Progress Energy

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COMMISSION
CLERK

February 1, 2013

Via FedEx

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Dear Ms. Cole:

By order No. PSC-93-1522-FOF-EI, issued October 15, 1993 in Docket No. 930867-EI, Florida Power Corp. d/b/a Progress Energy Florida, Inc. 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.

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

1. Update on Efforts to Obtain Traditional T&D Insurance – Since our last report, the property insurance markets continue to be restrictive, especially for Gulf and Atlantic coast locations as a result of large storm related losses during the past decade. Traditional insurance coverage for storm related damage to T&D facilities at reasonable costs and deductible levels on a stand-alone basis, remains effectively unavailable.

2. Status of the Proposed Industry-Wide T&D Program – An industry group consisting of the four Florida investor owned utilities (IOUs), along with other IOUs with T&D assets exposed to hurricane damage, was established to explore the feasibility of developing an insurance program to cover catastrophic storm damage to above ground distribution facilities. Details regarding this effort were outlined in our annual report dated February 15, 2008. This group is taking no further action at this time since it was determined by most members that the program was economically not feasible.

   Progress Energy Florida will continue to monitor activity in this area.

3. Update on the Evaluation of Progress Energy Florida's Exposure and the Adequacy of the Storm Damage Reserve – The storm damage reserve was depleted in 2004 by the unprecedented four hurricanes affecting Progress Energy Florida's service area. The Florida PSC approved the recovery of $240.4 million in storm response costs incurred in 2004, over a two year period. Subsequently, the PSC approved an agreement whereby the storm recovery surcharge would be extended by twelve months to allow the Company to replenish the storm reserve fund.

Progress Energy Service Company, LLC
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As a result of the Florida PSC's January 11, 2010, decision during the recent retail rate case, PEF may not collect in base rates additional funds for it's storm damage reserve. In the event future storms cause the reserve to be depleted, PEF can petition the Florida PSC for implementation of an interim surcharge to cover any deficiency of it's storm reserve. The balance of the storm reserve as of December 31, 2012, was $115.4 million.

4. <u>Feasibility and Cost-Effectiveness of a Risk Sharing Plan Among Investor-Owned Electric Utilities in Florida</u> – See Item 2 above.

As in the past, Progress Energy Florida requests that this letter serve as its annual report for 2013. 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, updated information will be provided to the Commission.

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

Sincerely,

Gary Y. Little

Gary Y. Little
Manager - Insurance
Progress Energy Service Company, LLC

cc: Marshall Willis – FPSC Director Economic Regulation
Mr. Javier Portuondo - Progress Energy Florida
Ms. Lisa Roddy - Progress Energy Florida
Ms. Cynthia Lee - Progress Energy Florida