



# Brimmer, Burek & Keelan, LLP

## Certified Public Accountants

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

Donald T. Keyes, CPA  
Kara K. Keyes, CPA  
Frank D. Lagor, CPA  
Heather R. Kovalsky, CPA  
Susan W. Evans, CPA  
Cong C. Nguyen, CPA

September 12, 2021

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

Dear Mr. Maurey:

We are enclosing two bound and one unbound Sebring Gas System's semi-annual Earnings Surveillance Report as of June 30, 2021.

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

Sincerely,

BRIMMER, BUREK & KEELAN LLP  
Cong Nguyen, CPA

Members of:  
Center for Audit Quality

American Institute of  
Certified Public Accountants

Florida Institute of Certified  
Public Accountants

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**SEBRING GAS SYSTEM, INC.  
FLORIDA PUBLIC SERVICE COMMISSION  
INVESTOR-OWNED NATURAL GAS UTILITY  
EARNINGS SURVEILLANCE REPORT  
JUNE 30, 2021**

2021-07-17 11:10:34

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY  
EARNINGS SURVEILLANCE REPORT

**SEBRING GAS SYSTEM, INC.**  
**EARNINGS SURVEILLANCE REPORT SUMMARY**  
 June 2021

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL) NET OPERATING INCOME	\$ 329,594	\$ 340	\$ 329,934	\$	\$ 329,934
AVERAGE RATE BASE	\$ 4,415,656	\$ 0	\$ 4,415,656	\$	\$ 4,415,656
AVERAGE RATE OF RETURN	7.46%		7.47%		7.47%
II. YEAR END RATE BASE (JURISDICTIONAL)	\$ 4,479,056	\$ 0	\$ 4,479,056		

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	LOW	MIDPOINT	HIGH
	7.57%	8.08%	8.60%

  

IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)	
A. INCLUDING FLEX RATE REVENUES	10.31%
B. EXCLUDING FLEX RATE REVENUES	10.31%

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082 or s. 775.083.

Jerry H. Melendy, Jr. - President  
 (Name and Title of Chief Financial Officer)

*Jerry H. Melendy, Jr.*  
 (Signature)

9/9/2021  
 (Date)

PSC/AFA13

**SEBRING GAS SYSTEM, INC.  
AVERAGE RATE OF RETURN  
RATE BASE  
June 2021**

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	7,029,921	(3,132,184)	3,897,737	0	34,317	3,932,054	483,602	4,415,656
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	7,029,921	(3,132,184)	3,897,737	0	34,317	3,932,054	483,602	4,415,656
<u>FLEX RATE REVENUES</u>								
FLEX RATE REVENUES ADJUSTED FOR								
FLEX RATE REVENUES	7,029,921	(3,132,184)	3,897,737	0	34,317	3,932,054	483,602	4,415,656
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	7,029,921	(3,132,184)	3,897,737	0	34,317	3,932,054	483,602	4,415,656

**SEBRING GAS SYSTEM, INC.**  
**AVERAGE RATE OF RETURN**  
**INCOME STATEMENT**  
 June 2021

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
	1,258,399	0	515,692	243,105	51,537	112,478	5,993	0	0	928,805	329,594

PER BOOKS, as adjusted  
 July 2020 through June 2021

FPSC ADJUSTMENTS:

Disallowed lobbying expenses

(340) (340) 340

TOTAL FPSC ADJUSTMENTS

FPSC ADJUSTED

FLEX RATE REVENUES  
 ADJUSTED FOR  
 FLEX RATE REVENUES

PRO FORMA REVENUE INCREASE  
 AND ANNUALIZATION  
 ADJUSTMENTS:

TOTAL PRO FORMA ADJUSTMENTS

PRO FORMA ADJUSTED

PER BOOKS  
 CURRENT MONTH AMOUNT

	0	0	(340)	0	0	0	0	0	0	(340)	340
	1,258,399	0	515,352	243,105	51,537	112,478	5,993	0	0	928,465	329,934
	0	0	0	0	0	0	0	0	0	0	0
	1,258,399	0	515,352	243,105	51,537	112,478	5,993	0	0	928,465	329,934
	0	0	0	0	0	0	0	0	0	0	0
	1,258,399	0	515,352	243,105	51,537	112,478	5,993	0	0	928,465	329,934
	116,927	0	35,990	19,960	3,218	65,077	5,993	0	0	130,238	(13,311)

**Sebring Gas System, Inc.  
Schedule 2 Worksheet - Average Rate of Return  
June-21**

	(1) Plant in Service	(2) Accumulated Depreciation Amortization	(3) Net Plant in Service	(4) Property Held for Future Use	(5) Construction Work in Progress	(6) Net Utility Plant	(7) Working Capital	(8) Total Rate Base
13 Month Average								
Jun-20	6,834,392	(3,017,764)	3,816,628	0	34,317	3,850,945	549,597	4,400,542
Jul-20	6,859,459	(3,036,506)	3,822,953	0	34,317	3,857,270	538,898	4,396,168
Aug-20	6,885,089	(3,055,325)	3,829,764	0	34,317	3,864,081	623,030	4,487,111
Sep-20	6,929,120	(3,074,240)	3,854,880	0	34,317	3,889,197	532,576	4,421,773
Oct-20	6,943,043	(3,093,230)	3,849,813	0	34,317	3,884,130	546,529	4,430,659
Nov-20	7,019,303	(3,112,331)	3,906,972	0	34,317	3,941,289	546,701	4,487,990
Dec-20	7,041,080	(3,131,558)	3,909,522	0	34,317	3,943,839	465,292	4,409,131
Jan-21	7,081,551	(3,150,874)	3,930,677	0	34,317	3,964,994	414,300	4,379,294
Feb-21	7,097,333	(3,170,270)	3,927,063	0	34,317	3,961,380	453,092	4,414,472
Mar-21	7,112,894	(3,189,707)	3,923,187	0	34,317	3,957,504	466,461	4,423,965
Apr-21	7,163,820	(3,209,223)	3,954,597	0	34,317	3,988,914	333,962	4,322,876
May-21	7,183,557	(3,228,830)	3,954,727	0	34,317	3,989,044	361,449	4,350,493
Jun-21	7,238,334	(3,248,539)	3,989,795	0	34,317	4,024,112	454,944	4,479,056
Thirteen month totals	<u>91,388,975</u>	<u>(40,718,397)</u>	<u>50,670,578</u>	<u>0</u>	<u>446,121</u>	<u>51,116,699</u>	<u>6,286,830</u>	<u>57,403,529</u>
Thirteen month averages	<u>7,029,921</u>	<u>(3,132,184)</u>	<u>3,897,737</u>	<u>0</u>	<u>34,317</u>	<u>3,932,054</u>	<u>483,602</u>	<u>4,415,656</u>

**SEBRING GAS SYSTEM, INC.**  
**YEAR END RATE BASE**  
**June 2021**

SCHEDULE 3

(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(7) NET UTILITY PLANT	(6) WORKING CAPITAL	(9) TOTAL RATE BASE
7,238,334	(3,248,539)	3,989,795	0	34,317	4,024,112	454,944	4,479,056

PER BOOKS

**FPSC ADJUSTMENTS:**

0	0	0	0	0	0	0	0
7,238,334	(3,248,539)	3,989,795	0	34,317	4,024,112	454,944	4,479,056

TOTAL FPSC ADJUSTMENTS

FPSC ADJUSTED



**SEBRING GAS SYSTEM, INC.**  
**CAPITAL STRUCTURE**  
**FPSC ADJUSTED BASIS**  
**June 2021**

	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
AVERAGE LONG TERM DEBT	1,095,623		84,282	1,179,905	26.7210%	4.6643%	1.2463%	4.6643%	1.2463%	4.6643%	1.2463%
SHORT TERM DEBT	716,699		55,133	771,832	17.4794%	4.6579%	0.8142%	4.6579%	0.8142%	4.6579%	0.8142%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	186,188		14,323	200,511	4.5403%	2.8359%	0.1288%	2.8359%	0.1288%	2.8359%	0.1288%
COMMON EQUITY	2,101,730	0	161,679	2,263,408	51.2587%	10.5000%	5.3822%	11.5000%	5.8948%	12.5000%	6.4073%
DEFERRED INCOME TAXES	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0		315,417	4,415,656	100.0000%	0.0000%	7.5715%	0.0000%	8.0840%	0.0000%	8.5966%
<b>TOTAL</b>	<b>4,100,240</b>	<b>0</b>	<b>315,417</b>	<b>4,415,656</b>	<b>100.0000%</b>						

	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
YEAR END LONG TERM DEBT	1,023,500		86,194	1,109,694	24.7752%	3.7064%	0.9183%	3.7064%	0.9183%	3.7064%	0.9183%
SHORT TERM DEBT	649,318		54,683	704,000	15.7176%	3.7064%	0.5826%	3.7064%	0.5826%	3.7064%	0.5826%
PREFERRED STOCK	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	194,619		16,390	211,009	4.7110%	2.8359%	0.1336%	2.8359%	0.1336%	2.8359%	0.1336%
COMMON EQUITY	2,263,713	190,639	2,454,353	2,454,353	54.7962%	10.5000%	5.7536%	11.5000%	6.3016%	12.5000%	6.8495%
DEFERRED INCOME TAXES	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0		347,906	4,479,056	100.0000%	0.0000%	7.3880%	0.0000%	7.9360%	0.0000%	8.4840%
<b>TOTAL</b>	<b>4,131,150</b>	<b>0</b>	<b>347,906</b>	<b>4,479,056</b>	<b>100.0000%</b>						

Sebring Gas System, Inc.  
Schedule 4 Worksheet - Capital Structure  
06/30/21

13 Month Average	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Average Per Books
Long-term Debt	1,173,500	1,148,500	1,148,500	1,136,000	1,123,500	1,111,000	1,098,500	1,086,000	1,073,500	1,061,100	1,036,000	1,023,500	1,023,500	1,095,623
Short-term Debt	809,335	809,435	809,435	709,435	709,435	709,435	709,435	709,435	709,435	684,318	649,318	649,318	649,318	716,699
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	175,919	176,169	179,069	185,419	185,019	187,319	188,119	187,619	189,669	189,819	189,769	191,919	194,619	186,188
Common Stock	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Paid-in Capital	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880	654,880
Current Year Profit (Loss)	121,015	140,584	229,959	273,457	297,888	363,588	288,507	49,607	98,656	158,305	115,801	156,284	198,322	191,688
Retained Earnings (Deficit)	1,120,205	1,120,205	1,120,205	1,120,205	1,120,205	1,120,205	1,120,205	1,408,712	1,408,712	1,408,712	1,408,712	1,408,712	1,408,712	1,253,362
Common Equity	1,897,900	1,917,439	2,006,844	2,050,342	2,074,773	2,140,473	2,065,392	2,114,969	2,164,047	2,223,697	2,181,193	2,221,675	2,263,713	2,101,730
Deferred Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Crs-Zero Crs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tx Crs-weighted Cst	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	4,056,654	4,051,545	4,143,848	4,081,196	4,092,727	4,148,227	4,061,446	4,098,052	4,136,651	4,158,933	4,056,279	4,086,412	4,131,150	4,100,240

Sebring Gas System, Inc.  
Schedule 4 Worksheet - Average Interest Rates  
06/30/21

13 Month Average	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Average Per Books
SBA Disaster Relief Loan	149,900	150,000	150,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	73,069.23
SBA Disaster Rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	-
Book Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SBA PPP Loan	87,875	87,875	87,875	87,875	87,875	87,875	87,875	87,875	87,875	87,875	87,875	87,875	87,875	87,875.00
SBA PPP Loan Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	-
Book Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HNB Credit Line	421,560	421,560	421,560	421,560	421,560	421,560	421,560	421,560	421,560	398,443	361,443	361,443	361,443	405,755
Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.19%
Book Interest	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	4,973	4,973	21,074.81
Ford Credit 269 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!
Ford Credit 269 Interest Rate	5.49%	5.49%	5.49%	5.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0
Book Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heartland National Balance#224.13	1,323,500	1,298,500	1,298,500	1,286,000	1,273,500	1,261,000	1,248,500	1,236,000	1,223,500	1,211,100	1,196,000	1,173,500	1,173,500	1,245,623
Heartland National #224.13 Interest F	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.09%
Book Interest	5,747	5,504	5,643	5,584	5,346	5,478	5,245	5,375	5,316	4,631	5,204	4,990	5,096	63,411
Note Payable Ally 68641 Balance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	#DIV/0!
Ally 68641 Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0
Book Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Payable Ally 65377	1,982,835	1,957,935	1,957,935	1,845,435	1,832,935	1,820,435	1,807,935	1,795,435	1,782,935	1,745,418	1,685,318	1,672,818	1,672,818	1,812,322
Ally 65377 Interest Rate	3.53%	3.31%	6.63%	3.68%	3.43%	3.66%	6.89%	3.52%	7.83%	3.12%	3.76%	7.01%	3.71%	4.66%
Book Interest	5,747	5,504	11,030	5,584	5,346	5,478	10,573	5,375	10,703	4,631	5,204	9,963	5,096	84,486
Total Debt	1,173,500	1,148,500	1,148,500	1,136,000	1,123,500	1,111,000	1,098,500	1,086,000	1,073,500	1,061,100	1,036,000	1,023,500	1,023,500	1,095,623
Long-term Portion	3,53%	3.31%	6.63%	3.68%	3.43%	3.66%	6.89%	3.52%	7.83%	3.12%	3.76%	7.01%	3.71%	4.66%
Book Interest	3,401	3,229	6,470	3,437	3,277	3,343	6,424	3,251	6,444	2,815	3,199	6,096	3,118	51,103
Short-term Portion	809,335	809,435	809,435	709,435	709,435	709,435	709,435	709,435	709,435	684,318	649,318	649,318	649,318	716,699
Interest Rate	3.53%	3.31%	6.63%	3.68%	3.43%	3.66%	6.89%	3.52%	7.83%	3.12%	3.76%	7.01%	3.71%	4.66%
Book Interest	2,346	2,275	4,560	2,147	2,069	2,135	4,149	2,124	4,259	1,815	2,005	3,867	1,978	33,383
Customer Deposits	21,980	22,030	22,130	22,380	22,730	22,980	23,080	23,280	23,530	23,430	23,380	23,530	23,780	22,942
Residential	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	1.97%
Commercial	35	35	35	36	36	37	37	39	39	39	39	39	40	451
Total	153,939	154,139	156,939	163,039	162,289	164,339	165,039	164,339	166,139	166,389	166,389	168,389	170,839	163,247
Interest Rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.86%
Book Interest	389	390	390	386	387	385	385	411	415	416	416	421	427	4,829
Total	175,919	176,169	179,069	185,419	185,019	187,319	188,119	187,619	189,669	189,819	189,769	191,919	194,619	186,188
Interest Rate	2.89%	2.89%	2.85%	2.73%	2.75%	2.70%	2.69%	2.88%	2.88%	2.88%	2.88%	2.85%	2.88%	2.84%
Book Interest	424	425	426	422	423	421	421	450	455	455	455	460	467	5,280

**SEBRING GAS SYSTEM, INC.**  
**EARNED RETURN ON COMMON EQUITY**  
**FPSC ADJUSTED BASIS**  
**June 2021**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.47%	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.25%	
SHORT TERM DEBT	0.81%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.13%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	2.19%	
 TOTAL	 5.28%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 51.26%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 10.31%	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 329,934	(Schedule 2, p. 2 of 2)
 RATE BASE EXCLUDING FLEX RATE REVENUES	 \$ 4,415,656	 (Schedule 2, p. 1 of 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 7.4719%	
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	1.25%	
SHORT TERM DEBT	0.81%	
PREFERRED STOCK	0.00%	
CUSTOMER DEPOSITS	0.13%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%	
SUBTOTAL	2.19%	
 TOTAL	 5.28%	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 51.26%	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 10.31%	