

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY  
EARNINGS SURVEILLANCE REPORT

Florida Public Service Commission  
2020 MAR 17 PM 12:31

**SEBRING GAS SYSTEM, INC.**  
**EARNINGS SURVEILLANCE REPORT SUMMARY**  
 December 2019

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	\$ 173,481	\$ 337	\$ 173,818	\$	\$ 173,818
AVERAGE RATE BASE	\$ 4,006,848	\$ 0	\$ 4,006,848	\$	\$ 4,006,848
AVERAGE RATE OF RETURN	4.33%		4.34%		4.34%
II. YEAR END RATE BASE (JURISDICTIONAL)	\$ 4,078,750	\$ 0	\$ 4,078,750		

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	LOW	MIDPOINT	HIGH
	7.99%	8.47%	8.95%
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)			
A. INCLUDING FLEX RATE REVENUES			2.85%
B. EXCLUDING FLEX RATE REVENUES			2.85%

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. Melendy, Jr.*  
 (Signature)

03/14/2020  
 (Date)

PSC/AFA13

**SEBRING GAS SYSTEM, INC.  
AVERAGE RATE OF RETURN  
RATE BASE  
December 2019**

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>6,555,640</u>	<u>(2,799,727)</u>	<u>3,755,913</u>	<u>0</u>	<u>35,199</u>	<u>3,791,112</u>	<u>215,737</u>	<u>4,006,848</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>6,555,640</u>	<u>(2,799,727)</u>	<u>3,755,913</u>	<u>0</u>	<u>35,199</u>	<u>3,791,112</u>	<u>215,737</u>	<u>4,006,848</u>
<u>FLEX RATE REVENUES</u>								
ADJUSTED FOR								
FLEX RATE REVENUES	<u>6,555,640</u>	<u>(2,799,727)</u>	<u>3,755,913</u>	<u>0</u>	<u>35,199</u>	<u>3,791,112</u>	<u>215,737</u>	<u>4,006,848</u>
<u>PRO FORMA REVENUE INCREASE AND</u>								
<u>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>6,555,640</u>	<u>(2,799,727)</u>	<u>3,755,913</u>	<u>0</u>	<u>35,199</u>	<u>3,791,112</u>	<u>215,737</u>	<u>4,006,848</u>

**SEBRING GAS SYSTEM, INC.**  
**AVERAGE RATE OF RETURN**  
**INCOME STATEMENT**  
**December 2019**

(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
1,029,713	0	568,436	216,125	31,867	28,088	11,716	0	0	856,232	173,481

PER BOOKS, as adjusted  
July 2018 through June 2019

**FPSC ADJUSTMENTS:**

Disallowed lobbying expenses

(337)

(337)

337

TOTAL FPSC ADJUSTMENTS	0	(337)	0	0	0	0	0	0	(337)	337
FPSC ADJUSTED	1,029,713	568,099	216,125	31,867	28,088	11,716	0	0	855,895	173,818
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	0	0	0	0	0	0	0	0	0	0
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:	1,029,713	568,099	216,125	31,867	28,088	11,716	0	0	855,895	173,818

TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	1,029,713	568,099	216,125	31,867	28,088	11,716	0	0	855,895	173,818

PER BOOKS CURRENT MONTH AMOUNT	101,549	0	68,883	20,127	13,895	12,670	0	0	115,575	(14,026)
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Sebring Gas System, Inc.  
Schedule 2 Worksheet - Average Rate of Return  
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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	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
<b>13 Month Average</b>								
Dec-18	6,413,469	(2,695,732)	3,717,737	0	28,947	3,746,684	110,663	3,857,347
Jan-19	6,434,493	(2,713,110)	3,721,383	0	33,947	3,755,330	172,273	3,927,603
Feb-19	6,445,913	(2,730,533)	3,715,380	0	34,337	3,749,717	190,357	3,940,074
Mar-19	6,503,765	(2,748,044)	3,755,721	0	34,472	3,790,193	150,335	3,940,528
Apr-19	6,520,666	(2,765,652)	3,755,014	0	35,051	3,790,065	204,523	3,994,588
May-19	6,538,736	(2,782,908)	3,755,828	0	36,028	3,791,856	174,841	3,966,697
Jun-19	6,561,039	(2,800,622)	3,760,417	0	36,382	3,796,799	208,746	4,005,545
Jul-19	6,585,865	(2,818,398)	3,767,467	0	36,404	3,803,871	244,429	4,048,300
Aug-19	6,607,779	(2,836,236)	3,771,543	0	36,404	3,807,947	213,487	4,021,434
Sep-19	6,621,804	(2,853,919)	3,767,885	0	36,404	3,804,289	264,669	4,068,958
Oct-19	6,647,063	(2,871,603)	3,775,460	0	36,404	3,811,864	273,591	4,085,455
Nov-19	6,663,390	(2,871,603)	3,791,787	0	36,404	3,828,191	325,560	4,153,751
Dec-19	6,679,336	(2,908,090)	3,771,246	0	36,404	3,807,650	271,100	4,078,750
Thirteen month totals	<u>85,223,318</u>	<u>(36,396,450)</u>	<u>48,826,868</u>	<u>0</u>	<u>457,588</u>	<u>49,284,456</u>	<u>2,804,575</u>	<u>52,089,031</u>
Thirteen month average:	<u>6,555,640</u>	<u>(2,799,727)</u>	<u>3,755,913</u>	<u>0</u>	<u>35,199</u>	<u>3,791,112</u>	<u>215,737</u>	<u>4,006,849</u>

**SEBRING GAS SYSTEM, INC.**  
**YEAR END RATE BASE**  
**December 2019**

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	6,679,336	(2,908,090)	3,771,246	0	36,404	3,807,650	271,100	4,078,750
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	6,679,336	(2,908,090)	3,771,246	0	36,404	3,807,650	271,100	4,078,750

FPSC ADJUSTMENTS:

**SEBRING GAS SYSTEM, INC.**  
**CAPITAL STRUCTURE**  
**FPSC ADJUSTED BASIS**  
**December 2019**

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	1,355,732		119,692	1,475,424	38.8226%	5.9226%	2.1809%	5.9226%	2.1809%	5.9226%	2.1809%
SHORT TERM DEBT	408,067		36,027	444,094	11.0834%	6.0434%	0.6698%	6.0434%	0.6698%	6.0434%	0.6698%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	157,486		13,904	171,390	4.2774%	2.8877%	0.1235%	2.8877%	0.1235%	2.8877%	0.1235%
COMMON EQUITY	1,760,512	0	155,429	1,915,941	47.8167%	10.5000%	5.0207%	11.5000%	5.4989%	12.5000%	5.9771%
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 TOTAL	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	<u>3,681,797</u>	<u>0</u>	<u>325,051</u>	<u>4,006,848</u>	<u>100.0000%</u>		<u>7.9950%</u>		<u>8.4731%</u>		<u>8.9513%</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	1,279,195		119,984	1,399,179	34.3041%	4.7413%	1.6265%	4.7413%	1.6265%	4.7413%	1.6265%
SHORT TERM DEBT	496,370		46,558	542,927	13.3111%	4.7413%	0.6311%	4.7413%	0.6311%	4.7413%	0.6311%
PREFERRED STOCK	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	176,519		16,557	193,076	4.7337%	2.8877%	0.1367%	2.8877%	0.1367%	2.8877%	0.1367%
COMMON EQUITY	1,776,901		166,667	1,943,568	47.6511%	10.5000%	5.0034%	11.5000%	5.4799%	12.5000%	5.9584%
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 TOTAL	0		0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	<u>3,728,984</u>	<u>0</u>	<u>349,765</u>	<u>4,078,750</u>	<u>100.0000%</u>		<u>7.3977%</u>		<u>7.8742%</u>		<u>8.3507%</u>

Sebring Gas System, Inc.  
 Schedule 4 Worksheet - Capital Structure  
 12/31/19

<u>13 Month Average</u>	<u>Dec-18</u>	<u>Jan-19</u>	<u>Feb-19</u>	<u>Mar-19</u>	<u>Apr-19</u>	<u>May-19</u>	<u>Jun-19</u>	<u>Jul-19</u>	<u>Aug-19</u>	<u>Sep-19</u>	<u>Oct-19</u>	<u>Nov-19</u>	<u>Dec-19</u>	<u>Average Per Books</u>
Long-term Debt	1,439,806	1,424,714	1,410,420	1,395,992	1,382,984	1,357,433	1,356,928	1,343,891	1,318,352	1,317,808	1,304,761	1,292,247	1,279,195	1,355,732
Short-term Debt	313,686	348,928	348,363	347,967	356,116	364,259	422,398	455,526	457,649	465,764	463,873	463,975	496,370	408,067
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	144,505	145,405	147,455	146,905	149,755	150,855	152,605	151,855	150,555	177,069	176,669	177,169	176,519	157,486
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	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880
Current Year Profit (Loss)	188,287	49,125	68,833	84,728	122,240	107,596	109,363	131,602	126,407	137,469	168,585	248,837	146,344	129,955
Retained Earnings (Deficit)	973,877	973,877	973,877	973,877	973,877	973,877	973,877	973,877	973,877	973,877	973,877	973,877	973,877	973,877
Common Equity	<u>1,818,844</u>	<u>1,679,682</u>	<u>1,699,390</u>	<u>1,715,285</u>	<u>1,752,797</u>	<u>1,738,153</u>	<u>1,739,920</u>	<u>1,762,159</u>	<u>1,756,964</u>	<u>1,768,026</u>	<u>1,799,142</u>	<u>1,879,394</u>	<u>1,776,901</u>	<u>1,760,512</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
Total	<u>3,716,841</u>	<u>3,598,731</u>	<u>3,605,628</u>	<u>3,606,149</u>	<u>3,641,632</u>	<u>3,610,699</u>	<u>3,671,851</u>	<u>3,713,432</u>	<u>3,683,519</u>	<u>3,728,667</u>	<u>3,744,446</u>	<u>3,812,785</u>	<u>3,728,984</u>	<u>3,681,797</u>



Sebring Gas System, Inc.  
Schedule 4 Worksheet - Average Interest Rates  
12/31/19

13 Month Average	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Average Per Books
HNB Credit Line	134,794	169,794	169,794	169,794	179,794	189,794	249,794	284,794	288,794	298,794	298,794	300,794	338,560	236,314
Interest 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%	5.78%
Book Interest	435		2124			2,707			3972			4,090	766	13,659.00
Ford Credit 289 Balance	6,244	5,776	5,306	4,834	4,360	3,884	3,405	2,925	2,442	1,957	1,470	980	478	3,389
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%	3.94%
Book Interest	28	28	24	22	20	18	16	11	9	7	4	2	(26)	133
Hartland National Balance#224.13	1,548,500	1,538,000	1,523,500	1,511,000	1,498,500	1,473,500	1,473,500	1,481,000	1,436,000	1,436,000	1,423,500	1,411,000	1,398,500	1,471,577
Hartland National #224.13 Interest R	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%	5.92%
Book Interest	7,476	7,971	7,936	7,103	7,786	7,490	7,671	7,368	7,372	7,168	6,590	6,582	6,173	87,190
Note Payable Ally 69841 Balance	42,478	41,994	41,508	41,083	40,591	40,096	39,627	39,128	38,623	38,116	37,606	37,629	37,114	39,661
Ally 69841 Interest Rate	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	8.68%
Book Interest	254	251	248	309	242	239	265	233	230	227	225	757	218	3,444
Notes Payable Ally 65377	21,477	20,078	18,675	17,247	15,835	14,418	13,000	11,573	10,142	8,705	7,264	5,819	2,913	12,857
Ally 65377 Interest Rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.12%
Book Interest	51	71	67	43	57	52	52	43	39	34	29	24	19	530
Total Debt	1,753,492	1,773,642	1,758,783	1,743,959	1,739,080	1,721,691	1,779,326	1,799,418	1,776,000	1,783,572	1,768,635	1,758,222	1,775,564	1,763,799
	5.54%	5.52%	7.71%	5.05%	5.67%	7.18%	5.47%	5.01%	7.70%	5.07%	4.56%	7.92%	4.74%	5.95%
	8,244	8,319	10,399	7,477	8,105	10,506	8,004	7,655	11,622	7,436	6,848	11,435	7,150	104,956
Long-term Portion	1,439,806	1,424,714	1,410,420	1,395,992	1,382,964	1,357,433	1,358,928	1,343,891	1,318,352	1,317,808	1,304,761	1,292,247	1,279,195	1,355,732
	5.54%	5.52%	7.71%	5.05%	5.67%	7.18%	5.47%	5.01%	7.70%	5.07%	4.56%	7.92%	4.74%	5.92%
	6,769	6,682	8,339	5,985	6,445	8,283	6,104	5,717	8,627	5,494	5,052	8,414	5,151	80,295
Short-term Portion	313,686	348,928	348,363	347,967	356,116	364,259	422,398	455,526	457,649	465,764	463,873	463,975	496,370	408,067
	5.54%	5.52%	7.71%	5.05%	5.67%	7.18%	5.47%	5.01%	7.70%	5.07%	4.56%	7.92%	4.74%	6.04%
	1,475	1,637	2,060	1,492	1,680	2,223	1,900	1,938	2,995	1,942	1,796	3,021	1,999	24,661
<u>Customer Deposits</u>														
Residential	20,830	20,930	20,980	20,930	21,180	21,280	21,280	21,230	20,230	20,530	20,630	20,930	21,080	20,926
	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%
	35	35	35	35	35	35	35	35	34	34	34	35	35	419
Commercial	123,875	124,475	126,475	125,975	128,575	129,575	131,325	130,625	130,325	156,539	156,039	156,239	155,439	136,560
	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%	3.02%
	309	311	316	315	321	324	328	327	326	391	390	391	389	4,129
Total	144,505	145,405	147,455	146,905	149,755	150,855	152,605	151,855	150,555	177,069	176,669	177,189	176,519	157,486
	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.87%	2.88%	2.88%	2.88%	2.88%	2.89%
	344	346	351	350	357	359	364	362	360	426	424	425	424	4,548

**SEBRING GAS SYSTEM, INC.**  
**EARNED RETURN ON COMMON EQUITY**  
**FPSC ADJUSTED BASIS**  
**December 2019**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	4.34%	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.18%	
SHORT TERM DEBT	0.67%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.12%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	2.97%	
 TOTAL	 1.36%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 47.82%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 2.85%	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 173,818	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 4,006,848	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	4.3380%	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	2.18%	
SHORT TERM DEBT	0.67%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.12%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	2.97%	
 TOTAL	 1.36%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 47.82%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 2.85%	