



October 3, 2005

050000

Via FedEx

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

Dear Ms. Bayó:

By order No. PSC-93-1522-FOF-EI, issued October 15, 1993 in Docket No. 930867-EI, Florida Power Corp. d/b/a Progress Energy Florida, Inc. 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 through 2003. 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 remains restrictive, especially in light of the 2004 hurricane losses. Likewise, insurance coverage for storm related damage to T&D facilities is virtually non-existent. Therefore, we have no plans at this time to procure T&D coverage.
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 Progress Energy Florida's Exposure and the Adequacy of the Storm Damage Reserve – The storm damage reserve was depleted in 2004 by the unprecedented four hurricanes affecting Progress Energy Florida's service area. The Florida PSC has approved the recovery of \$232 million in storm costs incurred in 2004 over a two year period. The base rate settlement agreement approved by the PSC on September 7, 2005, allows for replenishment of the storm reserve through securitization or surcharges to base rates. The Company is currently evaluating various options, including securitization, and will continue to accrue \$6 million annually towards the storm reserve until a final decision is made.
4. 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.

As in the past, Progress Energy Florida requests that this letter serve as its annual report for 2005. 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.

Progress Energy Service Company, LLC
P.O. Box 1551
Raleigh, NC 27602

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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, LLC

cc: Mr. Tim Devlin - FPSC
Ms. Heidi Burg – Florida Power Corp.
Mr. Javier Portuondo – Florida Power Corp.