



Brimmer, Burek & Keelan LLP

Certified Public Accountants

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September 8, 2016

Mr. Andrew L. Maurey
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Dear Mr. Maurey:

We are enclosing the Company's semi-annual Earnings Surveillance Report as of June 30, 2016.

Please contact me at (813) 282-3400 if you have any questions.

Sincerely,

BRIMMER, BUREK & KEELAN LLP
Cong Nguyen, CPA

Members of:
Center for Audit Quality

American Institute of
Certified Public Accountants

Florida Institute of Certified
Public Accountants

**SEBRING GAS SYSTEM, INC.
FLORIDA PUBLIC SERVICE COMMISSION
INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT
June 30, 2016**

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
 June 2016

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)					
NET OPERATING INCOME	\$ 302,504	\$ 261	\$ 302,765		\$ 302,765
AVERAGE RATE BASE	\$ 3,677,016	0	\$ 3,677,016		\$ 3,677,016
AVERAGE RATE OF RETURN	8.23%		8.23%		8.23%
II. YEAR END RATE BASE (JURISDICTIONAL)	\$ 3,699,564		0	\$ 3,699,564	

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					
LOW	7.30%				
MIDPOINT	7.71%				
HIGH	8.13%				
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)					
A. INCLUDING					12.74%
FLEX RATE REVENUES					
B. EXCLUDING					12.74%
FLEX RATE REVENUES					

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. - President
 (Name and Title of Chief
 Financial Officer)

Jerry H. Melendy, Jr.
 (Signature)

9/7/2016
 (Date)

PSC/AFA13

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
June 2016

(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
5,365,242	(2,156,445)	3,208,797	0	83,368	3,292,165	384,851	3,677,016

PER BOOKS

FPSC ADJUSTMENTS:

TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0
FPSC ADJUSTED	5,365,242	3,208,797	0	83,368	3,292,165	384,851	3,677,016
<u>FLEX RATE REVENUES</u>							
ADJUSTED FOR							
FLEX RATE REVENUES	5,365,242	3,208,797	0	83,368	3,292,165	384,851	3,677,016

PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:

TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	5,365,242	3,208,797	0	83,368	3,292,165	384,851	3,677,016

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
June 2016

(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
958,491	0	449,323	180,518	26,146	0	0	0	0	655,987	302,504

PER BOOKS, as adjusted
July 2015 through June 2016

FPSC ADJUSTMENTS:

Disallowed lobbying expenses

(261)

(261)

261

TOTAL FPSC ADJUSTMENTS

FPSC ADJUSTED

FLEX RATE REVENUES
ADJUSTED FOR

FLEX RATE REVENUES

PRO FORMA REVENUE INCREASE
AND ANNUALIZATION
ADJUSTMENTS:

TOTAL PRO FORMA ADJUSTMENTS

PRO FORMA ADJUSTED

PER BOOKS
CURRENT MONTH AMOUNT

0	0	(261)	0	0	0	0	0	0	(261)	261
958,491	0	449,062	180,518	26,146	0	0	0	0	655,726	302,765
0	0	0	0	0	0	0	0	0	0	0
958,491	0	449,062	180,518	26,146	0	0	0	0	655,726	302,765
77,015	0	44,610	16,015	2,096	0	0	0	0	62,721	14,294

Sebring Gas System, Inc.
Schedule 2 Worksheet - Average Rate of Return
Jun-16

	(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
13-Month Average	5,138,795	(2,068,910)	3,069,884	0	134,836	3,204,720	457,112	3,661,832
Jun-15	5,160,955	(2,082,617)	3,078,338	0	132,215	3,210,553	427,179	3,637,732
Jul-15	5,174,799	(2,096,945)	3,077,854	0	147,890	3,225,744	434,270	3,660,014
Aug-15	5,185,307	(2,112,065)	3,073,241	0	206,371	3,279,613	383,511	3,663,124
Sep-15	5,193,330	(2,126,516)	3,066,814	0	207,124	3,273,938	378,946	3,652,884
Oct-15	5,214,710	(2,141,009)	3,073,702	0	211,654	3,285,356	381,709	3,667,065
Nov-15	5,437,566	(2,155,774)	3,281,792	0	1,267	3,283,059	387,934	3,670,993
Dec-15	5,464,971	(2,170,289)	3,294,682	0	19,065	3,313,747	363,007	3,676,754
Jan-16	5,477,336	(2,185,368)	3,291,968	0	20,414	3,312,382	379,967	3,692,349
Feb-16	5,514,499	(2,200,497)	3,314,002	0	737	3,314,739	388,012	3,702,751
Mar-16	5,541,131	(2,215,715)	3,325,416	0	737	3,326,153	380,594	3,706,747
Apr-16	5,577,628	(2,231,036)	3,346,592	0	737	3,347,329	362,063	3,709,392
May-16	5,667,114	(2,247,051)	3,420,063	0	737	3,420,800	278,764	3,699,564
Jun-16	69,748,141	(28,033,791)	41,714,349	0	1,083,784	42,798,133	4,545,957	47,801,202
Thirteen month totals	5,365,242	(2,156,445)	3,208,796	0	83,368	3,292,164	349,689	3,677,016

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
June 2016

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	5,667,114	(2,247,051)	3,420,063	0	737	3,420,800	278,764	3,699,564
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	5,667,114	(2,247,051)	3,420,063	0	737	3,420,800	278,764	3,699,564

FPSC ADJUSTMENTS:

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
June 2016

AVERAGE	PER BOOKS	ADJUSTMENTS SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	1,871,676	(1,272)		1,870,404	50.8674%	5.1073%	2.5979%	5.1073%	2.5979%	5.1073%	2.5979%
SHORT TERM DEBT	163,758	(111)		163,646	4.4505%	5.1269%	0.2282%	5.1269%	0.2282%	5.1269%	0.2282%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	106,597	(72)		106,525	2.8970%	2.8528%	0.0826%	2.8528%	0.0826%	2.8528%	0.0826%
COMMON EQUITY	1,537,485	0	(1,045)	1,536,440	41.7850%	10.5000%	4.3874%	11.5000%	4.8053%	12.5000%	5.2231%
DEFERRED INCOME TAXES	0	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	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST TOTAL	3,679,516	0	(2,500)	3,677,016	100.0000%	0.0000%	7.2962%	0.0000%	7.7140%	0.0000%	8.1319%

YEAR END	PER BOOKS	ADJUSTMENTS SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	1,790,514	(5,615)		1,784,900	48.2462%	5.2806%	2.5477%	5.2806%	2.5477%	5.2806%	2.5477%
SHORT TERM DEBT	164,140	(515)		163,625	4.4228%	5.2806%	0.2336%	5.2806%	0.2336%	5.2806%	0.2336%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	108,605	(341)		108,264	2.9264%	2.8528%	0.0835%	2.8528%	0.0835%	2.8528%	0.0835%
COMMON EQUITY	1,647,942	(5,168)		1,642,774	44.4045%	10.5000%	4.6625%	11.5000%	5.1065%	12.5000%	5.5506%
DEFERRED INCOME TAXES	0	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	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST TOTAL	3,711,201	0	(11,637)	3,699,564	100.0000%	0.0000%	7.5272%	0.0000%	7.9713%	0.0000%	8.4153%

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
06/30/16

13 Month Average	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Average Per Books
Long-term Debt	1,954,636	1,928,486	1,927,331	1,913,672	1,900,007	1,886,338	1,872,662	1,858,983	1,845,337	1,831,645	1,817,949	1,804,224	1,790,514	1,871,676
Short-term Debt	163,388	163,451	163,514	163,577	163,641	163,704	163,769	163,831	163,856	163,921	163,985	164,073	164,140	163,758
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	105,605	105,155	105,605	105,705	105,705	105,955	106,205	106,405	107,005	107,605	107,655	108,555	108,605	106,597
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)	107,444	103,434	122,855	135,123	150,889	177,431	198,839	12,567	38,396	66,084	79,003	94,915	105,170	107,088
Retained Earnings (Deficit)	557,395	557,395	557,395	557,395	557,395	557,395	557,395	766,092	766,092	766,092	766,092	766,092	766,092	653,717
Common Equity	1,441,519	1,437,508	1,456,930	1,469,198	1,484,964	1,511,506	1,532,914	1,555,339	1,581,168	1,608,856	1,621,775	1,637,687	1,647,942	1,537,485
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	3,665,148	3,634,602	3,653,379	3,652,152	3,654,317	3,667,503	3,675,650	3,684,559	3,697,366	3,712,027	3,711,364	3,714,539	3,711,201	3,679,516

Do not send with Report

Days in month	30	31	31	30	31	31	30	31	31	29	31	30	31	30
Do not with report	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Portion 9216103	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Current portion Hartland #224.13	8,637	8,678	8,719	8,760	8,802	8,844	8,885	8,925	8,928	8,928	8,970	9,012	9,055	9,098
Current portion Ford Credit 969	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion BOA #1599	4,751	4,773	4,795	4,817	4,839	4,861	4,883	4,906	4,928	4,928	4,951	4,973	5,018	5,042
Current portion 289	163,388	163,451	163,514	163,577	163,641	163,704	163,769	163,831	163,856	163,856	163,921	163,985	164,073	164,140
Total Current portion	163,388	163,451	163,514	163,577	163,641	163,704	163,769	163,831	163,856	163,856	163,921	163,985	164,073	164,140

Sebring Gas System, Inc.
 Schedule 4 Worksheet - Average Interest Rates
 06/30/16

13 Month Average	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Average Per Books
Ford Credit 289 Balance	23,585	23,199	22,811	22,423	22,034	21,642	21,249	20,854	20,457	20,059	19,658	19,256	18,852	21,237
Ford Credit 289 Interest Rate	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.62%
Book Interest	110	108	106	106	104	103	101	99	97	95	94	92	90	1,194
Hartland National Balance#224.13	2,073,500	2,048,500	2,048,500	2,036,000	2,023,500	2,011,000	1,998,500	1,986,000	1,973,500	1,961,000	1,948,500	1,936,000	1,923,500	1,997,538
Hartland National #224.13 Interest F	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%
Book Interest	8,976	8,634	8,672	8,818	8,482	8,707	8,369	8,589	8,546	7,938	8,428	8,110	8,332	101,825
Ford Credit 969 Balance	20,939	20,238	19,533	18,826	18,114	17,400	16,682	15,961	15,236	14,508	13,776	13,041	12,302	16,658
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%	5.81%
Book Interest	103	99,29	96	93	89	86	83	79,1	76	72	69	65	62	968
Total Debt	2,118,024	2,091,937	2,090,845	2,077,249	2,063,648	2,050,042	2,036,431	2,022,815	2,009,193	1,995,566	1,981,934	1,968,297	1,954,654	2,035,433
	5.28%	4.98%	5.11%	5.28%	4.95%	5.28%	4.94%	5.10%	5.46%	4.78%	5.27%	4.95%	5.28%	5.11%
	9,188	8,842	9,074	9,017	8,675	8,896	8,552	8,767	8,718	8,106	8,590	8,267	8,484	103,987
Long-term Portion	1,954,636	1,928,486	1,927,331	1,913,672	1,900,007	1,886,338	1,872,662	1,858,983	1,845,337	1,831,645	1,817,949	1,804,224	1,790,514	1,871,676
	5.28%	4.98%	5.11%	5.28%	4.95%	5.28%	4.94%	5.10%	5.46%	4.78%	5.27%	4.95%	5.28%	5.11%
	8,480	8,151	8,364	8,307	7,987	8,185	7,864	8,057	8,007	7,440	7,879	7,578	7,771	95,592
Short-term Portion	163,388	163,451	163,514	163,577	163,641	163,704	163,769	163,831	163,856	163,921	163,985	164,073	164,140	163,758
	5.28%	4.98%	5.11%	5.28%	4.95%	5.28%	4.94%	5.10%	5.46%	4.78%	5.27%	4.95%	5.28%	5.13%
	709	691	710	710	688	710	688	710	711	666	711	689	712	8,396
Customer Deposits	15,180	15,230	15,430	15,530	15,530	15,780	16,180	16,380	16,630	16,030	16,080	16,180	16,230	15,876
Residential	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%
	25	25	26	26	26	26	27	27	28	27	27	27	27	319
Commercial	90,425	89,925	90,175	90,175	90,175	90,175	90,025	90,025	90,375	91,575	91,575	92,375	92,375	90,721
	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%
	226	225	225	225	225	225	225	225	226	229	229	231	231	2,722
Total	105,605	105,155	105,605	105,705	105,705	105,955	106,205	106,405	107,005	107,605	107,655	108,555	108,605	106,597
	2.86%	2.86%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.84%	2.85%	2.85%	2.85%	2.85%	2.85%
	251	250	251	251	251	252	252	252	254	256	256	258	258	3,041

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2016

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>8.23%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.60%	
SHORT TERM DEBT	0.23%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>	
SUBTOTAL	<u>2.91%</u>	
 TOTAL	 5.33%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>41.78%</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>12.74%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 302,765	(Schedule 2, p. 2 of 2)
 RATE BASE EXCLUDING FLEX RATE REVENUES	 <u>\$ 3,677,016</u>	 (Schedule 2, p. 1 of 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 <u>8.2340%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.60%	
SHORT TERM DEBT	0.23%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>	
SUBTOTAL	<u>2.91%</u>	
 TOTAL	 5.33%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>41.78%</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>12.74%</u></u>	