



Brimmer, Burek & Keelan LLP

Certified Public Accountants

5601 Mariner Street, Suite 200 • Tampa, Florida 33609
(813) 282-3400 • Fax (813) 287-8369

Brian B. Burek, CPA
John F. Keelan, CPA
Donald T. Keyes, CPA
Kara K. Keyes, CPA
Frank D. Lagor, CPA

April 8, 2016

Mr. Andrew L. Maurey
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Dear Mr. Maurey:

We are enclosing the Company's semi-annual Earnings Surveillance Report as of December 31, 2015 Revised as of April 8, 2016 per discussions with Mr. Mouring from your office.

Please contact me at (813) 282-3400 if you have any questions.

Sincerely,

BRIMMER, BUREK & KEELAN LLP
Cong Nguyen, CPA

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FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

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

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	\$ 311,597	\$ 1,271	\$ 312,868		\$ 312,868
AVERAGE RATE BASE	\$ 3,649,856	\$ 0	\$ 3,649,856		\$ 3,649,856
AVERAGE RATE OF RETURN	<u>8.54%</u>		<u>8.57%</u>		<u>8.57%</u>
II. YEAR END RATE BASE					
(JURISDICTIONAL)					
	\$ 3,670,994	\$ 0	\$ 3,670,994		

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

LOW	<u>7.15%</u>
MIDPOINT	<u>7.54%</u>
HIGH	<u>7.93%</u>

IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A. INCLUDING	
FLEX RATE REVENUES	<u>14.13%</u>
B. EXCLUDING	
FLEX RATE REVENUES	<u>14.13%</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)

(Signature)

01/08/2016
(Date)

PSC/AFA13

**SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
RATE BASE
December 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	<u>5,151,586</u>	<u>(2,069,166)</u>	<u>3,082,420</u>	<u>0</u>	<u>112,895</u>	<u>3,195,315</u>	<u>454,541</u>	<u>3,649,856</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>5,151,586</u>	<u>(2,069,166)</u>	<u>3,082,420</u>	<u>0</u>	<u>112,895</u>	<u>3,195,315</u>	<u>454,541</u>	<u>3,649,856</u>
<u>FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES</u>								
	<u>5,151,586</u>	<u>(2,069,166)</u>	<u>3,082,420</u>	<u>0</u>	<u>112,895</u>	<u>3,195,315</u>	<u>454,541</u>	<u>3,649,856</u>
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	<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>5,151,586</u>	<u>(2,069,166)</u>	<u>3,082,420</u>	<u>0</u>	<u>112,895</u>	<u>3,195,315</u>	<u>454,541</u>	<u>3,649,856</u>

SEBRING GAS SYSTEM, INC.
AVERAGE RATE OF RETURN
INCOME STATEMENT
December 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 Jan 2015 through Dec 2015	959,439	0	448,026	174,179	25,637	0	0	0	0	647,842	311,597
FPSC ADJUSTMENTS:											
Disallowed lobbying expenses			(1,271)							(1,271)	1,271
TOTAL FPSC ADJUSTMENTS	0	0	(1,271)	0	0	0	0	0	0	(1,271)	1,271
FPSC ADJUSTED	959,439	0	446,755	174,179	25,637	0	0	0	0	646,571	312,868
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:											
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	959,439	0	446,755	174,179	25,637	0	0	0	0	646,571	312,868
PER BOOKS CURRENT MONTH AMOUNT	82,304	0	24,053	16,452	3,201	0	0	0	0	43,706	38,598

Sebring Gas System, Inc.

Schedule 2 Worksheet - Average Rate of Return

Dec-15

	(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-14	5,035,752	(1,983,971)	3,051,781	0	47,114	3,098,895	517,840	3,616,734
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
Jul-15	5,160,955	(2,082,617)	3,078,338	0	132,215	3,210,553	427,179	3,637,732
Aug-15	5,174,799	(2,096,945)	3,077,854	0	147,890	3,225,744	434,270	3,660,014
Sep-15	5,185,307	(2,112,065)	3,073,241	0	206,371	3,279,613	383,511	3,663,124
Oct-15	5,193,330	(2,126,516)	3,066,814	0	207,124	3,273,938	378,946	3,652,884
Nov-15	5,214,710	(2,141,009)	3,073,702	0	211,654	3,285,356	381,709	3,667,065
Dec-15	5,437,566	(2,155,774)	3,281,792	0	1,267	3,283,060	387,934	3,670,994
Thirteen month totals	<u>66,970,621</u>	<u>(26,899,152)</u>	<u>40,071,469</u>	<u>0</u>	<u>1,467,634</u>	<u>41,539,103</u>	<u>5,909,036</u>	<u>47,448,139</u>
Thirteen month averag	<u>5,151,586</u>	<u>(2,069,166)</u>	<u>3,082,421</u>	<u>0</u>	<u>112,895</u>	<u>3,195,316</u>	<u>454,541</u>	<u>3,649,857</u>

SEBRING GAS SYSTEM, INC.
YEAR END RATE BASE
December 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	<u>5,437,566</u>	<u>(2,155,774)</u>	<u>3,281,792</u>	<u>0</u>	<u>1,267</u>	<u>3,283,060</u>	<u>387,934</u>	<u>3,670,994</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>5,437,566</u></u>	<u><u>(2,155,774)</u></u>	<u><u>3,281,792</u></u>	<u><u>0</u></u>	<u><u>1,267</u></u>	<u><u>3,283,060</u></u>	<u><u>387,934</u></u>	<u><u>3,670,994</u></u>

SEBRING GAS SYSTEM, INC.
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 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	1,953,687		(2,354)	1,951,333	53.4633%	5.0943%	2.7236%	5.0943%	2.7236%	5.0943%	2.7236%
SHORT TERM DEBT	163,341		(197)	163,144	4.4699%	5.1146%	0.2286%	5.1146%	0.2286%	5.1146%	0.2286%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	105,440		(127)	105,313	2.8854%	2.8557%	0.0824%	2.8557%	0.0824%	2.8557%	0.0824%
COMMON EQUITY	1,431,792	0	(1,725)	1,430,066	39.1814%	10.5000%	4.1141%	11.5000%	4.5059%	12.5000%	4.8977%
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>3,654,260</u>	<u>0</u>	<u>(4,404)</u>	<u>3,649,856</u>	<u>100.0000%</u>	<u>7.1486%</u>		<u>7.5404%</u>		<u>7.9323%</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	1,872,662		(2,321)	1,870,341	50.9492%	4.9446%	2.5192%	4.9446%	2.5192%	4.9446%	2.5192%
SHORT TERM DEBT	163,769		(203)	163,566	4.4556%	4.9446%	0.2203%	4.9446%	0.2203%	4.9446%	0.2203%
PREFERRED STOCK	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	106,205		(132)	106,073	2.8895%	2.8557%	0.0825%	2.8557%	0.0825%	2.8557%	0.0825%
COMMON EQUITY	1,532,914		(1,900)	1,531,014	41.7057%	10.5000%	4.3791%	11.5000%	4.7962%	12.5000%	5.2132%
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>3,675,550</u>	<u>0</u>	<u>(4,556)</u>	<u>3,670,994</u>	<u>100.0000%</u>	<u>7.2012%</u>		<u>7.6182%</u>		<u>8.0353%</u>	

Sebring Gas System, Inc.
Schedule 4 Worksheet - Capital Structure
12/31/15

13 Month Average	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Average Per Books
Long-term Debt	2,036,862	2,022,846	2,009,222	1,995,594	1,981,960	1,968,321	1,954,636	1,928,486	1,927,331	1,913,672	1,900,007	1,886,338	1,872,662	1,953,687
Short-term Debt	162,583	163,039	163,100	163,162	163,223	163,285	163,388	163,451	163,514	163,577	163,641	163,704	163,769	163,341
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	104,480	105,730	105,205	104,805	105,305	105,255	105,605	105,155	105,605	105,705	105,705	105,955	106,205	105,440
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)	171,869	11,952	30,365	62,292	79,429	84,940	107,444	103,434	122,855	135,123	150,889	177,431	198,839	110,528
Retained Earnings (Deficit)	390,854	557,395	557,395	557,395	557,395	557,395	557,395	557,395	557,395	557,395	557,395	557,395	557,395	544,584
Common Equity	<u>1,339,403</u>	<u>1,346,027</u>	<u>1,364,440</u>	<u>1,396,367</u>	<u>1,413,504</u>	<u>1,419,015</u>	<u>1,441,519</u>	<u>1,437,508</u>	<u>1,456,930</u>	<u>1,469,198</u>	<u>1,484,964</u>	<u>1,511,506</u>	<u>1,532,914</u>	<u>1,431,792</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>3,643,328</u>	<u>3,637,643</u>	<u>3,641,967</u>	<u>3,659,928</u>	<u>3,663,992</u>	<u>3,655,876</u>	<u>3,665,148</u>	<u>3,634,600</u>	<u>3,653,379</u>	<u>3,652,152</u>	<u>3,654,317</u>	<u>3,667,503</u>	<u>3,675,550</u>	<u>3,654,260</u>

Sebring Gas System, Inc.
Schedule 4 Worksheet - Average Interest Rates
12/31/15

13 Month Average	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Average Per Books
Ford Credit 289 Balance	25,868	25,489	25,112	24,733	24,352	23,969	23,585	23,199	22,811	22,423	22,034	21,642	21,249	23,574
Ford Credit 289 Interest Rate	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.55%
Book Interest	118	115	117	115	113	111	110	108	106	106	104	103	101	1,309
Hartland National Balance#224.13	2,148,500	2,136,000	2,123,500	2,111,000	2,098,500	2,086,000	2,073,500	2,048,500	2,048,500	2,036,000	2,023,500	2,011,000	1,998,500	2,072,538
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	8,995	9,238	9,193	8,249	9,080	8,742	8,976	8,634	8,872	8,818	8,482	8,707	8,369	105,361
Ford Credit 969 Balance	25,077	24,396	23,711	23,023	22,331	21,637	20,939	20,238	19,533	18,826	18,114	17,400	16,682	22,580
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%	5.36%
Book Interest	122	118.91	116	112	109	106	103	99.29	96	93	89	86	83	1,210
Total Debt	2,199,445	2,185,885	2,172,323	2,158,756	2,145,183	2,131,606	2,118,024	2,091,937	2,090,845	2,077,249	2,063,648	2,050,042	2,036,431	2,117,029
	4.94%	5.10%	5.66%	4.62%	5.28%	4.95%	5.28%	4.98%	5.11%	5.28%	4.95%	5.28%	4.94%	5.10%
	9,236	9,473	9,425	8,477	9,303	8,959	9,188	8,842	9,074	9,017	8,675	8,896	8,552	107,880
Long-term Portion	2,036,862	2,022,846	2,009,222	1,995,594	1,981,960	1,968,321	1,954,636	1,928,486	1,927,331	1,913,672	1,900,007	1,886,338	1,872,662	1,953,687
	4.94%	5.10%	5.66%	4.62%	5.28%	4.95%	5.28%	4.98%	5.11%	5.28%	4.95%	5.28%	4.94%	5.09%
	8,553	8,766	8,718	7,836	8,595	8,273	8,480	8,151	8,364	8,307	7,987	8,185	7,864	99,526
Short-term Portion	162,583	163,039	163,100	163,162	163,223	163,285	163,388	163,451	163,514	163,577	163,641	163,704	163,769	163,341
	4.94%	5.10%	5.66%	4.62%	5.28%	4.95%	5.28%	4.98%	5.11%	5.28%	4.95%	5.28%	4.94%	5.11%
	683	707	708	641	708	686	709	691	710	710	688	710	688	8,354
<u>Customer Deposits</u>														
Residential	15,080	15,480	15,580	15,180	15,180	15,130	15,180	15,230	15,430	15,530	15,530	15,780	16,180	15,422
	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%	2.00%
	25	26	26	25	25	25	25	25	26	26	26	26	27	309
Commercial	89,400	90,250	89,625	89,625	90,125	90,125	90,425	89,925	90,175	90,175	90,175	90,175	90,025	90,017
	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%
	224	226	224	224	225	225	226	225	225	225	225	225	225	2,702
Total	104,480	105,730	105,205	104,805	105,305	105,255	105,605	105,155	105,605	105,705	105,705	105,955	106,205	105,440
	2.86%	2.85%	2.85%	2.86%	2.86%	2.86%	2.86%	2.86%	2.85%	2.85%	2.85%	2.85%	2.85%	2.86%
	249	251	250	249	251	251	251	250	251	251	251	252	252	3,011

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	8.57%	
LESS: RECONCILED AVERAGE JURISDICTIONAL		(Schedule 1)
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.72%	
SHORT TERM DEBT	0.23%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	3.03%	
 TOTAL	 5.54%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 39.18%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 14.13%	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 312,868	(Schedule 2, p. 2 of 2)
 RATE BASE EXCLUDING FLEX RATE REVENUES	 \$ 3,649,856	(Schedule 2, p. 1 of 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 8.5721%	
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.72%	
SHORT TERM DEBT	0.23%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.08%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	3.03%	
 TOTAL	 5.54%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 39.18%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 14.13%	