

REQUEST TO ESTABLISH DOCKET
(Please Type)

Date: 3-29-04 Docket No. 040270 - GU

1. Division Name/Staff Name: ECR - SLEMKEWICZ

2. OPR: ECR

3. OCR: GCL AUS

4. Suggested Docket Title: APPLICATION FOR RATE INCREASE BY SEBRING GAS SYSTEM, INC.

5. Suggested Docket Mailing List (attach separate sheet if necessary)
A. Provide NAMES OR ACRONYMS ONLY if a regulated company.
B. Provide COMPLETE NAME AND ADDRESS for all others. (Match representatives to companies.)
1. Parties and their representatives (if any):

SEBRING GAS SYSTEM, INC	

2. Interested persons and their representatives (if any):

6. Check one:
 Documentation is attached.
 Documentation will be provided with recommendation.

DOCUMENT NUMBER - DATE
04012 MAR 29 03
FPSC-COMMISSION CI FRK

LAW OFFICES
Messer, Caparello & Self
A Professional Association

Post Office Box 1876
Tallahassee, Florida 32302-1876
Internet: www.lawfla.com

March 26, 2004

BY HAND DELIVERY

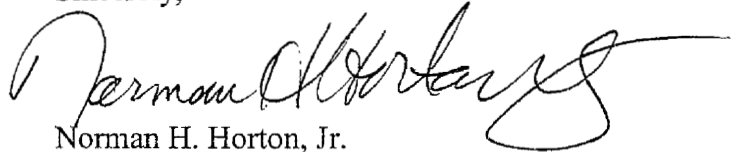
The Honorable Braulio Baez, Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Dear Chairman Baez:

Enclosed is a copy of the test year letter from Sebring Gas System, Inc. In following up with Staff as to the status of the request we were not able to verify that the original made it to your office so we would ask that you accept this copy.

Should you have any questions, please contact me.

Sincerely,



Norman H. Horton, Jr.

NHH/amb

Enclosure

cc: Mr. Jerry Melendy
Mr. Marshall Willis
Mr. Tim Devlin
Mr. John Slemkewicz

EDUCATION REGULATION

04 MAR 26 PM 3:27



SEBRING GAS SYSTEM, INC.

3515 U.S. Hwy. 27, South
Sebring, FL 33870-5452
(863) 385-0194

February 9, 2004

The Honorable Braulio Baez, Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Dear Chairman Baez:

Based on considerable review and analysis, Sebring Gas System, Inc. ("Sebring" or the "Company") now finds it necessary to file with the Florida Public Service Commission ("Commission") for an increase in our rates and charges in order that we may have the opportunity to earn a fair rate of return on our investment in utility plant and working capital. Earning a fair rate of return will enable us to continue our high quality of service and maintain financial integrity, which are in the best interest of our customers. The Company has experienced and is expecting to experience continued increases in expenses, and despite efforts to keep expenses down, we expect a continuing degradation of earnings. Sebring has not had rate relief since its initial rates were set in 1992. Despite low earnings for a number of years, Sebring had delayed requesting rate relief but now finds that there are few options other than rate relief.

For this proceeding Sebring proposes to use the twelve-month period ending December 31, 2005 as the projected test year for permanent rates and charges. We believe this projected year to be appropriate and this will be the first full year that rates will be in effect and the year will more accurately reflect the conditions anticipated for those rates.

Sebring also anticipates requesting interim relief based on 2003 historical data and will be asking that the permanent request be processed as proposed agency action as permitted by section 366.06(4), Florida Statutes and Rule 25-7.140, Florida Administrative Code.

Sebring is a small company with a limited service area and no large customers of natural gas. This is the first general rate case since Sebring began providing natural gas in 1992 and except for periodic revisions to its PGA, represents the first rate adjustment of any kind for Sebring. The Company has sought to expand and develop new business but that has not produced sufficient revenues to reduce the need for rate relief. Sebring has also made every effort to control costs but there is a limit to those activities which can be avoided and continue to provide safe and reliable service. The major factor necessitating a rate increase is simply that the rates

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The Honorable Braulio Baez, Chairman

February 9, 2004

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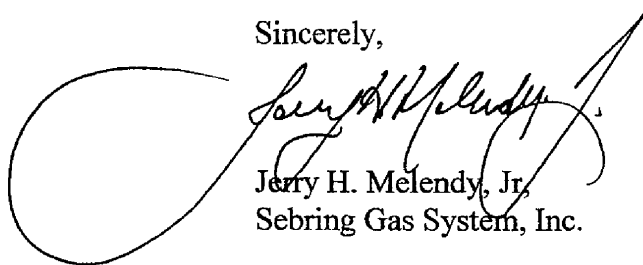
established in 1992 are not sufficient to cover the costs associated with providing service. Personnel costs have risen since 1992 as have insurance and maintenance costs and other costs.

Sebring has avoided seeking rate relief before now by maintaining an operation that is sufficient to meet the needs of its customers without exceeding its basic needs. On several occasions, Sebring relied on loans to meet its needs but that is not a long term solution. The Company recently filed a petition for approval of a Transportation Service Program which should result in a reduction of costs. Because of its size and the need to provide safe, reliable and efficient service there are limited options available to avoid rate relief but Sebring has delayed as long as it feels it can.

As referenced earlier, Sebring will be requesting that the Commission process this request as a PAA as authorized by section 366.06(4), Florida Statutes.

Thank you for your attention to this.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry H. Melendy, Jr.", is written over a large, stylized, looped flourish that extends to the left and then curves back under the signature.

Jerry H. Melendy, Jr.
Sebring Gas System, Inc.

cc: Mr. Marshall Willis
Norman H. Horton, Jr.