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January 13, 2004

BY HAND DELIVERY

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

Re: Docket No. 030438-EI

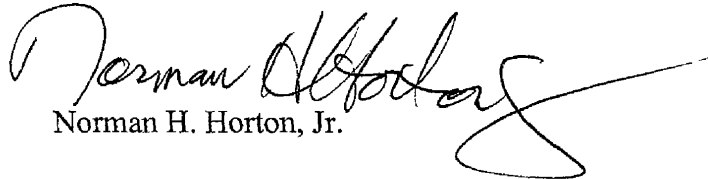
Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Public Utilities Company are an original and fifteen copies of Florida Public Utilities Company's Request for Confidential Treatment in the above referenced docket.

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

Thank you for your assistance with this filing.

Sincerely yours,


Norman H. Horton, Jr.

NHH/amb
Enclosures
cc: Parties of Record

DOCUMENT NUMBER-DATE

00550 JAN 13 04

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public Utilities)	
Company for an increase in its rates)	Docket No. 030438-EI
and charges in their Consolidated Electric)	Filed: January 13, 2004
Division.)	
<hr/>		

REQUEST FOR CONFIDENTIAL TREATMENT

COMES NOW, Florida Public Utilities Company ("FPUC" of the "Company"), pursuant to section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, and requests Confidential Treatment of certain Staff workpapers associated with the Staff Audit conducted in this docket. As basis, FPUC would show:

1. On December 23, 2003, the Commission Staff and the Company acknowledged that the field work associated with Audit Control No. 03-274-4-1, the audit conducted by Staff in conjunction with the petition for rate relief, had been completed. As part of the field work, staff was provided copies of documents which the Company considers to be proprietary and confidential and which had been so treated during the audit. With the completion of the field work, the Company requests that certain workpapers be treated as proprietary and confidential. Specifically the workpapers are:

WP 8, page 2, lines 1-3
page 3, line 1
page 4, lines 1-17, 21-30, 31-36
page 5, lines 1, 2
WP 9, pages 1-5, all lines
WP-9, page 6, all lines
WP-9, pages 14-16, all lines

2. WP 9, page 1-5 are notes made from the workpapers of Deloitte & Touche LLP, the outside auditors for FPUC. These workpapers are and have been treated as confidential and

proprietary business information by the Company and auditors. Workpapers contain information relative to the preparation of the published audit including notes and annotations. The workpapers represent work performed by Deloitte & Touche for the Company and the review conducted by Staff includes annotations from these papers. The workpapers include information regarding transactions, litigation, and competitive interests which, if disclosed would impair the business of the Company and provide information beneficial to contractors and vendors. The information in the workpapers is preliminary work for a final report and is not published by the Company or auditor.

3. WP 9, page 6 and pages 14-16 refer to internal audit activities from which information as to reports can be derived and internal audit reports and observations. Such information is exempt from disclosure pursuant to section 366.093(3)(b), Florida Statutes.

4. WP 8 contains notes made from Board of Directors meetings. The Company considers the minutes and notes made therefrom to be proprietary, confidential business information, exempt from disclosure as a public record. The minutes memorialize discussions and decisions of the Board on a variety of matters including business plans, personnel, acquisitions, internal controls and others. Such discussions and minutes are considered and treated by the Company as proprietary and confidential and exempt from disclosure as a public records. The Company is required to maintain records pursuant to section 607.1601 and shareholders may for a "proper purpose" view the minutes but they may not distribute information or records (section 607.1602, Florida Statutes). The minutes of Board meetings containing discussions of information which if disclosed would provide information about internal controls, business plans, personnel information and contractual information to competitive interests to the detriment of the Company, its customers and investors.

Such disclosure would impair the business efforts of the Company and harm the operations of the Company which would not be in the best interests of the ratepayers. The Company does not publish or release its records to the public except upon statutory requirement, and in that event there is a prohibition against further dissemination except for a "proper purpose." specifically within WP 8 on page 2 is a discussion of business and financing items which if released would cause harm to the company and its customers. Such information is not disclosed except as may be permitted by Federal requirements.

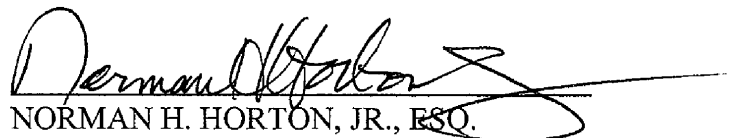
5. As to pages 3, 4, and 5 of WP 8, the information thereon relates to Board Audit Committee discussions with external and internal auditors as to internal audit plans and reports and as such are exempt from disclosure pursuant to section 366.093(3)(b), Florida Statutes.

6. Attached hereto is a redacted version of the identified workpapers and a complete set has been filed in an envelope with the Commission Clerk

7. Florida Public Utilities Company respectfully requests that the Commission grant the request for confidential treatment for the reasons given.

Dated this 13th day of January, 2004.

MESSER, CAPARELLO & SELF, P.A.
215 S. Monroe Street, Suite 701
Post Office Box 1876
Tallahassee, FL 32302-1876
(850) 222-0720


NORMAN H. HORTON, JR., ESQ.
FLOYD R. SELF, ESQ.

Attorneys for Florida Public Utilities Company

COMPANY: FPUC - GAS
TITLE: NOTES FROM BOARD OF
DIRECTORS MINUTES
PERIOD: YEAR END 12/31/02
DATE: AUGUST 15, 2003
AUDITOR: RKY

KW
12/19/03

WP NO. 8

Compensation Committee Meeting 3/4/02

Compensation Committee : Rudy Schupp, Richard Hitchins, Paul L. Maddock, Jr. Also present was Jack English. The discussions revolved around the computations of cash incentive computations for 2001 for each of the four senior executives. Also, showed the actual incentives vs. the maximum potential. Also discussed the strategic plan goals behind several of the incentive compensation goals. The document was approved. The document was not included in the BOD minutes.

Special Directors Meeting 3/5/02

All board members were present: John T. English, Ellen Benoit, Richard Hitching, Paul Maddock Jr., Rudy Schupp. Also, Jack Brown, Secretary. Resolution for Preferred and Common stock dividends payable April 1, 2002 to holders at March 15, 2002. \$1.1875 per preferred share and \$.185 per common share.

Discussion and resolutions for Annual meeting to be held May 14, 2002 and designate Paul Maddock Jr. as candidate for office of director and resolved that Paul L Maddock be appointed to service on Audit Committee.

Received report of the compensation committee.

Resolved to authorize changes to the Pension Plan in order to conform to IRS Regs.

Board Compensation Meeting 4/16/02

Compensation Committee present along with Jack English. Discussion revolved around the subject of long-term, non-cash incentive compensation. Committee discovered that FPU is not competitive with peer group in this area because it lacks such programs. A plan was presented for review and determine the appropriate next steps. Plan not included in the BOD minutes. No action taken.

Annual Stockholders Meeting, 5/14/02

The 2001 annual report prepared by D&T was presented. Elected Paul L Maddock as director expiring 2005 annual meeting of the stockholders.

Special Directors Meeting 6/4/02

All members of the board were present along with Jack Brown Secretary. The officers of the company were elected. J.T English Pres and CEO, Charles L. Stein, Sr. VP and COO, Jack R. Brown, VP and Secretary and George M. Bachman CFO and Treasurer.

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P.

Resolved the authorize a 4 for 3 stock split, in the form of stock dividend for common stock for stockholders of record on June 14, 2002. Also Resolution for Preferred and Common stock dividends payable July 1, 2002 to holders at June 14, 2002. \$1.1875 per preferred share and \$.1425 per common share.

Resolved to appoint D&T as outsider auditors. Discussion of the results of the Compensation Committee's research regarding LT, Non-cash incentive program. Discussion of the various attributes and plan design alternatives. The compensation will meet and formulate a plan to present to the board prior to the 8.27.02 board meeting.

Special Directors Meeting 8/27/02

All directors present along with J. English and Jack Brown.

Resolved to declare dividend for Preferred and Common stock dividends payable October 1, 2002 to holders at Sept 13, 2002. \$1.1875 per preferred share and \$.1425 per common share.

George Bachman appointed adm secretary of the audit committee replacing Jack Brown. A report presented by the audit committee re second quarter financials.

not done

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Special Directors Meeting 9/27/02

All directors present plus Jack Brown and John English.

Discussion re modifying 401k to permit in-service withdrawals after 59-1/2, resolved to adopt Attachment B to the plan effective upon execution. NO attachment B in the BOD minutes.

Resolved to purchase Nature Coast Gas for \$490,000 cash and assume the mortgage of approx \$210,000.

Executive Committee of BOD, 11/2/02

Purpose of meeting to consider preliminary investigation of potential sale of water division to City of Fernandina beach.

Special Directors Meeting, 11/22/02 and 11/25/02

All members present along with Charles Stein, Jack Brown and George Bachman.

Discussion regarding the sale of the water division took place. Resolved to sell of \$18,950,000 cash and \$7,500,000 to be paid during the ensuing seven years. Resolved to enter into an agreement.

Special Directors Meeting, 12/3/2002

Resolved to declare dividend for Preferred and Common stock dividends payable January 2, 2003 to holders at Dec 13, 2002. \$1.1875 per preferred share and \$.1425 per common share.

Discussion for 2003 estimates of revenues, expenses, earnings and amounts budgeted for capital

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expenditure. Resolved that capital budget for 2003 was \$8,032,600.

Discussed the D&T report of the third quarter.

Audit Committee Meeting 2/24/03

Discussion of the internal audit report regarding information technology. **PSC Note: Obtain the internal audit report.** Discussion re the external auditors. D&T vs. BDO Seidman. Decision delayed until March meeting.

Compensation Committee Meeting 2/24/02

All members present. Distributed info which described in detail the computations of the cash incentive for fiscal year 2002 for each of the four officers. The total cash incentive awards was \$64,870 for 2002. The committee recommenced the following contingent upon the sale of the water division.

1. All employees except the fourteen of the senior management team and increase of an additional 1-1/2 percent to the previously approved 1-1/2%.

2. All fourteen members of the senior management team a 3% increase except for George Bachman who is to be awarded an increase to \$130,000 per year.

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All effective Jan 1, 2003.

3. Suggested amending directors fee to \$700 for any meeting.

Special Directors Meeting 3/4/03

All directors present along with Jack Brown. Resolved to declare dividend for Preferred and Common stock dividends payable April 1, 2003 to holders at March 14, '03. \$1.1875 per preferred share and \$.1425 per common share.

Discussion and resolution to move the banking and line of credit relationship to Bank of America from Sun Trust. Checks for 2500 or under have to be signed by one person over 2500 signed by two people. J.English, C. Stein, Jack Brown, George Bachman, Cheryl Martin. Resolved that payroll account be signed by one of the above.

Resolutions re the sale of the water assets to City of Fernandina Beach that each appropriate person is authorized to perform necessary transactions to effect the sale.

Resolved to increase the directors fee to \$700 for each meeting. Resolved to award cash incentives to four senior members a total of \$64,870. Resolved that executive officer agreement be extended for three years.

Audit committee meeting 3/14/03

Present from the committee Hitchins, Maddock, Schupp. Also Bachman, J English and Bonnie Erdek to keep the record.



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1 [REDACTED]

2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 [REDACTED]
8 [REDACTED]

9 [REDACTED]
10 [REDACTED]

11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 Audit Committee Meeting 5/12/03

19 All members were present along with Bachman and English.

20 Also present were Bob Watts and Dale Buschman of BDO Seidman for part of the meeting.

21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]
29 [REDACTED]

30 [REDACTED]

31 [REDACTED]
32 [REDACTED]
33 [REDACTED]
34 [REDACTED]
35 [REDACTED]
36 [REDACTED]

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Annual Stockholders Meeting 5/13/03

Presented the annual report by D&T. Nominated English and Benoit to board through 2006 annual meeting of the stockholders.

Special Directors Meeting 6/3/03

Four present, Schupp absent. Reviewed the first Q financial results. Resolved to elect officers effective 6/3/03. English Pres and CEO, Stein, SVP and COO, Jack Brown, VP and Sect. George Bachman, CFO and Treasurer.

Resolved to declare dividend for Preferred and Common stock dividends payable July 1, 2003 to holders at June 13 , 03. \$1.1875 per preferred share and \$.1425 per common share.

Resolved to appoint BDO Seidman for auditor for year ending 12/31/03.

Resolved that Code of Ethics be adopted as company policy statement.

JPS

COMPANY: FPUC - GAS
TITLE: REVIEW OF EXTERNAL AUDITORS
WORKING PAPERS
PERIOD: YEAR END 12/31/02
DATE: AUGUST 13, 2003
AUDITOR: RKY

WP NO. 9

[REDACTED] *9-11-03* *Gas used*

[REDACTED]

[REDACTED]

[REDACTED]

1
2 [REDACTED]

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11

[REDACTED]

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(D)

(P)

A. NO. AND DATE OF...	B. NAME OF...	C. ADDRESS...	D. OCCUPATION...	E. SIGNATURE...
[REDACTED]				
[REDACTED]				
[REDACTED]				



February 25, 2002

AUDIT COMMITTEE letter

The Audit Committee
Florida Public Utilities
West Palm Beach, Florida

Dear Audit Committee Members:

We have audited the consolidated financial statements of Florida Public Utilities Company and its wholly owned subsidiary, Flo-Gas Corporation (the "Company") for the year ended December 31, 2001, and have issued our report thereon dated February 25, 2002.

Our professional standards require that we communicate at least annually with you regarding all relationships between our Firm and the Company that, in our professional judgment, may reasonably be thought to bear on our independence. We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since February 16, 2001, the date of our last letter.

We are not aware of any relationships between our Firm and the Company that, in our professional judgment, may reasonably be thought to bear on our independence arising subsequent to February 16, 2001, the date of our last letter.

We hereby confirm that as of February 25, 2002, we are independent accountants with respect to the Company, within the meaning of the Securities Acts administered by the Securities and Exchange Commission.

OTHER MATTERS

Our professional standards also require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Company is responsible. We have prepared the following comments to assist you in fulfilling that obligation.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America ("generally accepted auditing standards") has been described to you in our engagement letter dated May 22, 2001. As described in that letter, those standards require, among other things, that we obtain a sufficient understanding of the Company's internal control to enable us to properly plan our audit and to determine the nature, timing, and extent of audit procedures to be performed. We have issued a separate report to you, also dated February 25, 2002, containing our comments on the Company's internal control.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in the notes to the consolidated financial statements. During the year ended December 31, 2001, there were no significant changes in previously adopted accounting policies or their application.

On January 1, 2001, the Company adopted Financial Accounting Standard ("SFAS") No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended. 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, as amended, were not material to the Company's financial statements.

In July 2001, the Financial Accounting Standards Board 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 combination 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 assessed for impairment at least annually and written down to fair value if considered impaired. The effects of adopting SFAS No. 141 and No. 142 on the recent acquisitions required use of the purchase method of accounting and resulted in goodwill that will be tested for impairment beginning in fiscal 2002.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2002 financial statements include the insurance reserves under the Company's self insurance program. The basis for our conclusion as to the reasonableness of these estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditors' report, is our development of an independent expectation of the estimates to corroborate management estimates.

The Company has several contamination sites in various stages of assessment investigation. The Company has been granted rate relief of approximately \$2.4 million for costs and interim anticipated remediation costs incurred and expected to be incurred. Additionally, negotiations with major insurance carriers regarding environmental impacts resulted in settlements proceeds of approximately \$4.3 million. To the extent such rate relief and insurance proceeds are not sufficient, the Company anticipates that it will be able to recover such costs, as well as future compliance costs, through additional rate relief and/or insurance. In addition, to the extent such rate relief and insurance proceeds are more than sufficient, the Company anticipates that it will be subject to possible future rate reductions or customer refunds, or that it will petition the Florida Public Service Commission to allow any such excess to be transferred to the Company's storm damage reserve or be used to reduce the depreciation reserve deficiency, if any.

AUDIT ADJUSTMENTS

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. In addition, we are obligated by generally accepted auditing standards to inform you of any adjustments arising from the audit that could, in our judgment, either individually or the aggregate, have a significant effect on the Company's financial reporting process. All proposed audit adjustments (whether recorded or uncorrected) were reviewed with management and were determined, individually or in the aggregate, not to have a significant effect on the financial reporting process.

In addition, we are obligated by generally accepted auditing standards to inform you about uncorrected misstatements (regardless of whether they have a significant effect on the financial reporting process) aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A schedule of the uncorrected misstatements has been attached to this letter as Appendix A.

OTHER INFORMATION IN THE ANNUAL REPORT TO SHAREHOLDERS AND ON FORM 10-K

When audited financial statements are included in documents containing other information, such as the Company's Annual Report to Shareholders and on Form 10-K, generally accepted auditing standards require that we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the Company's Annual Report to Shareholders and on Form 10-K and have inquired as to the methods of measurement and presentation of such information. If we had noted a material inconsistency, or if we had obtained any knowledge of a material misstatement of fact in the other information, we would have discussed this matter with management and, if appropriate, with the audit committee.

MANAGEMENT ADVISORY SERVICES

The Company did not engage us to perform any management advisory services during 2001.

* * * * *

This report is intended solely for the information and use of the Audit Committee of the Board of Directors, management, and others within the Company and is not intended to be and should not be used by anyone other than these specified parties.

We look forward to discussing with you the matters addressed in this letter, as well as other matters that may be of interest to you at our upcoming meeting on March 11, 2002. We will be prepared to answer any questions you may have regarding our independence, as well as other matters.

Yours truly,

Deloitte & Touche LLP

APPENDIX A
Effect of Passed Adjustments for FYE 2001
(Dollars are in thousands)
BALANCE SHEET

	As Reported FYE 2001	Uncorrected Misstatements Increase/(Decrease)	Results If Misstatements are Corrected
ASSETS			
Utility Plant			
Utility Plant	\$ 151,656	36 <A>	\$ 151,692
Less Accumulated depreciation	54,327		54,327
Net utility plant	<u>97,329</u>	<u>36</u>	<u>97,365</u>
Current Assets			
Cash	3,198	(18) 	3,180
Accounts Receivable	7,169		7,169
Allowance for uncollectible accounts	(131)	(14) <C>	(145)
Unbilled Receivable	1,482		1,482
Inventories (at average or unit cost)	3,343	(55) <D>	3,288
Prepayments and deferrals	670	1 <E>	671
Under recovery of fuel costs	-		-
Under recovery of conservation and unbundling	343	20 <F>	363
Total current assets	<u>16,074</u>	<u>(66)</u>	<u>16,008</u>
Other Assets			
Investments held in escrow for environmental costs	3,416	(26) <G>	3,390
Restricted bond proceeds	8,008		8,008
Deferred charges	9,261	42 <H>	9,303
Goodwill	5,901	52 <I>	5,953
Total other assets	<u>26,586</u>	<u>68</u>	<u>26,654</u>
Total	<u>\$ 139,989</u>	<u>38</u>	<u>\$ 140,027</u>
CAPITALIZATION AND LIABILITIES			
Capitalization			
Common shareholders' equity	\$ 29,329	(2) <J>	\$ 29,327
Preferred stock	600		600
Long-term debt	52,500		52,500
Total capitalization	<u>82,429</u>	<u>(2)</u>	<u>82,427</u>
Current Liabilities			
Notes payable	20,430		20,430
Accounts payable	5,637	7 <K>	5,644
Insurance accrued	2,257	(91) <L>	2,166
Interest accrued	877	25 <M>	902
Other accruals and payables	3,186	109 <N>	3,295
Over recovery of fuel costs	1,800		1,800
Customer deposits	4,454		4,454
Total current liabilities	<u>38,641</u>	<u>50</u>	<u>38,691</u>
Other liabilities			
Deferred income taxes	7,308		7,308
Unamortized investment tax credits	861		861
Environmental liability	5,237	(10) <O>	5,227
Regulatory tax liabilities	1,548		1,548
Customer advances for construction	2,011		2,011
Storm damage	1,954		1,954
Total other liabilities	<u>18,919</u>	<u>(10)</u>	<u>18,909</u>
Total	<u>\$ 139,989</u>	<u>38</u>	<u>\$ 140,027</u>

Note: See attached explanation for adjustments to balance sheet

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APPENDIX A
Effect of Passed Adjustments for FYE 2001
(dollars are in thousands)
INCOME STATEMENT

	As Reported FYE 2001	Uncorrected Misstatements Increase/(Decrease)	Results if Misstatements are Corrected
Revenues			
Electric	\$ 39,050		\$ 39,050
Natural gas	44,729		44,729
Propane gas	5,399		5,399
Water	2,965		2,965
Total Revenue	<u>92,143</u>	<u>0</u>	<u>92,143</u>
Cost of fuel and taxes based on revenue	<u>59,367</u>		<u>59,367</u>
Operating Margin	<u>32,776</u>	<u>0</u>	<u>32,776</u>
Operating Expense			
Operations	14,718	(39) <P>	14,679
Maintenance	3,165		3,165
Depreciation & amortization	4,839		4,839
Taxes other than income taxes	2,538		2,538
Income tax	1,249	(1) <Q>	1,248
Total Operating expenses	<u>26,509</u>	<u>(40)</u>	<u>26,469</u>
Operating Income	<u>6,267</u>	<u>40</u>	<u>6,307</u>
Interest Charges and Other			
Long-term debt	2,606		2,606
Short-term borrowings	826		826
Customer deposits and other interest	159	42 <R>	201
Other	(376)		(376)
Total interest charges and other	<u>3,215</u>	<u>42</u>	<u>3,257</u>
Net Income	<u>3,052</u>	<u>(2) <S></u>	<u>3,050</u>
Preferred stock dividends	<u>29</u>		<u>29</u>
Earnings for common stock	<u>\$ 3,023</u>	<u>(2)</u>	<u>\$ 3,021</u>

Note: See attached explanation for adjustments to income statement

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APPENDIX A
Adjustments to Balance Sheet

	Increase/ (Decrease)
<A> Utility Plant	
Adjust utility plant for materials & supplies inventory	35,623
<i>Total Misstatements</i>	<u>35,623</u>
 Cash	
Record payment of August 2001 Employee 401(k) contributions.	(17,872)
<i>Total Misstatements</i>	<u>(17,872)</u>
<C> Allowance Uncollectible Accounts	
Adjust for likely understatement of allowance	(14,186)
<i>Total Misstatements</i>	<u>(14,186)</u>
<D> Inventories	
Reduce inventory based on historical inventory counts	(54,804)
<i>Total Misstatements</i>	<u>(54,804)</u>
<E> Prepayments and Deferrals	
Income tax effect of adjustments	975
<i>Total Misstatements</i>	<u>975</u>
<F> Under Recovery of Conservation	
Adjust for expenses incurred in FY 2001 that related to the under recovery of conservation expenses, a regulatory asset	4,544
Adjust for expenses incurred in FY 2001 that related to the under recovery of conservation expenses, a regulatory asset	15,815
<i>Total Misstatements</i>	<u>20,359</u>
<G> Investments Held in Escrow for Environmental Costs	
Record accrued interest on bonds issued between payment dates	24,855
Record investments at amortized cost (\$30,887 pertains to the prior year)	(51,326)
<i>Total Misstatements</i>	<u>(26,471)</u>
<H> Deferred Charges	
Accrue for legal expenditures incurred during FY2001, primarily for acquisitions and environmental costs, a regulatory asset	41,671
<i>Total Misstatements</i>	<u>41,671</u>
<I> Goodwill	
Capitalize legal expenditures incurred during FY2001 related to acquisitions	52,219
<i>Total Misstatements</i>	<u>52,219</u>
<J> Capitalization	
Effect of adjustments on net income	(1,944)
<i>Total Misstatements</i>	<u>(1,944)</u>

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<K> Accounts Payable		
Record payment of August 2001 Employee 401(k) contributions.		(17,872)
Accrue for expenses incurred in FY 2001 that related to the under recovery of conservation (a regulatory asset) and other expenses		8,678
Accrue for expenses incurred in FY 2001 that related to the under recovery of conservation, a regulatory asset		15,815
Total Misstatements		<u><u>6,622</u></u>
<L> Insurance Accrued		
Reduce Post-Retirement Medical Benefit liability to actuary report		(78,425)
To recognize legal expenditures incurred during FY2001 related to insurance claims		(12,202)
Total Misstatements		<u><u>(91,627)</u></u>
<M> Interest Accrued		
Record accrued interest on bonds issued between pymt dates		24,855
Total Misstatements		<u><u>24,855</u></u>
<N> Other Accruals and Payables		
Accrue for legal expenditures incurred during FY2001, primarily for acquisitions and environmental costs, a regulatory asset		109,133
Total Misstatements		<u><u>109,133</u></u>
<O> Environmental Liability		
Record investments at amortized cost with offset to the environmental liability as related interest income was recorded in such account		(9,525)
Total Misstatements		<u><u>(9,525)</u></u>

Adjustments to Income Statement

	Increase/ (Decrease)
<P> Operating Expense - Operations	
Adjust for legal expenditures incurred during FY2001, primarily for acquisitions and environmental costs, a regulatory asset.	3,041
Adjust for operating expenses incurred in FY 2001	4,135
Adjust for likely understatement of allowance	14,186
Adjust expense as a result of adjusting liability to actuary report	(79,425)
Reduce parts inventory based on historical inventory counts	19,181
Total Misstatements	<u><u>(38,882)</u></u>
<Q> Income Tax	
Income tax effect of adjustments (income tax benefit)	(975)
Total Misstatements	<u><u>(975)</u></u>
<R> Customer Deposits and Other Interest	
Record investment income related to amortization of investment premiums/discounts	41,801
Total Misstatements	<u><u>41,801</u></u>
<S> Net Income	
Effect of adjustments on net income	(1,944)
Total Misstatements	<u><u>(1,944)</u></u>

*Internal Control
Letter*

[REDACTED]

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P14

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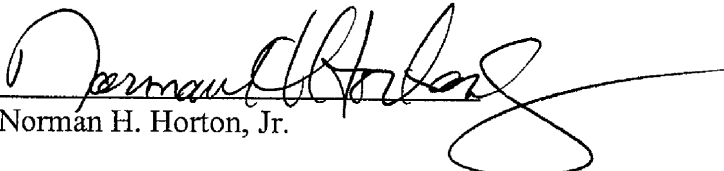


CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing have been served upon the following parties by Hand Delivery (*) and/or U.S. Mail this 13th day of January, 2004.

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