to their location. The remaining $311,000 increase in operating margin was due principally to an approximate 4% increase in average customers as compared with 1999. Consumption did not increase in proportion to the increase in customers as per customer average consumption decreased by a similar percentage due to winter weather warmer than normal in 2000. Propane gas operating margin decreased $20,000 as compared with 1999. Average customers decreased 6% from 1999 to 2000, most of whom were converted to our Mid-Florida natural gas system. The effect of the reduction in average customers was offset by an increase in per customer average consumption and greater margins.

Electric Service. Electric service operating margin increased $279,000 as compared with 1999. As compared with last year, average customers increased approximately 3% which was the major factor contributing to the operating margin increase.

Operating Expenses. In 2000, operating expenses increased $1,258,000, or 8%, excluding cost of fuel and taxes passed-through to customers. Other than the general increases in all classifications of expense, there were increases in gas line locating expenses, expenses related to increasing the gas pressure in our mains and services, expenses attributable to the implementation of a new customer information system, and start-up expenses attributable to our propane gas service in Fernandina Beach, which commenced October 1, 2000. Additional marketing staff and customer service costs, including postage, also contributed to increased expenses.

Income taxes were provided for at approximately the same rate in both nine-month periods and are reduced by amortization of deferred investment tax credits.

Interest expense increased 17% in 2000 versus 1999 due to an increase in amounts borrowed under the line of credit and interest rate increases.

Three Months Ended September 30, 2000 Compared with Three Months Ended September 30, 1999

Natural and Propane Gas Service. Natural gas service operating margin increased $88,000 in 2000 as compared with 1999. Transportation revenues accounted for $57,000 of the increase as certain customers are opting to purchase their own gas and use our system to transport the gas to their location. The remaining $31,000 increase in operating margin was due principally to an approximate 4% increase in average customers as compared with the third quarter last year. Propane gas operating margin decreased $19,000 as compared with 1999 due primarily to a reduction of 5% in average customers in the Mid-Florida division, most of whom were converted to our natural gas system.

Electric Service. Electric service operating margin increased $98,000 as compared with 1999. As compared with the third quarter last year, average customers increased approximately 3%, which caused operating margin per customer to increase slightly.

Operating Expenses. In 2000, operating expenses increased $279,000, or 5%, excluding cost of fuel and taxes passed-through to customers. Other than the general increases in all classifications of expense, there were increases in gas line locating expenses, expenses related to increasing the gas pressure in our mains and services, expenses attributable to the implementation of a new customer information system, and start-up expenses attributable to our propane gas service in Fernandina Beach, which commenced October 1, 2000. Additional marketing staff and customer service costs, including postage, also contributed to increased expenses.

Income taxes were provided for at approximately the same rate in both three-month periods and are reduced by amortization of deferred investment tax credits.

Interest expense increased 21% in 2000 versus 1999. See interest expense in the nine months discussion above.

PART II.

OTHER INFORMATION

Item 6. Exhibits and reports on Form 8-K.

(a) Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K:
There were no reports on Form 8-K filed for the quarter ending September 30, 2000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLORIDA PUBLIC UTILITIES COMPANY
(Registrant)

By /s/ Jack R. Brown
Jack R. Brown
Treasurer
(DULY AUTHORIZED OFFICER
AND
CHIEF FINANCIAL OFFICER)

Date: November 3, 2000

EXHIBIT B

Florida Public Utilities Company
2001 Sources and Uses of Funds Forecast
(In Thousands)

Significant cash flow items (Note 1)	2001
Total Operating Income	83,250
Deductions	
Operating & Maintenance	63,289
Taxes	7,574
Interest	3,772
Dividends Paid	2,120
Other	48
Total Deductions	76,803
Balance	6,447
Construction expenditures (Note 2):	14,859
Cash Refund/(Contributions)	347
Contingency Requirements	10,000
Balance	(18,759)
Repayment of Short Term Borrowing	(25,000)
Proceeds from Short Term Borrowing	8,500
Requested Financing	35,000
Balance	(259)
Beginning Cash	492
Ending Cash	233

Florida Public Utilities Company
2001 Construction Budget for Gross Property Additions
(In Thousands)

Construction expenditures (Note 2):	
Construction Requirements	8,889
AEP Construction	584
Lake Worth Generation Project	5,386
Total Construction Expenditures	14,859

Notes

1) Projected amounts do not include any effect of potential changes in retail base rates or other regulated activities which could cause the projections to change.

2) Excludes AFUDC. All of the estimated construction expenditures are subject to continuing review and adjustment. Actual construction expenditures may vary from these estimates due to factors such as; changes in customers, energy sales, business and economic conditions, construction and design requirements, fuel supply and costs, availability of labor, supplies and materials, regulatory treatment, environmental and conservation requirements, and existing and proposed legislation. FPUC is keeping its construction program as flexible as possible with the intention of accommodating those factors that may develop or change.

EXHIBIT C

Florida Public Utilities Company
Statement of Capital Stock and Debt
September 30, 2000

Preferred Stock without Sinking Fund Requirements:

Dividend Rate	Series	Issue Date	Shares Authorized and Outstanding	Amount Authorized and Outstanding
4.75%		1959	6,000	$600,000

Other:

Description	Par Value	Issue Date	Shares		Outstanding Amounts
			Authorized	Outstanding	
Common Stock	$1.50	1947, 1987 & 1998	3,500,000	2,824,431	$14,444,706.00
Treasury Stock	$1.50			396,867	$ (5,449,397.00)
Affiliated Corporations: Flo-Gas Shares				0	0
Total					$8,995,309.00

Florida Public Utilities Company
Statement of Capital Stock and Debt
September 30, 2000

First Mortgage Bonds:

Series	Issue Date	Maturity	Principal Outstanding
9.57%	5/1/1988	5/1/2018	$10,000,000
10.03%	5/1/1988	5/1/2018	$5,500,000
9.08%	6/1/1992	6/1/2022	$8,000,000
		Total	$23,500,000

Unsecured Short Term Debt:

	Current Interest Rate	Balance
December 31, 1999	6.50%	$13,000,000
September 30, 2000	7.12%	$13,800,000

Other:

Amount Pledged by Applicant:	0
Amount Held in any Fund:	0