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MEMORANDUM

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TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES CLERK

FROM: OFFICE OF THE GENERAL COUNSEL (BRUBAKER) JSB

RE: DOCKET NO.050078-EI Petition for rate increase by Progress Energy Florida, Inc.

Please file the attached DIRECT TESTIMONY OF SIDNEY W. MATLOCK, in the above-referenced docket.

DATE ORDER SENT ELECTRONICALLY TO CCA 7/27/05

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Attachment
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ORIGINAL

*DOCKET NO.:* 050078-EI – Petition for Rate Increase by Progress Energy Florida, Inc.

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

*DATE FILED:* July 27, 2005

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**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. I have also filed testimony in Docket Number 050045-EI, Petition for rate increase by Florida Power & Light Company, the hearing for which is scheduled to begin August 22, 2005.

Q. Are you sponsoring an exhibit in this case?

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

3 Q. What is the purpose of your testimony?

4 A. The purpose of my testimony is to present the values of three distribution reliability  
5 indexes - System Average Interruption Duration Index (SAIDI), Customer Average  
6 Interruption Duration Index (CAIDI), and System Average Interruption Frequency Index  
7 (SAIFI) - for the years 1992 through 2004 for Progress Energy Florida, Inc. (PEF).

8 Q. Please define each index.

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

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

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

17 Q. What is the importance of these data?

18 A. These indexes are used as indicators of utility performance in the area of distribution  
19 reliability. Changes in the indexes over time are interpreted as indicators that the utility is  
20 performing better or worse, depending on the direction of change, than in an earlier period.

21 These data for 2001 and 2004 and their changes over the three-year period appear in  
22 direct testimony of Dale Oliver in Docket Number 050078-EI to support the effectiveness of  
23 PEF's Commitment to Excellence (CTE) program. Direct testimony of Jeff Lyash discusses  
24 the values of SAIDI in 2000 and 2004 in connection with the settlement order from the 2002  
25 rate case. Direct testimony of Dr. Charles J. Cicchetti also lists the values of SAIDI in 2000

1 and 2004 as part of PEF's request that 50 basis points be added to PEF's return on equity for  
2 superior performance.

3 The company witnesses show some of these data for the last four years. My testimony  
4 shows the data for the last thirteen years. Therefore, with the additional nine years of data  
5 provided in my testimony, one may approximate changes in performance since 1992, and see  
6 the recent changes in a clearer context. The three indexes are presented in Exhibit SWM-1.

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

8 A. The 1992 through 1999 data are taken from the Commission report titled "Review of  
9 Electric Service Quality and Reliability at Florida Power Corporation and Florida Power &  
10 Light Company", published in November 2000. The data were obtained by making document  
11 requests of the company in 2000. The 1998 through 2004 data are taken from the Annual  
12 Distribution Service Reliability Reports filed by PEF. There is an overlap for 1998 and 1999.

13 Q. How do the 2001 through 2004 changes presented by PEF witnesses compare to the  
14 changes from 1992 through 2004?

15 A. Judging strictly by the index changes between the first (1992 or 2001) and last (2004)  
16 years, PEF improved its performance over both periods, but the changes over the earlier nine  
17 years (1992 through 2001) were not smooth and gradual. Each of the three indexes dropped  
18 sharply in 1993. However, the improvements shown in 1993 were nearly offset in each of the  
19 following two or three years, as performance declined significantly during those years. CAIDI  
20 peaked in 1995, and the two system indexes, SAIDI and SAIFI, peaked in 1996. From those  
21 peak levels, improvements were made somewhat more steadily through 2004.

22 The levels of the indexes in 2001 were roughly the same as in 1992. Further, most of  
23 the improvement in the 2001 through 2004 period occurred in 2004. The improvements in  
24 distribution reliability indicated by the 2001 through 2004 indexes, even considering  
25 comparable improvements over the earlier period, should not be the basis for assessing the

1 current level of PEF's performance.

2 Q. Based on your analysis of PEF's 1992 through 2004 reliability data, should the  
3 Commission reward PEF's improved performance since 2000 or 2001 by adding 50 basis  
4 points to its return on equity?

5 A. No. Even though improvements were made in the years 2002 through 2004,  
6 examination of the data in Exhibit SWM-1 reveals three things regarding the 2004 levels of  
7 SAIDI, CAIDI and SAIFI:

8 (1) Greater improvements were achieved over earlier periods than over the years 2001  
9 through 2004;

10 (2) The 2002 through 2004 improvements were a continuation of improvements that  
11 began in 1995 or 1996 following sharp declines in performance after 1993; and

12 (3) A comparison of the indexes of the two years 1992 and 1993 with those of the two  
13 years 2003 and 2004 shows that without the changes from 2003 to 2004, little overall  
14 improvement has taken place over the entire period.

15 Furthermore, PEF's 2004 SAIDI of 77.0 minutes does not constitute superior  
16 performance. The 2002 rate case settlement order stated that PEF would provide a \$3 million  
17 refund to customers should it not achieve a 20% reduction in SAIDI, measuring from the 2000  
18 index level, in 2004 and in 2005. The condition of the order has not been met. If the  
19 condition of maintaining SAIDI at or below 80.48 minutes in 2004 and 2005 is met, and the  
20 \$3 million refund is avoided, that may serve as an indication that the improved performance is  
21 sustainable, but it would not constitute superior performance. Meeting this condition, viewed  
22 in the light of the three series of reliability indexes over the past thirteen years, would merely  
23 indicate that PEF's performance in the area of distribution reliability is adequate.

24 Q. Does this conclude your testimony?

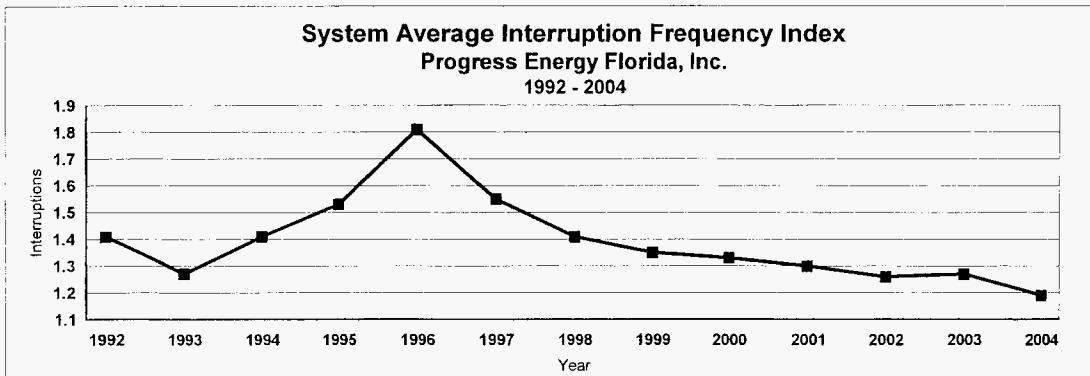
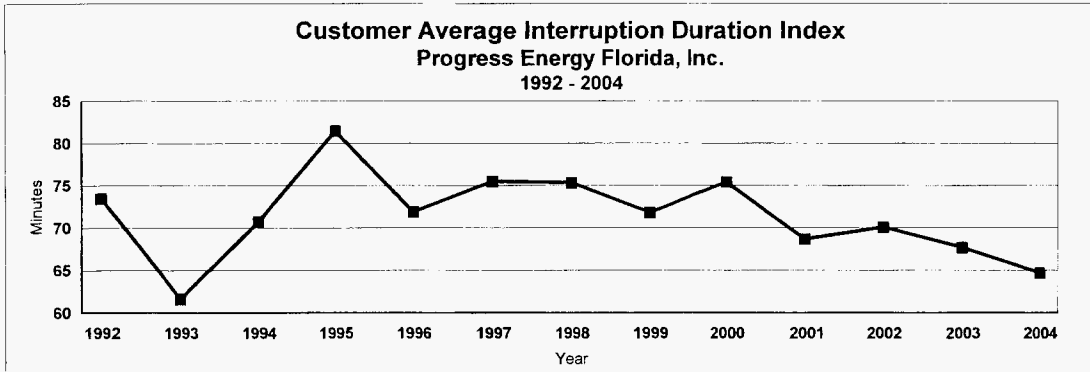
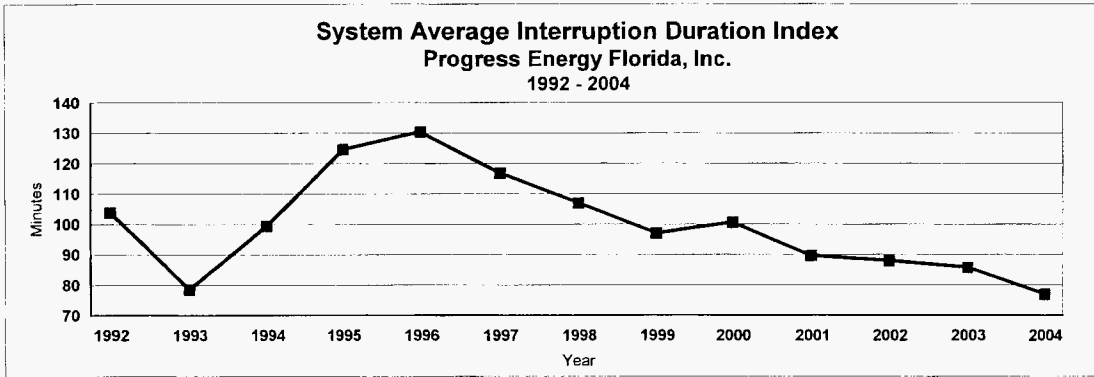
25 A. Yes, it does.

Exhibit SWM-1

Distribution Reliability Indexes  
Progress Energy Florida, Inc.

1992 - 2004

Year	SAIDI	CAIDI	SAIFI
1992	103.89	73.46	1.41
1993	78.55	61.67	1.27
1994	99.46	70.72	1.41
1995	124.58	81.48	1.53
1996	130.42	71.86	1.81
1997	116.83	75.47	1.55
1998	106.95	75.33	1.41
1999	97.00	71.80	1.35
2000	100.60	75.40	1.33
2001	89.70	68.70	1.30
2002	88.00	70.10	1.26
2003	85.80	67.70	1.27
2004	77.00	64.70	1.19



BEFORE THE PUBLIC SERVICE COMMISSION

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

DOCKET NO. 050078-EI

DATED: JULY 27, 2005

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of DIRECT TESTIMONY OF SIDNEY W. MATLOCK has been served by U. S. Mail to **Carlton Fields Law Firm**, Gary Sasso, Esq./James Walls, Esq./John Burnett, Esq. at P.O. Box 3239, Tampa, Florida 33601-3239, and that a copy of same was furnished to the following, by U.S. Mail, on this 27th day of July, 2005.

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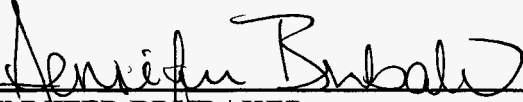
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