

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

DIVISION OF
ACCOUNTING & FINANCE

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RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION

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

SCHEDULE 1

	(1) ACTUAL <u>PER BOOKS</u>	(2) FPSC <u>ADJUSTMENTS</u>	(3) FPSC <u>ADJUSTED</u>	(4) PRO FORMA <u>ADJUSTMENTS</u>	(5) PRO FORMA <u>ADJUSTED</u>
I. AVERAGE RATE OF RETURN					
(JURISDICTIONAL)					
NET OPERATING INCOME	\$ 156,713	\$ 770	\$ 157,483	\$	\$ 157,483
AVERAGE RATE BASE	\$ 2,151,148	\$ 0	\$ 2,151,148	\$	\$ 2,151,148
AVERAGE RATE OF RETURN	<u>7.29%</u>		<u>7.32%</u>		<u>7.32%</u>
II. YEAR END RATE BASE					
(JURISDICTIONAL)					
	\$ 3,379,566	\$ 0	\$ 3,379,566		

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

LOW	<u>7.56%</u>
MIDPOINT	<u>8.07%</u>
HIGH	<u>8.57%</u>

IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A. INCLUDING	
FLEX RATE REVENUES	<u>10.02%</u>
B. EXCLUDING	
FLEX RATE REVENUES	<u>10.02%</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.

Jerry H. Melendy, Jr. P
 (Name and Title of Chief
 Financial Officer)

Jerry H. Melendy, Jr.
 (Signature)

03/13/2014
 (Date)

PSC/AFA13

**SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
December 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	3,665,833	(1,767,212)	1,898,621	0	238,679	2,137,300	13,848	2,151,148
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	3,665,833	(1,767,212)	1,898,621	0	238,679	2,137,300	13,848	2,151,148
<u>FLEX RATE REVENUES</u>								
ADJUSTED FOR								
FLEX RATE REVENUES	3,665,833	(1,767,212)	1,898,621	0	238,679	2,137,300	13,848	2,151,148
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	3,665,833	(1,767,212)	1,898,621	0	238,679	2,137,300	13,848	2,151,148

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & TAXES 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
PER BOOKS, as adjusted July 2012 through June 2013	698,984	0	404,465	120,406	17,400	0	0	0	0	542,271	156,713
FPSC ADJUSTMENTS:											
Disallowed lobbying expenses			(770)							(770)	770
TOTAL FPSC ADJUSTMENTS	0	0	(770)	0	0	0	0	0	0	(770)	770
FPSC ADJUSTED	698,984	0	403,695	120,406	17,400	0	0	0	0	541,501	157,483
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:	698,984	0	403,695	120,406	17,400	0	0	0	0	541,501	157,483
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	698,984	0	403,695	120,406	17,400	0	0	0	0	541,501	157,483
PER BOOKS CURRENT MONTH AMOUNT	82,167	0	50,597	13,358	1,155	0	0	0	0	65,110	17,057

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Plant in	Accumulated	Net	Property	Construction	Net	Working	Total
<u>13 Month Average</u>	<u>Service</u>	<u>Depreciation</u>	<u>Plant in</u>	<u>Held for</u>	<u>Work in</u>	<u>Utility</u>	<u>Capital</u>	<u>Rate Base</u>
		<u>Amortization</u>	<u>Service</u>	<u>Future Use</u>	<u>Progress</u>	<u>Plant</u>		
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
Jul-13	3,336,303	(1,775,157)	1,561,146	0	181,572	1,742,718	98,753	1,841,471
Aug-13	3,353,552	(1,784,477)	1,569,075	0	949,603	2,518,678	83,309	2,601,987
Sep-13	3,360,109	(1,793,829)	1,566,280	0	1,183,017	2,749,297	(107,498)	2,641,799
Oct-13	4,624,832	(1,804,849)	2,819,983	0	60,390	2,880,373	67,029	2,947,402
Nov-13	4,630,719	(1,817,539)	2,813,180	0	366,869	3,180,049	(102,275)	3,077,774
Dec-13	5,139,206	(1,830,837)	3,308,369	0	5,278	3,313,647	71,197	3,384,844
Thirteen month totals	<u>47,655,830</u>	<u>(22,973,761)</u>	<u>24,682,069</u>	<u>0</u>	<u>3,102,824</u>	<u>27,784,893</u>	<u>180,025</u>	<u>27,964,918</u>
Thirteen month average	<u>3,665,833</u>	<u>(1,767,212)</u>	<u>1,898,621</u>	<u>0</u>	<u>238,679</u>	<u>2,137,299</u>	<u>13,848</u>	<u>2,151,148</u>

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
December 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	5,139,206	(1,830,837)	3,308,369	0	0	3,308,369	71,197	3,379,566
<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>5,139,206</u>	<u>(1,830,837)</u>	<u>3,308,369</u>	<u>0</u>	<u>0</u>	<u>3,308,369</u>	<u>71,197</u>	<u>3,379,566</u>

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 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	870,363		14,102	884,465	41.1160%	4.7208%	1.9410%	4.7208%	1.9410%	4.7208%	1.9410%
SHORT TERM DEBT	73,524		1,191	74,715	3.4733%	5.0313%	0.1748%	5.0313%	0.1748%	5.0313%	0.1748%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	103,011		1,669	104,680	4.8662%	2.8700%	0.1397%	2.8700%	0.1397%	2.8700%	0.1397%
COMMON EQUITY	1,069,952	0	17,336	1,087,288	50.5446%	10.5000%	5.3072%	11.5000%	5.8126%	12.5000%	6.3181%
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>2,116,849</u>	<u>0</u>	<u>34,299</u>	<u>2,151,148</u>	<u>100.0000%</u>	<u>4.7208%</u>	<u>7.5626%</u>	<u>4.7208%</u>	<u>8.0680%</u>	<u>4.7208%</u>	<u>8.5735%</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	2,053,791		13,161	2,066,952	61.1603%	4.4237%	2.7056%	4.4237%	2.7056%	4.4237%	2.7056%
SHORT TERM DEBT	32,894		211	33,105	0.9796%	4.4237%	0.0433%	4.4237%	0.0433%	4.4237%	0.0433%
PREFERRED STOCK	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	103,830		665	104,495	3.0920%	2.8700%	0.0887%	2.8700%	0.0887%	2.8700%	0.0887%
COMMON EQUITY	1,167,533		7,482	1,175,015	34.7682%	10.5000%	3.6507%	11.5000%	3.9983%	12.5000%	4.3460%
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>3,358,048</u>	<u>0</u>	<u>21,518</u>	<u>3,379,566</u>	<u>100.0000%</u>	<u>4.4237%</u>	<u>6.4883%</u>	<u>4.4237%</u>	<u>6.8360%</u>	<u>4.4237%</u>	<u>7.1837%</u>

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
12/31/13

13 Month Average	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Average Per Books
Long-term Debt	407,580	401,604	397,847	389,350	385,325	382,169	378,936	527,180	1,286,809	1,326,140	1,623,517	1,754,469	2,053,791	870,363
Short-term Debt	95,242	95,242	95,477	120,443	113,351	110,387	102,493	41,710	39,746	37,783	35,820	35,218	32,894	73,524
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	104,980	104,980	104,480	103,280	103,230	102,780	102,780	102,330	102,530	100,880	101,330	101,730	103,830	103,011
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)	104,797	(42,678)	(81,685)	(128,510)	(171,696)	58,485	84,385	94,914	98,649	103,922	114,358	116,121	126,235	36,715
Retained Earnings (Deficit)	159,821	264,618	264,618	264,618	264,618	264,618	264,618	264,618	264,618	264,618	264,618	264,618	264,618	256,557
Common Equity	<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>1,136,212</u>	<u>1,139,947</u>	<u>1,145,220</u>	<u>1,155,656</u>	<u>1,157,419</u>	<u>1,167,533</u>	<u>1,069,952</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>1,649,100</u>	<u>1,600,448</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>1,807,432</u>	<u>2,569,032</u>	<u>2,610,023</u>	<u>2,916,323</u>	<u>3,048,836</u>	<u>3,358,048</u>	<u>2,116,849</u>

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
12/31/13

13 Month Average	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Average Per Books
WSB #9516103 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	0
WSB #9516103 Rate	6.00%	6.00%	6.00%	6.00%	6.00%	8.00%	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	392,374	389,874	389,874	387,374	384,874	382,374	379,800	-	-	-	-	-	-	208,196
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%	5.15%
Book Interest	1,871	1,860	1,669	1,846	1,771	1,820	1,751	-	-	-	-	-	-	10,717
BOA # 68211063021599 Balance	22,000	22,000	22,000	46,750	41,750	41,750	36,820	34,000	32,000	30,000	28,000	27,361	25,000	31,495
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%	5.28%
Book Interest	98	98	89	98	134	199	180	173	158	144	139	128	123	1,663
WSB 1376306 Balance	47,945	45,077	42,167	37,000	34,000	31,000	28,000	-	-	-	-	-	-	20,399
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%	5.96%
Book Interest	287	270	228	232	177	164	144	-	-	-	-	-	-	1,215
Hartland National Balance#224.13	-	-	-	-	-	-	-	498,707	1,259,001	1,299,001	1,597,049	1,728,676	2,028,676	647,008
Hartland National #224.13 Interest F	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.49%
Book Interest	0	0	0	0	0	0	0	898	2,145	6,007	5,424	7,048	7,557	29,079
Ford Credit 969 Balance	40,503	39,895	39,283	38,669	38,052	37,432	36,809	36,183	35,554	34,922	34,288	33,650	33,009	36,788
Ford Credit 969 Interest Rate	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.74%
Book Interest	195	192	189	186	183	180	178	175	172	169	166	163	160	2,113
Total Debt	502,822	496,846	493,324	509,793	498,676	492,556	481,429	568,890	1,326,555	1,363,923	1,659,337	1,789,687	2,086,685	943,886
	5.74%	5.73%	5.75%	5.46%	5.53%	5.65%	5.69%	2.58%	2.20%	5.64%	4.07%	4.99%	4.42%	4.74%
	2,451	2,420	2,175	2,362	2,265	2,363	2,253	1,246	2,475	6,320	5,729	7,339	7,840	44,787
Long-term Portion	407,580	401,604	397,847	389,350	385,325	382,169	378,936	527,180	1,286,809	1,326,140	1,623,517	1,754,469	2,053,791	870,363
	5.74%	5.73%	5.75%	5.46%	5.53%	5.65%	5.69%	2.58%	2.20%	5.64%	4.07%	4.99%	4.42%	4.72%
	1,987	1,956	1,754	1,804	1,750	1,833	1,773	1,155	2,401	6,145	5,605	7,195	7,716	41,088
Short-term Portion	95,242	95,242	95,477	120,443	113,351	110,387	102,493	41,710	39,746	37,783	35,820	35,218	32,894	73,524
	5.74%	5.73%	5.75%	5.46%	5.53%	5.65%	5.89%	2.58%	2.20%	5.64%	4.07%	4.99%	4.42%	5.03%
	464	464	421	558	515	530	480	91	74	175	124	144	124	3,699
<u>Customer Deposits</u>														
Residential	13,330	12,430	12,630	12,830	12,780	12,930	12,930	12,880	12,980	12,830	12,880	13,280	13,380	12,930
	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%	1.99%
	22	21	21	21	21	22	22	21	22	21	21	22	22	258
Commercial	91,650	92,550	91,850	90,450	90,450	89,850	89,850	89,450	89,550	88,050	88,450	88,450	90,450	90,081
	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	229	231	230	226	226	225	225	224	224	220	221	221	226	2,699
Total	104,980	104,980	104,480	103,280	103,230	102,780	102,780	102,330	102,530	100,880	101,330	101,730	103,830	103,011
	2.87%	2.88%	2.88%	2.88%	2.88%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%
	251	252	251	248	247	246	246	245	246	242	243	243	248	2,956

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>7.32%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.94%	
SHORT TERM DEBT	0.17%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.14%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>	
SUBTOTAL	<u>2.26%</u>	
 TOTAL	 5.07%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>50.54%</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>10.02%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 157,483	(Schedule 2, p. 2 of 2)
 RATE BASE EXCLUDING FLEX RATE REVENUES	 <u>\$ 2,151,148</u>	 (Schedule 2, p. 1 of 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 <u>7.3209%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.94%	
SHORT TERM DEBT	0.17%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.14%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>	
SUBTOTAL	<u>2.26%</u>	
 TOTAL	 5.07%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>50.54%</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>10.02%</u></u>	