

**SEBRING GAS SYSTEM, INC.
FLORIDA PUBLIC SERVICE COMMISSION
INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT
JUNE 30, 2011**

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FLORIDA PUBLIC SERVICE COMMISSION

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

PSC/AFA 13 (/96)

SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
 June 2011

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL) <u>NET OPERATING INCOME</u>	\$ 46,848	\$ 134	\$ 46,982		\$ 46,982
AVERAGE RATE BASE	\$ 1,525,347	\$ 0	\$ 1,525,347		\$ 1,525,347
AVERAGE RATE OF RETURN	3.0713%		3.0801%		3.0801% %
II. YEAR END RATE BASE (JURISDICTIONAL) <u></u>	\$ 1,517,499	\$ 0	\$ 1,517,499		

III. REQUIRED RATES OF RETURN
 AVERAGE CAPITAL STRUCTURE
 (FPSC ADJUSTED BASIS)

LOW	8.6001%
MIDPOINT	9.1806%
HIGH	9.7611%

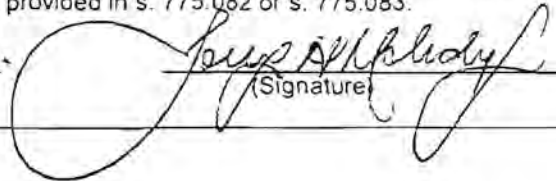
IV. EARNED RETURN ON EQUITY
 (FPSC ADJUSTED BASIS)

A. INCLUDING FLEX RATE REVENUES	0.9910%
B. EXCLUDING FLEX RATE REVENUES	0.9910%

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.

JEARY H. MELENDY, JR.
 (Name and Title of Chief
 Financial Officer)


 (Signature)

09/13/2011
 (Date)

PSC/AFA13

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
June 2011

SCHEDULE 2
PAGE 1 OF 2

	(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
PER BOOKS	<u>3,075,994</u>	<u>(1,516,176)</u>	<u>1,559,818</u>	<u>0</u>	<u>0</u>	<u>1,559,818</u>	<u>(34,471)</u>	<u>1,525,347</u>
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FPSC ADJUSTED	<u>3,075,994</u>	<u>(1,516,176)</u>	<u>1,559,818</u>	<u>0</u>	<u>0</u>	<u>1,559,818</u>	<u>(34,471)</u>	<u>1,525,347</u>
<u>FLEX RATE REVENUES</u>								
ADJUSTED FOR								
FLEX RATE REVENUES	<u>3,075,994</u>	<u>(1,516,176)</u>	<u>1,559,818</u>	<u>0</u>	<u>0</u>	<u>1,559,818</u>	<u>(34,471)</u>	<u>1,525,347</u>
<u>PRO FORMA REVENUE INCREASE AND</u>								
<u>ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PRO FORMA ADJUSTED	<u>3,075,994</u>	<u>(1,516,176)</u>	<u>1,559,818</u>	<u>0</u>	<u>0</u>	<u>1,559,818</u>	<u>(34,471)</u>	<u>1,525,347</u>

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
June 2011

SCHEDULE 2
PAGE 2 OF 2

	(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
PER BOOKS, as adjusted July 2010 through June 2011	571,922	0	408,560	100,454	16,060	0	0	0	0	525,075	46,848
<u>FPSC ADJUSTMENTS:</u>											
Disallowed lobbying expenses			(134)							(134)	134
TOTAL FPSC ADJUSTMENTS	<u>0</u>	<u>0</u>	<u>(134)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(134)</u>	<u>134</u>
FPSC ADJUSTED	<u>571,922</u>	<u>0</u>	<u>408,426</u>	<u>100,454</u>	<u>16,060</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>524,941</u>	<u>46,982</u>
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>571,922</u>	<u>0</u>	<u>408,426</u>	<u>100,454</u>	<u>16,060</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>524,941</u>	<u>46,982</u>
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PRO FORMA ADJUSTED	<u>571,922</u>	<u>0</u>	<u>408,426</u>	<u>100,454</u>	<u>16,060</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>524,941</u>	<u>46,982</u>
PER BOOKS CURRENT MONTH AMOUNT	<u>40,616</u>	<u>0</u>	<u>38,929</u>	<u>8,440</u>	<u>1,268</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48,637</u>	<u>(8,021)</u>

Sebring Gas System, Inc.
Schedule 2 Worksheet - Average Rate of Return
Jun-11

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	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
<u>13 Month Average</u>								
Jun-10	3,015,540	(1,484,989)	1,530,551	0	0	1,530,551	0	1,530,551
Jul-10	3,049,915	(1,493,286)	1,556,629	0	0	1,556,629	0	1,556,629
Aug-10	3,056,520	(1,501,638)	1,554,882	0	0	1,554,882	0	1,554,882
Sep-10	3,062,972	(1,509,983)	1,552,989	0	0	1,552,989	0	1,552,989
Oct-10	3,083,486	(1,518,391)	1,565,095	0	0	1,565,095	0	1,565,095
Nov-10	3,056,704	(1,495,974)	1,560,730	0	0	1,560,730	0	1,560,730
Dec-10	3,075,398	(1,504,289)	1,571,109	0	0	1,571,109	0	1,571,109
Jan-11	3,083,098	(1,512,641)	1,570,456	0	0	1,570,456	0	1,570,456
Feb-11	3,089,224	(1,521,013)	1,568,211	0	0	1,568,211	0	1,568,211
Mar-11	3,094,492	(1,529,399)	1,565,093	0	0	1,565,093	0	1,565,093
Apr-11	3,100,040	(1,537,800)	1,562,240	0	0	1,562,240	0	1,562,240
May-11	3,107,761	(1,546,221)	1,561,541	0	0	1,561,541	0	1,561,541
Jun-11	3,112,772	(1,554,660)	1,558,111	0	0	1,558,111	0	1,558,111
Thirteen month totals	<u>39,987,923</u>	<u>(19,710,284)</u>	<u>20,277,638</u>	<u>0</u>	<u>0</u>	<u>20,277,638</u>	<u>0</u>	<u>20,277,638</u>
Thirteen month averag	<u>3,075,994</u>	<u>(1,516,176)</u>	<u>1,559,818</u>	<u>0</u>	<u>0</u>	<u>1,559,818</u>	<u>0</u>	<u>1,559,818</u>

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
June 2011

SCHEDULE 3

	(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
PER BOOKS	3,112,772	(1,554,660)	1,558,111	0	0	1,558,111	(40,612)	1,517,499
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	3,112,772	(1,554,660)	1,558,111	0	0	1,558,111	(40,612)	1,517,499

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
June 2011

SCHEDULE 4

AVERAGE	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	505,340			505,340	32.1568%	5.8234%	1.8726%	5.8234%	1.8726%	5.8234%	1.8726%
SHORT TERM DEBT	61,061			61,061	3.8855%	5.8223%	0.2262%	5.8223%	0.2262%	5.8223%	0.2262%
PREFERRED STOCK	0	0		0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	92,832			92,832	5.9073%	6.8720%	0.4059%	6.8720%	0.4059%	6.8720%	0.4059%
COMMON EQUITY	912,255	0		912,255	58.0504%	10.5000%	6.0953%	11.5000%	6.6758%	12.5000%	7.2563%
DEFERRED INCOME TAXES	0			0	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%
TAX CREDITS - WEIGHTED COST TOTAL	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	<u>1,571,487</u>	<u>0</u>	<u>0</u>	<u>1,571,487</u>	<u>100.0000%</u>		<u>8.6001%</u>		<u>9.1806%</u>		<u>9.7611%</u>

YEAR END	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	472,243			472,243	30.1496%	5.8158%	1.7534%	5.8158%	1.7534%	5.8158%	1.7534%
SHORT TERM DEBT	62,203			62,203	3.9712%	5.8158%	0.2310%	5.8158%	0.2310%	5.8158%	0.2310%
PREFERRED STOCK	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	95,830			95,830	6.1181%	6.8720%	0.4204%	6.8720%	0.4204%	6.8720%	0.4204%
COMMON EQUITY	936,056			936,056	59.7610%	10.5000%	6.2749%	11.5000%	6.8725%	12.5000%	7.4701%
DEFERRED INCOME TAXES	0			0	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%
TAX CREDITS - WEIGHTED COST TOTAL	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	<u>1,566,333</u>	<u>0</u>	<u>0</u>	<u>1,566,333</u>	<u>100.0000%</u>		<u>8.6797%</u>		<u>9.2773%</u>		<u>9.8749%</u>

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
06/30/11

13 Month Average	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Average Per Books
Long-term Debt	539,523	534,424	529,330	524,223	514,122	508,944	503,787	501,088	493,310	488,079	482,806	477,537	472,243	505,340
Short-term Debt	60,006	60,168	60,337	60,507	60,672	60,844	61,011	61,210	61,409	61,608	61,807	62,006	62,203	61,061
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	92,430	90,580	90,430	89,180	91,880	91,930	93,430	93,330	93,655	94,180	94,230	95,730	95,830	92,832
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)	45,285	38,489	48,625	48,180	43,765	57,035	42,789	26,106	28,091	47,025	43,692	50,470	44,121	43,359
Retained Earnings (Deficit)	72,467	72,467	72,467	72,467	72,467	72,467	72,467	115,256	115,256	115,256	115,256	115,256	115,256	92,216
Common Equity	894,432	887,636	897,772	897,327	892,912	906,182	891,936	918,042	920,027	938,960	935,628	942,406	936,056	912,255
		2						2						
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
				8							8			
Total	1,586,391	1,572,810	1,577,869	1,571,237	1,559,586	1,567,900	1,550,164	1,573,671	1,568,401	1,582,827	1,574,470	1,577,679	1,566,333	1,571,487

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
06/30/11

13 Month Average	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Average Per Books
WSB #9516103 Balance	-	-	-	0	0	0	0	0	0	0	0	0	0	0
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%	#DIV/0!
Book Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WSB #9216103 Balance	469,874	467,374	464,874	462,374	457,374	454,874	452,374	449,874	447,374	444,874	442,374	439,874	437,374	453,143
WSB #9216103 Rate	0.00%	0.00%	0.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.61%
Book Interest	2,153	2,215	2,205	2,122	2,233	2,094	2,155	2,146	1,935	2,118	2,019	2,110	2,013	27,519
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 1376306 B.	129,855	127,218	124,793	122,356	117,420	114,914	112,424	112,424	107,344	104,812	102,238	99,669	97,072	113,257
WSB 1376306 Interest Rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.69%
Book Interest	701	713	701	665	675	632	648	636	561	606	564	569	541	8,212
Total Debt	599,529	594,592	589,667	584,730	574,794	569,788	564,798	562,298	554,719	549,687	544,613	539,543	534,446	680,289
	5.79%	5.80%	5.80%	5.80%	5.96%	5.82%	5.84%	5.83%	5.87%	5.84%	5.77%	5.85%	5.82%	4.85%
	2,854	2,928	2,906	2,787	2,908	2,726	2,803	2,782	2,496	2,724	2,583	2,679	2,555	35,731
Long-term Portion	539,523	534,424	529,330	524,223	514,122	508,944	503,787	501,088	493,310	488,079	482,806	477,537	472,243	505,340
	5.79%	5.80%	5.80%	5.80%	5.96%	5.82%	5.84%	5.83%	5.87%	5.84%	5.77%	5.85%	5.82%	5.8234%
	2,568	2,632	2,609	2,499	2,601	2,435	2,500	2,479	2,220	2,419	2,290	2,371	2,257	31,880
Short-term Portion	60,006	60,168	60,337	60,507	60,672	60,844	61,011	61,210	61,409	61,608	61,807	62,006	62,203	61,061
	5.79%	5.80%	5.80%	5.80%	5.96%	5.82%	5.84%	5.83%	5.87%	5.84%	5.77%	5.85%	5.82%	5.8223%
	286	296	297	288	307	291	303	303	276	305	293	308	297	3,851
Customer Deposits														
Residential	11,930	11,680	11,730	11,730	11,830	11,880	11,880	11,730	11,830	11,730	11,880	12,280	12,380	11,884
	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%	6.00%
	60	58	59	59	59	59	59	59	59	59	59	61	62	772
Commercial	80,500	78,900	78,700	77,450	80,050	80,050	81,550	81,600	81,825	82,450	82,350	83,450	83,450	80,948
	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%
	470	460	459	452	467	467	476	476	477	481	480	487	487	6139
Total	92,430	90,580	90,430	89,180	91,880	91,930	93,430	93,330	93,655	94,180	94,230	95,730	95,830	92,832
	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.88%	6.87%	6.87%	6.87%	6.87%
	529	519	518	510	526	526	535	535	536	540	540	548	549	6,911

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2011

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>3.0801%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.8726%	
SHORT TERM DEBT	0.2262%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.4059%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.0000%	
SUBTOTAL	<u>2.5048%</u>	
TOTAL	0.5753%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>58.0504%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>0.9910%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 46,982	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	<u>\$ 1,525,347</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>3.0801%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.8726%	
SHORT TERM DEBT	0.2262%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.4059%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.0000%	
SUBTOTAL	<u>2.5048%</u>	
TOTAL	0.5753%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>58.0504%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>0.9910%</u></u>	