

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** October 22, 2004  
**TO:** Christine Romig, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing *D*  
Division of Regulatory Compliance and Consumer Assistance  
**RE:** **Docket No.** 040270-GU ; **Company Name:** Sebring Gas System, Inc. ;  
**Audit Purpose:** File and Suspend Petition for Rate Relief/ Highlands  
County; **Audit Control No.** 04-215-3-1

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Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District  
Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

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**FLORIDA PUBLIC SERVICE COMMISSION**

***DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE  
BUREAU OF AUDITING***

***Orlando District Office***

**SEBRING GAS SYSTEM, INC.**

**FILE AND SUSPEND PETITION FOR RATE RELIEF**

**HIGHLANDS COUNTY**

**PROJECTED PERIOD ENDED DECEMBER 31, 2005**

**DOCKET NO. 040270-GU  
AUDIT CONTROL NO. 04-215-3-1**

Handwritten signature of Jeffery A. Small.

*Jeffery A. Small, Audit Manager*

Handwritten signature of Richard F. Brown.

*Richard F. Brown, Audit Staff*

Handwritten signature of Intesar Terkawi.

*Intesar Terkawi, Audit Staff*

Handwritten signature of Charleston J. Winston.

*Charleston J. Winston, District Audit Supervisor*

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**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE -  
AUDITOR'S REPORT**

**OCTOBER 4, 2004**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED  
PARTIES**

We have applied the procedures described later in this report to audit the accompanying schedules of Rate Base, Net Operating Income, and Capital Structure for the historical 12-month period ended December 31, 2003 and for the projected 12-month periods ended December 31, 2004 and 2005, respectively, for Sebring Gas System, Inc.'s natural gas operations located in Highlands County, Florida. These schedules were prepared by the utility as part of its petition for rate relief in Docket No. 040270-GU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

## SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

**Scanned** - The documents or accounts were read quickly looking for obvious errors.

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Reviewed** - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**Examined** - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied. Account balances were tested to the extent further described.

**Verified** - The item was tested for accuracy and compared to substantiating documentation.

**RATE BASE:** Examined account balances for utility plant in service (UPIS), accumulated depreciation, and working capital for Sebring Gas System, Inc., as of December 31, 2003. Recomputed account balances for UPIS, accumulated depreciation, and working capital for Sebring Gas System, Inc., for the projected periods ended December 31, 2004 and 2005, respectively. Reconciled rate base balances authorized in Commission Order No. PSC-92-0229-FOF-GU, issued April 4, 1992, to the utility's general ledger. Examined selected additions to plant accounts using auditor judgment. Tested additions to accumulated depreciation for proper rates and calculations. Recalculated working capital balances.

**NET OPERATING INCOME:** Examined utility revenue and operating and maintenance accounts for the year ended December 31, 2003. Recomputed utility revenue and operating and maintenance accounts for the projected years ended December 31, 2004, and 2005, respectively. Chose a judgmental sample of operation and maintenance expenses and examined the invoices and other supporting documentation. Tested the calculation of depreciation expense. Examined support for taxes other than income and income taxes.

**CAPITAL STRUCTURE:** Reviewed the components of the capital structure for the year ended December 31, 2003. Recomputed the components of the capital structures for the projected periods ended December 31, 2004, and 2005, respectively. Agreed interest expense to the terms of the notes. Verified note balances at December 31, 2003.

## **Exception No. 1**

### **Subject: Utility-Plant-in-Service (UPIS)**

**Statement of Facts:** The utility's filing reflects a balance of \$2,242,004 for UPIS for the projected test year as of December 31, 2005.

The Commission completed a surveillance audit of the utility's operations in Docket No. 010906-GU, as of December 31, 2001. The audit report, dated November 20, 2002, recommended specific adjustments in Exceptions Nos. 1 and 3 that increased the utility's UPIS by \$27,883 as of December 31, 2001.

The utility's records indicate that it recorded the audit staff's adjustment discussed above by increasing its UPIS by \$27,905 as of May 31, 2004. The utility included the above adjustment as of December 31, 2003, for minimum filing requirement (MFR) purposes in this rate proceeding.

The utility's records indicate that it recorded a prior period adjustment of \$15,144 on May 20, 2004, that decreased its UPIS for the 12-month period ended December 31, 2003. The utility did not include the above adjustment as of December 31, 2003, for MFR purposes in this rate proceeding.

**Recommendation:** The utility's UPIS is overstated by \$15,166 as of December 31, 2005, based on the following audit staff determinations. (\$15,144 + \$22)

- 1) The audit staff incorporated the prior surveillance audit report's findings and increased the utility's UPIS balance by \$27,883 as of December 31, 2001.
- 2) The utility's adjustment for the prior surveillance audit report's finding is overstated by \$22 and should be decreased accordingly. (\$27,905 - \$27,883)
- 3) The utility's prior period adjustment of \$15,144 that decreases its UPIS should be incorporated into this rate case proceeding.

See the following schedules for the sub-account detail of the audit staff's adjustments recommended above.

Schedule A - Audit staff's adjustment to projected UPIS as of December 31, 2005

Schedule B - Utility's adjustment for Surveillance Audit Exceptions Nos. 1 and 3

Schedule C - Surveillance Exception No. 1 in Docket No. 010906-GU

Schedule D - Surveillance Exception No. 3 in Docket No. 010906-GU

Additionally, the corresponding effect of the above audit staff adjustments on the utility's accumulated depreciation and depreciation expense balances are discussed in Exception No. 2 of this report.

**Schedule A for Exception No. 1**  
**Page 1 of 3**

<b>Utility-Plant-in-Service</b>								
Account Number	301.00	374.00	376.01	376.02	378.00	379.00	380.10	380.20
General Ledger								
Balance @12/31/2001	\$143,996	\$9,400	\$171,867	\$767,176	\$10,627	\$63,703	\$363,963	\$147,375
Surveillance Audit Adjustments	<u>(30,223)</u>	<u>6,225</u>	<u>(29,868)</u>	<u>28,037</u>	<u>(208)</u>	<u>(9,709)</u>	<u>(8,096)</u>	<u>105,396</u>
Balance @ 12/31/2001(adjusted)	113,773	15,625	141,999	795,213	10,419	53,994	355,867	252,771
Jan	113,773	15,625	141,999	795,301	10,419	53,994	355,867	252,807
Feb	113,773	15,625	141,999	795,301	10,419	53,994	355,867	252,954
Mar	113,773	15,625	141,999	795,640	10,419	53,994	355,867	254,433
Apr	113,773	15,625	141,999	795,640	10,419	53,994	355,867	254,462
May	113,773	15,625	141,999	795,640	10,419	53,994	355,867	255,502
Jun	113,773	15,625	141,999	795,640	10,419	53,994	355,867	255,971
Jul	113,773	15,625	141,999	795,640	10,419	53,994	355,867	255,971
Aug	113,773	15,625	141,999	795,640	10,419	53,994	355,867	255,971
Sep	113,773	15,625	141,999	795,659	10,419	53,994	355,867	256,139
Oct	113,773	15,625	141,999	795,659	10,419	53,994	355,389	254,573
Nov	<u>113,773</u>	<u>15,625</u>	<u>141,999</u>	<u>795,659</u>	<u>10,419</u>	<u>53,994</u>	<u>355,389</u>	<u>254,850</u>
Balance @ 12/31/2002	113,773	15,625	141,999	768,964	10,419	53,994	355,329	255,282
Jan	113,773	15,625	141,999	769,022	10,419	53,994	355,210	254,113
Feb	113,773	15,625	141,999	769,022	10,419	53,994	355,210	254,499
Mar	113,773	15,625	141,999	769,022	10,419	53,994	355,210	254,882
Apr	113,773	15,625	142,419	769,022	10,419	53,994	355,150	255,471
May	113,773	15,625	142,419	769,022	10,419	53,994	355,150	256,410
Jun	113,773	15,625	142,419	769,422	10,419	53,994	355,150	256,940
Jul	113,773	15,625	142,419	769,660	10,419	53,994	355,150	258,210
Aug	113,773	15,625	142,419	770,104	10,419	53,994	355,150	259,233
Sep	113,773	15,625	142,423	770,380	10,419	53,994	355,150	260,071
Oct	113,773	15,625	142,825	770,641	10,419	53,994	355,552	262,249
Nov	<u>113,773</u>	<u>15,625</u>	<u>142,825</u>	<u>770,641</u>	<u>10,419</u>	<u>53,994</u>	<u>355,552</u>	<u>262,274</u>
Balance @ 12/31/2003	113,773	15,625	142,825	770,641	10,419	53,994	355,552	262,402
Jan	113,773	15,625	142,825	770,641	10,419	53,994	355,560	262,910
Feb	113,773	15,625	142,825	770,763	10,419	53,994	355,644	263,053
Mar	113,773	15,625	142,825	771,368	10,419	53,994	355,644	263,123
Apr	113,773	15,625	143,691	771,770	10,419	53,994	355,242	263,744
May	113,773	15,625	143,691	771,770	10,419	53,994	355,242	263,993
Jun	113,773	15,625	143,698	771,770	10,419	53,994	355,242	263,993
Jul	113,773	15,625	143,698	771,770	10,419	53,994	353,242	264,593
Aug	113,773	15,625	143,698	772,770	10,419	53,994	351,242	264,593
Sep	113,773	15,625	143,698	772,770	10,419	53,994	349,242	265,193
Oct	113,773	15,625	143,698	772,770	10,419	53,994	347,242	265,193
Nov	<u>113,773</u>	<u>15,625</u>	<u>143,698</u>	<u>773,770</u>	<u>10,419</u>	<u>53,994</u>	<u>345,242</u>	<u>265,193</u>
Balance @ 12/31/2004	113,773	15,625	143,698	773,770	10,419	53,994	343,242	265,793
Jan	113,773	15,625	143,698	773,770	10,419	53,994	341,242	270,884
Feb	113,773	15,625	143,698	780,248	10,419	53,994	339,242	270,884
Mar	113,773	15,625	143,698	800,670	10,419	53,994	337,242	270,884
Apr	113,773	15,625	143,698	800,670	10,419	53,994	335,242	273,089
May	113,773	15,625	143,698	800,670	10,419	53,994	333,242	273,089
Jun	113,773	15,625	143,698	812,812	10,419	53,994	331,242	273,089
Jul	113,773	15,625	143,698	812,812	10,419	53,994	329,242	273,689
Aug	113,773	15,625	143,698	821,731	10,419	53,994	327,242	273,689
Sep	113,773	15,625	143,698	799,561	10,419	53,994	325,242	273,689
Oct	113,773	15,625	143,698	836,499	10,419	53,994	323,242	274,289
Nov	<u>113,773</u>	<u>15,625</u>	<u>143,698</u>	<u>836,499</u>	<u>10,419</u>	<u>53,994</u>	<u>321,242</u>	<u>274,289</u>
Balance @ 12/31/2005 (Per Audit)	\$113,773	\$15,625	\$143,698	\$836,499	\$10,419	\$53,994	\$319,242	\$274,289
Balance @ 12/31/2005 (Per MFRs)	<u>\$113,772</u>	<u>\$15,625</u>	<u>\$143,696</u>	<u>\$836,468</u>	<u>\$10,419</u>	<u>\$53,994</u>	<u>\$319,242</u>	<u>\$274,178</u>
Audit Staff Adjustments	\$1	\$0	\$2	\$31	\$0	(\$0)	(\$0)	\$111
13-Month Avg @12/31/2005 (Per Audit)	\$113,773	\$15,625	\$143,698	\$806,631	\$10,419	\$53,994	\$331,242	\$272,435
13-Month Avg @12/31/2005(Per MFRs)	<u>\$113,772</u>	<u>\$15,625</u>	<u>\$143,696</u>	<u>\$806,601</u>	<u>\$10,419</u>	<u>\$53,994</u>	<u>\$331,242</u>	<u>\$272,323</u>
Audit Staff Adjustments	\$1	\$0	\$2	\$30	\$0	(\$0)	(\$0)	\$112

# Schedule A for Exception No. 1

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<b>Utility-Plant-in-Service</b>								
Account Number	381.00	382.00	383.00	384.00	386.00	387.00	390.00	391.10
<b>General Ledger</b>								
Balance @12/31/2001	\$123,800	\$50,362	\$27,267	\$40,294	\$69,168	\$3,314	\$0	\$482
Surveillance Audit Adjustments	<u>10,812</u>	<u>(2,904)</u>	<u>368</u>		<u>(34,510)</u>	<u>2,959</u>	<u>2,800</u>	<u>(1,210)</u>
Balance @ 12/31/2001 (adjusted)	134,612	47,458	27,635	39,862	34,658	6,273	2,800	(729)
Jan	134,612	47,472	27,635	39,867	34,658	6,273	2,800	(729)
Feb	135,092	47,472	27,635	39,867	34,658	6,273	2,800	(729)
Mar	135,092	47,477	27,635	39,867	34,658	6,273	2,800	(729)
Apr	135,092	47,487	27,635	39,877	34,658	6,273	2,800	(729)
May	135,092	47,491	27,635	39,882	34,658	6,273	2,800	(729)
Jun	135,092	47,491	27,635	39,937	34,658	6,273	2,800	(729)
Jul	135,467	47,530	27,635	39,984	34,658	6,273	2,800	(729)
Aug	135,467	47,530	27,635	39,984	34,658	6,273	2,800	(729)
Sep	135,467	47,530	27,635	39,984	34,658	6,273	2,800	(729)
Oct	135,467	47,530	27,635	39,984	34,658	6,273	2,800	(729)
Nov	<u>135,467</u>	<u>47,573</u>	<u>27,635</u>	<u>39,995</u>	<u>34,658</u>	<u>6,273</u>	<u>2,800</u>	<u>(729)</u>
Balance @ 12/31/2002	135,467	47,605	27,635	39,995	34,658	6,273	2,800	(729)
Jan	135,467	47,625	27,635	40,015	34,658	6,273	2,800	(729)
Feb	135,467	47,657	27,635	40,047	34,658	6,273	2,800	(729)
Mar	135,467	47,690	27,635	40,063	34,658	6,273	2,800	(729)
Apr	135,467	47,700	27,635	40,073	34,658	6,273	2,800	(729)
May	135,467	47,732	27,635	40,111	34,658	6,273	2,800	(729)
Jun	135,467	48,941	27,635	40,117	34,658	6,273	2,800	(729)
Jul	135,467	49,032	27,635	40,159	34,658	6,273	2,800	(729)
Aug	135,467	49,038	27,635	40,159	34,658	6,273	2,800	(729)
Sep	135,467	49,122	27,635	40,193	34,658	6,273	2,800	(729)
Oct	136,517	49,240	27,635	40,244	34,658	6,273	2,800	(729)
Nov	<u>136,517</u>	<u>49,386</u>	<u>27,635</u>	<u>40,283</u>	<u>34,658</u>	<u>6,273</u>	<u>2,800</u>	<u>(729)</u>
Balance @ 12/31/2003	136,517	49,557	27,635	40,344	34,658	6,273	2,800	(729)
Jan	136,517	49,577	27,635	40,349	34,744	6,273	2,800	(729)
Feb	136,517	49,618	27,635	40,369	34,744	6,273	2,800	(729)
Mar	136,517	49,638	27,635	40,379	34,744	6,273	2,800	(729)
Apr	136,517	49,679	27,635	40,399	34,744	6,273	2,800	(729)
May	136,517	49,699	27,635	40,409	34,744	6,273	2,800	(729)
Jun	136,517	49,699	27,635	40,409	34,744	6,273	2,800	(729)
Jul	136,517	49,779	27,635	40,444	34,744	8,573	2,800	(729)
Aug	136,517	49,779	27,635	40,444	34,744	8,573	2,800	(729)
Sep	136,517	49,859	27,635	40,479	34,744	8,573	2,800	(729)
Oct	136,517	49,859	27,635	40,479	34,744	8,573	2,800	(729)
Nov	<u>136,517</u>	<u>49,859</u>	<u>27,635</u>	<u>40,479</u>	<u>34,744</u>	<u>8,573</u>	<u>2,800</u>	<u>(729)</u>
Balance @ 12/31/2004	136,517	49,939	27,635	40,514	34,744	8,573	2,800	(729)
Jan	137,977	50,339	28,345	40,759	34,744	13,073	2,800	(729)
Feb	137,977	50,339	28,345	40,759	34,744	17,113	2,800	(729)
Mar	137,977	50,339	28,345	40,759	34,744	21,113	2,800	(729)
Apr	138,537	50,579	28,555	40,864	34,744	21,113	2,800	(729)
May	138,537	50,579	28,555	40,864	34,744	21,113	2,800	(729)
Jun	138,537	50,579	28,555	40,864	34,744	24,608	2,800	(729)
Jul	138,537	50,659	28,555	40,899	34,744	24,608	2,800	(729)
Aug	138,537	50,659	28,555	40,899	34,744	24,608	2,800	(729)
Sep	138,537	50,659	28,555	40,899	34,744	24,608	2,800	(729)
Oct	138,537	50,739	28,555	40,934	34,744	24,608	2,800	(729)
Nov	<u>138,537</u>	<u>50,739</u>	<u>28,555</u>	<u>40,934</u>	<u>34,744</u>	<u>24,608</u>	<u>2,800</u>	<u>(729)</u>
Balance @ 12/31/2005 (Per Audit)	\$138,537	\$50,739	\$28,555	\$40,934	\$34,744	\$24,608	\$2,800	(\$729)
Balance @ 12/31/2005 (Per MFRs)	<u>\$138,536</u>	<u>\$50,742</u>	<u>\$28,555</u>	<u>\$40,931</u>	<u>\$34,649</u>	<u>\$24,608</u>	<u>\$2,800</u>	<u>(\$728)</u>
Audit Staff Adjustments	\$1	(\$3)	(\$0)	\$3	\$95	(\$0)	\$0	(\$1)
13-Month Avg @12/31/2005 (Per Audit)	\$138,252	\$50,530	\$28,436	\$40,837	\$34,744	\$21,104	\$2,800	(\$729)
13-Month Avg @12/31/2005 (Per MFRs)	<u>\$138,251</u>	<u>\$50,533</u>	<u>\$28,436</u>	<u>\$40,834</u>	<u>\$34,649</u>	<u>\$21,104</u>	<u>\$2,800</u>	<u>(\$728)</u>
Audit Staff Adjustments	\$1	(\$3)	(\$0)	\$3	\$95	(\$0)	\$0	(\$1)



**Schedule A for Exception No. 1**  
**Page 3 of 3**

<b>Utility-Plant-in-Service</b>							
Account Number	391.20	392.10	392.30	394.00	396.00	397.00	Total
<b>General Ledger</b>							
Balance @12/31/2001	\$16,716	\$73,715	\$1,030	\$4,278	\$1,444	\$972	\$2,090,947
Surveillance Audit Adjustments	<u>0</u>	<u>(6,246)</u>	<u>(1,030)</u>	<u>(4,278)</u>	<u>0</u>	<u>0</u>	<u>\$27,883</u>
Balance @ 12/31/2001(adjusted)	16,716	67,469	0	0	1,444	972	\$2,118,830
Jan	16,716	67,469	0	0	1,444	972	
Feb	16,716	67,469	0	0	1,444	972	
Mar	16,716	67,469	0	0	1,444	972	
Apr	16,716	85,428	0	0	1,444	972	
May	16,716	85,428	0	0	1,444	972	
Jun	16,716	85,428	0	0	1,444	972	
Jul	16,716	85,428	0	0	1,444	972	
Aug	16,716	85,428	0	21	1,444	972	
Sep	16,716	85,428	0	21	1,444	972	
Oct	16,716	85,428	0	21	1,444	972	
Nov	<u>16,716</u>	<u>85,428</u>	<u>0</u>	<u>21</u>	<u>1,444</u>	<u>972</u>	
Balance @ 12/31/2002	16,716	73,231	0	21	1,444	972	\$2,101,473
Jan	16,716	73,231	0	21	1,444	972	
Feb	16,716	73,231	0	21	1,444	972	
Mar	16,716	73,231	0	21	1,444	972	
Apr	16,716	73,231	0	21	1,444	972	
May	16,716	72,185	0	21	1,444	972	
Jun	16,716	72,185	0	21	1,444	972	
Jul	16,716	72,185	0	21	1,444	972	
Aug	16,716	72,185	0	21	1,444	972	
Sep	16,716	72,185	0	21	1,444	972	
Oct	16,716	72,185	0	21	1,444	972	
Nov	<u>16,716</u>	<u>72,185</u>	<u>0</u>	<u>21</u>	<u>1,444</u>	<u>972</u>	
Balance @ 12/31/2003	16,716	57,042	0	21	1,444	972	\$2,098,480
Jan	16,716	57,042	0	21	1,444	972	
Feb	16,716	57,042	0	21	1,444	972	
Mar	16,716	57,042	0	21	1,444	972	
Apr	16,716	57,042	0	21	1,444	972	
May	16,716	57,042	0	21	1,444	972	
Jun	16,716	57,042	0	21	1,444	972	
Jul	16,716	57,042	0	21	0	972	
Aug	16,716	57,042	0	21	0	972	
Sep	16,716	57,042	0	21	0	972	
Oct	16,716	57,042	0	21	0	972	
Nov	<u>16,716</u>	<u>57,042</u>	<u>0</u>	<u>21</u>	<u>0</u>	<u>972</u>	
Balance @ 12/31/2004	16,716	57,042	0	21	0	972	\$2,095,057
Jan	18,716	89,042	0	911	0	972	
Feb	18,716	89,042	0	911	0	972	
Mar	28,471	89,042	0	911	0	972	
Apr	28,471	89,042	0	911	0	972	
May	28,471	89,042	0	911	0	972	
Jun	28,471	89,042	0	627	0	972	
Jul	28,471	89,042	0	627	20,000	972	
Aug	28,471	89,042	0	627	20,000	972	
Sep	28,471	89,042	0	627	20,000	972	
Oct	28,471	89,042	0	627	20,000	972	
Nov	<u>28,471</u>	<u>89,042</u>	<u>0</u>	<u>627</u>	<u>20,000</u>	<u>972</u>	
Balance @ 12/31/2005 (Per Audit)	\$28,471	\$89,042	\$0	\$627	\$20,000	\$972	\$2,226,838
Balance @ 12/31/2005 (Per MFRs)	<u>\$28,470</u>	<u>\$104,185</u>	<u>\$0</u>	<u>\$890</u>	<u>\$20,000</u>		<u>\$2,242,004</u>
Audit Staff Adjustments	\$1	(\$15,143)	\$0	(\$263)	\$0	(\$0)	(\$15,166)
13-Month Avg @12/31/2005 (Per Audit)	\$26,066	\$86,580	\$0	\$690	\$9,231	\$972	\$2,187,329
13-Month Avg @12/31/2005(Per MFRs)	<u>\$26,065</u>	<u>\$101,723</u>	<u>\$0</u>		<u>\$9,231</u>	<u>\$972</u>	<u>\$2,202,495</u>
Audit Staff Adjustments	\$1	(\$15,143)	\$0	(\$263)	(\$0)	(\$0)	(\$15,166)

**Schedule B for Exception No. 1**

<u>Acct#</u>	<u>Description</u>	<u>Company</u> <u>Adjustment</u>	<u>Exception No. 1</u> <u>Adjustment</u>	<u>Exception No. 3</u> <u>Adjustment</u>	<u>Difference</u>
301.00	Organization Cost	(\$30,224)	(\$30,223)	\$0	\$1
303.00	Intangible Plant	0	0	0	0
374.00	Land & Land Rights	6,225	6,225	0	0
376.00	Mains (Replacement)	0	0	0	0
376.00	Mains (Steel)	(29,870)	(29,868)	0	2
376.00	Mains (Plastic)	28,006	28,037	0	30
378.00	M&R Equipment - General	(208)	(208)	0	0
379.00	M&R Equipment - City	(9,709)	(9,709)	0	0
380.00	Dist. Plant Services - Steel	(8,096)	(8,096)	0	0
380.00	Dist Plant Services - Plastic	105,285	105,396	0	111
381.00	Meters	10,811	10,812	0	1
382.00	Meter Installations	(2,901)	(2,904)	0	(3)
383.00	Regulators	368	368	0	0
384.00	Regulator Install House	(435)	(432)	0	3
386.00	Customer Conversions	(34,605)	(34,510)	0	95
387.00	Other Equipment	2,959	2,959	0	0
389.00	Land & Land Rights	0	0	0	0
390.00	Leasehold Improvements	2,800	2,800	0	0
391.10	Office Furniture	(1,209)	(1,210)	0	(1)
391.20	Office Equipment	(1)	0	0	1
392.10	Light Vehicles	(6,246)	(6,246)	0	0
392.30	Other Vehicles	(1,030)	(1,030)	0	0
394.00	Tools & Work Equipment	(4,015)	(7,391)	3,113	(263)
396.00	Power Operated Equipment	0	0	0	0
397.00	Communication Equipment	0	0	0	0
398.00	Misc. Equipment	0	0	0	0
	<b>Total Adjustment</b>	<b>\$27,905</b>	<b>\$24,770</b>	<b>\$3,113</b>	<b>(\$22)</b>

## Schedule C for Exception No. 1

Page 1 of 4

### AUDIT EXCEPTION NO. 1

**SUBJECT: BALANCE OF UTILITY PLANT IN SERVICE AT 12/31/92**

**STATEMENT OF FACT:** One of the of the objectives included in the audit service request was to determine the balance of utility plant in service at December 31, 1992, and to audit the additions and retirements to plant in service from then through December 31, 2001. The last rate case order shows the plant balances were based on an average projected year end December 31, 1993. This was in Commission Order No. PSC-92-0229-FOF-GU. In that order adjustments were made to plant in service for actual items on the books at 12/31/92 and for items projected for 12/31/93.

The company did not book any of the Commission adjustments from that order at any time.

**OPINION:** In order to determine a balance at 12/31/92, we adjusted the actual year end balances in the MFR's for that case for the adjustments made by the Commission in the above order that related to actual and not projected plant. It also appears that the actual year end balances in the MFR's were based on a cost study performed by the Commission staff for all accounts except three. These three accounts plus the method of determining a balance for them at 12/31/92 follow:

Account 301.00. Organization

The cost study balance is different than the MFR's. However, the MFR's at 12/31/92 plus the commission actual adjustments agree with the Commission order at 12/31/93. Therefore, we decided to use the company balance at 12/31/92 plus the commission adjustment to determine the balance to start with at 12/31/92.

Account 376.02 Mains Plastic

The cost study is different than the MFR's in the amount of \$15,342. We decided to use the cost study amount because it was higher than the company's book amount. This gives the company the benefit of the higher amount.

Account 380.02 Services, Plastic

This account did not have a section in the cost study book. The company MFR's showed \$200,490. The commission order reduced this amount by \$10,869 for a total of \$189,622. We decided to use the \$189,622 as the balance at 12/31/92.

Exhibit 1, page 1, shows staff's calculation of the 12/31/92 balance. Exhibit 1, page 3, following this exception, shows the difference between the staff determined balance at 12/31/92 (based on the MFR's, cost study and the Commission order), and the amounts the company had on its books at 12/31/92. The adjustment that needs to be made to the company books to agree with the staff determined balance at 12/31/92 is in the

**Schedule C for Exception No1**

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COMPANY: SEBRING GAS SYSTEM, INC.  
 TITLE: DETERMINATION OF STARTING PLANT  
 IN SERVICE BALANCE  
 PERIOD: PER ORDER PSC-92-0229-FU-GU  
 STARTING BALANCE 12/31/92

EXHIBIT 1, P.1 OF 3 TO EXCEPTION 1

ACCT. NO	DESCRIPTION	PER MFR'S AT 12/31/92	COMMISSION ADJUSTMENTS PER ORDER	COMMISSION ADJUSTED AT 12/31/92	BALANCE PER COST STUDY 12/31/92	COMMISSION ADJUSTMENTS PER ORDER	COST STUDY ADJUSTED AT 12/31/1992	DIFFERENCE BETWEEN COST STUDY AND STAFF ADJ. BAL.	FOOTNOTE NUMBER	BALANCES TO USE FOR ADDITIONS 12/31/92
301.00	Organization	115,500.00	4,313.00	119,813.00	54,918.67	4,313.00	59,231.67	(60,581.33)	A	119,813.00
374.00	Land	11,525.00		11,525.00	11,300.00		11,300.00	(225.00)	D	11,525.00
376.00				0.00			0.00			
376.01	Mains/Steel	134,927.00		134,927.00	134,927.36		134,927.36	0.36		134,927.00
376.02	Mains/Plastic	532,001.00	(70,417.00)	461,584.00	547,343.08	(70,417.00)	476,926.08	15,342.08	C	476,926.08
378.00	M&R Sta. Equip. General	10,419.00		10,419.00	10,419.00		10,419.00	0.00		10,419.00
379.00	M&R Sta. Equip. Gate	53,994.00		53,994.00	53,993.61		53,993.61	(0.39)		53,994.00
380.00				0.00			0.00			
380.01	Services, Steel	353,284.00		353,284.00	353,283.68		353,283.68	(0.32)		353,284.00
380.02	Services, Plastic	200,491.00	(10,869.00)	189,622.00	331,074.12	(10,869.00)	320,205.12	130,583.12	B	189,622.00
381.00	Meters	106,070.00		106,070.00	106,069.00		106,069.00	(1.00)		106,070.00
382.00	Meter Installations	34,911.00		34,911.00	34,911.00		34,911.00	0.00		34,911.00
383.00	Regulators	20,172.00		20,172.00	20,172.00		20,172.00	0.00		20,172.00
384.00	Regulatory Installation	34,911.00		34,911.00	34,911.00		34,911.00	0.00		34,911.00
386.00	Customer Conversions			0.00			0.00	0.00		0.00
387.00	Other Equip	6,695.00		6,695.00	6,695.00		6,695.00	0.00		6,695.00
390.02	Leasehold Improvements	2,800.00		2,800.00	2,800.00		2,800.00	0.00		2,800.00
391.00	Office Furniture			0.00			0.00	0.00		0.00
392.00	Trans.Equip - LT Trucks	31,943.00		31,943.00	31,942.65		31,942.65	(0.35)		31,943.00
392.01				0.00			0.00	0.00		0.00
392.02	TransEquip - Other Veh.			0.00			0.00	0.00		0.00
394.04	Tools, Shop and Garage Equip			0.00			0.00	0.00		0.00
396.00	Power Operated Equip.	1,444.00		1,444.00	1,444.00		1,444.00	0.00		1,444.00
		1,651,067.00	(76,973.00)	1,574,114.00	1,736,204.17	(76,973.00)	1,659,231.17	85,117.17		1,589,456.08

NOTE: In the company's last rate case filing the company filed for a projected test year for utility plant in service. The company started with actual 12/31/92 and added monthly balances with projections for certain accounts. The 13 month average from the last commission order was agreed to the MFR's 13 month average. Staff only adjusted out the actual amounts because the rest of the adjustments affected the projections.

**Schedule C for Exception No. 1**

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SEBRING GAS SYSTEM, INC.  
DETERMINATION OF STARTING PLANT  
IN SERVICE BALANCE  
PER ORDER PSC-92-0229-FU-GU  
STARTING BALANCE 12/31/92

**EXHIBIT 1 P. 2 OF 3 TO EXCEPTION 1.**

The cost study shows one thing while the commission balance in the order agrees with the company. Will use the commission balance because there were no additions in the MFRs from 92 to 93. So the balance for 92 to 93 stayed the same and the only adjustment is the Commission's.

Account 380.02 - This account does not have a section in the cost study book. However, a cost study was obtained that showed the amount of 331,074.12. The company data says that as of 12/31/92 the total was 200,490.25. To that, the Commission made an adjustment, to reduce the account by \$10,869.00 for a balance at 12/31/92 of 189,622. The following was performed to determine which balance to use.

Per MFR's	Year End
MFR 13-Month Average 12/31/93	268,805.00
PSC Order 13 Month Average 12/31/93	257,936.00
Difference adjustment by Comm	10,869.00
Therefore, from the year end	
12/31/92 per MFR	200,490.25
Adjust by Commission	-10,869.00
Balance to use at 12/31/92	189,621.25

Account 376.02 According to the company back up the amount at 12/31/92 was \$532,001.08. The cost study documentation shows \$547,343.08, a difference of \$15,342. The higher number was used to give the company the benefit.

The difference is immaterial, use company balance.

**Schedule C for Exception No. 1**

Page 4 of 4

COMPANY: SEBRING GAS CO  
TITLE: DETERMINATION OF  
UTILITY PLANT IN SERVICE  
PERIOD: 12/31/92 THROUGH 12/31/01

**EXHIBIT 1, P.3 OF 3 TO AUDIT EXCEPTION 1**

ACCT. NO	DESCRIPTION	STAFF DETERMINED PLANT AT 12/31/92	COMPANY GENERAL LEDGER AT 12/31/92	DIFFERENCE
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\$1,589,456.08      \$1,564,686.02      (\$24,770.06)

**Schedule D for Exception No. 1**

**AUDIT EXCEPTION 3**

**SUBJECT: CORRECTION OF PRIOR YEARS ENTRIES TO PLANT IN SERVICE**

**STATEMENT OF FACTS:** In prior years the company credited Account 394.04, Tools, Shop and Garage, in order to expense items under \$500. Three entries were made. One in 1993 in the amount of \$262.70, and two in 1999 in the amounts of \$2,550.43 and \$300. However, the commission adjustment in PSC-92-0229-FOF-GU brought the balance of this plant account to zero so there was no balance to credit. The company never made the adjustment from that order.

In prior years the company also debited accumulated depreciation for entries to this account in the amount of \$573.41. According to the commission order in PSC-92-0229-FOF-GU the balance of this accumulated depreciation account at 12/3/192 was zero. The company never made the adjustment from that order.

**OPINION:** An adjustment needs to be made to correct the prior years entries to bring the account into balance with the Commission order.

	<u>Debit</u>	<u>Credit</u>
Account 394.04, Tools, Shop and Garage	\$3,113.13	
Retained Earnings		\$3,113.13

The 13-month average effect would be the same.

Retained Earnings	\$ 573.41	
Accumulated Depreciation		\$ 573.41

The 13-month average effect would be \$476.50.

## **Exception No. 2**

**Subject: Accumulated Depreciation**

**Statement of Facts:** The utility's filing reflects a balance of \$1,067,027 for accumulated depreciation for the projected test year as of December 31, 2005.

The Commission completed a surveillance audit of the utility's operations in Docket No. 010906-GU, as of December 31, 2001. The audit report, dated November 20, 2002, recommended specific adjustments in Exceptions Nos. 3 and 4 that reduced the utility's accumulated depreciation by \$335,697 as of December 31, 2001. (\$336,270 - \$573)

The utility's records indicate that it recorded the audit staff's adjustment discussed above by reducing its accumulated depreciation by \$333,519 as of May 31, 2004. The utility's adjustment included additional depreciation accruals calculated for the following two calendar years 2002 and 2003. The utility included the above adjustment as of December 31, 2003, for minimum filing requirement (MFR) purposes in this rate proceeding.

The utility's records indicates that it recorded a prior period adjustment of \$15,622 on May 20, 2004, that decreased its accumulated depreciation for the 12-month period ended December 31, 2003. The utility did not include the above adjustment as of December 31, 2003, for MFR purposes in this rate proceeding.

Order No. PSC-03-0260-PAA-GU, issued February 24, 2003, established depreciation rates for the utility's UPIS as of January 1, 2002.

**Recommendation:** The utility's accumulated depreciation is understated by \$3,044 as of December 31, 2005, based on the following audit staff determinations.

- 1) The audit staff incorporates the prior audit report's findings that decreased the utility's accumulated depreciation balance by \$335,697 as of December 31, 2001.
- 2) The utility could not provide documentation to support its accumulated adjustment discussed above.
- 3) The audit staff recalculated the utility's accumulated depreciation accruals from January 1, 2002 through December 31, 2005, using the prescribed depreciation rates established in the Order cited above.
- 4) The utility's prior period adjustment of \$15,622 that decreases its accumulated depreciation should be incorporated in its MFR filing.



**Exception No. 2, continued**

See the following schedules for the sub-account detail of the audit staff's adjustments recommended above.

Schedule D - Surveillance Exception No. 3 in Docket No. 010906-GU (Exception No. 1 of this report)

Schedule E - Audit staff's adjustment to projected accumulated depreciation as of December 31, 2005

Schedule F - Surveillance Exception No. 4 in Docket No. 010906-GU

Schedule G - Audit staff's adjustment to projected depreciation expense for the 12-month period ended December 31, 2005

The audit staff's adjustments above will also require a corresponding decrease of \$625 for depreciation expenses for the projected 12-month period ended December 31, 2005. See Schedule G that follows for the audit staff's adjustment discussed above.

Additionally, see Disclosure No. 2 for the audit staff's discussion concerning the above adjustments to accumulated depreciation and the proposed effect on the utility's accumulated deferred income tax balance.

**Schedule E for Exception No. 2**  
**Page 1 of 3**

<b>Accumulated Depreciation</b>							
Account Number	301.00	376.01	376.02	378.00	379.00	380.10	380.20
<b>General Ledger</b>							
Balance @12/31/2001	\$47,968	\$160,670	\$325,769	\$9,382	\$32,026	\$403,669	\$74,308
<b>Surveillance Audit Adjustments</b>	<u>(16,654)</u>	<u>(56,893)</u>	<u>(82,499)</u>	<u>(6,933)</u>	<u>(17,892)</u>	<u>(92,772)</u>	<u>(4,626)</u>
Balance @12/31/2001(adjusted)	31,315	103,777	243,270	2,449	14,134	310,896	69,682
Jan	31,631	104,026	244,927	2,454	14,246	311,341	70,293
Feb	31,947	104,274	246,584	2,459	14,359	311,786	70,904
Mar	32,263	104,523	248,242	2,465	14,471	312,231	71,519
Apr	32,579	104,771	249,899	2,470	14,584	312,676	72,134
May	32,895	105,020	251,557	2,475	14,696	313,121	72,751
Jun	33,211	105,268	253,214	2,480	14,809	313,565	73,370
Jul	33,527	105,517	254,872	2,485	14,921	314,010	73,988
Aug	33,843	105,765	256,530	2,491	15,034	314,455	74,607
Sep	34,159	106,014	258,187	2,496	15,146	314,900	75,226
Oct	34,475	106,262	259,845	2,501	15,259	314,866	74,275
Nov	<u>34,791</u>	<u>106,511</u>	<u>261,503</u>	<u>2,506</u>	<u>15,371</u>	<u>315,310</u>	<u>74,890</u>
Balance @ 12/31/2002	35,107	106,759	229,457	2,511	15,484	315,695	75,448
Jan	35,423	107,008	231,059	2,517	15,596	316,019	74,579
Feb	35,739	107,256	232,661	2,522	15,709	316,463	75,194
Mar	36,055	107,505	234,263	2,527	15,821	316,907	75,810
Apr	36,371	107,754	235,866	2,532	15,934	317,291	76,427
May	36,687	108,003	237,468	2,537	16,046	317,735	77,047
Jun	37,003	108,252	239,071	2,543	16,159	318,179	77,668
Jul	37,319	108,502	240,674	2,548	16,271	318,623	78,292
Aug	37,635	108,751	242,279	2,553	16,384	319,067	78,918
Sep	37,951	109,000	243,883	2,558	16,496	319,511	79,547
Oct	38,267	109,250	245,489	2,564	16,609	319,955	80,180
Nov	<u>38,583</u>	<u>109,500</u>	<u>247,094</u>	<u>2,569</u>	<u>16,721</u>	<u>320,400</u>	<u>80,814</u>
Balance @ 12/31/2003	38,899	109,750	248,700	2,574	16,834	320,844	81,448
Jan	39,215	110,000	250,305	2,579	16,946	321,288	82,084
Feb	39,531	110,250	251,911	2,584	17,059	321,733	82,719
Mar	39,847	110,500	253,518	2,590	17,171	322,178	83,355
Apr	40,164	110,751	255,126	2,595	17,284	322,622	83,993
May	40,480	111,003	256,734	2,600	17,396	323,066	84,631
Jun	40,796	111,254	258,342	2,605	17,509	323,510	85,269
Jul	41,112	111,506	259,950	2,610	17,621	323,951	85,908
Aug	41,428	111,757	261,560	2,616	17,734	324,390	86,548
Sep	41,744	112,009	263,170	2,621	17,846	324,827	87,188
Oct	42,060	112,260	264,779	2,626	17,958	325,261	87,829
Nov	<u>42,376</u>	<u>112,512</u>	<u>266,391</u>	<u>2,631</u>	<u>18,071</u>	<u>325,693</u>	<u>88,470</u>
Balance @ 12/31/2004	42,692	112,763	268,004	2,636	18,183	326,122	89,113
Jan	43,008	113,014	269,616	2,642	18,296	326,548	89,767
Feb	43,324	113,266	271,241	2,647	18,408	326,972	90,422
Mar	43,640	113,517	272,909	2,652	18,521	327,394	91,076
Apr	43,956	113,769	274,577	2,657	18,633	327,813	91,736
May	44,272	114,020	276,245	2,662	18,746	328,229	92,396
Jun	44,588	114,272	277,939	2,668	18,858	328,643	93,056
Jul	44,904	114,523	279,632	2,673	18,971	329,055	93,718
Aug	45,220	114,775	281,344	2,678	19,083	329,464	94,379
Sep	45,536	115,026	283,060	2,683	19,196	329,871	95,041
Oct	45,852	115,278	284,782	2,689	19,308	330,275	95,703
Nov	<u>46,168</u>	<u>115,529</u>	<u>286,525</u>	<u>2,694</u>	<u>19,421</u>	<u>330,676</u>	<u>96,366</u>
Balance @ 12/31/2005(Per Audit)	\$46,484	\$115,781	\$266,068	\$2,699	\$19,533	\$295,075	\$97,029
Balance @ 12/31/2005(Per MFRs)	<u>\$42,693</u>	<u>\$115,779</u>	<u>\$258,707</u>	<u>\$2,657</u>	<u>\$19,534</u>	<u>\$284,297</u>	<u>\$96,377</u>
Audit Staff Adjustments	\$3,791	\$2	\$7,361	\$42	(\$1)	\$10,778	\$652
13-Month Avg @12/31/2005 (Per Audit)	\$44,588	\$114,272	\$271,179	\$2,668	\$18,858	\$304,626	\$93,062
13-Month Avg @12/31/2005(Per MFRs)	<u>\$41,270</u>	<u>\$114,270</u>	<u>\$268,965</u>	<u>\$2,631</u>	<u>\$18,859</u>	<u>\$297,440</u>	<u>\$92,413</u>
Audit Staff Adjustments	\$3,318	\$2	\$2,214	\$37	(\$1)	\$7,186	\$649

Schedule E for Exception No. 2

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	381.00	382.00	383.00	384.00	386.00	387.00	390.00
C							
E	\$78,687	\$29,689	\$14,859	\$28,017	\$30,168	\$1,641	\$0
	<u>(22,338)</u>	<u>(8,450)</u>	<u>(5,305)</u>	<u>(8,955)</u>	<u>(20,792)</u>	<u>988</u>	<u>847</u>
E	56,349	21,239	9,553	19,062	9,376	2,629	847
	56,719	21,330	9,615	19,125	9,518	2,649	855
	57,091	21,421	9,678	19,188	9,659	2,669	863
	57,462	21,512	9,740	19,251	9,801	2,690	872
	57,834	21,603	9,802	19,314	9,942	2,710	880
	58,205	21,694	9,864	19,377	10,084	2,730	888
	58,577	21,785	9,926	19,440	10,225	2,751	896
	58,949	21,876	9,988	19,504	10,367	2,771	904
	59,322	21,967	10,051	19,567	10,508	2,792	912
	59,694	22,058	10,113	19,630	10,650	2,812	921
	60,067	22,149	10,175	19,694	10,791	2,832	929
	<u>60,439</u>	<u>22,240</u>	<u>10,237</u>	<u>19,757</u>	<u>10,933</u>		<u>937</u>
I	60,812	22,332	10,299	19,820	11,074	2,873	945
	61,185	22,423	10,362	19,884	11,216	2,894	953
	61,557	22,514	10,424	19,947	11,358	2,914	961
	61,930	22,606	10,486	20,010	11,499	2,934	969
	62,302	22,697	10,548	20,074	11,641	2,955	978
	62,675	22,789	10,610	20,137	11,782	2,975	986
	63,047	22,882	10,672	20,201	11,924	2,996	994
	63,420	22,976	10,735	20,265	12,065	3,016	1,002
	63,792	23,070	10,797	20,328	12,207	3,036	1,010
	64,165	23,164	10,859	20,392	12,348	3,057	1,019
	64,540	23,259	10,921	20,455	12,490	3,077	1,027
	<u>64,916</u>	<u>23,354</u>	<u>10,983</u>	<u>20,519</u>	<u>12,631</u>	<u>3,097</u>	<u>1,035</u>
	65,291	23,448	11,046	20,583	12,773	3,118	1,043
	65,666	23,544	11,108	20,647	12,915	3,138	1,051
	66,042	23,639	11,170	20,711	13,056	3,159	1,059
	66,417	23,734	11,232	20,775	13,198	3,179	1,068
	66,793	23,829	11,294	20,839	13,340	3,199	1,076
	67,168	23,924	11,356	20,903	13,482	3,220	1,084
	67,544	24,019	11,419	20,967	13,624	3,240	1,092
	67,919	24,115	11,481	21,031	13,766	3,268	1,100
	68,294	24,210	11,543	21,095	13,908	3,296	1,108
	68,670	24,306	11,605	21,159	14,050	3,324	1,117
	69,045	24,401	11,667	21,223	14,191	3,352	1,125
	<u>69,421</u>	<u>24,497</u>	<u>11,729</u>	<u>21,287</u>	<u>14,333</u>	<u>3,379</u>	<u>1,133</u>
	69,796	24,593	11,792	21,351	14,475	3,407	1,141
	70,176	24,689	11,855	21,416	14,617	3,450	1,149
	70,555	24,786	11,919	21,480	14,759	2,005	1,157
	70,934	24,882	11,983	21,545	14,901	2,074	1,166
	71,315	24,979	12,047	21,610	15,043	2,143	1,174
	71,696	25,076	12,111	21,674	15,185	2,211	1,182
	72,077	25,173	12,176	21,739	15,326	2,291	1,190
	72,458	25,270	12,240	21,804	15,468	2,371	1,198
	72,839	25,367	12,304	21,869	15,610	2,451	1,206
	73,220	25,464	12,368	21,933	15,752	2,531	1,215
	73,601	25,562	12,433	21,998	15,894	2,611	1,223
	<u>73,982</u>	<u>25,659</u>	<u>12,497</u>	<u>22,063</u>	<u>16,036</u>	<u>2,691</u>	
Nov							
Balance @ 12/31/2005(Per Audit)	\$74,363	\$25,756	\$12,561	\$22,128	\$16,178	\$2,771	\$1,239
Balance @ 12/31/2005(Per MFRs)	<u>\$74,357</u>	<u>\$25,754</u>	<u>\$12,560</u>	<u>\$22,126</u>	<u>\$16,158</u>	<u>\$2,741</u>	<u>\$1,235</u>
Audit Staff Adjustments	\$6	\$2	\$1	\$2	\$20	\$30	\$4
13-Month Avg @12/31/2005 (Per Audit)	\$72,078	\$25,174	\$12,176	\$21,739	\$15,326	\$2,539	\$1,190
13-Month Avg @12/31/2005(Per MFRs)	<u>\$72,073</u>	<u>\$25,171</u>	<u>\$12,175</u>	<u>\$21,738</u>	<u>\$15,310</u>	<u>\$2,515</u>	<u>\$1,186</u>
Audit Staff Adjustments	\$5	\$3	\$1	\$1	\$16	\$24	\$4

**Schedule E for Exception No. 2**  
**Page 3 of 3**

<b>Accumulated Depreciation</b>								
Account Number	391.10	391.20	392.10	392.30	394.00	396.00	397.00	Total
<b>General Ledger</b>								
Balance @12/31/2001	\$295	\$13,156	\$38,974	\$744	\$2,871	\$1,444	\$291	\$1,294,626
Surveillance Audit Adjustments	(217)	524	10,296		(2,871)	(410)	(0)	(\$335,697)
Balance @12/31/2001(adjusted)	77	13,680	49,271	0	0	1,034	290	\$958,929
Jan	70	13,730	49,973	0	0	1,042	298	
Feb	63	13,780	50,676	0	0	1,050	305	
Mar	55	13,830	51,379	0	0	1,058	313	
Apr	48	13,880	52,269	0	0	1,066	321	
May	41	13,930	53,159	0	0	1,074	328	
Jun	34	13,981	54,049	0	0	1,082	336	
Jul	27	14,031	54,938	0	0	1,090	344	
Aug	19	14,081	55,828	0	0	1,098	351	
Sep	12	14,131	56,718	0	0	1,107	359	
Oct	5	14,181	57,608	0	1	1,115	366	
Nov	(2)	14,231	58,498	0	1	1,123	374	
Balance @ 12/31/2002	(10)	14,282	47,064	0	1	1,131	382	\$971,466
Jan	(17)	14,332	47,827	0	1	1,139	389	
Feb	(24)	14,382	48,590	0	2	1,147	397	
Mar	(31)	14,432	49,353	0	2	1,155	404	
Apr	(38)	14,482	50,116	0	2	1,163	412	
May	(46)	14,532	49,821	0	2	1,171	420	
Jun	(53)	14,582	50,573	0	2	1,179	427	
Jul	(60)	14,633	51,325	0	3	1,187	435	
Aug	(67)	14,683	52,077	0	3	1,195	443	
Sep	(75)	14,733	52,829	0	3	1,203	450	
Oct	(82)	14,783	53,581	0	3	1,211	458	
Nov	(89)	14,833	38,144	0	4	1,219	465	
Balance @ 12/31/2003	(96)	14,883	38,738	0	4	1,227	473	\$1,011,580
Jan	(103)	14,933	39,332	0	4	1,236	481	
Feb	(111)	14,984	39,926	0	4	1,244	488	
Mar	(118)	15,034	40,520	0	4	1,252	496	
Apr	(125)	15,084	41,114	0	5	1,260	503	
May	(132)	15,134	41,709	0	5	1,268	511	
Jun	(140)	15,184	42,303	0	5	1,276	519	
Jul	(147)	15,234	42,897	0	5	(0)	526	
Aug	(154)	15,284	43,491	0	6	(0)	534	
Sep	(161)	15,335	44,085	0	6	(0)	541	
Oct	(168)	15,385	44,680	0	6	(0)	549	
Nov	(176)	15,435	45,274	0	6	(0)	557	
Balance @ 12/31/2004	(183)	15,485	45,868	0	6	(0)	564	\$1,055,808
Jan	(190)	13,441	46,795	0	16	(0)	572	
Feb	(197)	13,497	47,723	0	25	(0)	580	
Mar	(205)	13,583	48,651	0	35	(0)	587	
Apr	(212)	13,668	49,578	0	44	(0)	595	
May	(219)	13,754	50,506	0	53	(0)	602	
Jun	(226)	13,839	51,433	0	(39)	(0)	610	
Jul	(234)	13,924	52,361	0	(33)	111	618	
Aug	(241)	14,010	53,288	0	(26)	223	625	
Sep	(248)	14,095	54,216	0	(20)	335	633	
Oct	(255)	14,181	55,143	0	(13)	446	640	
Nov	(262)	14,266	56,071	0	(7)	558	648	
Balance @ 12/31/2005(Per Audit)	(\$270)	\$14,351	\$56,998	\$0	(\$0)	\$670	\$656	\$1,070,071
Balance @ 12/31/2005(Per MFRs)	(\$269)	\$14,333	\$76,940	\$0	(\$58)	\$450	\$656	\$1,067,027
Audit Staff Adjustments	(\$1)	\$18	(\$19,942)	\$0	\$58	\$220	(\$0)	\$3,044
13-Month Avg @12/31/2005 (Per Audit)	(\$226)	\$14,007	\$51,433	\$0	\$3	\$180	\$610	\$1,065,482
13-Month Avg @12/31/2005(Per MFRs)	(\$226)	\$13,993	\$70,441	\$0	\$14	(\$10)	\$610	\$1,070,838
Audit Staff Adjustments	(\$0)	\$14	(\$19,008)	\$0	(\$11)	\$190	(\$0)	(\$5,356)

**Schedule F for Exception No. 2**

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**AUDIT EXCEPTION 4**

**SUBJECT: RECALCULATION OF ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE FROM 12/31/92 THROUGH 12/31/2001**

**STATEMENT OF FACTS:** Because the company did not enter any of the Commission ordered adjustments to plant or accumulated depreciation from Commission Order No. PSC-92-0229-FOF-GU, staff recalculated accumulated depreciation and depreciation expense from 12/1/92 through 12/31/01 using the Commission adjusted balances determined in Audit Exceptions 1 and 2. Also, the rates used were from Commission orders from the 1992 rate case (Commission Order No. PSC-92-0229-FOF-GU) for 1993 through 1996, and the Commission order from the 1996 depreciation study (Commission Order No. PSC-97-0276-FOF-GU) for 1997 through 2001. Also, in 1995, the Commission ordered special rates for Accounts 386, 391.1, 391.2 and 394. These rates were used from 1995 forward. Depreciation rates for organization costs and communication equipment were not addressed in any of the above orders.

**OPINION:** Staff prepared Schedules 6 through 14 at the end of this report shows the revised plant additions on page 1 of each, the revised monthly plant balances on page 2 of each, the revised depreciation expense on page 3 of each and the revised accumulated depreciation on page 4 of each. A summary of the final balances is attached as Exhibit 1 to this exception. The rates for organization costs and communication equipment used were 2.5% and 6.7% respectively. These rates were suggested by the engineering staff in Tallahassee. The following entries need to be made:

<u>Year End</u>	<u>Debit</u>	<u>Credit</u>
Accumulated Depreciation (1992 though 2001)	\$336,270.31	
Retained Earnings (1992 through 2000)		\$331,931.27
Depreciation Expense (2001)		4,339.04
<u>Calculation of Adjustment to Depreciation Expense</u>		
Depreciation Expense per Company		69,452.00
Expense Per Staff Recalculation		<u>65,112.96</u>
		<u>\$4,339.04</u>
<u>13-Month Average Calculation</u>		
13 Month Average per company		\$ (1,261,539.00)
Adjustment for Donated Accumulated Depreciation		<u>27,738.10</u>
Per Company		(1,233,800.90)
13-Month Average Per Staff		<u>\$( 897,973.66)</u>
13-Month Average Adjustment -Debit		<u>\$ 335,827.24</u>

**Schedule F for Exception No. 2**

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Entry to adjust 13-month average:

	<u>Debit</u>	<u>Credit</u>
Accumulated Depreciation (1992 through 2001)	\$335,827.24	
Retained Earnings (1992 through 2000)		\$331,488.20
Depreciation Expense (2001)		4,339.04

Also, because the company recorded much more depreciation expense and accumulated depreciation on the books and tax return, it appears that it is accelerating its depreciation expense for tax purposes. However, it needs to follow the PSC rates for rate making and surveillance reports. The above adjustment would probably have an effect on the cost of capital because of deferred taxes that need to be recorded.

**Schedule F for Exception No. 2**

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**EXHIBIT 1 TO EXCEPTION NO. 4  
SEBRING GAS CO.  
ACCUMULATED DEPRECIATION ADJUSTMENT  
YEAR END 12/31/01**

ACCT. NO	DESCRIPTION	COMPANY G/L AT 12/31/01	STAFF BALANCES AT 12/31/01	TO BE ADJUSTED
301.00	Organization	(\$47,968.21)	(\$31,314.53)	\$16,653.68
374.00	Land	0.00	0.00	0.00
376.01	Mains/Steel	(160,669.95)	(103,777.29)	56,892.66
376.02	Mains/Plastic	(298,031.08)	(215,532.29)	82,498.79
378.00	M&R Sta. Equip.General	(9,382.16)	(2,448.90)	6,933.26
379.00	M&R Sta. Equip. Gate	(32,025.76)	(14,133.93)	17,891.83
380.01	Services, Steel	(403,668.55)	(310,896.33)	92,772.22
380.02	Services, Plastic	(74,307.76)	(69,681.67)	4,626.09
381.00	Meters	(78,686.68)	(56,349.10)	22,337.58
382.00	Meter Installations	(29,688.64)	(21,238.76)	8,449.88
383.00	Regulators	(14,858.70)	(9,553.25)	5,305.45
384.00	Regulatory Installation	(28,016.96)	(19,061.51)	8,955.45
386.00	Customer Conversions	(30,167.93)	(9,376.24)	20,791.69
387.00	Other Equip	(1,640.86)	(2,628.55)	(987.69)
390.02	Leasehold Improvements	0.00	(847.00)	(847.00)
391.00	Office Furniture	(294.60)	(77.14)	217.46
	Office Equipment	(13,156.11)	(13,679.74)	(523.63)
392.00	Trans.Equip - LT Trucks	(38,974.34)	(49,270.53)	(10,296.19)
392.02	TransEquip - Other Veh.	(743.50)	0.00	743.50
394.04	Tools, Shop and Garage Equip	(2,871.43)	573.41	3,444.84
396.00	Power Operated Equip.	(1,444.00)	(1,033.96)	410.04
397.00	Communications Equip	<u>(290.66)</u>	<u>(290.20)</u>	<u>0.46</u>
		<u>(\$1,266,887.88)</u>	<u>(\$930,617.51)</u>	<u>\$336,270.37</u>

**Schedule G for Exception No. 2**

<b>Depreciation Expense</b>											
Account Number	301.00	376.01	376.02	378.00	379.00	380.10	380.20	381.00	382.00	383.00	384.00
Depreciation Rate	3.33%	2.10%	2.50%	0.60%	2.50%	1.50%	2.90%	3.30%	2.30%	2.70%	1.90%
Jan	316	251	1,612	5	112	427	655	379	96	64	65
Feb	316	251	1,626	5	112	424	655	379	96	64	65
Mar	316	251	1,668	5	112	422	655	379	96	64	65
Apr	316	251	1,668	5	112	419	660	381	97	64	65
May	316	251	1,668	5	112	417	660	381	97	64	65
Jun	316	251	1,693	5	112	414	660	381	97	64	65
Jul	316	251	1,693	5	112	412	661	381	97	64	65
Aug	316	251	1,712	5	112	409	661	381	97	64	65
Sep	316	251	1,666	5	112	407	661	381	97	64	65
Oct	316	251	1,743	5	112	404	663	381	97	64	65
Nov	316	251	1,743	5	112	402	663	381	97	64	65
Dec	<u>316</u>	<u>251</u>	<u>1,743</u>	<u>5</u>	<u>112</u>	<u>399</u>	<u>663</u>	<u>381</u>	<u>97</u>	<u>64</u>	<u>65</u>
2005 Depreciation Expense (per Audit)	\$3,792	\$3,018	\$20,234	\$63	\$1,350	\$4,954	\$7,917	\$4,567	\$1,163	\$770	\$776
2005 Dep. Expense (Per MFRs)	<u>\$2,844</u>	<u>\$3,018</u>	<u>\$20,168</u>	<u>\$52</u>	<u>\$1,350</u>	<u>\$4,969</u>	<u>\$7,903</u>	<u>\$4,564</u>	<u>\$1,163</u>	<u>\$769</u>	<u>\$776</u>
Audit Staff Adjustments	\$948	(\$0)	\$66	\$11	(\$0)	(\$15)	\$14	\$3	\$0	\$1	\$0
<b>Depreciation Expense</b>											
Account Number	386.00	387.00	390.00	391.10	391.20	392.10	392.30	394.00	396.00	397.00	Total
Depreciation Rate	4.90%	3.90%	3.50%	11.90%	3.60%	12.50%	4.10%	12.40%	6.70%	9.40%	
Jan	142	42	8	(7)	56	928	0	9	0	8	
Feb	142	56	8	(7)	56	928	0	9	0	8	
Mar	142	69	8	(7)	85	928	0	9	0	8	
Apr	142	69	8	(7)	85	928	0	9	0	8	
May	142	69	8	(7)	85	928	0	9	0	8	
Jun	142	80	8	(7)	85	928	0	6	0	8	
Jul	142	80	8	(7)	85	928	0	6	112	8	
Aug	142	80	8	(7)	85	928	0	6	112	8	
Sep	142	80	8	(7)	85	928	0	6	112	8	
Oct	142	80	8	(7)	85	928	0	6	112	8	
Nov	142	80	8	(7)	85	928	0	6	112	8	
Dec	<u>142</u>	<u>80</u>	<u>8</u>	<u>(7)</u>	<u>85</u>	<u>928</u>	<u>0</u>	<u>6</u>	<u>112</u>	<u>8</u>	
2005 Depreciation Expense (per Audit)	\$1,702	\$864	\$98	(\$87)	\$966	\$11,130	\$0	\$92	\$670	\$91	\$64,130
2005 Dep. Expense (Per MFRs)	<u>\$1,698</u>	<u>\$838</u>	<u>\$98</u>	<u>(\$87)</u>	<u>\$949</u>	<u>\$12,856</u>	<u>\$0</u>	<u>\$122</u>	<u>\$614</u>	<u>\$91</u>	<u>\$64,755</u>
Audit Staff Adjustments	\$4	\$26	\$0	\$0	\$17	(\$1,726)	\$0	(\$30)	\$56	\$0	(\$625)



**Exception No. 3**

**Subject: Account 923 - Outside Services Employed**

**Statement of Fact:** Sebring Gas System, Inc. recorded accounting and legal expenses of \$11,950 and \$5,713, respectively, in Account 923, Outside Services Employed, totaling \$17,663 for the historic 12-month period ended December 31, 2003. The utility applied an inflation factor of 2.3 percent to the historic amount for the projected 12 months ended December 31, 2004, and 2.4 percent for the period ended December 31, 2005, arriving at respective account balances of \$18,069 and \$18,503.

**Recommendation:** The audit staff determined that \$275 of the above accounting expense was applicable to the prior (2002) and subsequent (2004) periods. Additionally \$6,600 of the above accounting expense was related to work on the pending rate case.

The total legal expenditures of \$5,713 consist of services related to the rate case for \$3,611 and \$2,102 applicable to the company's transportation petition. The \$3,611 and the \$2,102 should be recorded in a deferred account and amortized over a period to be determined by the FPSC analyst.

The audit staff recommends that the following reclassification journal entry be recorded for historic 2003 and that Account 923 expense for projected 2005 be reduced by \$13,186, based on the computations in Schedule H that follows.

**Schedule H for Exception No. 3**

(1) Account 186 - Deferred Debits (\$5,713 + \$6,600)	\$12,313		
Account 216 - Retained Earnings	275		
Account 923 - Outside Services (\$5,713 + \$6,600 + \$275)		12,588	
(2) Account 923 balance, per utility for the 12 months ended 12/31/03		17,663	
Staff adjustments:			
Rate case accounting expense	(6,600)		
Out-of-period accounting expense	(275)		
Rate case legal expense	(3,611)		
Legal related to transportation petition	<u>(2,102)</u>	<u>(12,588)</u>	
Staff-adjusted Account 923 balance for the historic 12-month period ended 12/31/03		5,075	
Projected 2004 Account 923 balance based on 2.3 percent inflation factor (\$5,075 * 1.023)			5,192
Projected 2005 Account 923 balance based on 2.4 percent inflation factor per audit staff (\$5,192 * 1.023)			5,317
Projected 2005 Account 923 balance per utility			<u>18,503</u>
Recommended audit staff adjustment			<u>(\$13,186)</u>

**Exception No. 4**

**Subject: Account 408 - Tangible Personal Property Taxes**

**Statement of Fact:** The utility charged Account 408, Taxes Other Than Income for \$4,775, applicable to 2002 Tangible Personal Property Taxes.

**Recommendation:** The audit staff recommends that Account 408 be reduced by \$330 to reflect taxes billed for the historical 2003 test year.

Additionally, the utility's projected 2005 Tangible Personal Property Taxes should be reduced by \$345 based on the following computation.

Audit staff's adjusted 2003 Tangible Personal Property Tax (\$4,775 - \$330)	\$4,445	
Audit staff's projected 2004 Tangible Personal Property Tax (\$4,445 x 1.023 percent)		\$4,547
Audit staff's projected 2005 Tangible Personal Property Tax (\$4,547 x 1.024 percent)		\$4,657
Utility's MFR projected 2005 Tangible Personal Property Tax (\$4,775 x 1.023 percent x 1.024 percent)		<u>5,002</u>
Audit staff's recommended adjustment		(\$345)

## **Disclosure No. 1**

### **Subject: Purchased Gas Cost**

**Statement of Facts:** The utility's filing reflects unrecovered purchased gas costs true-up balances of \$58,894 and \$1,056 as of December 31, 2003, and May 31, 2004, respectively.

The Commission requested a Purchased Gas Adjustment (PGA) audit of the utility's PGA revenues and costs in Docket No. 040003-GU. A clean audit report was issued on June 18, 2004, for the 12-month period ended December 31, 2003.

Order No. PSC-04-0499-TRF-GU, issued May 14, 2004, approved the utility's petition for authority to convert and transfer all remaining sales customers to transportation service and to terminate its merchant function as a gas supplier as of April 20, 2004.

The audit staff, in conjunction with this rate proceeding, conducted a PGA audit of the utility's PGA revenues and cost for the 5-month period ended May 31, 2004.

**Recommendation:** The utility's final total estimated PGA true-up balance is \$3,453 overrecovery as of May 31, 2004.

The utility's PGA filing reported purchased gas cost of \$43,437 for April 2004. The actual purchased gas cost supported by vendor invoices was \$38,934 which is \$4,503 less than the filed amount.

The audit staff recalculated the utility's final total estimated PGA true-up balance in Schedule I that follows.

**Schedule I for Disclosure No. 1**

Calculation of True-Up and Interest Provision as of May 31, 2004						
	<u>Dec- 03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>
1 Purchased Gas Cost		\$49,355	\$42,217	\$37,606	\$34,670	\$33,271
2 Transportation Gas Cost		<u>5,378</u>	<u>4,920</u>	<u>4,936</u>	<u>4,264</u>	<u>3,647</u>
3 Total		54,733	47,137	42,542	38,934	36,918
4 Fuel Revenues		64,461	57,547	65,952	53,468	41,295
5 True-Up		<u>(3,425)</u>	<u>(3,425)</u>	<u>(3,425)</u>	<u>(3,425)</u>	<u>(3,425)</u>
6 Fuel Revenue for Period		61,036	54,122	62,527	50,043	37,870
7 True-Up Provision This Period		6,303	6,985	19,985	11,109	952
8 Interest Provision This Period		(47)	(37)	(22)	(7)	1
9 Beg. Of Period True-Up and Interest		(58,894)	(49,213)	(38,840)	(15,452)	(925)
10 True-Up Collected(Refunded)		<u>3,425</u>	<u>3,425</u>	<u>3,425</u>	<u>3,425</u>	<u>3,425</u>
11 Total Estimated Actual True-Up	(\$58,894)	(\$49,213)	(\$38,840)	(\$15,452)	(\$925)	\$3,453
12 Beg. Period True-Up and Interest		(58,894)	(49,213)	(38,840)	(15,452)	(925)
13 Ending True-Up and Interest	(58,894)	<u>(49,166)</u>	<u>(38,803)</u>	<u>(15,430)</u>	<u>(918)</u>	<u>3,452</u>
14 Total		(108,060)	(88,016)	(54,270)	(16,370)	2,527
15 Average		(\$54,030)	(\$44,008)	(\$27,135)	(\$8,185)	\$1,264
16 Interest Rate - First of Month		1.06000%	1.03000%	0.98000%	0.98000%	1.03000%
17 Interest Rate - End of Month	1.06000%	<u>1.03000%</u>	<u>0.98000%</u>	<u>0.98000%</u>	<u>1.03000%</u>	<u>1.04000%</u>
18 Total		2.09000%	2.01000%	1.96000%	2.01000%	2.07000%
19 Average		1.04500%	1.00500%	0.98000%	1.00500%	1.03500%
20 Monthly Average		0.08708%	0.08375%	0.08167%	0.08375%	0.08625%
21 Interest Provision		(\$47)	(\$37)	(\$22)	(\$7)	\$1

## **Disclosure No. 2**

### **Subject: Accumulated Deferred Income Taxes**

**Statement of Fact:** The utility's filing reflects a zero balance for accumulated deferred income taxes for the historical and projected test years as of December 31, 2003, 2004, and 2005, respectively. This situation would occur only if the utility depreciated its UPIS asset account balances using the same depreciation rates for regulatory, federal and state income tax purposes.

Exception No. 4 of the prior-mentioned surveillance audit report, included in Exception No. 2 of this report, states that, ". . . it appears that the utility was using an accelerated depreciation rate for tax purposes and that a accumulated deferred tax adjustment may need to be recorded to offset the large accumulated depreciation adjustment that it recommended."

**Recommendation:** The audit staff concurs with the prior audit staff's opinion in that an accumulated deferred tax adjustment is warranted and should be calculated for this rate proceeding.

The audit staff has calculated an estimated accumulated depreciation balance of \$417,505 as of December 31, 2003. (\$1,011,580 - \$1,429,085). This balance represents the difference between the utility's accumulated depreciation balances for federal income tax and regulatory purposes. For purposes of this rate proceeding, the audit staff calculated a projected 13-month average accumulated depreciation balance of \$414,666 as of December 31, 2005, based on the following determinations.

- 1) The audit staff reviewed the utility's 1992 through 2003 federal tax returns and reconciled them to its general ledger. The difference between the utility's book and tax accumulated depreciation balances is \$86,427 as of December 31, 2003. This balance is the unamortized balance for organization cost on the utility's books which was fully written off in 1997 for federal income tax purposes.
- 2) The \$335,697 audit staff adjustment to accumulated depreciation in Surveillance Exception No. 4 was the result of our recalculation of the utility's accumulated depreciation and depreciation expenses based on depreciation rates prescribed by the Commission. These rates differed significantly from depreciation rates for federal income tax purposes. These differences would result in temporary timing differences between book and tax accumulated depreciation balances which would necessitate the recording of an accumulated deferred tax balance on the utility's books.
- 3) No permanent timing differences related to book or tax depreciation were discovered in the audit staff's review of the utility's federal tax returns discussed above, and the utility consistently recorded the same UPIS retirement amounts equally for book and tax return purposes. Small gains or losses reported only for tax return purposes were deemed immaterial.

**Disclosure No. 2, continued**

- 4) The audit staff's projected 13-month average accumulated depreciation balance of \$414,666 as of December 31, 2005, was calculated based on the historical 13-month period as of December 31, 2003. The projected 2004 and 2005 month-end balances for book and tax accumulated depreciation were determined based on the average monthly change evidenced in the corresponding prior year's month. The utility's projected 2004 and 2005 UPIS additions, retirements and salvage values in the filing were ignored for projected deferred tax calculation purposes.

See the following schedules for the audit staff's calculations.

Schedule J    Historical Accumulated Depreciation Balance as of December 31, 2003  
Schedule K    Projected Accumulated Depreciation Balance as of December 31, 2005

Additionally, the accumulated deferred tax balance calculated above should also be incorporated into the utility's cost of capital presentation for this rate proceeding.

**Schedule J for Disclosure No. 2**

Page 1 of 3

<b>Accumulated Depreciation</b>							
Account Number	301.00	376.01	376.02	378.00	379.00	380.10	380.20
<b>Per Audit Book</b>							
Balance @ 12/31/2002	\$35,107	\$106,759	\$229,457	\$2,511	\$15,484	\$315,695	\$75,448
Jan	35,423	107,008	231,059	2,517	15,596	316,019	74,579
Feb	35,739	107,256	232,661	2,522	15,709	316,463	75,194
Mar	36,055	107,505	234,263	2,527	15,821	316,907	75,810
Apr	36,371	107,754	235,866	2,532	15,934	317,291	76,427
May	36,687	108,003	237,468	2,537	16,046	317,735	77,047
Jun	37,003	108,252	239,071	2,543	16,159	318,179	77,668
Jul	37,319	108,502	240,674	2,548	16,271	318,623	78,292
Aug	37,635	108,751	242,279	2,553	16,384	319,067	78,918
Sep	37,951	109,000	243,883	2,558	16,496	319,511	79,547
Oct	38,267	109,250	245,489	2,564	16,609	319,955	80,180
Nov	38,583	109,500	247,094	2,569	16,721	320,400	80,814
Balance @ 12/31/2003	\$38,899	\$109,750	\$248,700	\$2,574	\$16,834	\$320,844	\$81,448
13-Month Average	\$37,003	\$108,253	\$239,074	\$2,543	\$16,159	\$318,207	\$77,798
<b>Per Company Tax</b>							
Balance @ 12/31/2002	\$143,996	\$164,279	\$310,612	\$9,534	\$33,618	\$409,129	\$77,672
Jan	143,996	164,580	312,155	9,539	33,751	409,464	76,535
Feb	143,996	164,881	313,699	9,545	33,884	409,918	76,895
Mar	143,996	165,181	315,243	9,550	34,016	410,372	77,256
Apr	143,996	165,483	316,787	9,555	34,149	410,767	77,617
May	143,996	165,784	318,330	9,560	34,282	411,221	77,981
Jun	143,996	166,086	319,874	9,566	34,415	411,675	78,347
Jul	143,996	166,387	321,419	9,571	34,547	412,129	78,715
Aug	143,996	166,689	322,965	9,576	34,680	412,583	79,085
Sep	143,996	166,990	324,511	9,582	34,813	413,037	79,458
Oct	143,996	167,292	326,058	9,587	34,945	413,491	79,834
Nov	143,996	167,594	327,605	9,592	35,078	413,946	80,214
Balance @ 12/31/2003	\$143,996	\$167,896	\$329,152	\$9,598	\$35,211	\$414,400	\$80,593
13-Month Average	\$143,996	\$166,237	\$320,650	\$9,568	\$34,481	\$411,917	\$78,544
<b>Accumulated Depreciation Difference</b>							
Balance @ 12/31/2002	(\$108,889)	(\$57,520)	(\$81,155)	(\$7,023)	(\$18,135)	(\$93,435)	(\$2,224)
Jan	(108,573)	(57,572)	(81,096)	(7,023)	(18,155)	(93,445)	(1,956)
Feb	(108,257)	(57,624)	(81,038)	(7,023)	(18,175)	(93,455)	(1,701)
Mar	(107,941)	(57,677)	(80,980)	(7,023)	(18,195)	(93,466)	(1,446)
Apr	(107,625)	(57,729)	(80,921)	(7,023)	(18,215)	(93,476)	(1,190)
May	(107,309)	(57,781)	(80,862)	(7,023)	(18,236)	(93,486)	(935)
Jun	(106,993)	(57,833)	(80,803)	(7,023)	(18,256)	(93,496)	(679)
Jul	(106,677)	(57,885)	(80,745)	(7,023)	(18,276)	(93,506)	(423)
Aug	(106,361)	(57,938)	(80,686)	(7,023)	(18,296)	(93,516)	(167)
Sep	(106,045)	(57,990)	(80,628)	(7,023)	(18,317)	(93,526)	89
Oct	(105,729)	(58,042)	(80,569)	(7,024)	(18,337)	(93,536)	346
Nov	(105,413)	(58,094)	(80,511)	(7,024)	(18,357)	(93,546)	601
Balance @ 12/31/2003	(\$105,097)	(\$58,146)	(\$80,452)	(\$7,024)	(\$18,377)	(\$93,556)	\$856
13-Month Average	(\$106,835)	(\$57,859)	(\$80,774)	(\$7,023)	(\$18,266)	(\$93,501)	(\$551)



**Schedule J for Disclosure No. 2**  
**Page 2 of 3**

<b>Per Audit Book</b>							
Balance @ 12/31/2002	\$60,812	\$22,332	\$10,299	\$19,820	\$11,074	\$2,873	\$945
Jan	61,185	22,423	10,362	19,884	11,216	2,894	953
Feb	61,557	22,514	10,424	19,947	11,358	2,914	961
Mar	61,930	22,606	10,486	20,010	11,499	2,934	969
Apr	62,302	22,697	10,548	20,074	11,641	2,955	978
May	62,675	22,789	10,610	20,137	11,782	2,975	986
Jun	63,047	22,882	10,672	20,201	11,924	2,996	994
Jul	63,420	22,976	10,735	20,265	12,065	3,016	1,002
Aug	63,792	23,070	10,797	20,328	12,207	3,036	1,010
Sep	64,165	23,164	10,859	20,392	12,348	3,057	1,019
Oct	64,540	23,259	10,921	20,455	12,490	3,077	1,027
Nov	64,916	23,354	10,983	20,519	12,631	3,097	1,035
Balance @ 12/31/2003	\$65,291	\$23,448	\$11,046	\$20,583	\$12,773	\$3,118	\$1,043
13-Month Average	\$63,049	\$22,886	\$10,672	\$20,201	\$11,924	\$2,996	\$994
<b>Per Company Tax</b>							
Balance @ 12/31/2002	\$80,410	\$30,847	\$15,320	\$28,784	\$33,557	\$1,770	\$0
Jan	80,753	30,942	15,381	28,847	33,839	1,781	0
Feb	81,096	31,039	15,443	28,911	34,122	1,792	0
Mar	81,439	31,136	15,504	28,975	34,404	1,802	0
Apr	81,781	31,233	15,565	29,040	34,687	1,813	0
May	82,124	31,330	15,627	29,104	34,969	1,824	0
Jun	82,467	31,428	15,688	29,168	35,251	1,835	0
Jul	82,810	31,527	15,749	29,232	35,534	1,845	0
Aug	83,153	31,627	15,811	29,296	35,816	1,856	0
Sep	83,495	31,726	15,872	29,361	36,099	1,867	0
Oct	83,840	31,826	15,933	29,425	36,381	1,878	0
Nov	84,185	31,926	15,995	29,490	36,664	1,889	0
Balance @ 12/31/2003	\$84,702	\$32,027	\$16,056	\$29,554	\$36,946	\$1,899	\$0
13-Month Average	\$82,654	\$31,480	\$15,719	\$29,200	\$35,393	\$1,840	\$0
<b>Accumulated Depreciation Difference</b>							
Balance @ 12/31/2002	(\$19,598)	(\$8,515)	(\$5,020)	(\$8,963)	(\$22,483)	\$1,103	\$945
Jan	(19,568)	(8,519)	(5,020)	(8,964)	(22,623)	1,113	953
Feb	(19,539)	(8,524)	(5,019)	(8,964)	(22,764)	1,122	961
Mar	(19,509)	(8,530)	(5,018)	(8,965)	(22,905)	1,132	969
Apr	(19,479)	(8,535)	(5,017)	(8,966)	(23,046)	1,142	978
May	(19,450)	(8,541)	(5,016)	(8,966)	(23,187)	1,151	986
Jun	(19,420)	(8,545)	(5,015)	(8,967)	(23,328)	1,161	994
Jul	(19,390)	(8,551)	(5,015)	(8,968)	(23,469)	1,170	1,002
Aug	(19,360)	(8,556)	(5,014)	(8,968)	(23,610)	1,180	1,010
Sep	(19,331)	(8,562)	(5,013)	(8,969)	(23,751)	1,190	1,019
Oct	(19,299)	(8,567)	(5,012)	(8,970)	(23,892)	1,199	1,027
Nov	(19,270)	(8,573)	(5,011)	(8,970)	(24,032)	1,209	1,035
Balance @ 12/31/2003	(\$19,411)	(\$8,578)	(\$5,011)	(\$8,971)	(\$24,173)	\$1,218	\$1,043
13-Month Average	(\$19,419)	(\$8,549)	(\$5,015)	(\$8,967)	(\$23,398)	\$1,166	\$998

**Schedule J for Disclosure No. 2**  
**Page 3 of 3**

<b>Accumulated Depreciation</b>								
Account Number	391.10	391.20	392.10	392.30	394.00	396.00	397.00	Totals
Per Audit Book								
Balance @ 12/31/2002	(\$10)	\$14,282	\$47,064	\$0	\$1	\$1,131	\$382	\$971,466
Jan	(17)	14,332	47,827	0	1	1,139	389	
Feb	(24)	14,382	48,590	0	2	1,147	397	
Mar	(31)	14,432	49,353	0	2	1,155	404	
Apr	(38)	14,482	50,116	0	2	1,163	412	
May	(46)	14,532	49,821	0	2	1,171	420	
Jun	(53)	14,582	50,573	0	2	1,179	427	
Jul	(60)	14,633	51,325	0	3	1,187	435	
Aug	(67)	14,683	52,077	0	3	1,195	443	
Sep	(75)	14,733	52,829	0	3	1,203	450	
Oct	(82)	14,783	53,581	0	3	1,211	458	
Nov	(89)	14,833	38,144	0	4	1,219	465	
Balance @ 12/31/2003	(\$96)	\$14,883	\$38,738	\$0	\$4	\$1,227	\$473	\$1,011,580
13-Month Average	(\$53)	\$14,582	\$48,465	\$0	\$2	\$1,179	\$427	\$996,360
Per Company Tax Balance								
Balance @ 12/31/2002	(\$457)	\$12,923	\$35,372	\$464	\$1,886	\$1,444	\$382	\$1,391,541
Jan	(473)	12,966	36,106	467	1,930	1,444	390	
Feb	(488)	13,016	36,934	471	1,975	1,444	397	
Mar	(504)	13,066	37,762	474	2,019	1,444	405	
Apr	(519)	13,116	38,590	478	2,064	1,444	412	
May	(534)	13,166	39,412	481	2,108	1,444	420	
Jun	(520)	13,216	40,229	485	2,152	1,444	428	
Jul	(566)	13,267	41,046	488	2,197	1,444	435	
Aug	(581)	13,317	41,863	492	2,241	1,444	443	
Sep	(597)	13,367	42,680	495	2,286	1,444	450	
Oct	(612)	13,417	43,497	499	2,330	1,444	458	
Nov	(628)	13,467	44,314	502	2,375	1,444	466	
Balance @ 12/31/2003	(\$271)	\$13,517	\$28,805	\$667	\$2,419	\$1,444	\$473	\$1,429,085
13-Month Average	(\$524)	\$13,241	\$39,270	\$500	\$2,175	\$1,444	\$431	\$1,418,216
Deferred Tax Balance (Difference)								
Balance @ 12/31/2002	\$448	\$1,358	\$11,692	(\$464)	(\$1,885)	(\$313)	(\$0)	(\$420,075)
Jan	456	1,366	11,721	(467)	(1,929)	(305)	(0)	
Feb	464	1,366	11,656	(471)	(1,973)	(297)	(0)	
Mar	472	1,366	11,591	(474)	(2,017)	(289)	(0)	
Apr	481	1,366	11,526	(478)	(2,062)	(281)	(0)	
May	489	1,366	10,409	(481)	(2,106)	(273)	(0)	
Jun	467	1,366	10,344	(485)	(2,150)	(265)	(0)	
Jul	506	1,366	10,279	(488)	(2,194)	(257)	(0)	
Aug	514	1,366	10,214	(492)	(2,238)	(249)	(0)	
Sep	522	1,366	10,149	(495)	(2,283)	(241)	(0)	
Oct	531	1,366	10,084	(499)	(2,327)	(233)	(0)	
Nov	539	1,366	(6,171)	(502)	(2,371)	(225)	(0)	
Balance @ 12/31/2003	\$175	\$1,366	\$9,933	(\$667)	(\$2,415)	(\$217)	(\$0)	(\$417,505)
13-Month Average	\$468	\$1,366	\$9,311	(\$500)	(\$2,172)	(\$261)	(\$0)	(\$419,782)

**Schedule K for Disclosure No. 2**

<i>Historical 2003</i>		<i>Projected 2004</i>		<i>Projected 2005</i>	
<b>Per Audit Book</b>		<b>Per Audit Book</b>		<b>Per Audit Book</b>	
Balance @ 12/31/2002	\$971,466	Balance @ 12/31/2003	\$1,011,580	Balance @ 12/31/2004	\$1,051,693
Jan	974,787	Jan	1,014,900	Jan	1,055,013
Feb	979,711	Feb	1,019,824	Feb	1,059,938
Mar	984,637	Mar	1,024,750	Mar	1,064,863
Apr	989,506	Apr	1,029,619	Apr	1,069,732
May	993,379	May	1,033,492	May	1,073,605
Jun	998,302	Jun	1,038,416	Jun	1,078,529
Jul	1,003,229	Jul	1,043,343	Jul	1,083,456
Aug	1,008,161	Aug	1,048,274	Aug	1,088,387
Sep	1,013,094	Sep	1,053,207	Sep	1,093,320
Oct	1,018,038	Oct	1,058,151	Oct	1,098,264
Nov	1,006,792	Nov	1,046,905	Nov	1,087,019
Balance @ 12/31/2003	\$1,011,580	Balance @ 12/31/2004	\$1,051,693	Balance @ 12/31/2005	\$1,091,806
3-Month Average	\$996,360	13-Month Average	\$1,036,473	13-Month Average	\$1,076,587
<b>Per Company Tax</b>		<b>Per Company Tax</b>		<b>Per Company Tax</b>	
Balance @ 12/31/2002	\$1,391,541	Balance @ 12/31/2003	\$1,429,085	Balance @ 12/31/2004	\$1,466,629
Jan	1,394,394	Jan	1,431,938	Jan	1,469,482
Feb	1,398,967	Feb	1,436,511	Feb	1,474,055
Mar	1,403,541	Mar	1,441,085	Mar	1,478,629
Apr	1,408,057	Apr	1,445,601	Apr	1,483,145
May	1,412,629	May	1,450,173	May	1,487,717
Jun	1,417,229	Jun	1,454,773	Jun	1,492,317
Jul	1,421,774	Jul	1,459,318	Jul	1,496,862
Aug	1,426,352	Aug	1,463,896	Aug	1,501,440
Sep	1,430,933	Sep	1,468,477	Sep	1,506,021
Oct	1,435,520	Oct	1,473,064	Oct	1,510,608
Nov	1,440,113	Nov	1,477,657	Nov	1,515,201
Balance @ 12/31/2003	\$1,429,085	Balance @ 12/31/2004	\$1,466,629	Balance @ 12/31/2005	\$1,504,173
13-Month Average	\$1,418,216	13-Month Average	\$1,453,708	13-Month Average	\$1,491,252
<b>Acc. Dep.(difference)</b>		<b>Acc. Dep.(difference)</b>		<b>Acc. Dep.(difference)</b>	
Balance @ 12/31/2002	(\$420,075)	Balance @ 12/31/2003	(\$417,505)	Balance @ 12/31/2004	(\$414,936)
Jan	(419,607)	Jan	(417,038)	Jan	(414,469)
Feb	(419,256)	Feb	(416,687)	Feb	(414,117)
Mar	(418,904)	Mar	(416,335)	Mar	(413,766)
Apr	(418,551)	Apr	(415,982)	Apr	(413,413)
May	(419,251)	May	(416,681)	May	(414,112)
Jun	(418,927)	Jun	(416,358)	Jun	(413,788)
Jul	(418,544)	Jul	(415,975)	Jul	(413,406)
Aug	(418,191)	Aug	(415,622)	Aug	(413,052)
Sep	(417,839)	Sep	(415,270)	Sep	(412,701)
Oct	(417,482)	Oct	(414,913)	Oct	(412,344)
Nov	(433,321)	Nov	(430,752)	Nov	(428,183)
Balance @ 12/31/2003	(\$417,505)	Balance @ 12/31/2004	(\$414,936)	Balance @ 12/31/2005	(\$412,367)
13-Month Average	(\$419,782)	13-Month Average	(\$417,235)	13-Month Average	(\$414,666)

**EXHIBIT I**

SCHEDULE G-1

CALCULATION OF THE PROJECTED TEST YEAR RATE BASE

PAGE 1 OF 28

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: SEBRING GAS SYSTEM, INC.  
 DOCKET NO: 040270-GU

EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH AVERAGE RATE BASE FOR THE HISTORIC BASE YEAR, THE HISTORIC BASE YEAR PLUS ONE, AND THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN:  
 HISTORIC BASE YEAR DATA: 12/31/03  
 HISTORIC BASE YEAR DATA + 1: 12/31/04  
 PROJECTED TEST YEAR: 12/31/05  
 WITNESS: MELENDY

LINE NO.	DESCRIPTION	BASE YEAR		BASE YEAR	BASE YR + 1	PROJECTED	PROJECTED TEST YEAR AS ADJUSTED	
		12/31/03 (PER BOOKS)	COMPANY ADJUSTMENT	ADJUSTED AVERAGE YEAR	12/31/04 AVERAGE YEAR	TEST YEAR UNADJUSTED AVERAGE YR.		PROJECTED TEST YEAR ADJUSTMENTS
<b>UTILITY PLANT</b>								
1	PLANT IN SERVICE	\$2,079,948	\$0	\$2,079,948	\$2,114,669	\$2,202,495	\$0	\$2,202,495
2	COMMON PLANT ALLOCATED	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	ACQUISITION ADJUSTMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	PROPERTY HELD FOR FUTURE USE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	CONSTRUCTION WORK IN PROGRESS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	TOTAL	\$2,079,948	\$0	\$2,079,948	\$2,114,669	\$2,202,495	\$0	\$2,202,495
<b>DEDUCTIONS</b>								
7	CUSTOMER ADVANCES FOR CONST.	(\$14,785)	\$0	(\$14,785)	(\$16,256)	(\$16,256)	\$0	(\$16,256)
8	ACCUM. DEPR. - UTILITY PLANT	(\$1,302,880)	\$0	(\$1,302,880)	(\$1,048,845)	(\$1,070,838)	\$0	(\$1,070,838)
9	TOTAL DEDUCTIONS	(\$1,317,665)	\$0	(\$1,317,665)	(\$1,065,101)	(\$1,087,094)	\$0	(\$1,087,094)
10	PLANT NET	\$762,283	\$0	\$762,283	\$1,049,568	\$1,115,401	\$0	\$1,115,401
<b>ALLOWANCE FOR WORKING CAPITAL</b>								
11	BALANCE SHEET METHOD	(\$226,553)	\$247,108	\$20,553	(\$24,330)	\$112	\$17,010	\$17,122
12	TOTAL RATE BASE	\$535,730	\$247,106	\$782,836	\$1,025,238	\$1,115,513	\$17,010	\$1,132,523
13	NET OPERATING INCOME	(\$47,510)	\$14,619	(\$32,891)	(\$24,540)	(\$83,336)	(\$1,081)	(\$84,419)
14	RATE OF RETURN	-8.87%		-4.20%		-5.68%		-5.69%

SUPPORTING SCHEDULES: B-2, G-1 p.4-8, G-1 p.15, G-2, p.18, G-2 p.21  
 G-2 p.22, G-2 p.1-3, G-6 p.1-2

**EXHIBIT II**

SCHEDULE G-2

CALCULATION OF THE PROJECTED TEST YEAR - NOI - SUMMARY

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FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE CALCULATION OF NET OPERATING INCOME PER BOOKS FOR THE HISTORIC BASE YEAR, THE PROJECTED NET OPERATING INCOME FOR THE HISTORIC BASE YEAR + 1, AND THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN:  
 HISTORIC BASE YEAR DATA: 12/31/03  
 HISTORIC BASE YEAR DATA + 1: 12/31/04  
 PROJECTED TEST YEAR: 12/31/05  
 WITNESS: MELENDY

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

LINE NO.	HISTORIC BASE YEAR PER BOOKS	COMPANY ADJUSTMENTS	HISTORIC BASE YEAR ADJUSTED	HISTORIC BASE YEAR + 1 2004	PROJECTED TEST YEAR 2005	PROJECTED TEST YEAR ADJUSTMENTS	PROJECTED TEST YEAR AS ADJUSTED	
<b>OPERATING REVENUE:</b>								
1	OPERATING REVENUES	\$663,875	\$0	\$663,875	\$570,291	\$288,074	\$0	\$288,074
2	REVENUE RELIEF	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	CHANGE IN UNBILLED REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	REVENUES DUE TO GROWTH	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	<b>TOTAL REVENUES</b>	<b>\$663,875</b>	<b>\$0</b>	<b>\$663,875</b>	<b>\$570,291</b>	<b>\$288,074</b>	<b>\$0</b>	<b>\$288,074</b>
<b>OPERATING EXPENSES:</b>								
6	COST OF GAS	\$390,584	\$0	\$390,584	\$287,125	\$0	\$0	\$0
7	OPERATION & MAINTENANCE	\$252,632	\$100	\$252,732	\$257,812	\$321,779	\$0	\$321,779
8	DEPRECIATION & AMORTIZATION	\$59,627	\$0	\$59,627	\$58,462	\$64,755	\$0	\$64,755
9	AMORTIZATION - OTHER	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	TAXES OTHER THAN INCOME	\$8,542	\$0	\$8,542	\$8,389	\$7,117	\$0	\$7,117
11	TAXES OTHER THAN INCOME - GRWTH	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	INCOME TAXES FEDERAL	\$0	(\$10,580)	(\$10,580)	(\$22,087)	(\$34,609)	\$887	(\$33,722)
13	INCOME TAXES - STATE	\$0	(\$4,139)	(\$4,139)	(\$4,869)	(\$7,630)	\$194	(\$7,436)
14	INCOME TAXES - GROWTH - FEDERAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	INCOME TAXES - GROWTH - STATE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	INTEREST SYNCHRONIZATION	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	DEFERRED TAXES - FEDERAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	DEFERRED TAXES - STATE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	INVESTMENT TAX CREDITS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	<b>TOTAL OPERATING EXPENSES</b>	<b>\$711,385</b>	<b>(\$14,619)</b>	<b>\$696,766</b>	<b>\$594,831</b>	<b>\$351,411</b>	<b>\$1,081</b>	<b>\$352,493</b>
21	<b>OPERATING INCOME</b>	<b>(\$47,510)</b>	<b>\$14,619</b>	<b>(\$32,891)</b>	<b>(\$24,540)</b>	<b>(\$63,338)</b>	<b>(\$1,081)</b>	<b>(\$64,419)</b>

SUPPORTING SCHEDULES: G-2, p.2-5, G-8 p.2-3

RECAP SCHEDULES: A-1, A-4

**EXHIBIT III**

SCHEDULE G-3

CALCULATION OF THE PROJECTED TEST YEAR - COST OF CAPITAL

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FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13 MONTH AVERAGE COST OF CAPITAL FOR THE PROJECTED TEST YEAR

TYPE OF DATA SHOWN:  
PROJECTED TEST YEAR: 12/31/05  
WITNESS: MELENDY

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

ADJUSTMENTS								
LINE NO.	DESCRIPTION	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED	RATIO	COST RATE	WEIGHTED COST
1	COMMON EQUITY	623,540	0	(28,935)	594,606	52.50%	11.50%	6.04%
2	LONG TERM DEBT	508,229	0	(23,584)	484,645	42.79%	5.43%	2.32%
3	SHORT TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
4	CUSTOMER DEPOSITS	55,865	0	(2,592)	53,273	4.70%	6.23%	0.29%
5	DEFERRED TAXES	0	0	0	0	0.00%	0.00%	0.00%
6	FLEX RATE LIABILITY	0	0	0	0	0.00%	0.00%	0.00%
7	TAX CREDIT	0	0	0	0	0.00%	0.00%	0.00%
8	TOTAL	1,187,634	0	(55,111)	1,132,523	100.00%		8.65%