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October 3, 2001

**CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

Ms. Blanca S. Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

010000-PW

Dear Ms. Bayó:

By Order No. PSC-93-1522-FOF-EI, issued October 15, 1993 in Docket No. 930867-EI, Florida Power was directed to file an annual report providing updated information on four specific items related to its self-insured program for transmission and distribution line ("T&D") property damage.

An initial annual report was filed in October 1994, and letters serving as annual reports were filed each year thereafter. Following are the changes since our last report for the required items.

1. Update on Efforts to Obtain Traditional T&D Insurance - Since our last report, the property insurance market has entered into a phase of sharply increasing prices and further restrictions of coverage. Insurance coverage for storm related damage to T&D facilities continues to be unavailable on a reasonable, cost-effective basis. Therefore, we have no plans at this time to procure T&D coverage through the conventional market.
2. Status of the Proposed Industry-Wide T&D Program - There has been no change since our last report regarding a proposed industry-wide program for T&D insurance.
3. Update on the Evaluation of Florida Power Corporation's Exposure and the Adequacy of the Storm Damage Reserve - We have reviewed the Company's loss history for the past 25 years, and have determined that the current annual accrual of \$6 million is appropriate and should be continued for the foreseeable future.

Three storms impacted portions of our service territory in 2000, and costs totaling approximately \$2.1 million were charged against the storm damage reserve. No costs have been charged against the reserve thus far in 2001. Tropical Storm Gabrielle recently impacted our service territory, and costs for this storm are currently being compiled. The balance of the reserve at August 31, 2001, was \$33.5 million.

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Feasibility and Cost-Effectiveness of a Risk Sharing Plan Among Investor-Owned Electric Utilities in Florida - There continues to be no feasible basis for a shared T&D insurance program among the investor-owned utilities in Florida. However, we continue to meet periodically with the other major investor-owned utilities to discuss developments in the insurance industry and the potential for risk sharing options.

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As in the past, Florida Power requests that this letter serve as its annual report for 2001. If a significant change should occur in the Company's exposure, the adequacy of the storm damage reserves, or the cost and availability of traditional insurance, updated information will be provided to the Commission.

Please acknowledge your receipt of this letter on one of the five enclosed copies of same and return it to the undersigned. Thank you for your cooperation.

Sincerely,



Gary Y. Little  
Manager, Insurance  
Progress Energy Service Company

cc: Mr. Tim Devlin - FPSC  
Ms Patricia Lee - FPSC  
Mr. Mark Myers - Florida Power Corp.