



February 15, 2022

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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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 marketplace 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 (DEF) 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, and Duke Energy Florida’s 2021 Settlement Agreement, approved in Order No. PSC-2021-0202-AS-EI, effective January 2022 through December 2024, Duke Energy Florida is not precluded from petitioning for recovery of storm damage costs and replenishment of its storm damage reserve.

Mr. Adam Teitzman

Page 2

February 15, 2022

As a result of hurricane Irma in 2017, the storm damage reserve was depleted, and in 2018 and 2019, hurricanes Michael and Dorian further increased the reserve deficit. Then in 2020 and 2021, hurricanes Eta, Isaias and Elsa also increased the reserve deficit. The Commission approved settlement implementation stipulations allowing DEF to apply the tax 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. By means of the TCJA, hurricane Irma’s costs were fully recovered by April 2020. The remaining TCJA tax savings have since been applied to hurricane Michael and to replenish the storm reserve. Consistent with Duke Energy Florida’s 2021 Settlement Agreement (Docket 20210016), the storm reserve was expected to be replenished to \$132 million via the TCJA tax savings by March 2022. 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). The amount was recovered earlier than expected, so the surcharge ended in December 2020. Duke Energy Florida received approval to recover hurricane Eta and Isaias costs through a rate surcharge over a 12-month period beginning August 2021 (Docket 20210097). However, on November 2, 2021, the Commission approved a rate mitigation plan (Docket 20210158) that removed the surcharge for hurricanes Eta and Isaias in January 2022. Finally, under that rate mitigation plan, Duke Energy Florida did not implement a surcharge to recover hurricane Elsa. Rather, the remaining costs of hurricanes Eta, Isaias and Elsa reduced Duke Energy Florida’s storm reserve balance, along with minor costs associated with tropical storm Fred, as shown in Attachment 1.

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 this report is a summary schedule of the amounts recorded in Account 228.1 as of December 31, 2021.

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,

A handwritten signature in black ink, appearing to read "Arnold Garcia", with a long horizontal flourish extending to the right.

Arnold Garcia
Director, Insurance
Duke Energy Corporation

Attachment 1

Summary Schedule of the Amounts Recorded in Account 228.1 as of December 31, 2021

	Account 186.295 Deferred Storm Reserve *	Account 228.100 Retail Storm Reserve	Account 228.101 Non-Retail Storm Reserve	Total Net Balance
December 2020 GL Balance	\$ 21,448	\$ 77,856	\$ 5,193	\$ 104,497
<u>Pre - 2021 Storm Costs:</u>				
Hurricane Irma	\$ 106	\$ 1,044		\$ 1,150
Storm true up (ST/LT classification - primarily Irma)	\$ 410			\$ 410
Hurricane Dorian:				\$ -
Additional retail charges incurred	\$ 21			\$ 21
Retail Overcollection reclassified to 0228100	\$ 1,024	\$ (1,024)		\$ -
Non-Retail charges reclassified to 0228101	\$ (3,320)		\$ 3,320	\$ -
Hurricane Michael	\$ 2	\$ 20		\$ 22
Hurricanes Eta/Isaias	\$ (19,644)	\$ 19,231	\$ 127	\$ (286)
Subtotal	\$ (21,401)	\$ 19,271	\$ 3,447	\$ 1,317
<u>2021 Storm Costs :</u>				
Storm Cost Amortization/Reserve Accrual		\$ (162,482)	\$ (7,861)	\$ (170,342)
Non-retail distribution portion write off (multiple storms, small amts)	\$ (55)			\$ (55)
Hurricane Elsa	\$ 16,789			\$ 16,789
Tropical Storm Fred	\$ 205			\$ 205
Subtotal	\$ 16,939	\$ (162,482)	\$ (7,861)	\$ (153,403)
December 2021 Balance	\$ 16,986	\$ (65,355)	\$ 779	\$ (47,589)

* Duke Energy Florida, LLC uses Account No. 186.295, 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. The amount shown above in Account No. 186.295 also includes short-term storm amounts in Account No. 182.3.