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ORIGINAL

September 25, 2002

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CLERK

Blanca Bayó , Director
The Commission Clerk and Administrative Services
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

021010-GU

Dear Ms. Bayó:

Enclosed for filing are the original and four (4) copies of an Application for Authority to Issue and Sell Securities on behalf of Florida Public Utilities Company. This application is submitted pursuant to section 364.04, Florida Statutes and Chapter 25-8, Florida Administrative Code. A copy of the application is being provided to the Office of Public Counsel.

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

Thank you for your assistance with this filing.

Sincerely yours,

Norman H. Horton, Jr.

NHH/amb
Enclosures
cc: Jack Shreve, Esq.
Mr. George Bachman

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DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK

DOWNTOWN OFFICE, 215 South Monroe Street, Suite 701 • Tallahassee, Fl 32301 • Phone (850) 222-0720 • Fax (850) 224-4359
NORTHEAST OFFICE, 3116 Capital Circle, NE, Suite 5 • Tallahassee, Fl 32308 • Phone (850) 668-5246 • Fax (850) 668-5613

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:

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, Controller
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 September 20, 2002

**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

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, Controller
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, 2002".

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 $130,000,000, excluding retained earnings during the calendar year 2003.

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 7.58 %.

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, 2002 the short-term notes interest rate was 2.31 %.

The equity securities would be common stock issued at Fair Market Value less any issuance costs. The expected dividend rate would be $ .57 per share annually. The expected issuance price would be $ 13 per share (net) with a maximum number of shares to be issued of 2,000,000 for a net outstanding number of shares not to exceed 8,000,000.

6. <u>Purposes of Issues</u>

(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 by the end of 2002. This project 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 2003 period, FPUC may need short-term financing capabilities for seasonal fuel requirements, contingency financing such as fuel under recoveries or storm restorations costs, acquisition costs or general operating expenditures. FPUC currently plans to repay short-term notes with the total issuance of long-term debt or common equity in amounts not to exceed $ 130,000,000.

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 $ 14,000,000 Palm Beach County industrial bond is 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, 2001 and Form 10-Q for the six months ended June 30, 2002. *

Exhibit B - Sources and Uses of Funds Forecast and Construction Budget for Gross Property Additions for calendar year 2003.

Exhibit C - Statement of Capital Stock and Debt as of June 30, 2002.

*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, 2001 and Form 10-Q for the six months ended June 30, 2002 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 20th day of September 2002.

Florida Public Utilities Company

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

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, 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 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:

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.[ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price on March 8, 2002, was $53,903,615.

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 8, 2002, there were 2,894,931 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Florida Public Utilities Company's Proxy Statement for the May 14,2002 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

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. Recently the Company has been proactive in looking for opportunities to purchase small gas companies to assist in growth. In 2001 two acquisitions took place adding approximately 7,300 customers. The cost of the acquisitions was less than 10% of assets.

Financial Information about Segments

(For additional information see segments in the Notes to Financial Statements.)

	2001	2000	1999
Revenues			
Electric	$ 39,050	$ 39,304	$ 37,544
Natural Gas	44,729	38,270	30,287
Propane Gas	5,399	4,380	3,866
Water	2,965	2,805	2,401
Consolidated	92,143	84,759	74,098
Operating income excluding income tax			
Electric	$ 2,893	$ 3,016	$ 3,173
Natural Gas	3,295	3,789	3,493
Propane Gas	431	264	393
Water	897	932	739
Consolidated	7,516	8,001	7,798
Identifiable assets			
Electric	$ 37,753	$ 36,911	$ 35,384
Natural Gas	52,734	42,564	38,355
Propane Gas	10,728	5,648	4,999
Water	9,579	9,038	7,199
Common	29,195	14,885	10,606
Consolidated	139,989	109,046	96,543

Description of Business
Florida Public Utilities Company (FPU or the Company) is regulated by the Florida Public Service Commission (FPSC), except for propane gas service supplied by it's wholly owned subsidiary Flo-Gas Corporation, 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, 2001:(1) South Florida division serves natural gas to 29,498 customers and propane gas to 5,939 customers; (2) Central Florida division serves 15,944 natural gas customers and 2,876 propane customers; (3) Northwest Florida division provides electricity to 12,181 customers; and (4) Northeast Florida division serves 13,811 electric customers and 6,966 water customers and 1,323 propane customers.

The economy of the South Florida division relies somewhat on the migration of seasonal residents and tourists during the winter season. Providing stability in South Florida is primarily gas use by small commercial and residential customers. Seasonal residents and tourist continue to play a role in the Central Florida Division; however the I-4 corridor, particularly in Seminole County's Lake Mary/Heathrow area, is producing a greater amount of large business parks, individual corporate buildings and call centers. Volusia County's economy still seems to be dominated by small and privately owned businesses with the major employers being Florida Power and Florida Power & Light which own and operate three power plants in the area. The Northwest Division growth relies on the economies in Jackson, Calhoun and Liberty Counties. All three are dependant upon a variety of agricultural industries mainly involved with timber, peanuts, cotton and beef production. However, the largest employers within the three counties are the Federal, State and County governments involved in correction and rehabilitation centers. There are also a number of smaller industries. Northeast Florida'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 populations for each division, based on counties in which the service areas are located, as reported by the Untied States Census Bureau, for the year 2000, are as follows:

South Florida (Palm Beach, Martin, & Broward Counties)	2,881,000
Central Florida (Seminole, Marion, Orange, Levy, Citrus, & Volusia Counties)	2,116,000
Northwest Florida (Jackson, Calhoun & Liberty Counties)	67,000
Northeast Florida (Nassau County)	58,000

In Northeast Florida, two large paper mills accounted for 12.1% of total 2001 electric division's operating revenues and 5.2% of the Company's total operating revenues. However, such mills accounted for 4.8% of total 2001 electric division gross profit and 1.6% of the Company's total gross profit.

Natural Gas
The Company receives its total supply of natural gas at twelve City Gate Stations connected to Florida Gas Transmission Company's (FGT) pipeline system. FGT is owned by Citrus Corporation who is jointly owned by Enron Corporation and El Paso Corporation. Due to the joint ownership of FGT, there has been no direct effect on FPU's operations from Enron's bankruptcy. There currently is another interstate natural gas transmission system under construction which will terminate in areas near the Company's existing distribution systems that may have potential for increasing competition in the area of interstate pipeline deliveries of natural gas to the Florida market. Natural Gas is primarily composed of methane which is a colorless, odorless, fuel that burns cleaner than many other traditional fossil fuels. Odorant, which enables one to readily detect a gas leak is added by the interstate transmission company and FPU. Natural gas is one of the most popular forms of energy today. It is used for heating, cooling, production of electricity and it finds many uses in industry. Increasingly, natural gas is being used in combination with other fuels to improve their environmental performance and decrease pollution.

The Company has the adequate redundancy of gate stations in each distribution system to assure high levels of continuous service to our customers. The vast majority of the natural gas the Company distributes is purchased in the Gulf Coast region both onshore and offshore. The Company has not experienced any supply availability issues, or shortage, of natural gas in recent history, nor does it expect any shortages in years to come. In fact the U.S. Department of Energy estimates that there is more than a 60 year supply of natural gas reserves (see web site: http://www.fe.doe.gov/education/index.html).

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 place 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 postured the Company to be effective in operating within an unbundled industry environment. The Company has maintained the lowest overall cost of gas of all distribution companies regulated by the FPSC. Furthermore, the Company has minimized its charges from FGT by releasing (or subletting) a large portion of its unused capacity and by keeping pipeline imbalances to a minimum, the Company has avoided punitive pipeline charges. 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 explore future opportunities to keep its total cost of gas as low as possible.

In 2001, the national natural gas market's price volatility stabilized after experiencing unprecedented high levels of volatility and price in the cost of gas. The Company, through its Purchased Gas Adjustment (PGA) mechanism, collected the actual cost of gas from its customers during 2001 for any 2000 under collections. The Company's natural gas sales are affected by weather which results in higher gas sales, per day, during the winter period than during the summer season. The Company's customer portfolio is quite diverse, with the largest customers using natural gas for the generation of electricity. The Company is not dependent on a single natural gas customer for a significant percentage of its total revenue.

The Company has filed the appropriate unbundled tariffs to give its commercial natural gas customers the option of purchasing their gas supplies from third parties. Even though FPU has had the overall lowest gas costs in the Florida market, third party suppliers may be able to offer our customers additional programs which a regulated gas company cannot offer. Furthermore, by purchasing their gas supplies from third parties, our commercial customers may avoid certain taxes and fees which FPU is required to collect on the sale of natural gas. 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 officially offered unbundled services to commercial customers on August 1, 2001. The FPSC allows the

Company to be reimbursed by its customers for the incremental cost of providing unbundled services.

Electricity

The Company provides electrical service to customers in Jackson, Calhoun, Liberty and Nassau counties in Florida.

Wholesale electricity is purchased from two suppliers, The Southern Company and Jacksonville Electric Authority. In 1996, long-term purchased power contracts were executed with both suppliers that will continue through 2007. The Southern Company provides electrical power to the Northwest Division and the Jacksonville Electric Authority provides electrical power to the Northeast Division. Less than 1% of the Company's power supply is purchased on an as available basis from a self-generating paper mill located in Fernandina Beach. These long-term contracts allow the Company to offer customers the lowest rates in the State of Florida.

The Company is not a generating utility, which results in environmental regulations having minimal effect on our operations.

Both the Northwest and Northeast Divisions are located in northern Florida which experiences a variety of weather patterns. Hot summers and cold winters ensure that electrical sales are not extremely seasonal in nature.

The Company has no dependence upon any major customers. No single customer accounts for more than 10% of electric sales or profit.

The electric utility industry has not been deregulated in the State of Florida. All customers within a given service or franchise area purchase from the single electricity provider in that area.

Propane

Florida Public Utilities purchases it's supply of propane gas from several different wholesale companies such as Dynegy, Propane Resources, Sea3 of Tampa and Harper Industries. Propane is transported to Florida via ocean-going barges to seaport terminals in Tampa and Ft. Lauderdale, by railcar and through the Dixie Pipeline ending at Alma, Georgia. The propane supply infrastructure is more than adequate to meet the needs of the industry in Florida for the foreseeable future.

Propane is a non-pollutant, therefore it is not effected by environmental regulations. However, propane is a hazardous material and as such is subject to strict code enforcement and safety requirements as outlined in the National Fire Protection Code 58, Code 54 and various other state and local codes.

The sales volume of propane is effected by the season, tourism, weather, and the influx of temporary residents. Florida typically has a tourist season that coincides with the winter season. Approximately 40% of all propane volumes are sold during the winter season which begins in November and ends in March. The propane division's sales volumes and revenues are closely balanced between residential and commercial customers. One of the strategies of the Company is to become less weather dependant by concentrating on the marketing of appliances that are not used for heating air. Water heaters are an excellent way to become less weather reliant. The propane division does not have any one customer that represents more than five percent of the overall sales volume or more than two percent of overall revenues.

There is significant competition in the propane business. Our propane business competes directly with other distributors of propane, natural gas and electric. Consolidation in the propane industry will continue to provide Florida Public Utilities with opportunities to expand market share. FPU competes on the basis of fair priced energy and excellent customer service.

Regulation

The Florida Public Service Commission, pursuant to State Statutes, has authority encompassing natural gas and electric rates, conditions of service, the issuance of securities and certain other matters affecting the operations of the Company. The water segment of the business was subject to FPSC regulation until September 17, 2001 when the Board of Nassau County rescinded the FPSC jurisdiction.

Franchises
We hold franchises in most of the incorporated municipalities and in one of the counties (Jackson County) where we provide natural gas, electric and water services. These franchises generally have terms from 15 to 30 years and terminate at various dates. We are in negotiations with some municipalities in which our franchises have lapsed. We continue to provide services in these municipalities and do not anticipate any interruption in our service.

Employees
On December 31, 2001 the Company had 358 employees, of whom 101 were covered under union contracts with two labor unions, the International Brotherhood of Electrical Workers and the International Chemical Workers Union.

Research Expenditures and Environmental Regulations
Environmental regulations do not have a material impact on the Company. 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. Propane gas has several propane competitors competing on price and service.

Item 2. Properties

The Company's properties consist primarily of distribution systems and related facilities. At December 31, 2001 the Company owned 22 miles of electric transmission lines and 1,034 miles of electric distribution lines. The gas properties distribute gas through 1,358 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

In the area of 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.

On or about October 18, 2000, Violet Skipper, PC Buyers, Inc. and Thomas Wade Skipper filed suit against FPU in the Circuit Court for Palm Beach County, Florida. The case was later transferred to Jackson County, Florida. The lawsuit alleged that FPU failed to properly install and/or maintain electrical power lines, utility poles and related equipment which allegedly caused a fire that spread to and eventually destroyed a warehouse/office facility that was owned by Violet Skipper, that housed the place of business of the corporate plaintiff and that contained property therein owned by all the plaintiffs. The warehouse/office facility was located in Jackson County, Florida. Plaintiffs alleged damages in excess of $1,000,000. FPU has denied the claims in the complaint and is vigorously defending the claims on the theory that the alleged fire started within the warehouse/office facility and not at or in FPU's electrical equipment.

On or about August 13, 2001, Darrell Glenn filed suit against FPU in the Circuit Court for Palm Beach County, Florida. The case was later moved to Nassau County, Florida where it is pending. The lawsuit alleged that the employee of a painting subcontractor was shocked and injured on May 16, 2001 while painting electrical equipment at FPU's step-down site in Fernandina Beach, Florida. His employer was operating under an agreement that required it to supervise its own workers. The plaintiff claims FPU was negligent and that its negligence caused his injuries to his torso which experienced some degree of burn. The plaintiff has not specified an amount of claim, but FPU intends to bring the subcontractor into this action as a third-party defendant and seek indemnification and contribution from the subcontractor. FPU intends to vigorously defend this claim and to pursue the third-party claim against the subcontractor.

In the event that the Company does not prevail in these suits, there may be a material adverse effect on the financial statements. However, FPU believes there are meritorious defenses to the pending litigation discussed above but is unable to provide an evaluation of the likelihood of an unfavorable outcome or provide an estimate of the amount or range of potential loss.

The Company is also involved with other various claims and litigation incidental to its business. In the opinion of management, none of these incidental claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

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

QUARTERLY STOCK PRICES AND DIVIDENDS PAID

The Company's common shares are traded on the American Stock Exchange under the symbol FPU. The quarterly cash dividends paid and the reported price range per share of FPU common stock for the most recent two years were as follows:

	2001			2000		
	Low	-	High	Low	-	High
STOCK PRICES						
Quarter ended						
March 31	$14.05	-	$16.20	$13.13	-	$17.13
June 30	14.40	-	17.49	13.19	-	19.50
September 30	15.20	-	17.26	15.63	-	17.88
December 31	15.60	-	17.35	13.75	-	16.75
DIVIDENDS PAID						
January 1			$ 0.180			$ 0.17
April 1			0.180			0.17
July 1			0.185			0.18
October 1			0.185			0.18

On March 8, 2002, there were approximately 2,674 holders of the Registrant's Common Stock including individual participants in security position listing.

It is the Company's intent to continue to pay quarterly dividends in the foreseeable future. The dividend policy is reviewed on an ongoing basis and is dependent upon the Company's expectation of future earnings, cash flow, financial condition, capital requirements and other factors.

The Company's Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At December 31, 2001 approximately $2,900,000 of retained earnings were free of such restriction.

Recent Sales of unregistered securities

On November 14, 2001 the Company sold Palm Beach County Florida Industrial Development Revenue Bonds in the amount of $14,000,000. Edward D. Jones & Co., L.P. was underwriter for the bond issue. The aggregate offering price was $14,000,000, with payments relating to the issue of $420,000 in underwriting fees and $349,426 for insurance premiums. The bond proceeds are restricted and held in trust until construction expenditures are actually incurred by the Company. (See "Liquidity and Capital Resources" under Item 7 for additional information). The Company issued its First Mortgage Bond, 4.9% Series due 2031 on November 1, 2001 in the aggregate principal amount of $14,000,000 as security for the $14,000,000 Palm Beach Industrial Development Revenue Development Bonds. The pledged bond constitutes the Fifteenth Series of the Company's First Mortgage Bonds.

The exemption from registration is under the authority of Section 382 of the Securities Act of 1933, based on the bond being issued by a state and local government.

Item 6. Selected Financial Data (in thousands, except per share data)

Years Ended December 31,	2001	2000	1999	1998	1997
Revenues	$ 92,143	$ 84,759	$ 74,098	$ 76,192	$ 78,134
Gross profit	32,776	31,143	29,342	28,491	26,679
Net income	3,052	3,288	3,529 (1)	3,068	3,191 (1)
Earnings per common share	1.06	1.16	1.17 (1)	1.02	1.07 (1)

Dividends per common share	0.73	0.70	0.66	0.62	0.60
Total assets	139,989	109,046	96,543	92,406	89,050
Utility plant – net	97,329	84,200	78,272	75,227	72,724
Current debt	20,430	17,900	13,000	8,200	7,600
Long-term debt	52,500	23,500	23,500	23,500	23,500
Common shareholders' equity	29,329	27,510	25,866	27,622	26,189

Notes to the Selected Financial Data:

(1) 1997 and 1999 include gains after income taxes from the sale of non-utility real property of $83, $0.03 per share (1999) and $522, $0.18 per share (1997).

The acquisitions in late 2001 added approximately $10,700 to total Assets and $3,975 to Utility Plant – Net. Revenue recorded in the 2001 year from the acquisitions late in the year was approximately $326.

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

HIGHLIGHTS

Years ended December 31 (Dollars in thousands, except per share data)	2001	2000	1999
Operating Results			
Revenues	$ 92,143	$ 84,759	$ 74,098
Gross profit	32,776	31,143	29,342
Operating income	6,267	6,528	6,170
Net Income	$ 3,052	$ 3,288	$ 3,529 (1)
Per Common Share			
Earnings	$ 1.06	$ 1.16	$ 1.17 (1)
Dividends paid	.73	.70	.66
Book value	10.16	9.73	9.23
Customers (at December 31)			
Electric	25,992	25,517	24,890
Natural Gas	45,442	40,093	38,423
Propane Gas	10,138	7,842	8,261
Water	6,966	6,866	6,665
Total	88,538	80,318	78,239
Units Sold			
MWH – electricity	728,616	758,738	719,070
MDth - natural gas	6,949	7,483	7,430
MDth - propane Gas	296	242	240
MM gallons – water	1,276	1,295	1,267
Utility Plant			
Utility additions and replacements	$ 17,948	$ 10,543	$ 8,177
Utility plant – net	$ 97,329	$ 84,200	$ 78,272

(1) 1999 includes a gain after income taxes from the sale of non-utility real property of $83 $0.03 per share.

OPERATING STATISTICS

	2001	2000	1999	1998	1997
REVENUES (in thousands)					
Gas					
Residential	$ 18,391	$ 15,612	$ 12,959	$ 12,516	$ 12,836
Commercial and industrial	29,300	23,359	18,645	19,208	22,138
Other	2,437	3,679	2,549	2,053	2,566
Total gas revenues	50,128	42,650	34,153	33,777	37,540
Electric					
Residential	18,437	18,240	17,944	18,907	18,277
Commercial and industrial	18,771	19,973	19,627	20,576	19,928
Other	1,842	1,091	(27)	771	478
Total electric revenues	39,050	39,304	37,544	40,254	38,683
Water	2,965	2,805	2,401	2,161	1,911
Total revenues	$ 92,143	$ 84,759	$ 74,098	$ 76,192	$ 78,134
GAS STATISTICS					
Number of customers (at December 31)					
Residential	50,513	43,618	42,486	41,840	41,533
Commercial and industrial	4,875	4,075	3,962	3,868	3,758
Other	124	224	219	210	217
Transportation	68	18	17	6	2
Total customers	55,580	47,935	46,684	45,924	45,510
Purchases (MDth)					
Natural gas	4,298	4,455	4,356	4,526	4,537
Propane gas	335	259	266	266	286
Transportation of Natural Gas	2,550	2,950	3,010	2,582	2,062
Company use and unaccounted for.	62	61	38	231	135
Total Purchases	7,245	7,725	7,670	7,605	7,020
Sales (MDth)					
Residential	1,173	1,173	1,115	1,098	1,036
Commercial and industrial	3,285	3,245	3,307	3,603	3,556
Other	322	481	345	368	395
Transportation	2,465	2,826	2,903	2,536	2,033
Total sales	7,245	7,725	7,670	7,605	7,020
Miles of main	1,358	1,214	1,188	1,144	1,096
Propane gas tank capacities installed (MDth)	163	148	143	141	139
Use and revenue per residential customer					
Gas used (Dth)	23.222	26.893	26.244	26.243	24.944
Revenue	$ 364.08	$ 357.93	$ 305.02	$ 299.14	$ 309.06
Revenue per Dth	$ 15.68	$ 13.31	$ 11.62	$ 11.40	$ 12.39

2001	2000	1999	1998	1997

ELECTRIC STATISTICS

Number of customers (at December 31)					
Residential	22,006	21,582	21,155	20,621	20,427
Commercial and industrial	3,962	3,647	3,449	3,340	3,247
Other	24	288	286	287	268
Total customers	25,992	25,517	24,890	24,248	23,942
Purchases (MWH)					
Purchases	764,105	795,928	753,944	742,415	670,298
Company use and unaccounted for	(35,489)	(37,190)	(34,874)	(34,232)	(28,408)
Total purchases	728,616	758,738	719,070	708,183	641,890
Sales (MWH)					
Residential	310,687	305,401	290,633	294,981	266,788
Commercial and industrial	397,216	429,143	413,094	402,983	356,876
Other	20,713	24,194	15,343	10,219	18,226
Total sales	728,616	758,738	719,070	708,183	641,890
Pole line miles	1,056	1,046	1,036	1,021	1,009
Use and revenue per residential customer					
Kilowatt-hours	14,118	14,151	13,738	14,305	13,061
Revenue	$ 837.82	$ 845.15	$ 848.22	$ 916.88	$ 894.75
Revenue per kilowatt-hour	5.9¢	6.0¢	6.2¢	6.4¢	6.9¢

WATER STATISTICS

Water sold (MM Gallons)	1,276	1,295	1,267	1,191	1,024
Water customers (at December 31)	6,966	6,866	6,665	6,361	6,070

Note - Certain amounts in the years 1997 through 1999 have been restated to conform with the current year's presentation.

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

This discussion should be read in conjunction with the Notes to Consolidated Financial Statements contained herein. In the following discussion, all comparisons are with the corresponding items in the prior year.

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 91% of total gross profit.

From the Florida Public Service Commission's (FPSC) perspective the Company operates four distinct regulated "entities" consisting of Northwest Florida (Marianna) electric, Northeast Florida (Fernandina Beach) electric, Northeast Florida (Fernandina Beach) water, and natural gas. The Company considers the Northwest and Northeast electric divisions one electric segment. The Company last received rate increases in the regulated entities as follows: natural gas operations, May 1995; Northwest Florida electric division, February 1994; Northeast Florida electric division, February 1989; and Northeast Florida water in May 2001. The FPSC stopped regulating the water segment of the Company's business on September 17, 2001 due to a resolution passed by Nassau County (for additional information see "Business and Regulation" in the Notes to Consolidated Financial Statements).

The Company's strategic initiative is to concentrate on developing deeper relationships with our customers, including builders and developers. We are approaching them as a total energy company, not just a supplier of gas or electricity. Included in the strategy is a plan to increase the rate of future growth by concentrating on increasing customers and territories using improved marketing programs, along with a goal of acquiring small energy related companies, particularly propane companies. During 2001 the Company made two gas acquisitions, totaling less than 10% of assets, that added approximately 7,300 customers.

Definitions:

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

Summary of Gross profits
(in thousands)

	2001	2000	1999
Natural gas	$15,854	$15,430	$14,484
Propane gas	3,106	2,712	2,673
Electric	10,980	10,321	9,890
Water	2,836	2,680	2,295

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

Operating Expenses. Operating expenses exclude fuel costs, conservation and unbundling costs, and taxes based on revenues that are passed through to customers. These operating expenses have no effect on results of operations as they are passed on directly to customers and fluctuations in such costs distort the relationship of operating expenses between periods. These costs are grouped on a separate line of the income statement as "Cost of fuel and taxes based on revenues".

Discussion:

Natural and Propane Gas Service Natural gas service gross profit increased $424,000 in 2001 principally due to a 4% increase in average customers, an increase in transportation revenues of $216,000, a $91,000 increase relating to the December 14, 2001 asset purchase of the South Florida Natural Gas Company that was part of the Atlantic Utilities purchase, and new late payment fees. The Company began charging late fees in 2001 adding over $161,000 in additional gross profit. Consumption was down for the year by 3%, excluding transportation and off-system sales, primarily due to weak demand in the last quarter of the year caused by mild weather conditions and decreased tourism. Looking forward, we expect the asset purchase will add approximately another $1,347,000 annually to gross profit.

A gas line project for a generation facility located in Palm Beach County was constructed during 2001 and completed in February 2002. The total cost, with resulting increase to total assets, is anticipated to be approximately

$5,800,000, with $3,100,000 expended and recorded in 2001. The Company has a 30-year agreement that will realize an 11.17% return on the net invested cost of the project, which began billing in February 2002. We expect that total revenue will increase approximately $1,113,000 in 2002, $1,184,000 in 2003, and $1,159,000 in 2004, decreasing yearly as construction costs are depreciated. Because the project does not involve purchasing gas, the gross profit will increase by approximately the same amounts (99.5% of the revenue). After operating costs, interest, and income taxes, we anticipate this project to increase net income by approximately $368,000 in 2002, $347,000 in 2003, and $335,000 in 2004, decreasing yearly during the 30-year agreement.

A large volume transportation customer is connecting during 2002 with an anticipated annual load of 1,825,000 therms. The customer plans to expand and possibly double the load at sometime in the future. The estimated construction cost to serve the customer is $20,000. They expect to be using gas beginning in May 2002. The estimated revenue for 2002 is around $186,000 with the complete year in 2003 estimated to be $280,000. Because the project does not involve purchasing gas, the gross profit will increase by approximately the same amounts (99.5% of the revenue). There should be minimal impact to any additional operating cost. We anticipate this customer will increase future net income by approximately $115,000 for the partial year in 2002 and $175,000 for 2003.

Propane gas gross profit increased $394,000 in 2001 due to a 4% increase in average customers that resulted in a 22% increase in consumption, and the addition of late payment fees. The start up of the Northeast division's (Fernandina Beach) propane operations amounted to $136,000 of the increase, including the effect of acquiring Z-Gas, a propane company, on October 29, 2001. Z-Gas is expected to add approximately another $90,000 annually to the gross profit next year. Impacting the increase in 2001 was increased bulk commercial customers in the South Florida division, resulting in a 68% increase in consumption and $131,000 of gross profit. New late fees that began in 2001 amounted to $25,000. As the Northeast propane start up business continues it is expected to generate additional gross profit to cover operating costs in the near future.

Natural gas operating expenses, excluding income taxes, increased $918,000 in 2001. General and administrative expenses increased $284,000 and are discussed separately in the administrative expenses section. Increased distribution expenses of $124,000 related to increased payroll and higher costs of performing line locations and supporting growth. Customer accounts expense increased $33,000 due to added payroll and other expenses associated with the new customer information and billing system and growth, along with an additional $147,000 in bad debts. Additional efforts and procedures are being implemented to reduce future bad debt expense. Sales expenses were up $158,000 due to staffing of marketing positions for expanding marketing efforts. Increased property taxes reflecting increased plant and increased valuations, along with additional payroll taxes associated with increased payroll expense added $175,000 to operating expenses. The Atlantic acquisition will increase future expenses.

Propane gas operating expenses, excluding income taxes, increased $226,000 in 2001. Changes to administrative expenses were nominal. The start up of the new Northeast (Fernandina Beach) propane operation added $158,000 of the increased expense. In addition, $23,000 was for increased labor expenses associated with delivery of gas relating to growth, $12,000 was for increased payroll associated with the new billing system and increased bad debts, and $20,000 of the increase related to new marketing efforts to obtain additional customers. The Z-Gas and Atlantic acquisitions will increase future expenses.

Natural gas service gross profit increased $946,000 in 2000. Transportation revenues accounted for $404,000 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 Company realizes the same gross profit regardless of whether the customer purchases the gas from us or uses our system to transport the gas. Excluding the approximate 600 customers in the Central Florida division that converted from propane to natural gas in 2000, the remaining $542,000 increase in gross profit was due principally to an approximate 2.3% increase in average customers as compared with 1999. Consumption increased in greater proportion to the increase in customers due to winter weather colder than 1999. Propane gas gross profit increased $39,000 as compared with 1999. Average customers increased 1.0% from 1999 to 2000, excluding the effect of those customers who converted to natural gas.

In 2000, operating expenses increased $818,000, or 6%, excluding income taxes. 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 the propane gas service in Fernandina Beach, which commenced October 1, 2000. Additional marketing staff and customer service costs, also contributed to increased expenses.

Electric Service. Electric service gross profit increased $659,000 in 2001. Average customers grew by 2% for the year with the consumption per customer relatively flat. The customer growth accounted for approximately $200,000 of the increase, with new late fees that started during the year adding $134,000. A decrease in the prior year's gross profit of $305,000 for pending refunds to customers for over earnings accounted for part of this increase. The Company did not have any over earnings adjustment in 2001 and does not expect to ordinarily over earn in the future.

Operating expenses, excluding income taxes, increased $783,000 in 2001. General and administrative costs increased $447,000 which is discussed below in the administrative section. Maintenance expenses increased by $126,000 due to substation maintenance work of $150,000 (including labor) and $55,000 for overhead conductors including overhead line balancing relating to cold weather early in the year in the Northeast division. Lower maintenance expenses in the Northwest division offset these increases. Customer accounts expenses increased over $58,000 due to additional payroll related to the new customer information and billing system and growth, along with an additional $25,000 in bad debts. Additional efforts and procedures are being implemented to reduce future bad debt expense.

In 2000, electric service gross profit increased $431,000. Average customers increased approximately 3% which was the major factor contributing to the gross profit increase. There were provisions for rate refunds in both the current and prior year.

In 2000, operating expenses increased $588,000, or about 9%. In addition to across the board increases in all classifications of expense, there were increases in expenses attributable to the implementation of a new customer information system and increases in all areas of maintenance expense, including tree trimming costs.

Water Service. Gross profit from the water segment in 2001 accounts for less than 9% of the Company's total gross profit and is not materially significant. Gross profit increased $156,000 due to 2% customer growth and a rate increase on May 17, 2001 that added approximately $225,000 gross profit annually.

Expenses for operations were up in 2001 by $191,000 primarily due to increased administrative expenses of $82,000, customer service expenses of $34,000, property and payroll taxes of $44,000, and water treatment expenses of $11,000. The administrative expenses are discussed below. The customer service increase was to support growth and a new customer information and billing system. Water treatment expenses included adjusting chlorine systems to coordinate with a new plant. In addition, there was increased labor expenses as required by increased regulation and growth with the positions recovered in the recent rate cases approved by the FPSC.

Gross profit from the water segment in 2000 accounts for less than 9% of the Company's total gross profit and is not materially significant. Gross profit increased by $386,000 primarily due to customer growth and a rate increase on April 1, 2000 that added approximately $363,000 to the annual gross profit.

In 2000, operation expenses increased $192,000. In addition to across the board increases in all classifications of expense, additional expenses were incurred that were recovered in the rate increase.

Administrative Expenses Administrative expenses for 2001 increased $813,000. Growth and the cost of a more sophisticated billing system caused most of the increase. Also, payroll expenses increased $195,000 due to replacing two management positions and hiring two safety directors. The safety directors should assist in lowering workman's compensation insurance costs and lost time. Other expenses that increased were medical insurance costs of $60,000, pension cost of $175,000, and employee benefit costs of $48,000.

In 2000, the administrative expenses are included in the discussion of each segment as part of their increased operating expenses.

Interest Charges and Other Interest charges consist of interest on bonds, short-term borrowings and customer deposits. Interest charges on long-term debt increased due to two additional bond issues totaling $29,000,000. On September 27, 2001 there was a $15,000,000 bond issued and on November 14, 2001 there was a $14,000,000 bond issued. Short-term interest expense decreased primarily due to decreased interest rates, although it is effected by fluctuations in the amounts borrowed under the line of credit. For detailed information see "Notes Payable" and "Capitalization" in the notes to financial statements.

Mergers and Acquisitions

In October 2001, Florida Public Utilities Company acquired Z-Gas Company, Inc., a propane gas service distribution company in a stock for stock transaction valued at approximately $600,000. The transaction involved the issuance of 31,960 shares of the Company's stock and $20,000 of cash. The acquisition was accounted for under the purchase method of accounting. The merger added about 1,000 customers to the propane operation in the Northeast Florida Division.

In December 2001, Florida Public Utilities Company acquired certain net assets of Atlantic Utilities, the Florida operation of Southern Union Company in a cash transaction valued at approximately $10,000,000. Approximately $250,000 of the purchase price was withheld pending title clearance for real property in Lauderhill. The acquisition was accounted for under the purchase method of accounting. Atlantic Utilities served about 4,400 natural gas customers in New Smyrna Beach and about 1,900 propane customers in central and south Florida.

Based on preliminary estimates, the excess of the consideration paid over the estimated fair value, or the depreciated original cost for regulated entities, of net assets acquired of approximately $5,900,000 was recorded as goodwill and according to Financial Accounting Standards (FAS) Nos. 141 and 142 is not being amortized. There could be amortization if intangibles other than goodwill are identified. FPU is in the process of obtaining additional supporting documentation from the seller of Atlantic Utilities to refine the purchase price. For additional information concerning the acquisitions, see "Mergers and Acquisitions" in Notes to Consolidated Financial Information.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Net cash provided by operating activities was $7,639,000 in 2001, $6,834,000 in 2000, and $7,543,000 in 1999. The increase in 2001 is primarily the result of a reduction in accounts receivables due to increased collection efforts and going from a $902,000 under recovery of energy costs to an over collection of $1,456,000, offset by a reduction to accounts payable due to lower energy bills. Most of the decrease in 2000 relates to the escalation of fuel prices which caused accounts receivable and accounts payable to increase and fuel costs to go from over recovery of $1,306,000 in 1999 to under recovery of $902,000 in 2000.

Cash flows used from investing activities for construction averaged about $8.1 million through the five years ending 1999. For the 2001 year, $13,962,000 was spent due to several projects in addition to normal construction. A project under contract with a generation facility, located in Palm Beach County, began involving the construction of a gas line to the facility. The estimated cost of constructing the line is $5,800,000, with approximately $3,100,000 expended in 2001. Completion is expected in 2002. Proceeds from the Palm Beach County municipal bonds, discussed in the "New Bond Issues" section below, will be used to finance the project. Also approximately $1,500,000 was spent to rebuild a 138KV electric line and $538,000 to construct a new office in the Central Florida division. In 2000 there was additional capitalized costs over normal expenditures of $1,348,000 relating to the new customer information system.

In 2001, cash flows used by investing activities other than construction projects included acquisitions of two companies amounting to $9,875,000 and a $8,808,000 increase for restricted funds placed in long-term investments that will be used for future construction expenditures in Palm Beach County (see the "New Bond Issues" section below for details). The acquisitions were financed from proceeds of the First Mortgage bonds detailed below.

Since portions of the Company's business are seasonal throughout the year, short-term debt is used to meet working capital requirements. The Company also borrows under lines of credit to finance portions of its capital expenditures, pending refinancing at a later date through the issuance of equity or long-term debt, depending upon prevailing market conditions.

The Company has a $20,000,000 line of credit with its primary bank of which at December 31, 2001, $2,070,000 is available and a $2,500,000 line of credit with a secondary bank which is all fully borrowed. The primary line provides for interest at LIBOR plus fifty basis points and the line of credit at the second bank is at LIBOR plus thirty basis points. The Company has reserved $1,000,000 as a contingency for major storm repairs in the Northwest Florida electric division. The weighted average interest rates at December 31, 2001, 2000, and 1999 were approximately 2.4%, 7.1%, and 6.3% respectively.

The Company has no material commitments for construction expenditures, with the exception of $2,700,000 committed for the Lake Worth generation project, that will be funded from the restricted funds held in long-term investments (see new bond issues). Capital expenditures for 2002 have been budgeted for $13,426,000, of which approximately $8,700,000 will be funded from cash and operating activities and, $4,800,000 from the restricted bond issue. For additional information see "Notes Payable" and "Capitalization" in the Notes.

The Company anticipates that future construction expenditures and potential acquisitions will require additional debt and/or equity financing, most likely in 2002 or 2003. Most recently the Company used debt financing for all cash requirements, including acquisitions because of the favorable interest rate environment. The Company will issue equity or long-term debt depending upon prevailing market conditions and availability. The Company does not use any off-balance sheet financing structures and does not have any partnerships or synthetic leases.

Long-term debt has sinking fund payments that begin in 2008. Lines of credit are for generally a year and are renewed annually.

New Bond Issues 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, 2001, such calculation would permit the issuance of approximately $25,000,000 of additional bonds.

Florida Public Utilities Company (FPU) filed an application on December 12, 2000, seeking Commission approval pursuant to Section 366.04, Florida Statutes <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. FPU 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 FPU'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 issued its First Mortgage Bond, 6.85% Series due 2031 on September 27, 2001 in the aggregate principal amount of $15,000,000 as security for the 6.85% Secured Insured Quarterly Notes, due October 1, 2031 (IQ Notes). Interest on the pledged bond accrues at the rate of 6.85% per annum payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, payable initially on January 1, 2002. The pledge bond constitutes the Fourteenth Series of the Company's First Mortgage Bonds.

The Company issued $14,000,000 of Palm Beach County municipal bonds (Industrial Development Revenue Bonds) on November 14, 2001 to finance development in the area. The interest rate on the thirty-year callable bonds is 4.90%. The bond proceeds are restricted and held in trust until construction expenditures are actually incurred by the Company and will be available from the trustee as construction is performed in the county during 2001, 2002, and 2003. In 2001 $5,362,000 was drawn from the restricted funds held by the trustee, leaving $8,008,000 available after closing costs. $4,800,000 is expected to be used in 2002. The Company issued its First Mortgage Bond, 4.9% Series due 2031 on November 1, 2001 in the aggregate principal amount of $14,000,000 as security for the $14,000,000 Palm Beach Industrial Development Revenue Development Bonds. The pledged bond constitutes the Fifteenth Series of the Company's First Mortgage Bonds.

Impact of Recent Accounting Standards

Financial Accounting Standard No. 133 and 138

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 December 31, 2001 were not material to the Company's financial statements and are not expected to effect future operations as the Company does not expect to enter into significant derivative instruments.

Financial Accounting Standard No. 141 and 142

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 on the recent acquisitions required use of the purchase method and resulted in goodwill that will have to be tested for impairment beginning in 2002.

Financial Accounting Standard No. 143

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The statement requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred and the associated asset retirement costs capitalized as part of the carrying amount of the long-lived asset. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over its useful life. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management is in the process of evaluating the impact of implementing SFAS 143 and feels that other than changing the methodology of depreciation and increasing administrative efforts, the effect on operating results will be immaterial and feels the impact on the regulated portion of the business, if any, would be an allowable item for recovery in the Company's rates.

Financial Accounting Standard No. 144

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The statement supercedes, with exceptions, SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Management is in the process of evaluating the impact of implementing SFAS 144 and is unable to estimate the effect, if any, on the Company's financial statements but feels the regulated portion of an impact, if any, would be an allowable item for recovery in the Company's rates.

OTHER

Effects of Inflation The Company's tariffs associated with its utility operating divisions provide for fuel clauses through which rates charged to customers are adjusted for changes in the cost of fuel on a reasonably current basis. Increases in other utility costs and expenses not otherwise offset by increases in revenues or reductions in other expenses could have an adverse effect on earnings due to the time lag associated with obtaining regulatory approval to recover such increased costs and expenses, and the uncertainty of whether regulatory commissions will allow full recovery of such increased costs and expenses.

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.

Critical Accounting Policies 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.

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 natural gas and electricity) and also passes through fluctuations in propane costs to customers. 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, investments from restricted bond proceeds, and long-term debt. The investments held in escrow for environmental costs have gained in market value by $49,000 as of December 31, 2001 and mature from 2001 to 2004. We expect to hold these securities until maturity. The restricted funds will be used during the next two years. Therefore, the Company does not believe it has material market risk exposure related to these instruments. The cost of long-term debt is included as a recovered cost in revenue for the regulated operations and as such the Company is reimbursed for interest costs. Therefore, 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

CONSOLIDATED STATEMENTS OF INCOME

'dollars in thousands, except per share data)

	Years Ended December 31		
Revenues	2001	2000	1999
Electric	$ 39,050	$ 39,304	$ 37,544
Natural gas	44,729	38,270	30,287
Propane gas	5,399	4,380	3,866
Water	2,965	2,805	2,401
Total revenues	92,143	84,759	74,098
Cost of fuel and taxes based on revenues	59,367	53,616	44,756
Gross profit	32,776	31,143	29,342
Operating Expenses			
Operations	14,718	13,139	12,013
Maintenance	3,165	3,013	2,763
Depreciation and amortization	4,839	4,698	4,557
Taxes other than income taxes	2,538	2,292	2,211
Income taxes	1,249	1,473	1,628
Total operating expenses	26,509	24,615	23,172
Operating Income	6,267	6,528	6,170
Interest Charges and Other			
Merchandise and service revenue	(2,571)	(1,815)	(1,599)
Merchandise and service expenses	2,316	1,762	1,572
Other income	(427)	(372)	(401)
Other deductions	30	23	26
Gain from sale of non-utility property	(15)	-	(134)
Long-term debt	2,606	2,235	2,235
Short-term borrowings	826	962	473
Customer deposits and other interest	159	290	260
Income taxes on interest charges and other	291	155	209
Total interest charges and other	3,215	3,240	2,641
Net Income	3,052	3,288	3,529
Preferred Stock Dividends	29	29	29
Earnings for Common Shares	$ 3,023	$ 3,259	$ 3,500
Earnings Per Common Share	$ 1.06	$ 1.16	$ 1.17
Dividends Paid Per Common Share	0.73	0.70	0.66
Average Shares Outstanding	2,851,305	2,819,510	2,995,721

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31 2001	December 31 2000
ASSETS		
Utility Plant		
Electric	$ 57,212	$ 53,642
Natural gas	68,528	56,464
Propane gas	8,993	6,628
Water	12,079	11,512
Common	4,844	4,657
Total	151,656	132,903
Less accumulated depreciation	54,327	48,703
Net utility plant	97,329	84,200
Current Assets		
Cash	3,198	66
Accounts receivable	7,169	9,970
Allowance for uncollectible accounts	(131)	(162)
Unbilled Receivable	1,482	1,431
Inventories (at average or unit cost)	3,343	2,884
Prepayments and deferrals	670	910
Under recovery of fuel costs	-	788
Under recovery of conservation and unbundling	343	115
Total current assets	16,074	16,002
Other Assets		
Investments held in escrow for environmental costs	3,417	2,876
Restricted Bond Proceeds	8,008	-
Deferred charges	9,260	5,968
Goodwill	5,901	-
Total other assets	26,586	8,844
Total	$ 139,989	$ 109,046
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$ 29,329	$ 27,510
Preferred stock	600	600
Long-term debt	52,500	23,500
Total capitalization	82,429	51,610
Current Liabilities		
Notes payable	20,430	17,900
Accounts payable	5,637	10,337
Insurance accrued	2,257	2,389
Interest accrued	877	625
Other accruals and payables	3,186	3,062
Over recovery of fuel costs	1,800	-
Customer deposits	4,454	4,192
Total current liabilities	38,641	38,505
Other Liabilities		
Deferred income taxes	7,308	7,437
Unamortized investment tax credits	861	975
Environmental liability	5,237	5,306
Regulatory tax liabilities	1,548	1,653
Customer advances for construction	2,011	1,965
Storm damage	1,954	1,595
Total other liabilities	18,919	18,931
Total	$ 139,989	$ 109,046

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

(dollars in thousands)

	December 31, 2001	2000
Common Shareholders' Equity		
Common stock, $1.50 par value, authorized 6,000,000 shares and issued 3,236,975, shares in 2001; authorized 3,500,000 and issued 3,224,672 shares in 2000	$ 4,856	$ 4,837
Paid-in capital	9,902	9,661
Retained earnings	19,386	18,461
Treasury stock - at cost (350,691 shares in 2001 and 396,867 in 2000)	(4,815)	(5,449)
Total common shareholders' equity	29,329	27,510
Preferred Stock		
4 3/4% Series A, $100 par value, redemption price $106, 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
4.90 % due 2031	14,000	-
6.85 % due 2031	15,000	-
Total long-term debt	52,500	23,500
Total Capitalization	$ 82,429	$ 51,610

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

(dollars in thousands)

	Common Stock					
	Shares Issued	Aggregate Par Value	Paid-in Capital	Retained Earnings	Treasury Shares	Treasury Shares Cost
Balances as of 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)
Balances as of December 31, 1999	3,212,201	4,819	9,344	17,204	409,816	(5,501)
Net income				3,288		
Dividends				(2,031)		
Stock plans	12,471	18	317		(12,949)	52
Balances as of December 31, 2000	3,224,672	4,837	9,661	18,461	396,867	(5,449)
Net income				3,052		
Dividends				(2,127)		
Stock Issuance due to Acquisitions					(31,960)	439
Stock plans	12,303	19	241		(14,216)	195
Balances as of December 31, 2001	3,236,975	$ 4,856	$ 9,902	$19,386	350,691	$ (4,815)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended December 31,		
	2001	2000	1999
Cash Flows from Operating Activities			
Net income	$ 3,052	$ 3,288	$ 3,529
Adjustments to reconcile net income to net cash from operating activities			
Depreciation	4,839	4,698	4,557
Deferred income taxes	(231)	375	641
Bad debt expense	417	206	162
Investment tax credits	(114)	(117)	(130)
Other	28	(46)	133
Gain on sale of non-utility property	-	-	(134)
Effects of changes in			
Receivables	2,443	(3,184)	(515)
Unbilled Receivable	19	(235)	92
Inventories and prepayments	76	(1007)	(260)
Accounts payable and accruals	(4,143)	6,550	519
Over (under) recovery of fuel costs	2,358	(2,208)	446
Area expansion program deferred costs	(804)	(576)	(945)
Environmental liability	(82)	106	(424)
Other	(219)	(1,016)	(128)
Net cash provided by operating activities	7,639	6,834	7,543
Cash Flows from Investing Activities			
Construction expenditures	(13,962)	(10,543)	(8,177)
Payment for purchase of Atlantic Company	(9,792)	-	-
Payment for purchase of Z Gas Company, net of cash acquired	(83)	-	-
Customer advances for construction	39	320	313
Purchase of restricted long-term investment	(8,008)	1	256
Deposit held in escrow for dividend payment	(541)	-	
Proceeds from sale of non-utility property	-	-	154
Net cash used by investing activities	(32,347)	(10,222)	(7,454)
Cash Flows from Financing Activities			
Short-term borrowings – net	2,530	4,900	4,800
Long-term borrowings – net of costs	27,022	-	
Proceeds from common stock plans	390	387	331
Dividends paid	(2,102)	(1,998)	(2,014)
Purchase of treasury shares	-	-	(3,605)
Net cash provided by (used by) financing activities	27,840	3,289	(488)
Net Increase (Decrease) in Cash	3,132	(99)	(399)
Cash at Beginning of Year	66	165	564
Cash at End of Year	$ 3,198	$ 66	$ 165
Supplemental Cash Flow Information			
Cash was paid during the years as follows:			
Interest	$ 3,379	$ 3,399	$ 2,792
Income Taxes	1,396	1,958	1,188
Non-cash investing and financing activities			
Purchase of Z-Gas company through issuance of 31,960 shares of common stock	$ 503	-	-

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 FPSC stopped regulating the water segment of the Company's business on September 17, 2001 due to a resolution passed by Nassau County (see additional discussion below). The suppliers of electrical power to the Northwest Florida division and of natural gas to the natural gas divisions are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). The Northeast Florida division is supplied most of its 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 future revenues. Accordingly, the Company has recognized certain regulatory assets and regulatory liabilities in the consolidated balance sheets. The Company believes that the FPSC will continue to allow the Company to recover such items through its rates. A summary of such items is as follows (in thousands):

	2001	2000
Assets		
Deferred development costs	$ 2,518	$ 1,714
Under recovery of fuel costs, conservation and unbundling	343	903
Unamortized piping and conversion costs	1,227	1,336
Unamortized loss on reacquired debt	302	325
Total Regulatory Assets	$ 4,390	$ 4,278
Liabilities		
Regulatory tax liabilities	$ 1,548	$ 1,653
Environmental liability	5,237	5,306
Storm damage	1,954	1,595
Over recovery of fuel costs	1,800	-
Total Regulatory Liabilities	$10,539	$ 8,554

Deferred development costs and unamortized loss on reacquired debt are included in deferred charges in the consolidated balance sheets.

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. The excess earnings for 1997, 1998 and 1999 at one of the Company's electric divisions were ordered by the FPSC to be added to that division's storm damage reserve. Since that last order on the 1999 disposition of excess earnings, the FPSC has allowed the Company the automatic flexibility of funding the storm damage reserves each year thereafter through use of the excess earnings and allowing additional storm damage accruals up to a cap in those reserves of $1,500,000 and $1,400,000 in the Northeast and Northwest electric divisions, respectively. In 2001, the Company funded it's Northeast division electric storm reserve with an additional $237,000 relating to 2000 excess earnings. In 2001, the Company did not expect any excess earnings and accordingly has not funded any additional amounts to its storm damage reserves. As of the end of 2001, the Northeast and Northwest electric storm reserves were at approximately $1,200,000 and $750,000, respectively.

In 1999, the Company filed for a water rate increase with the FPSC and had a rate increase effective April 2000, with an expected increase in annual revenues of $381,000. The Company filed for a limited proceeding rate increase in its water rates with the FPSC in 2000. The rates became effective May 2001 and they are expected to increase annual revenues by $236,000 or an overall 8.86% increase to rates.

The FPSC stopped regulating the water segment of the Company's business on September 17, 2001 due to Nassau County adopting resolution No. 2001-128 that rescinded the jurisdiction of the FPSC over investor owned water and wastewater utilities in the County. Under Florida law there is a "grandfather" application process under which a utility, subject to such a jurisdictional change, is entitled to receive a certificate of authorization from the County for the same service as certified by the Commission. In such process, the utility is also entitled to have "grandfathered" all rates and charges, regulations and procedures, and rate base until thereafter lawfully changed. The Company is in process of working with the County board on a regulatory agreement. It is unknown what effect, if any, the change or regulatory body will have on the water operations or what additional action the Company will take in this regard.

The Company filed the appropriate unbundled tariffs to give its commercial natural gas customers the option of purchasing their gas supplies from third parties. The Company officially offered unbundled services to commercial customers on August 1, 2001. Even though FPU has had the overall lowest gas costs in the Florida market, third party suppliers may be able to offer our customers additional programs which a regulated gas company cannot offer. Furthermore, by purchasing their gas supplies from third parties, our commercial customers may avoid certain taxes and fees which FPU is required to collect on the sale of natural gas. The Company's operating results will not be affected as the Company realizes the same gross profit regardless of whether the customer purchases the gas from us or uses our system to transport the gas. The FPSC approved various mechanisms, which will allow the Company to be reimbursed for the incremental cost of providing unbundled services.

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's perspective, the Company operates four distinct entities (Northwest Florida electric, Northeast Florida electric, Northeast Florida water, and natural gas). Thus, for the Company to recover through rate relief the effects of inflation and construction expenditures for all such entities, a request for an increase in base revenues would require the filing of four separate rate cases. The water segment of the business was subject to FPSC regulation until September 17, 2001, when the Board of Nassau County rescinded the FPSC jurisdiction. 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.

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 2001 presentation.

Utility Plant and Depreciation Utility plant is stated at original cost. The costs of additions to utility plant include contracted services, direct labor, transportation, 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 not to be units of property are charged to operating expenses. Substantially all of the utility plant and the shares of Flo-Gas Corporation collateralize the Company's First Mortgage Bonds.

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 3.4% in 2001, 3.6% in 2000 and 3.7% in 1999.

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

Use of Estimates Inherent in the accounting process is the use of estimates when preparing financial statements in accordance with accounting principals generally accepted in the United States of America. 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 certain liability claims 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 and judgment. The accrual for such claims was approximately $600,000 at December 31, 2001. Management believes that its accrual for potential liability claims is adequate.

Notes Payable The Company has a $20,000,000 line of credit with its primary bank of which at December 31, 2001, $2,070,000 is available and a $2,500,000 line of credit with a secondary bank which is all fully borrowed. The primary line and note provide for interest at LIBOR plus fifty basis points and the line of credit at the second bank is at LIBOR plus thirty basis points. The Company has reserved $1,000,000 as a contingency for major storm repairs in the Northwest Florida electric division. The weighted average interest rates at December 31, 2001, 2000, and 1999 were approximately 2.4%, 7.1%, and 6.3% respectively.

Mergers and Acquisitions In October 2001, the Company acquired Z-Gas Company, Inc., a propane gas service distribution company in a stock for stock transaction valued at approximately $600,000. The transaction involved the issuance of 31,960 shares of the Company's stock and approximately $20,000 cash. The acquisition was accounted for under the purchase method of accounting. The purchase added about 1,000 customers to the propane operation in the Northeast Florida Division.

In December 2001, the Company acquired certain net assets of Atlantic Utilities, the Florida operation of Southern Union Company in a cash transaction valued at approximately $10,000,000. Approximately $250,000 of the purchase price was withheld pending title clearance for real property in Lauderhill. The acquisition was accounted for under the purchase method of accounting. Atlantic Utilities served about 4,400 natural gas customers in New Smyrna Beach and about 1,900 propane customers in central and south Florida.

Based on preliminary estimates, the excess of the consideration paid over the estimated fair value, or the depreciated original cost for regulated entities, of net assets acquired of approximately $5,900,000 was recorded as goodwill and according to Financial Accounting Standards (FAS) Nos. 141 and 142 is not being amortized. There could be amortization if intangibles other than goodwill are identified. FPU is in the process of obtaining additional supporting documentation from the seller of Atlantic Utilities to refine the purchase price.

The estimated fair market values of assets acquired and liabilities assumed are summarized in the following table:

Fair Market Value of Assets Acquired and Liabilities Assumed

(In Thousands)

	Atlantic Utilities	Z-Gas
Assets		
Utility Plant		
Natural Gas	$4,830	$ -
Propane Gas	1,006	333
Accumulated Depreciation and Amortization	(2,195)	-
Net Utility Plant	3,641	333
Current Assets		
Cash	0	14
Accounts Receivable	150	40
Allowance for Uncollectable Accounts	(15)	(17)
Inventories	278	17
Total Current Assets	413	54
Other Assets		
Goodwill	5,685	216
Deferred Charges	342	-
Total Other Assets	6,027	216
Liabilities		
Current Liabilities		
Interest Accrued	(12)	-
Other Accruals and Payables	(10)	(3)
Customer Deposits	(260)	-
Current Liabilities	(282)	(3)
Other Liabilities		
Customer Advances for Construction	(7)	-
Total Other Liabilities	(7)	0
Acquisition Cost	$9,792	$ 600

The net utility plant for the natural gas business represents the depreciated original cost according to the regulatory guidelines. For Atlantic Utilities, approximately $3,127 of the goodwill relates to natural gas regulated operations and $2,558 relates to propane operations. All of the Z-Gas goodwill relates to propane operations.

The following unaudited pro forma information combines the consolidated results of operations of Florida Public Utilities Company with those of Z-Gas and Atlantic Utilities as if these acquisitions had occurred at the beginning of 2000.

The pro forma results are not necessarily an indication of the results that would have been achieved had the transactions been consummated as of the date indicated, or that may be achieved in the future.

Pro Forma Results

(IN THOUSANDS EXCEPT FOR PER-SHARE AMOUNTS)

Year Ended December 31,	2001	2000
Revenues	$98,061	$88,989
Cost of Fuel and Taxes Based on Revenues	62,689	55,481
Gross Profit	$35,372	$33,508
Operating Income	$7,103	$7,021
Net Income	$3,800	$3,693
Earnings for Common Shares	$3,771	$3,664
Average Shares Outstanding	2,877,938	2,851,470
Earnings per Common Share	$1.31	$1.28

2001 amounts include actual November and December for Z-Gas and December 15-31, 2001 for Atlantic Utilities.

Capitalization

Common Shares Reserved The Company has reserved 88,725 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, 2001 approximately $2,900,000 of retained earnings were free of such restriction.

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

Bond Proceeds The Company issued its First Mortgage Bond, 6.85% Series due 2031 on September 27, 2001 in the aggregate principal amount of $15,000,000 as security for the 6.85% Secured Insured Quarterly Notes, due October 1, 2031 (IQ Notes). Interest on the pledged bond accrues at the rate of 6.85% per annum payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, payable initially on January 1, 2002. The pledge bond constitutes the Fourteenth Series of the Company's First Mortgage Bonds.

Restricted Bond Proceeds The Company issued $14,000,000 of Palm Beach County tax free municipal bonds (Industrial Development Revenue Bonds) on November 14, 2001 to finance development in the area. The interest rate on the thirty-year callable bonds is 4.90%. The bond proceeds are restricted and held in trust until construction expenditures are actually incurred by the Company and will be available from the trustee as construction is performed in the County during 2001, 2002, and 2003. In 2001 $5,362,000 was drawn from the restricted funds held by the trustee, leaving $8,008,000 available after closing costs. The Company issued its First Mortgage Bond, 4.9% Series due 2031 on November 1, 2001 in the aggregate principal amount of $14,000,000 as security for the $14,000,000 Palm Beach Industrial Development Revenue Development Bonds. The pledged bond constitutes the Fifteenth Series of the Company's First Mortgage Bonds.

Segment Information

The Company is organized into three regulated business segments: natural gas, electric and water and one non-regulated business segment, propane gas. There are no material inter-segment sales or transfers.

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

Business segment information for 2001, 2000 and 1999 is summarized as follows (in thousands):

	2001	2000	1999
Revenues			
Electric	$ 39,050	$ 39,304	$ 37,544
Natural Gas	44,729	38,270	30,287
Propane Gas	5,399	4,380	3,866
Water	2,965	2,805	2,401
Consolidated	92,143	84,759	74,098
Operating income excluding income tax			
Electric	$ 2,893	$ 3,016	$ 3,173
Natural Gas	3,295	3,789	3,493
Propane Gas	431	264	393
Water	897	932	739
Consolidated	7,516	8,001	7,798
Identifiable assets			
Electric	$ 37,753	$ 36,911	$ 35,384
Natural Gas	52,734	42,564	38,355
Propane Gas	10,728	5,648	4,999
Water	9,579	9,038	7,199
Common	29,195	14,885	10,606
Consolidated	139,989	109,046	96,543
Depreciation and amortization			
Electric	$ 2,070	$ 1,969	$ 1,863
Natural Gas	1,963	2,027	1,998
Propane Gas	322	284	303
Water	300	282	260
Common	184	136	133
Consolidated	4,839	4,698	4,557
Construction expenditures			
Electric	$ 4,418	$ 3,015	$ 2,774
Natural Gas	7,508	3,300	3,337
Propane Gas	1,147	757	384
Water	520	2,100	1,462
Common	369	1,371	220
Consolidated	13,962	10,543	8,177
Income tax expense			
Electric	$ 397	$ 475	$ 621
Natural Gas	547	728	729
Propane Gas	84	26	87
Water	222	244	191
Common	290	155	209
Consolidated	1,540	1,628	1,837

Income Taxes

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

	2001	2000	1999
Current payable			
Federal	$ 1,362	$ 1,039	$ 954
State	232	177	163
	1,594	1,216	1,117
Deferred			
Federal	(210)	299	526
State	(21)	75	115
	(231)	(374)	(641)
Investment tax credit	(114)	(117)	(130)
Total – operating	1,249	1,473	1,628
Included in interest charges and other	291	155	209*
Total	$ 1,540	$ 1,628	$ 1,837

*Includes income tax of $51 on gain from the sale of non-utility property.

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):

	2001	2000	1999
Federal income tax at statutory rate	$ 1,561	$ 1,671	$ 1,824
State income taxes, net of federal benefit	139	166	183
Investment tax credit	(114)	(117)	(130)
Other	(46)	(92)	(40)
Total provision for income taxes	$ 1,540	$ 1,628	$ 1,837

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

	2001	2000
Deferred tax assets		
Environmental	$ 2,125	$ 1,997
Other	235	446
Total deferred tax assets	2,360	2,443
Deferred tax liabilities		
Utility plant related	8,748	8,654
Under recovery of fuel costs	320	798
Other	600	428
Total deferred tax liabilities	9,668	9,880
Net deferred income taxes	$ 7,308	$ 7,437

Employee Benefit Plans

Florida Public Utilities Company sponsors a qualified pension plan and postretirement medical and life benefit plans for its employees. The life plan obligations are de minimis and not reflected in the Company's disclosures. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the 2-year period ending December 31, 2001, and a statement of the funded status as of December 31 of both years:

	Pension Benefits 2001	Pension Benefits 2000	Other Benefits 2001	Other Benefits 2000
Reconciliation of Benefit Obligation				
Prior year obligation at December 31	$ 26,186,445	$ 21,126,637	$ 1,875,972	$ 1,707,660
Service cost	901,220	971,596	77,425	87,596
Interest cost	1,780,967	1,694,069	103,649	118,285
Participant contributions	0	0	15,625	12,144
Plan amendments	295,554	3,911,439	0	0
Actuarial (gain) loss	(1,844,718)	(454,127)	(590,995)	19,331
Acquisitions (divestitures)	0	0	0	0
Benefit payments	(1,155,419)	(1,063,169)	(71,308)	(69,044)
Curtailments	0	0	0	0
Settlements	0	0	0	0
Current year obligation at December 31	$ 26,164,049	$ 26,186,445	$ 1,410,368	$ 1,875,972
Reconciliation of Fair Value of Plan Assets				
Prior year fair value of plan assets at December 31	$ 35,113,920	$ 36,385,130	$ 0	$ 0
Actual return on plan assets	(1,951,083)	(208,041)	0	0
Acquisitions (divestitures)	0	0	0	0
Employer contributions	0	0	55,683	56,900
Participant contributions	0	0	15,625	12,144
Benefit payments	(1,155,419)	(1,063,169)	(71,308)	(69,044)
Settlements	0	0	0	0
Current year fair value of plan assets at December 31	$ 32,007,418	$ 35,113,920	$ 0	$ 0
Funded Status				
Funded status at December 31	$ 5,843,369	$ 8,927,475	$ (1,410,368)	$ (1,875,972)
Unrecognized transition (asset) obligation	0	0	471,846	514,742
Unrecognized prior service cost	7,006,373	7,432,834	0	0
Unrecognized (gain) loss	(10,578,578)	(14,335,325)	(397,442)	188,775
Net amount recognized – prepaid / (liability)	$ 2,271,164	$ 2,024,984	$ (1,335,964)	$ (1,172,455)

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2001, 2000, and 1999:

	Pension Benefits 2001	Pension Benefits 2000	Pension Benefits 1999	Other Benefits 2001	Other Benefits 2000	Other Benefits 1999
Service cost	$ 901,220	$ 971,596	$ 770,799	$ 77,425	$ 87,596	$ 71,840
Interest cost	1,780,967	1,694,069	1,368,995	103,649	118,285	108,789
Expected return on plan assets	(2,821,040)	(2,785,633)	(2,170,746)	0	0	0
Amortization of transition (asset) obligation	0	(183,269)	(183,276)	42,896	42,896	42,896
Amortization of prior service cost	722,015	716,418	422,358	0	0	0
Amortization of net (gain) loss	(829,342)	(875,582)	(474,402)	(4,778)	1,001	262
Net periodic benefit cost	$ (246,180)	$ (462,401)	$ (266,272)	$ 219,192	$ 249,778	$ 223,787
Curtailment (gain) loss	0	0	0	0	0	0
Settlement (gain) Loss	0	0	0	0	0	0
Net periodic benefit cost after curtailments and settlements	$ (246,180)	$ (462,401)	$ (266,272)	$ 219,192	$ 249,778	$ 223,787

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 noncontributory; 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 over time at the same rate as the total plan cost.

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

	Pension Benefits			Other Benefits		
	2001	2000	1999	2001	2000	1999
Weighted-average Assumptions as of December 31						
Discount rate	7.25%	7.00%	7.00%	7.25%	7.00%	7.00%
Expected return on plan assets	8.50%	8.50%	8.50%	N/A	N/A	N/A
Rate of compensation increase	4.50%	5.50%	5.50%	N/A	N/A	N/A

For measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits during 2001 was 6.50%. These rates were assumed to decrease gradually each year to a rate of 5.00% 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	$ 22,876	$ (19,248)
Effect on the health care component of the accumulated postretirement benefit obligation	$ 163,306	$ (139,472)

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 $100,000 per individual per year, with a maximum total liability of $1,184,275.

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 $629,000, $509,000, and $516,000 for 2001, 2000 and 1999, respectively.

Employee Stock Purchase Plan The Company's Employee Stock Purchase Plan offers common stock at a discount to qualified employees. During 2001, 2000 and 1999, 11,774, 10,849, and 8,193 shares, respectively, were issued under the Plan for aggregate consideration of $162,000, $165,000, and $116,000, respectively.

Dividend Reinvestment Plan During 2001, 2000 and 1999, 12,303, 12,471, and 11,341 shares, respectively, were issued under the Company's Dividend Reinvestment Plan for aggregate consideration of $196,000, $193,000, and $193,000, respectively.

Financial Instruments

The carrying amounts reported in the balance sheet for restricted bond proceeds, notes payable, taxes accrued and other accrued liabilities approximate fair value. The Company's investments held in escrow for environmental costs have gained in market value by $49,000 as of December 31, 2001. The Company's debt is not rated by an agency. The older bonds contain "make whole" provisions that would negate any value fluctuations in interest rates. Additionally, the cost of long-term debt is included as a recovered cost in revenue for the regulated operations and as such the Company is reimbursed for interest costs. Therefore, disclosure of the change in fair value due to reasonably possible near term changes in interest rates is not meaningful. However, the current bonds outstanding were issued in 1988, 1992, and 2001 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.

Insurance Claims and Rate Relief The Company notified its insurance carriers of environmental impacts detected at the former gasification plant 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 $7,630. Since 1991, the FPSC has also allowed the Company to recover through rate relief environmental expenses of $2,356,000 at the rate of approximately $240,000 per year as an addition to the insurance reserve; the increases to the reserve ended in February 2001.

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, upon which the Company previously operated a gasification plant. 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 the gasification plant and requires the Company to remediate such soil and groundwater impacts, if necessary. In June 1992, the Company commenced a contamination assessment investigation. A Contamination Assessment Report ("CAR") was submitted to FDEP in December 1995, and a CAR Addendum was submitted to FDEP in April 2000. Additional field investigations were performed in 2001 in response to FDEP comments to the CAR Addendum. On December 28, 2001, the Company submitted a Supplemental CAR Addendum ("SCARA") to FDEP for review and comment. The Company is awaiting comments from FDEP regarding the SCARA. Prior to the review and approval of the SCARA by FDEP, it is not possible to determine the complete extent or cost of remedial action, if any, which may be required. However, a revised preliminary estimate from the Company's environmental consultant projected that total contamination assessment and remediation costs for this site may reach approximately $4,354,000. 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 may be eligible for reimbursement under state law.

Sanford Site The Company owns a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to the Company's acquisition of the property. FDEP required the Company to conduct a contamination assessment of the property to determine whether contamination was present as a result of the operation of the gasification plant. A preliminary investigation revealed soil impacts on 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, EPA notified the Company of its potential liability under applicable federal laws for further assessment and remediation of the site. Similar notices were sent by EPA to 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 obligated the Group to implement a Remedial Investigation/Feasibility Study ("RI/FS") task and to pay EPA's past and future oversight costs for the RI/FS. 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 for the RI/FS task. The Company agreed to pay approximately 13.7% of the cost for the RI/FS. Fieldwork for the RI/FS was initiated in 1998. A final RI report was submitted to EPA in July 1999. The Group also submitted a Baseline Risk Assessment to EPA in January 2000, including an Ecological Risk Assessment ("ERA"). Additional fieldwork will be required to complete the ERA at a total estimated cost of less than $50,000. The Company's share of the additional ERA work is 13.7%.

On July 5, 2000, EPA issued a Record of Decision ("ROD") approving the final remedial action for contaminated soils at the site ("OU1 Remedy"). The total estimated cost for the OU1 Remedy ranges from $5,593,000 to $5,760,000. On June 12, 2001, EPA issued a ROD approving the final remedial action for contaminated groundwater at the site ("OU2 Remedy"). The present worth cost estimate for the OU2 Remedy is $320,252. The Group is currently negotiating a remedial design/remedial action ("RD/RA") Consent Decree with EPA to provide for the implementation of the OU1 Remedy and OU2 Remedy. It is reasonable to anticipate at this time that the Decree will not be effective until July or August 2002. Pursuant to the Consent Decree, pre-remedial design fieldwork will be performed to assist in the design of the final remedy for OU1 and OU2. The cost of the additional field and design work is approximately $375,000. Upon EPA's approval of the final design, the Group will be obligated to implement the remedy for OU1 and OU2 at an estimated combined cost, as noted above, of approximately $6,000,000. The Consent Decree also obligates the Group to reimburse EPA's past costs of approximately $215,000 and EPA's future oversight costs. Pursuant to the terms and conditions of the Second Participation Agreement entered into by the Company and other members of the Group on August 1, 2000, the Company's share of costs for the additional field and design work, implementation of the OU1 Remedy and OU2 Remedy, and payment of EPA's past and future oversight costs for the RD/RA tasks is 10.5%.

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.

On or about October 18, 2000, Violet Skipper, PC Buyers, Inc. and Thomas Wade Skipper filed suit against FPU in the Circuit Court for Palm Beach County, Florida. The case was later transferred to Jackson County, Florida. The lawsuit alleged that FPU failed to properly install and/or maintain electrical power lines, utility poles and related equipment which allegedly caused a fire that spread to and eventually destroyed a warehouse/office facility that was owned by Violet Skipper, that housed the place of business of the corporate plaintiff and that contained property therein owned by all the plaintiffs. The warehouse/office facility was located in Jackson County, Florida. Plaintiffs alleged damages in excess of $1,000,000. FPU has denied the claims in the complaint and is vigorously defending the claims on the theory that the alleged fire started within the warehouse/office facility and not at or in FPU's electrical equipment.

On or about August 13, 2001, Darrell Glenn filed suit against FPU in the Circuit Court for Palm Beach County, Florida. The case was later moved to Nassau County, Florida where it is pending. The lawsuit alleged that the employee of a painting subcontractor was shocked and injured on May 16, 2001 while painting electrical equipment at FPU's step-down site in Fernandina Beach, Florida. His employer was operating under an agreement that required it to supervise its own workers. The plaintiff claims FPU was negligent and that its negligence caused his injuries to his torso which experienced some degree of burn. The plaintiff has not specified an amount of claim but FPU intends to bring the subcontractor into this action as a third-party defendant and seek indemnification and contribution from the subcontractor. FPU intends to vigorously defend this claim and to pursue the third-party claim against the subcontractor.

In the event that the Company does not prevail in these suits, there may be a material adverse effect on the financial statements. However, FPU believes there are meritorious defenses to the pending litigation discussed above but is unable to provide and evaluation of the likelihood of an unfavorable outcome or provide an estimate of the amount or range of potential loss.

The Company is also involved with other various claims and litigation incidental to its business. In the opinion of management, none of these incidental claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

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 either based on market prices or at fixed prices. At December 31, 2001, 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 $4,805,000 annually through 2010 related to these agreements. Substantially all costs incurred under these agreements are recoverable from customers through fuel adjustment clause mechanisms.

Financial Accounting Standard No. 133 and 138

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 December 31, 2001 were not material to the Company's financial statements and are not expected to effect future operations as the Company does not expect to enter into significant derivative instruments.

Financial Accounting Standard No. 141 and 142

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 on the recent acquisitions required use of the purchase method and resulted in goodwill that will have to be tested for impairment beginning in 2002.

Financial Accounting Standard No. 143

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The statement requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred and the associated asset retirement costs capitalized as part of the carrying amount of the long-lived asset. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over its useful life. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management is in the process of evaluating the impact of implementing SFAS 143 and feels that other than changing the methodology of depreciation and increasing administrative efforts, the effect on operating results will be immaterial and feels the impact on the regulated portion of the business, if any, would be an allowable item for recovery in the Company's rates.

Financial Accounting Standard No. 144

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The statement supercedes, with exceptions, SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Management is in the process of evaluating the impact of implementing SFAS 144 and is unable to estimate the effect, if any, on the Company's financial statements but feels the regulated portion of an impact, if any, would be an allowable item for recovery in the Company's rates.

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):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
2001				
Revenues	$ 31,100	$ 22,497	$ 19,421	$ 19,125
Gross profit	9,171	7,863	7,602	8,140
Operating income exc. income tax	3,023	1,544	1,428	1,521
Net income	1,503	480	538	531
Earnings per share	0.53	0.17	0.19	0.18
2000				
Revenues	$ 21,468	$ 19,539	$ 20,182	$ 23,570
Gross profit	8,621	7,301	7,223	7,998
Operating income exc. income tax	2,928	1,590	1,485	1,998
Net income	1,413	539	480	856
Earnings per share	0.50	0.19	0.17	0.30

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, 2001 and 2000, 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, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Certified Public Accountants
West Palm Beach, Florida
February 25, 2002

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.

Name	Age	Position	Date
John T. English	58	Chief Executive Officer	1998 - Present
		President	1997 - Present
		Chief Operating Officer	1997 - 2000
Charles L. Stein	52	Senior Vice President	1997 - Present
		Chief Operating Officer	2001 - Present
Jack R. Brown	67	Corporate Secretary	1988 - Present
		Vice President	2001 - Present
		Treasurer	1988 - 2000
George M. Bachman	42	Chief Financial Officer and Treasurer	2001 - Present
		Controller	1996 - 2000

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

There were no transactions with management in 2001.

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 2001 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

See exhibit index following signatures.

(b) Reports on Form 8-K.

A form 8-K was filed December 20, 2001 announcing a press release concerning the purchase of the assets of Atlantic Utilities from Southern Union Company.

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/ George M Bachman Date: March 11, 2002
George M Bachman, Chief Financial Officer
(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 11, 2002
John T. English
President, Chief Executive Officer, and
Director

/s/ Ellen Tracy Benoit Date: March 11, 2002
Ellen Tracy Benoit
Director

/s/ Richard C. Hitchins Date: March 11, 2002
Richard C. Hitchins
Director

/s/ Paul L. Maddock, Jr. Date: March 11, 2002
Paul L. Maddock, Jr.
Director

/s/ Rudy E. Schupp Date: March 11, 2002
Rudy E. Schupp
Director

FLORIDA PUBLIC UTILITIES COMPANY

EXHIBIT INDEX

(a) Exhibits

Regulation S-K
Item Number

4(a)* - Indenture of Mortgage and Deed of Trust of the Company dated as of September 1, 1942 (Exhibit 7-A to Registration No. 2-6087 is hereby incorporated by reference).

4(b) - Fourteenth Supplemental Indenture dated September 1, 2001.

4(c) - Fifteenth Supplemental Indenture dated November 1, 2001.

10(a) - Credit Agreement between Florida Public Utilities Company and Bank of America dated September 17,2001.

10(b) - Contract for the transportation of natural gas between Florida Public Utilities Company and Lake Worth Generation, LLC dated July 21, 2000.

10(c)* - Second amendment to Second Amended and Restated Credit Agreement between Florida Public Utilities Company and Sun Bank/South Florida, National Association dated April 30, 2000.

10(d)* - Contract for the transportation of natural gas between Florida Public Utilities Company and Florida Gas Transmission Company under Service Agreement for Firm Transportation Service dated June 1, 1992 (Exhibit 10-b to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(e)* - Contract for the transportation of natural gas between Florida Public Utilities Company and Florida Gas Transmission Company under interruptible Transportation Service Agreement dated February 23, 1990 (Exhibit 10-c to Form S-2, for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(f)* - Contract for the transportation of natural gas between Florida Public Utilities Company and the City of Lake Worth dated March 25, 1992 (Exhibit 10-f to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(g)* - Contract for the purchase of electric power between Florida Public Utilities Company and Jacksonville Electric Authority dated January 29, 1996.

10(h)* - Contract for the purchase of electric power between Florida Public Utilities Company and Gulf Power Company effective November 21, 1996.

10(i)* - Contract for the purchase of as-available capacity and energy between Florida Public Utilities Company and Container Corporation of America dated September 19, 1985 (Exhibit 10-i to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(j)* - Contract for the sale of electric service between Florida Public Utilities Company and Container Corporation of America dated August 26, 1982 (Exhibit 10-j to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(k)*	-	Contract for the sale of electric service between Florida Public Utilities Company and ITT Rayonier Inc. Dated April 1, 1982 (Exhibit 10-k to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).
10(l)*	-	Employment agreement between Florida Public Utilities Company and John T. English, effective through May 31, 2003.
10(m)*	-	Employment agreements between Florida Public Utilities Company and Charles L. Stein, Jack R. Brown and George M. Bachman, effective through May 31, 2003. Essentially identical to the agreement in Item 10(m) above.
10(n)*	-	Form of Stock Purchase and Sale Agreement between Florida Public Utilities Company and three persons who, upon termination of two trusts, will become the record and beneficial owners of an aggregate of 313,554 common shares of the Registrant (Exhibit 10-p to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).
13.*	-	Quarterly report of Form 10-Q for the three months ended September 30, 2001 (Form 10-Q for September 2001, File No. 0-1055, is hereby incorporated by reference).
21.*	-	Subsidiary of the registrant
23.	-	Independent auditors' consent

* Incorporated by reference from indicated exhibits of the 2000 annual report

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 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 June 30, 2002

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 1-1055

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 Number)
401 South Dixie Highway, West Palm Beach, FL	**33401**
(Address of principal executive offices)	(Zip Code)

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

(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 CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. **On August 2, 2002 there were 3,877,987 shares of $1.50 par value common shares outstanding.**

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

	June 30, 2002	December 31, 2001
ASSETS		
Utility Plant	$ 159,325	$ 151,656
Less accumulated depreciation	56,505	54,327
Net utility plant	102,820	97,329
Current Assets		
Cash	215	3,198
Accounts receivable	7,813	7,169
Allowance for uncollectible accounts	(205)	(131)
Unbilled receivable	1,339	1,482
Inventories	3,328	3,343
Prepayments and deferrals	366	670
Under recovery of conservation and unbundling	48	343
Total current assets	12,904	16,074
Other Assets		
Investments held in escrow	2,814	3,417
Restricted bond proceeds	3,157	8,008
Deferred charges	9,291	9,260
Goodwill	3,121	3,066
Intangible Assets	2,835	2,835
Total other assets	21,218	26,586
Total	$ 136,942	$ 139,989
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$ 30,710	$ 29,329
Preferred stock	600	600
Long-term debt	52,500	52,500
Total capitalization	83,810	82,429
Current Liabilities		
Notes payable	15,566	20,430
Accounts payable	5,352	5,637
Insurance accrued	2,241	2,257
Interest accrued	798	877
Other accruals and payables	4,102	3,186
Over recovery of fuel	1,286	1,800
Customer deposits	5,329	4,454
Total current liabilities	34,674	38,641
Other Liabilities		
Deferred income taxes and regulatory tax liability	9,359	9,717
Deferred credits	9,099	9,202
Total other liabilities	18,458	18,919
Total	$ 136,942	$ 139,989

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, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Revenues				
Electric	$ 9,853	$ 9,464	$ 19,635	$ 19,376
Natural gas	9,207	10,946	20,914	29,766
Propane gas	1,647	1,275	3,875	3,022
Water	861	812	1,515	1,432
Total revenues	21,568	22,497	45,939	53,596
Cost of fuel and taxes based on revenues	12,452	14,634	26,566	36,563
Gross Profit	9,116	7,863	19,373	17,033
Operating Expenses				
Operations	5,070	4,580	9,984	8,792
Depreciation	1,313	1,132	2,654	2,405
Taxes other than income taxes	670	607	1,364	1,269
Income taxes	302	226	1,089	1,011
Total operating expenses	7,355	6,545	15,091	13,477
Operating Income	1,761	1,318	4,282	3,556
Interest charges and Other				
Merchandise and service revenue	(627)	(541)	(1,435)	(1,231)
Merchandise and service expenses	616	559	1,302	1,152
Gain from sale of property [1]	-	-	(85)	-
Interest expense	1,109	863	2,185	1,716
Other (income) deductions	(107)	(71)	(180)	(170)
Income taxes - other	76	28	227	106
Total interest charges and other	1,067	838	2,014	1,573
Net Income	694	480	2,268	1,983
Preferred Stock Dividends	7	7	14	14
Earnings for Common Stock	$ 687	$ 473	$ 2,254	$ 1,969
Earnings Per Common Share - Basic and Diluted	$ 0.18	$ 0.12	$ 0.58	$ 0.52
Dividend Per Common Share[2]	$ 0.14	$ 0.14	$ 0.28	$ 0.27
Average Shares Outstanding[2]	3,864,592	3,788,892	3,862,250	3,785,644

See notes to condensed consolidated financial statements.

[1] In March 2002, the Company sold real property for a gain. The non-utility portion of the gain included in the year to date earnings after income taxes is $53and is equal to $0.01 per share.

[2] Average shares outstanding and dividends per common share have been restated to reflect the four-for-three stock split declared on June 14, 2002 and distributed on July 1, 2002.

FLORIDA PUBLIC UTILITIES COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Net Cash Flow provided by Operating Activities	$ 4,274	$ 3,370
Cash Flows from Investing Activities		
Construction expenditures	(7,897)	(6,719)
Reduction of restricted bond proceeds	4,851	-
Reduction of deposit held in escrow for dividend payment	541	-
Proceeds from sale of property	590	-
Other	374	303
Net cash used in investing activities	(1,541)	(6,416)
Cash Flows from Financing Activities		
Net change in short-term borrowings	(4,864)	3,835
Dividends paid	(1,084)	(1,034)
Other	232	211
Net cash provided (used) by financing activities	(5,716)	3,012
Net change in cash	(2,983)	(34)
Cash at beginning of period	3,198	66
Cash at end of period	$ 215	$ 32

See notes to condensed consolidated financial statements.

The financial reports should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2001 Form 10-K

FLORIDA PUBLIC UTILITIES COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2002

1. In the opinion of the Company the accompanying unaudited condensed 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, 2001.

2. The First Mortgage Bond Indentures provide for restrictions on the payment of cash dividends. At June 30, 2002, under the most restrictive provision, approximately $4,100,000 of retained earnings were unrestricted.

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

Summary of Revenues and Operating Income before Income Taxes:
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Revenues				
Electric	$ 9,853	$ 9,464	$ 19,635	$ 19,376
Natural Gas	9,207	10,946	20,914	29,766
Propane Gas	1,647	1,275	3,875	3,022
Water	861	812	1,515	1,432
Total Revenues	$ 21,568	$ 22,497	$ 45,939	$ 53,596
Operating Income before Income Taxes				
Electric	$ 739	$ 612	$ 1,522	$ 1,474
Natural Gas	895	592	2,878	2,371
Propane Gas	97	88	493	326
Water	332	252	478	396
Total Operating Income before Income Taxes	$ 2,063	$ 1,544	$ 5,371	$ 4,567

Total assets have not changed materially from December 31, 2001.

4. **Goodwill and Other Intangible Assets**

Effective January 1, 2002, the Company adopted Financial Accounting Standards No. (FAS) 142, "Goodwill and Other Intangible Assets." Under this statement, the amortization of goodwill is no longer permitted and intangible assets with an indefinite life will not be amortized. The standard requires goodwill to be periodically tested for impairment and written down to fair value if considered impaired. The reporting units have been determined to be propane gas and natural gas for the purposes of impairment testing.

Intangible assets associated with our recent acquisitions have been identified and are shown as a separate line item on the balance sheet. Amounts as of December 31, 2001 have been reclassified to conform to this presentation. The intangibles subject to amortization over a five-year period are non-compete agreements totaling $35,000. The remaining intangibles identified are customer distribution rights for $1,900,000 and customer relationships for $900,000, both of which have indefinite lives and are not subject to amortization.

All goodwill relates to the recent gas acquisitions and accordingly, there is no amortization of goodwill reported in the accompanied financial statements. The test for goodwill impairment was performed for the reporting units during the second quarter of 2002. The test results show there is currently no impairment in either reporting unit.

5. **Financial Accounting Standard No. 143**

In August 2001, the Financial Accounting Standards Board (FASB) issued FAS 143, "Accounting for Asset Retirement Obligations." The statement requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred and the associated asset retirement costs capitalized as part of the carrying amount of the long-lived asset. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over its useful life. FAS 143 is effective for fiscal years beginning after June 15, 2002. The ultimate effect on operating results is unknown, however, management believes that the effect on operating results will be immaterial and believes that the impact on the regulated portion of the business, if any, would be an allowable item for recovery in the Company's rates.

6. **Financial Accounting Standard No. 146**

In July 2002, the FASB issued FAS 146, "Accounting for Cost Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Management is in the process of evaluating the impact of implementing FAS 146 and is unable to estimate the effect, if any, on the Company's financial statements. FAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

7. **Mergers and Acquisitions.**

In October 2001, the Company acquired Z-Gas Company, Inc., a propane gas service distribution company, in a stock for stock transaction valued at approximately $600,000. The merger added about 1,000 customers to the propane operation in the Northeast Florida Division.

In December 2001, the Company acquired certain net assets of Atlantic Utilities, the Florida operation of Southern Union Company in a cash transaction valued at approximately $10,000,000. Atlantic Utilities served about 4,400 natural gas customers in New Smyrna Beach and about 1,900 propane customers in central and south Florida.

The excess of the consideration paid over the estimated fair value, or the depreciated original cost for regulated entities, of net assets including intangibles acquired in both the Atlantic Utilities and Z-Gas acquisitions was approximately $3,100,000. This was recorded as goodwill and according to FAS 142 is not being amortized. The natural gas portion of this amount is approximately $1,500,000.

8. **Gain on Sale of Property**

The Company sold property held in Delray Beach, in our South Florida division, for a gain of approximately $529,000. This property was primarily regulated property and accordingly the majority of the gain has been deferred awaiting Florida Public Service Commission (FPSC) approval on the disposition of that gain. We are requesting approval by the FPSC to allow us to amortize the gain with an offset to depreciation expense over five years beginning April 2002. The non-regulated portion of the gain has been recognized in the first quarter of 2002 and amounts to $53,000, net of income taxes. Excluding the property gain in the first quarter, earnings per share for the year to date June 30, 2002, would be $.57 per share.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements, which are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements.

Financial Condition.
The Company has a $20,000,000 line of credit with its primary bank of which at June 30, 2002, $6,934,000 is available and a $2,500,000 line of credit with a secondary bank that is fully borrowed. The primary line and note provide for interest at LIBOR plus fifty basis points and the line of credit at the second bank is at LIBOR plus thirty basis points. The Company has reserved $1,000,000 of the line of credit as a contingency for major storm repairs in the Northwest Florida electric division as required by the FPSC.

The Company issued $14,000,000 of Palm Beach County municipal bonds (Industrial Development Revenue Bonds) on November 14, 2001 to finance development in the area. The bond proceeds are restricted and held in trust until construction expenditures in the county are actually incurred by the Company. Funds are drawn after each month's construction expenditures through 2003. At June 30, 2002 the restricted funds held by the trustee and available for future draws were $3,157,000. Approximately $4,851,000 was drawn from the restricted investment and used during 2002, which reduced the amount of net cash used from investing activities.

On July 1, 2002 a four-for-three stock split was issued to the record holders of June 14, 2002. All common share information has been restated to reflect the stock split.

Approximately $1,200,000 in additional construction was spent in 2002 primarily due to the Lake Worth generation project. Proceeds received from the sale of property amounted to a $590,000 source of cash during 2002. Short-term borrowings were paid down in 2002 from the additional sources of cash.

The Company does not use off-balance sheet financing, have minority interests in businesses, engage in energy trading activities, nor does it make loans or guarantee loans to executives or directors. All debt of the business is reflected on the balance sheet.

Overview.
The Company is organized into three regulated business segments: natural gas, electric and water and one non-regulated business segment, propane gas. There are no material inter-segment sales or transfers.

Definitions.
Gross Profit. Gross Profit, defined as gross operating revenues less fuel costs, conservation and unbundling costs, and taxes based on revenues that are passed through to customers, provides a more meaningful basis for evaluating utility operations. Fuel, conservation, and unbundling 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).

Operating Expenses. Operating expenses exclude fuel costs, conservation and unbundling costs, and taxes based on revenues that are passed through to customers. These operating expenses have no effect on results of operations as they are passed on directly to customers and fluctuations in such costs distort the relationship of operating expenses between periods. These costs are grouped on a separate line of the income statement as "Cost of fuel and taxes based on revenues".

Results of Operations.
In the following discussion, all comparisons are with the corresponding items in the same period in the prior year.

Summary of Gross Profit: (in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2002	**2001**	**2002**	**2001**
Electric	$ 2,784	$ 2,709	$ 5,508	$ 5,454
Natural Gas	4,440	3,649	9,974	8,560
Propane Gas	1,068	726	2,442	1,647
Water	824	779	1,449	1,372
Total Gross Profit	$ 9,116	$ 7,863	$ 19,373	$ 17,033

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. The Company in 2001 began actively pursuing opportunities to purchase small gas companies to assist in growth. Two purchases were made last year and the Company has a goal of acquiring the assets of at least one propane company in 2002.

Three Months Ended June 30, 2002 Compared with Three Months Ended June 30, 2001

Gross Profit

Natural Gas Service.
Natural gas service gross profit increased $791,000 or 22%. The gross profit increased primarily due to recent acquisitions and from a construction contract with a generation facility that added over $300,000. The Company began billing the generation facility in February 2002 and expects that revenue will increase approximately $1,113,000 in 2002, $1,184,000 in 2003, and $1,159,000 in 2004, decreasing yearly thereafter as construction costs of the facility are depreciated. Because the project does not involve purchasing gas, the gross profit and revenue increase by approximately the same amounts. Overall usage increased around 4% due to the acquisitions and normal growth.

Propane Gas Service.
Propane gas gross profit increased $342,000 or 47% primarily due to the recent acquisitions of Z-Gas Corporation and Atlantic Utilities. This also assisted in increasing overall gas usage by 48%, with the usage per customer remaining fairly consistent.

Electric Service.
Electric service gross profit increased $75,000 or 3% due primarily to increased residential usage.

Water Service.
The water segment increased gross profit by $45,000 or 6%. This was due primarily from the rate increase on May 17, 2001 that added $225,000 in annual gross profit. This was offset by a lower usage per customer during the quarter.

Operating Expenses (excluding income taxes)

Expenses increased $734,000 or 12%. Payroll charged to operating expenses increased $227,000 primarily due to the acquisitions and associated additional employees. General and administrative expenses were up over $180,000, excluding payroll. This was primarily due to increased workmen's compensation of $41,000, increased pension expense of $82,000, and an increase in medical self-insurance expense of $50,000. Customer administration expenses, excluding payroll, increased mainly due to approximately $44,000 of higher bad debt expense. The Company has increased collection efforts to bring the bad debt expense back down by focusing on collections and the adequacy of deposits. Other contributing factors to the increase included higher depreciation expense of $181,000, or 16%, primarily attributable to the assets acquired in our recent acquisitions of Atlantic Utilities and Z Gas, and increases in taxes other than income taxes of $63,000. These consisted primarily of payroll taxes associated with the increased payroll expenses and property tax associated with the recent acquisitions. Maintenance expense, excluding payroll, decreased $125,000 primarily due to the prior year having additional expenses for tree trimming, substation work, transmission line access work, and overhead line balancing. These were periodic items above the normal annual maintenance.

Interest Charges and Other

Merchandise and service revenue and expenses have both increased primarily due to the gas division's conservation program contributing to the sales increase by offering rebates to customers on merchandise purchases. The net increase to interest charges was $246,000. Interest charges on long-term debt increased approximately $428,000 due to two additional bonds issued totaling $29,000,000 in September and November of 2001. The bonds were primarily used to finance acquisitions, fund a major Lake Worth Generation construction project and to reduce our short-term debt. The offsetting decrease to short-term debt interest charges was approximately $151,000.

Six Months Ended June 30, 2002 Compared with Six Months Ended June 30, 2001

Gross Profit

Natural Gas Service.
Natural gas service gross profit increased $1,414,000 or 17%. The gross profit increased primarily due to recent acquisitions and a construction contract with a generation facility adding over $500,000. The Company began billing the generation facility in February 2002 and expects that revenue will increase approximately $1,113,000 in 2002, $1,184,000 in 2003, and $1,159,000 in 2004, decreasing yearly thereafter as construction costs of the facility are depreciated. Because the project does not involve purchasing gas, the gross profit and revenue increase by approximately the same amounts. The additional gross profits from the acquisition and generation facility were partially offset with decreases in sales per customer due to warmer weather. Overall customers increased around 13% due to the acquisitions and normal growth.

Propane Gas Service.
Propane gas gross profit increased $795,000 or 48% primarily due to the recent acquisitions of Z-Gas Corporation and Atlantic Utilities that increased overall gas usage. Customers increased by 39% due to the acquisitions and normal growth, as usage per customer was relatively flat due to warm weather.

Electric Service.
Electric service gross profit increased $54,000 or 1%. Customer growth was up 2% while the usage per customer slightly increased.

Water Service.
The water segment increased gross profit by $77,000 or 6%. This was due primarily from the rate increase on May 17, 2001 that added $225,000 in annual gross profit. This was offset by a lower usage per customer during the year.

Operating Expenses (excluding income taxes)

Expenses increased $1,536,000 or 12%. Payroll charged to operating expenses increased $636,000 primarily due to the acquisitions and associated additional employees. Also, general and administrative expenses were up over $400,000, excluding payroll. This was primarily due to increased workmen's compensation of $127,000 and increased pension expense of $165,000, and an increase in medical self-insurance expense of $50,000. The workman's compensation expense included a $45,000 one time expense relating to an individual claim. Customer Administration expenses, excluding payroll, increased mainly due to approximately $80,000 of higher bad debt expense. The Company has increased collection efforts to bring the bad debt expense back down by focusing on collections and the adequacy of deposits.

Other contributing factors to the increase included higher depreciation expense of $249,000, primarily attributable to the assets acquired in our recent acquisitions of Atlantic Utilities and Z-Gas, and increases in taxes other than income taxes of $95,000. These consisted primarily of payroll taxes associated with the increased payroll expenses and property tax associated with the recent acquisitions. Maintenance expense, excluding payroll, decreased $203,000 primarily due to the prior year having additional expenses for tree trimming, substation work, transmission line access work, and overhead line balancing. These were periodic items above the normal annual maintenance.

Interest Charges and Other

Merchandise and service revenue and expenses have both increased primarily due to the gas division's conservation program contributing to the sales increase by offering rebates to customers on merchandise purchases. Gain on the Sale of Property was $85,000 in 2002. This was the non-regulated portion of the gain from the sale of property in our South Florida Division. (See the notes to financial statements "gain on sale of property" for additional information). The net increase to interest charges was $469,000. Interest charges on long-term debt increased approximately $843,000 due to two additional bonds issued totaling $29,000,000 in September and November of 2001. The bonds were primarily used to finance acquisitions, fund a major Lake Worth Generation construction project and to reduce our short-term debt. The offsetting decrease to short-term debt interest charges was approximately $352,000.

Item 3. 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 natural gas and electricity) and also passes through fluctuations in propane costs to customers. 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, investments from restricted bond proceeds, and long-term debt. The investments held in escrow for environmental costs have maturities from 2001 to 2004. We expect to hold these securities until maturity. The restricted funds will be used during the next two years. Therefore, the Company does not believe it has material market risk exposure related to these instruments. The cost of long-term debt is included as a recovered cost in revenue for the regulated operations and as such the Company is reimbursed for interest costs. Therefore, disclosure of the change in fair value due to reasonably possible near term changes in interest rates is not meaningful.

PART II.

OTHER INFORMATION

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

(a) An annual meeting was held May 14, 2002

(b) Elected:
Paul L. Maddock, Jr.

Other directors with continued terms:
Ellen Terry Benoit
John T. English
R. C. Hitchins
Rudy E. Schupp

(c) Voted on director Paul L. Maddock, Jr. (prior to stock split).:

For: 2,320,615 Against: 2 Withheld: 191,181

(d) Not required

Item 6. Exhibits and reports on Form 8-K

(a) Exhibits:

3(i)	-	Articles of Incorporation (as amended)
3(ii)	-	By-Laws (as amended)
4(a)*	-	Indenture of Mortgage and Deed of Trust of the Company dated as of September 1, 1942 (Exhibit 7-A to Registration No. 2-6087 is hereby incorporated by reference).
4(b)*	-	Fourteenth Supplemental Indenture dated September 1, 2001.
4(c)*	-	Fifteenth Supplemental Indenture dated November 1, 2001.
10(a)*	-	Credit Agreement between Florida Public Utilities Company and Bank of America dated September 17,2001.
10(b)*	-	Contract for the transportation of natural gas between Florida Public Utilities Company and Lake Worth Generation, LLC dated July 21, 2000.
10(c)*	-	Second amendment to Second Amended and Restated Credit Agreement between Florida Public Utilities Company and Sun Bank/South Florida, National Association dated April 30, 2000.
10(d)*	-	Contract for the transportation of natural gas between Florida Public Utilities Company and Florida Gas Transmission Company under Service Agreement for Firm Transportation Service dated June 1, 1992 (Exhibit 10-b to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(e)* - Contract for the transportation of natural gas between Florida Public Utilities Company and Florida Gas Transmission Company under interruptible Transportation Service Agreement dated February 23, 1990 (Exhibit 10-c to Form S-2, for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(f)* - Contract for the transportation of natural gas between Florida Public Utilities Company and the City of Lake Worth dated March 25, 1992 (Exhibit 10-f to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(g)* - Contract for the purchase of electric power between Florida Public Utilities Company and Jacksonville Electric Authority dated January 29, 1996.

10(h)* - Contract for the purchase of electric power between Florida Public Utilities Company and Gulf Power Company effective November 21, 1996.

10(i)* - Contract for the purchase of as-available capacity and energy between Florida Public Utilities Company and Container Corporation of America dated September 19, 1985 (Exhibit 10-i to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(j)* - Contract for the sale of electric service between Florida Public Utilities Company and Container Corporation of America dated August 26, 1982 (Exhibit 10-j to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(k)* - Contract for the sale of electric service between Florida Public Utilities Company and ITT Rayonier Inc. Dated April 1, 1982 (Exhibit 10-k to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

10(l)* - Employment agreement between Florida Public Utilities Company and John T. English, effective through May 31, 2003.

10(m)* - Employment agreements between Florida Public Utilities Company and Charles L. Stein, Jack R. Brown and George M. Bachman, effective through May 31, 2003. Essentially identical to the agreement in Item 10(m) above.

10(n)* - Form of Stock Purchase and Sale Agreement between Florida Public Utilities Company and three persons who, upon termination of two trusts, will become the record and beneficial owners of an aggregate of 313,554 common shares of the Registrant (Exhibit 10-p to Form S-2 for July 1992, File No. 0-1055, is hereby incorporated by reference).

99(1) - Certification of Chief Financial Officer (CFO) regarding truthfulness of SEC filing

99(2) - Certification of Chief Executive Officer (CEO) regarding truthfulness of SEC filing

* Incorporated by reference from exhibits of the 2001 annual report

(b) Reports on Form 8-K:
There were no reports on Form 8-K filed for the quarter ending June 30, 2002.

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

Certifications pursuant to 18 U.S.C. section 1350, as adopted pursuant to SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, are attached in exhibits 99(1) and 99(2).

August 20, 2002

EXHIBIT B

7

Florida Public Utilities Company
2003 Sources and Uses of Funds Forecast
(In Thousands)

Significant cash flow items (Note 1)	2003
Total Operating Income	95,033
Deductions	
Operating & Maintenance	71,437
Taxes	9,967
Interest	4,564
Dividends Paid	2,354
Other	118
Total Deductions	88,440
Balance	6,593
Construction expenditures	11,583
Cash Refund/(Contributions)	340
Contingency Requirements	45,000
Balance	(50,330)
Repayment of Short Term Borrowing	(20,000)
Proceeds from Short term Borrowing	5,320
Requested Financing	65,000
Balance	(10)
Beginning Cash	262
Ending Cash	252

Florida Public Utilities Company
2003 Construction Budget for Gross Property Additions
(In Thousands)

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.

As of 8/29/2002

FLORIDA PUBLIC UTILITIES COMPANY
PROJECTED CASH FLOW
2003

TOTAL CONSOLIDATED

Increase Factor	1 03	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Operating Revenues		8,655 205	7 613,836	8 676,985	7 557,506	7 326,571	7,345 549	7,748 160	7,631,461	7,374,599	7,433,350	7,766,288	9,015 573	94,345,081
Other Income - Net (excl taxes & int cap)		86,152	10,853	158,587	83,835	21,667	15,867	49,615	49,409	51,490	52,334	53,869	54,580	688,258
Total		8,941,357	7,624,689	8,835,572	7,641,341	7,348,238	7,361,416	7,797,775	7,680,870	7,426,089	7,485,685	7,820,157	9,070,152	95,033,340
DEDUCTIONS:														
Operation		6,099,249	5 200,496	6 374,090	5 560,478	5 412,364	5,293,394	5,732 903	5,652,243	5,414,931	5,470,448	5,657,373	6 430 305	68,298,274
Maintenance		294 468	208,689	186,124	259,607	218,079	219 718	298 412	286,567	281,056	316,952	277 245	292,366	3,139,281
Income Taxes Paid					520,150		820,910			507,790			505,730	2,354,580
Taxes Paid - Other		610,605	487,314	602,272	418,525	396,911	423,392	545,246	413,009	408,405	412,530	2,430,975	462,923	7,612,107
Interest On Long - Term Debt		0	0	0	0	754,300	363,200		0	0	0	754,300	363,200	2,235,000
Interest on Additional LT Debt	6 85%			256,800			256,800			256,800			256,800	1,027,200
Interest on Private Activity Bonds	4 90%			170,800			171,600			171,600			171,600	685,600
Other Interest Payments		30,800	29,100	28,100	136,100	138,000	33,400	35,100	35,100	35,200	35,900	38,500	40,900	616,200
Payment Of Environmental Clean Up		8,000	217,200	10,500	10,500	27,500	37,500	37,500	23,700	10,000	32,500	32,500	10,000	457,400
Dividends Paid - Preferred		7,125	0	0	7,125	0	0	7,125	0	0	7,125	0	0	28,500
Dividends Paid - Common		573,600	0	0	573,600	0	0	589,000	0	0	589,000	0	0	2,325,200
Proceeds from Stock Issue														0
Proceeds from Sale - Common Stock		(117,300)	0	0	(49,400)	0	0	(121,700)	0	0	(50,600)	0	0	(339,000)
TOTAL DEDUCTIONS		7,506,546	6,142,799	7,628,686	7,436,685	6,947,153	7,619,913	7,123,585	6,410,619	7,085,783	6,813,856	9,190,893	8,533,824	88,440,342
BALANCE		1,434,811	1,481,890	1,206,886	204,656	401,085	(258,497)	674,189	1,270,250	340,306	671,829	(1,370,737)	536,328	6,592,997
Construction Requirements (excluding AEP)		861,708	352,177	1,062,013	903,032	1,265,699	1,004,725	818,359	706,624	671,893	777,365	797,161	723,393	9,944,149
AEP Construction		98,066	224,026	207,232	345,815	74,601	71,971	97,850	177,160	156,560	133,900	25,750	25,750	1,638,682
Lake Worth Project		0	0	0	0	0	0	0	0	0	0	0	0	0
Net Const Cash Refunds/(Contributions)		28,325	28,325	28,325	28,325	28,325	28,325	28,325	28,325	28 325	28,325	28,325	28,325	339,900
Acquisition														0
BALANCE		446,712	877,362	(90,684)	(1,072,517)	(967,540)	(1,363,518)	(270,345)	358,141	(516,472)	(267,761)	(2,221,973)	(241,140)	(5,329,733)
Add Proceeds From Financing														
(See Detail Below)		(800,000)	(1,000,000)		1,000,000	1,000,000	1,500,000	300,000	(350,000)	500 000	200,000	2,500,000		4,850,000
Add Proceeds From Financing (LT Debt)														0
Less Loan Expenses (LT Debt)														0
Add Proceeds from Bond Issue		357,000	111,848											468,848
Less Loan Expenses (Bonds)														0
Less ST Investments														0
Cash Balance - Beginning Of Period		262,454	266,166	255,376	164,692	92,175	124,635	261,117	290,773	298,914	282,442	214,681	492,709	262,454
Cash Balance - End of Period		266,166	255,376	164,692	92,175	124,635	261,117	290,773	298,914	282,442	214,681	492,709	251,569	251,569
Customer Deposit - Annual Payments	214,000													
Notes Payable Balance	16,466,100	15,666,100	14,666,100	14,666,100	15,666,100	16,666,100	18,166,100	18,466,100	18,116,100	18,616,100	18,816,100	21,316,100	21,316,100	
Interest On Notes Payable @	2 30%	30,800	29,100	28,100	29,100	31,000	33,400	35,100	35,100	35,200	35,900	38,500	40,900	402,200
Additional LT Debt Balance	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	
Interest On additional LT Debt	6 85%	85,600	85,600	85,600	85,600	85,600	85,600	85,600	85,600	85,600	85,600	85,600	85,600	1,027,200
Private Activity Bonds	13,531,152	13,888,152	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	
Interest on Private Activity Bonds	4 90%	56,000	56,900	57,200	57,200	57,200	57,200	57,200	57,200	57,200	57,200	57,200	57,200	684,900
Private Activity Bonds - Trust	468,848	111,848	0	0	0	0	0	0	0	0	0	0	0	
Net Interest Expense	2 60%	600	100	0	0	0	0	0	0	0	0	0	0	700

EXHIBIT C

Florida Public Utilities Company
Statement of Capital Stock and Debt
June 30, 2002

Preferred Stock without Sinking Fund Requirements.

Dividend Rate	Series	Issue Date	Shares Authorized and Outstanding	Amount Authorized and Outstanding	Annual Dividend Requirement
4.75%		1959	6,000	$ 600,000 00	$ 28,500 00

Other

Description	Par Value	Issue Date	Shares Authorized	Shares Outstanding *	Outstanding Amounts
Common Stock	$ 1.50	1947, 1987, &1998	6,000,000	4,322,350	$14,864,942.00
Treasury Stock	$ 1.50			457,214	$ (4,708,564.00)
Affiliated Corporations: Flo-Gas Shares					$ -
Total					$10,156,378.00

* Average shares outstanding have been restated to reflect the four-for-three stock split declared on June 14, 2002 and distributed on July 1, 2002.

Florida Public Utilities Company
Statement of Capital Stock and Debt
June 30, 2002

First Mortgage Bonds:

Series	Issue date	Maturity	Principal Outstanding	Proceeds / (Expenses)
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	
4.90%	11/1/2001	11/1/2031	$14,000,000	$ (769,426.00)
6.85%	9/27/2001	10/1/2031	$15,000,000	$ (472,500.00)
		Total	$52,500,000	$ (1,241,926.00)

7.58% Weighted Average Interest - Long-term Debt

Unsecured Short Term Debt:

	Current Interest Rate	Balance	Proceeds / (Expenses)
December 31, 2001	2.72%	20,430,000	(194,425)
June 30, 2002	2.31%	15,566,100	(156,212)

Other:

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

Pretax interest coverage:

$$\frac{\text{Net income before interest and income taxes}}{\text{Interest expense}}$$

Net Inc	Interest Exp	Income Tax		
2,268	+ 2,185	+ 1,316		

$$\frac{2{,}268 + 2{,}185 + 1{,}316}{2{,}185} = 2.64$$