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June 28, 2013

BY HAND DELIVERY
Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 130079-GU

Dear Ms. Cole:

Enclosed are an original and five copies of Sebring Gas System, Inc.'s Responses to Staff's Third Data Request.

If you have any questions, please call me.

Sincerely yours,

Norman H. Horton, Jr.

NHH/amb
Enclosures

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RE: Docket No. 130079-GU -- Petition for approval of special contract with the Florida Department of Corrections, by Sebring Gas System, Inc.

1. With respect to the Company's response to Staff's Second Data Request, No. 2, Attachment 1, the projected Net Operating Income (NOI) amount for 2014 is greater than the amounts projected for any other year in the 17-year period. Please explain the Company's basis for projecting NOI in general and the amount projected for 2014 in particular. For purposes of this response, please identify the assumptions the Company relied upon in preparing Attachment 1.

> **Company Response:** The Company used 2012 actual results as a basis for projecting NOI over the life of the Hardee contract. The Company projected revenue and expense increases on all items except those specifically related to the Hardee prison at 3% per year. The Company then added expected revenues and expenses specifically related to the Hardee prison to the projections over the 15 year life of the contract. The reason that 2014's NOI is greater than any other year is because the Company is expected to continue to apply past Loss Carryforwards against income for income tax purposes. The Company expects to use up all Loss Carryforwards by the end of 2014; therefore, beginning in 2015, the Company believes that it will begin paying State and Federal Income Taxes, thus lowering NOI after 2014. It is important to note that in the Company's last rate case (Docket No. 040270-GU), the Commission approved tariff rates for the Company without consideration of any State or Federal Income Taxes (see Order No. PSC-04-1260-PAA-GU, page 12).

2. With respect to the Company's response to Staff's Second Data Request, No. 2, Attachment 1, please provide the corresponding Net Income amount for each year.

> **Company Response:** See Revised Attachment 1, which includes Net Income.

3. With respect to the Company's response to Staff's Second Data Request, No. 3, Attachment 2, please explain the Company's basis for projecting the annual amounts of each capital component in general and the annual amounts projected for Common Equity and Long-term Debt in particular. For purposes of this response, identify the assumptions the Company relied upon in preparing Attachment 2.

> **Company Response:** The assumptions relied upon by the Company in preparing Attachment 2 are as follows: 1) 100% long-term debt financing of the Hardee prison project in September 2013; 2) Capital projects through 2028 in amounts that are generally equal to the annual depreciation expense (net plant approximately the same throughout the projection period); 3) working capital accounts, with the exception of cash, proportionally similar to 2012 actuals; 4) net income increasing retained earnings; 5) new debt issued when cash balances become negative over the projection period; 6) payback of Coker Fuel capital infusions by 2021 (see Order No. PSC-04-1260-PAA-GU, page 5); and 7) dividends paid to shareholders when cash balances are projected to be relatively high, thus keeping the Common Equity ratio below the Commission-approved maximum level of 60% (see Order No. PSC-04-1260-PAA-GU, page 5).

4. With respect to the Company's response to Staff's Second Data Request, No. 3, Attachment 2, please explain the specific events that resulted in the incremental increases in the balance of Long-term Debt in 2016 and 2021 and the incremental decreases in the balance of Common Equity in 2018 and 2026.

Company Response: The Company projected negative cash balances in 2016 and 2021. Therefore, additional Long-term Debt was needed to create positive cash balances. Decreases in Common Equity in 2018 and 2026 were the result of projected dividends paid to shareholders because otherwise the cash balances would have been exceedingly high in said years.

SEBRING GAS SYSTEM, INC.

Docket Nos. 130079-GU and 130130-GU

RESPONSE TO STAFF'S THIRD DATA REQUEST NUMBER 2

REVISED ATTACHMENT 1

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gas Service Revenues									
Firm Transportation Service Revenues	$618,483	$637,037	$656,149	$675,833	$696,108	$716,991	$738,501	$760,656	$783,476
HCI and DCI Revenues		$66,252	$265,008	$266,996	$271,000	$275,066	$279,191	$283,379	$287,630
Miscellaneous Service Revenues	$5,775	$5,948	$6,127	$6,310	$6,500	$6,695	$6,896	$7,103	$7,316
Total Gas Service Revenues	$624,258	$709,238	$927,283	$949,139	$973,608	$998,752	$1,024,588	$1,051,138	$1,078,421
Net Utility Operating Income	$116,243	$149,570	$301,151	$224,937	$227,255	$240,979	$243,241	$245,473	$252,970

SEBRING GAS SYSTEM, INC.

Docket Nos. 130079-GU and 130130-GU

RESPONSE TO STAFF'S THIRD DATA REQUEST NUMBER 2

REVISED ATTACHMENT 1

	2021	2022	2023	2024	2025	2026	2027	2028
Gas Service Revenues								
Firm Transportation Service Revenues	$806,980	$831,189	$856,125	$881,809	$908,263	$935,511	$963,576	$992,484
HCI and DCI Revenues	$291,944	$296,324	$300,769	$305,280	$309,859	$314,507	$319,225	$324,013
Miscellaneous Service Revenues	$7,535	$7,761	$7,994	$8,234	$8,481	$8,735	$8,997	$9,267
Total Gas Service Revenues	$1,106,460	$1,135,274	$1,164,888	$1,195,323	$1,226,603	$1,258,753	$1,291,798	$1,325,764
Net Utility Operating Income	$258,446	$272,224	$274,569	$276,820	$278,970	$281,059	$294,513	$296,539

SEBRING GAS SYSTEM, INC.

RESPONSE TO STAFF'S SECOND DATA REQUEST NUMBER 3

ATTACHMENT 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Common Equity	$1,041,301	$1,164,633	$1,370,143	$1,505,422	$1,599,270	$1,683,119	$1,400,957	$1,453,198	$1,520,454
Long-Term Debt	$409,382	$1,857,773	$1,757,928	$1,653,590	$2,044,471	$1,930,263	$1,810,638	$1,685,248	$1,553,723
Short-Term Debt	$93,440	$95,624	$99,845	$104,338	$109,119	$114,208	$119,625	$125,390	$131,525
Customer Deposits	$104,980	$107,080	$109,221	$111,406	$113,634	$115,906	$118,225	$120,589	$123,001
Total Capital	$1,649,103	$3,225,109	$3,337,138	$3,374,756	$3,866,494	$3,843,497	$3,449,444	$3,384,425	$3,328,703

Common Equity	63.14%	36.11%	41.06%	44.61%	41.36%	43.79%	40.61%	42.94%	45.68%
Long-Term Debt	24.82%	57.60%	52.68%	49.00%	52.88%	50.22%	52.49%	49.79%	46.68%
Short-Term Debt	5.67%	2.96%	2.99%	3.09%	2.82%	2.97%	3.47%	3.70%	3.95%
Customer Deposits	6.37%	3.32%	3.27%	3.30%	2.94%	3.02%	3.43%	3.56%	3.70%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

SEBRING GAS SYSTEM, INC.

RESPONSE TO STAFF'S SECOND DATA REQUEST NUMBER 3

ATTACHMENT 2

	2021	2022	2023	2024	2025	2026	2027	2028
Common Equity	$1,551,073	$1,723,371	$1,906,714	$2,101,452	$2,057,960	$1,776,682	$1,989,138	$2,114,647
Long-Term Debt	$1,915,668	$1,770,662	$1,618,259	$1,457,982	$1,289,326	$1,611,752	$1,464,874	$1,434,874
Short-Term Debt	$138,056	$145,006	$152,403	$160,276	$168,656	$177,575	$146,878	$30,000
Customer Deposits	$125,461	$127,970	$130,529	$133,140	$135,803	$138,519	$141,289	$144,115
Total Capital	$3,730,257	$3,767,009	$3,807,905	$3,852,851	$3,651,745	$3,704,527	$3,742,179	$3,723,636

Common Equity	41.58%	45.75%	50.07%	54.54%	56.36%	47.96%	53.15%	56.79%
Long-Term Debt	51.35%	47.00%	42.50%	37.84%	35.31%	43.51%	39.14%	38.53%
Short-Term Debt	3.70%	3.85%	4.00%	4.16%	4.62%	4.79%	3.92%	0.81%
Customer Deposits	3.36%	3.40%	3.43%	3.46%	3.72%	3.74%	3.78%	3.87%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%