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August 31, 2005

BY HAND DELIVERY
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

050582-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 366.04, 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: Harold McLean, Esq.
Mr. George Bachman

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08356 AUG 31 05
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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 August 26, 2005

**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
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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, 2005".

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 and/or to assume liabilities or obligations as guarantor, endorser or surety in an incremental amount not to exceed $45,000,000, excluding retained earnings during the calendar year 2006.

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 7.50 %.

Authority to issue up to $25,000,000 of short-term notes will give the Company financial flexibility with respect to future permanent financing. At the June 30, 2005 the short-term notes interest rate was 4.05 %.

The equity securities would be common or preferred stock issued at Fair Market Value less any issuance costs. The expected dividend rate for common shares would be $ .42 per share. The expected issuance price for common stock would be $ 15.50 per share (net) with a maximum number of combined shares to be issued of 3,000,000 for a net outstanding number of shares not to exceed 12,000,000.

6. Purposes of Issues

(a)(b)(c) The net proceeds to be received from the issuance and sale and/or exchange of the debt and equity securities will be added to FPUC's general funds and will be used to provide additional facilities through construction or acquisitions expenditures, and to repay short-term notes and to make contributions to the pension fund and environmental liability payments. Excess proceeds, if any, will be temporarily invested in short-term instruments pending their application to the foregoing purposes.

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 2006 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.

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, 2004 and Form 10-Q for the six months ended June 30, 2005. *

Exhibit B - Sources and Uses of Funds Forecast and Construction Budget for Gross Property Additions for calendar year 2006.

Exhibit C - Statement of Capital Stock and Debt as of June 30, 2005.

*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, 2004 and Form 10-Q for the six months ended June 30, 2005 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 26th day of August 2005.

Florida Public Utilities Company

By: George M. Bachman

George M. Bachman
CFO and Treasurer
401 South Dixie Highway
West Palm Beach, Florida 33401

EXHIBIT A

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, 2005

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: 001-10608.

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)

(561) 832-0872
(Registrant's telephone number, including area code)

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

On July 25, 2005, there were 5,960,601 shares of $1.50 par value common stock outstanding.

INDEX

Income taxes	(354)	(248)	(1,712)	(1,030)
Net Income	851	522	3,204	1,935
Preferred Stock Dividends	7	7	14	14
Earnings for Common Stock	$ 844	$ 515	$ 3,190	$ 1,921
Earnings Per Common Share (basic and diluted)	$ 0.14	$ 0.09	$ 0.54	$ 0.33
Dividends Declared Per Common Share	$ 0.1033	$ 0.1000	$ 0.2033	$ 0.1983
Average Shares Outstanding	5,945,697	5,897,840	5,943,226	5,895,500

The financial statements should be read in conjunction with the Notes herein.

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

	June 30, 2005	December 31, 2004
ASSETS		
Utility Plant	$ 176,543	$ 173,348
Less accumulated depreciation	55,409	54,625
Net utility plant	121,134	118,723
Current Assets		
Cash	637	499
Accounts receivable	9,543	10,847
Allowance for uncollectible accounts	(338)	(269)
Unbilled receivables	1,564	2,285
Notes receivable	311	394
Inventories (at average or unit cost)	3,313	2,956
Prepayments and deferrals	442	2,713
Total current assets	15,472	19,425
Other Assets		
Investments held for environmental costs	3,212	3,183
Other regulatory assets	9,492	9,713
Long term receivable and other investments	5,732	5,811
Deferred charges	6,829	7,652
Unamortized debt discounts	1,921	1,962
Goodwill	2,405	2,405
Intangible assets (net)	2,810	2,814
Total other assets	32,401	33,540
Total	$ 169,007	$ 171,688
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$ 45,458	$ 43,213
Preferred stock	600	600
Long-term debt	52,500	52,500
Total capitalization	98,558	96,313
Current Liabilities		
Line-of-credit	2,306	5,825
Accounts payable	7,072	9,861
Insurance accrued	320	364
Interest accrued other	803	969
Accruals and payables	4,833	4,101
Deferred income tax	194	241

2. Collateralized Assets

Substantially all of the Company's utility plant and the shares of Flo-Gas Corporation collateralize the Company's First Mortgage Bonds (long-term debt). Balances in cash, accounts receivable and inventory are collateral for the line of credit.

3. Restriction on Dividends

Florida Public Utilities' (FPU) Fifteenth Supplemental Indenture of Mortgage and Deed of Trust restricts the amount that is available for cash dividends. At June 30, 2005, approximately $7.5 million of retained earnings were free of such restriction and therefore available for the payment of dividends. Our line of credit agreement contains covenants that, if violated, could restrict or prevent the payment of dividends. The Company is not in violation of these covenants.

4. Summary of Revenues and Operating Income Before Income Taxes

The following is a summary of revenues and operating income before income taxes (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues				
Natural gas	$ 14,161	$ 12,109	$ 34,377	$ 29,172
Electric	11,063	10,126	22,453	20,440
Propane gas	3,105	2,494	6,937	5,842
Total revenues	$ 28,329	$ 24,729	$ 63,767	$ 55,454
Operating income before income taxes				
Natural gas	$ 1,275	$ 612	$ 4,729	$ 2,679
Electric	722	880	1,406	1,550
Propane gas	218	223	764	605
Total operating income before other income and (deductions) and income taxes	$ 2,215	$ 1,715	$ 6,899	$ 4,834

5. Reclassification

Certain amounts in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

6. Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", the Company does not amortize goodwill or intangibles with indefinite lives. The Company periodically tests the applicable reporting segments, natural gas and propane gas, for impairment, and in the event a segment is impaired, the associated goodwill and intangible assets would be written down to fair value.

Intangible assets associated with the Company's acquisitions have been identified as a separate line item on the balance sheet. The intangibles subject to amortization over a five-year period are non-compete agreements totaling $35,000. The related accumulated amortization of $25,000 is included in the net intangible on the balance sheet. The remaining intangibles are customer distribution rights of approximately $1.9 million and customer relationships valued at $900,000, both of which have indefinite lives and are not subject to amortization.

Goodwill associated with the Company's acquisitions has been identified as a separate line item on the balance sheet and consists of $500,000 in the natural gas segment and $1.9 million in the propane gas segment. The impairment test performed in 2005 showed no impairment for either reporting segment.

7. Environmental Contingencies

Storm Reserve-Regulatory Asset

1/1/04 Beginning Balance	$	(59,000)
Storm Costs		558,000
Accrued Interest		9,000
Over earnings (applied from 2002)		(118,000)
6/30/05 Ending Balance	$	390,000

13. Over Earnings – Natural Gas Segment

The FPSC approves rates that are intended to permit a specified rate of return on investment and limits the maximum amount of earnings of regulated operations. FPU has estimated that it will have over earnings in 2005 for its regulated natural gas operations of $251,000 and has provided an accrual along with a reduction to revenues. This liability has been included in Accruals on our balance sheet. The calculations supporting these liabilities are complex and involve a variety of projections and estimates prior to the ultimate settlement of such obligations. It is reasonably possible that management estimates of the Company's earnings obligations could change in the next two quarters and the amount of changes could be material.

The disposition of any over earnings is at the discretion of the FPSC, with alternatives including refunding to customers, adding the over earnings to the storm damage reserves, funding environmental reserves or reducing any depreciation reserve deficiency. Finalization of the disposition and determination of the amount of over earnings is not expected until 2006.

The finalization of over earnings for 2002 in the Company's natural gas operations of approximately $118,000 was recently ordered by the FPSC to be added to our storm damage reserve.

14. Stock Dividend

On July 25, 2005 a three-for-two stock split in the form of a stock dividend was issued to the shareholders of record on July 15, 2005. All common share information has been restated to reflect the stock split for all periods presented.

15. Tax Contingency

The IRS is currently in the process of auditing the Company's 2002 and 2003 federal income tax returns. The Company may incur related interest expense and income tax liabilities as a result of this audit. At this time management is unable to estimate the effects, if any, that could result from the final resolution of this IRS audit. The Company expects the audit will be completed before the end of 2005.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (MDA)

Overview

FPU has three primary business segments: natural gas, electric and propane gas. The natural gas and electric segments are regulated by the Florida Public Service Commission (FPSC).

The regulated segments are required to receive approval to set the rates charged to customers. The rates approved by the FPSC allow FPU the possibility to achieve a rate of return on its regulated investment and recovery of expenditures. There is a maximum cap on the rate of return that can be earned in the regulated natural gas and electric operations. As part of the regulation, the costs of fuel and certain overheads are passed through to customers. The company is currently expecting to have an over earnings liability because the rate of return is currently projected to exceed the maximum rate of return for its 2005 natural gas operations. See "Over Earnings – Natural Gas Segment" in "Outlook" below.

FPU's strategy is to concentrate on developing stronger relationships with its customers, including builders and developers of residential and commercial properties. FPU is positioning itself as a total energy company, rather than

Propane Gas
Propane revenue increased $611,000 and gross profit increased $253,000 or 19% in the second quarter of 2005 over the same period in 2004. The increase in revenues and gross profit is primarily due to the increase in the propane rates charged to customers. This rate change not only covered the increase in cost of propane, but also contributed to the increase in gross profit. Propane unit sales increased 8% in 2005 due primarily to the addition of a large wholesale customer along with an increase in the total number of customers.

Operating Expenses

Operating expenses increased $1,102,000 or approximately 14% in the second quarter of 2005 compared to the same period in 2004. Increases were primarily due to normal inflation, growth factors, amortization and maintenance related items. Payroll expenses increased $101,000 primarily due to a shift in the electric segment from work on capital assets to operational and maintenance needs in 2005, and normal payroll increases. Maintenance expenses excluding payroll increased in the electric operations by $141,000 primarily due to projects to improve service reliability including tree trimming and the use of a temporary mobile substation until a new transformer is purchased and in service. See "Liquidity and Capital Resources" below for more information on this new transformer. Delayed maintenance and temporary employee vacancies contributed to the lower than expected increase in operating expenses in our natural gas segment. Operation and maintenance expenses for our natural gas segment are approximately $200,000 less than Management's original forecast for the second quarter of 2005.

Other contributing factors to the increase in operating expenses include higher depreciation and amortization expense of $338,000. This increase includes amortization of the bare steel replacement program and environmental expenses approved in our 2004 natural gas rate proceeding.

Total Other Deductions

Merchandise and Service profitability decreased by $54,000 in the second quarter of 2005 compared to the same period in 2004; revenue increased $362,000 and expenses increased $416,000. The company has experienced an increase in sales and cost of sales primarily related to a new product line of generators and propane tanks. Management is currently reviewing the profitability of the various merchandise products and determining possible strategy changes in our product line and future pricing to increase profitability in this area.

Six Months Ended June 30, 2005, Compared with Six Months Ended June 30, 2004.

Revenues and Gross Profit

Natural Gas
Natural gas service revenues increased $5,205,000 for the six months ended in 2005 over the same period in 2004. Of this increase, $1,868,000 was due to the increase in the cost of fuel and other costs that were passed through to customers. Gross profit increased $3,337,000 or 31%. The primary reason for the gross profit and revenue increase was the final rate increase effective November 2004 as well as normal customer growth and a slight increase in units sold. Revenue includes a reduction of $251,000 for the estimated over earnings liability for the calendar year 2005. See "Outlook" "Over Earnings-Natural Gas Segment" below.

Electric
Electric service revenues increased $2,013,000 for the six months ended in 2005 over the same period in 2004. Of this increase, $1,536,000 was due to the cost of fuel and other costs that were passed through to customers. Gross profit increased $477,000 or 8%. The increase in gross profit was primarily due to the rate increases granted in March 2004, along with normal customer growth and a 2% increase in units sold.

Propane Gas
Propane revenue increased $1,095,000 and gross profit increased $501,000 or 16% for the six months ended in 2005 over the same period in 2004. The increase in revenues and gross profit is primarily due to the increase in the propane rates charged to customers. This rate change not only covered the increase in cost of propane, but also contributed to the

expenditures for the remainder of the year are budgeted to be approximately the same for 2005 as 2004. The Company's only material commitment for construction expenditures is in the Northeast electric division for purchasing a transformer for $600,000 in the second half of 2005. Our South Florida natural gas division is planning to sell property occupied by its Boynton Beach Gate Station for approximately $700,000. Any gain from this sale is expected to be amortized through depreciation and is not expected to affect the financial results during the remainder of 2005. The Company also expects to begin construction in its natural gas segment of new facilities to service the northern portion of Palm Beach County. Construction expenditures totaling approximately $1,200,000 are expected to occur in the later portion of 2005 through 2006.

In 2005, $254,000 was received on the notes receivable from the sale of water division.

The Company expects that internally generated cash, coupled with short-term borrowings on the LOC, will be sufficient to satisfy its operating expenses, normal capital expenditure requirements, and dividend payments for the next year. However, cash requirements will increase significantly in the future due to environmental clean up costs, sinking fund payments on long-term debt, and pension contributions. Environmental clean up is forecasted to require payments of approximately $10 million in 2007 and an additional $4 million in the years after 2007. Long-term debt sinking fund payments of approximately $1,400,000 will begin in 2008 and will continue annually for eleven years. Although in recent years the Company has not been required to make contributions to the pension plan, current projections show yearly contributions will need to begin with an approximate payment of $1,810,000 in 2007. Depending upon the actual environmental expenditures, pension contributions, operational requirements, and construction expenditures, additional financing may be needed to pay off the LOC prior to its expiration in 2007. The Company may consider equity or debt offerings for the additional financing.

Outlook

Storm Reserve

The Company incurred storm expenses due to the 2004 hurricanes and charged those expenses against its storm reserves. The natural gas segment had expenses which exceeded the amount in storm reserves and has deferred those excess expenses pending approval of a December 2004 request to the FPSC for recovery through a surcharge. The request also included an amount for funding a future storm reserve of $300,000. Management believes the FPSC will allow recovery of the 2004 natural gas storm expenses through a special surcharge to customers over a period of time in the future. See the table below for a summary of the storm costs, interest, and 2002 over earnings applied to the reserve as of June 30, 2005. The remaining $390,000 of storm expenses in excess of the reserve have been classified and shown on the balance sheet as a regulatory asset pending future rate recovery. The recovery of storm damages, if any, will be subject to the approval of the FPSC and is expected to be determined in the third quarter of 2005. If the FPSC does not approve the Company's request for a special surcharge to customers or disallows a portion of the costs charged to the reserve, the expenses will increase by the disallowed portion.

Storm Reserve-Regulatory Asset	
1/1/04 Beginning Balance	$ (59,000)
Storm Costs	558,000
Accrued Interest	9,000
Over earnings (applied from 2002)	(118,000)
6/30/05 Ending Balance	$ 390,000

Electric Power Supply

Contracts with our two electric suppliers expire on December 31, 2007. The contracts currently provide FPU electricity at rates that are much lower than market rates. The savings are passed through to our customers without FPU profiting from the lower prices on fuel. Re-negotiation of our supply contracts below market prices will not reoccur. The Company expects a substantial increase between our current contract prices and the anticipated market prices in 2008. If the Company enters into contracts with new suppliers, additional transmission facilities will most likely have to be

All financial instruments held by FPU were entered into for purposes other than for trading. FPU has market risk exposure only from the potential loss in fair value resulting from changes in interest rates. FPU has no material exposure relating to commodity prices because FPU, under its regulatory jurisdictions, is fully compensated for the actual costs of commodities (natural gas and electricity) used in its operations. Any commodity price increases for propane gas are normally passed through monthly to propane gas customers as the fuel charge portion of their rate.

None of FPU's gas or electric contracts is accounted for using the fair value method of accounting. While some of FPU's contracts meet the definition of a derivative, FPU has designated these contracts as "normal purchases and sales" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities".

FPU has no exposure to equity risk, as it does not hold any equity instruments. FPU's exposure to interest rate risk is limited to investments held for environmental costs, the water sale long-term receivable and short-term borrowings on the line of credit. The investments held for environmental costs are short-term fixed income debt securities whose carrying amounts are not materially different than fair value. The short-term borrowings were $2.3 million at the end of June 2005. Therefore, FPU does not believe it has material market risk exposure related to these instruments. The indentures governing FPU's two first mortgage bond series outstanding contain "make-whole" provisions, which are pre-payment penalties that charge for lost interest, which render refinancing impracticable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

FPU's management carried out an evaluation, under the supervision and with the participation of FPU's Chief Executive Officer and Chief Financial Officer, of the effectiveness of FPU's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2005, FPU's disclosure controls and procedures were (1) designed to ensure that material information relating to FPU is made known to FPU's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which this report was being prepared, and (2) effective, in that they provide reasonable assurance that information required to be disclosed by FPU in the reports that FPU files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

No change in FPU's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, FPU's internal control over financial reporting.

PART II. OTHER INFORMATION

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

The Company held its annual meeting of stockholders on May 10, 2005. At that meeting, the stockholders were asked to consider and act on the election of one director, approve a Non-Employee Directors Compensation Plan, approve an amendment to Company's Employee Stock Purchase Plan to increase number of shares of common stock available under the Plan by 100,000 treasury shares, and ratify the appointment of BDO Seidman, LLP, as the Company's independent audit firm.

The following person was elected as director for term expiring in 2008 and received the number of votes set forth opposite his respective name:

Nominee	For	Against/Withheld	Broker Non-votes	Abstentions
Paul L. Maddock, Jr.	5,040,137	381,503	0	0

Additionally, with respect to Directors:
Richard C. Hitchins to continue in office until 2007

FLORIDA PUBLIC UTILITIES COMPANY
(Registrant)

Date: August 11, 2005

By: /s/ George M. Bachman
George M. Bachman
Chief Financial Officer (Principal Accounting Officer)

FLORIDA PUBLIC UTILITIES COMPANY
EXHIBIT INDEX

Item Number

31.1 Certification of Chief Executive Officer (CEO) per Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer (CFO) per Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Principal Executive Officer and Principal Financial Officer per Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
FLORIDA PUBLIC UTILITIES COMPANY
(Section 302)

I, George M. Bachman, certify that:

1. I have reviewed this annual report on Form 10-Q of Florida Public Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2005

By /s/ George M. Bachman
George M. Bachman
Chief Financial Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2004**

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 **001-10608**

Florida Public Utilities Company
(Exact name of the registrant as specified in its charter)

Florida (State or other jurisdiction of Incorporation or organization)	59-0539080 (I.R.S. Employer Identification Number)
401 South Dixie Highway, West Palm Beach, FL (Address of principal executive offices)	33401 (Zip Code)

Registrant's telephone number, including area code (561)832-0872

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

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

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

____
(Title of class)

____
(Title of class)

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

Indicate by check mark if disclosure of the delinquent filers pursuant to Item 405 of Regulation S-K (§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 to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). ☐Yes ☒No

PART I

Item 1. Business.

General

Florida Public Utilities Company ("FPU") was incorporated on March 6, 1924 and reincorporated on April 29, 1925 under the 1925 Florida Corporation Law. FPU provides natural gas, electricity and propane gas to retail, commercial and industrial customers in Florida. FPU's regulated segment sells natural gas and electricity to approximately 80,000 customers in Central, Northeast, Northwest and Southern Florida. FPU's unregulated segment operates through its wholly owned subsidiary, Flo-Gas Corporation, which sells propane gas to approximately 12,000 customers throughout the State of Florida. FPU formerly provided water to customers in Fernandina Beach, Florida; however, the water assets were sold in 2003 to the City of Fernandina Beach.

The Florida Public Service Commission ("FPSC") regulates FPU's natural gas and electric operations; the propane gas operations of FPU are not regulated. FPU operates through five divisions: (1) the South Florida division, which provides natural gas and propane gas to customers in Palm Beach, Martin and Broward Counties; (2) the Central Florida division, which provides natural gas and propane gas to customers in Lake, Seminole, Orange, Flagler and Volusia Counties; (3) the Northwest Florida division, which provides electricity to customers in Jackson, Calhoun and Liberty Counties; (4) the Northeast Florida division, which provides electricity and propane gas to customers in Duval and Nassau Counties; and (5) the West Florida division, which provides propane gas to customers in Levy, Citrus, Hernando, Marion and Pasco Counties.

The economy in which the South Florida division operates relies somewhat on the migration of seasonal residents and tourists during the winter season. However, year-round commercial, industrial and residential customers provide some degree of stability, lessening the impact of seasonality in the area.

Seasonal residents and tourists also play a role in the results of the Central Florida division. However, the I-4 corridor, particularly in Seminole County's Lake Mary/Heathrow area, is producing a growing number of large business parks, individual corporate buildings and call centers. As FPU gains customers from this growth it should stabilize results in the Central Florida division.

The Northwest division's growth relies on the economies in Jackson, Calhoun and Liberty Counties. All three of those counties have historically been dependent 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' correction and rehabilitation centers, Alliance Laundry Systems and a new 907,000 square foot Family Dollar Distribution Center which was constructed in 2004 and started merchandise distribution operations in January of 2005. Jackson County is currently Florida's only Federal Rural Enterprise Zone and both Jackson and Liberty Counties have been designated as Florida Enterprise Zones. The incentives from these programs were instrumental in bringing the Family Dollar Distribution Center to Jackson County. There are also a number of smaller industries in the division's territory with growth increasing due to the incentive packages available through the Enterprise Zone designations. All of this growth is providing additional customers and electric revenues in this division. In the Northeast division, the economy is centered on two large paper mills, Rayonier, Inc. and Jefferson Smurfit Corp.

FPU does not produce energy and is therefore not a generating utility. As a result, FPU's operations are not currently subject to the extensive environmental regulations applicable to energy producers. FPU is affected by environmental regulations relating to the clean-up of soil contamination on land owned by FPU. See "Contingencies" in the Notes to Consolidated Financial Statements.

Natural Gas

FPU receives all of its natural gas supply at 14 City Gate Stations. Thirteen of the City Gate Stations are connected to the interstate Florida Gas Transmission (FGT's) pipeline system. One City Gate Station is served from an intrastate high-pressure transmission line owned by Florida City Gas (FCG). Natural gas is primarily composed of methane, which is a colorless, odorless fuel that burns cleaner than many other traditional fossil fuels. The interstate and intrastate transmission companies and FPU add odorant, which enables one to readily detect a gas leak. Natural gas is one of the most popular forms of energy today. It is used for heating, cooling, cooking, production of electricity by weather reliant. No customer of the propane gas segment represents more than ten percent of FPU's sales volume or revenues.

The propane gas division competes directly with other propane, natural gas and electric suppliers. FPU competes on the basis of pricing and customer service.

Information about Reporting Segments
FPU is organized in three operating and reporting segments: natural gas, electric and propane gas. FPU believes that this operating structure is a natural division of its business segments and allows the Company to maximize synergies within existing operating units.

For information concerning revenues, operating income, and identifiable assets of each of FPU's segments, see Note 10 in Notes to Consolidated Financial Statements.

Regulation
The natural gas and electric segments are highly regulated by the FPSC. The FPSC has the authority to regulate FPU's rates, conditions of service, issuance of securities and certain other matters affecting FPU's natural gas and electric operations. As a result, FPSC regulation has a significant effect on FPU's results of operations. The FPSC approves rates that are intended to permit a specified rate of return on investment. FPU's rate tariffs allow the cost of natural gas and electricity to be passed through to customers. Increases in the operating expenses of the regulated segments may require FPU to request increases in the rates charged to customers. The FPSC has granted FPU the flexibility of automatically passing on increased expenses for certain fuel costs to customers. Other operational expenses, such as pension and medical expenses, require FPU to petition the FPSC for rate increases. The FPSC is likely to grant rate increases to offset increased expenditures necessary for business operations. FPU successfully petitioned for an electric rate increase, which became effective on March 17, 2004, and for a natural gas rate increase that went into effect on November 18, 2004.

Franchises
FPU holds franchises in each of the incorporated municipalities where it provides natural gas and electricity. These franchises generally have terms ranging from 10 to 30 years and terminate on varying dates. FPU is currently in negotiations with some of the municipalities in which its franchises have lapsed and in new areas of service within current operating divisions. FPU continues to provide services to these municipalities and does not anticipate any interruption in its service.

Employees
As of February 18, 2005 FPU had approximately 360 total employees, of which approximately 10 were part-time. Of these employees, about 171 were covered under union contracts with two labor unions, the International Brotherhood of Electrical Workers and the International Chemical Workers Union. FPU believes that its labor relations with its employees are good.

Competition
Generally, FPU does not face substantial competition with respect to its natural gas and electric services. This is because no other competitors can provide the same energy in our areas due to FPSC regulations and territorial agreements between utilities. However, there is competition in these areas between FPU and providers of alternate sources of energy. FPU's propane gas services are unregulated and therefore subject to competition from other suppliers of propane gas, as well as suppliers of natural gas, electricity and alternative energy sources. Competition in the propane gas services segment is based primarily on price and customer service.

Available Information
FPU files or furnishes periodic reports including its Form 10-Qs, Form 10-K, and Form 8-Ks, and any amendments thereto, with the Securities and Exchange Commission ("SEC"). These periodic reports and FPU's annual report and FPU's Code of Ethics Policy can be obtained through the Company's website (http://www.fpuc.com).

Item 2. Properties.

FPU owns office and warehouse facilities in Northwest, Northeast, Central, West and South Florida, which are used for operations and materials storage by the natural gas, electric, and propane segments. Additionally, FPU owns currently projected to range from $10.2 million to $15.2 million.

Sanford Site

FPU owns a parcel of property located in Sanford, Florida, upon which a gasification plant was operated prior to FPU's acquisition of the property. Following discovery of soil and groundwater impacts on the property, FPU has participated with four former owners and operators of the gasification plant in the funding of numerous investigations of the extent of the impacts and the identification of an appropriate remedy. On or about March 25, 1998, FPU executed an Administrative Order on Consent ("AOC") with the four former owners and operators (collectively, the "Group") and the EPA 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 ("RI/FS Participation Agreement"). These agreements governed the manner and means by which all parties were to satisfy their respective obligations under the AOC for the RI/FS task. FPU 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"). FPU's share of the cost of these tasks was previously paid in full. The RI/FS Participation Agreement was amended on September 18, 2003, to authorize an additional $400,000 to be incurred by the Group to complete the ecological risk assessment and cover EPA oversight costs for the RI/FS. FPU paid its share of $54,822.40 of the additional RI/FS funding in November 2003.

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 initial estimated cost for the OU1 Remedy described in the ROD ranges from $5.6 million to $5.8 million. 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.

FPU is a party to the Second Participation Agreement entered into by members of the Group on August 1, 2000, as amended through June 19, 2002. The Second Participation Agreement provides for funding the remedial design/remedial action task for OU1 and OU2. FPU's share of costs for implementation of the remedial design/remedial action task for OU1 and OU2, including the pre-remedial design fieldwork described below, is 10.5%, providing the total cost of the remedial design/remedial action task, including the pre-remedial design fieldwork, does not exceed $6.0 million.

Pre-remedial design fieldwork was performed in 2002-2003 to assist in the design of the final remedy for OU1 and OU2. Based on the pre-remedial design fieldwork, it is now anticipated that the final cost of the remedy for OU1 and OU2 will significantly exceed the $6.0 million combined estimate provided in the RODs for OU1 and OU2. In 2002, FPU paid $210,178 to the Escrow Agent pursuant to a first call for funds under the Second Participation Agreement. FPU's remaining obligation under the Second Participation Agreement for the remedial design/remedial action task for OU1 and OU2 is $420,356. This assumes FPU's total allocated share remains no greater than 10.5% of $6.0 million, as currently set forth in the Second Participation Agreement, as amended through June 19, 2002. FPU has notified Group members that FPU will oppose any effort by the Group to increase FPU's share of total remedial costs above 10.5% of the current $6.0 million cap, since the increased remedial cost is due to the discovery of additional impacted soils on property not owned by FPU.

In addition, FPU will be obligated to pay for a share of EPA's oversight costs for the remedial design/remedial action task for OU1 and OU2. It is anticipated that FPU's share of these costs will be 10.5% of EPA's total bill. It is not possible at this time to calculate, to a reasonable degree of certainty, EPA's oversight cost. However, based on other similar sites, it would be reasonable to assume such oversight cost to be approximately 20% of the projected remedial design/remedial action costs for OU1 and OU2. Assuming FPU's maximum exposure for the remedial design/remedial action cost for OUI and OU2 does not exceed 10.5% of $6.0 million, a reasonable estimate of FPU's share of oversight cost would be approximately $125,000.

Prior to EPA's approval of a final remedy for the site, and the completion of negotiations among members of the

Executive Officers of the Registrant

The following sets forth certain information about the executive officers of FPU as of February 24, 2005.

Name	Age	Position	Date
John T. English	61	Chief Executive Officer	1998 - Present
		President	1997 - Present
		Chief Operating Officer	1997 - 2000
Charles L. Stein	55	Senior Vice President	1997 - Present
		Chief Operating Officer	2001 - Present
George M. Bachman	45	Corporate Secretary	2004 - Present
		Chief Financial Officer	2001 - Present
		Treasurer	2001 - Present

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

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

Mr. Bachman was Controller from 1996 preceding his appointment as Chief Financial Officer & Treasurer.

Each of these executive officers has been appointed for a one-year term expiring at the Board Meeting that follows the annual meeting of shareholders subject to his earlier resignation or removal. There are no family relationships among any of the executive officers and directors of the company.

Item 6. Selected Financial Data.

(dollars in thousands, except per share data)

Years Ended December 31,	2004	2003	2002	2001	2000
Revenues	$110,039	$102,723	$ 88,461	$ 89,178 (2)	$ 81,954
Gross profit	$ 40,689	$ 37,733	$ 34,929	$ 29,940	$ 28,463
Earnings:					
Income from continuing operations	$ 3,594	$ 2,522	$ 2,761 (1)	$ 2,456	$ 2,665
Income from discontinued operations (4)	-	9,901	602	596	623
Net income	$ 3,594	$ 12,423	$ 3,363 (1)	$ 3,052	$ 3,288
Earnings per common share (basic & diluted):					
Continuing operations	$ 0.91	$ 0.64	$ 0.70 (1)	$ 0.64	$ 0.70
Discontinued operations (4)	-	2.53	0.16	0.16	0.17
Total	$ 0.91	$ 3.17	$ 0.86 (1)	$ 0.80	$ 0.87
Dividends declared per common share	$ 0.60	$ 0.59	$ 0.57	$ 0.55	$ 0.53
Total assets (3)	$171,688	$162,990	$ 150,620	$145,411 (2)	$114,009
Utility plant – net (3)	$118,723	$109,303 (5)	$ 104,713 (5)	$ 93,510 (2)	$ 80,227
Current debt	$ 5,825	$ 2,278	$ 19,183	$ 20,430	$ 17,900
Long-term debt	$ 52,500	$ 52,500	$ 52,500	$ 52,500	$ 23,500
Common shareholders' equity	$ 43,213	$ 41,463	$ 30,883	$ 29,329	$ 27,510

Notes to the Selected Financial Data:

(1) 2002 includes gain after income taxes from the sale of non-utility real property of $70, or $0.02 per share.

(2) The acquisitions in late 2001 added approximately $10,700 to Total assets and $3,975 to Utility plant – net. Revenue recorded in 2001 from the acquisitions was approximately $326.

(3) The Total assets and Utility plant - net for 2002, 2001, and 2000 have been restated to conform to SFAS No. 143, "Accounting for Asset Retirement Obligations".

(4) On December 3, 2002, FPU entered into an agreement to sell the assets of its water utility system to the City of Fernandina Beach. The transaction closed on March 27, 2003 (for additional information see "Discontinued Operations" in the Notes to Consolidated Financial Statements). Revenues, Gross profit and Utility plant-net do not include discontinued operations.

(5) The Total assets and Utility plant - net for 2003 and 2002 have been restated to reflect the FPSC approved acquisition adjustment in the amount of approximately $1.0 million. (for additional information see "Goodwill and Intangible Assets" in the Notes to Consolidated Financial Statements).

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

The following discussion should be read in conjunction with the Notes to the Consolidated Financial Statements contained herein.

Natural Gas

Natural gas service revenues increased $2.4 million in 2004 over 2003 primarily due to a $1.8 million increase in cost of fuel and other costs that were passed through to customers. Gross profit increased $583,000 or 3%. The primary reason for the gross profit increase was the interim rate relief beginning in August 2004 and a final increase effective November 2004 as well as normal customer growth and a 3% increase in units sold. A $1.5 million early termination fee received in 2003 offset the increase in gross profit.

Natural gas service revenues increased $13.5 million in 2003 compared to 2002, primarily due to an $11.4 million increase in the cost of fuel and other costs that were passed through to customers. Natural gas gross profit increased $2.1 million, or 11% in 2003 as compared to 2002. Gross profit increased primarily due to a non-recurring early termination fee of $1.5 million received from Lake Worth Generation LLC for the cancellation of a contract in late March 2003. FPU negotiated a new contract with the City of Lake Worth, which resulted in a reduction of annual revenue by $231,000 compared to the previous contract. Approximately $300,000 of the increase in gross profit in 2003 was attributable to an increase in residential and commercial customer sales. Overall, the average number of customers increased in 2003 over 2002 by 3% due to normal growth, although this was offset by a decrease in usage per customer, most likely due to milder weather and higher costs of gas.

Electric

Electric service revenues increased $3.4 million in 2004 over 2003. $1.7 million of the increase was for the cost of fuel and other costs that were passed through to customers. Gross profit increased $1.6 million or 14% in 2004 over 2003. The increase in gross profit was primarily due to the rate increases granted in March 2004, along with normal customer growth and a 6% increase in units sold.

Electric service revenues decreased $1.4 million, or 3% in 2003 compared to 2002, primarily due to a $1.7 million decrease in the cost of fuel and other costs that were passed through to customers. Electric gross profit increased $253,000 or 2% in 2003 over 2002 primarily due to an increase in late fees of $226,000. Customer growth was up 2% in 2003 over 2002 due to normal growth. This growth was offset by a 4% decline in usage per customer most likely due to milder weather.

Propane Gas

Propane revenue increased $1.6 million and gross profit increased $727,000 or 14% in 2004 compared to 2003. The margin on propane rates charged to customers increased 11% from the previous year. Additionally, approximately $130,000 of the gross profit increase in 2004 over 2003 is attributable to a refinement of propane inventory estimate that lowered gross profit in the third quarter of 2003. Propane unit sales increased 7% due primarily to the addition of a large wholesale customer along with an increase in the total number of customers in 2004.

Propane revenue increased in 2003 compared to 2002 by approximately $2.2 million, primarily attributable to a $1.6 million increase in the cost of gas sold. The cost of gas sold was passed onto customers through rate increases. Propane revenue from late fees and service fees increased $291,000. Propane gas gross profit increased $462,000, or 10%, primarily due to the acquisition of a propane gas company in late 2002 and the construction and sale of two storage tanks at a Lake Worth high school, which contributed $106,000 to the increase. An increase in late fees and the assessment of regulatory compliance fees beginning in the first quarter of 2003 for propane gas customers also contributed to the increase. These increases were offset by refinement of an estimate for propane gas inventory held at customer premises in the third quarter. In addition, the gross profit per unit sold decreased as FPU elected to reduce the profit margin for some customers in an effort to remain competitive. The number of customers increased by 8% primarily due to the acquisition, and usage per customer increased.

Operating Expenses (excluding income taxes)

Operating expenses, which include 'Operations' and 'Taxes other than income taxes', exclude fuel costs, conservation and unbundling costs, and taxes based on revenues that are passed through to customers (discussed above).

Administrative Expenses

Administrative expenses increased $532,000, or 8%, in 2004 over 2003. Pension expense increased $431,000 due to the performance of the investments in the pension plan. Insurance increased $201,000 primarily due to increased medical costs. Amortization of electric rate case expense began in April 2004 and increased expense by $59,000. The Company had accumulated charges earlier in 2004 relating to a potential equity offering. Due to market conditions and the Company's ability to increase the line of credit to address cash needs, the potential equity offering in 2004 was cancelled in July 2004. Accumulated charges of approximately $50,000 were expensed in July 2004. This was more than offset by a decrease in outside services primarily due to a change in external auditors.

Administrative expenses increased $1.4 million, or 25%, in 2003 as compared to 2002. This increase was primarily caused by an increase in insurance expense of $451,000 caused by higher medical costs and increased premiums for worker's compensation and general liability. The increase in premiums resulted from increased payroll and higher insurance rates. Pension expense increased $586,000 due to the performance of the investments in the pension plan. Additionally, other outside services increased approximately $191,000 mostly due to Sarbanes-Oxley compliance, which required increased accounting related services. FPU also began utilizing additional outside tax related services in 2003.

Total Other Deductions

Interest Expense

Interest expense consists of interest on bonds, short-term borrowings and customer deposits. In 2004, total interest expenses decreased $26,000 from 2003 primarily due to a decrease in interest expense on short-term debt resulting from a decrease in the average outstanding loan balance on the line of credit.

In 2003, total interest expenses decreased $25,000 from 2002. Interest on short-term borrowings decreased $249,000, as a result of the decrease in notes payable, offset by a decrease in interest on the allowance for funds used during construction of $180,000 as a result of completing a generation pipeline in 2002.

Other

Other consists of income and expense from the Company's merchandise and services, gains or losses on disposal of property and other miscellaneous income or expenses. The Company's merchandise and services activities include the sale of merchandise as well as installation and other contract work. Merchandise and service revenue and expenses both increased in 2004 from 2003; however merchandise profitability decreased $69,000 primarily due to increased expenses from sub-contractors on increased installations and service. Non-operating income increased by $200,000 in 2004 from 2003 largely due to $251,000 additional interest income associated with the sale of the water assets. This was offset by a $149,000 adjustment in 2003 required by the FPSC to reclassify environmental interest income to the liability reserve.

Merchandise and service profitability decreased approximately $114,000 in 2003 from 2002 due to changes in marketing personnel in 2003 that resulted in decreased focus on merchandise sales. Other income decreased approximately $196,000 primarily due to an adjustment required by the FPSC reclassifying interest income to the liability reserve. In 2002, FPU sold non-utility property for a gain of $112,000, further reducing the amount of expense in 2002 compared to 2003.

See "Discontinued Operations" for additional information regarding the sale of water in 2003 and the effects on the financial statements.

Liquidity and Capital Resources

Portions of FPU's business are seasonal and dependent upon weather conditions in Florida. These factors affect the sale of electricity and gas and impact the cash provided by operations. Construction costs also impact cash requirements throughout the year. Cash needs for operations and construction are met partially through short-term borrowings from our line of credit ("LOC"). A line of credit is generally entered into for three years and is renewable at the end of the initial three year period.

Long-term debt has sinking fund payments that begin in 2008. The company has not been required in recent years to make contributions to the pension plan. However, current projections show contributions being required as early as 2006. Actuarial forecasts show $1,030,000 as a potential contribution in 2006 and $1,430,000 for 2007. Environmental clean up is anticipated to require approximately $10 million in 2007 the remainder to be paid in the following years.

The Company expects that internally generated cash, coupled with short-term borrowings, will be sufficient to satisfy its operating expenses, normal capital expenditure requirements, and dividend payments for the next one to three years. Depending upon operation requirements, environmental expenditures, pension contributions, and construction expenditures, additional financing may be needed to pay off the LOC within the three-year period. The Company may consider equity or debt offerings.

Outlook

Rate Proceeding
On May 26, 2004 the Company completed its filing with the FPSC requesting an increase in its natural gas rates and charges of approximately $8.2 million. On October 19, 2004 the Company was granted final rate relief of approximately $5.9 million annually. Interim rate increase of $1.2 million became effective August 5, 2004, with the remaining $4.7 million effective on November 18, 2004. The final natural gas rate relief includes provisions for recovery of $9.1 million for environmental liabilities (included on the balance sheet as "Other regulatory assets"), along with increased operating expenses. In addition, FPU requested approval from the FPSC for inclusion in the rate base (regulated investment) the goodwill and intangible assets associated with the acquisition of Atlantic Utilities and was granted recovery, as an acquisition adjustment, the portion included in goodwill that represented the difference between fair market value of the assets acquired and the original cost. The approved acquisition adjustment amounted to approximately $1.0 million. The rate relief also included recovery of certain material expenditures that begin January 1, 2005. These include amortization of a bare steel replacement program, environmental, and rate case expenses and they will be approximately $1.1 million annually.

Bare Steel Replacement Program (Natural Gas)

FPU has developed a plan to replace its bare steel gas mains (large pipes) and associated bare steel services (small pipes) over a period of fifty years. This program is needed in order to replace bare steel pipes that are susceptible to corrosion and to ensure the reliability of the Company's distribution system. The bare steel replacement program officially commenced in early 2005 and FPU plans to spend approximately $566,000 annually for the replacement program in both South Florida and Central Florida gas distribution systems. The natural gas rate case included the recovery of the expenditures for this program.

Storm Reserve
The Company incurred storm related expenses due to the hurricanes in 2004 and charged those expenses to storm reserves. The storm reserves in the electric segment were sufficient to cover the amounts incurred for the hurricanes. The natural gas segment had expenses exceeding current storm reserves and has deferred those expenses pending a request to the FPSC for recovery through a surcharge.

The Company filed a natural gas petition in December 2004 with the FPSC to seek approval to recover the 2004 storm expenses relating to the hurricanes that are in excess of the existing storm reserve. The request included an amount for a future storm reserve of $300,000. Management believes the FPSC will allow recovery of the 2004 natural gas storm expenses through the special surcharge to customers over a period of time in the future. As of December 31, 2004, $555,000 of 2004 storm related expenditures was charged against the reserve. This included $21,000 in capital expenditures and $534,000 related to non-capital expenses. The Company had $59,000 in its natural gas storm reserves and also expects the FPSC to allow partial application of our previous 2002 natural gas over earnings to the storm reserve to cover an additional $80,000 of those storm charges. The remaining $416,000 of storm expenses has been classified as a regulatory asset pending future rate recovery. The recovery of storm damages, if any, will be subject to the approval of the FPSC and is expected to be determined in 2005. If the FPSC does not approve the Company's request for a special surcharge to customers or disallows a portion of the costs charged to the reserve, the expenses will increase by the disallowed portion. As of December 31, 2004, the maximum expense that could affect operating income in 2005 is approximately $534,000.

environment, restrictions on FPU's ability to raise capital on favorable terms, any direct or indirect effects of terrorist threats and activities, FPU's successfully petitioning for and receiving rate increases, FPU's ability to identify attractive acquisition opportunities at favorable prices and to successfully and timely complete and integrate them.

Contractual Obligations

	Payments due by period (dollars in thousands):				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-Term Debt	$ 52,500	$ -	$ -	$ 2,818	$ 49,682
Operating Lease Obligations	336	116	110	73	37
Natural Gas and Propane Purchase Obligations	83,416	48,111	18,161	8,270	8,874
Electric Purchase Obligations	326	56	111	106	53
Other Purchase Obligations	1,368	694	659	15	-
Total	$137,946	$ 48,977	$ 19,041	$ 11,282	$ 58,646

The Long-Term Debt obligations are principal amounts only and exclude interest.

The Company utilizes blanket purchase orders for expected annual requirements to many of our suppliers. Requirements under blanket purchase orders generally do not become an obligation until specifically ordered during the year. We also utilize specific Purchase Orders that are generally included as an obligation. A purchase order is considered an obligation if it is associated with a contract or is authorizing a specific purchase of material. The Other Purchase Obligation amount presented above represents the value of purchase orders considered an obligation.

Our pension plan continues to meet all funding requirements under ERISA regulations; however, under current actuarial assumptions contributions may be required as early as 2006. Actuarial forecasts show $1,030,000 as a potential contribution in 2006 and $1,430,000 for 2007. Environmental clean up is anticipated to require approximately $10 million in 2007 the remainder to be paid in the following years.

The Company has medical postretirement payments relating to retiree medical insurance. These payments are not included in the table. Estimated future payments are contained in Note 12 in the Notes to Consolidated Financial Statements.

The Company has historically paid dividends. It is FPU's intent to continue to pay quarterly dividends for the foreseeable future. Dividend policy is reviewed on an ongoing basis by FPU's Board of Directors and is dependent upon FPU's future earnings, cash flow, financial condition, capital requirements and other factors.

Impact of Recent Accounting Standards

Financial Accounting Standard No. 123R
In December 2004, The FASB issued SFAS No. 123R (revised 2004)" Share-Based Payment". This revised statement is effective for the first interim or annual reporting period that begins after June 15, 2005. This statement primarily affects transactions in which an entity obtains employee services in share-based payment transactions. The Company does not feel that adoption of this revised FASB will result in any material change to our financial statements and current method of reporting stock based transactions. The Company began recording compensation expense relating to the plan in compliance with SFAS No. 123 in the first quarter of 2004. The 2004 expense was $68,000.

OTHER

Critical Accounting Policies and Estimates
Rate Regulated Basis of Accounting - FPU prepares its financial statements in accordance with the provisions of SFAS No. 71 – "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71) and it is FPU's most critical accounting policy. In general, SFAS No. 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 or expenses. SFAS No. 71 does not apply to the unregulated propane gas operations.

In 2004, a hypothetical 0.5% (50 basis points) decrease in the long-term interest rate on $52.5 million debt would change the fair value from $63.8 million to $68.1 million.

Changes in short-term interest rates could have an effect on income depending on the balance borrowed on the variable rate line of credit. On December 31, 2004 and 2003, FPU had $5.8 million and $2.3 million in short-term debt, respectively. A hypothetical 1% increase in interest rates would have resulted in a decrease in annual earnings by $36,000 and $14,000 respectively, based on year-end borrowings.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)	December 31,	
ASSETS	2004	2003
Utility Plant		
Natural gas	$ 85,608	$ 81,331
Electric	68,577	62,403
Propane gas	13,469	12,371
Common	5,694	5,500
Total	173,348	161,605
Less accumulated depreciation	54,625	52,302
Net utility plant	118,723	109,303
Current Assets		
Cash	499	859
Accounts receivable	10,847	9,614
Notes receivable	394	244
Allowance for uncollectible accounts	(269)	(180)
Unbilled receivables	2,285	1,673
Inventories (at average or unit cost)	2,956	2,624
Insurance & pension prepayments	814	750
Income tax prepayments	1,625	4,768
Under-recovery of fuel	274	-
Total current assets	19,425	20,352
Other Assets		
Investments held for environmental costs	3,183	3,149
Other regulatory assets - storm reserve	416	-
Other regulatory assets - environmental	9,297	9,127
Long term receivables and other investments	5,811	5,672
Deferred charges	7,652	8,115
Unamortized debt discount	1,962	2,046
Goodwill	2,405	2,405
Intangible assets (net)	2,814	2,821
Total other assets	33,540	33,335
Total	$ 171,688	$ 162,990
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$ 43,213	$ 41,463
Preferred stock	600	600
Long-term debt	52,500	52,500
Total capitalization	96,313	94,563
Current Liabilities		
Line of credit	5,825	2,278
Accounts payable	9,861	8,864
Insurance accrued	364	421
Interest accrued	969	935
Taxes accrued	4,101	359
Deferred income tax	241	-
Over-recovery of fuel costs	-	1,740
Over-recovery of conservation and unbundling	94	71
Customer deposits	6,891	6,134

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(dollars in thousands)

	December 31, 2004	December 31, 2003
Common Shareholders' Equity		
Common stock, $1.50 par value, authorized 6,000,000 shares; issued 4,359,023 shares in 2004; 4,343,218 shares in 2003	$ 6,539	$ 6,515
Paid-in capital	9,036	8,706
Retained earnings	31,849	30,638
Treasury stock - at cost (409,004 shares in 2004, 426,825 shares in 2003)	(4,211)	(4,396)
Total common shareholders' equity	43,213	41,463
Preferred Stock		
4 ¾% Series A, $100 par value, redemption price $106, authorized and outstanding 6,000 shares	600	600
4 ¾% Series B Cumulative Preferred, $100 par value, redemption price $101, authorized 5,000 and none issued	-	-
$1.12 Convertible Preference, $20 par value, redemption price $22, authorized 32,500 and none issued	-	-
Total preferred stock	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	14,000
6.85 % due 2031	15,000	15,000
Total long-term debt	52,500	52,500
Total Capitalization	$ 96,313	$ 94,563

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Years Ended December 31,		
	2004	2003	2002
Cash Flows from Operating Activities			
Net income	$ 3,594	$ 12,423	$ 3,363
Adjustments to reconcile net income to net cash from operating activities			
Income from discontinued operations, net of tax	-	(9,901)	(602)
Depreciation and amortization	5,900	5,492	5,026
Deferred income taxes	2,470	8,408	(378)
Bad debt expense	409	174	400
Investment tax credits	(83)	(97)	(103)
Other	121	418	69
Gain on sale of non-utility property	-	-	(112)
Interest income from sale of non-utility property	(251)	-	-
Compensation expense from the issuance of stock	91		
Effects of changes in:			
Receivables	(1,552)	(1,281)	(2,326)
Unbilled receivable	(612)	(203)	(126)
Inventories and prepayments	2,746	(4,633)	25
Accounts payable and accruals	975	(3,458)	3060
Over (under) recovery of fuel costs	(1,991)	40	315
Area expansion program deferred costs	(372)	(431)	(978)
Regulated liability	(586)	(451)	(127)
Other	814	483	(196)
Net cash provided by operating activities	11,673	6,983	7,310
Cash Flows from Investing Activities			
Construction expenditures	(13,731)	(9,693)	(14,136)
(Payment) reduction for purchase of Atlantic Utilities Company	-	-	74
Payment for purchase of Z-Gas Company, net of cash acquired	-	-	(3)
Purchase of Nature Coast Company, net of cash acquired	-	(15)	(735)
Customer advances received (refunded) for construction	144	168	333
Sale (purchase) of restricted long term investments	-	-	8,008
Deposit held in escrow for dividend payment	-	-	541
Sale (purchase) of long-term investment	(34)	(334)	60
Additions to Notes Receivable	(95)		
Proceeds provided by sale of utility plant	57	19,372	877
Net cash provided by (used in) investing activities	(13,659)	9,498	(4,981)
Cash Flows from Financing Activities			
Net change in short-term borrowings	3,547	(16,905)	(1,247)
Long term borrowings – net of costs	-	(2)	(58)
Proceeds from common stock plans	447	472	411
Dividends paid	(2,368)	(2,289)	(2,201)
Net cash provided by (used in) financing activities	1,626	(18,724)	(3,095)
Net cash (used in) provided by discontinued operations	-	(98)	768
Net Increase (Decrease) in Cash	(360)	(2,341)	2
Cash at Beginning of Year	859	3,200	3,198
Cash at End of Year	$ 499	$ 859	$ 3,200
Supplemental Cash Flow Information			
Cash was paid during the years as follows:			
Interest	$ 4,332	$ 4,350	$ 4,506
Income taxes	$ 1,215	$ 4,188	$ 1,965

See Notes to Consolidated Financial Statements.

FPU has agreed with the FPSC staff to limit its earned return on equity for its regulated natural gas and electric operations. The disposition of any over earnings is left to the discretion of the FPSC, with alternatives including a refund to customers, applying the over earnings to the storm damage reserves, or the reduction of any depreciation reserve deficiency. The FPSC ordered the over earnings for 1997, 1998 and 1999 at one of FPU's electric divisions to be added to that division's storm damage reserve. Since that last order on the 1999 disposition of over earnings, the FPSC has allowed FPU the automatic flexibility of applying the electric over earnings to the storm damage reserves each year following 1999 and allowing additional storm damage accruals up to a cap of $2.9 million in the electric divisions. FPU applied an additional $25,800 relating to 2002 over earnings in its electric storm reserve. In 2003 and 2004 FPU did not have any over earnings and accordingly has not applied any additional amounts to its storm damage reserves. As of the end of 2004, the electric storm reserve was at approximately $1.5 million. In 2005, FPU has requested that the FPSC grant permission to apply the 2002 natural gas over earnings of $105,000 to the 2004 under recovery of unbundling expenses and to its storm reserves.

FPU filed tariff sheets for its unbundled program to give its commercial natural gas customers the option of purchasing their gas supplies from third parties. FPU officially offered unbundled services to commercial customers on August 1, 2001. Even though FPU feels it has had among the lowest overall gas costs in the Florida market, third party suppliers may be able to offer its customers additional programs, which a regulated gas company cannot offer. Furthermore, by purchasing their gas supplies from third parties, FPU's commercial customers may avoid certain taxes and fees, which FPU is required to collect and impose on the sale of natural gas. FPU's operating results will not be affected as it realizes the same gross profit regardless of whether the customer purchases the gas from FPU or uses FPU's system to transport the gas since it does not profit on the cost of fuel. The FPSC approved various mechanisms which will allow FPU to be reimbursed for the incremental cost of providing unbundled services. In the natural gas rate proceeding completed in 2004, FPU was granted recovery of unbundling expenses through base rates instead of being reimbursed for a pass through expenditure. Any remaining under recovery of these unbundling expenses is expected to be recovered through the application of funds from the 2002 natural gas over earnings.

Revenue Recognition The Company bills utility customers on a monthly cycle basis; however, the billing cycle periods for most customers do not coincide with the accounting periods used for financial reporting. The Company accrues estimated revenue for gas and electric customers and usage not yet billed for the accounting period. Determination of unbilled revenue relies on the use of estimates, fuel purchases and historical data.

The Company's rates 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 is filed and approved by the FPSC. Previously the FPSC considered the Company to operate three distinct "entities", i.e., Northwest Florida electric, Northeast Florida electric and its natural gas division, consisting of Palm Beach County, and the Sanford and DeLand area in Central Florida. Thus, for the Company to recover the effects of inflation and construction expenditures for all "entities", a request for an increase in base revenues would have required the filing of three separate rate cases. In 2003 the Company successfully filed for electric rate increases and petitioned to consolidate the two electric "entities" into one entity. In 2004 the Company successfully filed for natural gas rate increase. 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. Then the under/over-recovery is either charged or credited to customers including the interest that has accrued on such under/over-recoveries.

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

Certain reclassifications may have been made to the prior years' financial statements and other financial information contained herein to conform to the 2004 presentation.

Utility Plant and Depreciation Utility plant is stated at original cost. Propane utility plant that has been acquired in acquisitions is stated at fair market value at the time of each acquisition. Increases to utility plant include contracted services, direct labor, transportation and materials for additions. Units of property are removed from utility plant when retired, 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. See note 5 for additional information relating to the acquisition adjustment.

4. Acquisition

In November 2002, FPU acquired Nature Coast Utilities, a propane gas service distribution company, in cash for stock transaction valued at approximately $740,000. The acquisition added about 1,200 customers to the Company's new West Florida division.

The excess of the consideration paid over the fair value of assets acquired and liabilities assumed associated with this acquisition, resulted in goodwill of approximately $223,000. In accordance with SFAS No. 142, the goodwill is not being amortized. In 2003, subsequent acquisition adjustments have increased the goodwill to $240,000. There are no other intangible assets identified with this acquisition.

5. Goodwill and Intangible Assets

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", the Company does not amortize goodwill or intangibles with indefinite lives. The Company periodically tests the applicable reporting segments, natural gas and propane gas, for impairment, and in the event a segment is impaired, the associated goodwill and intangible assets would be written down to fair value.

Intangible assets associated with the Company's acquisitions have been identified and are shown as a separate line item on the balance sheet. The intangibles subject to amortization over a five-year period are non-compete agreements totaling $35,000. The related accumulated amortization of $21,000 is included in the net intangible on the balance sheet. The remaining intangibles are customer distribution rights of approximately $1.9 million and customer relationships of approximately $900,000 both of which have indefinite lives and are not subject to amortization.

Goodwill associated with the Company's acquisitions has been identified as a separate line item on the balance sheet and consists of $500,000 in the natural gas segment and $1.9 million in the propane gas segment. Impairment tests were performed as of January 1, 2004 and as of January 1, 2003. Neither tests indicated impairment.

FPU requested approval from the FPSC to include in the rate base (regulated investment) the goodwill and intangible assets associated with the acquisition of Atlantic Utilities and in October 2004 was granted recovery as an acquisition adjustment the portion included in goodwill that represented the difference between fair market value of the assets acquired and the original cost. The approved acquisition adjustment amounted to approximately $1.0 million and was reclassified from goodwill to an acquisition adjustment in the fourth quarter of 2004. The remaining goodwill associated with the natural gas segment is $500,000.

6. Discontinued Operations

Water Service

On December 3, 2002, the Company entered into an agreement to sell certain assets comprising its water utility system to the City of Fernandina Beach ("City"). The closing of this transaction took place on March 27, 2003. The fair value of the consideration was approximately $25.0 million. The City paid $19.2 million in cash at closing and agreed to pay future consideration of approximately $7.4 million in variable annual installments (as summarized below) until February 15, 2010. FPU recognized and recorded the present value of the long-term receivable of $5.7 million, using a discount rate of 4.34%. The long-term receivable has been subsequently increased to recognize interest income in the amount of $384,000 at December 31, 2004. The first variable annual installment of $57,348 was received in February 2004.

The cash received at closing was used to repay short-term debt. The gain on the disposal of discontinued operations, including the income from discontinued operations for the first quarter of 2003 of $133,000, was $15.8 million or $9.9 million after tax, and has subsequently been adjusted to $15.9 million or $9.9 million after tax, due to adjustments to sales related expenses that were previously estimated.

The accompanying consolidated financial statements have been restated for all periods presented for the discontinued operations of the water division. Because of regulatory requirements, FPU continued recording depreciation expense cash dividends. At December 31, 2004, approximately $5.5 million of retained earnings were free of such restriction and therefore available for the payment of dividends. The line of credit agreement contains covenants that, if violated, could restrict or prevent the payment of dividends; however, the Company is not in violation of these covenants.

9. Debt

The Company issued its Fourteenth Series of FPU's First Mortgage Bond on September 27, 2001 in the aggregate principal amount of $15.0 million as security for the 6.85% Secured Insured Quarterly Notes, due October 1, 2031 (IQ Notes). Interest on the pledged bond accrues at the annual rate of 6.85% payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year beginning January 1, 2002.

The Company issued $14.0 million 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 were restricted and held in trust until construction expenditures were actually incurred by the Company. In 2002 the remaining $8.0 million was drawn from the restricted funds held by the trustee.

In 1992, The Company issued its First Mortgage Bond 9.08% Series in the amount of $8.0 million. The thirty-year bond is due in June 2022.

The Company issued two of its Twelfth Series First Mortgage bond series on May 1, 1988; the 9.57% Series due 2018 in the amount of $10.0 million and 10.03% Series due 2018 in the amount of $5.5 million. These two issuances require sinking fund payments of $909,000 and $500,000 respectively, beginning in 2008.

On April 1, 2003 the Company changed banks and opened a $12.0 million, thirty-nine month line of credit, the current outstanding balance of which is $5.8 million. FPU reserves $1.0 million of the LOC to cover expenses for any major storm repairs in its Northwest Florida division. An additional $250,000 of the LOC is reserved for a 'letter of credit' insuring propane facilities.

10. Segment Information

FPU is organized into two continuing regulated business segments: natural gas and electric, and one non-regulated business segment, propane gas. Water, a regulated segment, was classified as discontinued operations and has been eliminated from segment information with the exception of Identifiable assets that are shown for 2002. There are no material inter-segment sales or transfers.

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

Business segment information for 2004, 2003 and 2002 is summarized as follows:
(in thousands)

	2004	2003	2002
Revenues			
Natural gas	$ 55,962	$ 53,610	$ 40,140
Electric	42,910	39,519	40,930
Propane gas	11,167	9,594	7,391
Consolidated	$ 110,039	$ 102,723	$ 88,461
Operating income from continuing operations excluding income tax			
Natural gas	$ 4,978	$ 5,190	$ 4,291
Electric	3,353	2,249	2,980
Propane gas	655	254	498
Consolidated	$ 8,986	$ 7,693	$ 7,769

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

	Years ended December 31, 2004	2003	2002
Current payable			
Federal	$ (566)	$ (1,007)	$ 1,609
State	(96)	(174)	274
	(662)	(1,181)	1,883
Deferred			
Federal	2,003	2,070	(338)
State	358	375	(40)
	2,361	2,445	(378)
Investment tax credit	(84)	(97)	(103)
Income taxes – continuing operations	1,615	1,167	1,402
Income taxes – discontinued operations	-	5,971	306
Total	$ 1,615	$ 7,138	$ 1,708

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

	Years ended December 31, 2004	2003	2002
Federal income tax at statutory rate (34%)	1,771	1,254	1,415
State income taxes, net of federal benefit (5.5%)	$ 189	$ 134	$ 151
Investment tax credit	(84)	(97)	(110)
Tax exempt interest	(94)	(71)	-
Other	(167)	(53)	(54)
Total provision for income taxes from continuing operations	$ 1,615	$ 1,167	$ 1,402

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

	Years ended December 31, 2004	2003
Deferred tax assets:		
Environmental	$ 1,766	$ 1,988
Self insurance	661	684
Storm reserve liability	-	100
Vacation Pay	303	291
Other deferred credits – Gain	105	146
Alternative minimum tax	208	208
Allowance for uncollectible	102	68
Other	76	92
Total Deferred tax assets	$ 3,221	$ 3,577

	(a)	Fair Value of Plan Assets at the Beginning of the Year	$31,081,063	$26,953,318	$32,007,418
	(b)	Actual Return on Plan Assets	2,651,528	5,413,477	(3,867,807)
	(c)	Benefits Paid	(1,347,377)	(1,285,732)	(1,186,293)
	(d)	Employer Contributions	-	-	-
	(e)	Plan Participant Contributions	-	-	-
	(f)	Acquisition	-	-	-
	(g)	Settlement	-	-	-
	(h)	Fair Value of Assets at the End of the Year	$32,385,214	$31,081,063	$26,953,318
(3)	Net Amount Recognized				
	(a)	Funded Status: (2)(h) - (1)(l)	$(2,541,169)	$(459,879)	$(1,330,008)
	(b)	Unrecognized Transition Obligation (Asset)	-	-	-
	(c)	Unrecognized Prior Service Cost	4,881,881	5,580,092	6,292,020
	(d)	Unrecognized Net (Gain) or Loss	(1,615,093)	(3,262,796)	(2,531,878)
	(e)	Net Amount Recognized: (a) + (b) + (c) + (d)	$725,619	$1,857,417	$2,430,134
(4)	Amounts Recognized in the Statement of Financial Position				
	(a)	Prepaid Benefit Cost	$725,619	$1,857,417	$2,430,134
	(b)	Accrued Benefit Cost	-	-	-
	(c)	Intangible Asset	-	-	-
	(d)	Accumulated Other Comprehensive Income	-	-	-
	(e)	Net Amount Recognized: (a) + (b) + (c) + (d)	$725,619	$1,857,417	$2,430,134
(5)	Weighted Average Assumptions at the End of the Year				
	(a)	Discount Rate	5.75%	6.25%	6.75%
	(b)	Rate of Compensation Increase	3.00%	3.50%	4.00%

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2004, 2003 and 2002:

Net Periodic Pension Cost

		Years Ended December 31,		
		2004	2003	2002
(1)	Service Cost	$ 1,084,564	$1,012,149	$ 895,888
(2)	Interest Cost	1,940,122	1,877,987	1,818,276
(3)	Expected Return on Plan Assets	(2,591,099)	(2,668,854)	(2,800,350)
(4)	Amortization of Transition Obligation/(Asset)	-	-	-
(5)	Amortization of Prior Service Cost	698,211	711,928	714,353
(6)	Amortization of Net (Gain) or Loss	-	(360,493)	(787,137)
(7)	Total FAS 87 Net Periodic Pension Cost	1,131,798	572,717	(158,970)
(8)	FAS 88 Charges / (Credits)			
	(a) Settlement	-	-	-
	(b) Curtailment	-	-	-
	(c) Special Termination Benefits	-	-	-
	(d) Total			

2009	1,848,869
2010-2014	10,815,473

Other Accounting Items

		Years Ended December 31, 2004	2003	2002
(1)	Market-Related Value of Assets	$30,016,761	$31,222,154	$32,050,201
(2)	Amount of Future Annual Benefits of Plan Participants Covered by Insurance Contracts Issued by the Employer or Related Parties	$ -	$ -	$ -
(3)	Alternative Amortization Methods Used to Amortize			
	(a) Prior Service Cost	Straight-line	Straight-line	Straight-line
	(b) Unrecognized Net (Gain) or Loss	Straight-line	Straight-line	Straight-line
(4)	Employer Commitments to Make Future Plan Amendments (that Serve as the Basis for the Employer's Accounting for the Plan)	None	None	None
(5)	Description of Special or Contractual Termination Benefits Recognized During the Period	N/A	N/A	N/A
(6)	Cost of Benefits Described in (5)	N/A	N/A	N/A
(7)	Explanation of Any Significant Change in Benefit Obligation or Plan Assets not Otherwise Apparent in the Above Disclosures	N/A	N/A	N/A
(8)	Measurement Date Used December 31,	2004	2003	2002

The Board of Directors has approved two resolutions in 2005. The first would be to discontinue eligibility to our pension plan for all new non-union hires, and begin a new 401K match for new hires, effective January 1, 2005. This same change for unionized employees will be negotiated with our respective Unions throughout 2005 and 2006 as their contracts expire. The second resolution was to increase the benefits payable to retirees by 1.5% for each full year between the later of January 1, 2001 and the member's date of retirement or death in service and January 1, 2005.

Medical Plan

FPU sponsors a postretirement medical program. The medical plan is contributory with participants' contributions adjusted annually. The following tables provide required financial disclosures over the three year period ended December 31, 2004:

Benefit Obligations and Funded Status

		Years Ended December 31, 2004	2003	2002
(1)	Change in Accumulated Postretirement Benefit Obligation			
	(a) Accumulated Postretirement Benefit Obligation at the Beginning of the Year	$1,807,999	$1,725,639	$1,410,368
	(b) Service Cost	70,300	66,117	59,873
	(c) Interest Cost	106,079	108,849	111,207

		2004	2003	2002
(1)	Service Cost	$ 70,300	$ 66,117	$ 59,873
(2)	Interest Cost	106,079	108,849	111,207
(3)	Expected Return on Plan Assets	-	-	-
(4)	Amortization of Transition Obligation/(Asset)	42,896	42,896	42,896
(5)	Amortization of Prior Service Cost	-	-	-
(6)	Amortization of Net (Gain) or Loss	(8,666)	(8,121)	(4,822)
(7)	Total FAS 106 Net Periodic Benefit Cost	210,609	209,741	209,154
(8)	Other Charges / (Credits)			
	(a) Settlement	-	-	-
	(b) Curtailment	-	-	-
	(c) Special Termination Benefits	-	-	-
	(d) Total	-	-	-
(9)	Total Net Periodic Benefit Cost	$ 210,609	$ 209,741	$209,154
(10)	Weighted Average Assumptions			
	(a) Discount Rate	6.25%	6.75%	7.25%
	(b) Expected Return on Plan Assets	N/A	N/A	N/A
	(c) Rate of Compensation Increase	N/A	N/A	N/A
(11)	Assumed Health Care Cost Trend Rates			
	(a) Health Care Cost Trend Rate Assumed for Current Year	12.00%	5.50%	6.25%
	(b) Ultimate Rate	5.00%	4.50%	5.00%
	(c) Year that the Ultimate Rate is Reached	2010	2009	2007
(12)	Impact of One-Percentage-Point Change in Assumed Health Care Cost Trend Rates	Increase	Decrease	
	(a) Effect on Service Cost + Interest Cost	$ 24,092	$ (20,440)	
	(b) Effect on Postretirement Benefit Obligation	227,741	(180,608)	

Cash Flows

(1)	Expected contributions for year ended December 31, 2005	
	(a) Expected employer contributions	$121,165
	(b) Expected employee contributions	$31,521
(2)	Estimated future benefit payments reflecting expected future service for the years ending December 31,	
	(a) 2005	$152,686
	(b) 2006	166,969
	(c) 2007	125,452
	(d) 2008	143,458

In December 2003, the Company became fully insured for its employee and retiree's medical insurance.
Net health care benefits paid by FPU for active employees were approximately $1.5 million, $1.1 million and $732,000 for 2004, 2003 and 2002 excluding administrative and stop-loss insurance.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan offers common stock at a discount to qualified employees. During 2004, 2003 and 2002, 16,109, 18,974 and 17,589 shares were issued under the Plan for aggregate consideration of $220,000, $229,000 and $195,000.

Dividend Reinvestment Plan

During 2004, 2003 and 2002, 12,342, 13,838 and 13,413 shares were issued under the Company's Dividend Reinvestment Plan for aggregate consideration of $217,000, $213,000 and $185,000.

13. Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for investments held in escrow for environmental costs, notes payable, taxes accrued and other accrued liabilities approximate fair value. As the older bonds contain 'make whole' provisions it would negate any fluctuation in interest rates. The fair value of long-term debt is estimated by discounting the future cash flows of each issuance at rates currently offered to FPU for similar debt instruments of comparable maturities. The values at December 31, shown below.

	2004		2003	
	Carrying Amounts	Approximate Fair Value	Carrying Amounts	Approximate Fair Value
Long-term debt	$ 52,500,000	$63,800,000	$52,500,000	$ 62,800,000

14. Contingencies

<u>Environmental</u>
FPU 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, FPU does not expect to incur material future expenditures for compliance with existing environmental laws and regulations.

West Palm Beach Site
The Company is currently evaluating remedial options to respond to environmental impacts to soil and groundwater at and in the immediate vicinity of a parcel of property owned by it in West Palm Beach, Florida upon which the Company previously operated a gasification plant. The Company entered into a Consent Order with the FDEP effective April 8, 1991, that requires FPU to delineate the extent of soil and groundwater impacts associated with the prior operation of the gasification plant and to remediate such soil and groundwater impacts, if necessary. Numerous reports have been submitted by FPU to FDEP, describing the results of soil and groundwater sampling conducted at the site. A Supplemental Contamination Assessment Report Addendum ("SCARA") was submitted to FDEP in December 2001, summarizing the results of past investigations and providing the results of additional fieldwork conducted in 2001, in response to comments received previously from FDEP.

On September 29, 2003, FPU submitted to FDEP a Comprehensive Soil and Groundwater Assessment Report which described the results of substantial additional fieldwork undertaken in 2003 to respond to FDEP's comments to the SCARA. Following a meeting with FDEP in October 2004 to discuss FDEP's comments to the Comprehensive Soil and Groundwater Assessment Report, FPU agreed to implement additional fieldwork that was initiated in December 2004 and will be completed by Spring 2005. The cost of the additional fieldwork is projected to be approximately $50,000.

action costs for OU1 and OU2. Assuming FPU's maximum exposure for the remedial design/remedial action cost for OUI and OU2 does not exceed 10.5% of $6.0 million, a reasonable estimate of FPU's share of oversight cost would be approximately $125,000.

Prior to EPA's approval of a final remedy for the site, and the completion of negotiations among members of the Group on FPU's maximum allocated share, we are unable to determine the complete extent of FPU's remaining exposure at this site.. Based on the existing Second Participation Agreement, FPU's remaining exposure for the remedial design/remedial action task for OU1 and OU2, EPA's oversight costs, and FPU's attorneys' fees and costs, is projected to be approximately $705,000.

Pensacola site

FPU is the prior owner/operator of the former Pensacola gasification plant, located at the intersection of Cervantes Street and the Louisville and Nashville (CSX) Railroad line, Pensacola, Florida. Following notification on October 5, 1990, that FDEP had determined that FPU was one of several responsible parties for any environmental impacts associated with the former gasification plant site, FPU entered into cost sharing agreements with three other responsible parties providing for the funding of certain contamination assessment activities at the site.

A final report describing the results of contamination assessment activities at the site was submitted to FDEP in November 1995. The report concluded that soil or groundwater remediation was not warranted at the site. The report further recommended that existing environmental impacts be monitored through periodic sampling of groundwater at the site. By letter dated July 16, 1997, FDEP approved a groundwater-monitoring plan that provides for annual sampling of selected monitoring wells at the site. Such annual sampling has been undertaken at the site since 1998. To date, FPU's share of these costs has not exceeded $3,000 annually.

In March 1999, EPA requested site access in order to undertake an Expanded Site Inspection ("ESI"). The ESI was completed by EPA's contractor in 1999 and an ESI Report was transmitted to FPU in January 2000. The ESI Report recommends additional work at the site. The responsible parties met with FDEP on February 7, 2000 to discuss EPA's plans for the site. In February 2000, EPA indicated preliminarily that it will defer management of the site to FDEP; however, as of this date, FPU has not received any written confirmation from EPA or FDEP regarding this matter. Prior to receipt of EPA's written determination regarding site management, FPU is unable to determine whether additional fieldwork or site remediation will be required by EPA, and if so, the scope or costs of such work.

Site	Range From	Range To
West Palm Beach	$ 10,200,000	$ 15,200,000
Sanford	705,000	705,000
Pensacola and Other	133,000	133,000
Total	$ 11,038,000	$ 16,038,000

Insurance Claims and Rate Relief

The Company currently has $14.0 million reserved as an environmental liability since this was the amount approved by the FPSC based on the above projections as a basis for rate recovery. The Company has recovered $5.0 million from insurance and rate recovery. The balance of $9.0 million is recorded as a regulatory asset. On October 18, 2004 the FPSC approved recovery of $9.1 million for environmental liabilities (included on the balance sheet as Other regulatory assets). The amortization of this recovery and reduction to the regulatory asset will begin on January 1, 2005. The majority of expenses are expected to be incurred before 2010, but will continue for another 20-30 years.

15. Commitments

To ensure a reliable supply of power and natural gas at competitive prices, FPU 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, 2004, FPU has firm purchase and transportation commitments adequate to supply its expected future sales requirements. FPU is committed to pay demand or similar fixed charges of approximately $48.1 million during 2004 related to gas purchase

Total	$ 0.36	$ 0.13	$ 0.05	$ 0.37
2003				
Revenues	$ 31,149	$ 24,409	$ 21,628	$ 25,537
Gross profit	$ 11,241	$ 9,144	$ 8,106	$ 9,242
Operating income from continuing operations before income tax	$ 4,135	$ 1,651	$ 707	$ 1,200
Earnings:				
Income from continuing operations, before income taxes	$ 1,813	$ 482	$ (82)	$ 309
Income from discontinued operations, before income taxes	9,882	(61)	(5)	85
Net Income	$ 11,695	$ 421	$ (87)	$ 394
Earnings per common share (basic and diluted):				
Continuing operations	$ 0.46	$ 0.13	$ (0.02)	$ 0.08
Discontinued operations	2.54	(0.02)	-	0.02
Total	$ 3.00	$ 0.11	$ (0.02)	$ 0.10

17. Union Contracts

As of February 18, 2005 FPU had approximately 360 total employees, of which approximately 10 were part time. Of these employees, about 171 were covered under union contracts with two labor unions, the International Brotherhood of Electrical Workers and the International Chemical Workers Union. The union contracts expire on the following dates for the following divisions: Northwest Florida 6/15/06, Northeast Florida 2/17/05, South Florida 7/1/05 and Central Florida 8/31/05. The percentage of the union employees whose contract will expire during 2005 is about 42% of the total work force. FPU believes that its labor relations with its employees are good.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors and Shareholders of Florida Public Utilities Company:

We have audited the accompanying consolidated statements of income, common shareholders' equity and cash flows of Florida Public Utilities Company and its wholly owned subsidiary, Flo-Gas Corporation, for the year ended December 31, 2002. Our audit also included the 2002 consolidated financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Florida Public Utilities Company and its wholly owned subsidiary, Flo-Gas Corporation for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such 2002 consolidated financial statement schedule, when considered in relation to the basic 2002 consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Certified Public Accountants

West Palm Beach, Florida
February 19, 2003

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information required by this item concerning directors and nominees of the Registrant will be included under the caption "Nominees and Continuing Directors" in the Registrant's Proxy Statement for the 2005 Annual Meeting of Shareholders and is incorporated by reference herein. Information required by this Item regarding compliance with Section 16(a) of the Exchange Act will be set forth in the 2005 Proxy Statement under "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated by reference herein. Information concerning Executive Officers of the Registrant is included in Part I of this Form 10-K.

Item 11. Executive Compensation.

Information required by this Item concerning executive compensation is included under the captions "Board of Directors and Committees," "Executive Compensation," "Compensation Committee Interlocks and Inside Participation" and "Performance Graph" in the Registrant's Proxy Statement for the 2005 Annual Meeting of Shareholders and is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information concerning the security ownership of certain of the Registrant's beneficial owners and management is included under the caption "Security Ownership of Management and Certain Beneficial Owners" in the Registrant's Proxy Statement for the 2005 Annual Meeting of Shareholders and is incorporated by reference herein. See Item 5 above for other equity compensation plan information which is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions.

There were no relationships or related party transactions with respect to FPU during the fiscal year ended December 31, 2004 that would require disclosure pursuant to Item 404 of Regulation S-K.

Item 14. Principal Accountant Fees and Services

Information regarding our independent auditors, their fees and services and FPU's Audit Committee pre-approval procedures is set forth in the Registrant's 2005 Proxy Statement under the caption "Principal Accountant Fees and Services" and is incorporated by reference herein.

10(b)	Contract for the transportation of natural gas between FPU and Florida Gas Transmission Company under Service Agreement for Firm Transportation Service dated June 1, 1992 (Incorporated by reference to exhibit 10(b) on FPU's Form S-2 for July 1992, File No. 0-1055)
10(c)	Contract for the transportation of natural gas between FPU and Florida Gas Transmission Company under interruptible Transportation Service Agreement dated February 23, 1990 (Incorporated by reference to exhibit 10(c) on FPU's Form S-2 for July 1992, File No. 0-1055).
10(d)	Contract for the transportation of natural gas between FPU and the City of Lake Worth dated March 25, 1992 (Incorporated by reference to exhibit 10(f) on FPU's Form S-2 for July 1992, File No. 0-1055)
10(e)	Contract for the purchase of electric power between FPU and Jacksonville Electric Authority dated January 29, 1996. (Incorporated by reference to exhibit 10(h) on FPU's annual report on form 10-K for the year ended December 31, 2000)
10(f)	Contract for the purchase of electric power between FPU and Gulf Power Company effective November 21, 1996. (Incorporated by reference to exhibit 10(i) on FPU's annual report on form 10-K for the year ended December 31, 2000)
10(g)	Contract for the purchase of as-available capacity and energy between FPU and Container Corporation of America dated September 19, 1985 (Incorporated by reference to exhibit 10(i) on FPU's Form S-2 for July 1992, File No. 0-1055).
10(h)	Contract for the sale of electric service between FPU and Container Corporation of America dated August 26, 1982 (Incorporated by reference to exhibit 10(j) on FPU's Form S-2 for July 1992, File No. 0-1055).
10(i)	Contract for the sale of electric service between FPU and ITT Rayonier Inc. Dated April 1, 1982 (Incorporated by reference to exhibit 10(k) on FPU's Form S-2 for July 1992, File No. 0-1055).
10(j)	Form of Stock Purchase and Sale Agreement between FPU 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 (Incorporated by reference to exhibit 10(p) on FPU's Form S-2 for July 1992, File No. 0-1055).
10(k)	Contract for the sale of certain assets comprising FPU's water utility business to the City of Fernandina Beach dated December 3, 2002. (Incorporated by reference to exhibit 10(o) on FPU's annual report on form 10-K for the year ended December 31, 2002)
10(l)	Transportation agreement between FPU and the City of Lake Worth. (Incorporated by reference to exhibit 99.2 on FPU's Form 8-K filed April 4, 2003, File No. 001-10608)
10(m)	A Mutual Release agreement, as of March 31st 2003, by and between FPU, Lake Worth Generation, LLC, The City of Lake Worth, and The AES Corporation. (Incorporated by reference to exhibit 99.3 on FPU's Form 8-K filed April 4, 2003, File No. 001-10608)
10(n)	Amended and Restated loan agreement between FPU and Bank of America, N.A. dated October 29, 2004.
10(o)	Security agreement between FPU and Bank of America, N.A. dated October 29, 2004.
10(p)#	Non-Employee Director Compensation Plan, approved by Board of Directors on March 18, 2005.

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

/s/ George M Bachman
George M Bachman, Chief Financial Officer
(Duly Authorized Officer)

Date: March 24, 2005

Each person whose signature appears below hereby constitutes and appoints and John T. English, Chief Executive Officer and President, and George M. Bachman, Chief Financial Officer, and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power undersigned, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ John T. English Date: March 24, 2005
John T. English
President, Chief Executive Officer, and
Director (principal executive officer)

/s/ George M Bachman Date: March 24, 2005
George M Bachman, Chief Financial Officer
(principal financial officer and principal accounting officer)

/s/ Ellen Terry Benoit Date: March 24, 2005
Ellen Terry Benoit
Director

/s/ Richard C. Hitchins Date: March 24, 2005
Richard C. Hitchins
Director

/s/ Paul L. Maddock, Jr. Date: March 24, 2005
Paul L. Maddock, Jr.
Director

EXHIBIT B

Florida Public Utilities Company
2006 Sources and Uses of Funds Forecast
(In Thousands)

Significant cash flow items (Note 1)	2006
Total Operating Income	118,150
Deductions	
Operating & Maintenance	95,757
Taxes	6,020
Interest	4,550
Dividends Paid	2,607
Other	325
Total Deductions	109,259
Balance	8,891
Construction expenditures:	11,061
Cash Refund/(Contributions)	356
Contingency Requirements	45,000
Balance	(47,526)
Proceeds (repayment) of Short Term Borrowing	1,950
Proceeds other	375
Requested Remaining Financing	45,000
Balance	(201)
Beginning Cash	417
Ending Cash	216

Florida Public Utilities Company
2006 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.

EXHIBIT C

Florida Public Utilities Company
Statement of Capital Stock and Debt
June 30, 2005

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	$ 2.25	1947, 1987, &1998	10,000,000	6,545,935	$15,741,156.00
Treasury Stock	$ 2.25			599,590	$ (4,113,564.00)
Affiliated Corporations: Flo-Gas Shares					$ -
Total					$11,627,592.00

* 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, 2005

First Mortgage Bonds:

Series	Issue date	Maturity	Principal Outstanding	Proceeds / (Expenses)		Mos Remaining
9.57%	5/1/1988	5/1/2018	$10,000,000		0.0129	154
10.03%	5/1/1988	5/1/2018	$ 5,500,000		0.0135	154
9.08%	6/1/1992	6/1/2022	$ 8,000,000		0.0161	203
4.90%	11/1/2001	11/1/2031	$14,000,000		0.0136	316
6.85%	9/27/2001	10/1/2031	$15,000,000		0.0189	315
		Total	$52,500,000	$ -	0.0750	1142

7.50% Weighted Average Interest - Long-term Debt 7.50%

Unsecured Short Term Debt:

	Current Interest Rate	Balance	6 mos Proceeds / (Expenses)
December 31, 2004	3.11%	5,825,000	
June 30, 2005	4.05%	2,306,000	

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
3,204	2,267	1,712

$$\frac{3{,}204 \quad 2{,}267 \quad 1{,}712}{2{,}267} = 3.17$$