

**SEBRING GAS SYSTEM, INC.
FLORIDA PUBLIC SERVICE COMMISSION
INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT
June 30, 2014**

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FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

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SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
June 2014

SCHEDULE 1

	(1) ACTUAL <u>PER BOOKS</u>	(2) FPSC <u>ADJUSTMENTS</u>	(3) FPSC <u>ADJUSTED</u>	(4) PRO FORMA <u>ADJUSTMENTS</u>	(5) PRO FORMA <u>ADJUSTED</u>
I. AVERAGE RATE OF RETURN					
(JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ 253,570	\$ 1,333	\$ 254,903	\$	\$ 254,903
<u>AVERAGE RATE BASE</u>	\$ 3,019,783	\$ 0	\$ 3,019,783	\$	\$ 3,019,783
<u>AVERAGE RATE OF RETURN</u>	8.40%		8.44%		8.44%
II. YEAR END RATE BASE					
(JURISDICTIONAL)					
<u></u>	\$ 3,646,952	\$ 0	\$ 3,646,952		

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

LOW	<u>7.83%</u>
MIDPOINT	<u>8.34%</u>
HIGH	<u>8.85%</u>

IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A. INCLUDING	
FLEX RATE REVENUES	<u>11.70%</u>
B. EXCLUDING	
FLEX RATE REVENUES	<u>11.70%</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., PRES.
 (Name and Title of Chief
 Financial Officer)

Jerry H. Melendy, Jr.
 (Signature)

08/01/2014
 (Date)

PSC/AFA13

**SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
June 2014**

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	4,471,830	(1,834,660)	2,637,170	0	219,995	2,857,166	162,618	3,019,783
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	4,471,830	(1,834,660)	2,637,170	0	219,995	2,857,166	162,618	3,019,783
<u>FLEX RATE REVENUES</u>								
ADJUSTED FOR								
FLEX RATE REVENUES	4,471,830	(1,834,660)	2,637,170	0	219,995	2,857,166	162,618	3,019,783
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	4,471,830	(1,834,660)	2,637,170	0	219,995	2,857,166	162,618	3,019,783

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
June 2014

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & TAXES AMORTIZATION	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 2013 through June 2014	826,555	0	407,769	148,139	17,077	0	0	0	0	572,985	253,570
FPSC ADJUSTMENTS:											
Disallowed lobbying expenses			(1,333)							(1,333)	1,333
TOTAL FPSC ADJUSTMENTS	0	0	(1,333)	0	0	0	0	0	0	(1,333)	1,333
FPSC ADJUSTED	826,555	0	406,436	148,139	17,077	0	0	0	0	571,652	254,903
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	0	0	0	0	0	0	0	0	0	0	0
	826,555	0	406,436	148,139	17,077	0	0	0	0	571,652	254,903
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	826,555	0	406,436	148,139	17,077	0	0	0	0	571,652	254,903
PER BOOKS CURRENT MONTH AMOUNT	74,692	0	40,243	13,506	1,417	0	0	0	0	55,166	19,526

Sebring Gas System, Inc.
Schedule 2 Worksheet - Average Rate of Return
Jun-14

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Plant in	Accumulated	Net	Property	Construction	Net	Working	Total
<u>13 Month Average</u>	<u>Service</u>	<u>Depreciation</u>	<u>Plant in</u>	<u>Held for</u>	<u>Work in</u>	<u>Utility</u>	<u>Capital</u>	<u>Rate Base</u>
		<u>Amortization</u>	<u>Service</u>	<u>Future Use</u>	<u>Progress</u>	<u>Plant</u>		
Jun-13	3,333,221	(1,765,865)	1,567,356	0	78,333	1,645,689	97,000	1,742,689
Jul-13	3,336,303	(1,775,157)	1,561,146	0	181,572	1,742,718	98,753	1,841,471
Aug-13	3,353,552	(1,784,477)	1,569,075	0	949,603	2,518,678	83,309	2,601,987
Sep-13	3,360,109	(1,793,829)	1,566,280	0	1,183,017	2,749,297	(107,498)	2,641,799
Oct-13	4,624,832	(1,804,849)	2,819,983	0	60,390	2,880,373	67,029	2,947,402
Nov-13	4,630,719	(1,817,539)	2,813,180	0	366,869	3,180,049	(102,275)	3,077,774
Dec-13	5,139,206	(1,830,837)	3,308,369	0	5,278	3,313,647	71,197	3,384,844
Jan-14	5,143,965	(1,844,863)	3,299,102	0	5,278	3,304,380	92,370	3,396,750
Feb-14	5,150,545	(1,858,904)	3,291,641	0	5,278	3,296,919	121,019	3,417,938
Mar-14	5,181,254	(1,872,995)	3,308,259	0	5,278	3,313,537	132,155	3,445,692
Apr-14	4,991,056	(1,886,876)	3,104,180	0	5,278	3,109,458	333,987	3,443,445
May-14	4,941,619	(1,900,439)	3,041,180	0	5,928	3,047,108	613,501	3,660,609
Jun-14	4,947,415	(1,913,944)	3,033,471	0	7,835	3,041,306	613,481	3,654,786
Thirteen month totals	<u>58,133,796</u>	<u>(23,850,574)</u>	<u>34,283,222</u>	<u>0</u>	<u>2,859,936</u>	<u>37,143,158</u>	<u>2,114,028</u>	<u>39,257,186</u>
Thirteen month averag	<u>4,471,830</u>	<u>(1,834,660)</u>	<u>2,637,171</u>	<u>0</u>	<u>219,995</u>	<u>2,857,166</u>	<u>162,618</u>	<u>3,019,784</u>

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
June 2014

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	4,947,415	(1,913,944)	3,033,471	0	0	3,033,471	613,481	3,646,952
 <u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	4,947,415	(1,913,944)	3,033,471	0	0	3,033,471	613,481	3,646,952

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
June 2014

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	996,308		280,302	1,276,610	42.2749%	5.2860%	2.2347%	5.2860%	2.2347%	5.2860%	2.2347%
SHORT TERM DEBT	55,948		15,740	71,688	2.3740%	4.8995%	0.1163%	4.8995%	0.1163%	4.8995%	0.1163%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	103,065		28,996	132,061	4.3732%	2.8683%	0.1254%	2.8683%	0.1254%	2.8683%	0.1254%
COMMON EQUITY	1,201,416	0	338,008	1,539,424	50.9780%	10.5000%	5.3527%	11.5000%	5.8625%	12.5000%	6.3722%
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	<u>2,356,736</u>	<u>0</u>	<u>663,047</u>	<u>3,019,783</u>	<u>100.0000%</u>		<u>7.8291%</u>		<u>8.3389%</u>		<u>8.8486%</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	2,094,477		(9,780)	2,084,697	57.1627%	5.3401%	3.0526%	5.3401%	3.0526%	5.3401%	3.0526%
SHORT TERM DEBT	158,122		(738)	157,384	4.3155%	5.3401%	0.2305%	5.3401%	0.2305%	5.3401%	0.2305%
PREFERRED STOCK	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	103,680		(484)	103,196	2.8296%	2.8683%	0.0812%	2.8683%	0.0812%	2.8683%	0.0812%
COMMON EQUITY	1,307,781		(6,106)	1,301,675	35.6921%	10.5000%	3.7477%	11.5000%	4.1046%	12.5000%	4.4615%
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	<u>3,664,060</u>	<u>0</u>	<u>(17,108)</u>	<u>3,646,952</u>	<u>100.0000%</u>		<u>7.1119%</u>		<u>7.4688%</u>		<u>7.8257%</u>

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
06/30/14

13 Month Average	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Average Per Books
Long-term Debt	378,936	28,473	27,808	27,139	26,468	25,793	25,115	2,053,109	2,053,325	2,052,637	2,051,046	2,107,676	2,094,477	996,308
Short-term Debt	102,493	41,710	39,746	37,783	35,820	35,218	32,894	30,432	24,969	22,007	8,045	158,083	158,122	55,948
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	102,780	102,330	102,530	100,880	101,330	101,730	103,830	104,030	104,480	104,730	103,730	103,780	103,680	103,065
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)	84,385	94,914	98,649	103,922	114,358	116,121	126,235	33,999	64,281	98,231	118,612	130,164	140,247	101,855
Retained Earnings (Deficit)	264,618	264,618	264,618	264,618	264,618	264,618	264,618	390,854	390,854	390,854	390,854	390,854	390,854	322,881
Common Equity	1,125,683	1,136,212	1,139,947	1,145,220	1,155,656	1,157,419	1,167,533	1,201,533	1,231,815	1,265,765	1,286,146	1,297,698	1,307,781	1,201,416
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	1,709,892	1,308,727	1,310,031	1,311,022	1,319,274	1,320,160	1,329,372	3,389,104	3,414,589	3,445,139	3,448,967	3,667,237	3,664,060	2,356,736

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
06/30/14

13 Month Average	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Average Per Books
WSB #9516103 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WSB #9216103 Balance	379,800	-	-	-	-	-	-	-	-	-	-	-	-	29,215
WSB #9216103 Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	0.00%
Book Interest	1,751	-	-	-	-	-	-	-	-	-	-	-	-	0
BOA # 68211063021599 Balance	36,820	34,000	32,000	30,000	28,000	27,361	25,000	22,500	17,000	14,000	-	-	-	20,514
Interest Rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	6.03%
Book Interest	180	173	158	144	139	128	123	119	98	88	68	-	-	1,238
WSB 1376306 Balance	28,000	-	-	-	-	-	-	-	-	-	-	-	-	2,154
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%	0.00%
Book Interest	144	-	-	-	-	-	-	-	-	-	-	-	-	0
Hartland National Balance#224.13	-	498,707	1,259,001	1,299,001	1,597,049	1,728,676	2,028,676	2,028,676	2,029,576	2,029,576	2,028,676	2,236,000	2,223,500	#####
Hartland National #224.13 Interest F	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.04%
Book Interest	-	898	2,145	6,007	5,424	7,048	7,557	8,704	8,735	7,889	8,744	8,453	9,746	81,350
Ford Credit 969 Balance	36,809	36,183	35,554	34,922	34,288	33,650	33,009	32,365	31,718	31,068	30,415	29,759	29,099	32,988
Ford Credit 969 Interest Rate	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.75%
Book Interest	178	175	172	169	166	163	160	157	153	150	147	144	141	1,897
Total Debt	481,429	70,183	67,554	64,922	62,288	61,011	58,009	2,083,541	2,078,294	2,074,644	2,059,091	2,265,759	2,252,599	1,052,256
	5.69%	5.84%	5.75%	5.87%	5.77%	5.80%	5.74%	5.07%	5.64%	4.61%	5.29%	4.47%	5.34%	5.27%
	2,253	348	330	313	305	291	283	8,980	8,986	8,127	8,959	8,597	9,887	55,406
Long-term Portion	378,936	28,473	27,808	27,139	26,468	25,793	25,115	2,053,109	2,053,325	2,052,637	2,051,046	2,107,676	2,094,477	996,308
	5.69%	5.84%	5.75%	5.87%	5.77%	5.80%	5.74%	5.07%	5.64%	4.61%	5.29%	4.47%	5.34%	5.29%
	1,773	141	136	131	130	123	123	8,849	8,878	8,041	8,924	7,997	9,193	52,665
Short-term Portion	102,493	41,710	39,746	37,783	35,820	35,218	32,894	30,432	24,969	22,007	8,045	158,083	158,122	55,948
	5.69%	5.84%	5.75%	5.87%	5.77%	5.80%	5.74%	5.07%	5.64%	4.61%	5.29%	4.47%	5.34%	4.90%
	480	207	194	182	175	168	160	131	108	86	35	600	694	2,741
<u>Customer Deposits</u>														
Residential	12,930	12,880	12,980	12,830	12,880	13,280	13,380	13,580	13,880	14,480	14,530	14,580	14,480	13,592
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.01%
	22	21	22	21	21	22	22	23	23	24	24	24	24	273
Commercial	89,850	89,450	89,550	88,050	88,450	88,450	90,450	90,450	90,600	90,250	89,200	89,200	89,200	89,473
	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	225	224	224	220	221	221	226	226	227	226	223	223	223	2,683
Total	102,780	102,330	102,530	100,880	101,330	101,730	103,830	104,030	104,480	104,730	103,730	103,780	103,680	103,065
	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.86%	2.86%	2.86%	2.86%	2.87%
	246	245	246	242	243	243	248	249	250	250	247	247	247	2,956

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2014

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>8.44%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.23%	
SHORT TERM DEBT	0.12%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.13%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>	
SUBTOTAL	<u>2.48%</u>	
 TOTAL	 5.96%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>50.98%</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>11.70%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 254,903	(Schedule 2, p. 2 of 2)
 RATE BASE EXCLUDING FLEX RATE REVENUES	 \$ <u>3,019,783</u>	 (Schedule 2, p. 1 of 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 <u>8.4411%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.23%	
SHORT TERM DEBT	0.12%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.13%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>	
SUBTOTAL	<u>2.48%</u>	
 TOTAL	 5.96%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>50.98%</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>11.70%</u></u>	