



MESSER CAPARELLO & SELF, P.A.

Attorneys At Law

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August 31, 2010

**VIA ELECTRONIC MAIL**

Mr. John Slemkewicz  
Division of Economic Regulation  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Sebring Gas System, Inc.'s Investor-Owned Natural Gas Utility Earnings  
Surveillance Report dated June, 2010

Dear Mr. Slemkewicz:

Enclosed is Sebring Gas System, Inc.'s Investor-Owned Natural Gas Utility Earnings  
Surveillance Report dated June, 2010.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Norman H. Horton, Jr.', with a long, sweeping flourish extending to the right.

Norman H. Horton, Jr.

NHH/amb  
Enclosures  
cc: Office of Public Counsel

**FLORIDA PUBLIC SERVICE COMMISSION**

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

**FSC/APA 13 ( /96)**

**SEBRING GAS SYSTEM, INC.**  
**EARNINGS SURVEILLANCE REPORT SUMMARY**  
 June 2010

	(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	\$ 61,429	\$ 2,616	\$ 64,045	\$	\$ 64,045
AVERAGE RATE BASE	\$ 1,484,418	\$ 0	\$ 1,484,418	\$	\$ 1,484,418
AVERAGE RATE OF RETURN	<u>4.1382%</u>		<u>4.3145%</u>		<u>4.3145%</u>
II. YEAR END RATE BASE (JURISDICTIONAL)	\$ 1,538,795	\$ 0	\$ 1,538,795		

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	
LOW	<u>8.8948%</u>
MIDPOINT	<u>9.2737%</u>
HIGH	<u>9.8526%</u>
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)	
A. INCLUDING FLEX RATE REVENUES	<u>2.9333%</u>
B. EXCLUDING FLEX RATE REVENUES	<u>2.8933%</u>

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)

[Signature]  
 (Signature)

6/30/2010  
 (Date)

SEBRING GAS SYSTEM, INC.  
AVERAGE RATE OF RETURN  
RATE BASE  
June 2010

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(7) NET UTILITY PLANT	(8) WORKING CAPITAL	(9) TOTAL RATE BASE
PER BOOKS	2,896,819	(1,436,884)	1,459,935	0	0	1,459,935	24,483	1,484,418

FPSC ADJUSTMENTS:

TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	2,896,819	(1,436,884)	1,459,935	0	0	1,459,935	24,483	1,484,418

FLEX RATE REVENUES  
ADJUSTED FOR  
FLEX RATE REVENUES

2,896,819	(1,436,884)	1,459,935	0	0	1,459,935	24,483	1,484,418
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PRO FORMA REVENUE INCREASE AND  
ANNUALIZATION ADJUSTMENTS:

TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	2,896,819	(1,436,884)	1,459,935	0	0	1,459,935	24,483	1,484,418

SEBRING GAS SYSTEM, INC.  
AVERAGE RATE OF RETURN  
INCOME STATEMENT  
June 2010

(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)	GAINLOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
546,462		372,381	94,770	17,882	0	0	0	0	485,033	61,429

PER BOOKS, as adjusted  
July 2009 through June 2010

FPSC ADJUSTMENTS:

Reduction to office supplies (921) by 15%

(2,616)

(2,616) 2,616

TOTAL FPSC ADJUSTMENTS	0	-2,616	0	0	0	0	0	0	-2,616	2,616
FPSC ADJUSTED	546,462	369,765	94,770	17,882	0	0	0	0	482,417	64,045
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:	546,462	369,765	94,770	17,882	0	0	0	0	482,417	64,045

TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	546,462	369,765	94,770	17,882	0	0	0	0	482,417	64,045

PER BOOKS CURRENT MONTH AMOUNT	49,258	28,482	12,273	4,422	0	0	0	0	45,187	4,071
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Sebring Gas System, Inc.  
 Schedule 2 Worksheet - Average Rate of Return  
 Jun-10

	(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
<b>13 Month Average</b>								
Jun-09	2,789,558	(1,390,196)	1,399,362	0	0	1,399,362	0	1,399,362
Jul-09	2,799,542	(1,397,751)	1,401,791	0	0	1,401,791	0	1,401,791
Aug-09	2,808,543	(1,405,327)	1,403,216	0	0	1,403,216	0	1,403,216
Sep-09	2,814,500	(1,412,922)	1,401,578	0	0	1,401,578	0	1,401,578
Oct-09	2,863,246	(1,420,643)	1,442,603	0	0	1,442,603	0	1,442,603
Nov-09	2,866,927	(1,428,487)	1,438,440	0	0	1,438,440	0	1,438,440
Dec-09	2,904,662	(1,436,395)	1,468,267	0	0	1,468,267	0	1,468,267
Jan-10	2,913,539	(1,444,364)	1,469,174	0	0	1,469,174	0	1,469,174
Feb-10	2,956,577	(1,452,452)	1,504,125	0	0	1,504,125	0	1,504,125
Mar-10	2,967,236	(1,460,539)	1,506,697	0	0	1,506,697	0	1,506,697
Apr-10	2,971,610	(1,468,645)	1,502,965	0	0	1,502,965	0	1,502,965
May-10	2,987,169	(1,476,786)	1,510,384	0	0	1,510,384	0	1,510,384
Jun-10	3,015,540	(1,484,989)	1,530,551	0	0	1,530,551	0	1,530,551
Thirteen month totals	37,658,649	(18,678,497)	18,979,152	0	0	18,979,152	0	18,979,152
Thirteen month average	2,896,819	(1,436,884)	1,459,935	0	0	1,459,935	0	1,459,935

SCHEDULE 3

SEBRING GAS SYSTEM, INC.  
 YEAR END RATE BASE  
 June 2010

(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
3,015,540	(1,484,989)	1,530,551	0	0	1,530,551	8,244	1,538,795

PER BOOKS

FPSC ADJUSTMENTS:

TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0
FPSC ADJUSTED	3,015,540	(1,484,989)	1,530,551	0	1,530,551	8,244	1,538,795

SCHEDULE 4

SEBRING GAS SYSTEM, INC.  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
June 2010

	PER BOOKS	ADJUSTMENTS SPECIFIC	ADJUSTMENTS PRO RATA	ADJUSTED	RATIO (%)	LOW POINT			MIDPOINT			HIGH POINT		
						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)			
AVERAGE LONG TERM DEBT	498,538			498,538	32.4254%	8.1105%	1.9814%	6.1105%	1.9814%	6.1105%	1.9814%	6.1105%	1.9814%	
SHORT TERM DEBT	58,581	0		58,581	3.8255%	6.0802%	0.2330%	6.0802%	0.2330%	6.0802%	0.2330%	6.0802%	0.2330%	
PREFERRED STOCK	89,734	0		89,734	5.8589%	6.8614%	0.4021%	6.8614%	0.4021%	6.8614%	0.4021%	6.8614%	0.4021%	
CUSTOMER DEPOSITS	886,470	0		886,470	57.8891%	10.5000%	8.0784%	11.5000%	8.8572%	12.5000%	7.2361%	12.5000%	7.2361%	
COMMON EQUITY	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
DEFERRED INCOME TAXES	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
TAX CREDITS - ZERO COST	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
TAX CREDITS - WEIGHTED COST TOTAL	1,531,323	0	0	1,531,323	100.0000%	0.0000%	8.8643%	0.0000%	9.2737%	0.0000%	8.8643%	0.0000%	9.8528%	

	PER BOOKS	ADJUSTMENTS SPECIFIC	ADJUSTMENTS PRO RATA	ADJUSTED	RATIO (%)	LOW POINT			MIDPOINT			HIGH POINT		
						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)			
YEAR-END LONG TERM DEBT	527,523			527,523	33.2478%	5.7857%	1.9289%	5.7857%	1.9289%	5.7857%	1.9289%	5.7857%	1.9289%	
SHORT TERM DEBT	72,006	0		72,006	4.5382%	5.7857%	0.2630%	5.7857%	0.2630%	5.7857%	0.2630%	5.7857%	0.2630%	
PREFERRED STOCK	92,430	0		92,430	5.8255%	6.8614%	0.3687%	6.8614%	0.3687%	6.8614%	0.3997%	6.8614%	0.3997%	
CUSTOMER DEPOSITS	894,682	0		894,682	56.3864%	10.5000%	5.8208%	11.5000%	8.4847%	12.5000%	7.0486%	12.5000%	7.0486%	
COMMON EQUITY	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
DEFERRED INCOME TAXES	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
TAX CREDITS - ZERO COST	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
TAX CREDITS - WEIGHTED COST TOTAL	1,586,641	0	0	1,586,641	100.0000%	0.0000%	6.5144%	0.0000%	8.0743%	0.0000%	6.5144%	0.0000%	8.6382%	



Sabring Gas System, Inc.  
 Schedule 4 Worksheet - Capital Structure  
 06/30/10

13 Month Averages	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Average Per Book
Long-term Debt	493,661	489,458	489,300	484,858	480,381	475,914	471,412	466,918	462,412	542,885	537,661	532,590	527,523	498,538
Short-term Debt	52,097	52,249	52,407	52,568	52,721	52,882	53,038	53,201	53,364	71,513	71,678	71,839	72,006	59,581
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	85,680	86,230	87,180	87,130	88,430	88,030	88,030	91,430	91,580	92,280	92,430	92,580	92,430	89,734
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	774,860	774,860	774,860	774,860	774,860	774,860	774,860	774,860	774,860	774,860	774,860	774,860	774,860	774,860
Current Year Profit (Loss)	83,344	84,091	85,083	81,954	79,838	102,113	85,728	17,942	15,413	50,473	49,872	44,255	45,170	64,891
Retained Earnings (Deficit)	20,770	20,770	20,770	20,770	20,770	20,770	20,770	72,832	72,832	72,832	72,832	72,832	72,832	44,799
Common Equity	880,753	881,540	892,543	899,404	877,038	899,563	883,178	867,454	864,924	898,985	899,183	893,767	894,682	888,470
Deferred Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Crs-Zero 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	1,512,462	1,508,478	1,521,428	1,513,858	1,498,830	1,517,389	1,497,858	1,479,005	1,472,281	1,606,463	1,600,953	1,590,876	1,586,841	1,531,323

Seabring Gas System, Inc.  
Schedule 4 Worksheet - Average Interest Rates  
04/20/10

12 Month Average	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Average Per Books
WSB #9516103 Balance	390,521	398,521	398,521	398,521	384,521	382,521	390,521	378,521	378,521	378,521	378,521	378,521	378,521	285,899
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%	6.12%
Book Interest	1962	2016	2007	1933	1988	1914	1968	1859	1866	0	0	0	0	17,633
WSB #9216103 Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	145,731
WSB #9216103 Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.50%	5.50%	5.50%	5.50%	5.59%
Book Interest	0	0	0	0	0	0	0	0	0	2261	2180	2237	2,154	8,832
Mid Florida FCU	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Book Interest	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!
WSB 1376308 Bk	155,457	153,188	153,188	150,903	148,561	148,275	143,829	141,588	139,258	138,824	134,485	132,055	129,655	143,490
WSB 1376308 Interest Rate	5.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.61%
Book Interest	852	866	855	816	832	792	808,88	786,5	798,13	778,44	727,8	738,26	702,30	10,269
Total Debt	545,978	541,707	541,707	537,424	533,102	528,788	524,450	520,119	516,777	514,188	608,339	604,429	599,529	699,400
	6.27%	6.26%	6.22%	6.22%	6.23%	6.23%	6.23%	6.24%	6.55%	5.83%	5.81%	5.80%	5.80%	6.85%
	2,814	2,882	2,862	2,749	2,820	2,706	2,775	2,755	2,592	3,040	2,908	2,975	2,856	36,735
Long-term Portion	483,881	489,458	489,300	484,858	480,381	475,914	471,412	468,818	462,412	542,885	537,661	532,590	527,523	486,538
	6.27%	6.26%	6.22%	6.22%	6.23%	6.23%	6.23%	6.24%	6.55%	5.83%	5.81%	5.80%	5.80%	6.1105%
	2,545	2,604	2,585	2,460	2,541	2,435	2,485	2,473	2,324	2,866	2,966	2,822	2,513	32,870
Short-term Portion	52,097	52,248	52,407	52,566	52,721	52,872	53,038	53,201	53,364	71,313	71,678	71,839	72,008	58,861
	6.27%	6.26%	6.22%	6.22%	6.23%	6.23%	6.23%	6.24%	6.55%	5.83%	5.81%	5.80%	5.80%	6.0802%
	289	278	277	269	279	271	281	282	288	354	342	354	343	3,865
Customer Deposits	12,660	12,730	12,880	12,630	12,530	12,630	12,830	12,530	12,380	12,280	12,130	11,980	11,830	12,442
Residential	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
	63	64	63	63	63	63	63	63	62	61	61	60	60	809
Commercial	73,000	73,500	74,500	74,500	75,900	76,400	77,400	78,800	79,200	80,000	80,300	80,700	80,500	77,292
	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	428	435	435	443	448	452	460	462	467	468	471	470	5861
Total	85,680	86,230	87,180	87,130	88,430	89,030	90,030	91,430	91,580	92,280	92,430	92,860	92,430	89,734
	6.85%	6.85%	6.85%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.87%	6.87%	6.87%	6.87%	6.86%
	489	492	498	498	505	509	515	523	524	528	528	531	529	6,670

**SEBRING GAS SYSTEM, INC.**  
**EARNED RETURN ON COMMON EQUITY**  
**FPSC ADJUSTED BASIS**  
**June 2010**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>4.3145%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.9814%	
SHORT TERM DEBT	0.2330%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.4021%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.0000%</u>	
SUBTOTAL	<u>2.6164%</u>	
TOTAL	1.6981%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>57.8891%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>2.9333%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 64,045	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,484,418</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>4.3145%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.9814%	
SHORT TERM DEBT	0.2330%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.4021%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.0000%</u>	
SUBTOTAL	<u>2.6164%</u>	
TOTAL	1.6981%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>57.8891%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>2.9333%</u></u>	