

**SEBRING GAS SYSTEM, INC.
FLORIDA PUBLIC SERVICE COMMISSION
INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT
DECEMBER 31, 2010**

FLORIDA PUBLIC SERVICE
COMMISSION

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REGULATORY REGULATION

FLORIDA PUBLIC SERVICE COMMISSION

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

PSC/AFA 13 (/96)

SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
December 2010

SCHEDULE 1

	(1)	(2)	(3)	(4)	(5)
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	<u>ACTUAL</u>	<u>FPSC</u>	<u>FPSC</u>	<u>PRO FORMA</u>	<u>PRO FORMA</u>
NET OPERATING INCOME	<u>PER BOOKS</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>
	\$ 56,953	\$ 68	\$ 57,021	\$	\$ 57,021
AVERAGE RATE BASE	\$ 1,515,939	\$ 0	\$ 1,515,939	\$	\$ 1,515,939
AVERAGE RATE OF RETURN	<u>3.7570%</u>		<u>3.7615%</u>		<u>3.7615%</u>
II. YEAR END RATE BASE (JURISDICTIONAL)	\$ 1,502,598	\$ 0	\$ 1,502,598		

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)				
LOW	<u>8.6154%</u>			
MIDPOINT	<u>9.1889%</u>			
HIGH	<u>9.7624%</u>			
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)				
A. INCLUDING			<u>FLEX RATE REVENUES</u>	<u>2.0360%</u>
B. EXCLUDING			<u>FLEX RATE REVENUES</u>	<u>2.0360%</u>

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with
the intent to mislead a public servant in the performance of his
official duty shall be guilty of a misdemeanor of the second degree
punishable as provided in s. 775.082 or s. 775.083.

<p style="text-align: right;"><i>Jerry H. Melandy, Jr.</i> (Name and Title of Chief Financial Officer)</p>	<p style="text-align: center;"><u>05/16/2011</u> (Date)</p>
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PSC/AFA13

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
December 2010

(1) PLANT IN SERVICE 3,007,564	(2) ACCUMULATED DEPRECIATION & AMORTIZATION (1,479,506)	(3) NET PLANT IN SERVICE 1,528,058	(4) PROPERTY HELD FOR FUTURE USE 0	(5) CONSTRUCTION WORK IN PROGRESS 0	(7) NET UTILITY PLANT 1,528,058	(8) WORKING CAPITAL (12,119)	(9) TOTAL RATE BASE 1,515,939
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PER BOOKS

FPSC ADJUSTMENTS:

TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0
FPSC ADJUSTED	3,007,564	(1,479,506)	0	0	1,528,058	(12,119)	1,515,939
FLEX RATE REVENUES ADJUSTED FOR							
FLEX RATE REVENUES	3,007,564	(1,479,506)	0	0	1,528,058	(12,119)	1,515,939

PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:

TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	3,007,564	(1,479,506)	1,528,058	0	1,528,058	(12,119)	1,515,939

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
December 2010

(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	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
559,706	0	382,886	99,317	20,550	0	0	0	0	502,753	56,953

PER BOOKS, as adjusted
January 2010 through December 2010

FPSC ADJUSTMENTS:

Disallowed lobbying expenses

(68)

(68)

68

TOTAL FPSC ADJUSTMENTS

FPSC ADJUSTED

FLEX RATE REVENUES
ADJUSTED FOR
FLEX RATE REVENUES

PRO FORMA REVENUE INCREASE
AND ANNUALIZATION
ADJUSTMENTS:

0	0	(68)	0	0	0	0	0	0	(68)	68
559,706	0	382,818	99,317	20,550	0	0	0	0	502,685	57,021
0	0	0	0	0	0	0	0	0	0	0
559,706	0	382,818	99,317	20,550	0	0	0	0	502,685	57,021

TOTAL PRO FORMA ADJUSTMENTS

PRO FORMA ADJUSTED

PER BOOKS
CURRENT MONTH AMOUNT

0	0	0	0	0	0	0	0	0	0	0
559,706	0	382,818	99,317	20,550	0	0	0	0	502,685	57,021
48,744	0	47,780	8,315	2,935	0	0	0	0	59,031	(10,287)

Sebring Gas System, Inc.
 Schedule 2 Worksheet - Average Rate of Return
 Dec-10

	(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								
Dec-09	2,904,662	(1,435,753)	1,468,909	0	0	1,468,909	0	1,468,909
Jan-10	2,913,539	(1,443,055)	1,470,484	0	0	1,470,484	0	1,470,484
Feb-10	2,956,577	(1,450,414)	1,506,163	0	0	1,506,163	0	1,506,163
Mar-10	2,967,236	(1,457,831)	1,509,405	0	0	1,509,405	0	1,509,405
Apr-10	2,971,610	(1,465,264)	1,506,346	0	0	1,506,346	0	1,506,346
May-10	2,984,169	(1,472,716)	1,511,453	0	0	1,511,453	0	1,511,453
Jun-10	3,015,540	(1,484,989)	1,530,551	0	0	1,530,551	0	1,530,551
Jul-10	3,049,915	(1,493,286)	1,556,629	0	0	1,556,629	0	1,556,629
Aug-10	3,056,520	(1,501,638)	1,554,882	0	0	1,554,882	0	1,554,882
Sep-10	3,062,972	(1,509,983)	1,552,989	0	0	1,552,989	0	1,552,989
Oct-10	3,083,486	(1,518,391)	1,565,095	0	0	1,565,095	0	1,565,095
Nov-10	3,056,704	(1,495,974)	1,560,730	0	0	1,560,730	0	1,560,730
Dec-10	3,075,398	(1,504,289)	1,571,109	0	0	1,571,109	0	1,571,109
Thirteen month totals	<u>39,098,328</u>	<u>(19,233,583)</u>	<u>19,864,745</u>	<u>0</u>	<u>0</u>	<u>19,864,745</u>	<u>0</u>	<u>19,864,745</u>
Thirteen month average	<u>3,007,564</u>	<u>(1,479,506)</u>	<u>1,528,057</u>	<u>0</u>	<u>0</u>	<u>1,528,057</u>	<u>0</u>	<u>1,528,057</u>

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
December 2010

SCHEDULE 3

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	3,075,398	(1,504,289)	1,571,109	0	0	1,571,109	(68,511)	1,502,598
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FPSC ADJUSTMENTS								
FPSC ADJUSTED	3,075,398	(1,504,289)	1,571,109	0	0	1,571,109	(68,511)	1,502,598

FPSC ADJUSTMENTS:

SCHEDULE 4

SEBRING GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2010

AVERAGE LONG TERM DEBT	PER BOOKS 515,695	ADJUSTMENTS SPECIFIC	ADJUSTED 515,695	RATIO (%) 33.0315%	LOW POINT		MIDPOINT		HIGH POINT	
					COST RATE (%) 5.9559%	WEIGHTED COST (%) 1.9673%	COST RATE (%) 5.9559%	WEIGHTED COST (%) 1.9673%	COST RATE (%) 5.9559%	WEIGHTED COST (%) 1.9673%
SHORT TERM DEBT	58,629	0	58,629	3.7553%	5.9562%	0.2237%	5.9562%	0.2237%	5.9562%	0.2237%
PREFERRED STOCK	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	91,561	0	91,561	5.8647%	6.8684%	0.4028%	6.8684%	0.4028%	6.8684%	0.4028%
COMMON EQUITY	895,335	0	895,335	57.3484%	10.5000%	6.0216%	11.5000%	6.5951%	12.5000%	7.1686%
DEFERRED INCOME TAXES	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	1,561,220	0	1,561,220	100.0000%	8.6154%	9.1889%	9.1889%	9.1889%	9.1889%	9.1889%

YEAR-END LONG TERM DEBT	PER BOOKS 503,787	ADJUSTMENTS SPECIFIC	ADJUSTED 503,787	RATIO (%) 32.5387%	LOW POINT		MIDPOINT		HIGH POINT	
					COST RATE (%) 5.8433%	WEIGHTED COST (%) 1.9013%	COST RATE (%) 5.8433%	WEIGHTED COST (%) 1.9013%	COST RATE (%) 5.8433%	WEIGHTED COST (%) 1.9013%
SHORT TERM DEBT	61,011	0	61,011	3.9406%	5.8433%	0.2303%	5.8433%	0.2303%	5.8433%	0.2303%
PREFERRED STOCK	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	93,430	0	93,430	6.0345%	6.8684%	0.4145%	6.8684%	0.4145%	6.8684%	0.4145%
COMMON EQUITY	890,042	0	890,042	57.4862%	10.5000%	6.0361%	11.5000%	6.6109%	12.5000%	7.1858%
DEFERRED INCOME TAXES	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	1,548,270	0	1,548,270	100.0000%	8.5621%	9.1570%	9.1570%	9.1570%	9.1570%	9.1570%

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
12/31/10

13 Month Average	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Average Per Books
Long-term Debt	471,412	466,918	462,413	554,685	549,661	544,590	539,523	534,424	529,330	524,223	514,122	508,944	503,787	515,695
Short-term Debt	53,038	53,201	53,364	59,513	59,678	59,839	60,006	60,168	60,337	60,507	60,672	60,844	61,011	58,629
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	90,030	91,430	91,560	92,280	92,430	92,680	92,430	90,580	90,430	89,180	91,880	91,930	93,430	91,561
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)	85,728	17,942	15,413	50,473	49,672	41,370	45,285	38,489	48,425	48,981	41,870	55,140	40,895	44,591
Retained Earnings (Deficit)	20,770	72,467	72,467	72,467	72,467	72,467	72,467	72,467	72,467	72,467	72,467	72,467	72,467	74,065
Common Equity	883,178	867,089	864,560	899,620	898,819	890,517	894,432	887,636	897,572	898,128	891,017	904,287	890,042	895,335
Deferred Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Crs-Zero Crs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tx Crs-Weighted Cst	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,497,658	1,478,640	1,471,917	1,606,098	1,600,588	1,587,626	1,586,391	1,572,810	1,577,669	1,572,038	1,557,691	1,566,005	1,548,270	1,561,220

Seabring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
12/31/10

13 Month Average	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Average Per Books
WSB #9516103 Balance	380,521	378,521	376,521	0	0	0	0	0	0	0	0	0	0	87,351
WSB #9516103 Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.20%
Book Interest	1968	2009	1886	0	0	0	0	0	0	0	0	0	0	5,863
WSB #9216103 Balance	0	0	0	477,374	474,874	472,374	469,874	467,374	464,874	462,374	457,374	454,874	452,374	357,980
WSB #9216103 Rate	0.00%	0.00%	0.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.64%
Book Interest	0	0	0	2,261	2,180	2,237	2,153	2,215	2,205	2,122	2,233	2,094	2,155	21,855
Mid Florida FCU	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Book Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	#DIV/0!
WSB 1376306 B:	143,929	141,598	139,256	136,824	134,465	132,055	129,655	127,218	124,793	122,356	117,420	114,914	112,424	128,993
WSB 1376306 Interest Rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.68%
Book Interest	807	796	706	779	778	738	701	713	701	665	675	632	648	9,339
Total Debt	524,450	520,119	515,777	614,198	609,339	604,429	599,529	594,582	589,667	584,730	574,794	569,788	564,798	704,035
	6.23%	6.35%	6.55%	5.83%	5.91%	5.80%	5.79%	5.80%	5.80%	5.80%	5.96%	5.82%	5.84%	4.86%
	2,775	2,805	2,592	3,040	2,958	2,975	2,854	2,928	2,906	2,787	2,908	2,726	2,803	37,057
Long-term Portion	471,412	466,918	462,413	554,685	549,661	544,590	539,523	534,424	529,330	524,223	514,122	508,944	503,787	515,695
	6.23%	6.35%	6.55%	5.83%	5.91%	5.80%	5.79%	5.80%	5.80%	5.80%	5.96%	5.82%	5.84%	5.9559%
	2,494	2,518	2,324	2,745	2,668	2,680	2,568	2,632	2,609	2,499	2,601	2,435	2,500	33,274
Short-term Portion	53,038	53,201	53,364	59,513	59,678	59,839	60,006	60,168	60,337	60,507	60,672	60,844	61,011	58,629
	6.23%	6.35%	6.55%	5.83%	5.91%	5.80%	5.79%	5.80%	5.80%	5.80%	5.96%	5.82%	5.84%	5.9562%
	281	287	268	295	290	295	286	296	297	288	307	291	303	3,783
Customer Deposits	12,630	12,530	12,380	12,280	12,130	11,980	11,930	11,680	11,730	11,730	11,830	11,880	11,880	12,045
Residential	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
	63	63	62	61	61	60	60	58	59	59	59	59	59	783
Commercial	77,400	78,900	79,200	80,000	80,300	80,700	80,500	78,900	78,700	77,450	80,050	80,050	81,550	79,515
	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
	452	460	462	467	468	471	470	460	459	452	467	467	476	6030
Total	90,030	91,430	91,580	92,280	92,430	92,680	92,430	90,580	90,430	89,180	91,880	91,930	93,430	91,561
	6.86%	6.86%	6.86%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%
	515	523	524	528	529	531	529	519	518	510	526	526	535	6,813

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 2010

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>3.7615%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.9673%	
SHORT TERM DEBT	0.2237%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.4028%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.0000%</u>	
SUBTOTAL	<u>2.5938%</u>	
TOTAL	1.1676%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>57.3484%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>2.0360%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 57,021	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	<u>\$ 1,515,939</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>3.7615%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.9673%	
SHORT TERM DEBT	0.2237%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.4028%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.0000%</u>	
SUBTOTAL	<u>2.5938%</u>	
TOTAL	1.1676%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>57.3484%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>2.0360%</u></u>	