

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

15 MAR - 2 AM 8:30
DIVISION OF
ACCOUNTING & FINANCE

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION

SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
December 2014

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	\$ 270,018	\$ 1,802	\$ 271,820	\$	\$ 271,820
AVERAGE RATE BASE	\$ 3,559,405	\$ 0	\$ 3,559,405	\$	\$ 3,559,405
AVERAGE RATE OF RETURN	<u>7.59%</u>		<u>7.64%</u>		<u>7.64%</u>
 II. YEAR END RATE BASE					
(JURISDICTIONAL)					
NET OPERATING INCOME	\$ 3,569,621	\$ 0	\$ 3,569,621	\$	\$

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

LOW	<u>6.98%</u>
MIDPOINT	<u>7.34%</u>
HIGH	<u>7.71%</u>

IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A. INCLUDING	
FLEX RATE REVENUES	<u>12.31%</u>
B. EXCLUDING	
FLEX RATE REVENUES	<u>12.31%</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. - PRESIDENT
 (Name and Title of Chief Financial Officer)

Jerry H. Meleudy, Jr.
 (Signature)

02/17/2015
 (Date)

PSC/AFA13

**SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
December 2014**

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	5,027,179	(1,910,966)	3,116,213	0	22,502	3,138,715	420,690	3,559,405
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	5,027,179	(1,910,966)	3,116,213	0	22,502	3,138,715	420,690	3,559,405
<u>FLEX RATE REVENUES</u>								
ADJUSTED FOR FLEX RATE REVENUES	5,027,179	(1,910,966)	3,116,213	0	22,502	3,138,715	420,690	3,559,405
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	5,027,179	(1,910,966)	3,116,213	0	22,502	3,138,715	420,690	3,559,405

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
December 2014

	(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 Jan 2014 through Dec 2014	944,544	0	472,282	179,633	24,419	0	0	0	(1,808)	674,526	270,018
FPSC ADJUSTMENTS:											
Disallowed lobbying expenses			(1,802)							(1,802)	1,802
TOTAL FPSC ADJUSTMENTS	0	0	(1,802)	0	0	0	0	0	0	(1,802)	1,802
FPSC ADJUSTED	944,544	0	470,480	179,633	24,419	0	0	0	-1,808	672,724	271,820
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	0	0	0	0	0	0	0	0	0	0	0
	944,544	0	470,480	179,633	24,419	0	0	0	-1,808	672,724	271,820
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	944,544	0	470,480	179,633	24,419	0	0	0	-1,808	672,724	271,820
PER BOOKS CURRENT MONTH AMOUNT	100,257	0	93,664	28,763	8,581	0	0	0	0	131,008	(30,751)

Sebring Gas System, Inc.
Schedule 2 Worksheet - Average Rate of Return
Dec-14

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Plant in	Accumulated	Net	Property	Construction	Net	Working	Total
13 Month Average	Service	Depreciation	Plant In	Held for	Work in	Utility	Capital	Rate Base
		Amortization	Service	Future Use	Progress	Plant		
Dec-13	5,139,206	(1,830,837)	3,308,369	0	5,278	3,313,647	71,197	3,384,844
Jan-14	5,143,965	(1,844,863)	3,299,102	0	5,278	3,304,380	92,370	3,396,750
Feb-14	5,150,545	(1,858,904)	3,291,641	0	5,278	3,296,919	121,019	3,417,938
Mar-14	5,181,254	(1,872,995)	3,308,259	0	5,278	3,313,537	132,155	3,445,692
Apr-14	4,991,056	(1,886,876)	3,104,180	0	5,278	3,109,458	333,987	3,443,445
May-14	4,941,819	(1,900,439)	3,041,180	0	5,928	3,047,108	613,501	3,660,609
Jun-14	4,947,415	(1,913,944)	3,033,471	0	7,835	3,041,306	613,481	3,654,787
Jul-14	4,950,928	(1,927,462)	3,023,466	0	9,413	3,032,879	619,517	3,652,396
Aug-14	4,957,026	(1,940,993)	3,016,033	0	45,346	3,061,379	581,116	3,642,495
Sep-14	4,966,110	(1,954,542)	3,011,568	0	46,763	3,058,331	596,380	3,654,711
Oct-14	4,969,417	(1,956,568)	3,012,850	0	46,796	3,059,646	573,420	3,633,066
Nov-14	4,979,033	(1,970,163)	3,008,870	0	51,611	3,060,481	602,987	3,663,467
Dec-14	5,035,752	(1,983,971)	3,051,781	0	52,442	3,104,223	517,840	3,622,063
Thirteen month totals	<u>65,353,325</u>	<u>(24,842,556)</u>	<u>40,510,769</u>	<u>0</u>	<u>292,524</u>	<u>40,803,293</u>	<u>5,468,970</u>	<u>46,272,262</u>
Thirteen month averag	<u>5,027,179</u>	<u>(1,910,966)</u>	<u>3,116,213</u>	<u>0</u>	<u>22,502</u>	<u>3,138,715</u>	<u>420,690</u>	<u>3,559,405</u>

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
December 2014

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>5,035,752</u>	<u>(1,983,971)</u>	<u>3,051,781</u>	<u>0</u>	<u>0</u>	<u>3,051,781</u>	<u>517,840</u>	<u>3,569,621</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>5,035,752</u></u>	<u><u>(1,983,971)</u></u>	<u><u>3,051,781</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>3,051,781</u></u>	<u><u>517,840</u></u>	<u><u>3,569,621</u></u>

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2014

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	2,058,825		(2,139)	2,058,688	57.7818%	5.0694%	2.9292%	5.0694%	2.9292%	5.0694%	2.9292%
SHORT TERM DEBT	106,794		(111)	106,683	2.9972%	5.3602%	0.1607%	5.3602%	0.1607%	5.3602%	0.1607%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	105,492		(110)	105,382	2.9607%	2.8865%	0.0849%	2.8865%	0.0849%	2.8865%	0.0849%
COMMON EQUITY	1,291,995	0	(1,342)	1,290,653	36.2604%	10.5000%	3.8073%	11.5000%	4.1699%	12.5000%	4.5325%
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	3,563,106	0	(3,702)	3,559,405	100.0000%	6.9821%		7.3447%		7.7073%	

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	2,036,861		(41,207)	1,995,654	55.9066%	4.9442%	2.7641%	4.9442%	2.7641%	4.9442%	2.7641%
SHORT TERM DEBT	162,584		(3,289)	159,294	4.4625%	4.9442%	0.2206%	4.9442%	0.2206%	4.9442%	0.2206%
PREFERRED STOCK	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	104,480		(2,114)	102,368	2.8877%	2.8865%	0.0822%	2.8865%	0.0822%	2.8865%	0.0822%
COMMON EQUITY	1,339,403		(27,097)	1,312,306	36.7632%	10.5000%	3.8601%	11.5000%	4.2278%	12.5000%	4.5954%
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	3,643,328	0	(73,707)	3,569,621	100.0000%	6.9271%		7.2948%		7.6624%	

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
12/31/14

13 Month Average	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Average Per Books
Long-term Debt	2,053,791	2,053,109	2,053,325	2,052,637	2,051,046	2,107,676	2,094,477	2,081,277	2,068,072	2,054,865	2,029,154	2,028,439	2,036,861	2,058,825
Short-term Debt	32,894	30,432	24,969	22,007	8,045	158,083	158,122	158,160	158,199	158,238	158,277	158,316	162,584	106,794
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	103,830	104,030	104,480	104,730	103,730	103,780	103,680	107,280	107,230	107,230	108,580	108,330	104,480	105,492
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)	126,235	33,999	64,281	98,231	118,612	130,164	140,247	147,601	149,660	176,686	178,390	208,258	171,869	134,172
Retained Earnings (Deficit)	264,618	390,854	390,854	390,854	390,854	390,854	390,854	390,854	390,854	390,854	390,854	390,854	390,854	381,144
Common Equity	1,167,533	1,201,533	1,231,815	1,265,765	1,286,146	1,297,698	1,307,781	1,315,135	1,317,194	1,344,220	1,345,924	1,375,792	1,339,403	1,291,995
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	3,358,048	3,389,106	3,414,589	3,445,139	3,448,967	3,667,237	3,664,060	3,661,852	3,650,695	3,664,552	3,641,935	3,670,877	3,643,328	3,563,106

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
12/31/14

<u>13 Month Average</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	<u>Average Per Books</u>
Ford Credit 289 Balance	-	-	-	-	-	-	-	-	-	-	-	-	25,868	1,989.84
Ford Credit 289 Interest Rate													5.49%	5.49%
Book Interest	-	-	-	-	-	-	-	-	-	-	-	-	118	118.30
WSB #9216103 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	0
WSB #9216103 Rate													-	0
Book Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	0
BOA # 68211063021599 Balance	25,000	22,500	17,000	14,000	-	-	-	-	-	-	-	-	-	6,038
Interest Rate	5.25%	5.25%	5.25%	5.25%	5.25%	-	-	-	-	-	-	-	-	6.18%
Book Interest	123	119	98	88	68	-	-	-	-	-	-	-	-	373
WSB 1376306 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WSB 1376306 Interest Rate													-	-
Book Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Hartland National Balance#224.13	2,028,676	2,028,676	2,029,576	2,029,576	2,028,676	2,236,000	2,223,500	2,211,000	2,198,500	2,186,000	2,161,000	2,161,000	2,148,500	2,128,514
Hartland National #224.13 Interest F	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.07%
Book Interest	7,557	8,704	6,735	7,889	8,744	8,453	9,746	9,244	9,506	9,461	9,098	9,356	8,995	107,931
Ford Credit 969 Balance	33,009	32,365	31,718	31,068	30,415	29,759	29,099	28,437	27,771	27,102	26,430	25,755	25,077	29,077
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%	5.75%
Book Interest	160	157	153	150	147	144	141	138	135	132	129	125	122	1,672
Total Debt	2,086,685	2,083,541	2,078,294	2,074,644	2,059,091	2,265,759	2,252,599	2,239,437	2,226,271	2,213,102	2,187,430	2,186,755	2,199,445	2,165,620
	4.42%	5.07%	5.64%	4.61%	5.29%	4.47%	5.34%	4.93%	5.10%	5.27%	4.97%	5.28%	4.94%	5.08%
	7,840	8,980	8,986	8,127	8,959	8,597	9,887	9,382	9,641	9,592	9,226	9,482	9,236	110,095
Long-term Portion	2,053,791	2,053,109	2,053,325	2,052,637	2,051,046	2,107,676	2,094,477	2,081,277	2,068,072	2,054,865	2,029,154	2,028,439	2,036,861	2,058,825
	4.42%	5.07%	5.64%	4.61%	5.29%	4.47%	5.34%	4.93%	5.10%	5.27%	4.97%	5.28%	4.94%	5.07%
	7,716	8,849	8,878	8,041	8,924	7,997	9,193	8,719	8,955	8,906	8,559	8,795	8,553	104,370
Short-term Portion	32,894	30,432	24,969	22,007	8,045	158,083	158,122	158,160	158,199	158,238	158,277	158,316	162,584	106,794
	4.42%	5.07%	5.64%	4.61%	5.29%	4.47%	5.34%	4.93%	5.10%	5.27%	4.97%	5.28%	4.94%	5.36%
	124	131	108	86	35	600	694	663	685	686	668	686	683	5,724
<u>Customer Deposits</u>														
Residential	13,380	13,580	13,880	14,480	14,530	14,580	14,480	14,580	14,530	14,530	14,780	14,930	15,080	14,411
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.01%
	22	23	23	24	24	24	24	24	24	24	25	25	25	290
Commercial	90,450	90,450	90,800	90,250	89,200	89,200	89,200	92,700	92,700	92,700	93,800	93,400	89,400	91,081
	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%
	226	226	227	226	223	223	223	232	232	232	235	234	224	2,734
Total	103,830	104,030	104,480	104,730	103,730	103,780	103,680	107,280	107,230	107,230	108,580	108,330	104,480	105,492
	2.87%	2.87%	2.87%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.87%
	248	249	250	250	247	247	247	256	256	256	259	258	249	3,024

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 2014

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>7.64%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.93%	
SHORT TERM DEBT	0.16%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>	
SUBTOTAL	<u>3.17%</u>	
TOTAL	4.46%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>36.26%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>12.31%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 271,820	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	<u>\$ 3,559,405</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>7.6367%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.93%	
SHORT TERM DEBT	0.16%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>	
SUBTOTAL	<u>3.17%</u>	
TOTAL	4.46%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>36.26%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>12.31%</u></u>	