BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Progress Energy Florida, Inc.

DOCKET NO. 090079-EI

Submitted for filing: March 20, 2009

DIRECT TESTIMONY AND EXHIBITS

OF

EARL M. ROBINSON

ON BEHALF OF
PROGRESS ENERGY FLORIDA, INC

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I. INTRODUCTION, PURPOSE, AND SUMMARY.

Q. Please state your name and business address.

A. My name is Earl M. Robinson. My office is located at 792 Old Highway 66, Suite 200, Tijeras, New Mexico 87059.

Q. By whom are you employed and in what position?

A. I am a Principal & Director of AUS Consultants. AUS Consultants is a consulting firm specializing in preparing various financial studies including depreciation, valuation, revenue requirements, cost of service, rate of return, and other analysis and studies for the utility industry and numerous other entities. AUS Consultants provides a wide spectrum of consulting services through its practices that include Depreciation & Valuation, Intellectual Property Management, Knowledge Management, Rate of Return, Revenue Requirements & Cost of Service, and Education & Publications.

Q. Have you prepared a statement of your experience and qualifications?

A. Yes. That statement is included as Exhibit No. ____ (EMR-1) to my direct testimony and it is true and correct.

Q. On whose behalf are you submitting this testimony?

A. I am submitting this testimony on behalf of Progress Energy Florida, Inc ("PEF" or the "Company").

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to set forth the results of my review and analysis of the PEF plant-in-service, which was conducted in the process of preparing a comprehensive depreciation study of PEF's generation, transmission, distribution, and general plant assets as of December 31, 2007, and developing proforma depreciation rates as of December 31, 2009. A true and correct copy of that study is included in Exhibit No. ___ (EMR-2) to my testimony. In completing the study, my tasks included an investigation and analysis of PEF's historical plant data, together with an interpretation of PEF's past experience and future expectations, to determine the remaining lives of PEF's property. The study utilized the resulting remaining lives, the results of our salvage analysis, and PEF's vintage plant-in-service investment and depreciation reserve to develop recommended average remaining life depreciation rates, and depreciation expense, related to PEF's plant-in-service.

Q. Please summarize your testimony.

A. I conducted a comprehensive study of PEF's depreciable property using the Company's historical data through December 31, 2007, discussions with the Company's staff and management to identify prior and prospective factors affecting PEF's plant in service, and generally accepted, utility industry standard depreciation methods, procedures, and techniques. As a result, I determined the appropriate service lives for the Company's surviving plant and, using them and the life characteristics developed from the study of the plant assets, I determined recommended average remaining life depreciation rates related to the Company's historic plant in service as of December 31, 2007. From there, pro forma depreciation rates were developed by updating the Company's December 31, 2007 depreciation study database with the 2008 and 2009 budget activity. The Company's book depreciation reserves were also updated to December 31, 2009, and applying the same depreciation methods and techniques, average remaining life depreciation rates were determined for the pro forma depreciable plant as of December 31, 2009.

The application of the pro forma depreciation rates to the December 31, 2009 depreciable plant in service results in an annual depreciation expense of $445,613,594, which is an increase of $97,355,430 from the current depreciation rate level. The depreciable plant in service is $12,020,397,963 as of December 31, 2009 compared to depreciable plant in service of $9,536,876,227 as of December 31, 2007. The change in the annual composite depreciation rate resulting from applying individual account level depreciation rates to PEF's December 31, 2009 plant-in-service produced a proposed composite depreciation rate of 3.71 percent. The proposed composite depreciation rate and the individual account level depreciation rates applied to PEF's December 31, 2009 plant-in-service can be found in Table 1F-(ProForma), Section 2, p. 2-8, in Exhibit No. ____ (EMR-2).

I recommend that the proposed depreciation rates set forth in my depreciation study should be uniformly and prospectively adopted by the Commission for regulatory purposes and by PEF for accounting purposes. These proposed depreciation rates are based on PEF's actual and expected plant in service and they are consistent with generally accepted, industry standard depreciation methods, procedures, and techniques.

II. GENERALLY ACCEPTED DEPRECIATION ANALYSIS.

Q. How is depreciation defined?

A. Depreciation is defined in the 1996 National Association of Regulatory Utility Commissioners (NARUC) "Public Utility Depreciation Practices" publication as follows: "Depreciation, as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities."

Q. Why is depreciation important to the revenue requirements of the Company?

A. Depreciation is important because, as the above definition describes, depreciation expense enables PEF to recover in a timely manner the capital costs related to its plant-in-service benefiting PEF's customers. Appropriate depreciation rates will allow recovery of PEF's investments in depreciable assets over a life that provides for full recovery of the investments, less net salvage. Without the appropriate recovery of depreciation costs, PEF ultimately will not be able to meet its financial obligations related to the continued provision of service to customers. Furthermore, the inclusion of the appropriate level of depreciation recovery in revenue requirements serves to reduce overall costs (total of depreciation and return) to customers as opposed to a situation where an inadequate level of annual depreciation expense is currently being provided in rates.

Q. Are there generally accepted depreciation methods, procedures, and techniques in the utility industry?

A. Yes. Inherent in all depreciation calculations is an overall method, such as the Straight Line Method to depreciate property. Other methods available to develop average service lives and depreciation rates are accelerated and/or deferral approaches such as the Sum of the Years Digits Method or Sinking Fund Method. The Straight Line Method is the most widely used depreciation method or approach in the utility industry. It is widely understood, recognized, and used almost exclusively for depreciating utility property.

In addition, there are several procedures that can be used to arrange or group property by sub-groups of vintages to develop applicable service lives. These procedures include the Broad Group, the Equal Life Group, and other procedures. Due to the existence of very large quantities of property units within utility operating property, utility property is typically grouped into homogeneous categories as opposed to being depreciated on an individual unit basis. The Broad Group and Equal Life Group procedures are both Straight Line grouping procedures. The Broad Group Procedure is more widely utilized throughout the utility industry by regulatory commissions as a basis for depreciation rates. Under the Broad Group Procedure, the useful life and resulting depreciation rate is based upon the overall average life of all of the property within the group.

Finally, the depreciable investment needs to be recovered over a defined period of time through the use of a depreciation technique, such as the Whole Life or Average Remaining Life of the property group. The distinction between the Whole Life and Average Remaining Life Techniques is that under the Whole Life Technique, the depreciation rate is based on a snapshot and determines the recovery of the investment and average net salvage over the average service life of the property group for that moment in time. The Whole Life technique requires either frequent updates to keep the "snapshot" current or the use of an artificial deferred account that holds "excess" or "deficient" depreciation reserves. In comparison, under the Average Remaining Life Technique, the resulting annual depreciation rate incorporates the recovery of the investment (and future net salvage) less any recovery experienced to date over the average remaining life of the property group. The Average Remaining Life Technique is clearly superior in that it incorporates all of the current and future cost components in setting the proposed annual depreciation rate as opposed to only some of the current and future cost components as is the case with the Whole Life Technique. This means that any changes that occur in between depreciation studies are automatically trued-up in the subsequent study. No artificial deferral account needs to be established to accomplish such a true-up.

According to the Average Remaining Life Technique, the utility recovers the un-depreciated fixed capital investment through annual depreciation expense in each year throughout the useful life of the property. The Average Remaining Life Technique incorporates the future life expectancy of the property, the vintage surviving plant-in-service, the survival characteristics, together with the book depreciation reserve balance and future net salvage in developing the amounts for each property account. Accordingly, Average Remaining Life depreciation meets the objective of providing Straight Line recovery of fixed capital investment.

The depreciation methods, procedures, and techniques can be used interchangeably. For example, one could use the Straight Line Method with the Broad Group Procedure and the Average Remaining Life Technique, or the Straight Line Method with the Equal Life Group Procedure and Average Remaining Life Technique, or combinations thereof.

The depreciation rates set forth in my depreciation study report were developed utilizing the Straight Line Method, the Broad Group Procedure, and the Average Remaining Life Technique.

Q. Why did you use the Straight Line Method, the Broad Group Procedure, and the Average Remaining Life Technique?

A. The Straight Line Method, as I mentioned previously, is widely understood, well recognized, and utilized almost exclusively for depreciating utility property. The Broad Group Procedure recovers PEF's investments over the average period of time in which the property is providing service to PEF's customers. I used the Broad Group Procedure in this study because it is consistent with depreciation methods and procedures currently used and accepted by this regulatory commission and, accordingly, is the approach underlying the current depreciation rates.

Finally, the amount of annual depreciation must be based upon the productive life over which the un-depreciated capital investment is recovered, which is what the Average Remaining Life Technique accomplishes. The utilization of the Average

Remaining Life Technique to develop the applicable annual depreciation expense over the average remaining life assures that PEF's property investment is fully recovered over the useful life of the property, and that inter-generational inequities are avoided as current and future customers will pay their fair share of depreciation expense. The determination of the productive remaining life for each property group relies on a study of both past experience and future expectations and develops the appropriate total life and applicable depreciation rates for each of PEF's property groups. The Average Remaining Life Technique incorporates all of PEF's fixed capital cost components, thereby better assuring full recovery of PEF's embedded net plant investment and related costs. The Average Remaining Life Technique gives consideration not only to the average service life and survival characteristics plus the net salvage component, but also recognizes the level of depreciation which has been accrued to date in developing the proposed depreciation rate. The Average Remaining Life Technique is used by regulated companies and regulatory agencies because it allows full recovery by the end of the property's useful life - no more and no less.

Q. Why do you use Group depreciation procedures?

A. Group depreciation procedures are utilized to depreciate property when more than one item of property is being depreciated. The group approach refers to the method of calculating annual depreciation based on the summation of the investment in any one plant group rather than calculation of depreciation for each individual unit of plant. In theory, each unit achieves average service life by the time of retirement. Accordingly, the full cost of the investment will have been credited to plant-in-service by the time the retirement occurs, and likewise the depreciation reserve will be debited with an equal retirement cost. No gain or loss is recognized at the time of property retirement because of the assumption that the property was retired at average service life.

Such an approach is appropriate because all of the items within a specific group typically do not have identical service lives, but have lives which are dispersed over a range of time. Utilizing a group depreciation procedure allows for a uniform application of depreciation rates to groups of similar property in lieu of performing extensive depreciation calculations on an item-by-item basis. The Broad Group approach is a recognized and generally accepted common group depreciation procedure in the utility industry.

The Broad Group Procedure recovers the investment within the asset group over the average service life of the property group. Given that there is dispersion within each property group, there are variations of retirement ages for the many investments within each property group. That is, some properties retire early (before average service life) while others retire at older ages (after average service life) with the weighted average retirement age of the total property group being the attained average service life.

Q. Are there standard depreciation methods to perform a service life analysis of utility property investments?

A. Yes. The two most common methods are the Retirement Rate Method and the Simulated Plant Record Method. The method used to study a utility's historical data is dependent upon whether aged or un-aged data is available. If specific aged data is available, the Retirement Rate Method is used. If only un-aged data is available, the Simulated Plant Record Method is used. PEF maintains aged historical data, therefore, the Retirement Rate Method was used to analyze the Company's historical data.

Q. What is the purpose of the historical database?

A. The historical service life and net salvage data is a basic depreciation study tool that is assembled to prepare a comprehensive depreciation study. The historical database is used to make assessments and judgments concerning the service life and salvage factors that have actually been achieved, and along with information relative to current and prospective factors, to determine the appropriate future lives over which to recover the utility's depreciable fixed capital investments. Because PEF maintains vintage (aged) investment records, the Retirement Rate Method was used to analyze the historical data.

With the Retirement Rate Method of analysis, the actuarial service life data, which is sorted by age, is used to develop a survivor curve (observed life table). This survivor curve is the basis upon which smooth curves (standard Iowa Curves) are matched or fitted to then determine the average service life being experienced by the property account under study. Computer processing provides the capability to review various experience bands throughout the life of the account to observe trends and changes. For each experience band analysis, an "observed life table" is constructed using the exposure and retirement experience within the selected band of years. In some cases, the total life cycle of the property has not been achieved and the experienced life table, when plotted, results in a "stub curve." It is the "stub curve," or the total life curve, if the total life curve is achieved, which is matched or fitted to the standard Iowa Curves. The matching process is performed both by computer analysis, using a least squares technique, and by overlaying the observed life tables on the selected smooth curves for visual reference. The fitted smooth curve is a benchmark which provides a basis to determine the estimated average service life for the property group under study.

Q. You refer to the use of Iowa or smoothed survivor curves. Can you generally describe the Iowa curves and explain their purpose in the Average Remaining Life Technique?

A. Yes. The preparation of a depreciation study typically incorporates smoothed curves to represent the experienced or estimated survival characteristics of the property. The "smoothed" or standard survivor curves are the "Iowa" family of curves developed at Iowa State University and which are widely used and generally accepted throughout the utility industry. The shape of the curves within the Iowa family is dependent upon whether the maximum rate of retirement occurs before, during or after the average service life. If the maximum retirement rate occurs earlier in life, it is a left (L) mode curve; if it occurs at average life, it is a symmetrical (S) mode curve; if it occurs after average life, it is a right (R) mode curve. In addition, there is the origin (O) mode curve for plant which has heavy retirements at the beginning of life.

At any particular point in time, however, actual utility plant may not have completed its life cycle. Therefore, the survivor table generated from the utility's

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historical data is not complete. This situation requires that an estimate be made with regard to the incomplete segment of the property group's life experience. Further, actual experience often varies from age interval to age interval, making its utilization for average service life estimation difficult. Accordingly, the Iowa Curves are used to both extend the utility experience to zero percent surviving as well as to smooth actual utility data.

Q. What factors affect the length of the average service life that an electric utility's property may achieve?

A. Service lives are affected by many different factors, some of which can be determined from studying past experience, others of which must rely heavily on future expectations. The three major factors are: (1) physical; (2) functional; and (3) contingent casualties. The physical factor includes such things as deterioration, wear and tear, and the action of the natural elements. The functional factor includes inadequacy, obsolescence, and requirements of governmental authorities. Obsolescence occurs when it is no longer economically feasible to use the property to provide service to customers or when technological advances have provided a substitute with superior performance. The remaining factor, contingent casualties, includes retirements caused by accidental damage or construction activity of one type or another.

When physical characteristics are the controlling factor in determining the service life of property, historical experience is a useful tool in selecting service lives. In cases where there are changes in technology, regulatory requirements, utility policy or the development of a less costly alternative, historical experience is of lesser or little value. However, even when considering physical factors, the future lives of various properties may vary from those experienced in the recent past.

In performing the life analysis for any property being studied, both past experience and future expectations must be considered in order to fully evaluate the circumstances that may have a bearing on the remaining life of the property. This includes the review and analysis of historical as well as anticipated retirements, current and future construction technology, historical experience and future expectations of salvage, and the cost of removal. This ensures the selection of an average service life which best represents the expected life of each property investment.

Q. Is the service life analysis the same for all plant property group accounts?

A. No. In contrast to mass plant accounts, location type property classes such as production plant accounts are routinely depreciated by use of the life span method and net salvage estimates inclusive of both interim (yearly) retirements and final retirements. In this jurisdiction, the Company's present and proposed depreciation rates for production plant accounts include only the recovery of interim net salvage in its annual depreciation rates. The final net salvage component is recovered through rates established by a separate fossil fuel dismantlement study for fossil steam production units and a nuclear decommissioning study for the nuclear production unit.

The interim retirements are applicable to components of the property groups that will not live the entire period of time between original installation date and the estimated probable retirement year. Such retirements can be related to boiler components, pumps, and motors, for example. The net salvage percentage is estimated using the standard net salvage analysis procedure and the resulting percentage estimated is applied only to the level of interim retirements that are anticipated to occur between the time of original installation date and the probable retirement year.

Q. What is the Life Span Method?

A. The Life Span or Forecast Method is a method utilized to study various accounts in which the expected retirement dates of specific property or locations can be reasonably estimated. In the Life Span Method, an estimated probable retirement year is determined for each location of the property group. An example of this would be the production plant facilities, in which the various segments of the account are "life spanned" to a probable retirement date which is determined after considering a number of factors, such as management plans, industry standards, the original construction date, subsequent additions, resultant average age and the current - as well as the overall - expected service life of the property being studied. If, in the past, the property has experienced interim retirements, these are studied to determine an interim retirement rate. Otherwise, interim retirement rate parameters are estimated for properties which are anticipated to experience such retirements. The selected interim service life parameters (Iowa curve and life) are then used with the vintage investment and probable retirement year of the property to determine the average remaining life as of the study date.

The estimated probable retirement years used in the depreciation study in developing the applicable proposed depreciation rates for PEF's production plant properties were determined by PEF operating and planning management after consideration of all factors that are anticipated to impact the future useful life of each of the operating properties.

Also, the use of the Life Span Method for production facilities together with the inclusion of an interim retirement rate, using average service lives and Iowa Curves to define those portions of property at each of the plant sites that will not live the entire life span of the applicable property specifically, addresses and correlates to the sub-categorization of property groups as set forth in the Commission's rules, Chapter 25-6.04361 entitled "Sub-categorization of Electric Plant for Depreciation Studies and Rate Design." Thus the depreciation calculations, as performed in the preparation of this depreciation study and proposed depreciation rates, are in accordance with the intent of the Florida Commission rule.

Q. What is the principal reason for completing the detailed historical life and salvage depreciation analyses?

A. The detailed historical analysis is prepared as a tool from which to make informed assessments as to the appropriate service life and salvage parameters over which to recover PEF's plant investment. However, in addition to the available historic data, consideration must be given to current events, PEF's ongoing operations, PEF management's future plans, and general industry events which are anticipated to impact the lives that will be achieved by plant-in-service.

Q. In the preparation of this and other depreciation studies, have you used information from additional sources when estimating service life and salvage parameters?

A. Yes. In addition to the historical data obtained from PEF's books and records, information was obtained from PEF personnel relative to current operations and future expectations with respect to depreciation. Discussions were held with PEF planning and operations management. In addition, physical inspections were also conducted of various representative sites of PEF's operating property. In the course of completing the depreciation study, I also incorporated professional knowledge obtained from my more than thirty-five (35) years of utility industry depreciation experience. Using these additional information sources and my knowledge and experience is consistent with the generally accepted application of the standard utility industry depreciation methods, procedures, and techniques.

III. DEPRECIATION STUDY.

Q. Did you prepare a Depreciation Study that contains your depreciation analyses and recommendations with respect to PEF's depreciable plant property?

A. Yes. The Depreciation Study or Report is Exhibit No. ___ (EMR-2) to my testimony, entitled "Progress Energy Florida, Inc. Depreciation Study as of December 31, 2007 and Pro Forma Depreciation Rates as of December 31, 2009." This Study summarizes the results of my service life, salvage analysis, and subsequent development of proposed depreciation rates as of December 31, 2007 (historical) and December 31, 2009 (future).

Q. Please briefly describe the information included in your Depreciation Study.

A. The Study is divided into nine sections. Two key portions are Sections 2 and 4. Section 2 includes the summary schedules listing the present and proposed depreciation rates for each depreciable property group and other depreciation rate development schedules. Section 4 contains a narrative describing the factors considered in selecting service life parameters for PEF's property. The various other sections of the Study contain detailed information and/or documentation supporting the schedules contained in Sections 2 and 4. A table of contents lists the complete contents of the Study. In addition, Section 1 contains a brief narrative summary or overview of the entire report. Section 3 includes a description of the generally accepted industry standard depreciation methods, procedures, and techniques that I utilized in the Depreciation Study.

Q. Was your depreciation analysis of PEF's depreciable plant in your Study prepared using the generally accepted, standard depreciation methods, procedures, and techniques you have described here and in your Study?

A. Yes, and I also have prepared the Depreciation Study consistent with the requirements of Commission Rules 25-6.0436 and 25-6.04361, F.A.C.

Q. What steps were involved in preparing the Depreciation Study?

A. My comprehensive depreciation analysis included a detailed analysis of PEF's fixed capital books and records through December 31, 2007. Depreciation study analysis procedures require that the detailed analysis be completed as of the end of PEF's fiscal year, hence, the depreciation study was completed based upon historical data and surviving investments through December 31, 2007.

All of the historical data utilized in the course of performing the detailed service life and salvage study were obtained from PEF's books and records. Historical vintaged data (additions, retirements, adjustments, and balances) were obtained for each depreciable property group. PEF's historical investment cost records for each account were assembled into a depreciation database upon which detailed service life and salvage analysis were performed using standard depreciation procedures.

The development of the observed life tables from the historical information was completed by grouping like aged investments within each property category and identifying the level of retirements that occur through each successive age to develop the applicable observed life tables. The resulting observed lives were then fitted to standard Iowa Curves to estimate each property group's estimated future average service life. Likewise, the net salvage database was used as a basis to identify historical experience and trends and to determine each property group's estimated future net salvage factors. This was accomplished by preparing various three-year rolling band analyses of salvage components as well as a forecast based on PEF's historical salvage experience.

In addition, the Company's estimated proforma January 1, 2008 to December 31, 2009 activity was used along with the underlying depreciation parameters to arrive at the proposed December 31, 2009 depreciation rates. PEF's test year in the current base rate proceeding is the year 2010. Accordingly, the Company's proposed depreciation rates were projected forward from the end of the historical period on

December 31, 2007 to reflect the level of plant in service and depreciation reserve estimated to be in place as of December 31, 2009, using the two years of pro forma (estimated) plant in service and depreciation activity between December 31, 2007 and December 31, 2009.

These pro forma adjustments were accomplished by adding the activity (estimated additions and retirements) to the December 31, 2007 plant in service to arrive at the December 31, 2009 plant in service. See Section 2, Table 3F_Future, Exhibit No. ___ (EMR-2). The presently approved depreciation rates were used together with the estimated 2008 and 2009 yearly average plant balances to develop estimated 2008 and 2009 depreciation provision amounts for each property group and sub-group. These calculations are set forth on Table 3F_Future in Section 2 of Exhibit No. ___ (EMR-2). The December 31, 2007 book depreciation reserve was then projected forward by adding the estimated 2008 and 2009 annual depreciation provision along with the deduction of the estimated 2008 and 2009 retirements (See Exhibit No. ___ (EMR-2), to arrive at the estimated book depreciation reserve as of December 31, 2009. These calculations are set forth in Table 4F_Future, Section 2 of Exhibit No. ___ (EMR-2).

The December 31, 2009 plant in service surviving balances, as updated, were used to calculate the applicable average remaining lives. The underlying depreciation parameters used to complete the calculations were the depreciation parameters developed from the data through December 31, 2007 and resulting historic December 31, 2007 depreciation rates. Likewise, the net salvage factors estimated from the analysis of the data through December 31, 2007 were used in calculating the proposed

December 31, 2009 annual depreciation rates.

Q. What are the most notable changes in annual depreciation rates and expense between the present and proposed depreciation rates as of the proforma date of December 31, 2009?

A. The most notable changes in depreciation expense occurred in (1) Account 312 - Steam Boiler Plant Equipment; (2) Account 322 - Nuclear Reactor Plant Equipment; (3) Account 343 - Other Production Prime Movers; (4) Account 355 - Poles and Fixtures; (5) Account 362 - Station Equipment; (6) Account 364 - Distribution Poles, Towers and Fixtures; (7) Account 365 - Distribution Overhead Conductors & Devices; (8) Account 368 - Line Transformers; and (9) Account 370 - Meters. See Section 1, Table 1F-ProForma of Depreciation Study, Exhibit No. ___ (EMR-2).

Q. Please explain the change in Account 312-Boiler Plant Equipment.

A. The proposed depreciation rate for Account 312 - Boiler Plant Equipment, increased from 3.17 percent to 4.40 percent. The basic factors influencing the proposed annual deprecation rate for this account are the developed interim retirement rate, the probable retirement years, the estimated interim net salvage factors, and the current level of accrued depreciation reserve updated using proforma activity data. The interim retirement rates were developed based upon a detailed analysis of the historically experienced retirements, and are designed to recognize the level of interim retirements that are anticipated to occur from the study date until the probable retirement date of each facility. The estimated terminal or probable retirement years for each of the Company's operating units were developed by Company management after considering all factors affecting the current and prospective operation of the facilities as well as production requirements. The interim net salvage was based upon an analysis of the Company's historical experience, consideration of the prepared net salvage forecast, plus current and prospective factors. Individual plant site depreciation rates are set forth on, in addition to the FERC account level depreciation rate, Table 1F-Proforma, Section 2 of the Depreciation Study, Exhibit No. ___ (EMR-2).

Q. Please explain the change in Account 322-Nuclear Reactor Plant Equipment.

A. The proposed deprecation rate for Account 322 - Nuclear Reactor Plant Equipment, increased from 2.24 percent to 4.10 percent. Similar to the Steam Production analysis, the basic factors influencing the proposed annual deprecation rate for the Nuclear accounts are the developed interim retirement rate, the probable retirement years, the estimated interim net salvage factors, and the current level of accrued depreciation reserve updated using proforma activity data. The interim retirement rates were developed based upon a detailed analysis of the historically experienced retirements, and are designed to recognize the level of interim retirements that are anticipated to occur from the study date until the probable retirement date of the Company's facility. In addition, the interim net salvage was based upon an analysis of the Company's historical experience.

The estimated terminal or probable retirement year for the Company's operating unit is based upon the anticipated license expiration date of 2036 for the

Crystal River Unit Number 3 plant. During 2009 the Company will be expending approximately $300 million of additional investment to upgrade the existing embedded property. The addition of this large additional investment to the embedded property with a fixed license expiration date of the probable retirement is the primary driver behind the depreciation rate change for the account. Individual plant site depreciation rates are set forth on, in addition to the FERC account level depreciation rate, Table 1F-Proforma, Section 2 of the Depreciation Study, Exhibit No. ___ (EMR-2).

Q. Please explain the change in Account 343-Prime Movers.

A. The depreciation rate for Account 343 - Prime Movers increased from 3.74 percent to 4.66 percent. The drivers for the depreciation rate change for this account are the result of life changes for several of the operating units. However, the primary driver behind the overall account level depreciation rate change is the $632 million investment for the Bartow combined cycle plant that will be coming on line during 2009. Contributing to a significantly less degree of the depreciation rate change is a reduction in the level of estimated account level interim negative net salvage percent as well as a change in the estimated interim retirement rate. Individual plant site depreciation rates are set forth on, in addition to the FERC account level depreciation rate, Table 1F-Proforma, Section 2 of the Depreciation Study, Exhibit No. ___ (EMR-2).

Q. Can you explain the change in Account 355-Transmission Poles and Fixtures?

A. Yes. The depreciation rate for Account 355 – Transmission Poles and Fixtures increased from 2.72 percent to 4.14 percent. The increase of the deprecation rate for this property group is the result of incorporating a slightly shorter average service life thirty-eight (38) years as opposed to the present underlying average service life of forty (40) years and a change in estimated future net salvage from negative twenty-five (25) percent to negative fifty (50) percent.

Q. Please explain the change in Account 362-Distribution Station Equipment.

A. The depreciation rate for Account 362 - Station Equipment decreased from 2.57 percent to 1.83 percent. The decrease of the deprecation rate for this property group is principally the result of incorporating a longer average service life sixty (60) years as opposed to the present underlying average service life of forty-five (45) years and the resulting average remaining life into the depreciation rate.

Q. Please explain the change in Account 364-Distribution Poles, Towers & Fixtures.

A. The depreciation rate for Account 364 - Poles, Towers & Fixtures increased from 3.86 percent to 5.91 percent. The proposed depreciation rate is the product of a revision to the estimated future net salvage, which was revised from negative thirty-five (35) to negative fifty (50) percent, and extending the estimated average service life for the property group from twenty-eight (28) to twenty-nine (29) years. Over the last several years negative net salvage activity has escalated significantly and such activity can be anticipated to continue to occur at high levels in the future.

Q. Please explain the change in the depreciation rate for Account 365-Distribution Overhead Conductors and Devices.

A. The composite depreciation rate for Account 365 - Overhead Conductors and Devices increased from 2.66 percent to 3.59 percent. The increase of the deprecation rate for this property group is principally the result of incorporating a greater level of future negative net salvage from the current underlying negative fifteen (15) percent to a negative forty-five (45) percent net salvage. Offsetting the increase of negative net salvage is an increase in the average service life from a thirty-three (33) to a thirty-six (36) year life and its incorporation into the resulting average remaining life.

Q. Please explain the change in Account 368-Distribution Line Transformers.

A. The depreciation rate for Account 368 - Line Transformers increased from 3.38 percent to 3.96 percent. This depreciation rate increase is the combined product of incorporating the increased estimated average service life (an increase from twenty-six (26) to twenty-seven (27) years), and an increase in negative net salvage factors from negative five (5) percent to negative fifteen (15) percent identified through an analysis of the Company's historical experience and future expectations.

Q. Finally, will you explain the change in Account 370-Meters?

A. Yes. The depreciation rate for Account 370 - Meters increased from 3.57 percent to 8.85 percent. The increase of the depreciation rate for this property group is the product of the incorporation of an eighteen (18) year average service life, as opposed to the present underlying twenty-six (26) average service life, and an increase in the

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negative net salvage percent from the current underlying negative eight (8) percent to negative ten (10) percent. The overwhelming driver behind the depreciation rate change is the fact that with the high levels of recent plant retirements, the Company's book depreciation reserve for this account is currently negative. The inclusion of the current level of the Company's book depreciation reserve causes the proposed depreciation rate to increase significantly to recover the under recovered cost over the average remaining life of the property investment.

Q. What factors influence the determination of the recommended annual depreciation rates included in your Depreciation Study?

A. The depreciation rates reflect four principal factors: (1) the plant-in-service by vintage, (2) the book depreciation reserve, (3) the future net salvage, and (4) the composite remaining life for the property group. Factors considered in arriving at the service life are the average age, realized life, and the survival characteristics of the property. The net salvage estimate is influenced by both past experience and future estimates of the cost of removal and gross salvage amounts.

Q. Why are net salvage factors included in the determination of depreciation rates?

A. Net salvage is the difference between gross salvage, or the proceeds received when an asset is disposed of, and the cost of removing the asset from service. Net salvage is said to be positive if gross salvage exceeds the cost of removal. If the cost of removal exceeds gross salvage, the result is negative salvage. Many retired assets generate little, if any, positive salvage. Instead, numerous PEF asset groups generate negative net salvage at the end of their lives due to the cost of removal.

The cost of removal includes costs such as demolishing, dismantling, tearing down, disconnecting, or otherwise retiring or removing plant, as well as any environmental clean up costs associated with the property. Net salvage includes any proceeds received from any sale of plant.

Net salvage experience is studied for a period of years to determine the trends which have occurred in the past. These trends are considered, together with any changes that are anticipated in the future, to determine the future net salvage factor for remaining life depreciation purposes. The net salvage percentage is determined by comparing the total net positive or negative salvage to the book cost of the property investment retired.

Q. Is there a method to determining net salvage?

A. Yes. The method used to estimate the retirement cost is a standard analysis approach which is used to identify PEF's historical experience with regard to what the end of life cost will be relative to the cost of the plant when first placed into service. This information, along with knowledge about the average age of the historical retirements that have occurred to date, allows an estimation of the level of retirement cost that will be experienced by PEF at the end of each property group's useful life. The study methodology utilized has been extensively set forth in depreciation textbooks and has been the accepted practice by depreciation professionals for many decades.

Furthermore, the cost of removal analysis is the current standard practice used for mass assets by essentially all depreciation professionals in estimating future net salvage for the purpose of identifying the applicable depreciation rate for a property group. There is a direct relationship between the installation of specific plant and its corresponding removal. The installation is its beginning of life cost while the removal is its end of life cost. Also, it is important to note that Average Remaining Life depreciation rates incorporate future net salvage which is typically more representative of recent versus long-term historical average net salvage.

Q. How was this method applied?

A. PEF's historical net salvage experience was analyzed to identify the historical net salvage factor for each applicable property group. As in this case, this analysis routinely finds that historical retirements have occurred at average ages significantly shorter than the property group's average service life. The occurrence of historical retirements at an age which is significantly younger than the average service life of the property category demonstrates that the historical data does not appropriately recognize the true level of retirement cost at the end of the property group's useful life. An additional level of cost to retire will occur due to the passage of time until all the current plant is retired at the end of its life. That is, the level of retirement costs will increase over time until the average service life is attained. The additional inflation in the estimate of retirement cost is related to those additional years' cost increases (primarily the result of higher labor costs over time) that will occur prior to the end of the property group's average life.

To explain, as a general principle, as property continues to age assets that typically generate positive salvage when retired will generate a lower percentage of positive salvage as compared to the original cost of the property. By comparison, if the class of assets is one that typically generates negative net salvage due to high cost of removal and corresponding low gross end of life salvage with increasing age at retirement, the negative net salvage percentage as compared to original cost will typically be greater. This situation is routinely driven by the higher labor costs, for example, that occur with the passage of time.

A simple example will aid in understanding the above net salvage analysis and the required adjustment to the historical results. Assume the following scenario: PEF has two cars, Car 1 and Car 2, each purchased for $20,000. Car 1 is retired after 2 years and Car 2, is retired after 10 years. Accordingly, the average life of the two cars is six (6) years. Car 1 generates 75% salvage or $15,000 when retired and Car 2 generates 5% salvage or $1,000 when retired.

	Unit Cost	Ret. Age (Yrs)	%Salv.	Salvage Amount
Car 1	$20,000	2	75%	$15,000
Car 2	$20,000	10	5%	$1,000
Total	$40,000	6	40%	$16,000

Assume an analysis of the experienced net salvage at year three (3). Based upon the Car 1 retirement, which was retired at a young age (2 years) as compared to the average six (6) year life of the property group, the analysis indicates that the property group would generate 75% salvage. This indication is incorrect, however, because it is the result of basing the estimate on incomplete data. That is, the estimate is based upon the salvage generated from a retirement that occurred at an age which is far less than the average service life of the property group. The actual total net salvage that occurred over the average life of the assets, which experienced a six (6) year average life for the property group is 40%, as opposed to the initial incorrect estimate of 75%.

This is exactly the situation that occurs with the majority of PEF's historical net salvage data, except that most of PEF's property groups routinely experience negative net salvage as opposed to positive salvage.

Q. Was PEF's historical data sufficient to determine appropriate net salvage rates for PEF's depreciable plant?

A. Yes. PEF maintains historical aged retirement, salvage, and cost of removal data from which the net salvage method can be applied to determine appropriate net salvage rates. As with most utility plant records there are some anomalous data entries in various accounts but these have little to no bearing on the resulting net salvage analysis because (1) they are typically of very little value, especially compared to the total depreciable plant in the account, (2) they represent a relatively small percentage of the total accounting entries in the depreciable plant accounts, and (3) most importantly, they are typically many years old when the most relevant data is the most recent experience and what the expected experience will be. In determining the appropriate net salvage rates to ensure that customers pay their fair share of not only the plant they are consuming but the cost to retire that plant at the end of its life, the greater weight of the net salvage analysis is placed on the most recent and expected experience in the property account. In this way, the net salvage rates fairly account for the future cost to remove the plant, after salvage, as well as its retirement.

Q. Does your Depreciation Study compare PEF's historical data to the service life parameters you are proposing for your recommended annual depreciation rates?

A. Yes. PEF's historical plant account records included vintaged retirement data and, therefore, were studied using the Retirement Rate Method. The resulting observed life tables and plottings of the selected Iowa Curves are contained Section 5 of the Study in Exhibit No. ___ (EMR-2). The service life parameters and resulting plant account annual depreciation rates were developed using the generally accepted, standard depreciation methods, procedures, and techniques that I have described in my testimony and in Section 3 of the Study in Exhibit No. ___ (EMR-2) to my testimony.

Q. What is your professional opinion with regard to the results of the Depreciation Study that you prepared?

A. In my opinion, the proposed depreciation rates resulting from the completed comprehensive depreciation study are reasonable, fair, and appropriate given that they incorporate the service life and net salvage parameters currently anticipated for each of PEF's property group investments over their average remaining lives, consistent with generally accepted, standard utility depreciation methods, procedures, and techniques. It is my recommendation, therefore, that the proposed depreciation rates set forth in my Depreciation Study should be uniformly and prospectively adopted by the Commission for regulatory purposes as well as by PEF for accounting purposes. Applying these rates to the December 31, 2009 depreciable plant in service results in an annual depreciation expense of $445,613,594, which is an increase of $97,355,430 from the current depreciation rate level.

Q. Does this conclude your direct testimony?

A. Yes, it does.

PROFESSIONAL QUALIFICATIONS
OF
EARL M. ROBINSON, CDP
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Experience includes approximately 40 years of service in the public utility field. Mr. Robinson has performed services in the areas of depreciation, original cost, valuation, cost of service, and bill analysis within numerous regulatory jurisdictions and property tax agencies throughout the Eastern, Midwestern, Southwestern, and Pacific regions of the United States, Canada plus various areas of the Caribbean.

EXPERIENCE

1977 to Date

AUS Consultants. Various positions - currently Principal & Director. Mr. Robinson has prepared studies and coordinated analysis related to valuation, depreciation, original cost, trended original cost, cost of service, bill analysis, as well as analysis of expenses, revenues and income for various municipal and an extensive number of investor-owned electric, gas, water, wastewater, and telecommunications utilities.

Studies prepared have required the review of company records, inspection of property, the preparation of property inventories and original costs, preparation and review of mortality studies, selection of proper service lives, life characteristics and analysis of salvage, and analysis of capital recovery impact of changing depreciation methods.

During his many years of experience, Mr. Robinson has been involved in and/or responsible for an extensive quantity of comprehensive depreciation studies. Numerous early year's depreciation studies were prepared manually without the convenience of computer software systems. Subsequent, during the mid/late 1970's, Mr. Robinson became responsible for the completion of the many depreciation studies performed for the firm's clients. As part of that responsibility, Mr. Robinson was involved in not only performing the studies, but also in assisting AUS Consultants' MIS department in developing and testing various computer depreciation models. The studies performed by Mr. Robinson or under his direction have included all types of utilities, including electric, gas, water, wastewater, and telecommunications. During Mr. Robinson's career he has been involved in the preparation of more than a hundred depreciation related projects.

A Certified Depreciation Professional (CDP), Mr. Robinson, as a Principal & Director of AUS Consultants provides services to the firm's clients with regard to depreciation and cost based valuation issues. With more than forty (40) years' experience, he began his career as a staff member of the Plant Accounting Department of United Telephone (now Sprint) Eastern Group Headquarters subsequent to which he has spent the past thirty-five (35) plus years, as a consultant, preparing depreciation and valuation studies for gas, pipeline, electric, telecommunications, water, and wastewater utilities. In conjunction with the provision of these services, Mr. Robinson has testified on many occasions before numerous regulatory agencies (including state, federal, and property tax agencies throughout the U.S., Canada, and the Caribbean in support of the many studies completed for his diverse list of clients. In addition he has negotiated depreciation rates with various state regulatory agencies, the FCC Staff, and the FERC Staff. Mr. Robinson has also participated in several FCC, State, Company three-way depreciation re-prescription meetings.

With regard to valuation matters Mr. Robinson has been involved with the development of cost indexes from the earliest part of his career through the present. During his earlier years, he assisted and/or developed and utilized cost indexes to prepare reproduction cost and related fair value determinations for various of the firm's regulated utility clients. Subsequently, he attained extensive experience in preparing custom indexes, replacement cost, and depreciated replacement cost studies, having been responsible for preparing many such cost studies relative to various clients within the telecommunications industry during

PROFESSIONAL QUALIFICATIONS
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the past twenty (20) plus year period.

He is also responsible for developing and publishing the firm's AUS Telephone Plant Index (successor to the Handy Whitman and C A Turner Telephone Construction Cost Index), a reproduction cost index subscribed to by various operating companies, regulatory agencies, and consultants.

Mr. Robinson is a founding member and past President of the Society of Depreciation Professionals, a professional organization that provides depreciation training, as well as provides a forum for discussion of depreciation issues. He is also a member of the American Gas Association (AGA) Accounting Services Committee and past chairman of the Statistics, Bibliography, Court Regulatory Sub-Committee of the AGA Depreciation Committee. As a member of that organization, he co-authored a publication entitled "An Introduction to Net Salvage of Public Utility Plant". Mr. Robinson has completed various previous presentations on the subject of depreciation studies as well as depreciated replacement cost to industry organizations and to property tax appraiser staffs.

<u>1975 to 1977</u>

Gannett, Fleming, Corddry & Carpenter, Inc. Valuation Analyst in the Valuation Division where his duties and responsibilities included the classifications, analysis and coordination of data in the development of depreciation rates for various companies including telephone, gas, water and electric utilities.

<u>1971 to 1975</u>

Weber, Fick & Wilson (Acquired by AUS Consultants), Public Utility Analyst engaged in the unitization and subsequent application of costs in the pricing of inventories for original cost determination, depreciation and salvage studies to determine proper annual depreciation rates and trended original cost studies used in the determination of utility rate base.

<u>1966 to 1971</u>

United Telephone Company of Pennsylvania (now Sprint/United Telephone Company of Pa.). As a staff member of the Plant Accounting Department, his duties and responsibilities included various plant accounting ledgers, unitization of location and mass property accounts, as well as special studies related to insurance and tax valuations of utility plant in service.

<u>TESTIMONY</u>

Jurisdictions testified in include Alberta, Arizona, California, Connecticut, Delaware, District of Columbia, FERC, Florida, Indiana, Illinois, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Montana, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, and Virgin Islands. Extensive expert testimony has been presented on the subjects including Depreciation, Capital Recovery, Plant in Service Measures of Value, Depreciated Reproduction Cost, and Depreciated Replacement Cost. Numerous additional depreciation studies have been completed and filed in various different jurisdictions for which testimony appearances were not required.

PROFESSIONAL QUALIFICATIONS
OF
EARL M. ROBINSON, CDP
AUS CONSULTANTS

PERSONAL

Education:

Graduate of Harrisburg Area Community College with an Associate of Arts Degree in Accounting, and has undertaken further studies at University Center of Harrisburg. Successfully completed numerous programs related to service life and salvage estimation, forecasting, and evaluation sponsored by Depreciation Programs, Inc. at Calvin College Campus, Grand Rapids, Michigan. In addition, Mr. Robinson successfully completed cost of service seminars sponsored by the American Water Works Association. He received his CDP (Certified Depreciation Professional) designation by Exam during 1996.

List of Clients Served

CATV

Storer Broadcasting Company
(DE, MD, MN)
Cable Television Consortium

ELECTRIC

Atlantic City Electric d/b/a Conectiv Power Delivery
Borough of Butler - Electric Dept.
Conectiv Power Delivery
Consolidated Edison Co of NY
Consolidated Hydro, Inc.
Delmarva Power and Light Company
Delaware
Maryland
Duquesne Light Company
Hershey Electric Company
Kentucky Utilities
Lockhart Power Company

Louisville Gas & Electric Co. - Elec. Div.
Montana – Dakota Utilities Co – Elec. Div

Nantahala Power and Light Company
New York State Electric and Gas Corp
Northern Indiana Public Service Co
Pennsylvania Power Company
Philadelphia Electric Company
Potomac Electric Power Company
Maryland
Washington DC
Progress Energy - Carolina.
Progress Energy - Florida
Public Service Company of New Mexico
Rochester Gas and Electric Corporation
Wellsboro Electric Company
Vermont Electric Power, Inc

GAS

ATCO Gas
ATCO Pipelines
Atlanta Gas Light Company
Bay State Gas Company
C & T Enterprises, Inc.
Valley Cities Waverly Gas Company
Canadian Western Natural
Gas Company Limited
Citizens Gas & Coke Utility
Columbia Gas of Pennsylvania, Inc.

North Carolina Gas Service
North Penn Gas
Northern Indiana Public Service Co.
Northern Utilities, Inc.-Maine
Northern Utilities, Inc.-New Hampshire
Oklahoma Natural Gas Company
Pacific Gas & Electric Company
Paiute Pipeline
Pennsylvania Gas & Water Company
PG Energy Inc.

PROFESSIONAL QUALIFICATIONS
OF
EARL M. ROBINSON, CDP
AUS CONSULTANTS

Connecticut Natural Gas Corporation
Consolidated Edison Co of New York
East Ohio Gas
  Elkton Gas Service
Granite State Gas Transmission, Inc.
Great Plains Natural Gas Co.
Kansas Gas Service
Louisville Gas & Electric Co. - Gas Division
Montana Dakota Utilities - Gas Division
National Fuel Gas Distr. Corp., NY
National Fuel Gas Supply
NICOR Gas Company
Pennsylvania and Southern Gas Company
  Valley Cities Division
  Waverly Division
Pipeline Industry Group
Providence Gas Company
Public Service Electric & Gas Co.
Roanoke Gas Company
Rochester Gas and Electric Corporation
Saxonburg Heat & Light Company
Southern Connecticut Gas Company
Southwest Gas Corporation
T.W. Phillips Gas & Oil Company
Williams Companies

GENERAL CLIENTS

Arthur Andersen
Pricewaterhouse Coopers
Ernst & Young
Standard & Poors

REGULATORY AND GOVERNMENTAL

Arizona Corporation Commission
  Mountain States Telephone & Telegraph
  Southwest Gas Corporation
Baltimore County, MD
Bensalem Township - Water
Bethlehem Authority - Water
Borough of Butler, NJ
Borough of Media Water Works
City of New Orleans, LA
Delaware Public Service Commission
Delaware River Port Authority
Diamond State Telephone Company
Kansas Corporation Commission
  Southwest Bell
Public Service Comm. of Nevada
  Nevada Bell
Town of Waterford, CT
  Northeast Utilities
Washington, D.C. - PSC
  C&P Telephone Company
  Potomac Electric Power Company

TELECOMMUNICATIONS

Ace Telephone Association - IA & MN
AirTouch Communications
ALLTEL Pennsylvania, Inc.
AT&T-Advance Solutions, Inc-CA
BellSouth Telecommunications
Buffalo Valley Telephone Company
Cellular Industry Study Group
  AT&T Wireless
BellSouth Communications
  GTE Mobilnet
Brighthouse Networks-Citrus County
Cable & Wireless
Chenango & Unadilla Telephone Company
Cingular Wireless
  Cingular Wireless – California
  Cingular Wireless – Houston
Paging Industry Study Group
  AirTouch Paging
  Mobile Comm
Paging Network, Inc.
  Skytel
  USA Mobile Communications
Quaker State Telephone Company
Qwest Communications Corporation
  Qwest – Arizona
  Qwest – Iowa
  Qwest -- Montana
  Qwest -- Washington
RCA Global Communications, Inc.
SBC Ameritech Corporation
  SBC -- Arkansas
  SBC -- Kansas

PROFESSIONAL QUALIFICATIONS
OF
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Cingular Wireless - Massachusetts
Commonwealth Telephone Company
CTC of Michigan
CTC of Virginia
Denver & Ephrata Telephone & Telegraph Co.
D & E Network
D & E System
Embarq Florida, Inc.
Empire Telephone Corporation
Illinois Consolidated Telephone Co.
Jamestown Telephone Corporation
Leesport Telephone Company
Lewisberry Telephone Company
Los Angeles Cellular Telephone Co.
MCI International, Inc.
MCI Telecommunications Corp.
MFS Communication Company, Inc.
Marianna & Scenery Hill Tel. Co.
Mid State Telephone Company
Motorola, Inc.
Nevada Bell
New Jersey Telephone Company
The North-Eastern Pennsylvania Tel. Co.
Pacific Bell
Pactel Cellular
SBC -- Michigan
SBC -- Missouri
SBC -- Ohio
SBC -- Oklahoma
SBC – Wisconsin
SBC – West – California
SBC – West – Nevada
Southwestern Bell Telephone Company
Standard Telephone Company
Telecommunications d'Haiti
Telephone Utilities of Pennsylvania
United Telephone Company of New Jersey
Verizon Wireless
Verizon – California
Verizon – Kentucky
Verizon – Massachusetts
Verizon -- Montana
Verizon – South Carolina
Verizon -- Utah
Verizon -- Washington
Verizon – Wyoming
Verizon – Total Company
Virgin Islands Telephone Corporation
Williams Communication
WilTel, Inc.

WATER

Artesian Water Company
City of Auburn
Bethlehem Authority - Water
California Water Service Company
California-American Water Company
Citizens Water - California
Citizens Water - Arizona
Clinton Water Company
Columbia Water Company
Commonwealth Water Company
Consumers New Jersey Water Company
Dauphin Consolidated Water Supply Co.
Dominguez Water Company
Elizabethville Water Company
City of Fairfax
Garden State Water Company
Hackensack Water Company
Hershey Water Company
Illinois-American Water Company
Indian Rock Water Company
Indianapolis Water Company
Iowa-American Water Company
Keystone Water Company
Manufacturers Water Company
Masury Water Company
Middlesex Water Company
New Mexico-American Water Company, Inc.
Newtown Artesian Water Company
New York-American Water Company
Ohio-American Water Company
Palm Coast Utility Corporation
Pennichuck East Utility
Pennichuck Water Works
Pennsylvania-American Water Company
Pennsylvania Gas and Water Company
Pennsylvania Water Company
Erie & Sayre Divisions
Philadelphia Suburban Water Company
Pinelands Water Company
Public Service Water Company
Riverton Consolidated Water Company
Roaring Creek Water Company
Rock Springs Water Company
Shenango Valley Water Company
Southern California Water Company
Spring Valley Water Company
Tidewater Utilities, Inc.
United Water - Delaware
United Water - Toms River
United Water - New Jersey
United Water - Pennsylvania
United Water - Virginia

**PROFESSIONAL QUALIFICATIONS
OF
EARL M. ROBINSON, CDP
AUS CONSULTANTS**

Monmouth Consolidated Water Company
New Haven Water Company
New Jersey Water Company
Virginia American Water Company
Western Pennsylvania Water Company
York Water Company

STEAM

Consolidated Edison Co of New York

WASTEWATER

California - American Water Company
Citizens Sewer – Arizona
Illinois-American Company -- Wastewater
New Jersey Water Company
Sewer Districts
Palm Coast Utility Corporation
Pinelands Sewer Company
Wynnewood Sewer Company

PROFESSIONAL QUALIFICATIONS

CDP (Certified Depreciation Professional) by Exam during October, 1996

PROFESSIONAL AFFILIATIONS

American Water Works Association
American Gas Association
American Railway Engineering Association
Pennsylvania Gas Association
Pennsylvania Municipal Authorities Association
Member AGA Accounting Services Committee
Society of Depreciation Professionals-Founding Member, Chairman Coordinating and Membership Committees, Treasurer, President, and Past President

PUBLICATIONS

AGA/EEI Depreciation Accounting Committee, Contributing Author 1989, "An Introduction to Net Salvage of Public Utility Plant"

"Replacement Cost and Service Life Studies", *Journal of Property Tax Management*, Fall 1994, Volume 6, Issue 2

SPEECHES AND PRESENTATIONS

"Depreciated Replacement Cost", Institute of Property Taxation - 18th Annual Conference, San Francisco, CA

"RCNLD Issues for Utilities", The National Association of Railroad & Public Utilities Tax Representative, 1997 Annual Conference, North Lake Tahoe, NV

"Useful Service Lives of Cellular Industry Assets", State of Florida, Department of Revenue, Industry/Government Task Force (April 1997)

"Appraisal and Valuation Issues Associated with Technology Changes within the Wireless

PROFESSIONAL QUALIFICATIONS
OF
EARL M. ROBINSON, CDP
AUS CONSULTANTS

Industry", 30th Annual Wichita Program - Appraisal for Ad Valorem Taxation of Communications, Energy, and Transportation Program, Wichita State University - July 30-August 3, 2000

"Physical/Functional Obsolescence, Residual Values/Floors (Net Salvage)", 32th Annual Wichita Program - Appraisal for Ad Valorem Taxation of Communications, Energy, and Transportation Program Wichita State University - July 28-August 1, 2002

"Depreciation Study Preparation", AGA Accounting Services Committee/EEI Property Accounting & Valuation Committee, Lake Tahoe, Nevada - October 28, 2002

"Use of Replacement Cost to Value High Tech Equipment" Southeastern Association of Tax Administrators, 53rd. Annual Conference, Savannah, Georgia - July 14-July 16, 2003

"Property Tax: Use of Replacement Cost in the Appraisal of Telecommunications Companies", Western States Association of Tax Representatives (WSATR), WSATA 2003 Annual Meeting, Austin, TX - Sept. 9, 2003

"Replacement Cost & Depreciated Replacement Cost Presentation", Southwestern Bell Telephone Company – Arkansas PSC – Tax Division - August, 2003

"Valuation of Assets", AGA Accounting Services Committee/EEI Property Accounting & Valuation Committee, Scottsdale, Arizona - December 9, 2003

"*Property Tax: Use of Replacement Cost in the Appraisal of Telecommunications Companies",* Oklahoma State Board of Equalization Public Service Valuation Guidelines Subcommittee – Oklahoma City, OK – Feb 5, 2004

"*Net Salvage Issues In Rate Cases",* AGA Accounting Services Committee/EEI Property Accounting & Valuation Committee, San Antonio, Texas - May 17, 2004

"*Current Depreciation Issues: Point-Counterpoint",* AGA Accounting Services Committee/EEI Property Accounting & Valuation Committee, Savannah, Georgia – November 14, 2006

"Depreciation & Cost of Removal", AGA Accounting Services Committee/EEI Property Accounting & Valuation Committee, Tucson, Arizona – October 24, 2007

"Whole Life versus Remaining Life", AGA Accounting Services Committee/EEI Property Accounting & Valuation Committee, San Francisco, California – May 21, 2008

"Obsolescence-Measuring the Impact for Industries Experiencing Change" "Depreciation & Cost of Removal", IPT 32nd Annual Conference, Atlanta, Georgia, June 23, 2008

PROFESSIONAL QUALIFICATIONS
OF
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AUS CONSULTANTS

SUMMARY OF TESTIMONY APPEARANCES – HEARINGS & DEPOSITIONS (PLUS DECLARATIONS)

Jurisdiction	Client	Docket/Application	Subject
Alberta	Canadian Western Natural Gas Company Limited	980413	Depreciation
	ATCO Pipelines	1292783	Depreciation
Arizona	Arizona Corp. Comm./ Mtn. Bell	9981-E-1051	RCN/RCND *
	Arizona Corp. Comm./ Southwest Gas Corp.	U-1551-80-70	RCN/RCND *
	Qwest Corporation-Arizona	TX2001-000662	Property Tax Valuation Deposition
California (PUC & State Board of Equalization)	MCI Telecommunications Corporation	274	Replacement Cost/ Depr. Repl. Cost
		SAU87-38	Replacement Cost/ Depr. Repl. Cost
		SAU91-101	Replacement Cost/ Depr. Repl. Cost
	SBC-California	SAU 279	Property Tax Valuation Declaration
	SBC-California	January 31, 2005	Property Tax Valuation Declaration
	Southern California Water Company	ABJ-4	Depreciation
Connecticut	Southern Connecticut Gas Co.	89-09-06	P.I.S. Measures of Value and Depreciation
Delaware	Artesian Water Company	82-20 87-3	Depreciation Depreciation
	United Water - Delaware	96-164 98-98	Depreciation Depreciation
	Delaware Public Service Comm./ Diamond State Telephone Co.	81-8	P.I.S. Measures of Value and Depreciation
	Delmarva Power & Light Company	05-304	Depreciation
	Tidewater Utilities, Inc/ Public Water and Supply, Inc	99-466	Depreciation

PROFESSIONAL QUALIFICATIONS
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Jurisdiction	Client	Docket/Application	Subject
District of Columbia	Potomac Electric Power Co.	F.C. 869	Depreciation
	Washington, DC PSC/C&P Tel Corp.	F.C. 777	Depreciation
	Washington, DC PSC/ Potomac Electric Power Co.	F.C. 785 F.C. 813	Capital Recovery/ Depreciation
FERC	Granite State Gas Transmission, Inc.	RP91-164-000	Depreciation
	Paiute Pipeline	RP96-306-000	Depreciation
Florida (County of Duval)	BellSouth Telecommunications	Petitions 1795-1800	Replacement Cost/ Depr. Repl. Cos
(County of Lee)	Sprint-Florida, Inc (Embarq)	Case No. 02-CA-013330-1	Replacement Cost
(County of St. Lucie)	BellSouth Telecommunications	1999 Petitions	Replacement Cost/ Depr. Repl. Cost
(County of Citrus)	Embarq	Case No. 2003-CA4473, 2004-CA4565, 2005-CA5010	Property Tax Valuation Deposition
(County of Lee)	Embarq	Case No. 02-13330 CA-WCM	Property Tax Valuation Deposition
	Progress Energy – Florida	050078-EI	Depreciation
Illinois	Illinois - American Water Company	00-0340 02-0690 07-0507	Depreciation Depreciation Depreciation
	Illinois Consolidated Telephone Co.	81-0264 82-0623	RCN/RCND * RCN/RCND *
Indiana	Northern Indiana Public Service Company	Cause No. 41746	Depreciation
Iowa (Dept of Rev)	Qwest Corporation-Iowa	883	Property Tax Valuation Deposition

PROFESSIONAL QUALIFICATIONS OF EARL M. ROBINSON, CDP AUS CONSULTANTS

Jurisdiction	Client	Docket/Application	Subject
Kansas	Kansas Gas Service	03-KGSG-602-RTS	Depreciation
Kentucky	Kentucky Utilities	Case No. 2003-00434	Depreciation
	Louisville Gas & Electric Electric Gas	Case No. 2003-00433	Depreciation
Maryland	Delmarva Power & Light Company	9093	Depreciation
	Potomac Electric Power Company	9092	Depreciation
Massachusetts	Bay State Gas Company	92-111 DTE 05-27	Depreciation Depreciation
Montana	Montana-Dakota Utilities Co-Elec	Docket # 2007.7.79	Depreciation
	Qwest Corporation-Montana	06DORFC001 06DOTFC017	Property Tax Valuation Deposition
Nevada	Southwest Gas Corporation	04-3011	Depreciation
New Jersey	Atlantic City Electric d/b/a Conectiv Power Delivery	ER03020110	Depreciation
	Borough of Butler/ Butler Elec. Dept.	792-84	Valuation of Plant in Service Customer Revenue and Purchase Power
	Commonwealth Water Co.	842-100	Depreciation
	Consumers NJ Water Company	WR00030174	Depreciation
	Garden State Water Co.	WR91091483	Depreciation
	Middlesex Water Company	WR8602-240 WR90080884J WR96110818	Depreciation Depreciation Depreciation
	Monmouth Cons. Water Co.	8312-1113	Depreciation
	New Jersey Water Company	834-292	Depreciation
	Public Service Electric & Gas	GR05100845	Depreciation

**PROFESSIONAL QUALIFICATIONS
OF
EARL M. ROBINSON, CDP
AUS CONSULTANTS**

Jurisdiction	Client	Docket/Application	Subject
	United Water Resources (formerly Hackensack Water Co.)	8506-663 WR90080792J WR95070303	Depreciation Depreciation Depreciation
	Toms River Water Company	WR95050219	Depreciation
New Hampshire	Northern Utilities, Inc.	DR91-081	Depreciation
New Mexico	New-Mexico American Water Company, Inc.	2813 03-00206-UT	Depreciation Depreciation
New York	New York-American Water Co.	28911	Depreciation
	New York State El & Gas Corp. Electric Business & Common Plt	05-E-1222	Depreciation
	Spring Valley Water Co., Inc.	89-W-1151 92-W-0645	Depreciation Depreciation
North Carolina	Nantahala Power and Light Co.	E-13, SUB157	Depreciation
North Dakota	Montana-Dakota Utilities Co-Gas	Case No. PU-399-02-183	Depreciation
Oklahoma (State Board of Equalization)	SWBT-Oklahoma	EQ-2004-10	Property Tax Valuation Deposition
Pennsylvania	Borough of Media Water Works	R-912150	Depreciation
	Columbia Gas of Penna.	R-80031129	Depreciation and Valuation
	Commonwealth Telephone Co.	I-00920020	Depreciation
	Keystone Water Company	R-842755 R-842756 R-842759	Capital Recovery/Depreciation Capital Recovery/Depreciation Capital Recovery/Depreciation
	Mid Penn Tel. Corp.	R-80071264	Depreciation
	Penna.-American Water Co.	R-891208	Depreciation
	Penna. Gas & Water Co. - Gas Division	R-821961 R-832475	Depreciation Depreciation

PROFESSIONAL QUALIFICATIONS
OF
EARL M. ROBINSON, CDP
AUS CONSULTANTS

Jurisdiction	Client	Docket/Application	Subject
	Penna. Gas & Water Co. - Water Division	R-822102 R-850178 R-870853	Depreciation Capital Recovery/Depreciation Capital Recovery/Depreciation
	Penna. Gas & Water Co. - Scranton Division	R-901726 R-922482	PIS Meas. of Value/Depreciation Depreciation
	Penna. Gas & Water Co. - Spring Brook Division Nesbitt Service Area	R-911966	PIS Meas. of Value/Depreciation
	Crystal Lake Service Area	R-922404	PIS Meas. of Value/Depreciation
	Ceasetown/Watres Service Area	R-93266	Depreciation
	Penna. Power Company	R-811510 R-821918 R-832409 R-842740 R-850267 R-870732	PIS Meas. of Value/Depreciation PIS Meas. of Value/Depreciation PIS Meas. of Value/Depreciation PIS Meas. of Value/Depreciation PIS Meas. of Value/Depreciation PIS Meas. of Value/Depreciation
	Pennsylvania & Southern Gas Company	R-870686	Depreciation
	PG Energy Inc.	R-963612 R-984280 R-00061365	PIS Meas. Of Value/Depr PIS Meas. Of Value/Depr PIS Meas. OFValue/Depr
	Philadelphia Suburban Water Company	R-911892 R-922476 R-932868	Depreciation PIS Meas. of Value/Depreciation PIS Meas. of Value/Depreciation
	Riverton Consolidated Water Co.	R-842675	Capital Recovery/Depreciation
	United Water - Pennsylvania	R-00973947	Depreciation
	Western Pennsylvania Water Company	R-842621 R-842622 R-842623 R-842624 R-842625	Capital Recovery/Depreciation Capital Recovery/Depreciation Capital Recovery/Depreciation Capital Recovery/Depreciation Capital Recovery/Depreciatio

PROFESSIONAL QUALIFICATIONS
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Jurisdiction	Client	Docket/Application	Subject
	Wellsboro Electric Company	R-00016356	Depreciation
Rhode Island	Providence Gas Company	1914 2286	Depreciation Depreciation
South Carolina	Lockhart Power Company	87-435-E	Depreciation
Tennessee (Board of Equalization)	Bellsouth – Tennessee	67-5-903	Property Tax Valuation Deposition
Utah	Verizon Wireless	05-0826, 05-0829	Property Tax Valuation Deposition & Hearing
Virgin Islands	Virgin Islands Tel. Corp.	264 314 316	Depreciation Depreciation Depreciation

* Reproduction Cost New/Reproduction Cost New Depreciated.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Progress Energy Florida, Inc.

DOCKET NO. 090079-EI

Submitted for filing: March 20, 2009

EXHIBIT NO. ______ (EMR-2)

Depreciation Study as of December 31, 2007

and

ProForma Depreciation Rates

As of December 31, 2009

Vols. 1 and 2 are filed separately due to volume