



February 13, 2017

Via Next Day Courier

Ms. Carlotta Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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COMMISSION
CLERK

Dear Ms. Stauffer:

By Rule 25-6.0143(1)(m) F.A.C, issued June 11, 2007, Duke Energy Florida, LLC is required to file an annual report providing 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** – The property insurance markets continue to be restrictive. Traditional insurance coverage for storm-related damages to T&D facilities at reasonable costs and deductibles on a standalone basis remains unavailable.
2. **Status of the proposed Industry-Wide T&D Program** – An industry-wide program covering catastrophic storm damage to aboveground distribution assets remains economically unfeasible.

On January 12, 2017 a conference call hosted by the leading electric and gas utility insurance mutual with member utilities took place to discuss the current T&D market and to explore options related to a small capacity of T&D insurance. The estimated rates to be charged for this small capacity were not reasonable to any of the participants.

Duke Energy Florida continues to monitor activity in this area.

3. **Update on the Evaluation of Duke Energy Florida's Exposure and the Adequacy of the Storm Damage Reserve** – As a result of the Florida PSC's January 11, 2010 decision during the retail rate case, Duke Energy Florida may not collect in base rates additional funds for its storm damage reserve. However, pursuant to a settlement agreement approved in Order No. PSC-13-0598-FOF-EI on November 12, 2013, effective through December 2018, Duke Energy Florida is not precluded from petitioning for recovery of

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storm damage costs and replenishment of its storm damage reserve in the event that the storm damage reserve is depleted as a result of a named storm. The balance of the storm damage reserve as of December 31, 2016 was \$60.1 million.

4. **Feasibility and Cost-Effectiveness of a Risk-Sharing Plan among Investor-Owned Electric Utilities in Florida** – See Item 2 above.

Duke Energy Florida respectfully requests that this letter serve as its annual report. Updated information will be provided to the Commission if a significant change should occur in the Company's exposure, the adequacy of the storm reserve, or the cost and availability of traditional insurance.

Please call me with any questions regarding this annual report.

Sincerely,



R. Lance Burnette
Manager Insurance
Duke Energy Corporation