

**SEBRING GAS SYSTEM, INC.
FLORIDA PUBLIC SERVICE COMMISSION
INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT
June 30, 2013**

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
 June 2013

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 127,736	\$ 846	\$ 128,582		\$ 128,582
AVERAGE RATE BASE	\$ 1,641,120	\$ 0	\$ 1,641,120		\$ 1,641,120
AVERAGE RATE OF RETURN	7.78%		7.84%		7.84% %
II. YEAR END RATE BASE (JURISDICTIONAL)					
	\$ 1,664,356	\$ 0	\$ 1,664,356		

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

LOW	8.52%
MIDPOINT	9.14%
HIGH	9.77%

**IV. EARNED RETURN ON EQUITY
 (FPSC ADJUSTED BASIS)**

A. INCLUDING	
FLEX RATE REVENUES	9.41%
B. EXCLUDING	
FLEX RATE REVENUES	9.41%

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. MELODY, JR. PRESIDENT
 (Name and Title of Chief
 Financial Officer)

Jerry H. Melody, Jr.
 (Signature)

9/12/2013
 (Date)

PSC/AFA13

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
June 2013

SCHEDULE 2
PAGE 1 OF 2

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	3,278,339	(1,710,940)	1,567,399	0	33,024	1,600,423	40,697	1,641,120
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	3,278,339	(1,710,940)	1,567,399	0	33,024	1,600,423	40,697	1,641,120
<u>FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES</u>								
	3,278,339	(1,710,940)	1,567,399	0	33,024	1,600,423	40,697	1,641,120
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	3,278,339	(1,710,940)	1,567,399	0	33,024	1,600,423	40,697	1,641,120

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
June 2013

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS, as adjusted July 2012 through June 2013	642,346	0	388,516	108,804	17,290	0	0	0	0	514,610	127,736
FPSC ADJUSTMENTS:											
Disallowed lobbying expenses			(846)							(846)	846
TOTAL FPSC ADJUSTMENTS	0	0	(846)	0	0	0	0	0	0	(846)	846
FPSC ADJUSTED	642,346	0	387,670	108,804	17,290	0	0	0	0	513,764	128,582
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:	642,346	0	387,670	108,804	17,290	0	0	0	0	513,764	128,582
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	642,346	0	387,670	108,804	17,290	0	0	0	0	513,764	128,582
PER BOOKS CURRENT MONTH AMOUNT	62,929	0	24,744	9,264	2,006	0	0	0	0	36,014	26,915

Sebring Gas System, Inc.
Schedule 2 Worksheet - Average Rate of Return
Jun-13

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Plant in	Accumulated	Net	Property	Construction	Net	Working	Total
	Service	Depreciation	Plant in	Held for	Work in	Utility	Capital	Rate Base
<u>13 Month Average</u>	<u>Service</u>	<u>Amortization</u>	<u>Service</u>	<u>Future Use</u>	<u>Progress</u>	<u>Plant</u>		
Jun-12	3,205,139	(1,657,568)	1,547,571	0	5,000	1,552,571	90,451	1,643,022
Jul-12	3,209,513	(1,666,137)	1,543,376	0	5,278	1,548,654	87,864	1,636,518
Aug-12	3,216,109	(1,674,514)	1,541,595	0	10,326	1,551,921	71,312	1,623,234
Sep-12	3,223,530	(1,683,314)	1,540,216	0	15,326	1,555,542	65,593	1,621,136
Oct-12	3,268,785	(1,692,242)	1,576,543	0	19,127	1,595,670	72,485	1,668,155
Nov-12	3,284,225	(1,701,378)	1,582,847	0	18,160	1,601,007	71,844	1,672,851
Dec-12	3,297,453	(1,710,491)	1,586,962	0	19,004	1,605,966	68,842	1,674,807
Jan-13	3,307,431	(1,719,696)	1,587,735	0	17,216	1,604,951	26,687	1,631,637
Feb-13	3,312,640	(1,728,915)	1,583,725	0	17,598	1,601,323	(7,891)	1,593,432
Mar-13	3,315,361	(1,738,138)	1,577,223	0	68,975	1,646,198	(78,928)	1,567,270
Apr-13	3,320,571	(1,747,367)	1,573,204	0	76,733	1,649,937	(134,008)	1,515,929
May-13	3,324,432	(1,756,601)	1,567,831	0	78,236	1,646,067	97,809	1,743,876
Jun-13	3,333,221	(1,765,865)	1,567,356	0	78,333	1,645,689	97,000	1,742,689
Thirteen month totals	<u>42,618,410</u>	<u>(22,242,226)</u>	<u>20,376,184</u>	<u>0</u>	<u>429,313</u>	<u>20,805,497</u>	<u>529,058</u>	<u>21,334,555</u>
Thirteen month averag	<u>3,278,339</u>	<u>(1,710,940)</u>	<u>1,567,399</u>	<u>0</u>	<u>33,024</u>	<u>1,600,423</u>	<u>40,697</u>	<u>1,641,120</u>

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
June 2013

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	<u>3,333,221</u>	<u>(1,765,865)</u>	<u>1,567,356</u>	<u>0</u>	<u>0</u>	<u>1,567,356</u>	<u>97,000</u>	<u>1,664,356</u>
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FPSC ADJUSTED	<u><u>3,333,221</u></u>	<u><u>(1,765,865)</u></u>	<u><u>1,567,356</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>1,567,356</u></u>	<u><u>97,000</u></u>	<u><u>1,664,356</u></u>

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
June 2013

AVERAGE	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	397,435		7,874	405,309	24.6971%	5.6440%	1.3939%	5.6440%	1.3939%	5.6440%	1.3939%
SHORT TERM DEBT	99,962		1,980	101,942	6.2117%	5.6770%	0.3526%	5.6770%	0.3526%	5.6770%	0.3526%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	102,453		2,030	104,483	6.3666%	2.8821%	0.1835%	2.8821%	0.1835%	2.8821%	0.1835%
COMMON EQUITY	1,009,390	0	19,997	1,029,387	62.7246%	10.5000%	6.5861%	11.5000%	7.2133%	12.5000%	7.8406%
DEFERRED INCOME TAXES	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	<u>1,609,240</u>	<u>0</u>	<u>31,880</u>	<u>1,641,120</u>	<u>100.0000%</u>	<u>5.6440%</u>	<u>8.5161%</u>	<u>5.6440%</u>	<u>9.1434%</u>	<u>5.6440%</u>	<u>9.7706%</u>

YEAR END	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	373,346		(9,943)	363,404	21.8345%	5.6938%	1.2432%	5.6938%	1.2432%	5.6938%	1.2432%
SHORT TERM DEBT	108,083		(2,878)	105,205	6.3210%	5.6938%	0.3599%	5.6938%	0.3599%	5.6938%	0.3599%
PREFERRED STOCK	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	102,780		(2,737)	100,043	6.0109%	2.8821%	0.1732%	2.8821%	0.1732%	2.8821%	0.1732%
COMMON EQUITY	1,125,683		(29,978)	1,095,705	65.8336%	10.5000%	6.9125%	11.5000%	7.5709%	12.5000%	8.2292%
DEFERRED INCOME TAXES	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	<u>1,709,892</u>	<u>0</u>	<u>(45,536)</u>	<u>1,664,356</u>	<u>100.0000%</u>	<u>5.6938%</u>	<u>8.6889%</u>	<u>5.6938%</u>	<u>9.3472%</u>	<u>5.6938%</u>	<u>10.0056%</u>

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
06/30/13

13 Month Average	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Average Per Books
Long-term Debt	408,017	407,360	396,870	391,364	419,922	413,754	407,580	401,604	397,847	389,350	382,996	376,645	373,346	397,435
Short-term Debt	94,220	89,598	89,791	89,980	94,813	95,024	95,242	95,242	95,477	120,443	115,680	115,911	108,083	99,962
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	99,130	98,980	99,980	100,730	102,680	103,880	104,980	104,980	104,480	103,280	103,230	102,780	102,780	102,453
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)	80,647	78,153	73,491	74,962	90,240	98,181	104,797	(42,678)	(81,685)	(128,510)	(171,696)	58,485	84,385	24,521
Retained Earnings (Deficit)	159,821	159,821	159,821	159,821	159,821	159,821	159,821	264,618	264,618	264,618	264,618	264,618	264,618	208,189
Common Equity	<u>1,017,148</u>	<u>1,014,654</u>	<u>1,009,992</u>	<u>1,011,463</u>	<u>1,026,741</u>	<u>1,034,682</u>	<u>1,041,298</u>	<u>998,620</u>	<u>959,613</u>	<u>912,788</u>	<u>869,602</u>	<u>1,099,783</u>	<u>1,125,683</u>	<u>1,009,390</u>
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
				8						8				
Total	<u>1,618,515</u>	<u>1,610,594</u>	<u>1,596,633</u>	<u>1,593,537</u>	<u>1,644,156</u>	<u>1,647,340</u>	<u>1,649,100</u>	<u>1,600,446</u>	<u>1,557,417</u>	<u>1,525,861</u>	<u>1,471,508</u>	<u>1,695,119</u>	<u>1,709,892</u>	<u>1,609,240</u>

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
06/30/13

13 Month Average	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Average Per Books
WSB #9516103 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	0
WSB #9516103 Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	#DIV/0!
Book Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WSB #9216103 Balance	407,374	404,874	402,374	399,874	397,374	394,874	392,374	389,874	389,874	387,374	384,874	382,374	379,800	393,330
WSB #9216103 Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.59%
Book Interest	1,874	1,925	1,914	1,845	1,892	1,819	1,871	1,860	1,669	1,846	1,771	1,820	1,751	21,983
BOA # 68211063021599 Balance	30,000	30,000	25,000	25,000	22,000	22,000	22,000	22,000	22,000	46,750	41,750	41,750	36,820	29,775
Interest Rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.03%
Book Interest	144	133	133	123	111	103	98	98	89	98	134	199	180	1,499
WSB 1376306 Balance	64,863	62,084	59,287	56,470	53,647	50,796	47,945	45,077	42,167	37,000	34,000	31,000	28,000	47,103
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%	6.64%
Book Interest	361	359	342	321	315	287	287	270	228	232	177	164	144	3,126
Ford Credit 969 Balance	-	-	-	-	41,714	41,108	40,503	39,895	39,283	38,669	38,052	37,432	36,809	27,190
Ford Credit 969 Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.69%	5.69%	5.69%	5.51%
Book Interest	0	0	0	0	0	195	195	192	189	186	183	180	178	1,498
Total Debt	502,237	496,958	486,661	481,344	514,735	508,778	502,822	496,846	493,324	509,793	498,676	492,556	481,429	497,397
	5.76%	5.73%	5.78%	5.79%	5.30%	5.75%	5.74%	5.73%	5.75%	5.46%	5.53%	5.65%	5.69%	5.65%
	2,379	2,417	2,389	2,289	2,318	2,404	2,451	2,420	2,175	2,362	2,265	2,363	2,253	28,106
Long-term Portion	408,017	407,360	396,870	391,364	419,922	413,754	407,580	401,604	397,847	389,350	382,996	376,645	373,346	397,435
	5.76%	5.73%	5.78%	5.79%	5.30%	5.75%	5.74%	5.73%	5.75%	5.46%	5.53%	5.65%	5.69%	5.64%
	1,933	1,981	1,948	1,861	1,891	1,955	1,987	1,956	1,754	1,804	1,740	1,807	1,747	22,431
Short-term Portion	94,220	89,598	89,791	89,980	94,813	95,024	95,242	95,242	95,477	120,443	115,680	115,911	108,083	99,962
	5.76%	5.73%	5.78%	5.79%	5.30%	5.75%	5.74%	5.73%	5.75%	5.46%	5.53%	5.65%	5.69%	5.68%
	446	436	441	428	427	449	464	464	421	558	525	556	506	5,675
<u>Customer Deposits</u>														
Residential	12,980	12,830	12,830	13,080	13,030	13,230	13,330	12,430	12,630	12,830	12,780	12,930	12,930	12,911
	6.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	65	21	21	22	22	22	22	21	21	21	21	22	22	258
Commercial	86,150	86,150	87,150	87,650	89,650	90,650	91,650	92,550	91,850	90,450	90,450	89,850	89,850	89,542
	7.00%	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%
	503	215	218	219	224	227	229	231	230	226	226	225	225	2,695
Total	99,130	98,980	99,980	100,730	102,680	103,880	104,980	104,980	104,480	103,280	103,230	102,780	102,780	102,453
	6.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.88%	2.88%	2.88%	2.88%	2.87%	2.87%	2.88%
	567	237	239	241	246	249	251	252	251	248	247	246	246	2,953

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2013

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.84%	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.39%	
SHORT TERM DEBT	0.35%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.18%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	1.93%	
 TOTAL	 5.90%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 62.72%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 9.41%	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 128,582	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 1,641,120	(Schedule 2, p. 1 of 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 7.8350%	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.39%	
SHORT TERM DEBT	0.35%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.18%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	1.93%	
 TOTAL	 5.90%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 62.72%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 9.41%	