FPL

February 15, 2021

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 ("FPL" or the "Company") 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 ("T&D") 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, 2020.

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

Sincerely,

Korel M. Dubin

Korel M. Dubin
Senior 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

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

For a number of years following Hurricane Andrew in 1992, the costliest natural disaster at its time, 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.

2020 Update

FPL discussed the potential of T&D insurance coverage with its United States, London, and European underwriters during the annual meetings in April 2019. Meetings were not held in 2020. No incumbent underwriter on FPL's property insurance program expressed interest in affording T&D coverage for FPL's Florida transmission and distribution assets, nor did any potential new underwriters. The southeast coastal utilities did not convene to discuss the current status of T&D insurance in 2020. Many advised via email that they continued to not purchase T&D insurance and felt meetings would not be necessary because there had not been a change in status since 2017. FPL's Risk Management department recently contacted two member companies that have Atlantic and Gulf operational exposures in Florida. Both confirmed they still do not purchase T&D coverage. FPL will continue to monitor insurance market conditions. If a viable, cost effective T&D coverage becomes available in the insurance marketplace, we will further explore that opportunity.

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. However, on December 15, 2016, 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 extending through the last billing cycle in December 2020. Thereafter, in Order No. PSC-2019-0225-FOF-EI, Docket No. 20180046-El, the Commission determined that the 2016 settlement agreement would remain in effect until modified by the Commission. As of the date of this report, that remains the case.

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 (Docket No. 20160251-EI) 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. FPL's request sought relief pursuant to the storm recovery mechanism approved by the Commission in Order No. PSC-2013-0023-S-EI, Docket No. 20120015-EI. Following recovery of costs related to Hurricane Matthew restoration and the Commission's approval of a negotiated settlement, the Storm Reserve was replenished to $117.1 million.

Since the replenishment of FPL's Storm Reserve, FPL incurred a significant amount of incremental storm costs associated with Hurricanes Irma, Dorian, and Isaias, and Tropical Storm Eta, between 2017 and 2020. However, the Company made a determination not to charge these costs to the Storm Reserve or seek recovery through a surcharge to customers. Instead, FPL charged the incremental costs to operations and maintenance expense, as permitted by Rule 25-6.0143(1)(h), F.A.C.

Based on prior storm event experiences, 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). In addition, according to the Company's Storm Damage Self-Insurance Reserve Study filed in January 2021, there is a 99.8% probability that the Storm Reserve could have inadequate funds to cover storm damage in one or more years over the next five-year period.

ATTACHMENT 1

Florida Power & Light Company
Account 228.1 - Accumulated Provision for Property Insurance
As of December 31, 2020

	Account 228.1 Retail Storm Reserve (1)	Account 228.101 Mark to Market (2)	Total
Balance as of December 31, 2019	**$ (112,846,981)**	**$ (164,453)**	**$ (113,011,434)**
Retail Storm Fund Earnings and Other (3)	(1,701,376)	-	(1,701,376)
Mark-to-market adjustment in accordance with ASC 320-10 (2)	-	(439,914)	(439,914)
Subtotal (Credit)	**$ (1,701,376)**	**$ (439,914)**	**$ (2,141,289)**
Storm Costs Charged to the Storm Reserve:			
2020 Storm Costs (4)	-	-	-
Subtotal 2020 Storm Costs Charged to Storm Reserve	**$ -**	**$ -**	**$ -**
Total Storm Reserve Activity for 2020	**$ (1,701,376)**	**$ (439,914)**	**$ (2,141,289)**
Balance as of December 31, 2020	**$ (114,548,356)**	**$ (604,367)**	**$ (115,152,723)**

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.
(3) Primarily represents pre-tax earnings reinvested in the Storm Fund.
(4) FPL incurred approximately $206 million in incremental storm restoration costs due to the impacts of Hurricane Isaias ($77 million) in July 2020 and Tropical Storm Eta ($129 million) for which FPL is not seeking recovery through a surcharge. These costs were charged to operations and maintenance expense.