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February 16, 2009

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COMMISSION CLERK

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

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Dear Ms. Cole:

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

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 and more recently the losses associated with Hurricanes Ike and Gustav in 2008. 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 – As Tampa Electric has reported in the past, in 2006, the four largest Florida investor owned utilities (IOUs), in conjunction with other IOUs with hurricane exposed T&D 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. The focus of the project was to seek mutual coverage for overhead distribution assets only, with premium cost, deductibles and loss payments based on modeled catastrophic storms with a high deductible/ self insured retention events.

   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 PSC staff workshop and then later provided the staff answers to some informal questions. The group has continued to explore group captives (a/k/a industry mutual) insurance, commercial insurance, capital market solutions and public/private insurance pools for natural catastrophes.

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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 hired outside experts to model their respective overhead distribution risks and aggregate scenarios were modeled. The group size has decreased but there is still interest by current participants to explore options and it is still working together. While it appears the insurance market is more receptive to providing catastrophic insurance, the cost remains high and no members have yet committed to moving forward to seek coverage for the 2009 storm season.

3. Tampa Electric's Decision Regarding Securing 2009 Storm Coverage – Tampa Electric believes that premiums paid for new storm insurance, should it become available at reasonable costs and terms, should be a recoverable expense through the annual storm accrual. The current accrual level does not account for such an expense. In Docket No. 080317-EI, Tampa Electric has proposed an increase of $16 million to its annual storm accrual. This request is based on a new storm damage self-insurance reserve study filed in that proceeding. In addition, Tampa Electric is seeking approval to charge the cost of insurance, should such insurance become available at reasonable costs and terms, against the storm reserve.

4. Summary of Amounts Recorded in Account 228.1 in 2008– Tampa Electric accrued $4 million to Account 228.1 in 2008 as authorized by the Commission in Order No. PSC-95-0255-FOF-EI. The company charged $1.7 million against the reserve for expenses associated with Tropical Storm Fay. The balance at December 31, 2008 was $22.7 million.

If there are questions regarding the above information, please contact me at 813-228-1510.

Sincerely,

William R. Ashburn
Director, Pricing and Financial Analysis

cc: Mr. Tim Devlin - FPSC
Mr. Jim Beasley - Ausley Law Firm