FPL

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December 30, 1999

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

ORIGINAL

Re: Docket No. 930405-EI

990000

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

cc: Bob Elias, Esq.

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FPSC-RECORDS/REPORTING

FLORIDA POWER & LIGHT COMPANY
RESPONSE TO ORDER NO.-PSC-93-0918-FOF-EI
December 31, 1999

ORIGINAL

Update on Efforts to Obtain Traditional T&D Insurance

In 1999, FPL was successful in developing solid participation (about 88%) in a T&D Program with $100 million coverage limits subject to a $50 million per storm deductible. For example, if there had been a single event with $100 million damage, FPL would have had a potential recovery of $44 million (88% times $50 million above the deductible). With generally hardening insurance markets and with the high level of Florida storm activity during 1999, it is anticipated that FPL will not be able to equal this program in 2000. Still, it is believed that 50-65% of the program will be filled before the beginning of hurricane season. The price of 7.5% rate on line (i.e., a price of 7.5% of the amount of coverage actually purchased) was negotiated for T&D insurance in the year 2000; however, given the increased windstorm activity in 1999 and general hardening market conditions, this rate is not expected to be sustainable beyond the year 2000.

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 $219 million at December 31,1999. During 1999 the balance in the reserve decreased by approximately $38 million from the balance at December 31, 1998. This decrease was the net result of the continued annual accrual to the storm reserve of $20.3 million as approved by the Commission Docket No. 971237-EI and 1999 fund earnings reinvested in the fund, less charges against the reserve during 1999 for; 1) repair costs related to the 1998 Hurricane Georges; and 2) charges against the reserve for repair costs related to hurricanes Floyd, Harvey and Irene which occurred in 1999. 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.