February 15, 2019

Adam Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Accumulated Provision for Property Insurance

Dear Mr. Teitzman:

Enclosed for filing please find Florida Power & Light Company's report, as required by Rule 25-6.0143(l)(m), Florida Administrative Code, Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4, reflecting the Company's efforts to obtain reasonably priced Transmission & Distribution insurance coverage. Also enclosed for filing as Attachment 1 to the report is a summary schedule of the amounts recorded in Account 228.1 as of December 31, 2018.

Please contact me if you have any questions regarding this filing.

Sincerely,

Korel M. Dubin

Korel M. Dubin
Director, Regulatory Affairs

Enclosures
cc: Andrew L. Maurey, Director, Division of Accounting and Finance
Bart Fletcher, Chief, Bureau of Surveillance & Rate Filings
Curt Mouring – Public Utilities Supervisor

FLORIDA POWER & LIGHT COMPANY
Period Ending December 31, 2018

Update on Efforts to Obtain Commercial Insurance for Transmission and Distribution (T&D) Facilities

For a number of years following Hurricane Andrew in 1992, T&D insurance was totally unavailable. By 1999, the Company was able to obtain a very limited amount of T&D insurance (from $20 to $88 million in 1999 through 2001). In the years since September 11, 2001, there was a general unwillingness in the insurance markets to write T&D insurance coverage. In late 2006, a group of southeastern storm exposed utilities (including four in Florida) began efforts to develop an industry insurance program (see below). Through those efforts, it appears that there may be a limited potential for some commercial T&D coverage with very high deductibles (for the Company, in excess of $750 million per occurrence for above ground distribution only, which exceeds the actual storm restoration damage incurred from any one storm in our history with the exception of Hurricane Irma). At this time, the Company believes the products potentially available in the commercial market do not provide sufficient value to customers to warrant the cost. The company will continue to work to develop commercial insurance alternatives to improve the possibility that eventually, reasonably priced coverage that represents good value to the Company and its customers will become available.

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

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 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 elected to explore coverage solely for overhead distribution assets. 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.

In May 2007, the Florida IOUs made a presentation on their progress to date to a Florida Public Service Commission ("Commission") 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 were numerous hurdles to the 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.

This activity continued through 2008, and the four Florida IOUs continued to participate while several of the other IOUs dropped out of the group. 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 and 2008 storm seasons. 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.

The group periodically maintained communication in 2009, meeting as a group once in February. No members were able to support the buying group concept in 2009. One member of the group outside of Florida has purchased a limited amount of insurance based on modeled results for the 2007-2009 storm seasons.

2017 and 2018 Update

FPL discussed the potential of T&D insurance on the Company's operating property insurance program with its domestic, London and European insurers during underwriting renewal meetings in April. No incumbents on the FPL property insurance program were interested in providing T&D insurance for FPL's Florida transmission and distribution assets. In addition, the southeast coastal utilities convened to discuss the current status of T&D insurance in July 2017. There continued to be no members purchasing T&D insurance.

The Company will continue to monitor insurance market conditions and to seek T&D insurance that will provide value to its customers at a reasonable cost, and will periodically communicate with the remaining members of the IOU group with Atlantic and Gulf hurricane exposure.

Update on the Evaluation of the Company's Exposure to a Hurricane and the Adequacy of the Storm Reserve

In December 2012, the Commission approved a settlement agreement that resolved all outstanding issues related to FPL's 2012 base rate proceeding (Order No. PSC-2013-0023- S-EI, Docket No. 20120015-EI). Per the agreement, FPL would be allowed to recover incremental storm costs over a 12- month recovery period, as long as the costs incurred exceeded the then current balance in the Storm Reserve and the costs allocated to residential customers did not exceed $4.00/1,000 kWh. In the event that storm costs would cause the charge to residential customers to exceed that level, any additional costs could be recovered in subsequent year(s), as determined by the Commission. In addition, FPL reserved the right to petition the Commission to increase the initial 12-month recovery beyond the $4.00/1,000 kWh in the event FPL incurred storm damage in excess of $800 million in any given calendar year.

The 2012 settlement agreement expired on December 31, 2016. On December 15, 2016 however, the Commission approved a settlement agreement that resolved FPL's 2016 base rate proceeding (Order No. PSC-2016-0560-AS-EI, Docket No. 20160021-EI). Under the 2016 settlement agreement, the storm recovery mechanism from the 2012 settlement agreement remains in effect. The 2016 settlement agreement became effective on the first billing cycle of January 2017 and has a minimum term that expires on the last billing cycle in December 2020.

FPL's Storm Reserve went into a deficit position due to the charges against the reserve for eligible, incremental storm restoration costs associated with Hurricane Matthew in late 2016. As a result, on December 29, 2016, FPL petitioned the Commission for recovery of the deficit and replenishment of the Storm Reserve to $117.1 million, together with the incremental storm restoration costs related to Hurricane Matthew, in Docket No. 20160251-EI pursuant to the storm recovery mechanism in approved by the Commission in Order No. PSC-2013-0023-S-EI, Docket No. 20160021-EI. Following recovery of costs related to Hurricane Matthew restoration, the Storm Reserve was replenished to $117.1 million.

In September 2017, Hurricane Irma passed through Florida causing damage to much of FPL's service territory, resulting in approximately 4.4 million of FPL's customers losing electrical service. The incremental storm costs associated with Hurricane Irma of approximately $1.3 billion were initially charged to FPL's Storm Reserve. However, in December 2017, in connection with the passage of the Tax Cuts and Jobs Act, FPL determined it would not seek recovery of Hurricane Irma storm restoration costs through a storm surcharge from customers and, as a result, the incremental storm costs originally charged to the Storm Reserve were removed and written off to operations and maintenance expense. Thus, FPL's Storm Reserve balance at December 31, 2018 is approximately $105 million, which reflects the replenishment from the Hurricane Matthew storm recovery mechanism less amounts charged to the Storm Reserve for storms in 2017 and 2018.

FPL's Storm Reserve remains inadequate to cover the potential damage associated with Major Hurricanes (Category 3 and higher) or many lower level storms (depending on their size and location).

ATTACHMENT 1

Florida Power & Light Co.
Account 228.1 - Accumulated Provision for Property Insurance
As of December 31, 2018

	Account 228.1 Retail Storm Reserve (1)	Account 228.101 FAS 115 Mark to Market (2)	Total
Proceeds from Securitization Bond Issuance- Pre-tax (3)	$ (1,048,816,357)	$ -	$ (1,048,816,357)
Proceeds from Hurricane Matthew Interim Storm Charge (4)	(315,151,087)		(315,151,087)
Admin & Service Fees Recovered due to Securitization (5)	(4,815,516)	-	(4,815,516)
Retail Storm Fund Earnings (6)	(38,322,784)	-	(38,322,784)
Mark-to-market adjustment in accordance with FAS 115 (2)	-	29,446	29,446
Subtotal	**$ (1,407,105,745)**	**$ 29,446**	**$ (1,407,076,299)**
Storm Costs Charged to the Storm Reserve:			
2004 Storm Costs (7)	$ 100,184,011	$ -	$ 100,184,011
2005 Storm Costs	717,342,858	-	717,342,858
2006 Storm Costs	18,462,866	-	18,462,866
2007 Storm Costs	1,424,001	-	1,424,001
2008 Storm Costs (8)	36,482,878	-	36,482,878
2009 Storm Costs (9)	-	-	-
2010 Storm Costs (9)	-	-	-
2011 Storm Costs (10)	6,969,191	-	6,969,191
2012 Storm Costs (11)	82,744,567	-	82,744,567
2013 Storm Costs (12)	2,115,551	-	2,115,551
2014 Storm Costs (9)	-	-	-
2015 Storm Costs (13)	4,070,948	-	4,070,948
2016 Storm Costs (14)	320,889,298	-	320,889,298
2017 Storm Costs (15), (16)	1,430,094	-	1,430,094
2018 Storm Costs (17)	9,817,763		9,817,763
Subtotal	**$ 1,301,934,026**	**$ -**	**$ 1,301,934,026**
Balance as of December 31, 2018	**$ (105,171,719)**	**$ 29,446**	**$ (105,142,273)**

Notes:

(1) Represents activity in storm reserve associated with retail jurisdictional customers.

(2) Represents mark-to-market adjustments in accordance with Accounting Standards Codification 320-10 (FAS 115).

(3) Issuance authorized by FPSC in Order No. PSC-06-0464-FOF-EI to recover unrecovered 2004, and 2005, storm costs, and to replenish the storm reserve to cover future storm damages associated with retail customers.

(4) FPL filed for recovery of a deficit storm reserve balance of $201M, due to charges from Hurricane Matthew, plus replenishment of the storm reserves of $117M on December 29, 2016 (Docket No. 160251-EI). This filing was made pursuant to FPL's 2012 Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-13-0023-EI. The Commission approved an interim storm charge for a 12-month period beginning on March 1, 2018. On July 24, 2018, The FPSC approved a stipulation and settlement agreement in Order No. PSC-2018-0359-FOF-EI, which resolved all the issues in the case. As part of the settlement agreement, FPL agreed to a refund of the amounts collected through the surcharge totaling $7.69M, including interest.

(5) Admin and service fees remitted to FPL per servicing agreement and required to be added to the storm fund pursuant to FPSC order noted in Note (3) above. Amounts are collected from retail customers through the Storm Bond Repayment Charge.

(6) Represents pre-tax earnings reinvested in the Storm Fund prior to liquidation. The Storm Fund was liquidated in the fourth quarter of 2016.

(7) Change in balance represents recoveries credited to the 2004 reserve (prior to securitization).

(8) Includes amounts for Tropical Storm Fay previously communicated to the Commission.

(9) No deferrable events happened during 2009, 2010 & 2014.

(10) Includes amounts for Hurricane Irene.

(11) Includes amounts for Tropical Storms Beryl, Debby, Isaac and Sandy.

(12) Tropical Storm Andrea

(13) Tropical Storm Erika

(14) Includes amounts for Martin Luther King, Jr. Weekend Tornadic Weather System, Tropical Storm Colin, Hurricane Hermine, and Hurricane Matthew.

(15) South Florida Tornadoes

(16) FPL incurred approximately $1.3 billion in incremental storm restoration costs due to the impacts of Hurricane Irma in September 2017, for which FPL is not seeking recovery through a surcharge. These costs were charged to operations and maintenance expense in December 2017.

(17) Includes amounts for Tropical Storm Gordon and Hurricane Michael. Please also note that additional charges of $3.2M related to Hurricane Irma for 2018 were not charged to the storm reserve, but to operations and maintenance expense.