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February 15, 2008

Ms. Ann Cole, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

undktd

Dear Ms. Cole:

Pursuant to Rule 25-6.0143 (1) (m) F.A.C., Tampa Electric files this report providing information concerning our efforts to obtain commercial insurance for transmission and distribution ("T&D") facilities and any other programs or proposals considered.

The following are changes since our last report for the required items:

1. Status on Efforts to Obtain Commercial T&D Insurance – The property insurance markets are very restrictive, especially for Gulf and Atlantic coast locations, as a result of the 2004 and 2005 hurricane losses. Traditional commercial insurance coverage for storm related damage to T&D facilities at reasonable costs and deductible levels on a stand-alone basis is not generally available.

2. Status of the Proposed Industry-Wide T&D Program – In 2006, the four Florida investor owned 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 transmission and distribution storm damage. The option of developing an industry mutual insurance company and/or risk purchasing group was appealing to the group. After initial discussions, the focus became to seek mutual coverage for overhead distribution assets only, 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 also elected to explore coverage solely for above ground distribution lines. 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.

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This activity continued through 2007, and the four Florida IOUs continued to participate as several of the other IOUs dropped out of the group. In May 2007 the Florida IOUs made a presentation on their progress to date to a Florida Public Service Commission (FPSC) staff workshop and then later provided the staff answers to some informal questions.

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

There have been numerous hurdles to success of the project, 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.

The Florida 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 storm season. Some other members dropped from the group and at least one of those solicited the market on their own as well.

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 more clear that the insurance market was becoming receptive to providing catastrophic insurance, the cost was still high. As of January 2008, the group is still communicating however no group of members has committed to moving forward yet to seek coverage for the 2008 storm season.

3. <u>Tampa Electric's Decision Regarding Securing 2008 Storm Coverage</u> – In 2005, the FPSC approved a stipulation between the company and OPC, whereby Tampa Electric avoided having to impose a customer storm surcharge as the result of Hurricanes Charley, Jeanne and Frances in 2004. As a result, the company's storm damage reserve was reduced to $7.8 million as of August 2004. Since that time, the company has placed a priority on replenishing its reserve. The company believes that premiums paid for new storm insurance, should it become available at reasonable cost and terms, should be a recoverable expense through the annual accrual. The current accrual does not reflect such an expense in its approved level. Accordingly, the company will not incur large premiums for T&D storm damage insurance without first getting FPSC approval. Tampa Electric continues to evaluate its options.

4. Summary of Amounts Recorded in Account 228.1 in 2007– Tampa Electric accrued $4 million into Account 228.1 in 2007 as authorized by the Florida PSC in Order No. PSC-95-0255-FOF-EI. There were no withdrawals from this account in 2007 and the balance at December 31, 2007 was $20 million.

Thank you, and please let us know if there are questions regarding the above information.

Sincerely,

William Ashburn
Director, Pricing and Financial Analysis
Tampa Electric Company

cc: Mr. Tim Devlin – FPSC
Mr. J. Beasley –Ausley & McMullen