

**SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT
INVESTOR-OWNED NATURAL GAS UTILITY
FLORIDA PUBLIC SERVICE COMMISSION
DECEMBER 2009**

FLORIDA PUBLIC SERVICE COMMISSION

**INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT**

DEPARTMENT OF
ECONOMIC REGULATION

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COMMISSION

PSC/AFA 13 (/96)

**SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
December 2009**

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL) NET OPERATING INCOME	\$ 108,104 \$	2,351 \$	110,455 \$	\$	\$ 110,455
AVERAGE RATE BASE	\$ 1,460,383 \$	0 \$	1,460,383 \$	\$	\$ 1,460,383
AVERAGE RATE OF RETURN	7.4024%		7.5634%		7.5634%
II. YEAR END RATE BASE (JURISDICTIONAL)	\$ 1,505,968 \$	0 \$	1,505,968		

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	LOW	MIDPOINT	HIGH
	8.7471%	9.3224%	9.8977%

IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)	
A. INCLUDING	FLEX RATE REVENUES 8.4424%
B. EXCLUDING	FLEX RATE REVENUES 8.4424%

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082 or s. 775.083.

Jerry H. Melendy, Jr. VP
(Name and Title of Chief
Financial Officer)

Jerry H. Melendy
(Signature)

03/08/2010
(Date)

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
December 2009

(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
2,798,898	(1,364,457)	1,434,441	0	0	1,434,441	25,943	1,460,383

PER BOOKS

FPSC ADJUSTMENTS:

TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0
FPSC ADJUSTED	2,798,898	(1,364,457)	1,434,441	0	1,434,441	25,943	1,460,383
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	2,798,898	(1,364,457)	1,434,441	0	1,434,441	25,943	1,460,383

PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:

TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	2,798,898	(1,364,457)	1,434,441	0	1,434,441	25,943	1,460,383

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
December 2009

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
553,246	0	353,892	80,615	10,635	0	0	0	0	445,142	108,104

PER BOOKS, as adjusted
January 2009 through December 2009

FPSC ADJUSTMENTS:

Reduction to office supplies (921) by 15%

(2,351)

(2,351)

2,351

TOTAL FPSC ADJUSTMENTS	0	-2,351	0	0	0	0	0	0	-2,351	2,351
FPSC ADJUSTED	553,246	0	351,541	80,615	10,635	0	0	0	442,791	110,455
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	0	0	0	0	0	0	0	0	0	0
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:	553,246	0	351,541	80,615	10,635	0	0	0	442,791	110,455

TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	553,246	0	351,541	80,615	10,635	0	0	0	442,791	110,455

PER BOOKS CURRENT MONTH AMOUNT	64,749	0	52,098	6,368	2,449	0	0	0	60,915	3,834
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Sebring Gas System, Inc.
 Schedule 2 Worksheet - Average Rate of Return
 Dec-09

13 Month Average	(1) Plant in Service	(2) Accumulated Depreciation Amortization	(3) Net Plant in Service	(4) Property Held for Future Use	(5) Construction Work In Progress	(6) Net Utility Plant	(7) Working Capital	(8) Total Rate Base
Dec-08	2,720,033	(1,324,854)	1,395,179	0	0	1,395,179	0	1,395,179
Jan-09	2,738,901	(1,331,040)	1,407,861	0	0	1,407,861	0	1,407,861
Feb-09	2,761,108	(1,337,568)	1,423,540	0	0	1,423,540	0	1,423,540
Mar-09	2,767,686	(1,344,204)	1,423,482	0	0	1,423,482	0	1,423,482
Apr-09	2,769,347	(1,350,840)	1,418,507	0	0	1,418,507	0	1,418,507
May-09	2,781,616	(1,357,491)	1,424,125	0	0	1,424,125	0	1,424,125
Jun-09	2,789,558	(1,364,160)	1,425,398	0	0	1,425,398	0	1,425,398
Jul-09	2,799,542	(1,370,840)	1,428,702	0	0	1,428,702	0	1,428,702
Aug-09	2,808,543	(1,377,534)	1,431,009	0	0	1,431,009	0	1,431,009
Sep-09	2,814,500	(1,384,245)	1,430,255	0	0	1,430,255	0	1,430,255
Oct-09	2,863,246	(1,391,198)	1,472,048	0	0	1,472,048	0	1,472,048
Nov-09	2,866,927	(1,398,392)	1,468,535	0	0	1,468,535	0	1,468,535
Dec-09	2,904,662	(1,405,583)	1,499,079	0	0	1,499,079	0	1,499,079
Thirteen month totals	36,385,669	(17,737,947)	18,647,721	0	0	18,647,721	0	18,647,721
Thirteen month average	2,798,898	(1,364,457)	1,434,440	0	0	1,434,440	0	1,434,440

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
December 2009

(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
2,904,662	(1,405,583)	1,499,079	0	0	1,499,079	6,889	1,505,968

PER BOOKS

FPSC ADJUSTMENTS:

TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0
FPSC ADJUSTED	2,904,662	(1,405,583)	1,499,079	0	1,499,079	6,889	1,505,968

SCHEDULE 4

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2009

AVERAGE	PER BOOKS	ADJUSTMENTS		RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA		ADJUSTED	PRO RATA	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	453,580			30.1875%	6.2910%	1.8991%	6.2910%	1.8991%	6.2910%	1.8991%
SHORT TERM DEBT	97,345			6.4787%	8.3124%	0.4090%	6.3124%	0.4090%	6.3124%	0.4090%
PREFERRED STOCK	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	87,234			5.8057%	6.8658%	0.3986%	6.8658%	0.3986%	6.8658%	0.3986%
COMMON EQUITY	864,385	0	0	57.5281%	10.5000%	6.0405%	11.5000%	6.6157%	12.5000%	7.1910%
DEFERRED INCOME TAXES	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	1,502,543	0	0	100.0000%	6.7471%	3.3224%	6.7471%	3.3224%	6.7471%	3.3224%

YEAR-END	PER BOOKS	ADJUSTMENTS		RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA		ADJUSTED	PRO RATA	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	471,412			31.4766%	6.0217%	1.8954%	6.0217%	1.8954%	6.0217%	1.8954%
SHORT TERM DEBT	53,038			3.5414%	6.0217%	0.2133%	6.0217%	0.2133%	6.0217%	0.2133%
PREFERRED STOCK	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	90,030			6.0114%	6.8658%	0.4127%	6.8658%	0.4127%	6.8658%	0.4127%
COMMON EQUITY	883,178	0	0	58.9708%	10.5000%	6.1919%	11.5000%	6.7616%	12.5000%	7.3713%
DEFERRED INCOME TAXES	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	1,497,658	0	0	100.0000%	6.7133%	3.3030%	6.7133%	3.3030%	6.7133%	3.3030%

Sebring Gas System, Inc.
 Schedule 4 Worksheet - Capital Structure
 12/31/09

13 Month Average	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Average Per Books
Long-term Debt	381,965	378,521	376,521	374,521	502,581	488,168	493,729	489,300	489,141	484,703	480,220	475,758	471,412	453,580
Short-term Debt	201,850	202,694	194,000	194,000	51,940	52,097	52,249	52,407	52,568	52,721	52,882	53,038	53,038	97,345
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	85,830	85,930	86,230	87,280	87,230	87,730	85,680	86,230	87,180	87,130	88,430	89,030	90,030	87,234
Common Stock	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Paid-in Capital	774,880	774,880	774,880	774,880	774,880	774,880	774,880	774,880	774,880	774,880	774,880	774,880	774,880	774,880
Current Year Profit (Loss)	130,876	17,348	39,949	60,344	65,019	66,758	83,344	84,081	85,093	91,954	79,638	102,113	85,728	77,081
Retained Earnings (Deficit)	(11,131)	20,770	20,770	20,770	20,770	20,770	20,770	20,770	20,770	20,770	20,770	20,770	20,770	10,624
Common Equity	796,225	814,798	837,398	857,793	862,469	864,207	880,793	881,540	892,543	893,404	877,088	899,563	883,178	864,385
Deferred Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Crs-Reso Crs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tx Crs-Weighted Cst	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,465,970	1,481,945	1,494,150	1,513,594	1,504,220	1,502,202	1,512,452	1,509,479	1,521,429	1,513,958	1,498,620	1,517,389	1,497,658	1,502,543

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
12/31/09

13 Month Average	Dec-09	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Average Per Books
WSB #9516103 Balance	404,521	402,521	400,521	398,521	394,521	392,521	390,521	388,521	386,521	386,521	384,521	382,521	380,521	391,906
WSB #9516103 Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.09%
Book Interest	2,069	2,060	1,869	2,060	1,983	2,037	1,962	2,016	2,007	1,933	1,988	1,914	1,903	25,941
WSB loan Merged into above loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WSB rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	#DIV/0!
Book Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mid Florida FCU	9,294	8,694	0	0	0	0	0	0	0	0	0	0	0	1,384
Book Interest	5.16%	5.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.03%
WSB 1376306 B1	170,000	170,000	170,000	170,000	160,000	157,744	155,457	153,186	153,186	150,903	148,581	146,275	143,929	157,635
WSB 1376306 Interest Rate	7.00%	7.00%	7.00%	7.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.82%
Book Interest	10,111	10,255	9,266	10,255	8,992	8,882	8,552	8,666	8,555	8,166	8,332	7,982	7,796.62	11,654
Total Debt	583,815	581,215	570,521	568,521	554,521	550,265	545,978	541,707	541,707	537,424	533,102	528,796	524,450	709,457
Long-term Portion	381,965	378,521	376,521	374,521	502,581	498,168	493,729	489,300	489,141	484,703	480,220	475,758	471,412	453,580
Short-term Portion	201,850	202,694	194,000	194,000	51,940	52,097	52,249	52,407	52,566	52,721	52,882	53,038	53,038	87,345
Customer Deposits	6.33%	6.37%	6.39%	6.39%	6.53%	6.25%	6.27%	6.28%	6.22%	6.22%	6.23%	6.23%	6.02%	6.2910%
Residential	1,085	1,096	950	1,053	279	276	269	279	278	270	280	271	271	30,913
Commercial	12,630	12,330	12,630	12,660	12,730	12,730	12,680	12,730	12,680	12,630	12,530	12,630	12,630	12,634
Total	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.07%
	73	62	63	63	64	64	63	64	63	63	63	63	63	831
	73,300	73,600	73,600	74,600	74,500	75,000	73,000	73,500	74,500	74,500	75,900	76,400	77,400	74,600
	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
	428	429	429	435	435	438	426	429	435	435	443	446	452	565.7
	85,930	85,930	86,230	87,280	87,230	87,730	85,680	86,230	87,180	87,130	88,430	89,030	89,030	87,234
	7.01%	6.96%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.86%	6.86%	6.86%	6.86%	6.87%
	501	491	492	499	498	501	489	492	498	498	505	509	515	6,488

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 2009

SCHEDULE 5

A. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY
INCLUDING FLEX RATE REVENUES

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>7.5634%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.8991%	
SHORT TERM DEBT	0.4090%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.3986%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.0000%</u>	
SUBTOTAL	<u>2.7067%</u>	
 TOTAL	 4.8568%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>57.5281%</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u>8.4424%</u>	

B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY
EXCLUDING FLEX RATE REVENUES

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 110,455	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	<u>\$ 1,460,383</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>7.5634%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.8991%	
SHORT TERM DEBT	0.4090%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.3986%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.0000%</u>	
SUBTOTAL	<u>2.7067%</u>	
 TOTAL	 4.8568%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>57.5281%</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u>8.4424%</u>	