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September 18, 1998

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

Dear Ms. Bayo':

Pursuant to 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 annual report was filed in October 1994, and the letters serving as our annual report were filed in the September 1995, 1996 and 1997. Since that time there has been little or no change in any of the reported items, other than an increase in the balance of Florida Power storm damage reserves. We have been working closely with Acordia and Towers Perrin Reinsurance to enter into a shared T&D policy program, however it is uncertain whether Towers Perrin Reinsurance will be able to offer the program due to the lack of participation from other utilities. We are researching other means of obtaining T&D insurance coverage in case the shared policy program doesn't become available.

Florida Power's exposure to T&D damage from storms has not changed significantly since the completion of the February 28th, 1994 study. In 1995 and 1996, hurricanes Erin, Allison and Josephine impacted portions of our service territory and their costs were charged against the storm damage reserves. Florida Power continues to accrue \$6 million annually to storm damage reserves. The balance of the reserve at August 31, 1998 was \$22.1 million.

Florida Power hereby requests this letter to serve as its annual report for 1998. 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 occurs, updated information will be provided to the Commission.

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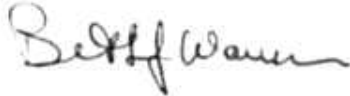
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Please acknowledge your receipt of this letter on one of the enclosed copies of same and return it to the undersigned. Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Beth J. Warren".

Beth J. Warren
Director Risk Management

Cc: Mr. Tim Devlin – FPSC
Mr. John Scardino, Florida Power Corporation