ORIGINAL

FPL

P.O. Box 029100, Miami, FL 33102-9100

December 22, 1998

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

Re: Docket No. 930405-EI

980000

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) 552-3643.

Sincerely,

Samuel S. Waters

Samuel S. Waters
Director, Regulatory Affairs

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FLORIDA POWER & LIGHT COMPANY
RESPONSE TO ORDER NO.-PSC-93-0918-FOF-EI
December 26, 1998

Update on Efforts to Obtain Traditional T&D Insurance

Discussions with brokers and insurance representatives indicate that there might be a small amount of traditional transmission and distribution (T&D) insurance coverage for FPL. The situation has improved due to limited hurricane losses in Florida over the last five years and generally strong financial results experienced by the insurance markets. We believe there will be some modest capacity that FPL may be able to obtain by next hurricane season. The insurance capacity that may be available for FPL is estimated at $40 million to a maximum of $75 million, with a deductible of $50 to $100 million. We are estimating the T&D coverage at a price of 7.5% of the total coverage obtained, translating to an annual premium cost of $3.75 million for $50 million of coverage.

Status of an Industry-Wide T&D Insurance Program

Since 1993, several industry initiatives have been undertaken to address T&D insurance. However, as noted in previous years' reports, none of those programs have been successful. While FPL will continue to monitor the availability of an industry-wide T&D program, there does not appear to be a current opportunity for a program that includes Florida utilities.

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 $257 million at December 31, 1998. During 1998 the balance in the reserve increased by approximately $5.[illegible] million over the balance at December 31, 1997. 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 1998 fund earnings reinvested in the fund, less charges against the reserve during 1998 for; 1) repair costs (primarily to underground facilities) related to damages from Hurricane Andrew, for which insurance recoveries were received prior to 1998; 2) repair costs related to the 1998 "Groundhog Day" storm; and 3) 1998 repair costs related to Hurricane Georges.

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.

Feasibility and Cost-Effectiveness of a Risk Sharing Plan among Investor-Owned Electric Utilities in Florida

As discussed in previous years' reports, there appears to be no benefit to be derived from a risk-sharing plan among the investor-owned utilities in Florida. The unavailability of reasonable insurance/reinsurance, together with perceived risk differences among the utilities and their customers in different areas of the state, continue to be among the major concerns of a Florida utility shared risk approach. However, the investor-owned Florida utilities plan to meet periodically to discuss developments in the insurance industry and potential risk sharing options.