BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

JERRY H. MELENDY, JR.

ON BEHALF OF SEBRING GAS SYSTEM, INC

DOCKET NO. 040270-GU

JUNE 30, 2004

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jerry H. Melendy, Jr. My business address is Sebring Gas System, Inc., US Highway 27 South, Sebring, FL 33870.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am Vice President of Sebring Gas Company, Inc. ("SGS" or the "Company").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I am a 1972 graduate of Polk Community College and a 1974 graduate of the University of South Florida.

Q. WHAT ARE YOUR CURRENT DUTIES AS VICE PRESIDENT OF SGS?

A. My duties as Vice President include managing all facets of the Company's operations including: strategic planning; preparation of capital, revenue and operation and maintenance budgets; natural gas operations; human resources; engineering; sales and marketing; customer service; accounting functions and regulatory activities.

Purpose of Testimony and Organization of Case

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will generally describe the Company, its operations, and its customer base. I will explain the need for immediate rate relief, both on an interim and permanent basis, primarily due to attrition that has occurred since the original rates were approved by the Commission in 1992. I will address the Company's proposed rate of return on common equity. I will describe the steps taken to avoid a rate increase. My testimony will describe the Company's capital budget requirements during the Projected Test Year. I will address several specific increases in historic operating costs. In addition, I will describe certain increases in operating expenses required to maintain the Company's distribution system, meet customer service expectations and comply with regulatory mandates. I will provide an overview of the market area and address future economic trends for the Company's service territory. Finally, my testimony will provide support for the Company's requested rate relief by addressing the Company's historical and projected rate base, income, and capital structure.

Q. IN ADDITION TO YOUR TESTIMONY, WHAT INFORMATION IS SGS FILING IN SUPPORT OF ITS RATE REQUEST?

A. SGS is filing the Minimum Filing Requirements ("MFRs") required by the Commission's rules. SGS is also filing the testimony and exhibits of Jeff Householder, the Company's consultant in this rate case.

Q. ARE YOU SPONSORING ANY OF THE MFR SCHEDULES?

A. Yes. All of the Company's MFR schedules were prepared under my direction, supervision and control. However, for purposes of this rate case, I am sponsoring the MFR schedules identified in Exhibit No. ____ (JHM-1).

General Overview of the Company

Q. PLEASE PROVIDE A GENERAL HISTORY OF SEBRING GAS SYSTEM.

A. On April 30, 1991 Sebring Gas System filed a Petition for Issuance of Order Declaring Jurisdiction with the Commission. At that time SGS was organized as a division of Coker Fuel, Inc., a retail propane company operating in Highlands and surrounding counties. A substantial portion of the original SGS distribution system resulted from the conversion to natural gas of underground propane distribution systems operated by Coker Fuel. The Commission issued an Order Declaring Jurisdiction over SGS on July 5, 1991 (Order No. 24761) and recognized the Company as a natural gas local distribution company subject to the Commission's regulation under Chapter 366 F.S. The Company subsequently petitioned (August 1991) the Commission for approval of the Company's initial tariff and rates. The Commission authorized initial/interim rates in Order No. 25456, issued December 6, 1991. Permanent rates were authorized in Order No. PSC-92-0229-FOF-GU issued on April 20, 1992. Concurrent with the initial SGS rate proceeding, the Company was reorganized as an independent Florida corporation. In Order No. 25618, issued January 21, 1992, the Commission authorized the Company's name change from Sebring Gas System, a division of Coker Fuel to Sebring Gas System, Inc.

Q. WHAT TERRITORY DOES THE COMPANY SERVE?

A. SGS's service territory includes portions of the City of Sebring and adjacent unincorporated areas in Highlands County, Florida. The primary area of service extends along US Highway 27.

Q. PLEASE DESCRIBE THE GENERAL AREA IN WHICH THE COMPANY PROVIDES SERVICE?

A. Highlands County is located in the center of the state midway between Ft. Pierce and Sarasota. The county population is approximately 93,000. Population in the City of Sebring and adjacent communities is close to 40,000. The County is highly agricultural, with limited industrial facilities. There are no industrial customers on the Company's distribution system, although an industrial park has been developed at the Sebring Airport. The Company is in position to serve customers locating to the industrial park. There are a significant number of winter seasonal residents in

Sebring. Over 35% of the Company's residential customer base are seasonal accounts.

Q. PLEASE DESCRIBE THE CUSTOMER BASE SERVED BY SGS.

A. In 2003 SGS served approximately 600 total customers on its distribution system. Total annual gas consumption in 2003 was 745,924 therms. The 2003 customer mix included an average of 473 residential customers who accounted for approximately 10% of total throughput and 94 commercial customers who consumed the remaining 90% of throughput. As noted above, the Company currently serves no industrial customers. The largest customer is the Highlands Regional Medical Center, using approximately 85,000 therms annually.

Q. IS THE CUSTOMER BASE GROWING?

A. The non-residential customer base has experienced a marginal increase over the past several years. Average annual customers have increase from 93 in 1999 to 94 in 2003. The residential customer base, however, has declined by an average of 16 customers per year over the same period. In 1999 the Company served an annual average of 536 residences. By 2003 the annual residential customer average had dropped to 472.

Q. DOES THE COMPANY EXPERIENCE SEASONAL CHANGE IN CUSTOMERS?

A. Yes. Sebring is the winter residence to numerous "snowbirds". Historically, the Company's monthly residential customer totals decrease during the summer and increase during the winter. On average the Company experiences a swing of approximately 200 accounts from peak winter to low summer totals. As you would expect, seasonal residential customer counts begin to decrease in April and begin to increase again in October. There is no significant seasonal difference in commercial accounts.

Q. IN YOUR OPINION IS THERE A FUTURE OPPORTUNITY TO ADD CUSTOMERS IN THE SGS SERVICE AREA?

A. Yes. It appears that over the next decade Sebring and the surrounding community will continue to grow. The University of Florida's Bureau of Economic and Business Research (BEBR) projects a stable increase in the county's population from 93,000 to 107,400 by 2015. Housing starts are projected at approximately 600 units per year over the same period. Population growth will provide opportunities to serve residential development and the commercial businesses that naturally follow. One objective of this rate filing is to provide the Company with the financial capability to add customers in the future through distribution system expansions.

Q. YOU MENTIONED COKER FUEL, WHAT IS THE RELATIONSHIP BETWEEN SGS AND COKER FUEL.

A. My grandfather founded Coker Fuel in the late 1940's. As noted above, Coker Fuel is principally engaged in the retail sale of propane. Coker Fuel also sells appliances, installs piping and offers appliance installation and repair services to customers. Although SGS began as a division of Coker Fuel, today the two companies generally operate independent of each other. To the extent possible, we have intentionally separated the books, records, systems, employees and capital resources of each company. In most cases, the regulated SGS utility functions have been isolated from the non-regulated activities of Coker Fuel.

Q. YOU SAID THE TWO COMPANIES GENERALLY OPERATE INDEPENDENT OF EACH ANOTHER. CAN YOU DESCRIBE THE CIRCUMSTANCES WHERE THE TWO COMPANIES OPERATION WOULD OVERLAP?

A. Yes. Coker Fuel and SGS are separate corporations and have separate Boards of Directors, although the same individuals serve on both Boards. My father, Jerry H. Melendy, Sr., serves as President of both companies, although he is semi-retired and no longer active in the day-to-day operation of the businesses. I serve as the senior operating officer for both companies and I am the only common active employee for both companies. Periodically, other SGS employees have performed certain services for Coker Fuel. In these circumstances Coker Fuel has directly compensated these employees. My compensation is separated between the two entities and I receive separate paychecks and W-2 income statements from each company. The vehicle assigned to me is on the books of Coker Fuel. To date, SGS has not contributed to the purchase, operation or maintenance costs associated with this vehicle. Coker Fuel and SGS receive certain liability insurance coverage from the same entity, however the bill statements clearly delineate the costs associated with covering each company. SGS and Coker Fuel occupy the same building in Sebring. Each entity rents a portion of the facilities from a family trust established by my father. Each company also has separate warehouse space, also rented from the family trust. Coker Fuel absorbs all of the utility and maintenance costs on both buildings. The companies share a fax machine, although the telephone line connecting the fax is paid for by Coker Fuel. The office copier is also shared, although the SGS capital program for 2005 proposes that the utility acquire a separate copier. The copy machine is on the Coker Fuel books. Other than the current copy machine we have identified no other items that could be considered common plant between the companies.

Q. HAS COKER FUEL RECENTLY CONTRIBUTED FINANCIAL RESOURCES TO SGS?

A. Yes. Over the past few years SGS did not have the financial resources to independently support its cost requirements. Coker Fuel has provided funds for SGS operations in two ways. Coker Fuel has paid the SGS vehicle liability insurance payments for the past at least the past three years, through December 2003. In addition, Coker Fuel on several occasions provided capital infusions to SGS during 2002 and 2003. I specifically address these financial transactions, and their impact on the SGS capital structure, later in my testimony.

Q. HOW IS GAS DELIVERED TO THE SGS DUISTRIBUTION SYSTEM?

A. The SGS distribution system is not directly inter-connected to the interstate pipeline system. Gas for SGS customers must be delivered to a TECO Peoples Gas interconnect point with the Florida Gas Transmission (FGT) pipeline approximately seven miles north of the SGS distribution system. The gas is transported across the Peoples Gas distribution system to an interconnection with the Sebring distribution system at a Peoples Gas regulator station. The regulator station is located at the Sebring Generating Station in downtown Sebring. Peoples Gas charges a transportation fee to SGS (or its authorized shippers) for the delivery of gas to the Sebring distribution system under a Commission approved tariff Transportation Agreement. The approved SGS unbundling program shifted the payment obligation for the Peoples Gas transportation charge to the SGS Pool Manager. The Peoples Gas transportation charge is recovered in the cost of fuel.

Q. WHAT IS THE CURRENT STATUS OF UNBUNDLING ON THE COMPANY'S DISTRIBUTION SYSTEM?

A. On April 20, 2004 the Commission approved (Order No. PSC-04-0499-TRF-GU) SGS's petition to transfer all sales customers to transportation service and exit the gas merchant function. The program was approved on an experimental basis. Implementation began on June 1, 2004. The SGS tariff authorized by the Commission provides for two levels of transportation service. Large volume customers using over 100,000 therms per year may elect to transport on an individual basis. All customers using 100,000 therms or less per year, including residential customers, are served as part of an aggregated customer pool.

The Company negotiated an Aggregated Transportation Service (ATS) Agreement with its long-time gas marketer (Peninsula Energy Services Company, or PESCO) to serve as the Pool Manager for small volume customers. The terms of the agreement are virtually identical to those provided in the Pool Manager agreements executed with Infinite Energy by Central Florida Gas and Indiantown Gas Company, the other utilities authorized to provide experimental unbundled transportation service. To simplify the transition for its customers, SGS bills the PESCO fuel supply charges on its regular monthly statements. In addition, SGS provides a variety of administrative services to the Pool Manger (payment processing, collections, consumption tracking, maintenance of customer account information, etc.). SGS charges a Commission authorized fee currently set at $2.00 per bill to the Pool Manager for the billing and administrative services.

At the end of the first month of implementation, the Company's transportation programs appear to have been well received by customers. Program implementation was seamless and the transition to transportation service was transparent to customers. In spite of a significant recent increase in gas commodity pricing, PESCO was able to keep the overall cost of gas to SGS customers in June slightly below the previous month's PGA billing rate, principally due to the re-market of excess capacity. The Company plans to petition for the final disposition of the remaining balance of its Purchased Gas Adjustment account in August 2004. In the same petition the Company will also request the recovery of certain non-recurring program development costs through a Transportation Cost Recovery surcharge.

Requested Rate Relief

Q. WHAT IS THE AMOUNT OF THE PERMANENT RATE INCREASE SGS SEEKS IN THIS CASE?

A. To restore a reasonable rate of return on its investment, the Company is seeking a permanent annual rate increase of $234,641, representing an overall increase of 80.68%. The calculation of SGS's permanent revenue requirement is addressed later in my testimony.

Q. ON WHAT PROJECTED TEST PERIOD IS SGS BASING ITS REQUEST FOR A PERMANENT CHANGE IN BASE RATES?

A. The projected test period consists of the twelve months ending December 31, 2005. In accordance with the Commission's requirements, the MFR's include financial information for the "Historic Base Year" (2003), the "Historic Base Year +1" (2004) and the "Projected Test Year" (2005).

Q. IN YOUR OPINION, IS THE PROJECTED 2005 TEST YEAR AN APPROPRIATE TEST PERIOD FOR SETTING RATES?

A. Yes. This period best reflects the customer forecast, sales levels and overall cost of service that SGS will experience during the period in which the rates established in this proceeding will be in effect. As described in greater detail in Mr. Householder's testimony, the Company experiences little net growth in customers from one year to the next. Sales volumes in the residential classes have been relatively stable for years. As noted above, the number of residential customers has been steadily declining. Further residential customer loss is likely unless planned marketing efforts are successful. Non-residential sales volumes have increased approximately 10% over the past five years as a result of customer additions and some load growth in larger accounts. The Company expects to add three small commercial accounts during the Projected Test Year. No large volume commercial or industrial load additions are known. In short, the customer and revenue forecast is virtually flat for the foreseeable future. While there is hope for future expansion to serve growth, it is most likely well beyond the test year. The SGS capital forecasts for 2005 include no extraordinary items or major system expansion projects. The Company's fiscal year corresponds to the calendar year. The selection of calendar year 2005 as the Projected Test Year allows SGS to use readily available financial and statistical data from its 2003 fiscal year to represent the Historic Base Year.

Q. IS SGS SEEKING AN INCREASE IN ITS AUTHORIZED RETURN ON EQUITY (ROE)?

A. Yes. In establishing the Company's original rates (Order No. PSC-92-0229-FOF-GU) the Commission found the appropriate ROE for SGS to be 12%. However, the Company's current authorized return on common equity is set at 11.0%. The Company agreed to the current rate effective January 1, 1994 (Order No. PSC-93-1774-FOF-GU) as part of a comprehensive review and adjustment of ROE for all regulated gas utilities. SGS proposes that in this proceeding the Commission authorize the adoption of a 11.5% ROE rate. In keeping with the Commission's past practices, authorization of an 11.5% ROE would provide the mid-point for an authorized range of plus or minus 100 basis points.

The Company has elected not to retain the services of a cost of capital consultant. In the Company's view the substantial expense of including a cost of capital witness in this case is not warranted. Since 2000, the Commission has conducted cost of equity reviews in the disposition of several natural gas rate cases. In the Chesapeake Utilities Corporation (CUC) base rate case the Commission authorized an 11.5% ROE (Order PSC-00-2263-FOF-GU). In the St. Joe Natural Gas Company (SJNG) base rate case the Commission also authorized an ROE of 11.5% (Order No. PSC-PSC-01-1274-PAA-GU). The 2003 TECO Peoples Gas rate case resulted in an authorized ROE of 11.25% (Order No. PSC-03-0415-FOF-GU). Finally, the recent City Gas rate case also resulted in a ROE of 11.25% (Order No. PSC-04-0128-PAA-GU) While TECO Peoples Gas and City Gas are much larger companies, in my view, SGS, SGS and SJNG and, to a great extent even CUC, exhibit similar operating characteristics and business risks, factors important in assessing an appropriate cost of capital.

CUC is a relatively small company. SGS, IGC and SJNG are extremely small companies. The finance literature consistently documents that small companies generally exhibit greater investment risk than larger firms. The limited ability to absorb customer and load loss (especially of larger core accounts), general lack of revenue diversity, economic slowdowns that affect growth or retention, managing gas supply/capacity arrangements in the post FERC 636 market all define increased risks for small companies.

The lack of industrial revenues at SGS exacerbates the problem. In general industrial customers are seen as risky. Fuel switching capabilities, production adjustments tied to swings in the economy and various environmental factors can result in reduced gas sales for the utility. Revenue dependence on these large volume customers comes with a risk that the revenues will not materialize. However, industrial customer risks can be managed through various means: customer diversification, rate design, contract terms, etc. Most gas utilities work to achieve a balance between revenues received from residential, commercial and industrial customers.

Companies with no industrial load face risks that are more difficult to manage. Industrial customers generally contribute returns in excess of their cost of service and above the returns generated by commercial or residential customers. Industrial returns help mitigate rate impacts on smaller core customers. Large volume industrial customers can also provide important fuel cost related benefits to smaller customers. Industrial customers typically increase system load factors and absorb costs for peak interstate pipeline capacity quantities required to serve temperature sensitive residential and small commercial customers. Gas systems with no revenue contribution from industrial customers may ultimately find themselves with non-competitive prices and risk their ability to add and retain customers.

Many companies have determined that customer growth is an appropriate means of reducing business risk. Strategic increases in customer base can diversify revenues and more appropriately spread fixed operating costs. SGS's opportunities to overcome its lack of industrial revenue by expanding its existing distribution system to serve new customers are extremely limited at this time. Any potential expansion to serve new areas would involve miles of main extension well removed from its existing distribution system. Unfortunately, the very nature of substantial expansion of the distribution system for a small company also exposes it to significant risk. Cost overruns or delays in project build-outs can dramatically affect the recovery of gas extension investment costs. For companies of SGS's size, any delay in revenue can be catastrophic.

There are two fundamental principals that should guide the establishment of returns on equity. One, companies will not be able to attract capital for investment or to maintain financial integrity unless they can provide returns (or make interest payments) at rates that are similar to alternative investments gauged to have comparable risks. Two, companies will not invest in assets unless the expected return exceeds their cost of capital. The Commission should, in my view, set rates of return that recognize both of these principals.

I believe that my company's total risks are higher than those of most LDCs at this time. I know that our current financial position is providing an unreasonable return for the company's shareholders. I know that we have reached the point where we lack the financial strength to attract capital at reasonable rates. It is not reasonable to assume that Coker Fuel would or should continue to provide infusions of capital for SGS. The Company should be able to become financially independent. My greater concern is that, absent Commission action, SGS will struggle to reliably meet customer expectations for service in our community. I want to continue to provide quality service to existing customers. I believe allowing the SGS to retain its current ROE will significantly contribute to the restoration of the Company's financial well-being. In my opinion, the SGS risk profile and general character of service warrant the authorization of an 11.5% mid-point rate of return on common equity.

Q. IS SGS ALSO SEEKING INTERIM RATE RELIEF?

A. Yes. Using the Commission's methodology, the Company requests interim rate relief in the amount of $110,957 based on a Historic Base Year ending December 31, 2003. The calculation of SGS's interim revenue requirement and the allocation of the interim increase to the Company's existing customer classes are discussed in Mr. Householder's testimony.

Need For Rate Relief

Q. WHY IS IT NECESSARY FOR SGS TO SEEK RATE RELIEF AT THIS TIME?

A. The Company is seeking rate relief at this time primarily to address the effects of attrition over the twelve years since the Company's initial rate case. In addition, the gas industry has changed dramatically since 1992. Numerous changes in regulatory policy and the gas market have resulted in new costs that are appropriately recovered by the Company. In recent years, the Company has not had the financial resources to support an adequate capital program. SGS has appropriately deferred, delayed and postponed the purchase or replacement of several items important to providing reliable service to customers. As indicated by the absence of safety violations, the Company directed its limited resources to ensure that the safe operation of the distribution system was never an issue. A return to financial stability will enable the Company to afford those capital and expense items necessary to improve customer service, continue to provide lower cost fuel through aggregated transportation, retain skilled employees and grow the system.

Q. ARE THE COMPANY'S CURRENT RATES PRODUCING REVENUES SUFFICIENT TO YIELD AN ADEQUATE RETURN ON THE COMPANY'S INVESTMENT?

A. No. Since the origination of the Company SGS has never achieved its authorized return. Over the past several years the Company has experienced negative overall returns. The December 2003 SGS Earnings Surveillance Report indicated a negative rate of return. The Earnings Surveillance Report did not include the plant and accumulated depreciation adjustments that staff recommended in its 2001 Earnings Surveillance Audit. The staff audit adjustments have been incorporated into the Company's books and its filed MFR's. The adjustments are discussed in detail later in my testimony. If such adjustments had been made prior to filing the December 2003 Surveillance Report, the SGS rate base would have increased and the return results would have been even worse.

As described by Mr. Householder in his cost of service study, the forecast rate of return at present rates in the Projected Test Year plummets to –11.87%. If not quickly resolved, this deficiency in earnings will worsen an already serious cash flow problem and necessitate a continued infusion of equity capital or the use of commercial debt, if obtainable, to support normal operations. The revenue shortfall confronting SGS imposes a hardship on the Company and has begun to affect its ability to serve customers. Rectifying this problem on an expedited basis is the primary objective of this rate case.

Q. **YOU INDICATED THAT CHANGES IN THE GAS INDUSTRY HAVE ALSO RESULTED IN INCREASED COSTS TO SGS. PLEASE BRIEFLY DESCRIBE THE CHANGES AND RELATED COST INCREASES.**

A. Federal initiatives, culminating in FERC Order 636, substantially altered the long-standing market relationships between producers, transporters, distributors and customers. Transportation service has become commonplace for most non-residential customers, and In SGS's case, for all residential customers. This restructuring of the gas industry has required gas distributors to operate in a significantly more complex business environment. As interstate pipelines discontinued gas merchant functions, LDCs assumed a variety of new responsibilities, including purchasing gas supplies, reserving capacity on the interstate pipeline, and scheduling and controlling daily gas flows. The costs of providing such services were also shifted to the LDCs.

The regulatory and general business environments in which the Company operates have also become more complex and require the commitment of additional resources. For example, the Commission has adopted several rules over the past few years that significantly impact the Company. The updating of distribution system maps to include all service lines (Rule 25-12.061), the meter testing and meter record rules (25-7.064 and 25-7.021) and a variety of other record keeping and reporting requirements have a significant impact on the Company. Numerous Federal DOT regulations in Title 49 CFR Part 192 for Operator Qualifications, Drug Policies, and a multitude of operational standards and reporting requirements add to the Company's administrative burden.

I recognize that such regulations and business practices are appropriately adopted to ensure the safe, reliable operation of gas distribution systems. They do, however, come at a cost. Small companies, such as SGS, have a limited ability to absorb such costs. Our rate filing proposes to address some of these concerns through the addition of part-time staff and improvements in the Company's computer systems.

Q. HAS THE COMPANY TAKEN STEPS TO AVOID A RATE INCREASE?

A. Yes. The Company has made every reasonable effort to avoid seeking a rate increase. SGS has implemented numerous cost savings measures including the following:

- Limited benefits for employees – no health plan, life insurance, or pension program.
- Deferral of various distribution system improvements (It should be noted that none of the deferred projects compromised the safe

operation of the distribution system. They are important to the long-term reliability of the system.)

- Deferral of various field and office equipment purchases.
- Deferral of vehicle replacements beyond the normal depreciation life.
- Use of the Coker Fuel telephone system. SGS reimburse Coker Fuel only for the calls made, not for the original expense or maintenance of the system.
- Use of Coker Fuel office equipment. SGS pays only for outgoing faxes. No contribution to the capital cost, the cost of paper or supplies or maintenance, or the fax telephone line is made by SGS.
- My vehicle is provided by Coker Fuel. Although I use the vehicle well over 50% of the time for SGS related business, SGS does not contribute to the capital or operation expenses.
- SGS pays no building maintenance or repair costs.
- SGS negotiated no increase in building rent since the inception of the Company in 1992. The current rent is significantly below the going market rate.
- SGS contracts with an employee leasing company for a fee of 2.25% of gross payroll. The service saves SGS the expense of retaining an employee to handle payroll and administer other compensation activities (taxes, 401K plan, worker compensation insurance, etc.).
- SGS primarily purchases rebuilt meters for approximately half the cost of new meters.

- Limited the use of expensive outside contractors for meter inspections, rotary meter repair, leak surveys and road cut and site restorations.
- The Company's digital mapping system created to Commission requirements was developed in-house at a substantial savings.

The capital infusions from Coker Fuel over the past several years have also enabled SGS to meet on-going obligations without a rate increase. The Company's transfer of its customers to transportation service in June 2004 is another specific example of an effort to reduce the overall cost of gas to customers to encourage the retention of load.

Q. YOU ALSO INDICATED THAT THE COMPANY HAS DEFERRED OR POSTPONED SEVERAL IMPORTANT CAPITAL AND O&M EXPENSES AS A RESULT OF ITS REDUCED FINANCIAL CAPABILITY. PLEASE ELABOATE.

A. The following sections of my testimony provide detailed descriptions of the Company's 2005 capital budget as well as proposed increases in expenses beyond trended levels. Several of the items included in the capital list are due or overdue for replacement or are needed for safety purposes. The expense items allow the Company to meet increased administrative requirements, provide a typical level of health care benefits to employees and address extraordinary increases in insurance and other operating costs.

Capital Budget (Projected)

Q. PLEASE DESCRIBE THE COMPANY'S CAPITAL PROGRAM FOR 2004.

A. The company's capital budget for the year 2004 Is $10.021 as reflected in Schedule G-1 of the MFRs. Of the total, $7,700 is allocated to mains, service lines and meters. The Company anticipates replacing a generator for its service truck during 2004 at an approximate cost of $2,300. The only significant system expansion project anticipated in 2004 is complete. Three thousand feet of 4" and 2" plastic main was installed earlier this year to serve the Sebring Eye Clinic. Funding for the main extension was received from a Federal grant to the Sebring Eye Clinic. The main was constructed by the Clinic's contractor to SGS specifications and subject to SGS inspections. Subsequent to completion of the main it was donated to the Company. A new Holiday Inn Express and Denny's restaurant are located along the route of this main extension. Both facilities are scheduled to open in early 2005. The service lines and meter installations for the Holiday Inn and Denny's are included in the 2005 capital program.

Q. WHAT IS THE PROJECTED AMOUNT OF THE COMPANY'S CAPITAL EXPENDITURES FOR 2005?

A. The company has projected a $162,280 capital budget for the year 2005 as reflected in Schedule G-1 of the MFRs.

Q. PLEASE DESCRIBE THE MAJOR ITEMS INCLUDED IN THE COMPANY'S PROJECTED 2005 CAPITAL PROGRAM.

A. The following expenditures are included in the capital budget for 2005.

- $32,000 (Account 392.00 Transportation Equipment) for a truck used for construction, service and maintenance. The Company has an existing two-man crew with one truck. Many of the duties assigned to the crew only require one person. The addition of another truck would enable the Company to split the existing crew and increase productivity.
- $20,000 (Account 396.00 Power Operated Equipment) for a trenching unit to support the installation and replacement of mains and service lines. At present, SGS does not have trenching capability in-house. The equipment is rented, subject to availability.
- $13,855 (Account 391.00 Office Furniture and Equipment) for the following items:
    - $3,500 for Pentium 4 Desktop PC - new unit to support system mapping program and computerization of operations record keeping.
    - $3,255 for Windows 2000 Desktop PC - new unit to support system mapping program and computerization of operations record keeping.
    - $3,300 for Plotter - new unit to support system mapping and engineering activities.

- $2,500 for hand-held Meter Reading Devices - new units to replace paper records and manual data keying for billing.
- $1500 for Desktop PC - replacement unit for SGS administration and billing computer. Existing unit will be retired; there is no salvage value.
- $600 for Printer - replacement unit for SGS bill statement and general office printing. Existing unit will be retired; there is no salvage value.
- $2,000 for Copy/Fax Machine - existing unit shared with Coker Fuel.

- $890 (Account 394.04) Tools, Shop and Garage Equipment for the following items:
    - $890 for a Cut Off Saw - new unit used for road cuts. Currently SGS rents a saw for $50 per use.
- $19,835 (Account 387.00) Other Equipment for the following items:
    - $4,500 for Heat Fusion Equipment - upgrade of existing equipment for fusing plastic gas main and service lines. backup
    - $4,000 for a Self-Contained Breathing Apparatus – new safety equipment for emergency response.
    - $3,495 for a Line Locator – upgrade of existing Fisher split box unit needed to accurately meet mandated gas main/service

location requirements. Existing unit (booked in account 394.04 Tools, Shop and Garage) will be retired, no salvage value.

  - $2,940 for a Flame Ionization Unit - replacement for current obsolete unit. Existing unit will be retired; there is no salvage value.
  - $2,600 for a Combustible Gas Indicator - upgrade existing, dated Gascope unit. Existing unit will be retained as a backup.

Q. PLEASE DESCRIBE ANY MAIN ADDITIONS OR SYSTEM IMPROVEMENTS THAT MAKE UP PART OF THE 2005 CAPITAL SPENDING PLAN.

A. The Company's 2005 capital plan includes a main extension to one new commercial customer (Sebring Diner), service lines and meters to serve three new commercial accounts (Holiday Inn Express, Denny's and the Sebring Diner). A substantial main relocation and several system improvement projects are also included. The system improvement projects were originally identified in 2003 as important to maintaining the long-term reliability of the distribution system. Given the Company's lack of financial resources, only the system improvement projects critical to the immediate integrity of the system have been undertaken. The system improvement projects included in the following list were deferred pending this rate filing.

- $36,938 (Account 376.02 Mains Plastic) system improvement to relocate 2217 feet of existing 4" plastic main along the projected extension of the new Sebring Parkway. Existing main will be abandoned and retired.

- $20,422 (Account 376.02 Mains Plastic) 1362 foot 4" plastic main extension and related service line on US 27 South to the Sebring Diner and potential future customers.
- $11,215 (Account 376.02 Mains Plastic) system improvement for an 861 foot 2" plastic main distribution loop at Desoto Road.
- $8,919 (Account 376.02 Mains Plastic) system improvement for a 375 foot 1" plastic main distribution loop at the Francis Mobile Home Park.
- $6,478 (Account 376.02 Mains Plastic) system improvement) for a 520 feet 4" and 3" plastic main distribution loop on Florida Avenue.
- $927 (Account 376.02 Mains Plastic) system improvement to install main and two 1" inch plastic valves at the Francis Mobile Home Park.
- $6,097 (Account 380.01 Services Plastic) service line installations to the Holiday Inn Express, Denny's and the Sebring Diner.

Q. PLEASE DESCRIBE ANY SIGNIFICANT NEW O&M EXPENDITURES PROJECTED FOR 2005.

A. The Company's operations and maintenance expenses have always been strictly controlled. However, as attrition has further eroded the Company's financial capabilities, it became increasingly difficult to meet basic expense levels. The O&M expenses that I describe below represent projected 2005 additions above the trended expense levels included in the MFR's.

- $15,600 in Account 903 (75% FTE) for a part-time Customer Service Representative. The majority of the position's time (approximately 50% FTE) would be devoted to the administration of the Company's Aggregated Transportation Service (ATS) Program. The remaining portion of the position's time (approximately 25% FTE) would help meet the increased record keeping requirements imposed on regulated utilities described earlier in my testimony. The increased reporting, customer information, and accounting functions directly related to the ATS program have necessitated additional staff resources. These are recurring, on-going activities and would not be subject to recovery in through a TCR mechanism. Jeff Householder's testimony describes the Company's proposed allocation of these costs to the new Third Party Supplier (TPS) rate class. Establishing the TPS class would enable the Company to recover its recurring increased costs from the gas marketers benefiting from the administrative services we are providing.
- $10,000 in Account 879 to implement a Residential Load Retention Program. This proposed program is discussed in greater detail below.
- $2,000 in Account 921.09 for the purchase and operation of four Nextel telephone/radios. The radios would greatly improve communications with field personnel and facilitate the dispatch of crews for service and emergency response.

- $30,000 in Account 928 for the amortization of rate case expenses over a proposed four-year period.

Q. PLEASE PROVIDE ADDITIONAL INFORMATION ON THE COMPANIES PROPOSED RESIDENTIAL LOAD RETENTION PROGRAM.

A. The Company is experiencing a steady loss of its residential customers to electricity. The majority of the residential customer losses are low volume customers, generally using less than 100 therms per year. Many of these customers have only one gas appliance. At the point the final gas appliance needs to be replaced, the Company is at risk of losing the entire account and incurring the expense of cutting and capping the service. Since 1999, residential loses total approximately 65 accounts or over 10% of the residential customer base. Total margin loss from these accounts is estimated at almost $36,000 over the past five years.

The Company proposes to initiate a Residential Load Retention Program to reduce the number of lost customers. As noted above, SGS has included a budget amount of $10,000 in the Projected Test Year to fund the program. At-risk single appliance customers with no gas water heater would be identified. A variety of incentives designed to add an appliance in the customer's home would be developed in conjunction with local trade allies. Generally, the program would focus on offering residential customers free water heater installations. Customers with more than one gas appliance rarely discontinue service. The program would target 20 water heater installations at $500 each.

MFR Historic Data

Q. HOW DID YOU DERIVE THE HISTORIC DATA PRESENTED IN THE MFR'S?

A. All data related to the historic base year are taken from the books and records of the Company, located in Sebring, Florida. These records are kept according to the recognized accounting practices and provisions of the Uniform System of Accounts as prescribed by the FPSC.

Rate Base

Q. PLEASE DESCRIBE HOW THE HISTORIC YEAR RATE BASE WAS CALCULATED.

A. For the historic base year, a 13-month average rate base was calculated for the period ended December 31, 2003. The historic base year also corresponds to the Company's fiscal year. MFR Schedule B-2 shows the calculation of historic base year rate base. Net plant is defined as the sum of 1) plant in service, less any allocated common plant and, 2) construction work in progress (CWIP), less accumulated depreciation, and amortization. Net plant during the historic year was $762,283. An allowance for working capital, less adjustments for non-utility assets and liabilities, if any, is added to net plant to calculate total rate base. The

SGS working capital allowance totals $20.553. As shown on MFR Schedule B-2, the total 13-month average rate base for the Company, after adjustments, was $782,836.

Q. HAS SGS IDENTIFIED AND EXCLUDED FROM RATE BASE THOSE PORTIONS OF ITS COMMON PLANT THAT ARE PROPERLY ALLOCATED TO NON-UTILITY OPERATIONS?

A. Typically, in base rate proceedings, utilities adjust Net Plant to account for common plant shared by a parent or affiliate company or non-utility business entity. SGS is affiliated with Coker Fuel as described earlier in my testimony. However, to my knowledge there are no items that would qualify as common plant between SGS and Coker Fuel or any other entity. SGS does not engage in non-utility operations. No common plant adjustments were included in the Historic Base Year or Projected Test Year determination of Net Plant and Rate Base.

Q. HAS THE COMPANY EXCLUDED COMPONENTS OF WORKING CAPITAL APPLICABLE TO NON-UTILTIY OPERATIONS FROM THE WORKING CAPITAL ALLOWANCE?

A. As noted above, SGS does not engage in any non-utility business activities. Therefore, our MFR's for the Historic Base Year and Projected Test Year do not include adjustments to Working Capital to account for non-utility activity.

Q. HAS THE COMPANY MADE ADJUSTMENTS TO ITS HISTORIC YEAR RATE BASE?

A. Yes.

Q. PLEASE EXPLAIN.

A. In 2001 the Commission staff initiated an Earnings Surveillance Audit of SGS (Audit Control No. 02-167-3-1) for the year ended December 31, 2001. The audit was conducted in part to support a review of the Company's request for approval of its Depreciation Rate Study for the five-year period 1996 through 2000, filed with the Commission on June 25, 2001. The Commission approved the Company's depreciation rates in Order No. PSC-03-0260-PAA-GU issued on February 24, 2003, with an effective date of January 1, 2002.

The staff Earnings Surveillance Audit Report issued on November 22, 2002, detailed several appropriate adjustments to the Company's plant account balances. The adjustments corrected the balances in several individual plant accounts, but had a minimal impact on total plant. Staff also found that significant adjustments to accumulated depreciation and a corresponding adjustment to retained earnings should be implemented. The staff audit recalculated accumulated depreciation and depreciation expense from December 1, 1992 through December 31, 2001. The recalculation utilized the Company's original rate order, the staff adjusted plant and accumulated depreciation balances and the appropriate depreciation rates throughout the period.

Staff Audit Exception No. 4 details adjusting entries that would correct an over-recording of accumulated depreciation and depreciation expense on the SGS books. The staff audit notes that the Company appears to have used accelerated depreciation rates not consistent with Commission requirements. The actual staff audit entries would debit accumulated depreciation in the amount of $335,827.24 and credit retained earnings in the amount of $331,488.20 and depreciation expense in the amount of $4,339.04.

In preparing the MFR's for this rate filing, the Company recognized that it had not implemented the staff adjustments from the earnings audit. The Company agreed that the audit adjustments should be incorporated into the Company's books. However, the staff audit proposed adjustments to correct entries through December 31, 2001. For rate making purposes the Company needed to ensure its books accurately reflected the staff adjustments through the Historic Base Year ended December 31, 2003. Any correction of the Company's books would necessarily require the inclusion of the staff audit corrections along with the actual activity (plant additions, retirements, etc.) recorded in 2002 and 2003.

In the accounting month of May 2004 the Company made the adjusting entries to incorporate the staff audit findings effective December 31, 2003. The correcting entries include the plant account balances from the staff audit at December 31, 2001 and reflect the Company's subsequent actual account activity. We have included the staff audit adjustments in the MFR's as "Out of Period" adjustments to the Company's books on Company added Schedules B-16.1, pages 1 through 3, for the Historic Base Year. Exhibit No. ____ (JHM-2) details the year-end 2003 adjusting entries to plant, accumulated depreciation and accumulated amortization. In addition, Exhibit No. ____ (JHM-3) includes several schedules (using MFR format) that apply the correcting entries from the staff audit beginning December 31, 2001 and track plant, accumulated depreciation and depreciation expense using actual Company activity for 2002 and 2003. The adjustments included in the Exhibit schedules were used in the forecast of Rate Base and Capital Structure for the Projected Test Year.

Q. WHAT IS THE IMPACT ON RATE BASE IN THE PROJECTED TEST YEAR OF SGS'S CAPITAL REQUIREMENTS FOR 2004 AND 2005.

A. Projected capital spending is detailed on Schedule G-1, and amounts to $10,021 for the historic base year + 1 (page 23) and $181,835 in the Projected Test Year (page 26). These expenditures have been scheduled by month in accordance with the Company's expectations as to the timing of the actual outlays. Average Rate Base is calculated reflecting the timing of the expenditures and their impact on CWIP and plant balances.

Q. WHAT IS THE APPROPRIATE PROJECTED TEST YEAR NET UTILTIY PLANT IN SERVICE FOR SGS?

A. The appropriate Net Utility Plant in Service is $1,115,401, reflecting the adjustments described above, and is included on MFR Schedule G-1, page 1.

Q. PLEASE EXPLAIN ANY ADJUSTMENTS TO THE PROJECTED TEST YEAR RATE BASE.

A. As noted above, the Company incorporated recommended adjustments from the Commission's most recent Earnings Surveillance Audit in its May 2004 books, effective December 31, 2003. There are no adjustments, other than working capital, to Rate Base in the Projected Test Year.

Q. WHAT ARE THE APPROPRIATE DEPRECIATION RATES FOR THE HISTORIC BASE YEAR AND THE PROJECTED TEST YEAR?

A. The Commission approved the Company's current depreciation rates on October 6, 2003 (Order No. PSC-03-1111-PAA-GU). The Order established an effective date for the new rates of January 1, 2002. The authorized rates from this Order were used to prepare the MFR's for both the Historic Base Year and Projected Test Year.

Q. WHAT IS THE APPROPRIATE WORKING CAPITAL ALLOWANCE FOR THE PROJECTED TEST YEAR?

A. The appropriate Working Capital Allowance, calculated using the Balance Sheet Method, is ($17,122) per Schedule G1 page 3, which reflects the adjustments described above.

Q. WHAT IS THE APPROPRIATE ADJUSTED RATE BASE FOR THE PROJECTED TEST YEAR?

A The appropriate Adjusted Rate Base for the Projected Test Year is $1,132,523. MFR Schedule G-1, page 1 presents the components of the SGS Rate Base.

<u>**Net Operating Income**</u>

Q. WHAT IS THE APPROPRIATE AMOUNT OF OPERATING REVENUES AT PRESENT RATES FOR THE PROJECTED TEST YEAR?

A. The appropriate amount of Operating Revenues for the Projected Test Year is $288.074.

Q. WHAT ADJUSTMENTS WERE MADE TO PROPERLY REFLECT OPERATING REVENUES FOR THE PROJECTED TEST YEAR?

A. No adjustments were made to operating revenues for the Projected Test Year.

Q. WHAT IS THE APPROPRIATE O&M EXPENSE BENCHMARK VARIANCE FACTOR FOR SGS?

A. The appropriate benchmark variance factor is 1.0113, reflecting the increase in the average number of customers and the increase in the average Consumer Price Index ("CPI") from the most recent prior rate case in 1992 to the current case Historic Base Year (2003). The calculation of this benchmark variance factor is presented on Schedule C-37.

Q. PLEASE DISCUSS THE BENCHMARK VARIANCES FOR OPERATIONS & MAINTENANCE EXPENSE AS SHOWN ON MFR SCHEDULE C-34.

A. The Company's only expense exceeding the benchmarks is in it's a&G account. The A&G variance represents a reallocation of expenses previously recorded in Distribution Maintenance and Customer Accounts.

Q. PLEASE EXPLAIN THE SOURCE OF DATA FOR THE O & M COMPOUND MULTIPLIER CALCULATION ON MFR SCHEDULE C-37.

A. Company records were used to determine the number of customers at December 31 of each respective year. From year-end 1992 through year-end 2003 the average number of customers decreased by sixty-five (65) customers. The compound multiplier calculations assume zero percentage customer growth rate. The CPI annual average data was obtained from the Annual and Monthly Report from the US Bureau of Labor Statistics. The CPI increased from 140.3 for 1992 to 184.0 for 2003, for an increase of 31.1%.

Q. PLEASE EXPLAIN THE TRENDING FACTORS ON MFR SCHEDULE G-2, PAGE 10.

A. The trending was done in two parts. All O&M expenses were divided between labor and other expenses. An appropriate factor was calculated or otherwise determined for each group of expenses. This factor was then compounded for a two-year period (2004 and 2005) and applied to the

2003 expenses in each functional area to derive the projected test year amounts.

Annual increases of 2.0% and 2.5% were used to trend labor expenses in 2004 and 2005, respectively. Non-labor expenses were trended using an either: 1) an compounded inflation rate was calculated using the projected increases in the CPI of 2.3% for 2004 and 2.4% for 2005 or, 2) a compounded customer growth times inflation rate (zero customer growth rate). CPI projections were based on Blue Chip Financial Forecast data.

Q. COULD YOU DESCRIBE THE MAJOR EXPENSES THAT WERE DETERMINED BY SOME METHOD OTHER THAN TRENDING 2003 EXPENSES?

A. O&M expenses that were developed by specific examination of the expected costs in 2005 rather than by trending 2003 expenses are discussed in detail earlier in my testimony.

Q. HAS THE COMPANY REMOVED ANY EXPENSES RECURRING HISTORIC EXPENSES FROM THE PROJECTED TEST YEAR?

A. Yes. SGS contributes $100 per year to the Florida Natural Gas Association Political Action Committee to support gas industry lobbying efforts. This expense has been removed from the Projected Test Year expense forecast on Schedule C-2, Page 1 of 2.

Q. WHAT IS THE APPROPRIATE AMOUNT OF RATE CASE EXPENSE AND THE APPROPRIATE AMORTIZATION PERIOD?

A. The Company's calculation of rate case expense for the current case is included on Schedule C-13. The total projected costs are $120,000. It should be noted, however, that this projection would change in the event a hearing is required to resolve this case. We propose that the amount projected for this case is amortized over a four-year period. The total amount projected for rate case amortization expense in 2005 is $30,000.

Q. HAS SGS PROPERLY IDENTIFIED AND EXCLUDED FROM O&M THOSE PORTIONS OF ITS A&G EXPENSES THAT ARE APPLICABLE TO ITS NON-UTILITY OPERATIONS?

A. The Company does not engage in non-utility operations and, therefore, has no such O&M adjustments.

Q. WHAT IS THE APPROPRIATE AMOUNT OF PROJECTED TEST YEAR O&M EXPENSE?

A. The appropriate amount of O&M for the Projected Test year is $321,779, which is included in Operating Expenses used to calculate Net Operating Income on Schedule G-2, page 1.

Q. WHAT IS THE APPROPRIATE AMOUNT OF DEPRECIATION EXPENSE TO BE INCLUDED IN THE PROJECTED TEST YEAR?

A. The appropriate amount of depreciation expense is $64,755, which is included on Schedule G-2, page 25.

Q. WHAT IS THE APPROPRIATE AMOUNT OF TAXES OTHER THAN INCOME TAXES TO BE INCLUDED IN THE PROJECTED TEST YEAR?

A. The appropriate amount of taxes other than income taxes is $7,117, which is included in Operating Expenses on Schedule G-2, page 1.

Q. WHAT IS THE APPROPRIATE AMOUNT OF INCOME TAX EXPENSE FOR THE PROJECTED TEST YEAR, INCLUDING INTEREST SYNCHRONIZATION?

A. The appropriate amount of Income Tax Expense, including an adjustment for interest synchronization, for the projected test year is ($41,158), which is presented by component on Schedule G-2, page 1.

Q. WHAT IS THE APPROPRIATE AMOUNT OF NOI FOR THE PROJECTED TEST YEAR?

A. The appropriate amount of NOI for the projected test year, as adjusted for the items described above, is ($64,419) as identified on MFR Schedule G-2, page 1.

Capital Structure

Q. HAVE YOU PREPARED AN SCHEDULE SHOWING THE COMPANY'S CAPITAL STRUCTURE?

A. Yes. The information appears on Schedule G-3, page 2.

Q. HAVE YOU PREPARED THE COMPANY'S CAPITAL STRUCTURE FOR RATEMAKING PURPOSES CONSISTENT WITH THE MANNER IN WHICH IT WAS APPROVED IN THE LAST RATE CASE?

A. Yes.

Q. WHAT DEBT/EQUITY RATIO AFTER ADJUSTMENTS DID YOU EMPLOY?

A. The calculation of capital structure reflects sources of capital as follows: Equity 52.5%, Long-Term Debt 42.8%, and Customer Deposits 4.7%. The Company is projecting no Short-Term Debt.

Q. EARLIER IN YOUR TESTIMONY YOU DESCRIBED ADJUSTMENTS TO THE COMPANY'S RATE BASE AND CAPITAL STRUCTURE RESULTING FROM THE 2001 STAFF EARNINGS SURVEILLANCE AUDIT. PLEASE DESCRIBE THE EFFECTS ON CAPITAL STRUCTURE RELATED TO THE ADJUSTMENTS.

A. Audit Exception No. 4 from the staff 2001 Earnings Surveillance Audit Report for SGS debited Accumulated Depreciation in the amount of $336,270.31 and credited Retained Earnings and Depreciation Expense in an equal amount. The Retained Earnings adjustment would have had the effect of increasing equity $336,270.31 at year-end 2001. As noted above in the rate base discussion, the Company, in the accounting month of May 2004 made the adjusting entries to incorporate the staff audit findings effective December 31, 2003. The correcting entries include the plant account balances from the staff audit at December 31, 2001 and reflect the Company's subsequent actual account activity in 2002 and 2003. Exhibit No. ____ (JHM-2) indicates the adjusting entries to Retained Earnings at year-end 2003. The total equity impact of incorporating the staff audit adjustments equals $361,424 ($336,270 from the staff audit report and $25,154 from the plant and depreciation corrections flowed through 2002 and 2003).

Q. YOU ALSO NOTED THAT PERIODIC "INFUSIONS OF CAPITAL" WERE RECEIVED BY SGS FROM COKER FUEL OVER THE PAST FEW YEARS. HOW ARE THESE FUNDS TREATED IN THE SGS CAPITAL STRUCTURE?

A. Over the past three years SGS's revenues have not been sufficient to support its on-going operations. During this period Coker Fuel provided $222,052.50 to SGS. As noted previously, the funds from Coker Fuel were provided in two ways; periodic cash transfers, and in payments by Coker Fuel of SGS vehicle liability insurance premiums. In 2004, to date, no capital transfers from Coker Fuel to SGS have occurred and SGS has paid all of its own vehicle insurance premiums.

Both companies originally viewed the monthly insurance premium payments by Coker Fuel for SGS as a debt that SGS would eventually repay. SGS established an Accounts Payable Coker liability account (Account 234) on its balance sheet and entered an amount equal to each monthly payment made by Coker Fuel for SGS in the account. The cash transfers, however, were originally recorded in a Paid In Capital equity account on the SGS balance sheet (Account 211). At the end of the years in which capital was provided by Coker, SGS re-classed the total amount received from Coker Fuel to the AP Coker account with the intent of repaying Coker Fuel at some future date.

During the preparation of this rate filing it became obvious that the SGS equity position had deteriorated significantly below the percentage generally considered minimally acceptable in the industry. Equity on the Company's books was recorded as $64,029 at November 2003, representing approximately less than 10% of the total capital structure. The staff adjustments included in the 2001 Earnings Surveillance Audit Report were recorded on the Company's books in May 2004. A recalculation of the SGS Debt/Equity position was undertaken assuming the staff adjustments had been in place effective December 31, 2001. Even with the positive effect on equity that resulted from the staff audit adjustment, SGS equity only increased to $414,500, or approximately 40% of total capital structure.

Given the Company's diminished equity position resulting from several years of negative net income, I determined that the entire amount of funds received by SGS from Coker Fuel should be classified as Paid in Capital and considered an equity contribution. In the accounting month of May 2004 the funds were re-classed on the SGS books, effective December 31, 2003. The adjusting entry is detailed in Exhibit No. ____ (JHM-2). The adjustments included in the Exhibit schedules were used in the forecast of Rate Base and Capital Structure for the Projected Test Year. Including the entire $222,052.50 received from Coker Fuel in equity results in a SGS equity of $636,561 at year end 2003 (not 13-month average), for an equity ratio of approximately 55%, and a projected equity ratio of 52.5% in the Projected Test Year.

Q. HOW IS THE TOTAL AMOUNT OF EQUITY IN THE PROJECTED TEST YEAR DETERMINED?

A. The amount of equity is based on the projected weighted average balance of common equity for the Projected Test Year, including the equity adjustments described above. It is my belief that the SGS proposed debt/equity ratio is appropriate and reflective of the actual capital structure that will exist during the period rates are in effect.

Q. PLEASE DESCRIBE THE COMPANY'S FORECAST DEBT POSITION IN THE PROJECTED TEST YEAR.

A. The Company's existing loan from the Wauchula State Bank is scheduled to rollover on May 24, 2005. The interest rate in the loan instrument is tied to the prime rate. The current rate is 5.75%. Based on discussions with bank personnel, we anticipate that the interest rate will increase by 0.5% to 6.25% at the time of rollover. The Company also has two vehicle loans with Ford Motor Credit that mature in 2004 and 2005. The 2005 capital program projects the purchase of a new $32,000 service truck. The Company anticipates financing the new truck through Ford Motor Credit. Discussions with the local dealership indicate a probable interest rate of 7% at the time of purchase.

Absent the proposed rate relief, the Company would be required to raise additional capital to fund its proposed capital program and support operations. The Projected Test Year includes an assumption of $100,000 in additional debt and $100,000 in additional equity that would be needed, if rates remained at current levels.

Q. WHAT IS THE APPROPRIATE LEVEL OF CUSTOMER DEPOSITS TO BE USED IN THE DETERMINATION OF THE SGS CAPITAL STRUCTURE FOR THE PROJECTED TEXT YEAR?

A. The appropriate level of Customer Deposits to be included in the determination of the SGS capital structure is $55,865, which is the average level of customer deposits for the Projected Test Year.

Q. WHAT IS THE APPROPRIATE LEVEL OF DEFERRED INVESTMENT TAX CREDITS TO BE USED IN THE DETERMINATION OF the SGS CAPITAL STRUCTURE FOR THE PROJECTED TEST YEAR?

A. The Company has no Deferred Investment Tax Credits.

Q. WHAT IS THE APPROPRIATE LEVEL OF DEFERRED INCOME TAXES TO BE USED IN THE DETERMINATION OF THE SGS CAPITAL STRUCTURE FOR THE PROJECTED TEST YEAR?

A. The Company has projected no Deferred Income Taxes for the Projected Test Year.

Q. DOES THE SGS CAPITAL STRUCTURE FOR RATEMAKING PURPOSES FOR THE PROJECTED TEST YEAR PROPERLY EXCLUDE NON-UTILITY INVESTMENTS?

A. The Company does not engage in non-utility activities.

Q. WHAT IS THE APPROPRIATE COST RATE FOR COMMON EQUITY?

A. The appropriate cost rate for Common Equity is 11.5%.

Q. WHAT IS THE APPROPRIATE COST RATE FOR LONG-TERM DEBT?

A. The appropriate cost rate for Long-Term Debt is 5.43%.

Q. WHAT IS THE APPROPRIATE COST RATE FOR SHORT-TERM DEBT?

A. The Company projects no Short-Term Debt in the Projected Test Year..

Q. WHAT IS THE APPROPRIATE COST RATE FOR CUSTOMER DEPOSITS?

A. The appropriate cost rate for Customer Deposits is 6.23%. This is a weighted average rate of 6% paid by SGS on residential customer deposits and 7% on commercial deposits in accordance with the Company's approved tariff.

Q. WHAT IS THE APPROPRIATE COST RATE FOR INVESTMENT TAX CREDITS AND DEFERRED INCOME TAXES?

A. As noted above, SGS has no Deferred Investment Tax Credits or Deferred Income Taxes.

Q. WHAT IS THE APPROPRIATE WEIGHTED AVERAGE COST OF CAPITAL FOR SGS FOR RATEMAKING PURPOSES FOR THE PROJECTED TEST YEAR?

A. The appropriate weighted average overall cost of capital for SGS in the Projected Test Year is 8.65%.

Q. WHAT IS THE APPROPRIATE REVENUE EXPANSION FACTOR FOR THE PROJECTED TEST YEAR?

A. The appropriate revenue expansion factor is 1.4450, as calculated on Schedule G-4.

Q. WHAT ARE THE REVENUE DEFICIENCY AND TOTAL OPERATING REVENUE REQUIREMENT FOR THE PROJECTED TEST YEAR?

A. The revenue deficiency for SGS in the Projected Test Year is $234,641, as calculated on Schedule G-5 of the MFRs. This deficiency results from a total operating revenue requirement of $520,478, which has been used as the basis for the rates developed by company witness Jeff Householder, as presented in his testimony. The requested increase is required by the Company in order to give it the opportunity to earn a fair rate of return based on conditions during the projected test year.

Q. ARE YOU SENSITIVE TO THE RATE IMPACT IMPLICATIONS UOUR REQUEST?

A. Yes. I recognize that the rate increase we are proposing is significant. We have worked hard to limit expenses and minimize the rate increase. Unfortunately, after twelve years rate relief is required. I do not want to accelerate customer loss or negatively affect our ability to attract new accounts as a result of this proceeding. As an example of our concern, the Company is willing to explore options for implementing new rates or other ways to mitigate the impact to customers, but it is essential for the continued operations of the Company that we receive rate relief.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

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Exhibit No. (JHM-1)
Sebring Gas System, Inc.
Docket No. 040270-GU

LIST OF MFR SCHEDULES SPONSORED BY JERRY H. MELENDY, JR.

Schedule		Title
A-1	P. 1	Summary
A-2	P. 1	Summary
A-3	P. 1	Summary – Rate Base
A-4	P. 1	Summary – Net Operating Income
A-5	P. 1	Summary
A-6	P. 1	Summary
B-1	PP. 1-2	Rate Base – Historic Balance Sheet
B-2	P. 1	Rate Base
B-3	P. 1	Rate Base – Adjustments
B-4	P. 1	Rate Base – Plant Balances – Test Year
B-5	PP. 1-3	Rate Base – Allocation of Common Plant
B-6	P. 1	Rate Base – Acquisition Adjustment
B-7	PP. 1-2	Rate Base – Property Held for Future Use
B-8	P. 1	Rate Base – Construction Work In Progress
B-9	P. 1	Rate Base – Historic Depreciation Reserve Balances
B-10	P. 1	Rate Base – Amortization/Recovery Reserve Balances
B-11	P. 1	Rate Base – Depreciation/Amortization Reserve Common Plant

Schedule	Title
C-15 P. 1	Out of Period Adj. to Revenues and Expenses
C-16 P. 1	Gain and Losses on Disposition of Plant or Property
C-17 P. 1	Monthly Depreciation Expense-Historic Base Year
C-18 P. 1	Amortization/Recovery-Historic Base Year
C-19 P. 1	Allocation of Depreciation/Amortization-Common Plant
C-20 P. 1	Reconciliation of Total Income Tax Provision
C-21 P. 1	State and Federal Income Tax Calculation-Historic Year
C-22 P. 1	Interest In Tax Expense
C-23 P. 1	Book/Tax Differences -Permanent
C-24 P. 1	Deferred Income Tax Expense
C-25 PP. 1-2	Deferred Income Tax Adjustment
C-26 P. 1	Parent Debt Information
C-27 P. 1	Income Tax Returns
C-28 P. 1	Miscellaneous Tax Information
C-29 P. 1	Consolidated Return
C-30 PP. 1-2	Other Taxes
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C-32 P. 1	Transactions with Affiliated Companies
C-33 P. 1	Wage and Salary Increases
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C-36	P. 1	Base Year Recoverable O&M Expenses
C-37	P. 1	O&M Compound Multiplier Calculation
C-38	PP. 1-3	O&M Benchmark Variance by Function
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D-2	PP. 1-2	Long-Term Debt Outstanding
D-3	P. 1	Short Term Debt
D-4	P. 1	Preferred Stock
D-5	P. 1	Common Stock
D-6	P. 1	Customer Deposits
D-7	P.	Sources and Uses of Funds
D-8	P. 1	Issuance of Securities
D-9	P. 1	Subsidiary Investments
D-10	P. 1	Reconciliation of Average Capital Structure to Average Jurisdictional Rate Base
D-11	PP. 1-3	Financial Indicators
D-12	P. 1	Applicants Market Data
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G-1	PP. 2-3	Calculation of Projected Test Year Rate Base-Working Capital
G-1	P. 4	Rate Base Adjustments

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G-1	PP. 5-6	Historic Base Year + 1 Balance Sheet
G-1	PP. 7-8	Projected Test Year – Balance Sheet
G-1	PP. 9-10	Calculation of the Projected Teat Year Rate Base
G-1	PP. 11-12	Depreciation Reserve Balances
G-1	PP. 13-14	Amortization/Recovery Reserve balance
G-1	P. 15	Allocation of Common Plant - Historic Base Year + 1
G-1	PP. 16-17	Detail of Common Plant - Historic Base Year + 1
G-1	P. 18	Allocation of Common Plant - Projected Test Year
G-1	PP. 19-20	Detail of Common Plant - Projected Test Year
G-1	P. 21	Allocation of Depr./Amort. Reserve – Common Plant – Historic Base Year + 1
G-1	P. 22	Allocation of Depr./Amort. Reserve – Common Plant – Projected Test Year
G-1	P. 23	Historic Base Year +1 – Rate Base
G-1	P. 24	Historic Base Year +1 – Plant Additions
G-1	P. 25	Historic Base Year +1 – Plant Retirements
G-1	P. 26	Projected Test Year – Rate Base
G-1	P. 27	Projected Test Year – Plant Additions
G-1	P. 28	Projected Test Year – Plant Retirements
G-2	P. 1	Projected Test Year NOI - Summary

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G-2	P. 4	NOI – Historic Base Year +1
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G-2	PP. 10-19	O&M Historic Base Year +1 and Projected Test Year
G-2	P. 20	Projected Test Year – Deprc. And Amort.
G-2	P. 21	Amortization/Recovery – Historic Base Year + 1
G-2	P. 22	Allocation of Depr./Amort. Expense – Common Plant – Projected Test Year
G-2	P. 23	Depreciation and Amortization – Projected Test Year
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G-2	P. 25	Allocation of Depr./Amort. Expense – Common Plant – Projected Test Year
G-2	P. 26	Reconciliation of Total Income Tax Provision – Historic Base Year + 1
G-2	P. 27	State and Federal Income Tax Calculation – Current –Historic Base Year +1
G-2	P. 28	Deferred Income Tax Expense – Historic Base Year +1
G-2	P. 29	Reconciliation of Total Income Tax Provision – Projected Test Year
G-2	P. 30	State and Federal Income Tax Calculation – Projected Test Year
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G-3	P. 1	Cost of Capital – Historic Base Year + 1

Schedule		Title
G-3	P. 2	Cost of Capital – Projected Test Year
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G-3	P. 6	Common Stock Issues – Annual Data
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G-4	P. 1	Revenue Expansion Factor – Projected Test Year
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I-1	P.1	Customer Service – Interruptions
I-2	P.1	Notification of Commission Rule Violations
I-3	PP.1-3	Meter Testing – Periodic testing
I-4	P. 1	Records – Vehicle Allocation

Exhibit No. (JHM-2)
Sebring Gas System, Inc.
Docket No. 040270-GU

SEBRING GAS SYSTEM ACCOUNT ENTRIES TO RECORD ADJUSTMENTS FROM THE COMMISSION STAFF'S 2001 EARNINGS SURVEILANCE AUDIT REPORT

EXHIBIT JHM-2

COMPANY: SEBRING GAS SYSTEM, INC.
DOCKET NO: 040270-GU

PLANT BALANCES

LINE NO.	A/C NO.	DESCRIPTION	BALANCE PER BOOKS DEC 2003	BALANCE PER SCHEDULE DEC 2003	ADJUSTING ENTRY
1	301	ORGANIZATIONAL COSTS	$143,996	$113,772	($30,224)
2	303	INTANGIBLE PLANT	$0	$0	$0
3	374	LAND AND LAND RIGHTS	$9,400	$15,625	$6,225
4	376	MAINS (REPLACEMENT)	$0	$0	$0
5	376	MAINS (STEEL)	$172,693	$142,823	($29,870)
6	376	MAINS (PLASTIC)	$742,604	$770,610	$28,006
7	378	M & R EQUIPMENT - GENERAL	$10,627	$10,419	($208)
8	379	M & R EQUIPMENT - CITY	$63,703	$53,994	($9,709)
9	380	DIST PLANT -SERVICES (STEEL)	$363,648	$355,552	($8,096)
10	380	DIST PLANT -SERVICES (PLASTIC)	$157,006	$262,291	$105,285
11	381	METERS	$125,705	$136,516	$10,811
12	382	METER INSTALLATIONS	$52,461	$49,560	($2,901)
13	383	REGULATORS	$27,267	$27,635	$368
14	384	REGULATOR INSTALL HOUSE	$40,776	$40,341	($435)
15	386	CUSTOMER CONVERSIONS	$69,168	$34,563	($34,605)
16	387	OTHER EQUIPMENT	$3,314	$6,273	$2,959
17	389	LAND AND LAND RIGHTS	$0	$0	$0
18	390	LEASEHOLD IMPROVEMENTS	$0	$2,800	$2,800
19	391.1	OFFICE FURNITURE	$481	($728)	($1,209)
20	391.2	OFFICE EQUIPMENT	$16,716	$16,715	($1)
21	392.1	LIGHT VEHICLES	$78,431	$72,185	($6,246)
22	392.3	OTHER VEHICLES	$1,030	$0	($1,030)
23	394	TOOLS AND WORK EQUIPMENT	$4,299	$284	($4,015)
24	396	POWER OPERATED EQUIPMENT	$1,444	$1,444	$0
25	397	COMMUNICATION EQUIPMENT	$972	$972	$0
26	398	MISC. EQUIPMENT	$0	$0	$0
27	216	RETAINED EARNINGS			($27,905)
28		TOTAL PLANT IN SERVICE	$2,085,741	$2,113,646	$0

COMPANY: SEBRING GAS SYSTEM, INC.
DOCKET NO.: 040270-GU

ACCUMULATED DEPRECIATION

LINE NO.	A/C NO.	DESCRIPTION	BALANCE PER BOOKS DEC 2003	BALANCE PER SCHEDULE DEC 2003	ADJUSTING ENTRY
1	301	ORGANIZATIONAL COSTS	$0	$0	$0
2	303	INTANGIBLE PLANT	$0	$0	$0
3	374	LAND AND LAND RIGHTS	$0	$0	$0
4	376	MAINS (REPLACEMENT)	$0	$0	$0
5	376	MAINS (STEEL)	$167,896	$109,749	$58,147
6	376	MAINS (PLASTIC)	$329,152	$248,060	$81,092
7	378	M & R EQUIPMENT - GENERAL	$9,598	$2,553	$7,045
8	379	M & R EQUIPMENT - CITY	$35,211	$16,834	$18,377
9	380	DIST PLANT -SERVICES (STEEL)	$414,401	$320,843	$93,558
10	380	DIST PLANT -SERVICES (PLASTIC)	$80,593	$80,817	($224)
11	381	METERS	$84,531	$65,288	$19,243
12	382	METER INSTALLATIONS	$32,027	$23,447	$8,580
13	383	REGULATORS	$16,056	$11,045	$5,011
14	384	REGULATOR INSTALL HOUSE	$29,554	$20,582	$8,972
15	386	CUSTOMER CONVERSIONS	$36,946	$12,763	$24,183
16	387	OTHER EQUIPMENT	$1,899	$3,118	($1,219)
17	389	LAND AND LAND RIGHTS	$0	$0	$0
18	390	LEASEHOLD IMPROVEMENTS	$0	$0	$0
19	391.1	OFFICE FURNITURE	($643)	($96)	($547)
20	391.2	OFFICE EQUIPMENT	$13,517	$14,883	($1,366)
21	392.1	LIGHT VEHICLES	$45,131	$55,060	($9,929)
22	392.3	OTHER VEHICLES	$506	$0	$506
23	394	TOOLS AND WORK EQUIPMENT	$2,419	$69	$2,350
24	396	POWER OPERATED EQUIPMENT	$1,444	$1,227	$217
25	397	COMMUNICATION EQUIPMENT	$473	$473	$0
26	398	MISC. EQUIPMENT	$0	$0	$0
27	216	RETAINED EARNINGS			($313,994)
28	108	TOTAL DEPRECIATION RESERVE	$1,300,711	$986,717	$0

COMPANY: SEBRING GAS SYSTEM, INC.
DOCKET NO: 040270-GU

ACCUMULATED AMORTIZATION

LINE NO.	A/C NO.	DESCRIPTION	BALANCE PER BOOKS DEC 2003	BALANCE PER SCHEDULE DEC 2003	ADJUSTING ENTRY
1	301	ORGANIZATIONAL COSTS	$57,568	$37,004	$20,564
2	303	INTANGIBLE PLANT	$0	$0	$0
3	390.02	LEASEHOLD IMPROVEMENTS	$0	$1,039	($1,039)
4	216	RETAINED EARNINGS			($19,525)
5		TOTAL	$57.568	$38.043	$0

A/P - COKER

LINE NO.	A/C NO.	DESCRIPTION	BALANCE PER BOOKS DEC 2003	BALANCE PER SCHEDULE DEC 2003	ADJUSTING ENTRY
1	234	A/P - COKER	($222,052.50)	$0.00	$222,052.50
2	211	ADDITIONAL PAID IN CAPITAL	($637,827.26)	($859,879.76)	($222,052.50)
3		TOTAL	($859,879.76)	($859,879.76)	$0.00

Exhibit No. (JHM-3)
Sebring Gas System, Inc.
Docket No. 040270-GU

SCHEDULES RECALCULATING RATE BASE TO REFLECT ADJUSTMENTS FROM THE COMMISSION STAFF'S 2001 EARNINGS SURVEILANCE AUDIT REPORT

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A SCHEDULE RECALCULATING A 13-MONTH AVERAGE UTILITY PLANT FOR THE YEAR 2002

TYPE OF DATA SHOWN
HISTORIC BASE YEAR DATA - 1: 12/31/02
WITNESS: MELENDY

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

ESTIMATED PLANT BALANCES FOR THE YEAR ENDING 12/31/02

LINE NO.	A/C NO.	DESCRIPTION	BEGINNING BALANCE	JAN 2002	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUN 2002	JUL 2002	AUG 2002	SEP 2002	OCT 2002	NOV 2002	DEC 2002	13 MONTH AVERAGE
1	301	ORGANIZATIONAL COSTS	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772
2	303	INTANGIBLE PLANT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	374	LAND AND LAND RIGHTS	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625
4	376	MAINS (REPLACEMENT)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	376	MAINS (STEEL)	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997	$141,997
6	376	MAINS (PLASTIC)	$767,444	$767,533	$767,533	$767,871	$767,871	$767,871	$767,871	$767,871	$767,871	$767,891	$767,891	$767,891	$768,933	$767,872
7	378	M & R EQUIPMENT - GENERAL	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419
8	379	M & R EQUIPMENT - CITY	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994
9	380	DIST PLANT -SERVICES (STEEL)	$355,868	$355,868	$355,868	$355,868	$355,868	$355,868	$355,868	$355,868	$355,868	$355,868	$355,390	$355,390	$355,330	$355,753
10	380	DIST PLANT -SERVICES (PLASTIC)	$252,776	$252,812	$252,959	$254,438	$254,467	$255,507	$255,975	$255,975	$255,975	$256,144	$254,576	$254,854	$255,286	$254,750
11	381	METERS	$134,612	$134,612	$135,091	$135,091	$135,091	$135,091	$135,091	$135,466	$135,466	$135,466	$135,466	$135,466	$135,466	$135,190
12	382	METER INSTALLATIONS	$47,458	$47,473	$47,473	$47,478	$47,488	$47,493	$47,493	$47,531	$47,531	$47,531	$47,531	$47,574	$47,605	$47,512
13	383	REGULATORS	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635
14	384	REGULATOR INSTALL HOUSE	$39,858	$39,863	$39,863	$39,863	$39,873	$39,878	$39,933	$39,980	$39,980	$39,980	$39,980	$39,991	$39,991	$39,926
15	386	CUSTOMER CONVERSIONS	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563
16	387	OTHER EQUIPMENT	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273
17	389	LAND AND LAND RIGHTS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
18	390	LEASEHOLD IMPROVEMENTS	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800
19	391.1	OFFICE FURNITURE	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)
20	391.2	OFFICE EQUIPMENT	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715
21	392.1	LIGHT VEHICLES	$67,469	$67,469	$67,469	$67,469	$85,428	$85,428	$85,428	$85,428	$85,428	$85,428	$85,428	$85,428	$73,231	$78,964
22	392.3	OTHER VEHICLES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
23	394	TOOLS AND WORK EQUIPMENT	$263	$263	$263	$263	$263	$263	$263	$263	$284	$284	$284	$284	$284	$271
24	396	POWER OPERATED EQUIPMENT	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444
25	397	COMMUNICATION EQUIPMENT	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972
26	398	MISC. EQUIPMENT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
27																$0
28																$0
29																$0
30																$0
31																$0
32																$0
33																$0
34																$0
35																$0
36																$0
37																$0
38																$0
39																$0
40		TOTAL PLANT IN SERVICE	$2,091,229	$2,091,374	$2,092,000	$2,093,822	$2,111,830	$2,112,880	$2,113,403	$2,113,863	$2,113,884	$2,114,073	$2,112,027	$2,112,359	$2,101,607	$2,105,719

SUPPORTING SCHEDULES: G-1 p.23-25, G-6 p.1

RECAP SCHEDULES: G-1 p.5

6/23/2004
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FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE DEPRECIATION RESERVE BALANCES FOR EACH ACCOUNT OR SUB-ACCOUNT TO WHICH AN INDIVIDUAL DEPRECIATION RATE IS APPLIED FOR THE YEAR 2002

TYPE OF DATA SHOWN
HISTORIC BASE YEAR DATA - 1: 12/31/02
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Depr Rates	DEC 2001	JAN 2002	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUN 2002	JUL 2002	AUG 2002	SEP 2002	OCT 2002	NOV 2002	DEC 2002	13 MONTH AVERAGE
1	301	ORGANIZATIONAL COSTS	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	303	INTANGIBLE PLANT	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	374	LAND AND LAND RIGHTS	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	376	MAINS (REPLACEMENT)	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	376	MAINS (STEEL)	2.1%	$103,777	$104,025	$104,274	$104,522	$104,771	$105,019	$105,268	$105,516	$105,765	$106,013	$106,262	$106,510	$106,759	$105,268
6	376	MAINS (PLASTIC)	2.5%	$209,623	$211,222	$212,821	$214,420	$216,020	$217,620	$219,220	$220,819	$222,419	$224,019	$225,619	$227,218	$228,819	$219,220
7	378	M & R EQUIPMENT - GENERAL	0.5%	$2,449	$2,453	$2,458	$2,462	$2,466	$2,471	$2,475	$2,479	$2,484	$2,488	$2,492	$2,497	$2,501	$2,475
8	379	M & R EQUIPMENT - CITY	2.5%	$14,134	$14,246	$14,359	$14,471	$14,584	$14,696	$14,809	$14,921	$15,034	$15,146	$15,259	$15,371	$15,484	$14,809
9	380	DIST PLANT -SERVICES (STEEL)	1.5%	$310,896	$311,341	$311,786	$312,231	$312,675	$313,120	$313,565	$314,010	$314,455	$314,900	$314,866	$315,310	$315,694	$313,450
10	380	DIST PLANT -SERVICES (PLASTIC)	2.9%	$69,682	$70,293	$70,904	$71,517	$72,132	$72,748	$73,366	$73,985	$74,604	$75,222	$73,656	$74,272	$74,828	$72,862
11	381	METERS	3.3%	$56,349	$56,719	$57,090	$57,462	$57,833	$58,205	$58,576	$58,948	$59,321	$59,693	$60,066	$60,438	$60,811	$58,578
12	382	METER INSTALLATIONS	2.3%	$21,239	$21,330	$21,421	$21,512	$21,603	$21,694	$21,785	$21,876	$21,967	$22,058	$22,149	$22,241	$22,332	$21,785
13	383	REGULATORS	2.7%	$9,553	$9,615	$9,677	$9,740	$9,802	$9,864	$9,926	$9,988	$10,050	$10,113	$10,175	$10,237	$10,299	$9,926
14	384	REGULATOR INSTALL HOUSE	1.9%	$19,061	$19,124	$19,187	$19,250	$19,313	$19,377	$19,440	$19,503	$19,566	$19,630	$19,693	$19,756	$19,820	$19,440
15	386	CUSTOMER CONVERSIONS	4.9%	$9,376	$9,517	$9,658	$9,799	$9,941	$10,082	$10,223	$10,364	$10,505	$10,646	$10,787	$10,928	$11,070	$10,223
16	387	OTHER EQUIPMENT	3.9%	$2,629	$2,649	$2,670	$2,690	$2,711	$2,731	$2,751	$2,772	$2,792	$2,812	$2,833	$2,853	$2,874	$2,751
17	389	LAND AND LAND RIGHTS	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
18	390	LEASEHOLD IMPROVEMENTS	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	391.1	OFFICE FURNITURE	11.9%	$77	$70	$63	$55	$48	$41	$34	$26	$19	$12	$5	($2)	($10)	$34
20	391.2	OFFICE EQUIPMENT	3.6%	$13,680	$13,730	$13,780	$13,830	$13,881	$13,931	$13,981	$14,031	$14,081	$14,131	$14,181	$14,232	$14,282	$13,981
21	392.1	LIGHT VEHICLES	12.5%	$49,271	$49,974	$50,677	$51,379	$52,176	$53,066	$53,955	$54,845	$55,735	$56,625	$57,515	$58,405	$47,034	$53,127
22	392.3	OTHER VEHICLES	4.1%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
23	394	TOOLS AND WORK EQUIPMENT	12.4%	$0	$3	$5	$8	$11	$14	$16	$19	$22	$25	$28	$31	$34	$17
24	396	POWER OPERATED EQUIPMENT	6.7%	$1,034	$1,042	$1,050	$1,058	$1,066	$1,074	$1,082	$1,090	$1,098	$1,107	$1,115	$1,123	$1,131	$1,082
25	397	COMMUNICATION EQUIPMENT	9.4%	$290	$298	$305	$313	$320	$328	$336	$343	$351	$359	$366	$374	$381	$336
26	398	MISC. EQUIPMENT	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
27																	$0
28																	$0
29																	$0
30																	$0
31																	$0
32																	$0
33		DEPRECIATION RESERVE		893,120	897,652	902,185	906,721	911,353	916,080	920,808	925,538	930,268	934,999	937,067	941,794	934,142	$919,364
34	108.02	R.W.I.P		0	0	0	0	0	0	0	0	0	0	0	0	0	$0
35	108	TOTAL DEPRECIATION RESERVE		$893,120	$897,652	$902,185	$906,721	$911,353	$916,080	$920,808	$925,538	$930,268	$934,999	$937,067	$941,794	$934,142	$919,364

SUPPORTING SCHEDULES:

RECAP SCHEDULES: G-1 p.5

6/23/2004
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FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED AMORTIZATION/RECOVERY RESERVE BALANCES FOR EACH ACCOUNT OR SUB-ACCOUNT FOR THE YEAR 2002

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA - 1: 12/31/02
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	13 MONTH AVERAGE
1	301	ORGANIZATIONAL COSTS	31,315	31,552	31,789	32,026	32,263	32,500	32,737	32,974	33,211	33,448	33,685	33,922	34,159	32,737
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	390.02	LEASEHOLD IMPROVEMENTS	847	855	863	871	879	887	895	903	911	919	927	935	943	895
4																0
5																0
6																0
7																0
8																0
9																0
10																0
11																0
12		TOTAL	$ 32,162	$ 32,407	$ 32,652	$ 32,897	$ 33,142	$ 33,387	$ 33,632	$ 33,877	$ 34,122	$ 34,367	$ 34,612	$ 34,857	$ 35,102	$ 33,632

SUPPORTING SCHEDULES:

RECAP SCHEDULES: G-1 p.5

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A REVISED DETAILED CONSTRUCTION BUDGET FOR THE HISTORIC BASE YEAR - 1.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA - 1: 12/31/02
WITNESS: MELENDY

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

LINE NO.	ACCT. NO.	ESCRIPTION OF PROPOSED PURCHASES AND / OR CONSTRUCTION PROJECTS*	DATE OF PROPOSED PURCHASE OR CONSTR. (12/31/02)	PURCHASE PRICE OR CONSTRUCTION COST	DATE OF RELATED RETIREMENT (12/31/02)	RETIREMENT AMOUNT OF RELATED RETIREMENT	SALVAGE VALUE OF RELATED RETIREMENT
1	301	ORGANIZATIONAL COSTS	12 months ended 12/31/02	$0		$0	$0
2	303	INTANGIBLE PLANT	12 months ended 12/31/02	$0		$0	$0
3	374	LAND AND LAND RIGHTS	12 months ended 12/31/02	$0		$0	$0
4	376	MAINS (REPLACEMENT)	12 months ended 12/31/02	$0		$0	$0
5	376	MAINS (STEEL)	12 months ended 12/31/02	$0		$0	$0
6	376	MAINS (PLASTIC)	12 months ended 12/31/02	$1,489		$0	$0
7	378	M & R EQUIPMENT - GENERAL	12 months ended 12/31/02	$0		$0	$0
8	379	M & R EQUIPMENT - CITY	12 months ended 12/31/02	$0		$0	$0
9	380	DIST PLANT -SERVICES (STEEL)	12 months ended 12/31/02	$0		$538	$0
10	380	DIST PLANT -SERVICES (PLASTIC)	12 months ended 12/31/02	$4,753		$2,243	$0
11	381	METERS	12 months ended 12/31/02	$854		$0	$0
12	382	METER INSTALLATIONS	12 months ended 12/31/02	$147		$0	$0
13	383	REGULATORS	12 months ended 12/31/02	$0		$0	$0
14	384	REGULATOR INSTALL HOUSE	12 months ended 12/31/02	$133		$0	$0
15	386	CUSTOMER CONVERSIONS	12 months ended 12/31/02	$0		$0	$0
16	387	OTHER EQUIPMENT	12 months ended 12/31/02	$0		$0	$0
17	389	LAND AND LAND RIGHTS	12 months ended 12/31/02	$0		$0	$0
18	390	LEASEHOLD IMPROVEMENTS	12 months ended 12/31/02	$0		$0	$0
19	391.1	OFFICE FURNITURE	12 months ended 12/31/02	$0		$0	$0
20	391.2	OFFICE EQUIPMENT	12 months ended 12/31/02	$0		$0	$0
21	392.1	LIGHT VEHICLES	12 months ended 12/31/02	$17,959		$12,197	$0
22	392.3	OTHER VEHICLES	12 months ended 12/31/02	$0		$0	$0
23	394	TOOLS AND WORK EQUIPMENT	12 months ended 12/31/02	$21		$0	$0
24	396	POWER OPERATED EQUIPMENT	12 months ended 12/31/02	$0		$0	$0
25	397	COMMUNICATION EQUIPMENT	12 months ended 12/31/02	$0		$0	$0
26	398	MISC. EQUIPMENT	12 months ended 12/31/02	$0		$0	$0
27							
28							
29							
30							
31							
32							
33							
34			TOTAL	25,356		14,978	0

* PROVIDE THE STREET ADDRESS OR BUDGETARY PROCESS IF DETAIL IS NOT AVAILABLE.

6/23/2004
9:15 AM

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED MONTHLY PLANT ADDITIONS BY ACCOUNT FOR THE HISTORIC BASE YEAR - 1.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA - 1: 12/31/02
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	TOTAL
1	301	ORGANIZATIONAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
4	376	MAINS (REPLACEMENT)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	376	MAINS (STEEL)	0	0	0	0	0	0	0	0	0	0	0	0	0
6	376	MAINS (PLASTIC)	89	0	338	0	0	0	0	0	20	0	0	1,042	1,489
7	378	M & R EQUIPMENT - GENERAL	0	0	0	0	0	0	0	0	0	0	0	0	0
8	379	M & R EQUIPMENT - CITY	0	0	0	0	0	0	0	0	0	0	0	0	0
9	380	DIST PLANT -SERVICES (STEEL)	0	0	0	0	0	0	0	0	0	0	0	0	0
10	380	DIST PLANT -SERVICES (PLASTIC)	36	147	1,479	29	1,040	468	0	0	169	615	278	492	4,753
11	381	METERS	0	479	0	0	0	0	375	0	0	0	0	0	854
12	382	METER INSTALLATIONS	15	0	5	10	5	0	38	0	0	0	43	31	147
13	383	REGULATORS	0	0	0	0	0	0	0	0	0	0	0	0	0
14	384	REGULATOR INSTALL HOUSE	5	0	0	10	5	55	47	0	0	0	11	0	133
15	386	CUSTOMER CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
16	387	OTHER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
17	389	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
18	390	LEASEHOLD IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
19	391.1	OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0	0
20	391.2	OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
21	392.1	LIGHT VEHICLES	0	0	0	17,959	0	0	0	0	0	0	0	0	17,959
22	392.3	OTHER VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
23	394	TOOLS AND WORK EQUIPMENT	0	0	0	0	0	0	0	21	0	0	0	0	21
24	396	POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
25	397	COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
26	398	MISC. EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
27			0	0	0	0	0	0	0	0	0	0	0	0	0
28			0	0	0	0	0	0	0	0	0	0	0	0	0
29		TOTAL ADDITIONS	145	626	1,822	18,008	1,050	523	460	21	189	615	332	1,565	25,356

SUPPORTING SCHEDULES: G-6 p.1 RECAP SCHEDULES: G-1 p.23

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED MONTHLY PLANT RETIREMENTS BY ACCOUNT FOR THE HISTORIC BASE YEAR - 1.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA - 1: 12/31/02
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	TOTAL
1	301	ORGANIZATIONAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
4	376	MAINS (REPLACEMENT)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	376	MAINS (STEEL)	0	0	0	0	0	0	0	0	0	0	0	0	0
6	376	MAINS (PLASTIC)	0	0	0	0	0	0	0	0	0	0	0	0	0
7	378	M & R EQUIPMENT - GENERAL	0	0	0	0	0	0	0	0	0	0	0	0	0
8	379	M & R EQUIPMENT - CITY	0	0	0	0	0	0	0	0	0	0	0	0	0
9	380	DIST PLANT -SERVICES (STEEL)	0	0	0	0	0	0	0	0	0	478	0	60	538
10	380	DIST PLANT -SERVICES (PLASTIC)	0	0	0	0	0	0	0	0	0	2,183	0	60	2,243
11	381	METERS	0	0	0	0	0	0	0	0	0	0	0	0	0
12	382	METER INSTALLATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
13	383	REGULATORS	0	0	0	0	0	0	0	0	0	0	0	0	0
14	384	REGULATOR INSTALL HOUSE	0	0	0	0	0	0	0	0	0	0	0	0	0
15	386	CUSTOMER CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
16	387	OTHER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
17	389	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
18	390	LEASEHOLD IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
19	391.1	OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0	0
20	391.2	OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
21	392.1	LIGHT VEHICLES	0	0	0	0	0	0	0	0	0	0	0	12,197	12,197
22	392.3	OTHER VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
23	394	TOOLS AND WORK EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
24	396	POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
25	397	COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
26	398	MISC. EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
27			0	0	0	0	0	0	0	0	0	0	0	0	0
28															
29		TOTAL RETIREMENTS	0	0	0	0	0	0	0	0	0	2,661	0	12,317	14,978

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED MONTHLY PLANT RETIREMENTS SALVAGE VALUES BY ACCOUNT FOR THE HISTORIC BASE YEAR - 1.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA - 1: 12/31/02
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	TOTAL
1	301	ORGANIZATIONAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
4	376	MAINS (REPLACEMENT)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	376	MAINS (STEEL)	0	0	0	0	0	0	0	0	0	0	0	0	0
6	376	MAINS (PLASTIC)	0	0	0	0	0	0	0	0	0	0	0	0	0
7	378	M & R EQUIPMENT - GENERAL	0	0	0	0	0	0	0	0	0	0	0	0	0
8	379	M & R EQUIPMENT - CITY	0	0	0	0	0	0	0	0	0	0	0	0	0
9	380	DIST PLANT -SERVICES (STEEL)	0	0	0	0	0	0	0	0	0	0	0	0	0
10	380	DIST PLANT -SERVICES (PLASTIC)	0	0	0	0	0	0	0	0	0	0	0	0	0
11	381	METERS	0	0	0	0	0	0	0	0	0	0	0	0	0
12	382	METER INSTALLATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
13	383	REGULATORS	0	0	0	0	0	0	0	0	0	0	0	0	0
14	384	REGULATOR INSTALL HOUSE	0	0	0	0	0	0	0	0	0	0	0	0	0
15	386	CUSTOMER CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
16	387	OTHER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
17	389	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
18	390	LEASEHOLD IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
19	391.1	OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0	0
20	391.2	OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
21	392.1	LIGHT VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
22	392.3	OTHER VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
23	394	TOOLS AND WORK EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
24	396	POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
25	397	COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
26	398	MISC. EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
27			0	0	0	0	0	0	0	0	0	0	0	0	0
28															
29		TOTAL RETIREMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED CALCULATION FOR DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR 2002.

TYPE OF DATA SHOWN
HISTORIC BASE YEAR DATA - 1: 12/31/0
WITNESS: MELENDY

ESTIMATED DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDING 12/31/02

LINE NO.	A/C NO.	DESCRIPTION		Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	Jun 2002	Jul 2002	Aug 2002	Sep 2002	Oct 2002	Nov 2002	Dec 2002	TOTAL EXPENSE
1	301	ORGANIZATIONAL COSTS	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	$0
2	303	INTANGIBLE PLANT	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
4	376	MAINS (REPLACEMENT)	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
5	376	MAINS (STEEL)	2.1%	248	248	248	248	248	248	248	248	248	248	248	248	2,982
6	376	MAINS (PLASTIC)	2.5%	1,599	1,599	1,599	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,601	19,196
7	378	M & R EQUIPMENT - GENERAL	0.5%	4	4	4	4	4	4	4	4	4	4	4	4	52
8	379	M & R EQUIPMENT - CITY	2.5%	112	112	112	112	112	112	112	112	112	112	112	112	1,350
9	380	DIST PLANT -SERVICES (STEEL)	1.5%	445	445	445	445	445	445	445	445	445	445	444	444	5,336
10	380	DIST PLANT -SERVICES (PLASTIC)	2.9%	611	611	613	615	616	618	619	619	619	617	616	616	7,389
11	381	METERS	3.3%	370	371	372	372	372	372	372	373	373	373	373	373	4,462
12	382	METER INSTALLATIONS	2.3%	91	91	91	91	91	91	91	91	91	91	91	91	1,093
13	383	REGULATORS	2.7%	62	62	62	62	62	62	62	62	62	62	62	62	746
14	384	REGULATOR INSTALL HOUSE	1.9%	63	63	63	63	63	63	63	63	63	63	63	63	759
15	386	CUSTOMER CONVERSIONS	4.9%	141	141	141	141	141	141	141	141	141	141	141	141	1,694
16	387	OTHER EQUIPMENT	3.9%	20	20	20	20	20	20	20	20	20	20	20	20	245
17	389	LAND AND LAND RIGHTS	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
18	390	LEASEHOLD IMPROVEMENTS	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
19	391.1	OFFICE FURNITURE	11.9%	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(87)
20	391.2	OFFICE EQUIPMENT	3.6%	50	50	50	50	50	50	50	50	50	50	50	50	602
21	392.1	LIGHT VEHICLES	12.5%	703	703	703	796	890	890	890	890	890	890	890	826	9,960
22	392.3	OTHER VEHICLES	4.1%	0	0	0	0	0	0	0	0	0	0	0	0	0
23	394	TOOLS AND WORK EQUIPMENT	12.4%	3	3	3	3	3	3	3	3	3	3	3	3	34
24	396	POWER OPERATED EQUIPMENT	6.7%	8	8	8	8	8	8	8	8	8	8	8	8	97
25	397	COMMUNICATION EQUIPMENT	9.4%	8	8	8	8	8	8	8	8	8	8	8	8	91
26	398	MISC. EQUIPMENT	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
27																0
28																0
29																0
30																0
31																0
32																0
33		TOTAL DEPRECIATION EXPENSE		4,532	4,533	4,536	4,632	4,727	4,729	4,730	4,730	4,731	4,729	4,727	4,665	56,000
34		AMORTIZATION EXPENSE		245	245	245	245	245	245	245	245	245	245	245	245	2,940
35		TOTAL AMORT & DEPR EXPENSE		$4,777	$4,778	$4,781	$4,877	$4,972	$4,974	$4,975	$4,975	$4,976	$4,974	$4,972	$4,910	$58,941

SUPPORTING SCHEDULES: G-6 p.3

RECAP SCHEDULES: G-2 p.1, G-2 p.4

6/23/2004
9:15 AM

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE A REVISED SCHEDULE FOR EACH AMORTIZATION/RECOVERY AMOUNT BY ACCOUNT OR SUB-ACCOUNT PROPOSED FOR THE YEAR 2002.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA - 1: 12/31/02
WITNESS: MELENDY

LINE NO.	ACCT SUB-ACCT NO.	PLANT ACCOUNT TITLE	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	Jun 2002	Jul 2002	Aug 2002	Sep 2002	Oct 2002	Nov 2002	Dec 2002	TOTAL AMORT/REC **EXPENSE**
1	301	ORGANIZATIONAL COSTS	$237	$237	$237	$237	$237	$237	$237	$237	$237	$237	$237	$237	$2,844
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
3	390.02	LEASEHOLD IMPROVEMENTS	8	8	8	8	8	8	8	8	8	8	8	8	96
4															0
5			$245	$245	$245	$245	$245	$245	$245	$245	$245	$245	$245	$245	$2,940

SUPPORTING SCHEDULES: G-6 p.3

RECAP SCHEDULES: G-2 p.1, G-2 p.4

6/23/2004
9:15 AM

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH AVERAGE UTILITY PLANT FOR THE YEAR 2003.

TYPE OF DATA SHOWN
HISTORIC BASE YEAR DATA: 12/31/03
WITNESS: MELENDY

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

ESTIMATED PLANT BALANCES FOR THE YEAR ENDING 12/31/03

LINE NO.	A/C NO.	DESCRIPTION	BEGINNING BALANCE	JAN 2003	FEB 2003	MAR 2003	APR 2003	MAY 2003	JUN 2003	JUL 2003	AUG 2003	SEP 2003	OCT 2003	NOV 2003	DEC 2003	13 MONTH AVERAGE
1	301	ORGANIZATIONAL COSTS	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772	$113,772
2	303	INTANGIBLE PLANT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	374	LAND AND LAND RIGHTS	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625	$15,625
4	376	MAINS (REPLACEMENT)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	376	MAINS (STEEL)	$141,997	$141,997	$141,997	$141,997	$142,417	$142,417	$142,417	$142,417	$142,417	$142,421	$142,823	$142,823	$142,823	$142,382
6	376	MAINS (PLASTIC)	$768,933	$768,991	$768,991	$768,991	$768,991	$768,991	$769,391	$769,629	$770,073	$770,350	$770,610	$770,610	$770,610	$769,628
7	378	M & R EQUIPMENT - GENERAL	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419	$10,419
8	379	M & R EQUIPMENT - CITY	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994	$53,994
9	380	DIST PLANT -SERVICES (STEEL)	$355,330	$355,210	$355,210	$355,210	$355,150	$355,150	$355,150	$355,150	$355,150	$355,150	$355,552	$355,552	$355,552	$355,270
10	380	DIST PLANT -SERVICES (PLASTIC)	$255,286	$254,117	$254,503	$254,885	$255,360	$256,298	$256,828	$258,098	$259,122	$259,961	$262,138	$262,163	$262,291	$257,773
11	381	METERS	$135,466	$135,466	$135,466	$135,466	$135,466	$135,466	$135,466	$135,466	$135,466	$135,466	$136,516	$136,516	$136,516	$135,708
12	382	METER INSTALLATIONS	$47,605	$47,626	$47,658	$47,691	$47,701	$47,733	$48,943	$49,034	$49,041	$49,124	$49,243	$49,389	$49,560	$48,488
13	383	REGULATORS	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635	$27,635
14	384	REGULATOR INSTALL HOUSE	$39,991	$40,012	$40,044	$40,060	$40,070	$40,108	$40,114	$40,156	$40,156	$40,190	$40,241	$40,280	$40,341	$40,136
15	386	CUSTOMER CONVERSIONS	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563	$34,563
16	387	OTHER EQUIPMENT	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273	$6,273
17	389	LAND AND LAND RIGHTS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
18	390	LEASEHOLD IMPROVEMENTS	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800	$2,800
19	391.1	OFFICE FURNITURE	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)	($728)
20	391.2	OFFICE EQUIPMENT	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715	$16,715
21	392.1	LIGHT VEHICLES	$73,231	$73,231	$73,231	$73,231	$73,231	$72,185	$72,185	$72,185	$72,185	$72,185	$72,185	$72,185	$72,185	$72,587
22	392.3	OTHER VEHICLES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
23	394	TOOLS AND WORK EQUIPMENT	$284	$284	$284	$284	$284	$284	$284	$284	$284	$284		$284	$284	$284
24	396	POWER OPERATED EQUIPMENT	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444	$1,444
25	397	COMMUNICATION EQUIPMENT	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972	$972
26	398	MISC. EQUIPMENT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
27			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
28																$0
29																$0
30																$0
31																$0
32																$0
33																$0
34																$0
35																$0
36																$0
37																$0
38																$0
39																$0
40		TOTAL PLANT IN SERVICE	$2,101,607	$2,100,418	$2,100,868	$2,101,299	$2,102,154	$2,102,116	$2,104,262	$2,105,903	$2,107,378	$2,108,615	$2,113,076	$2,113,286	$2,113,646	$2,105,741

SUPPORTING SCHEDULES: G-1 p.26-28, G-6 p.1

RECAP SCHEDULES: G-1 p.7

6/23/2004
9:15 AM

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED DEPRECIATION RESERVE BALANCES FOR EACH ACCOUNT OR SUB-ACCOUNT TO WHICH AN INDIVIDUAL DEPRECIATION RATE IS APPLIED FOR THE YEAR 2003.

TYPE OF DATA SHOWN
HISTORIC BASE YEAR DATA: 12/31/03
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Depr Rates	DEC 2002	JAN 2003	FEB 2003	MAR 2003	APR 2003	MAY 2003	JUN 2003	JUL 2003	AUG 2003	SEP 2003	OCT 2003	NOV 2003	DEC 2003	13 MONTH AVERAGE
1	301	ORGANIZATIONAL COSTS	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	303	INTANGIBLE PLANT	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	374	LAND AND LAND RIGHTS	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	376	MAINS (REPLACEMENT)	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	376	MAINS (STEEL)	2.1%	$106,759	$107,007	$107,256	$107,504	$107,753	$108,003	$108,252	$108,501	$108,750	$108,999	$109,249	$109,499	$109,749	$108,252
6	376	MAINS (PLASTIC)	2.5%	$228,819	$230,421	$232,023	$233,625	$235,227	$236,829	$238,432	$240,035	$241,639	$243,244	$244,849	$246,454	$248,060	$238,435
7	378	M & R EQUIPMENT - GENERAL	0.5%	$2,501	$2,505	$2,510	$2,514	$2,518	$2,523	$2,527	$2,531	$2,536	$2,540	$2,545	$2,549	$2,553	$2,527
8	379	M & R EQUIPMENT - CITY	2.5%	$15,484	$15,596	$15,709	$15,821	$15,934	$16,046	$16,159	$16,271	$16,384	$16,496	$16,609	$16,721	$16,834	$16,159
9	380	DIST PLANT -SERVICES (STEEL)	1.5%	$315,694	$316,019	$316,463	$316,907	$317,291	$317,735	$318,178	$318,622	$319,066	$319,510	$319,954	$320,399	$320,843	$318,206
10	380	DIST PLANT -SERVICES (PLASTIC)	2.9%	$74,828	$73,960	$74,575	$75,190	$75,807	$76,425	$77,045	$77,667	$78,292	$78,919	$79,550	$80,184	$80,817	$77,174
11	381	METERS	3.3%	$60,811	$61,183	$61,556	$61,928	$62,301	$62,673	$63,046	$63,418	$63,791	$64,163	$64,537	$64,913	$65,288	$63,047
12	382	METER INSTALLATIONS	2.3%	$22,332	$22,423	$22,514	$22,606	$22,697	$22,789	$22,881	$22,975	$23,069	$23,163	$23,257	$23,352	$23,447	$22,885
13	383	REGULATORS	2.7%	$10,299	$10,361	$10,424	$10,486	$10,548	$10,610	$10,672	$10,734	$10,797	$10,859	$10,921	$10,983	$11,045	$10,672
14	384	REGULATOR INSTALL HOUSE	1.9%	$19,820	$19,883	$19,946	$20,010	$20,073	$20,137	$20,200	$20,264	$20,327	$20,391	$20,455	$20,518	$20,582	$20,200
15	386	CUSTOMER CONVERSIONS	4.9%	$11,070	$11,211	$11,352	$11,493	$11,634	$11,775	$11,916	$12,058	$12,199	$12,340	$12,481	$12,622	$12,763	$11,916
16	387	OTHER EQUIPMENT	3.9%	$2,874	$2,894	$2,914	$2,935	$2,955	$2,976	$2,996	$3,016	$3,037	$3,057	$3,078	$3,098	$3,118	$2,996
17	389	LAND AND LAND RIGHTS	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
18	390	LEASEHOLD IMPROVEMENTS	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	391.1	OFFICE FURNITURE	11.9%	($10)	($17)	($24)	($31)	($39)	($46)	($53)	($60)	($67)	($75)	($82)	($89)	($96)	($53)
20	391.2	OFFICE EQUIPMENT	3.6%	$14,282	$14,332	$14,382	$14,432	$14,482	$14,532	$14,583	$14,633	$14,683	$14,733	$14,783	$14,833	$14,883	$14,583
21	392.1	LIGHT VEHICLES	12.5%	$47,034	$47,797	$48,560	$49,323	$50,086	$49,797	$50,549	$51,301	$52,053	$52,805	$53,557	$54,308	$55,060	$50,941
22	392.3	OTHER VEHICLES	4.1%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
23	394	TOOLS AND WORK EQUIPMENT	12.4%	$34	$37	$39	$42	$45	$48	$51	$54	$57	$60	$63	$66	$69	$51
24	396	POWER OPERATED EQUIPMENT	6.7%	$1,131	$1,139	$1,147	$1,155	$1,163	$1,171	$1,179	$1,187	$1,195	$1,203	$1,211	$1,219	$1,227	$1,179
25	397	COMMUNICATION EQUIPMENT	9.4%	$381	$389	$397	$404	$412	$419	$427	$435	$442	$450	$458	$465	$473	$427
26	398	MISC. EQUIPMENT	0.0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
27																	$0
28																	$0
29																	$0
30																	$0
31																	$0
32																	$0
33		DEPRECIATION RESERVE		934,142	937,141	941,742	946,344	950,888	954,442	959,041	963,643	968,249	972,858	977,474	982,095	986,717	$959,598
34	108.02	R.W.I.P		0	0	0	0	0	0	0	0	0	0	0	0	0	$0
35	108	TOTAL DEPRECIATION RESERVE		$934,142	$937,141	$941,742	$946,344	$950,888	$954,442	$959,041	$963,643	$968,249	$972,858	$977,474	$982,095	$986,717	$959,598

SUPPORTING SCHEDULES:

RECAP SCHEDULES: G-1 p.7

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED AMORTIZATION/RECOVERY RESERVE BALANCES FOR EACH ACCOUNT OR SUB-ACCOUNT FOR THE YEAR 2003.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/03
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	DEC 2002	JAN 2003	FEB 2003	MAR 2003	APR 2003	MAY 2003	JUN 2003	JUL 2003	AUG 2003	SEP 2003	OCT 2003	NOV 2003	DEC 2003	13 MONTH AVERAGE
1	301	ORGANIZATIONAL COSTS	34,159	34,396	34,633	34,870	35,107	35,344	35,581	35,818	36,056	36,293	36,530	36,767	37,004	35,581
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	390.02	LEASEHOLD IMPROVEMENTS	943	951	959	967	975	983	991	999	1,007	1,015	1,023	1,031	1,039	991
4																0
5																0
6																0
7																0
8																0
9																0
10																0
11																0
12		TOTAL	$ 35,102	$ 35,347	$ 35,592	$ 35,837	$ 36,082	$ 36,327	$ 36,572	$ 36,817	$ 37,063	$ 37,308	$ 37,553	$ 37,798	$ 38,043	$ 36,572

SUPPORTING SCHEDULES: RECAP SCHEDULES: G-1 p.7

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A DETAILED CONSTRUCTION BUDGET FOR THE YEAR 2003.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/03
WITNESS: MELENDY

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

LINE NO.	ACCT. NO.	DESCRIPTION OF PROPOSED PURCHASES AND / OR CONSTRUCTION PROJECTS*	DATE OF PROPOSED PURCHASE OR CONSTR. (12/31/03)	PURCHASE PRICE OR CONSTRUCTION COST	DATE OF RELATED RETIREMENT (12/31/03)	RETIREMENT AMOUNT OF RELATED RETIREMENT	SALVAGE VALUE OF RELATED RETIREMENT
1	301	ORGANIZATIONAL COSTS	12 months ended 12/31/03	$0		$0	$0
2	303	INTANGIBLE PLANT	12 months ended 12/31/03	$0		$0	$0
3	374	LAND AND LAND RIGHTS	12 months ended 12/31/03	$0		$0	$0
4	376	MAINS (REPLACEMENT)	12 months ended 12/31/03	$0		$0	$0
5	376	MAINS (STEEL)	12 months ended 12/31/03	$826		$0	$0
6	376	MAINS (PLASTIC)	12 months ended 12/31/03	$1,677		$0	$0
7	378	M & R EQUIPMENT - GENERAL	12 months ended 12/31/03	$0		$0	$0
8	379	M & R EQUIPMENT - CITY	12 months ended 12/31/03	$0		$0	$0
9	380	DIST PLANT -SERVICES (STEEL)	12 months ended 12/31/03	$402		$180	$0
10	380	DIST PLANT -SERVICES (PLASTIC)	12 months ended 12/31/03	$8,489		$1,484	$0
11	381	METERS	12 months ended 12/31/03	$1,050		$0	$0
12	382	METER INSTALLATIONS	12 months ended 12/31/03	$1,955		$0	$0
13	383	REGULATORS	12 months ended 12/31/03	$0		$0	$0
14	384	REGULATOR INSTALL HOUSE	12 months ended 12/31/03	$350		$0	$0
15	386	CUSTOMER CONVERSIONS	12 months ended 12/31/03	$0		$0	$0
16	387	OTHER EQUIPMENT	12 months ended 12/31/03	$0		$0	$0
17	389	LAND AND LAND RIGHTS	12 months ended 12/31/03	$0		$0	$0
18	390	LEASEHOLD IMPROVEMENTS	12 months ended 12/31/03	$0		$0	$0
19	391.1	OFFICE FURNITURE	12 months ended 12/31/03	$0		$0	$0
20	391.2	OFFICE EQUIPMENT	12 months ended 12/31/03	$0		$0	$0
21	392.1	LIGHT VEHICLES	12 months ended 12/31/03	$0		$1,046	$0
22	392.3	OTHER VEHICLES	12 months ended 12/31/03	$0		$0	$0
23	394	TOOLS AND WORK EQUIPMENT	12 months ended 12/31/03	$0		$0	$0
24	396	POWER OPERATED EQUIPMENT	12 months ended 12/31/03	$0		$0	$0
25	397	COMMUNICATION EQUIPMENT	12 months ended 12/31/03	$0		$0	$0
26	398	MISC. EQUIPMENT	12 months ended 12/31/03	$0		$0	$0
27			TOTAL	$14,749		$2,710	$0

* PROVIDE THE STREET ADDRESS OR BUDGETARY PROCESS IF DETAIL IS NOT AVAILABLE.

SUPPORTING SCHEDULES: G-1 p.27-28, G-6 p.1 RECAP SCHEDULES: G-1 p.10

6/23/2004
9:15 AM

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED MONTHLY PLANT ADDITIONS BY ACCOUNT FOR THE YEAR 2003.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/03
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	TOTAL
1	301	ORGANIZATIONAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
4	376	MAINS (REPLACEMENT)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	376	MAINS (STEEL)	0	0	0	420	0	0	0	0	4	402	0	0	826
6	376	MAINS (PLASTIC)	58	0	0	0	0	400	238	444	277	260	0	0	1,677
7	378	M & R EQUIPMENT - GENERAL	0	0	0	0	0	0	0	0	0	0	0	0	0
8	379	M & R EQUIPMENT - CITY	0	0	0	0	0	0	0	0	0	0	0	0	0
9	380	DIST PLANT -SERVICES (STEEL)	0	0	0	0	0	0	0	0	0	402	0	0	402
10	380	DIST PLANT -SERVICES (PLASTIC)	315	386	382	475	938	530	1,270	1,024	839	2,177	25	128	8,489
11	381	METERS	0	0	0	0	0	0	0	0	0	1,050	0	0	1,050
12	382	METER INSTALLATIONS	21	32	33	10	32	1,210	91	7	83	119	146	171	1,955
13	383	REGULATORS	0	0	0	0	0	0	0	0	0	0	0	0	0
14	384	REGULATOR INSTALL HOUSE	21	32	16	10	38	6	42	0	34	51	39	61	350
15	386	CUSTOMER CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
16	387	OTHER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
17	389	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
18	390	LEASEHOLD IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
19	391.1	OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0	0
20	391.2	OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
21	392.1	LIGHT VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
22	392.3	OTHER VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
23	394	TOOLS AND WORK EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
24	396	POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
25	397	COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
26	398	MISC. EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
27															
28															
29		TOTAL ADDITIONS	415	450	431	915	1,008	2,146	1,641	1,475	1,237	4,461	210	360	14,749

SUPPORTING SCHEDULES: G-6 p.1 RECAP SCHEDULES: G-1 p.26

6/23/2004
9:15 AM

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED MONTHLY PLANT RETIREMENTS BY ACCOUNT FOR THE YEAR 2003.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/03
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	TOTAL
1	301	ORGANIZATIONAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
4	376	MAINS (REPLACEMENT)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	376	MAINS (STEEL)	0	0	0	0	0	0	0	0	0	0	0	0	0
6	376	MAINS (PLASTIC)	0	0	0	0	0	0	0	0	0	0	0	0	0
7	378	M & R EQUIPMENT - GENERAL	0	0	0	0	0	0	0	0	0	0	0	0	0
8	379	M & R EQUIPMENT - CITY	0	0	0	0	0	0	0	0	0	0	0	0	0
9	380	DIST PLANT -SERVICES (STEEL)	120	0	0	60	0	0	0	0	0	0	0	0	180
10	380	DIST PLANT -SERVICES (PLASTIC)	1,484	0	0	0	0	0	0	0	0	0	0	0	1,484
11	381	METERS	0	0	0	0	0	0	0	0	0	0	0	0	0
12	382	METER INSTALLATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
13	383	REGULATORS	0	0	0	0	0	0	0	0	0	0	0	0	0
14	384	REGULATOR INSTALL HOUSE	0	0	0	0	0	0	0	0	0	0	0	0	0
15	386	CUSTOMER CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
16	387	OTHER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
17	389	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
18	390	LEASEHOLD IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
19	391.1	OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0	0
20	391.2	OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
21	392.1	LIGHT VEHICLES	0	0	0	0	1,046	0	0	0	0	0	0	0	1,046
22	392.3	OTHER VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
23	394	TOOLS AND WORK EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
24	396	POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
25	397	COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
26	398	MISC. EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
27			0	0	0	0	0	0	0	0	0	0	0	0	0
28			0	0	0	0	0	0	0	0	0	0	0	0	0
29		TOTAL RETIREMENTS	1,604	0	0	60	1,046	0	0	0	0	0	0	0	2,710

6/23/2004
9:15 AM

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE MONTHLY PLANT RETIREMENTS - SALVAGE VALUE BY ACCOUNT FOR THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN:
PROJECTED TEST YEAR: 12/31/05
WITNESS: MELENDY

LINE NO.	A/C NO.	DESCRIPTION	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	TOTAL
1	301	ORGANIZATIONAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
4	376	MAINS (REPLACEMENT)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	376	MAINS (STEEL)	0	0	0	0	0	0	0	0	0	0	0	0	0
6	376	MAINS (PLASTIC)	0	0	0	0	0	0	0	0	0	0	0	0	0
7	378	M & R EQUIPMENT - GENERAL	0	0	0	0	0	0	0	0	0	0	0	0	0
8	379	M & R EQUIPMENT - CITY	0	0	0	0	0	0	0	0	0	0	0	0	0
9	380	DIST PLANT -SERVICES (STEEL)	0	0	0	0	0	0	0	0	0	0	0	0	0
10	380	DIST PLANT -SERVICES (PLASTIC)	0	0	0	0	0	0	0	0	0	0	0	0	0
11	381	METERS	0	0	0	0	0	0	0	0	0	0	0	0	0
12	382	METER INSTALLATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
13	383	REGULATORS	0	0	0	0	0	0	0	0	0	0	0	0	0
14	384	REGULATOR INSTALL HOUSE	0	0	0	0	0	0	0	0	0	0	0	0	0
15	386	CUSTOMER CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0
16	387	OTHER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
17	389	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
18	390	LEASEHOLD IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
19	391.1	OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0	0
20	391.2	OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
21	392.1	LIGHT VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
22	392.3	OTHER VEHICLES	0	0	0	0	0	0	0	0	0	0	0	0	0
23	394	TOOLS AND WORK EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
24	396	POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
25	397	COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
26	398	MISC. EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
27			0	0	0	0	0	0	0	0	0	0	0	0	0
28			0	0	0	0	0	0	0	0	0	0	0	0	0
29		TOTAL RETIREMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

EXPLANATION: PROVIDE THE REVISED CALCULATION FOR DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR 2003.

TYPE OF DATA SHOWN
HISTORIC BASE YEAR DATA: 12/31/03
WITNESS: MELENDY

ESTIMATED DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDING 12/31/03

LINE NO.	A/C NO.	DESCRIPTION		Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	Oct 2003	Nov 2003	Dec 2003	TOTAL EXPENSE
1	301	ORGANIZATIONAL COSTS	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
2	303	INTANGIBLE PLANT	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
4	376	MAINS (REPLACEMENT)	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
5	376	MAINS (STEEL)	2.10%	248	248	248	249	249	249	249	249	249	250	250	250	2,990
6	376	MAINS (PLASTIC)	2.50%	1,602	1,602	1,602	1,602	1,602	1,602	1,603	1,604	1,605	1,605	1,605	1,605	19,240
7	378	M & R EQUIPMENT - GENERAL	0.50%	4	4	4	4	4	4	4	4	4	4	4	4	52
8	379	M & R EQUIPMENT - CITY	2.50%	112	112	112	112	112	112	112	112	112	112	112	112	1,350
9	380	DIST PLANT -SERVICES (STEEL)	1.50%	444	444	444	444	444	444	444	444	444	444	444	444	5,329
10	380	DIST PLANT -SERVICES (PLASTIC)	2.90%	616	615	616	617	618	620	622	625	627	631	634	634	7,473
11	381	METERS	3.30%	373	373	373	373	373	373	373	373	373	374	375	375	4,478
12	382	METER INSTALLATIONS	2.30%	91	91	91	91	91	93	94	94	94	94	95	95	1,115
13	383	REGULATORS	2.70%	62	62	62	62	62	62	62	62	62	62	62	62	746
14	384	REGULATOR INSTALL HOUSE	1.90%	63	63	63	63	63	64	64	64	64	64	64	64	763
15	386	CUSTOMER CONVERSIONS	4.90%	141	141	141	141	141	141	141	141	141	141	141	141	1,694
16	387	OTHER EQUIPMENT	3.90%	20	20	20	20	20	20	20	20	20	20	20	20	245
17	389	LAND AND LAND RIGHTS	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
18	390	LEASEHOLD IMPROVEMENTS	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
19	391.1	OFFICE FURNITURE	11.90%	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(87)
20	391.2	OFFICE EQUIPMENT	3.60%	50	50	50	50	50	50	50	50	50	50	50	50	602
21	392.1	LIGHT VEHICLES	12.50%	763	763	763	763	757	752	752	752	752	752	752	752	9,072
22	392.3	OTHER VEHICLES	4.10%	0	0	0	0	0	0	0	0	0	0	0	0	0
23	394	TOOLS AND WORK EQUIPMENT	12.40%	3	3	3	3	3	3	3	3	3	3	3	3	35
24	396	POWER OPERATED EQUIPMENT	6.70%	8	8	8	8	8	8	8	8	8	8	8	8	97
25	397	COMMUNICATION EQUIPMENT	9.40%	8	8	8	8	8	8	8	8	8	8	8	8	91
26	398	MISC. EQUIPMENT	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
27																0
28																0
29																0
30																0
31																0
32		TOTAL DEPRECIATION EXPENSE		4,602	4,601	4,602	4,604	4,600	4,598	4,602	4,606	4,609	4,616	4,621	4,622	55,284
33		AMORTIZATION EXPENSE		245	245	245	245	245	245	245	245	245	245	245	245	2,940
34		TOTAL AMORT & DEPR EXPENSE		$4,847	$4,846	$4,847	$4,849	$4,845	$4,843	$4,848	$4,851	$4,854	$4,861	$4,866	$4,867	$58,225

SUPPORTING SCHEDULES: G-6 p.3

RECAP SCHEDULES: G-2 p.1, G-2 p.5

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A REVISED SCHEDULE FOR EACH AMORTIZATION/RECOVERY AMOUNT BY ACCOUNT OR SUB-ACCOUNT PROPOSED FOR THE YEAR 2003.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/03
WITNESS: MELENDY

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 040270-GU

LINE NO.	A/C NO.	DESCRIPTION	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	TOTAL
1	301	ORGANIZATIONAL COSTS	$237	$237	$237	$237	$237	$237	$237	$237	$237	$237	$237	$237	$2,844
2	303	INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	$0
3	390.02	LEASEHOLD IMPROVEMENTS	8	8	8	8	8	8	8	8	8	8	8	8	$96
4															$0
5															$0
6															$0
7															$0
8															$0
9															$0
10															$0
11															$0
12		TOTAL	$245	$245	$245	$245	$245	$245	$245	$245	$245	$245	$245	$245	$2,940

SUPPORTING SCHEDULES: G-6 p.3