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December 29, 2000

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

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Re: Docket No. ~~930405-EI~~

Dear Ms. Bayo:

Enclosed for filing please find the original and fifteen (15) copies of Florida Power & Light Company's report, as required by Order No. PSC-93-0918-FOF-EI, reflecting the Company's efforts in obtaining reasonably priced T&D insurance coverage.

If you have any questions, please do not hesitate to contact me at (305) 552-4332.

Sincerely,

Anne M. Grealy  
Director, Regulatory Affairs Department

APP cc: Bob Elias, Esq.

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**FLORIDA POWER & LIGHT COMPANY  
RESPONSE TO ORDER NO. PSC-93-0918-FOF-EI  
Period Ending December 31, 2000**

**Update on Efforts to Obtain Traditional T&D Insurance**

In 2000, FPL was successful in continuing its T&D insurance program initiated in 1999. However, due to hardening insurance market conditions, participation in the program (which provides \$100 million in coverage subject to a \$50 million per occurrence deductible) declined from 88% in 1999 to 77% in 2000. Premium costs remained the same as in 1999 at 7.5% rate on line (i.e., a price of 7.5% of the amount of coverage actually purchased).

Given the sharply worsening insurance market conditions it should be anticipated that participation in this program will decline sharply in 2001. At this time, it appears unlikely that the program will continue in 2002 without significantly improved insurance market conditions.

**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**

As previously reported, both of these endeavors which were actively pursued during the mid-1990's are at a standstill. Both ideas were explored in significant detail over a several year period. At the end of the day, it was determined by potential participants that neither concept had merit. Future reports will discuss these endeavors only to the extent that there is renewed activity.

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

The projected balance in the storm and property insurance reserve is anticipated to be approximately \$230 million on December 31, 2000. During 2000 the balance in the reserve increased by approximately \$12 million from the balance at December 31, 1999. This increase was the net result of the continued annual accrual to the storm reserve of \$20.3 million as approved by the Commission in Docket No. 971237-EI and 2000 fund earnings reinvested in the fund, less charges against the reserve during 2000 for repair costs related to 1999 hurricane damages. None of the individual events in 1999 were over the \$50 million deductible amount for insurance coverage in 1999.

Per Docket No. 971237-EI, Order No. PSC-98-0953-FOF-EI, issued July 14, 1998, the Commission determined among other things that: 1) a reasonable level for the reserve is \$370 million in 1997 dollars; 2) FPL should continue the \$20.3 million annual accrual; and 3) FPL shall file a study addressing the reasonableness of the level of the reserve and annual accrual by no later than December 31, 2002.

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