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TALLAHASSEE, FLORIDA 32302-1876  
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INTERNET: www.lawfla.com

COMMISSION  
CLERK

October 29, 2001

**BY HAND DELIVERY**

Ms. Blanca Bayó, Director  
Division of Records and Reporting  
Room 110, Easley Building  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

*D11398-GU*

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Public Utilities Company are an original unbound and five bound copies of Florida Public Utilities Company's Application for Authority to Issue and Sell Securities. A separate copy of the filing has been sent to the Office of Public Counsel.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,

*Norman H. Horton, Jr.*  
Norman H. Horton, Jr.

NHH/amb  
Enclosures  
cc: Ms. Cheryl Martin

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DOCUMENT NUMBER DATE

13664 OCT 29 01

FPSC-COMMISSION CLERK

**Docket No.**

**Florida Public Service Commission  
Tallahassee, Florida**

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**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:**

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

**Cheryl M. Martin, Manager of Corporate Accounting  
Florida Public Utilities Company  
PO Box 3395  
West Palm Beach, Florida 33402-3395  
(561) 838-1725**

**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 October 22, 2001**

DOCUMENT NUMBER-DATE

13664 OCT 29 2001

FPSC-COMMISSION CLERK

**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**

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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

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

Cheryl M. Martin, Manager of Corporate Accounting  
Florida Public Utilities Company  
PO Box 3395  
West Palm Beach, Florida 33402-3395  
(561) 838-1725

Norman H. Horton, Jr.  
Messer, Caparello & Self  
215 South Monroe Street, Suite 701  
PO Box 1876  
Tallahassee, Florida 32302-1876  
(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 – June 30, 2001".

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 \$75,000,000 during the calendar year 2002.

The long-term debt securities may include first mortgage bonds, private activity 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 debt is 5.00 %.

Authority to issue up to \$ 50,000,000 of short-term notes will give the Company financial flexibility with respect to future permanent financing. At the June 30, 2001 the short-term notes interest rate was 4.46 %.

The equity securities would be common stock issued at Fair Market Value less any issuance costs. The expected dividend rate would be \$ .76 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 or acquisitions expenditures, and to repay short-term notes. 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 be completed in 2002. 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 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 2002 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 \$ 50,000,000.

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 \$ 50,000,000 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, 2000 and Form 10-Q for the six months ended June 30, 2001. \*

Exhibit B - Sources and Uses of Funds Forecast and Construction Budget for Gross Property Additions for calendar year 2002.

Exhibit C - Statement of Capital Stock and Debt as of June 30, 2001.

\*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, 2000 and Form 10-Q for the six months ended June 30, 2001 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 22nd day of October 2001.

Florida Public Utilities Company

By: *George Bachman*  
George Bachman  
CFO and Treasurer  
401 South Dixie Highway  
West Palm Beach, Florida 33401

On this 22nd day of October, 2001, George Bachman, personally known to me, appeared before me.

*Bonnie L. Erdek*  
Signature

Notary - Commission Expires April 4, 2003

Bonnie L. Erdek

Seal:



# **EXHIBIT A**

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

(Mark One)

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

For the quarterly period ended June 30, 2001

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 (I.R.S. Employer Identification No.)  
incorporation or organization)

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  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  N/A

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 July 31, 2001  
there were 2,851,061 shares of \$1.50 par value common shares outstanding.

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

	June 30, 2001	December 31, 2000
<b>ASSETS</b>		
Utility Plant	\$139,074	\$132,903
Less accumulated depreciation	50,511	48,703
Net utility plant	88,563	84,200
Current Assets		
Cash	32	66
Accounts receivable	9,052	11,401
Allowance for uncollectible accounts	(118)	(162)
Inventories	2,761	2,884
Prepayments and deferrals	175	452
Underrecovery of fuel and conservation	102	903
Total	12,004	15,544
Investments Held in Escrow for		
Environmental Costs	2,879	2,876
Deferred Charges	6,470	5,968
Total	\$ 109,916	\$ 108,588
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization		
Common shareholders' equity	\$ 28,653	\$ 27,510
Preferred stock	600	600
Long-term debt	23,500	23,500
Total	52,753	51,610
Current Liabilities		
Notes payable	21,735	17,900
Accounts payable	5,231	10,337
Insurance accrued	2,386	2,389
Interest accrued	331	625
Other	4,519	2,577
Customer deposits	4,084	4,192
Total	38,286	38,020
Deferred Credits	9,261	8,893
Deferred Income Taxes and		
Regulatory Liability	9,616	10,065
Total	\$ 109,916	\$ 108,588

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues				
Electric	\$ 9,464	\$ 9,455	\$ 19,376	\$ 18,713
Natural gas	10,946	8,292	29,766	18,516
Propane gas	1,275	1,005	3,022	2,437
Water	812	787	1,432	1,341
Total revenues	22,497	19,539	53,596	41,007
Pass-through expenditures including cost of fuel	14,634	12,238	36,563	25,085
Gross Profit	7,863	7,301	17,033	15,922
Operating Expenses				
Operations	4,580	3,975	8,792	7,896
Depreciation	1,132	1,169	2,405	2,341
Taxes other than income taxes	607	567	1,269	1,167
Income taxes	226	249	1,011	1,010
Total operating expenses	6,545	5,960	13,477	12,414
Operating Income	1,318	1,341	3,556	3,508
Interest Expense	(863)	(851)	(1,716)	(1,681)
Other - Net	25	49	143	125
Net Income	480	539	1,983	1,952
Preferred Stock Dividends	7	7	14	14
Earnings for Common Stock	\$ 473	\$ 532	\$ 1,969	\$ 1,938
Earnings Per Common Share	\$ .17	\$ .19	\$ .69	\$ .69
Dividends Per Common Share	\$ .18	\$ .17	\$ .36	\$ .34
Average Shares Outstanding	2,841,669	2,815,001	2,839,233	2,812,901

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2001	2000
Net Cash Flow provided by Operating Activities	\$ 3,370	\$ 3,915
Cash Flows from Investing Activities		
Construction expenditures	(6,719)	(4,192)
Other	303	(24)
Net cash used in investing activities	(6,416)	(4,216)
Cash Flows from Financing Activities		
Net change in short-term borrowings	3,835	1,000
Dividends paid	(1,034)	(968)
Other	211	203
Net cash provided by financing activities	3,012	235
Net change in cash	(34)	(66)
Cash at beginning of period	66	165
Cash at end of period	\$ 32	\$ 99

See notes to condensed consolidated financial statements.

FLORIDA PUBLIC UTILITIES COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2001

1. In the opinion of the Company the accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. All adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. The operating results for the period are not necessarily indicative of the results that may be expected for the full year. For further information refer to the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

2. The First Mortgage Bond Indentures provide for restrictions on the payment of cash dividends. At June 30, 2001, under the most restrictive provision, approximately \$6,200,000 of retained earnings were unrestricted.

3. Segment information is summarized as follows (in thousands):

Three months ended:

June 30, 2001	Gas	Regulated Electric	Water	Non-Regulated Propane Gas	Consolidated
Revenues	\$10,946	\$9,464	\$ 812	\$1,275	\$22,497
Operating Income	527	540	184	67	1,318

June 30, 2000

Revenues	8,292	9,455	787	1,005	19,539
Operating Income	529	565	224	23	1,341

Six months ended:

June 30, 2001	Gas	Regulated Electric	Water	Non-Regulated Propane Gas	Consolidated
Revenues	\$29,766	\$19,376	\$ 1,432	\$3,022	\$53,596
Operating Income	1,795	1,234	300	227	3,556

June 30, 2000

Revenues	18,516	18,713	1,341	2,437	41,007
Operating Income	1,794	1,218	323	173	3,508

Notes:

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

2. Total assets have not changed materially from December 31, 2000.

#### 4. Recent Accounting Pronouncements

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The effects of applying SFAS Nos. 133 and 138 through June 30, 2001 were not material to the Company's financial statements.

In June 2001, the Financial Accounting Standards Board ("FASB") reached conclusions on several derivative accounting issues related to the utility industry, which became effective July 1, 2001. Management believes that any effect will be limited to the balance sheet, without any material effect to the income statement.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method of accounting. SFAS No. 142 specifies that, among other things, intangible assets with an indefinite useful life and goodwill will no longer be amortized. The standard requires goodwill to be periodically tested for

impairment and written down to fair value if considered impaired. The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001, and are effective for interim periods in the initial year of adoption. The effects of adopting SFAS Nos. 141 and 142 are not currently material to the Company's financial statements, although future acquisitions would be effected by these statements.

#### 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 \$ 16,735,000 is outstanding, and a short-term note of \$5,000,000 of which \$2,500,000 is due July 31, 2001 and \$2,500,000 due September 30, 2001. The line and note provides for interest at LIBOR plus fifty basis points. The Company is approved by the Florida Public Service Commission to borrow up to \$25,000,000 on a line of credit basis, \$24,000,000 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.

Florida Public Utilities Company (FPUC) filed an application on December 12, 2000, seeking Commission approval pursuant to Section 366.04, Florida Statutes <[www.leg.state.fl.us/statutes](http://www.leg.state.fl.us/statutes)> and Chapter 25-8, Florida Administrative Code, to issue and sell and/or exchange any combination of long-term debt, short-term notes and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety during calendar year 2001. FPUC filed an amendment to its original application on January 19, 2001, which increased the dollar amount of its authority to \$60 million in long-term debt, short-term notes and equity securities, or any combination thereof. Notice of FPUC's application was given in the Florida Administrative Weekly on February 9, 2001. The Company received approval from the Florida Public Service Commission to issue a total aggregate debt amount not to exceed \$60 million on March 14, 2001. On April 17, 2001, stockholders approved an amendment to the Company's Certificate of Reincorporation to increase the authorized shares of Common Stock from 3,500,000 to 6,000,000 shares.

The Company initiated the registration process for issuing insured quarterly notes for sale to the public, in \$5,000 increments, for a total amount not to exceed \$15,000,000. The Company expects the sale to take place in September or October 2001.

Overview. The Company is organized into three regulated operations: natural gas, electric and water, and a non-regulated operation, propane gas. The water operations are not significant, approximating 3% of 2001 revenues. Contributing to variations in gross profits 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.



## Results of Operations.

Summary of Gross Profit: (in thousands)	Quarter Ended June 30,	
	2001	2000
Natural Gas	\$ 3,649	\$ 3,490
Propane Gas	\$ 726	\$ 620
Electric	\$ 2,709	\$ 2,438
	Year to Date June 30,	
	2001	2000
Natural Gas	\$ 8,560	\$ 8,177
Propane Gas	\$ 1,647	\$ 1,492
Electric	\$ 5,454	\$ 4,970

Gross Profit. Gross Profit, defined as gross operating revenues less fuel costs, conservation costs, and taxes based on revenues that are passed through to customers, provides a more meaningful basis for evaluating utility operations. Fuel and conservation costs along with 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 gross profit (net revenues retained by the Company for operating purposes).

Three Months Ended June 30, 2001 Compared  
with Three Months Ended June 30, 2000

Natural and Propane Gas Service. Natural gas service gross profit increased \$159,000. The gross profit increased primarily due to increases in customers and total therm sales, along with \$60,000 in newly assessed late fees in 2001. The natural gas segment of the Company experienced an increase in sales of over 21,000 therms, and a 3% increase in customers over the same quarter in 2000. Propane also experienced an increase in unit sales and customers from the same quarter last year and \$10,000 in late fees in 2001.

Electric Service. Electric service gross profit increased \$271,000, KWH consumption decreased 6% and customer growth was relatively flat. Last year there was a reduction to revenue of \$172,000 to reserve for estimated over-earnings. The Company began charging late fees from customers in 2001 that approximated \$35,000 for electric customers during the quarter.

Other - Net. Income from merchandise and services decreased over \$20,000. The gas division's conservation program contributed to merchandise sales increases by offering rebates to customers on merchandise purchases.

Operating Expenses. Operating expenses in 2001 increased by \$608,000, or 10%, excluding cost of fuel and conservation expenses, taxes passed on to customers, and income taxes. In 2001 the Company added to its labor force resulting in additional payroll expense of \$350,000 and other labor related expenses. Excluding labor increases, maintenance expenses increased \$135,000 and operation expenses were up \$114,000.

The added payroll is supporting growth, a new customer information and billing system, a start up operation for the new Fernandina propane division, new conservation programs, a duplication in the quarter of a Human Resource Manager, two safety directors, the change of all vehicle maintenance to in-house, and new positions in the water department as required by

regulation and growth. The water positions and related expenditures will be recovered in future revenue, as they were included in the recent rate cases approved by the Florida Public Service Commission. Conservation expenses including payroll are recovered in revenue. The safety directors should assist in lowering workman's compensation insurance costs and lost time. The start up propane operation is expected to generate adequate revenue to cover operating costs within two years. Performing vehicle maintenance in-house should produce savings in the future.

Maintenance increases were due to additional tree trimming in the electric divisions, substation maintenance work, and unexpected weather related outages. It is expected that tree trimming expenses will be reduced during the remainder of the year. Operation expenses were up due to a more sophisticated and outsourced billing system, selling expenses in the natural gas area due to expanding marketing efforts, and temporary assistance required by a new customer information system and customer inquiries regarding higher fuel costs and a new bill format.

Six Months Ended June 30, 2001 Compared  
with Six Months Ended June 30, 2000

Natural and Propane Gas Service. Natural gas service gross profit increased \$383 with transportation revenues accounting for \$8,000 of the increase as additional customers are opting to purchase their own gas and use our system to transport the gas to their location. The remaining \$375,000 increase in gross profit was due principally to a 4% increase in average customers and over a 3% increase in consumption, excluding transportation and off-system sales, resulting from customer growth and colder weather in January and March of 2001. Late fees began in 2001 and amounted to over \$80,000.

Propane gas gross profit increased \$155,000. The Fernandina start up operation generated \$52,000 of the increase with cold weather in January and March contributing to the remaining increase, in addition to new late fees in 2001 of over \$12,000.

Electric Service. Electric service gross profit increased \$484,000. Average customers increased over 2% with consumption about the same level. Consumption increased for the year, excluding General Service Large Volume customers, over 5%, which was a major contributing factor to the gross profit increase. Also, last year \$172,000 was reserved for overearnings reducing gross profit. Newly established late fees amounted to over \$60,000 in additional revenue.

Operating Expenses. In 2001, operating expenses increased \$1,062,000, or 9.3%, excluding cost of fuel and conservation expenses, taxes passed through to customers, and income taxes. In 2001 the Company added to its labor force resulting in additional payroll expense of \$470,000 and other labor related expenses. Excluding labor increases, maintenance expenses increased over \$200,000 and operation expenses were up \$219,000.

The added payroll is supporting growth, a new customer information and billing system, a start up operation for the new Fernandina propane division, new conservation programs, a duplication in the quarter of a Human Resource Manager, two safety directors, the change of all vehicle maintenance to in-house, and new positions in the water department as required by regulation and growth. The water positions and related expenditures will be recovered

in future revenue, as they were included in the recent rate cases approved by the Florida Public Service Commission. Conservation program expenses are recovered through revenues. The safety directors should assist in lowering workman's compensation insurance costs and lost time. As the start up propane operation continues it is expected to generate additional revenue to cover operating costs. Performing vehicle maintenance in-house should produce savings in the future.

Maintenance increases were due to the electric division's additional tree trimming, substation maintenance work, transmission line access, overhead line balancing related to the cold weather earlier in the year, and unexpected weather related outages. In the gas division we had expenses relating to the repositioning of mains due to road construction projects. It is expected that tree trimming expenses will be reduced during the remainder of the year. Operation expenses were up due to a more sophisticated and outsourced billing system, selling expenses in the natural gas area due to expanding marketing efforts, and temporary assistance required by a new customer information system and customer inquiries regarding higher fuel costs and a new bill format.

## PART II.

### OTHER INFORMATION

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

(a) An annual meeting was held April 17, 2001

(b) Not required

(c) To vote for adoption of an amendment to the Company's Certificate of Reincorporation to increase the number of authorized shares of Common Stock from 3,500,000 to 6,000,000 shares.

For:	1,694,171
Against:	217,679
Withheld:	364,671

Item 6. Exhibits and reports on Form 8-K

(a) None required

(b) Reports on Form 8-K:

There were no reports on Form 8-K filed for the quarter ending March 31, 2001.

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/ George M Bachman  
George M Bachman  
Chief Financial Officer

AND

By /s/ John T English  
John T English  
Chief Executive Officer

August 14, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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  
(State or other jurisdiction of  
incorporation or organization)

59-0539080  
(I.R.S. Employer  
Identification No.)

401 South Dixie Highway, West Palm Beach, FL  
(Address of principal executive offices)

33401  
(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 9, 2001, was \$41,133,557.

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 9, 2001, there were 2,836,797 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy statement for Annual Meeting of Stockholders, April 17, 2001. (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, 2000: (1) West Palm Beach, located in southeast Florida, serves natural gas to 29,308 customers and propane gas to 5,530 customers; (2) Central Florida serves 10,785 natural gas customers and 2,278 propane customers; (3) Marianna, located in the Florida panhandle, provides electricity to 12,112 customers; and (4) Fernandina Beach, located in extreme northeast Florida, serves 13,405 electric customers and 6,866 water customers and 34 propane customers. The economies of Palm Beach County and the Central Florida division 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 Jefferson Smurfit Corp. 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, 2000, is as follows:

West Palm Beach	(Palm Beach County)	1,070,000
Central Florida	(Seminole and Volusia Counties)	801,000
Marianna	(Jackson, Calhoun & Liberty Counties)	71,000
Fernandina Beach	(Nassau County)	60,000

In Fernandina Beach, two large paper mills accounted for 15.7% of total 2000 electric division operating revenues and 7.3% of the Company's total operating revenues. However, such mills accounted for 5.9% of total 2000 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.

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 2000, the national natural gas market experienced unprecedented high levels of the commodity cost of gas. The Company, through its Purchased Gas Adjustment (PGA) mechanism, has collected the majority of the increased cost from its customers and will collect the remaining PGA revenue to recover any 2000 under collections during 2001.

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 2000, the FPSC conducted an agenda hearing to determine when the FPSC would require local distribution companies to offer transportation services to all commercial customers. During 2000, the FPSC issued 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. The Company will officially offer unbundled services to commercial customers effective

August 1, 2001. The PSC approved various mechanisms, which will allow the Company to be reimbursed for the incremental cost of providing unbundled services.

**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 power supply agreement with the Company which commenced on January 1, 1996. The contract expires in 2007 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.)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(in thousands)		
<b>Revenues</b>			
Natural gas	\$38,270	\$30,287	\$29,734
Electric	39,304	37,544	40,254
Water	2,805	2,401	2,161
Propane gas	4,380	3,866	4,043
<b>Operating profit</b>			
Natural gas	3,789	3,493	3,444
Electric	3,016	3,173	3,213
Water	932	739	599
Propane gas	264	393	207
<b>Identifiable assets</b>			
Natural gas	42,564	38,355	36,870
Electric	36,911	35,384	34,605
Water	9,038	7,199	5,941
Propane gas	5,648	4,999	5,134

**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, 2000 the Company had 315 employees, of whom 101 were covered under



union contracts with 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, 2000 the Company owned 22 miles of electric transmission lines and 1,046 miles of electric distribution lines. The gas properties distribute gas through 1,214 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 2000 Annual Report to Shareholders. Such shares are traded on the American Stock Exchange under the symbol FPU.

At March 9, 2001, there were 907 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 2000 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 (in thousands, except per share data)**

The information required by this item is included under the caption "Selected Financial Data" in the Registrant's 2000 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 the Results of Operations and Financial Condition" in the Registrant's 2000 Annual Report to Shareholders.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

All financial instruments held by the Company were entered into for purposes other than for trading. The Company has market risk exposure only from the potential loss in fair value resulting from reasonably possible changes in interest rates. The Company has no exposure relating to commodity prices because the Company, under its regulatory jurisdictions, is fully compensated for the actual costs of commodities (primarily propane gas and electricity) used in its operations. The Company has no exposure to equity risk as it does not hold any equity instruments. The Company's exposure to interest rate risk is limited to investments held in escrow for environmental costs and long-term debt. The investments held in escrow are fixed income debt securities whose carrying amounts are not materially different than fair value. Such investments mature from 2001 to 2004 and are expected to be held to maturity; therefore, the Company does not believe it has material market risk exposure related to these instruments. The indentures governing the Company's two first mortgage bond series outstanding contain "make-whole" provisions, which render refinancing impracticable. As such, the Company believes that disclosure of the change in fair value due to reasonably possible near term changes in interest rates is not meaningful.

**Item 8. Financial Statements and Supplementary Data**

The information required by this item is included on page 21 and pages 25 through 36 of the Registrant's 2000 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 2001 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 9, 2001.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date</u>	
John T. English	57	Chief Executive Officer	1998 - Present	
		President	1997 - Present	
		Chief Operating Officer	1997 - Present	
Charles L. Stein	51	Senior Vice President	1997 - Present	
Jack R. Brown	66	Corporate Secretary	1988 - Present	
		Vice President	2001 - Present	
		Treasurer	1988 - 2000	
George M. Bachman	41	Chief Financial Officer	2001 - Present	
		and Treasurer		1996 - 2000
		Controller		

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 2000 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.

There were no reports on Form 8-K filed for the quarter ending December 31, 2000.

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 19, 2001  
Jack R. Brown, Vice President  
(Duly Authorized 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 19, 2001  
John T. English  
President, Chief Executive Officer, Chief Operating Officer and  
Director

/s/ Franklin C. Cressman Date: March 19, 2001  
Franklin C. Cressman  
Director

/s/ E. James Carr, Jr. Date: March 19, 2001  
E. James Carr, Jr.  
Director

/s/ Daniel Downey Date: March 19, 2001  
Daniel Downey  
Director

/s/ Richard C. Hitchins Date: March 19, 2001  
Richard C. Hitchins  
Director

/s/ Gordon O. Jerauld Date: March 19, 2001  
Gordon O. Jerauld  
Director

/s/ Paul L. Maddock, Jr. Date: March 19, 2001  
Paul L. Maddock, Jr.  
Director

/s/ Rudy E. Schupp Date: March 19, 2001  
Rudy E. Schupp  
Director

# EXHIBIT B

Florida Public Utilities Company  
2002 Sources and Uses of Funds Forecast  
(In Thousands)

Significant cash flow items (Note 1)	2002
Total Operating Income	90,573
Deductions	
Operating & Maintenance	70,133
Taxes	8,006
Interest	4,227
Dividends Paid	2,263
Other	95
Total Deductions	84,724
Balance	5,849
Construction expenditures (Note 2):	11,410
Cash Refund/(Contributions)	330
Contingency Requirements	46,490
Balance	(52,381)
Repayment of Short Term Borrowing	(7,690)
Proceeds from Short term Borrowing	-
Requested Financing	60,000
Balance	(71)
Beginning Cash	365
Ending Cash	294

Florida Public Utilities Company  
2002 Construction Budget for Gross Property Additions  
(In Thousands)

Construction expenditures (Note 2):	
Construction Requirements	9,858
AEP Construction	1,099
Lake Worth Generation Project	453
Total Construction Expenditures	11,410

Notes

- 1) Projected amounts do not include any effect of potential changes in retail base 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  
June 30, 2001

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, 2000	7.18%	17,900,000
June 30, 2001	4.46%	21,735,000

Other:

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



Florida Public Utilities Company  
Statement of Capital Stock and Debt  
June 30, 2001

Preferred Stock without Sinking Fund Requirements:

Dividend Rate	Series	Issue Date	Shares Authorized and Outstanding	Amount Authorized and Outstanding
4.75%		1959	6,000	\$ 600,000.00

Other:

Description	Par Value	Issue Date	Shares		Outstanding Amounts
			Authorized	Outstanding	
Common Stock	\$ 1.50	1947, 1987, & 1998	3,500,000	2,842,418	\$ 14,595,976.00
Treasury Stock	\$ 1.50			388,649	\$ (5,336,546.00)
Affiliated Corporations: Flo-Gas Shares					\$ -
<b>Total</b>					<b>\$ 9,259,430.00</b>