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March 28, 2005

BY HAND DELIVERY

COMMISSION CLERK
MAR 28 PM 4:30
FPSC

Blanca Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Petition of Florida Power & Light Company for Approval of Storm Cost Recovery Charges, Docket No. 041291-EI

Dear Ms. Bayo:

Enclosed for filing are the original and fifteen copies of the Florida Retail Federation's Prehearing Statement in the above-styled docket. Also enclosed is a 3.5" diskette with the FRF's Petition to Intervene in WORD format. I will appreciate your confirming receipt of this filing by stamping the attached copy thereof and returning same to my attention.

As always, my thanks to you and to your professional Staff for their kind and courteous assistance. If you have any questions, please give me a call at (850)681-0311.

Cordially yours,

Robert Scheffel Wright
Robert Scheffel Wright

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Enclosures

RECEIVED & FILED

[Signature]

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

03005 MAR 28 05

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Authority to Recover)
Prudently Incurred Storm Restoration)
Related to 2004 Storm Season That Exceed) DOCKET NO. 041291-EI
Storm Reserve Balance, by Florida Power) FILED: MARCH 28, 2005
& Light Company)

THE FLORIDA RETAIL FEDERATION'S PREHEARING STATEMENT

The Florida Retail Federation ("FRF"), pursuant to the Order Establishing Procedure in this case, hereby files its Prehearing Statement.

A. APPEARANCES:

ROBERT SCHEFFEL WRIGHT, Landers & Parsons, P.A., 310 West College Avenue, Tallahassee, Florida 32301, and

JOHN T. LAVIA, III, Landers & Parsons, P.A., 310 West College Avenue, Tallahassee, Florida 32301.

On Behalf of the Florida Retail Federation.

B. WITNESSES: None.

C. EXHIBITS: The Florida Retail Federation does not intend to present any exhibits through its own witnesses, but reserves its rights to introduce appropriate exhibits through the witnesses of the other parties to this proceeding.

D. STATEMENT OF BASIC POSITION:

Through its petition, FPL seeks to put the entire burden of storm-related expenses onto its customers, over and above base rates, thereby completely insulating itself - and its earnings - from the risks and impacts associated with the 2004 storms. FPL's proposal seeks to hold FPL harmless from any damages

related to the storms, while increasing costs to residents and businesses in FPL's service territory that have already absorbed storm damage costs of their own. Its proposal seeks 100% cost recovery from consumers, with no contribution from FPL, while the company benefits from increased profits. The FRF agrees that FPL is entitled to charge rates that recover the reasonably and prudently incurred costs of restoring service following storms, so long as those rates are, considered in their totality, fair, just, and reasonable. FPL's proposals here, however, would result in the totality of FPL's rates being unfairly, unjustly, and unreasonably high, with the result that FPL's customers would bear 100% of the impact and risk of the storms while FPL's shareholders bear none.

In determining whether to allow FPL to recover any storm-related costs from its customers, the Commission should limit such allowable costs (subject to the normal reasonableness and prudence standard) to the amount necessary to enable FPL to earn a 10% return on equity for 2004. If, taking this principle into account, the Commission determines that some amount of storm-related costs should be borne by FPL's customers, then a surcharge to base rates, with interest at the commercial paper rate, would be appropriate for such recovery.

E. STATEMENT OF ISSUES AND POSITIONS:

The following issues and positions are based upon the draft list of issues that the existing parties to this docket have developed. For convenience, the FRF here uses the same numeration system as that in the draft issues list that the other parties have been working from.

ISSUE 1: What is the legal effect, if any, of FPL's 1993 storm cost study and Order No. PSC-95-0264-FOF-EI entered in Docket No. 930405-EI on the decisions to be made in this docket?

FRF: The 1993 study and Order No. PSC-95-0264-FOF-EI are not dispositive of the issues regarding the manner in which FPL should account for the storm-related costs in this proceeding. In addition, the Order did not prejudge cost recovery from FPL's ratepayers under the storm damage reserve.

ISSUE 2: Is the methodology in Order No. PSC-95-0264-FOF-EI, issued in Docket No. 930405-EI, for booking costs to the Storm Damage Reserve the appropriate methodology to

be used in this docket? If not, what is the appropriate methodology?

FRF: No. FPL's storm-related costs should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred.

ISSUE 3: Were the costs that FPL has booked to the Storm Damage Reserve consistent with the methodology in the study filed on October 1, 1993, by the Company in Docket No. 930405-EI?

FRF: (Tentative) Yes, but the costs thus booked are not appropriate for determining the level or amount of costs to be charged to the storm reserve in these proceedings.

ISSUE 4: Has FPL quantified the appropriate amount of non-management employee labor payroll expense that should be charged to the storm reserve? If not, what adjustments should be made?

FRF: No; FPL has not appropriately quantified such costs. FPL's claimed storm-related costs, including non-management employee labor payroll expense, should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the amount of adjustments that should be made to non-management employee labor payroll expense in determining FPL's allowable storm-related costs, if any.

ISSUE 5: Has FPL properly treated payroll expense associated with managerial employees when determining the costs that should be charged to the storm reserve? If not, what adjustments should be made?

FRF: No; FPL has not appropriately quantified such costs. FPL's claimed storm-related costs, including management employee labor payroll expense, should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the amount of adjustments that should be made to management employee labor payroll expense in determining FPL's allowable storm-related costs, if any.

ISSUE 6: At what point in time should FPL stop charging costs related to the 2004 storm season to the storm damage reserve?

FRF: FPL should stop charging such costs to the storm damage reserve effective January 1, 2005, or at the conclusion of storm restoration activities, whichever occurred first.

ISSUE 7: Has FPL charged to the storm reserve appropriate amounts relating to employee training for storm restoration work? If not, what adjustments should be made?

FRF: No; FPL has not appropriately quantified such costs. FPL's claimed storm-related costs, including employee training expenses, should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes the position that it is not persuaded that any employee training costs are appropriately charged to the storm reserve.

ISSUE 8: Has FPL properly quantified the costs of tree trimming that should be charged to the storm reserve? If not, what adjustments should be made?

FRF: No; FPL has not appropriately quantified such costs. FPL's claimed storm-related costs, including tree-trimming expenses, should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the amount of adjustments that should be made to tree-trimming expense in determining FPL's allowable storm-related costs, if any.

ISSUE 9: Has FPL properly quantified the costs of company-owned fleet vehicles that should be charged to the storm reserve? If not, what adjustments should be made?

FRF: No; FPL has not appropriately quantified such costs. FPL's claimed storm-related costs, including the costs associated with company-owned fleet vehicles, should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the amount of adjustments that should be made to expenses

associated with company-owned fleet vehicles in determining FPL's allowable storm-related costs, if any.

ISSUE 10: Has FPL properly determined the costs of call center activities that should be charged to the storm damage reserve? If not, what adjustments should be made?

FRF: No; FPL has not appropriately quantified such costs. FPL's claimed storm-related costs, including the costs of call center activities, should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the amount of adjustments that should be made to call center expenses in determining FPL's allowable storm-related costs, if any.

ISSUE 11: Has FPL appropriately charged to the storm reserve any amounts related to advertising expense or public relations expense for the storms? If not, what adjustments should be made?

FRF: FPL's claimed storm-related costs should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding advertising or public relations costs or related adjustments to FPL's allowable storm-related costs, if any. Additionally, any advertising that was "image-enhancing" is not eligible for cost recovery.

ISSUE 12: Has uncollectible expense been appropriately charged to the storm damage reserve? If not, what adjustments should be made?

FRF: FPL should not charge uncollectible expense to the storm damage reserve. The use of the reserve should be limited to the extraordinary costs of repairing FPL's system and restoring service. Uncollectible expense does not fall into this category. In addition, the determination as to whether uncollectible expense was attributable to the storms is speculative. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the appropriate level of disallowance of uncollectible expense from FPL's allowable storm-related costs, if any.

ISSUE 13: Of the costs that FPL has charged or proposes to charge

to the storm reserve, should any portion(s) instead be booked as capital costs associated with its retirement (including cost of removal) and replacement of plant items affected by the 2004 storms? If so, what adjustments should be made?

FRF: Yes. FPL should book to Plant In Service the amounts that it would normally spend on plant and charge the excess to the storm reserve. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the appropriate amount of costs that should be booked as capital costs as opposed to being charged to the storm reserve.

ISSUE 14: Has FPL appropriately quantified the costs of materials and supplies used during storm restoration that should be charged to the storm reserve? If not, what adjustments should be made?

FRF: No; FPL has not appropriately quantified such costs. FPL's claimed storm-related costs, including materials and supplies costs, should be limited to those that are incremental to the level of normal operating and maintenance expenses that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the amount of adjustments that should be made to expenses associated with materials and supplies costs in determining FPL's allowable storm-related costs, if any.

ISSUE 15: Taking into account any adjustments identified in the preceding issues, what is the appropriate amount of storm-related costs to be charged against the storm damage reserve?

FRF: FPL's claimed storm-related costs to be charged against the storm damage reserve should be limited to those that are incremental to the level of normal operating and maintenance expenses, and incremental to other relevant costs that would have otherwise been incurred. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the total costs that may appropriately be charged against the storm damage reserve.

ISSUE 16: If the Commission does not apply the methodology applied by FPL for charging expenses to the storm reserve pursuant to the study filed on October 1, 1993 by the Company and addressed by the Commission in Order

No. PSC-95-0264-FOF-EI in Docket No. 930405-EI, in this docket, should the Commission take into account:

- a. Lost revenues due to the impact of the 2004 storm season; or
- b. Overtime incurred by Company personnel in work areas not directly affected by the storm due to loss of some personnel to storm assignments (backfill work);
- c. Costs associated with work which must be postponed due to the urgency of the storm restoration and accomplished after the restoration was completed (catch-up work);
- d. Uncollectible accounts receivable write-offs directly related to the storms; and
- e. Incremental contractor, outside professional services and temporary labor costs due to work postponed due to the urgency of the storm restoration and accomplished after the restoration was completed.

FRF: Agree with the Office of Public Counsel.

ISSUE 17: Were the costs FPL has booked to the storm reserve reasonable and prudently incurred?

FRF: Agree with the Office of Public Counsel

ISSUE 18: Is FPL's objective of safe and rapid restoration of electric service following tropical storms and hurricanes appropriate?

FRF: The FRF objects to this issue because the FRF believes that nothing less than "safe and rapid restoration of electric service" following storms is required by Chapter 366, and accordingly, this issue appears to be framed to give FPL credit for actions that it is already obliged to take pursuant to its statutory obligation to serve.

ISSUE 19: Does the stipulation of the parties that the Commission approved in Order No. PSC-02-0501-AS-EI affect the amount or timing of storm-related costs that FPL can collect from customers through the proposed surcharge? If so, what is the impact?

FRF: Yes, consistent with the Commission's overriding mandate to ensure that the totality of FPL's rates are fair, just, and reasonable, the Commission should limit FPL's storm cost recovery to only the amount of such costs that would reduce FPL's after-tax return on equity for 2004 to 10%. The remainder, if any, could be recovered through a surcharge with interest on the unamortized balance.

ISSUE 20: In the event that the Commission determines the stipulation approved in Order No. PSC-02-0501-AS-EI does not affect the amount of costs that FPL can recover from ratepayers, should the responsibility for those costs be apportioned between FPL and retail ratepayers? If so, how should the costs be apportioned?

FRF: Consistent with the Commission's overriding mandate to ensure that the totality of FPL's rates are fair, just, and reasonable, the Commission should limit FPL's storm cost recovery to only the amount of such costs that would reduce FPL's after-tax return on equity for 2004 to 10%.

ISSUE 21: What is the appropriate amount of storm-related costs to be recovered from the customers?

FRF: The appropriate amount of storm-related costs to be recovered from FPL's customers through a Storm Surcharge are those reasonably and prudently incurred costs that are incremental to other relevant costs that would have otherwise been incurred and that are necessary to ensure that FPL's rates and charges are, when considered in their totality, fair, just, reasonable, and not unduly discriminatory. Pending review of the evidence of record on this issue, the FRF takes no position at this time regarding the total amount of costs that may appropriately be recovered from FPL's customers through any Storm Surcharge that the Commission may approve in this proceeding.

ISSUE 22: If recovery is allowed, what is the appropriate accounting treatment for the unamortized balance of the storm-related costs subject to future recovery?

FRF: The storm damage account should be credited each month with the actual costs recovered from ratepayers.

ISSUE 23: Should FPL be authorized to accrue and collect interest on the amount of storm-related costs permitted to be recovered from customers? If so, how should it be calculated?

FRF: Yes, to the extent that any amounts are approved for recovery from FPL's customers. Interest should be calculated as follows: each month, FPL should calculate interest at the commercial paper rate on the outstanding net-of-tax balance of the storm damage account, which shall be the outstanding balance of the storm damage account less 38.575% taxes.

ISSUE 24: Should FPL be required to normalize the tax impacts associated with 2004 tax losses that will be recovered over time through year end 2007? If so, what adjustment should be made?

FRF: No position at this time.

ISSUE 25: If the Commission approves recovery of any storm-related costs, how should they be allocated to the rate classes?

FRF: No position at this time.

ISSUE 26: If the Commission approves recovery of any storm-related costs, what is the appropriate recovery period?

FRF: No more than 3 years. If the Commission approves a total amount for cost recovery that can be recovered in 2 years or less at FPL's proposed surcharge rates, then those rates should be adjusted downward to provide for recovery over a 2-year period.

ISSUE 27: If the Commission approves a storm cost recovery surcharge, should the approved surcharge factors be adjusted annually to reflect actual sales and revenues?

FRF: Only if necessary to ensure that the totality of FPL's rates are fair, just, and reasonable.

ISSUE 28: If the Commission approves a mechanism for the recovery of storm-related costs from the ratepayers, on what date should it become effective?

FRF: Any mechanism that the Commission approves for recovery of storm-related costs through retail rates should become effective 30 days following the date of the Commission's vote in this docket. Recovery should then begin with the first billing cycle of the following month.

ISSUE 29: What is the appropriate disposition of the revenue collected as an interim storm cost recovery surcharge?

FRF: Such revenues should be applied as a direct credit, including accrued interest at the commercial paper rate, against the total amount that the Commission determines to allow FPL to recover through Storm Surcharges on a going-forward basis. If the amount of revenues collected via the "interim" surcharge exceeds the total amount authorized for recovery by the Commission, the difference should be refunded to customers as soon as practicable.

ISSUE 30: Would revenues collected through the proposed surcharge be included for purposes of performing any potential retail base rate revenue refund calculation under the Stipulation and Settlement approved by Commission Order PSC-02-0501-AS-EI in Docket 001148-EI?

FRF: The FRF does not agree that this is properly an issue to be decided in the Storm Surcharge case; there is no limitation in the Stipulation and Settlement on revenues to be included in determining any refund. If this issue is included in this case, the FRF takes the position that there would be no effect in 2004, but for 2005, if the total of base rates plus any Storm Surcharge revenues should be included in determining any base rate refund.

ISSUE 31: Should the docket be closed?

FRF: No. If the Commission approves a Storm Surcharge for FPL, this docket should remain open to enable the Commission and the parties to ensure that FPL collects the appropriate amount.

F. STIPULATED ISSUES:

None at this time.

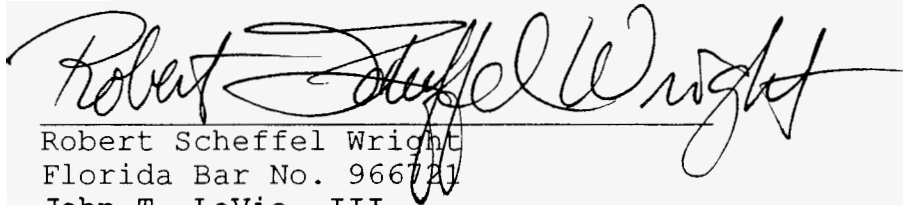
G. PENDING MOTIONS:

The FRF's petition to intervene, filed on March 17, 2005, is presently pending.

H. OTHER MATTERS:

None at this time.

Respectfully submitted this 28th day of March, 2005.

A handwritten signature in black ink, reading "Robert Scheffel Wright", is written over a horizontal line. The signature is cursive and somewhat stylized.

Robert Scheffel Wright
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Attorneys for the Florida
Retail Federation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by U.S. Mail, hand delivery (*) or facsimile and U.S. Mail (**) on this 28th day of March, 2005, on the following:

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