

**SEBRING GAS SYSTEM, INC.
FLORIDA PUBLIC SERVICE COMMISSION
INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT
June 30, 2015**

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
15 AUG 27 PM 2:17
DIVISION OF
ACCOUNTING & FINANCE

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

SEBRING GAS SYSTEM, INC.
EARNINGS SURVEILLANCE REPORT SUMMARY
 June 2015

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>					
NET OPERATING INCOME	\$ 241,097	\$ 981	\$ 242,078		\$ 242,078
AVERAGE RATE BASE	\$ 3,645,942	\$ 0	\$ 3,645,942		\$ 3,645,942
AVERAGE RATE OF RETURN	6.61%		6.64%		6.64%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>	\$ 3,526,997	\$ 0	\$ 3,526,997		

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

LOW	7.06%
MIDPOINT	7.43%
HIGH	7.81%

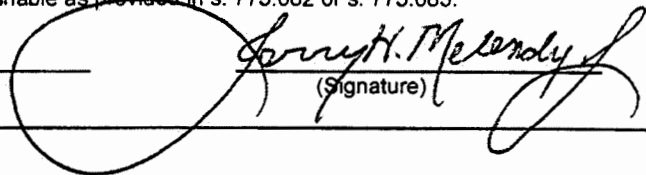
IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A. INCLUDING	
FLEX RATE REVENUES	9.39%
B. EXCLUDING	
FLEX RATE REVENUES	9.39%

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)


 (Signature)

8/17/2015
 (Date)

PSC/AFA13

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
June 2015

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	5,028,760	(1,988,300)	3,040,460	0	59,144	3,099,605	546,337	3,645,942
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	5,028,760	(1,988,300)	3,040,460	0	59,144	3,099,605	546,337	3,645,942
<u>FLEX RATE REVENUES</u>								
ADJUSTED FOR FLEX RATE REVENUES	5,028,760	(1,988,300)	3,040,460	0	59,144	3,099,605	546,337	3,645,942
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	5,028,760	(1,988,300)	3,040,460	0	59,144	3,099,605	546,337	3,645,942

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
June 2015

	(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 2014 through June 2015	963,171	0	512,508	181,465	28,102	0	0	0	0	722,075	241,097
FPSC ADJUSTMENTS:											
Disallowed lobbying expenses			(981)							(981)	981
TOTAL FPSC ADJUSTMENTS	<u>0</u>	<u>0</u>	<u>(981)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(981)</u>	<u>981</u>
FPSC ADJUSTED	<u>963,171</u>	<u>0</u>	<u>511,527</u>	<u>181,465</u>	<u>28,102</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>721,094</u>	<u>242,078</u>
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA 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>	<u>0</u>	<u>0</u>	<u>0</u>
PRO FORMA ADJUSTED	<u>963,171</u>	<u>0</u>	<u>511,527</u>	<u>181,465</u>	<u>28,102</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>721,094</u>	<u>242,078</u>
PER BOOKS CURRENT MONTH AMOUNT	<u>85,210</u>	<u>0</u>	<u>37,471</u>	<u>14,282</u>	<u>2,111</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,864</u>	<u>31,346</u>

Sebring Gas System, Inc.
 Schedule 2 Worksheet - Average Rate of Return
 Jun-15

	(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-14	4,947,415	(1,913,944)	3,033,471	0	7,835	3,041,305	613,481	3,654,786
Jul-14	4,950,928	(1,927,462)	3,023,466	0	9,413	3,032,879	619,516	3,652,396
Aug-14	4,957,026	(1,940,993)	3,016,033	0	45,346	3,061,379	581,115	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	3,059,645	573,420	3,633,065
Nov-14	4,979,033	(1,970,163)	3,008,870	0	51,611	3,060,480	602,986	3,663,466
Dec-14	5,035,752	(1,983,971)	3,051,781	0	47,114	3,098,895	517,840	3,616,735
Jan-15	5,053,142	(1,998,014)	3,055,128	0	48,031	3,103,159	521,821	3,624,980
Feb-15	5,067,063	(2,012,087)	3,054,976	0	49,965	3,104,941	528,493	3,633,434
Mar-15	5,084,207	(2,026,220)	3,057,987	0	71,113	3,129,100	522,196	3,651,296
Apr-15	5,101,674	(2,040,396)	3,061,277	0	99,974	3,161,251	495,815	3,657,066
May-15	5,123,322	(2,054,628)	3,068,694	0	110,081	3,178,774	472,210	3,650,984
Jun-15	5,138,795	(2,068,910)	3,069,884	0	134,836	3,204,720	457,112	3,661,832
Thirteen month totals	<u>65,373,883</u>	<u>(25,847,899)</u>	<u>39,525,984</u>	<u>0</u>	<u>768,876</u>	<u>40,294,860</u>	<u>7,102,384</u>	<u>47,397,245</u>
Thirteen month averag	<u>5,028,760</u>	<u>(1,988,300)</u>	<u>3,040,460</u>	<u>0</u>	<u>59,144</u>	<u>3,099,605</u>	<u>546,337</u>	<u>3,645,942</u>

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
June 2015

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	5,138,795	(2,068,910)	3,069,884	0	0	3,069,884	457,112	3,526,997
 <u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	5,138,795	(2,068,910)	3,069,884	0	0	3,069,884	457,112	3,526,997

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
June 2015

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	2,025,056		(12,138)	2,012,917	55.2098%	5.0886%	2.8094%	5.0886%	2.8094%	5.0886%	2.8094%
SHORT TERM DEBT	160,853		(964)	159,889	4.3854%	5.1093%	0.2241%	5.1093%	0.2241%	5.1093%	0.2241%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	106,055		(636)	105,419	2.8914%	2.8640%	0.0828%	2.8640%	0.0828%	2.8640%	0.0828%
COMMON EQUITY	1,375,964	0	(8,248)	1,367,716	37.5134%	10.5000%	3.9389%	11.5000%	4.3140%	12.5000%	4.6892%
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>3,667,928</u>	<u>0</u>	<u>(21,986)</u>	<u>3,645,942</u>	<u>100.0000%</u>	<u>5.0886%</u>	<u>7.0552%</u>	<u>5.0886%</u>	<u>7.4303%</u>	<u>5.0886%</u>	<u>7.8054%</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	1,954,636		(73,676)	1,880,960	53.3303%	5.2781%	2.8149%	5.2781%	2.8149%	5.2781%	2.8149%
SHORT TERM DEBT	163,388		(6,159)	157,230	4.4579%	5.2781%	0.2353%	5.2781%	0.2353%	5.2781%	0.2353%
PREFERRED STOCK	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	105,605		(3,981)	101,624	2.8813%	2.8640%	0.0825%	2.8640%	0.0825%	2.8640%	0.0825%
COMMON EQUITY	1,441,519		(54,335)	1,387,183	39.3304%	10.5000%	4.1297%	11.5000%	4.5230%	12.5000%	4.9163%
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>3,665,148</u>	<u>0</u>	<u>(138,151)</u>	<u>3,526,997</u>	<u>100.0000%</u>	<u>5.2781%</u>	<u>7.2624%</u>	<u>5.2781%</u>	<u>7.6557%</u>	<u>5.2781%</u>	<u>8.0490%</u>

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
06/30/15

13 Month Average	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Average Per Books
Long-term Debt	2,094,478	2,081,277	2,068,072	2,054,865	2,029,154	2,028,439	2,036,861	2,022,846	2,009,222	1,995,594	1,981,960	1,968,321	1,954,636	2,025,056
Short-term Debt	158,122	158,160	158,199	158,238	158,277	158,316	162,584	163,039	163,100	163,162	163,223	163,285	163,388	160,853
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	103,680	107,280	107,230	107,230	108,580	108,330	104,480	105,730	105,205	104,805	105,305	105,255	105,605	106,055
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)	140,247	147,601	149,660	176,686	178,390	208,258	166,541	11,952	30,365	62,292	79,429	84,940	107,444	118,754
Retained Earnings (Deficit)	390,854	390,854	390,854	390,854	390,854	390,854	557,395	557,395	557,395	557,395	557,395	557,395	557,395	480,530
Common Equity	1,307,781	1,315,134	1,317,194	1,344,219	1,345,924	1,375,792	1,500,616	1,346,027	1,364,440	1,396,367	1,413,504	1,419,015	1,441,519	1,375,964
Deferred Income Taxes	0	2	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	3,664,060	3,661,853	3,650,695	3,664,552	3,641,934	3,670,877	3,804,541	3,637,641	3,641,967	3,659,928	3,663,992	3,655,876	3,665,148	3,667,928

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
06/30/15

13 Month Average	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Average Per Books
Ford Credit 289 Balance							25,868	25,489	25,112	24,733	24,352	23,969	23,585	13,316
Ford Credit 289 Interest Rate								5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.11%
Book Interest							-	115	117	115	113	111	110	681
Hartland National Balance#224.13	2,223,500	2,211,000	2,198,500	2,186,000	2,161,000	2,161,000	2,148,500	2,136,000	2,123,500	2,111,000	2,098,500	2,086,000	2,073,500	2,147,538
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%	5.08%
Book Interest	9,746	9,244	9,506	9,461	9,098	9,356	8,995	9,238	9,193	8,249	9,080	8,742	8,976	109,139
Ford Credit 969 Balance	29,099	28,437	27,771	27,102	26,430	25,755	25,077	24,396	23,711	23,023	22,331	21,637	20,939	26,719
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%	5.41%
Book Interest	141	138	135	132	129	125	122	118.91	116	112	109	106	103	1,445
Total Debt	2,252,599	2,239,437	2,226,271	2,213,102	2,187,430	2,186,755	2,199,445	2,185,885	2,172,323	2,158,756	2,145,183	2,131,606	2,118,024	2,185,909
	5.34%	4.93%	5.10%	5.27%	4.97%	5.28%	4.88%	5.10%	5.66%	4.62%	5.28%	4.95%	5.28%	5.09%
	9,887	9,382	9,641	9,592	9,226	9,482	9,118	9,473	9,425	8,477	9,303	8,959	9,188	111,265
Long-term Portion	2,094,478	2,081,277	2,068,072	2,054,865	2,029,154	2,028,439	2,041,090	2,022,846	2,009,222	1,995,594	1,981,960	1,968,321	1,954,636	2,025,381
	5.34%	4.93%	5.10%	5.27%	4.97%	5.28%	4.88%	5.10%	5.66%	4.62%	5.28%	4.95%	5.28%	5.09%
	9,193	8,719	8,955	8,906	8,559	8,795	8,461	8,766	8,718	7,836	8,595	8,273	8,480	103,063
Short-term Portion	158,122	158,160	158,199	158,238	158,277	158,316	158,355	163,039	163,100	163,162	163,223	163,285	163,388	160,528
	5.34%	4.93%	5.10%	5.27%	4.97%	5.28%	4.88%	5.10%	5.66%	4.62%	5.28%	4.95%	5.28%	5.11%
	694	663	685	686	668	686	656	707	708	641	708	686	709	8,202
<u>Customer Deposits</u>														
Residential	14,480	14,580	14,530	14,530	14,780	14,930	15,080	15,480	15,580	15,180	15,180	15,130	15,180	14,972
	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%
	24	24	24	24	25	25	25	26	26	25	25	25	25	300
Commercial	89,200	92,700	92,700	92,700	93,800	93,400	89,400	90,250	89,625	89,625	90,125	90,125	90,425	91,083
	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%	3.01%
	223	232	232	232	235	234	224	226	224	224	225	225	226	2,737
Total	103,680	107,280	107,230	107,230	108,580	108,330	104,480	105,730	105,205	104,805	105,305	105,255	105,605	106,055
	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.85%	2.85%	2.86%	2.86%	2.86%	2.86%	2.86%
	247	256	256	256	259	258	249	251	250	249	251	251	251	3,037

SEBRING GAS SYSTEM, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2015

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.64%	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.81%	
SHORT TERM DEBT	0.22%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	3.12%	
 TOTAL	 3.52%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 37.51%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 9.39%	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 242,078	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 3,645,942	(Schedule 2, p. 1 of 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 6.6396%	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.81%	
SHORT TERM DEBT	0.22%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	3.12%	
 TOTAL	 3.52%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 37.51%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 9.39%	