



February 13, 2019

Via Next Day Courier

Mr. Adam Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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2019 FEB 14 AM 9:56
COMMISSION
CLERK

Dear Mr. Teitzman:

By Rule 25-6.0143(1)(m) F.A.C, issued June 11, 2007, Duke Energy Florida, LLC is required to file an annual report providing information on four specific items related to its self-insured program for transmission and distribution line ("T&D") property damage.

The following are changes since our last report for the required items:

1. **Update on Efforts to Obtain Traditional T&D Insurance** – The property insurance markets continue to be restrictive. Traditional insurance coverage for storm-related damages to T&D facilities at reasonable costs and deductibles on a standalone basis remains unavailable.
2. **Status of the proposed Industry-Wide T&D Program** – An industry-wide program covering catastrophic storm damage to aboveground distribution assets remains economically unfeasible.

In July of 2018, Duke asked the leading electric and gas utility insurance mutual for an update on the current T&D market and to present any new economical means of insuring T&D assets. There continues to be no economical insurance coverage available.

Duke Energy Florida continues to monitor activity in this area.

3. **Update on the Evaluation of Duke Energy Florida's Exposure and the Adequacy of the Storm Damage Reserve** – As a result of the Florida PSC's January 11, 2010 decision during the retail rate case, Duke Energy Florida may not collect in base rates additional funds for its storm damage reserve. However, pursuant to Duke Energy Florida's 2017 Second Revised and Restated Settlement Agreement, approved in Order No. PSC-2017-0451-AS-EU, effective through December 2021, Duke Energy Florida is not precluded from petitioning for recovery of storm damage costs and replenishment of its storm dam-

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-age reserve in the event that the storm damage reserve is depleted as a result of a named storm. Further, in Docket No. 20170272, The Commission approved an Implementation Stipulation to apply the savings associated with the 2017 Tax Cuts and Jobs Act to the storm reserve deficiency resulting from Hurricane Irma and to replenish the storm reserve to the level approved in Duke Energy Florida's 2017 Second Revised and Restated Settlement Agreement of approximately \$132 million.

4. **Feasibility and Cost-Effectiveness of a Risk-Sharing Plan among Investor-Owned Electric Utilities in Florida** – See Item 2 above.

Also enclosed for filing as Attachment 1 to the report is a summary schedule of the amounts recorded in Account 228.1 as of December 31, 2018.

Duke Energy Florida respectfully requests that this letter serve as its annual report. Updated information will be provided to the Commission if a significant change should occur in the Company's exposure, the adequacy of the storm reserve, or the cost and availability of traditional insurance.

Please call me with any questions regarding this annual report.

Sincerely,



Arnold Garcia
Manager Insurance
Duke Energy Corporation

Attachment 1

Summary Schedule of the Amounts Recorded in Account 228.1
as of December 31, 2018

Duke Energy Florida, LLC
 Net Storm Balances (In Thousands)

ATTACHMENT 1

	*Account 186.295 Deferred Storm Reserve	Account 228.100 Retail Storm Reserve	Account 228.101 Non-Retail Storm Reserve	Total Net Balance
December 2017 Balance	\$ (438,514)	\$ 54,017	\$ 8,098	\$ (376,399)
<u>2017 Storm Costs (Reclassified To Reserve in 2018):</u>				
Hurricane Irma	\$ 433,278	\$ (422,433)	\$ (6,702)	\$ 4,143
Hurricane Nate	5,236	(5,127)	(109)	-
Storm Cost Amortization		154,700	381	155,081
Post 2017 Storm Season	\$ 0	\$ (218,843)	\$ 1,668	\$ (217,175)
<u>2018 Storm Costs :</u>				
Hurricane Michael	\$ (164,836)	-	-	\$ (164,836)
December 2018 Balance	\$ (164,836)	\$ (218,843)	\$ 1,668	\$ (382,011)

* Duke Energy Florida, LLC uses Account No. 186, Miscellaneous Deferred Debits to defer recoverable storm costs. The balances are held in this account until finalized, at which time they are reclassified to the proper 228.1 Storm Reserve accounts.