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February 12, 2020

Via Next Day Courier

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

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2020 FEB 14 AM 10:56
COMMISSION CLERK

Dear Mr. Teitzman:

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.

At least once per year, Duke surveys the market place through its insurance brokers and partners for an economical means of insuring T&D assets. There continues to be no economical insurance coverage available.

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 Duke Energy Florida's 2017 Second Revised and Restated Settlement Agreement, approved in Order No. PSC-2017-0451-AS-EU, effective through December 2021, Duke Energy Florida is not precluded from petitioning for recovery of storm damage costs and replenishment of its storm damage reserve.

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The storm damage reserve was depleted as a result of hurricane Irma in 2017, and the reserve deficit increased further as a result of hurricane Michael in 2018 and hurricane Dorian in 2019. The Commission approved settlement implementation stipulations allowing DEF to apply the cost savings from the 2017 Tax Cuts and Jobs Act ("TCJA") toward recovery of the storm costs associated with hurricane's Irma (Docket 20170272) and Michael (Docket 20190110) and to replenish the storm reserve up to \$132 million. Duke Energy Florida received approval on February 4, 2020 to recover hurricane Dorian costs through a rate surcharge over a 12-month period beginning March 2020 (Docket 20190222).

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

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, 2019.

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,



Arnold Garcia
Manager Insurance
Duke Energy Corporation

Attachment 1

Summary Schedule of the Amounts Recorded in Account 228.1
as of December 31, 2019

Duke Energy Florida, LLC				
Net Storm Balances (In Thousands)				
	*Account 186.295 Deferred Storm Reserve	Account 228.100 Retail Storm Reserve	Account 228.101 Non-Retail Storm Reserve	Total Net Balance
December 2018 Balance	\$ (164,836)	\$ (218,843)	\$ 1,668	\$ (382,011)
Pre - 2019 Storm Costs (Reclassified To Reserve in 2019):				
Hurricane Irma	\$ 247	\$ 21,451		\$ 21,698
Hurricane Michael	\$ 167,062	(193,360)	(15,214)	\$ (41,512)
Storm Cost Amortization		154,700	2,350	157,050
Post 2019 Storm Season	\$ 2,473	\$ (236,052)	\$ (11,196)	\$ (244,775)
2019 Storm Costs :				
Hurricane Dorian	(166,782)			(166,782)
Nestor	(380)			(380)
December 2019 Balance	\$ (164,689)	\$ (236,052)	\$ (11,196)	\$ (411,937)

* Duke Energy Florida, LLC uses Account No. 186, Miscellaneous Deferred Debits to defer recoverable storm costs. The balances are held in this account until finalized, at which time they are reclassified to the proper 228.1 Storm Reserve accounts.