Christopher T. Wright
Senior Counsel
Florida Power & Light Company
700 Universe Blvd (LAW/JB)
Juno Beach, FL 33408-0420
Phone: (561) 691-7144
E-mail: Christopher.Wright@fpl.com
Florida Authorized House Counsel;
Admitted in Pennsylvania

February 15, 2023

VIA ELECTRONIC FILING

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

Re: Docket No. 20230000-OT
Florida Power & Light Company Provision for Property Insurance Report Pursuant to Rule 25-6.0143(1)(m), F.A.C.

Mr. Teitzman:

Pursuant to Rule 25-6.0143(1)(m), F.A.C., enclosed for filing is Florida Power & Light Company's annual report on its efforts during calendar year 2022 to obtain commercial insurance for its transmission and distribution facilities and any other programs or proposals that were considered. Included in this report is a summary schedule of the storm-related costs recorded in Account 228.1 as of December 31, 2022. If you or your staff have any question regarding this filing, please contact me at (561) 691-7144.

Respectfully submitted,

Christopher T. Wright
Authorized House Counsel No. 1007055

Enclosures

cc: Andrew L. Maurey (*amaurey@psc.state.fl.us*)
Bart Fletcher (*bfletche@psc.state.fl.us*)

Update on Efforts to Obtain Commercial Insurance for Transmission and Distribution ("T&D") Facilities

For a number of years following Hurricane Andrew in 1992, the costliest natural disaster at its time, T&D insurance was totally unavailable. By 1999, the Company was able to obtain a very limited amount of T&D insurance (from $20 to $88 million in 1999 through 2001). In the years since September 11, 2001, there was a general unwillingness in the insurance markets to write T&D insurance coverage. In late 2006, a group of southeastern storm-exposed utilities (including four in Florida) began efforts to develop an industry insurance program (see below). Through those efforts, it appears that there may be a limited potential for some commercial T&D coverage with very high deductibles (for the Company, in excess of $750 million per occurrence for above ground distribution only, which exceeds the actual storm restoration damage incurred from any one storm in our history with the exceptions of Hurricanes Irma and Ian). At this time, the Company believes the products and programs potentially available in the commercial market do not provide sufficient value to customers to warrant the cost. The Company will continue to work to develop commercial insurance alternatives to improve the possibility that eventually, reasonably priced coverage that represents good value to the Company and its customers will become available.

Status of an Industry-Wide T&D Insurance Program and the Feasibility and Cost-Effectiveness of a Risk Sharing Plan among Investor-Owned Electric Utilities in Florida

In 2006, the four Florida investor-owned utilities ("IOUs"), in conjunction with other IOUs with hurricane exposed transmission and distribution facilities in the Gulf and Atlantic coastal regions, initiated a project to investigate a feasible risk financing alternative to cover transmission and distribution storm damage. The option of developing an industry mutual insurance company and/or risk purchasing group was appealing to the group. After initial discussions, the focus became to seek mutual coverage with premium cost, deductibles and loss payments based on modeled events. Modeled loss coverage was considered the most likely approach to attract insurance market interest. In an effort to simplify the model and to encourage group participation, the members elected to explore coverage solely for overhead distribution assets. In addition, it became clear that the market would only be willing to supply coverage for more infrequent storms, those in the once in 75-year frequency category and above, hence the coverage focus was for catastrophic storms with a high deductible/self-insured retention.

In May 2007, the Florida IOUs made a presentation on their progress to date at a Florida Public Service Commission ("Commission") staff workshop and then later provided the staff answers to some informal questions.

Possible risk financing alternatives explored by the group have included: group captives (a/k/a industry mutual) insurance, commercial insurance, capital market solutions and public/private insurance pools for natural catastrophes.

There were numerous hurdles to the success of the project, including: understanding of coastal wind and flood exposures, developing an acceptable loss forecasting model, subjective perceptions and acknowledged limitations of predictive models, gaining participants' confidence in the equity of the underwriting model and cost allocations, seeking market underwriting of the risk, attempting to finance a "frequency of severity" risk profile, assembling a critical mass portfolio of companies willing to pool risk, size of premiums and exposure to retrospective calls.

This activity continued through 2008, and the four Florida IOUs continued to participate while several of the other IOUs dropped out of the group. The Florida IOUs and other participants in the group hired outside experts to model their respective overhead distribution risks and aggregate scenarios were modeled. One member of the group (i.e., a non-Florida member) elected to seek insurance coverage from the insurance market on a stand-alone basis using modeled results, and was successful for the 2007 and 2008 storm seasons. Some other members dropped from the group and at least one of those solicited the market on their own as well.

As the group lost membership and became smaller, the idea of a mutual company became untenable, and the focus shifted to a buying group concept. However, even though it became clearer that the insurance market was becoming receptive to providing catastrophic insurance, the cost was still high.

The group periodically maintained communication in 2009, meeting as a group once in February. No members were able to support the buying group concept in 2009. One member of the group outside of Florida purchased a limited amount of insurance based on modeled results for the 2007-2009 storm seasons.

2022 Update

Insurance markets continue to be challenging due to increased losses relating to the culmination of natural disasters across the country and including the most recent event in Florida with Hurricane Ian, which has estimated losses ranging from $50 to $60 billion. This has caused limited capacity and higher premiums. Purchasing T&D coverage is not industry standard as it is too costly with limited coverage. FPL will continue to monitor insurance market conditions and will evaluate any viable, cost-effective T&D coverage should it become available in the insurance marketplace.

Update on the Evaluation of the Company's Exposure to a Hurricane and the Adequacy of The Storm Reserve

On December 2, 2021, the Commission approved a settlement agreement that resolved FPL's 2021 base rate request, unified FPL's rates with Gulf Power Company, and adopted a storm cost recovery mechanism similar to those approved in FPL's 2012 and 2016 rate settlements. *See* Order No. PSC-2021-0446-S-EI, Docket No. 20210015-EI. The 2021 settlement agreement became effective on the first billing cycle of January 2022 and has a minimum term extending through the last billing cycle in December 2025. Per the agreement, FPL is allowed to recover incremental storm costs over a 12-month recovery period, as long as the costs incurred exceed the then-current balance in the Storm Reserve and the costs allocated to residential customers do not exceed $4.00/1,000 kWh per month. In the event that storm costs would cause the monthly charge to residential customers to exceed that level, any additional costs can be recovered in subsequent year(s), as determined by the Commission. In addition, the settlement provides FPL with the right to petition the Commission to increase the initial 12-month recovery beyond the $4.00/1,000 kWh in the event FPL incurs storm damage in excess of $800 million in any given calendar year.

FPL incurred a significant amount of incremental storm costs associated with Hurricanes Irma, Dorian, Isaias, and Elsa, and Tropical Storms Eta and Fred, between 2017 and 2021. However, the Company made a determination not to charge these costs to the Storm Reserve or seek recovery through a surcharge to customers. Instead, FPL charged the incremental costs to operations and maintenance expense, as permitted by Rule 25-6.0143(1)(h), F.A.C.

During 2022, FPL's Storm Reserve was depleted due to the charges against the reserve for eligible, incremental storm restoration costs associated with Hurricane Ian in late 2022. Shortly after Hurricane Ian's impact, FPL incurred additional eligible, incremental storm restoration costs associated with Hurricane Nicole; however, FPL was unable to charge the costs to the Storm Reserve since it was depleted by Hurricane Ian. As a result, on January 23, 2023, FPL petitioned the Commission for recovery of incremental storm restoration costs related to Hurricanes Ian and Nicole and replenishment of the Storm Reserve to $219.9 million, which is currently pending before Commission in Docket No. 20230017-EI.

Based on prior storm event experiences over the last few decades, FPL's Storm Reserve remains inadequate to cover the potential damage associated with Major Hurricanes (Category 3 and higher) or many lower level storms (depending on their size and location). In addition, the Company filed a Storm Damage Self-Insurance Reserve Study in January 2021, which at the time indicated there was a 99.8% probability that the Storm Reserve could have inadequate funds to cover storm damage in one or more years over the next five-year period.

Florida Power and Light Company
Summary of Storm Reserve and Storm Recovery
as of December 31, 2022

	Note	Regulatory Asset 182.3	Funded Storm Reserve 228.1	Unfunded Storm Reserve 228.1	Total Storm Reserve 228.1
Beginning Balance - 1/1/2022	A	$ 242,220,343	$ (115,070,451)	$ -	$ (115,070,451)
Storm Charge Recovery:					
Hurricane Michael (including interest)	B	$ (65,146,335)	$ -	$ -	$ -
Hurricane Sally (including interest)	C	$ (22,036,294)	$ -	$ -	$ -
Storm Reserve Accruals	D	$ -	$ -	$ (121,233,807)	$ (121,233,807)
Retail Storm Fund Earnings	E	$ -	$ 2,355,409	-	$ 2,355,409
Incremental Storm Charges Per Rule 25-6.0143:					
Tropical Storm Alex	F	$ -		$ 15,387,548	$ 15,387,548
Hurricane Ian	G	$ 916,899,961	$ 112,711,417	$ 105,909,945	$ 218,621,362
Hurricane Nicole	G	$ 165,537,031	$ -	$ -	$ -
Other	H	$ (2,279)	$ 3,625	$ (63,686)	$ (60,061)
Ending Balance - 12/31/2022		**$ 1,237,472,427**	**$ -**	**$ -**	**$ -**

Notes:

(A) The regulatory asset balance represents the unrecovered incremental storm costs associated with Hurricanes Michael, Sally, and Zeta approved by the Commission for recovery from FPL's Northwest Florida customers (formerly the Gulf Power Company service area).

(B) Gulf Power Company filed for recovery of a deficit storm reserve balance of $302 million in FPSC Docket No. 20190038-EI, due to charges for Hurricane Michael, plus replenishment of the storm reserve. The Commission approved an interim storm charge for a 60-month period beginning April 2019. On October 8, 2020, the FPSC approved a stipulation and settlement agreement in Order No. PSC-2020-0349-S-EI, which resolved all the issues in the case. Note, this surcharge applies only to FPL Northwest customers (the former Gulf Power service area).

(C) Gulf Power Company filed for recovery of incremental storm charges associated with Hurricane Sally in FPSC Docket No.20200241-EI. The Commission approved an interim storm charge beginning March 2021 in Order No. PSC-2021-0112-PCO-EI. On November 21, 2022, the Commission issued Order No. PSC-2022-0406-FOF-EI, Docket No. 20200241-EI, which resolved all issues in this case. Note, this surcharge applies only to FPL Northwest customers (the former Gulf Power service area).

(D) Represents unfunded storm reserve accruals in accordance with paragraph 16 of FPL's 2021 Settlement Agreement approved by the Commission in Order No. PSC-2021-0446-S-EI, Docket No. 20210015-EI. Accruals include the following: 1) 50% of the Carryover Amount of $55.1 million, and 2) 50% of the incremental expense required to keep FPL from exceeding the top of its authorized regulatory return on equity range of $66.1 million.

(E) Represents (earnings)/losses associated with the Storm Fund. Note, the storm fund was liquidated in October 2022.

(F) Represents incremental storm costs associated with Tropical Storm Alex.

(G) FPL filed a petition for recovery of the incremental storm costs associated with Hurricanes Ian and Nicole above the pre-storm reserve level on January 23, 2023 in Docket No. 20230017-EI over a 12-month period beginning with the first billing cycle in April 2023.

(H) Represents adjustments to incremental storm costs for storms that occurred prior to 2022.