DOCKET NO.: 050045-EI –Petition for Rate Increase by Florida Power & Light Company

WITNESS: **Direct Testimony of Sidney W. Matlock**, Appearing on Behalf of the Staff of the Florida Public Service Commission.

DATE FILED: July 8, 2005

DIRECT TESTIMONY OF SIDNEY W. MATLOCK

Q. Please state your name and business address.

A. My name is Sidney W. Matlock. My business address is 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850.

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

A. I am employed by the Florida Public Service Commission (Commission) as a Regulatory Analyst in the Division of Economic Regulation.

Q. What are your present responsibilities with the Commission?

A. My responsibilities include analysis of utility regulatory filings in the Fuel Cost Recovery docket and other dockets and activities relating to electric distribution reliability and electric meter accuracy.

Q. Please give a brief description of your educational background and professional experience.

A. I graduated from the Florida State University in August of 1975 with a B.S. degree in economics. I was employed by the Florida Department of Commerce (later the Department of Labor and Employment Security) from February of 1976 to February of 1985. I have been employed by the Florida Public Service Commission since February of 1985. In August of 1992, I obtained a B.S. degree in statistics from the Florida State University.

Q. Have you previously testified before the Commission?

A. Yes. I testified in Docket Number 030623-EI, Complaints by Ocean Properties, Ltd., J.C. Penney Corp., Target Stores, Inc., and Dillard's Department Stores, Inc. against Florida Power & Light Company concerning thermal demand meter error.

Q. Are you sponsoring an exhibit in this case?

A. Yes. I am sponsoring Exhibit SWM-1 consisting of one table containing three columns of reliability index data and three line graphs, one for each column.

A. The purpose of my testimony is to present the values of three distribution reliability indexes - System Average Interruption Duration Index (SAIDI), Customer Average Interruption Duration Index (CAIDI), and System Average Interruption Frequency Index (SAIFI) - for the years 1992 through 2004 for Florida Power & Light Company.

Q. Please define each index.

A. SAIDI is the average number of customer minutes of interruption per customer, for the utility system. It is the total customer minutes of interruption divided by the total number of customers served.

CAIDI is the average number of customer minutes of interruption per customer interruption. It is the total customer minutes of interruption divided by the total number of customer interruptions.

SAIFI is the average number of customer interruptions per customer, for the utility system. It is the total customer interruptions divided by the total number of customers served.

Q. What is the importance of these data?

A. These indexes are used as indicators of utility performance in the area of distribution reliability. Changes in the indexes over time are interpreted as indicators that the utility is performing better or worse, depending on the direction of change, than in an earlier period. These data appear in direct testimony of Geisha J. Williams in Docket Number 050045-EI for the years 1998 through 2004. My testimony presents the three series along with the index values for the six years prior to 1998. Therefore, with the additional six years of data provided in my testimony, one may approximate changes in performance since 1992 along with the changes since 1998. These indexes are presented in Exhibit SWM-1.

Q. Do the additional six years of data (1992 through 1997) indicate anything contrary to what one might conclude by examining only the 1998 through 2004 data.

A. Yes. From 1998 through 2004, each of the three performance indicators showed

improvements in distribution reliability. The changes over the six-year period are summarized below.

SAIDI – 100.2 minutes in 1998 to 69.7 minutes in 2004.

CAIDI – 64.9 minutes in 1998 to 57.3 minutes in 2004.

SAIFI – 1.54 interruptions in 1998 to 1.22 interruptions in 2004.

As indicated by changes in the three indexes, FPL has shown improvements in performance since 1998, achieving a reduction of 30.5 minutes per customer in its SAIDI, a reduction of 7.6 minutes per customer interruption in its CAIDI, and a reduction of .32 interruptions per customer in its SAIFI.

However, the 1992 through 1997 indexes show an entirely different picture. During the 1992 through 1997 period, FPL experienced a significant decline in reliability - so much so that the Commission found it necessary to call FPL's reliability into question. The changes since 1992 are summarized as follows.

SAIDI – 71.8 minutes in 1992 to 69.7 minutes in 2004.

CAIDI – 56.3 minutes in 1992 to 57.3 minutes in 2004.

SAIFI – 1.28 interruptions in 1992 to 1.22 interruptions in 2004.

Assessing changes in performance since 1992, improvements in SAIDI and SAIFI are much smaller, with decreases of only 2.1 minutes and .06 interruptions, respectively. In addition, CAIDI increased slightly during this period, by one minute.

Q. What are the sources of the reliability indicators you are using in your analysis?

A. The 1992 through 1999 data are taken from the Commission report titled "Review of Electric Service Quality and Reliability at Florida Power Corporation and Florida Power & Light Company", published in November 2000. The data were obtained by making document requests of the company in 1997 and 2000. The 1992 through 1996 data also appeared in a similar Commission report, "Review of Electric Service Quality and Reliability", published in

December 1997.

The 1998 through 2004 data are taken from the Annual Distribution Service Reliability Reports filed by FPL. The two sources overlap for 1998 and 1999.

Q. Did the two reviews that you cited as data sources include any other information pertinent to FPL's reliability performance?

A. Yes. The 1997 review noted that in the period 1992 to 1996, the Commission's Division of Consumer Affairs had experienced a sharp increase in service-related inquiries and complaints from FPL customers, after a period of declining or stable numbers of inquiries from 1985 to 1991. The 2000 review noted that in the previous three years, FPL had taken steps to reverse the previous downward reliability trend. This review noted a marked decrease in the number of service-related customer complaints since 1996 as well as improvements in the three indexes, and it concluded that FPL had begun a reversal of its previous downward trend in electric service quality and reliability.

Thus, when looking at the full period, 1992 through 2004, along with observations appearing in Commission publications, one can see that FPL has basically returned to its 1992 reliability level. This return was preceded by several years of decline during which regulatory pressure was brought to bear to encourage the utility to improve its performance.

Q. During the years 1992 through 2004, were any changes made to the method of calculating reliability indexes that could have affected the comparability of the data before and after the change was initiated?

A. Yes. An audit of the 2002 Annual Distribution Service Reliability Reports revealed that some electric utilities, including FPL, used monthly average numbers of customers served, or annual averages, to calculate the annual system indexes, SAIDI and SAIFI. Beginning in 2003, the utilities agreed to calculate the indexes using the year-end number of customers rather than the monthly average number of customers. For FPL, the number of

customers served in December, in the years 1998 through 2004, was around one percent greater than the average of the monthly numbers of customers. Although the definition of "customers", as used in calculating the system indexes, changed beginning in 2003, the affect on the indexes was slight. Using a larger number of customers to calculate an index results in the index being lower, but the change is so small that the year-to-year comparability of the index data is not affected. A change as great as one percent to FPL's customer count would effect changes of less than one minute (SAIDI) and only about two one-hundredths of an interruption (SAIFI).

Q. Based on your analysis of FPL's 1992 through 2004 reliability data, should the Commission award FPL a 50 basis point incentive for exceptional performance?

A. No. Based on changes in FPL's reliability index data from 1992 through 2004, the Commission should not provide any basis point reward to FPL. The index values are practically the same as they were thirteen years ago. Improvements have been made since 1996 or 1997, depending on the indicator, but only after the data indicated marked deterioration from 1992 to 1996 or 1997, and after this deterioration received regulatory attention.

Q. Does this conclude your testimony?

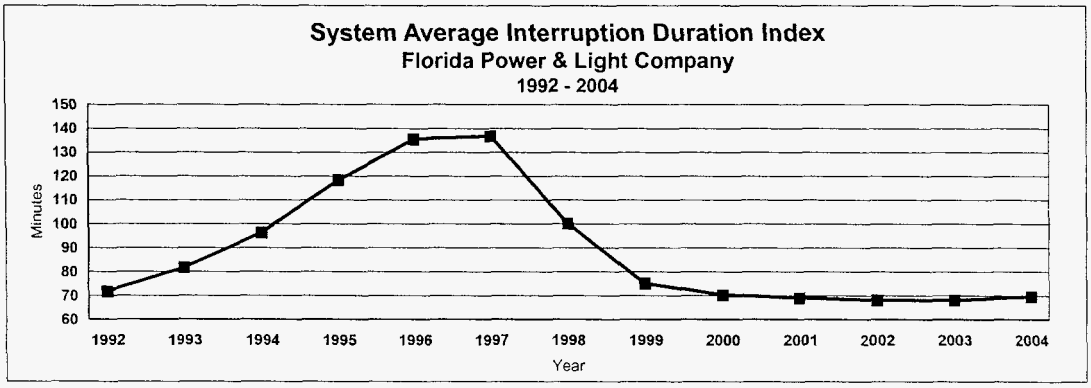
A. Yes, it does.

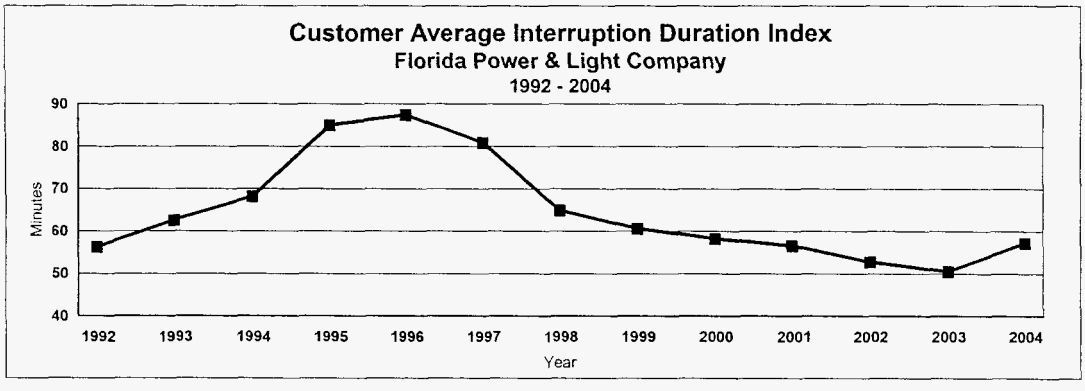
Exhibit SWM-1

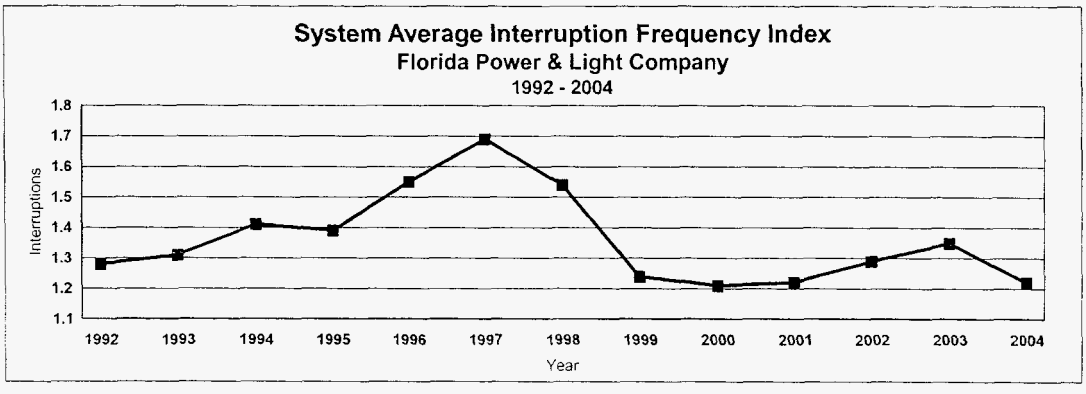
Distribution Reliability Indexes
Florida Power & Light Company

1992-2004

Year	SAIDI	CAIDI	SAIFI
1992	71.8	56.30	1.28
1993	81.8	62.64	1.31
1994	96.4	68.14	1.41
1995	118.3	85.03	1.39
1996	135.5	87.47	1.55
1997	136.8	80.90	1.69
1998	100.2	64.90	1.54
1999	75.2	60.60	1.24
2000	70.3	58.30	1.21
2001	69.1	56.60	1.22
2002	68.2	52.80	1.29
2003	68.2	50.50	1.35
2004	69.7	57.30	1.22







BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company.	DOCKET NO. 050045-EI
In re: 2005 comprehensive depreciation study by Florida Power & Light Company.	DOCKET NO. 050188-EI
	DATED: JULY 8, 2005

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the DIRECT TESTIMONY AND EXHIBIT OF SIDNEY W. MATLOCK has been served by U. S. Mail to R. Wade Litchfield and Natalie F. Smith, Florida Power & Light Company, 700 Universe Blvd., Juno Beach, Florida, 33408-0420 on behalf of Florida Power & Light Company, and that a true and correct copy thereof has been furnished to the following, by U. S. Mail, this 8th day of July, 2005:

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