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February 14, 2025

VIA ELECTRONIC FILING

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

Re: Docket No. 20250000-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), Florida Administrative Code, enclosed for filing is Florida Power & Light Company's annual report on its efforts during calendar year 2024 to obtain commercial insurance or other similar programs for its transmission and distribution facilities. Included in this report is a summary schedule of the storm-related costs recorded in Account 228.1 as of December 31, 2024.

If you or your staff have any question regarding this filing, please contact me at (561) 691-7144.

Respectfully submitted,

/s Christopher T. Wright
Christopher T. Wright
Fla. Auth. House Counsel No. 1007055

Enclosures
cc: Andrew L. Maurey (amaurey@psc.state.fl.us)
Amber M. Norris (amnorris@psc.state.fl.us)

FLORIDA POWER & LIGHT COMPANY
Transmission and Distribution Property Insurance Report
Period Ending December 31, 2024

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, Ian, and Milton). 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 reasonably priced coverage that represents good value to the Company and its customers eventually 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 electric 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 T&D storm damage. The option of developing an industry mutual insurance company and/or risk purchasing group was appealing to the group. After initial discussions, focus was placed on seeking 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 at a Florida Public Service Commission ("Commission") staff workshop and later provided Commission staff with answers to informal questions.

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

There were numerous challenges that the project faced, 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.

Coordination on the project took place throughout 2008, and the four Florida electric IOUs continued to participate while several of the other IOUs dropped out of the group. The Florida electric 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 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.

<u>2024 Update</u>

Insurance markets continue to be challenging due to increased losses relating to the culmination of natural disasters across the country, including years with multiple devastating extreme weather events, such as the 2022 and 2024 hurricane seasons. These and other historical losses have 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.

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

On December 2, 2021, the Commission approved a settlement agreement that resolved FPL's 2021 base rate request, unified FPL's rates with those of 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.

During 2024, FPL's Storm Reserve was depleted due to the charges against the reserve for eligible, incremental storm restoration costs associated with Hurricane Debby. Shortly after Hurricane Debby's impact, FPL incurred additional eligible, incremental storm restoration costs associated with Hurricanes Helene and Milton. However, FPL was unable to charge the costs to the Storm Reserve since it was depleted by Hurricane Debby. As a result, on October 29, 2024, FPL petitioned the Commission for approval of an interim storm cost recovery charge to recover the incremental storm restoration costs related to Hurricanes Debby, Helene, and Milton, less the $75.4 million pre-storm balance of FPL's Storm Reserve and replenishment of the Storm Reserve to $150 million. The interim storm cost recovery charge was approved by the Commission in Order No. PSC-2024-0503-PCO-EI on December 17, 2024, subject to true-up once the final incremental costs are known.

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 & Light Company
Summary of Storm Reserve and Storm Recovery
as of December 31, 2024

	Note	Regulatory Asset 182.3	Storm Reserve 228.1
Beginning Balance - 1/1/2024		$ 35,390,115	$ -
Storm Charge Recovery:			
Replenishment of Storm Reserve	A	$ -	$ (129,886,551)
Storm Charge Refund	A	$ -	$ 15,737,794
Total Storm Reserve Replenishment			$ (114,148,757)
Storm Reserve Accruals		$ -	
Retail Storm Fund Earnings	B	$ (10,165)	$ (15,411)
Incremental Storm Charges Per Rule 25-6.0143:			
Hurricane Idalia	C	$ (6,499,362)	$ 3,053,108
November 2023 Weather Event	D	$ (19,304,194)	$ 20,228,545
December 2023 Weather Event	E	$ (10,866,292)	$ 8,581,536
January 2024 Weather Event	F	$ (170,695)	$ 5,091,985
June 2024 Weather Event	G	$ 3,695,142	$ 1,821,342
Hurricane Debby	H	$ 50,575,450	$ 75,387,652
Hurricane Helene	H	$ 154,763,452	
Hurricane Milton	H	$ 811,718,425	
Ending Balance - 12/31/2024		**$ 1,019,291,877**	**$ -**

Notes:

(A) 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. On March 23, 2023, Order No. PSC-2023-0110-PCO-EI, the Commission approved an interim storm restoration charge for Hurricanes Ian, Nicole, Michael, Sally and Zeta, and replenishment of the storm reserve beginning on April 2023. On November 27, 2023, Order No. PSC-2023-0354-PCO-EI, the Commission approved an amended interim storm restoration charge subject to refund beginning in January 2024. On June 20, 2024, FPL filed its compliance filing to refund the excess revenues collected from the interim storm surcharge. On July 8, 2024, Order No. PSC-2024-0227-S-EI, the Commission approved Stipulations resolving issues in this docket and for the docket to be closed once the true-up compliance filing is completed.

(B) Represents (earnings)/losses associated with the Storm Fund.

(C) Represents incremental storm costs associated with Hurricanes Idalia.

(D) November 2023 - A system impacted Florida, with a period of significant winds and heavy rainfall from November 15 through 16, 2023 with max winds reaching 70 mph in some areas along with 6-13" of rainfall in a 48 hour period. The impacts from this event were much more widespread and of a longer duration than a typical November event in Florida.

(E) December 2023 - A system impacted Florida, with a period of significant winds, thunderstorms, and heavy rainfall from December 13 through 17, 2023 with wind gusts exceeding 50 mph in some areas. The impacts from this event were much more widespread and of a longer duration than a typical December event in Florida.

(F) January 2024 - A system impacted Florida, with a period of significant severe weather and several tornadoes from January 9 through January 11 with 70-90 mph winds observed and even a few reports of 100 mph winds in the panhandle. The impacts from this event were much more widespread and of longer duration than a typical January event in Florida.

(G) June 2024 - A tropical system designated Invest 90L by the National Hurricane Center impacted Florida, with a period of heavy rain and extreme flooding from June 11 through June 14, with multiple cities recording over 15" of rain. The impacts from this event were much more widespread and of longer duration than a typical June event in Florida.

(H) FPL filed a petition for recovery of the incremental storm costs associated with Hurricanes Debby, Helene and Milton above the pre-storm reserve level on October 29, 2024 in Docket No. 20240149-EI over a 12-month period beginning with the first billing cycle in January 2025. On December 17, 2024, Order No. PSC-2024-0503-PCO-EI, the Commission approved FPL's petition to implement an interim storm restoration charge for Hurricanes Debby, Helene and Milton, and replenishment of the storm reserve beginning January 2025.