

**SEBRING GAS SYSTEM, INC.
FLORIDA PUBLIC SERVICE COMMISSION
INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT
JUNE 30, 2017**

SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
 June 2017

	(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	\$ 253,995	\$ 223	\$ 254,218	\$	\$ 254,218
AVERAGE RATE BASE	\$ 3,803,839	\$ 0	\$ 3,803,839	\$	\$ 3,803,839
AVERAGE RATE OF RETURN	6.68%		6.68%		6.68%

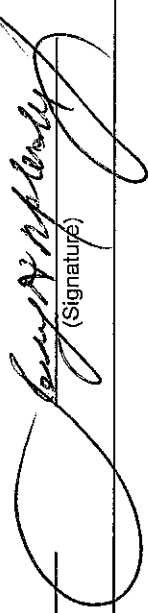
II. YEAR END RATE BASE
(JURISDICTIONAL) \$ 3,846,341 \$ 0 \$ 3,846,341

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					
LOW			7.53%		
MIDPOINT			7.98%		
HIGH			8.44%		
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)					
A. INCLUDING					8.66%
B. EXCLUDING					8.66%

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)


 (Signature)

9/20/2017
 (Date)

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
June 2017

(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
5,933,922	(2,316,307)	3,617,615	0	769	3,618,384	185,455	3,803,839
PER BOOKS							
FPSC ADJUSTMENTS:							
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0
FPSC ADJUSTED	5,933,922	3,617,615	0	769	3,618,384	185,455	3,803,839
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES							
	5,933,922	3,617,615	0	769	3,618,384	185,455	3,803,839
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:							
TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	5,933,922	3,617,615	0	769	3,618,384	185,455	3,803,839

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
June 2017

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & AMORTIZATION	OTHER THAN INCOME TAXES	CURRENT INCOME TAXES	DEFERRED INCOME TAXES	INVESTMENT TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
985,816	0	514,870	192,059	24,892	0	0	0	0	731,821	253,995

PER BOOKS, as adjusted
 July 2016 through June 2017

FPSC ADJUSTMENTS:

Disallowed lobbying expenses

(223)

(223)

223

TOTAL FPSC ADJUSTMENTS

FPSC ADJUSTED

FLEX RATE REVENUES
 ADJUSTED FOR

FLEX RATE REVENUES

PRO FORMA REVENUE INCREASE
 AND ANNUALIZATION
 ADJUSTMENTS:

0	0	(223)	0	0	0	0	0	0	(223)	223
985,816	0	514,647	192,059	24,892	0	0	0	0	731,568	254,218
0	0	0	0	0	0	0	0	0	0	0
985,816	0	514,647	192,059	24,892	0	0	0	0	731,568	254,218

TOTAL PRO FORMA ADJUSTMENTS

PRO FORMA ADJUSTED

0	0	0	0	0	0	0	0	0	0	0
985,816	0	514,647	192,059	24,892	0	0	0	0	731,568	254,218

PER BOOKS
 CURRENT MONTH AMOUNT

80,308	0	51,580	15,631	1,251	0	0	0	0	68,482	11,847
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Sebring Gas System, Inc.
Schedule 2 Worksheet - Average Rate of Return
Jun-17

	(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								
Jun-16	5,667,114	(2,247,051)	3,420,063	0	737	3,420,800	278,764	3,699,564
Jul-16	5,752,901	(2,247,800)	3,505,101	0	737	3,505,838	209,566	3,715,404
Aug-16	5,863,169	(2,263,736)	3,599,433	0	737	3,600,170	160,133	3,760,303
Sep-16	5,921,768	(2,279,857)	3,641,911	0	737	3,642,648	82,950	3,725,598
Oct-16	5,931,813	(2,296,070)	3,635,743	0	737	3,636,480	157,796	3,794,276
Nov-16	5,938,203	(2,231,342)	3,706,861	0	737	3,707,598	177,728	3,885,326
Dec-16	5,957,689	(2,326,950)	3,630,739	0	737	3,631,476	168,027	3,799,503
Jan-17	5,973,003	(2,348,295)	3,624,708	0	737	3,625,445	183,304	3,808,749
Feb-17	5,979,339	(2,364,121)	3,615,218	0	737	3,615,955	189,705	3,805,660
Mar-17	6,020,201	(2,352,516)	3,667,685	0	737	3,668,422	185,394	3,853,816
Apr-17	6,028,212	(2,368,613)	3,659,599	0	737	3,660,336	212,630	3,872,966
May-17	6,043,874	(2,384,735)	3,659,139	0	947	3,660,086	222,322	3,882,408
Jun-17	6,063,701	(2,400,904)	3,662,797	0	947	3,663,744	182,597	3,846,341
Thirteen month totals	77,140,987	(30,111,990)	47,028,997	0	10,001	47,038,998	2,132,153	49,449,914
Thirteen month averag	5,933,922	(2,316,307)	3,617,615	0	769	3,618,384	164,012	3,803,840

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
June 2017

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
6,063,701	(2,400,904)	3,662,797	0	947	3,663,744	182,597	3,846,341
EPSC ADJUSTMENTS:							
0	0	0	0	0	0	0	0
6,063,701	(2,400,904)	3,662,797	0	947	3,663,744	182,597	3,846,341
TOTAL FPSC ADJUSTMENTS							
FPSC ADJUSTED							

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
June 2017

	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 (%)
AVERAGE LONG TERM DEBT	1,717,287	(5,244)	(724)	1,712,043	45.0063%	5.1122%	2.3009%	5.1122%	2.3009%	5.1122%	2.3009%
SHORT TERM DEBT	237,013		(724)	236,289	6.2119%	5.2677%	0.3272%	5.2677%	0.3272%	5.2677%	0.3272%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	112,086	(342)		111,744	2.9377%	2.8529%	0.0838%	2.8529%	0.0838%	2.8529%	0.0838%
COMMON EQUITY	1,749,104	0	(5,341)	1,743,763	45.8422%	10.5000%	4.8134%	11.5000%	5.2719%	12.5000%	5.7309%
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	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	3,815,490	0	(11,650)	3,803,839	100.0000%		7.5254%		7.9838%		8.4423%

	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 (%)
AVERAGE LONG TERM DEBT	1,849,458	(5,866)	(908)	1,843,763	42.7365%	5.7759%	2.4684%	5.7759%	2.4684%	5.7759%	2.4684%
SHORT TERM DEBT	264,252		(908)	263,344	6.8466%	5.7759%	0.3955%	5.7759%	0.3955%	5.7759%	0.3955%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	115,730	(397)		115,333	2.9965%	2.8529%	0.0855%	2.8529%	0.0855%	2.8529%	0.0855%
COMMON EQUITY	1,830,156	(6,285)		1,823,871	47.4183%	10.5000%	4.9789%	11.5000%	5.4531%	12.5000%	5.9273%
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	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	3,859,596	0	(13,255)	3,846,341	100.0000%		7.9283%		8.4025%		8.8767%

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
06/30/17

13 Month Average	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Average Per Books
Long-term Debt	1,790,498	1,776,779	1,763,060	1,736,833	1,735,605	1,722,668	1,709,830	1,696,890	1,663,947	1,692,362	1,690,557	1,676,246	1,649,458	1,717,287
Short-term Debt	164,156	164,227	214,293	214,053	254,117	253,384	252,648	251,907	251,164	266,355	265,658	264,957	264,252	237,013
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	108,605	109,455	110,305	110,830	110,980	111,580	112,880	113,360	112,830	113,430	113,530	113,580	115,730	112,086
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)	105,170	121,013	129,802	122,640	154,889	178,299	185,721	30,295	38,186	62,057	84,292	106,067	92,051	108,499
Retained Earnings (Deficit)	781,129	781,129	781,129	781,129	781,129	781,129	775,704	961,425	961,425	961,425	961,425	961,425	961,425	863,925
Common Equity	1,662,979	1,678,822	1,687,611	1,680,449	1,712,698	1,736,108	1,738,105	1,768,400	1,776,291	1,800,162	1,822,397	1,844,172	1,830,156	1,749,104
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	3,726,238	3,729,285	3,775,269	3,742,165	3,813,400	3,823,740	3,813,463	3,830,577	3,824,232	3,872,309	3,892,142	3,898,955	3,859,596	3,815,490

Do not send with Report

Days in month	30	31	30	31	30	31	31	28	31	30	31	30
Do not with report												
HNB Credit Line	-	50,000	49,693	89,693	89,693	89,693	89,693	89,693	89,693	89,693	89,693	89,693
HNB Credit Line												
Current portion Hartland #224.13	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 Ford Credit 969	9,098	9,185	9,272	9,313	8,556	7,797	6,266	4,721	5,485	4,721	3,943	3,161
Current portion 289	5,058	5,042	5,088	5,111	5,135	5,158	5,205	5,229	5,277	5,253	5,277	5,301
Current portion Ally 65377												
Total Current portion	164,156	164,227	214,053	254,117	253,384	252,648	251,907	251,164	266,355	265,958	264,957	264,252

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
06/30/17

13 Month Average	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Average Per Books
HNB Credit Line	-	-	50,000	49,693	89,693	89,693	89,693	89,693.00	89,693	89,693	89,693	89,693	89,693	69,764.00
Interest Rate	-	-	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	
Book Interest	-	-	138	378	1009	1121	1121							3,779.50
Ford Credit 289 Balance	18,952	18,446	18,088	17,628	17,217	16,803	16,488	16,071	15,652	15,231	14,808	14,383	13,956	16,429
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%	5.67%
Book Interest	90	88	86	84	82	81	79	77	75	73	71	69	67	932
Hartland National Balances#224.13	1,923,500	1,911,000	1,898,500	1,873,500	1,873,500	1,861,000	1,848,500	1,836,000	1,823,500	1,798,500	1,798,500	1,786,000	1,761,000	1,845,615
Interest Rate	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%	5.12%
Book Interest	8,332	8,006	8,219	8,172	7,855	8,065	7,751	7,952	7,905	7,708	7,792	7,483	7,679	94,567
Ford Credit 969 Balance	12,302	11,560	10,815	10,065	9,312	8,556	7,797	7,033	6,266	5,495	4,721	3,943	3,161	7,771
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%	5.97%
Book Interest	62	58	55	51	48	44	41	37	33	30	26	22	19	464
Notes Payable Ally 65377														
Ford Credit 969 Interest Rate														
Book Interest														
Total Debt	1,954,654	1,941,006	1,977,353	1,950,886	1,989,722	1,976,052	1,962,478	1,948,797	1,935,111	1,958,717	1,956,215	1,941,203	1,913,710	1,954,300
	5.28%	4.95%	4.98%	5.27%	4.95%	5.04%	5.33%	4.87%	5.40%	5.37%	5.01%	4.69%	5.78%	5.13%
	8,484	8,152	8,360	8,445	8,363	8,190	8,880	8,066	8,013	8,932	9,055	7,735	9,085	100,276
Long-term Portion	1,790,498	1,776,779	1,763,060	1,736,833	1,735,605	1,722,668	1,709,830	1,696,890	1,683,947	1,692,362	1,690,557	1,676,246	1,649,468	1,717,287
	5.28%	4.95%	4.98%	5.27%	4.95%	5.04%	5.33%	4.87%	5.40%	5.37%	5.01%	4.69%	5.78%	5.11%
	7,771	7,462	7,484	7,518	7,295	7,140	7,737	7,023	6,973	7,717	6,961	6,679	7,891	87,750
Short-term Portion	164,156	164,227	214,293	214,053	254,117	253,384	252,648	251,907	251,164	266,355	265,658	264,957	264,252	237,013
	5.28%	4.95%	4.98%	5.27%	4.95%	5.04%	5.33%	4.87%	5.40%	5.37%	5.01%	4.69%	5.78%	5.27%
	712	690	906	927	1,058	1,050	1,143	1,043	1,040	1,215	1,084	1,056	1,254	12,485
Customer Deposits														
Residential	16,230	16,380	16,530	16,580	16,730	17,030	17,230	17,730	17,680	17,930	18,030	18,080	18,330	17,268
	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%
	27	27	28	28	28	28	29	30	29	30	30	30	31	347
Commercial	92,375	93,075	93,775	94,250	94,250	94,550	95,650	95,550	95,150	95,500	95,500	95,500	97,400	94,817
	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%	3.01%
	231	233	234	236	236	236	239	239	238	239	239	239	244	2,851
Total	108,605	109,455	110,305	110,830	110,980	111,580	112,880	113,380	112,830	113,430	113,530	113,580	115,730	112,086
	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.85%
	258	260	262	263	264	265	268	269	267	269	269	269	274	3,198

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2017

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.68%	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.30%	
SHORT TERM DEBT	0.33%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	<u>2.71%</u>	
TOTAL	3.97%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.84%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>8.66%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 254,218	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	<u>\$ 3,803,839</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.6832%	
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.30%	
SHORT TERM DEBT	0.33%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	<u>2.71%</u>	
TOTAL	3.97%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.84%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>8.66%</u></u>	

