



**SEBRING GAS SYSTEM, INC.**

3515 U.S. Highway 27 South Sebring, Florida 33870-5452 863.385.0194 Fax 863.385.3423

March 19, 2008

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

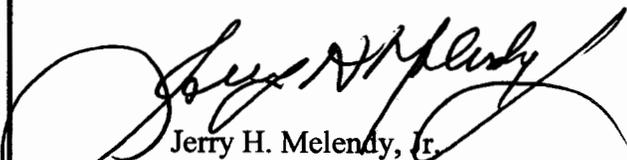
VIA: FAX 850.413.6421  
Eleven pages, including letter.

Dear Mr. Slemkewicz:

Following please find the semi-annual Earning Surveillance Report as of December 2007 for Sebring Gas System. I am also sending the report my mail.

Also, is there a disc with a template for this report? Presently the report if completed by our CPA. I would like to get a disc to run the report as well.

Sincerely,



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

**FLORIDA PUBLIC SERVICE COMMISSION**

**INVESTOR-OWNED NATURAL GAS UTILITY  
EARNINGS SURVEILLANCE REPORT**

**PSC/AFA 13 ( /96)**

**SEBRING GAS SYSTEM, INC.  
EARNINGS SURVEILLANCE REPORT SUMMARY  
DECEMBER 2007**

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>					
NET OPERATING INCOME	\$ 77,862	\$ 1,763	\$ 79,625		\$ 79,625
AVERAGE RATE BASE	\$ 1,208,543	\$ 0	\$ 1,208,543		\$ 1,208,543
AVERAGE RATE OF RETURN	6.4426%		6.5885%		6.5885% %
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>	\$ 1,185,412	\$ 0	\$ 1,185,412		

III. REQUIRED RATES OF RETURN  
AVERAGE CAPITAL STRUCTURE  
(FPSC ADJUSTED BASIS)

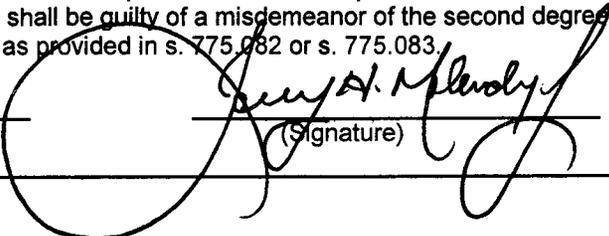
LOW	9.8032%
MIDPOINT	10.3861%
HIGH	10.9690%

IV. EARNED RETURN ON EQUITY  
(FPSC ADJUSTED BASIS)

A. INCLUDING FLEX RATE REVENUES	4.9853%
B. EXCLUDING FLEX RATE REVENUES	4.9853%

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.

<u>Jerry H. Melendy, Jr.</u>	<u></u>	<u>3/18/2008</u>
(Name and Title of Chief Financial Officer)	(Signature)	(Date)

PSC/AFA13

**SEBRING GAS SYSTEM, INC.  
AVERAGE RATE OF RETURN  
RATE BASE  
DECEMBER 2007**

SCHEDULE 2  
PAGE 1 OF 2

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	2,387,705	(1,219,255)	1,168,450	0	0	1,168,450	40,093	1,208,543
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	0	0	0	0	0	0	0	0
FPSC ADJUSTED	2,387,705	(1,219,255)	1,168,450	0	0	1,168,450	40,093	1,208,543
<u>FLEX RATE REVENUES</u>								
ADJUSTED FOR FLEX RATE REVENUES	2,387,705	(1,219,255)	1,168,450	0	0	1,168,450	40,093	1,208,543
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTME	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	2,387,705	(1,219,255)	1,168,450	0	0	1,168,450	40,093	1,208,543

**SEBRING GAS SYSTEM, INC.  
AVERAGE RATE OF RETURN  
INCOME STATEMENT  
DECEMBER 2007**

SCHEDULE 2  
PAGE 2 OF 2

	(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
PER BOOKS, as adjusted Jan 2007 thru Dec 2007	450,824	252,528	27,446	67,640	25,348	0	0	0	0	372,962	77,862
<u>FPSC ADJUSTMENTS:</u>											
Reduction to office supplies (921) by 15%		(1,763)								(1,763)	1,763
TOTAL FPSC ADJUSTMENTS	0	-1,763	0	0	0	0	0	0	0	-1,763	1,763
FPSC ADJUSTED	450,824	250,765	27,446	67,640	25,348	0	0	0	0	371,199	79,625
<u>FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES</u>	0	0	0	0	0	0	0	0	0	0	0
	450,824	250,765	27,446	67,640	25,348	0	0	0	0	371,199	79,625
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>											
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	450,824	250,765	27,446	67,640	25,348	0	0	0	0	371,199	79,625
PER BOOKS CURRENT MONTH AMOUNT	31,848	39,927	1,801	5,731	909	0	0	0	0	48,368	(16,520)

Sebring Gas System, Inc.  
Schedule 2 Worksheet - Average Rate of Return  
Dec-07

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Plant in	Accumulated	Net	Property	Construction	Net	Working	Total
<u>13 Month Average</u>	<u>Service</u>	<u>Depreciation</u>	<u>Plant in</u>	<u>Held for</u>	<u>Work in</u>	<u>Utility</u>	<u>Capital</u>	<u>Rate Base</u>
		<u>Amortization</u>	<u>Service</u>	<u>Future Use</u>	<u>Progress</u>	<u>Plant</u>		
Dec-06	2,349,255	(1,185,548)	1,163,707	0	0	1,163,707	0	1,163,707
Jan-07	2,349,255	(1,191,195)	1,158,060	0	0	1,158,060	0	1,158,060
Feb-07	2,354,105	(1,196,752)	1,157,353	0	0	1,157,353	0	1,157,353
Mar-07	2,356,099	(1,202,317)	1,153,782	0	0	1,153,782	0	1,153,782
Apr-07	2,361,694	(1,207,890)	1,153,804	0	0	1,153,804	0	1,153,804
May-07	2,370,678	(1,213,487)	1,157,191	0	0	1,157,191	0	1,157,191
Jun-07	2,388,617	(1,219,110)	1,169,507	0	0	1,169,507	0	1,169,507
Jul-07	2,405,857	(1,224,756)	1,181,101	0	0	1,181,101	0	1,181,101
Aug-07	2,411,031	(1,230,433)	1,180,598	0	0	1,180,598	0	1,180,598
Sep-07	2,428,118	(1,236,143)	1,191,975	0	0	1,191,975	0	1,191,975
Oct-07	2,407,785	(1,241,850)	1,165,935	0	0	1,165,935	0	1,165,935
Nov-07	2,422,920	(1,247,552)	1,175,368	0	0	1,175,368	0	1,175,368
Dec-07	2,434,749	(1,253,283)	1,181,466	0	0	1,181,466	0	1,181,466
Thirteen month totals	<u>31,040,163</u>	<u>(15,850,316)</u>	<u>15,189,847</u>	<u>0</u>	<u>0</u>	<u>15,189,847</u>	<u>0</u>	<u>15,189,847</u>
Thirteen month averag	<u>2,387,705</u>	<u>(1,219,255)</u>	<u>1,168,450</u>	<u>0</u>	<u>0</u>	<u>1,168,450</u>	<u>0</u>	<u>1,168,450</u>

**SEBRING GAS SYSTEM, INC.  
YEAR END RATE BASE  
DECEMBER 2007**

SCHEDULE 3

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	<u>2,388,617</u>	<u>(1,219,110)</u>	<u>1,169,507</u>	<u>0</u>	<u>0</u>	<u>1,169,507</u>	<u>15,905</u>	<u>1,185,412</u>
<u>FPSC ADJUSTMENTS:</u>								
TOTAL FPSC ADJUSTMENTS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FPSC ADJUSTED	<u><u>2,388,617</u></u>	<u><u>(1,219,110)</u></u>	<u><u>1,169,507</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>1,169,507</u></u>	<u><u>15,905</u></u>	<u><u>1,185,412</u></u>

**SEBRING GAS SYSTEM INC.**  
**CAPITAL STRUCTURE**  
**FPSC ADJUSTED BASIS**  
**DECEMBER 2007**

**SCHEDULE 4**

AVERAGE	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	425,994			425,994	33.8924%	9.1232%	3.0921%	9.1232%	3.0921%	9.1232%	3.0921%
SHORT TERM DEBT	0			28,749	2.2873%	9.1178%	0.2085%	9.1178%	0.2085%	9.1178%	0.2085%
PREFERRED STOCK	0	0		0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	69,474			69,474	5.5274%	6.9071%	0.3818%	6.9071%	0.3818%	6.9071%	0.3818%
COMMON EQUITY	732,683	0		732,683	58.2929%	10.5000%	6.1208%	11.5000%	6.7037%	12.5000%	7.2866%
DEFERRED INCOME TAXES	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	<u>1,256,899</u>	<u>0</u>	<u>0</u>	<u>1,256,899</u>	<u>100.0000%</u>		<u>9.8032%</u>		<u>10.3861%</u>		<u>10.9690%</u>

YEAR END	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	412,525			412,525	32.7257%	8.0435%	2.6323%	8.0435%	2.6323%	8.0435%	2.6323%
SHORT TERM DEBT	29,603			29,603	2.3484%	8.0435%	0.1889%	8.0435%	0.1889%	8.0435%	0.1889%
PREFERRED STOCK	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CUSTOMER DEPOSITS	70,155			70,155	5.5654%	6.9071%	0.3844%	6.9071%	0.3844%	6.9071%	0.3844%
COMMON EQUITY	748,270			748,270	59.3604%	10.5000%	6.2328%	11.5000%	6.8265%	12.5000%	7.4201%
DEFERRED INCOME TAXES	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - ZERO COST	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TAX CREDITS - WEIGHTED COST	0			0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	<u>1,260,553</u>	<u>0</u>	<u>0</u>	<u>1,260,553</u>	<u>100.0000%</u>		<u>9.4384%</u>		<u>10.0321%</u>		<u>10.6257%</u>

...ing Gas System, Inc.  
 Schedule 4 Worksheet - Capital Structure  
 12/31/07

	Dec-06	Jan-07	Feb-07 #	Mar-07 #	Apr-07 #	May-07 #	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Average Per Books
<b>13 Month Average</b>														
Long-term Debt	441,441	438,940	436,439	433,938	430,438	427,936	425,435	422,927	420,419	417,910	415,469	414,105	412,525	425,994
Short-term Debt	28,514	28,542	28,570	28,598	28,626	28,655	28,683	28,718	28,753	28,788	28,823	28,858	29,603	28,749
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Deposits	69,455	68,055	68,255	68,205	69,905	69,355	69,205	69,455	69,305	69,455	70,905	71,455	70,155	69,474
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	859,880	859,880	859,880	859,880	859,880	859,880	859,880	859,880	859,880	859,880	859,880	859,880	859,880	859,880
Current Year Profit (Loss)	34,440	15,445	26,931	24,254	41,575	48,018	48,655	40,376	44,006	47,939	62,662	74,860	56,446	43,508
Retained Earnings (Deficit)	(204,296)	(169,856)	(169,856)	(169,856)	(169,856)	(169,856)	(169,856)	(169,856)	(169,856)	(169,856)	(169,856)	(169,856)	(169,856)	(172,505)
Common Equity	<u>691,823</u>	<u>707,269</u>	<u>718,755</u>	<u>716,078</u>	<u>733,399</u>	<u>739,842</u>	<u>740,479</u>	<u>732,200</u>	<u>735,830</u>	<u>739,763</u>	<u>754,486</u>	<u>766,684</u>	<u>748,270</u>	<u>732,683</u>
Deferred Income Taxes	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Tax Crs-Zero Crs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tx Crs-Weighted Cst	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	<u>1,231,233</u>	<u>1,242,808</u>	<u>1,252,019</u>	<u>1,246,819</u>	<u>1,262,368</u>	<u>1,265,788</u>	<u>1,263,802</u>	<u>1,253,302</u>	<u>1,254,307</u>	<u>1,255,916</u>	<u>1,269,683</u>	<u>1,281,102</u>	<u>1,260,553</u>	<u>1,256,899</u>

Souring Gas System, Inc.  
 Schedule 4 Worksheet - Average Interest Rates  
 12/31/07

<b>13 Month Average</b>	<b>Dec-06</b>	<b>Jan-07</b>	<b>Feb-07</b>	<b>Mar-07</b>	<b>Apr-07</b>	<b>May-07</b>	<b>Jun-07</b>	<b>Jul-07</b>	<b>Aug-07</b>	<b>Sep-07</b>	<b>Oct-07</b>	<b>Nov-07</b>	<b>Dec-07</b>	<b>Average Per Books</b>
WSB #57692 Balance	410,998	409,998	408,998	407,998	406,000	405,000	404,000	403,000	402,000	401,000	400,000	399,000	399,000	404,384
WSB #57692 Rate	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.00%	8.75%	8.75%	8.50%	8.25%	9.22%
	3,281	3,272	2,948	3,257	3,143	3,230	3,120	3,216	3,207	3,097	2,947	2,829	2,829	40,378
WSB loan	36,640	35,805	34,970	34,135	33,300	32,465	31,630	30,795	29,960	29,125	28,290	27,731	26,896	31,672
WSB rate	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.00%	8.75%	8.75%	8.50%	8.25%	10.30%
	291	294	286	253	274	258	260	245	246	241	210	485	191	3,534
Mid Florida FCU	22,317	21,679	21,041	20,403	19,764	19,126	18,488	17,850	17,212	16,573	16,002	16,232	16,232	18,686
	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%	5.16%
	98	96	94	92	88	86	84	82	79	77	75	80	0	1,031
	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%	0.00%
			0						0					0
<b>Total Debt</b>	<b>469,955</b>	<b>467,482</b>	<b>465,009</b>	<b>462,536</b>	<b>459,064</b>	<b>456,591</b>	<b>454,118</b>	<b>451,645</b>	<b>449,172</b>	<b>446,698</b>	<b>444,292</b>	<b>442,963</b>	<b>442,128</b>	<b>454,743</b>
	9.19%	9.53%	9.33%	9.17%	9.29%	9.22%	9.28%	9.24%	9.26%	9.30%	8.56%	9.32%	8.04%	9.12%
	3,670	3,662	3,328	3,602	3,505	3,574	3,464	3,544	3,532	3,415	3,232	3,394	3,020	44,943
Long-term Portion	441,441	438,940	436,439	433,938	430,438	427,936	425,435	422,927	420,419	417,910	415,469	414,105	412,525	425,994
	9.19%	9.53%	9.33%	9.17%	9.29%	9.22%	9.28%	9.24%	9.26%	9.30%	8.56%	9.32%	8.04%	9.1232%
	3,447	3,438	3,123	3,380	3,287	3,350	3,245	3,318	3,306	3,195	3,022	3,173	2,818	42,103
Short-term Portion	28,514	28,542	28,570	28,598	28,626	28,655	28,683	28,718	28,753	28,788	28,823	28,858	29,603	28,749
	9.19%	9.53%	9.33%	9.17%	9.29%	9.22%	9.28%	9.24%	9.26%	9.30%	8.56%	9.32%	8.04%	9.1178%
	223	224	204	223	219	224	219	225	226	220	210	221	202	2,840
<b>Customer Deposits</b>														
Residential	14,080	13,080	13,280	13,230	13,180	13,030	13,180	13,030	12,980	12,830	12,780	12,930	12,730	13,103
	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.14%
	70	65	66	66	66	65	76	65	65	64	64	65	74	872
Commercial	55,375	54,975	54,975	54,975	56,725	56,325	56,025	56,425	56,325	56,625	58,125	58,525	57,425	56,371
	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
	323	321	321	321	341	344	328	329	329	330	349	356	336	4327
<b>Total</b>	<b>69,455</b>	<b>68,055</b>	<b>68,255</b>	<b>68,205</b>	<b>69,905</b>	<b>69,355</b>	<b>69,205</b>	<b>69,455</b>	<b>69,305</b>	<b>69,455</b>	<b>70,905</b>	<b>71,455</b>	<b>70,155</b>	<b>69,474</b>
	6.80%	6.81%	6.81%	6.81%	6.98%	7.07%	7.00%	6.81%	6.81%	6.82%	6.99%	7.07%	7.01%	6.91%
	393	386	387	387	407	409	404	394	393	394	413	421	410	5,199

**SEBRING GAS SYSTEM, INC.**  
**EARNED RETURN ON COMMON EQUITY**  
**FPSC ADJUSTED BASIS**  
**DECEMBER 2007**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.5885%</u>	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	3.0921%	
SHORT TERM DEBT	0.2085%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.3818%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.0000%</u>	
SUBTOTAL	<u>3.6824%</u>	
TOTAL	2.9061%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>58.2929%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>4.9853%</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 79,625	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	<u>\$ 1,208,543</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.5885%</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	3.0921%	
SHORT TERM DEBT	0.2085%	
PREFERRED STOCK	0.0000%	
CUSTOMER DEPOSITS	0.3818%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.0000%</u>	
SUBTOTAL	<u>3.6824%</u>	
TOTAL	2.9061%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>58.2929%</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>4.9853%</u></u>	