

FLORIDA POWER & LIGHT CO
Form 10-K
February 27, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

Commission File Number	Exact name of registrants as specified in their charters, address of principal executive offices and registrants' telephone number	IRS Employer Identification Number
1-8841	FPL GROUP, INC.	59-2449419
2-27612	FLORIDA POWER & LIGHT COMPANY 700 Universe Boulevard Juno Beach, Florida 33408 (561) 694-4000	59-0247775

State or other jurisdiction of incorporation or organization: Florida

	Name of exchange on which registered
Securities registered pursuant to Section 12(b) of the Act: FPL Group, Inc.: Common Stock, \$0.01 Par Value Florida Power & Light Company: None	New York Stock Exchange

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act of 1933.

FPL Group, Inc. Yes No
Company Yes No Florida Power & Light

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934.

FPL Group, Inc. Yes No
Company Yes No Florida Power & Light

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) have been subject to such filing

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requirements for the past 90 days.

FPL Group, Inc. Yes No

Florida Power & Light

Company Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrants are a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

FPL Group, Inc. Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Florida Power & Light Company Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

Aggregate market value of the voting and non-voting common equity of FPL Group, Inc. held by non-affiliates as of June 30, 2008 (based on the closing market price on the Composite Tape on June 30, 2008) was \$26,714,502,227.

There was no voting or non-voting common equity of Florida Power & Light Company held by non-affiliates as of June 30, 2008.

The number of shares outstanding of FPL Group, Inc. common stock, as of the latest practicable date: Common Stock, \$0.01 par value, outstanding at January 31, 2009: 408,946,823 shares.

As of January 31, 2009, there were issued and outstanding 1,000 shares of Florida Power & Light Company common stock, without par value, all of which were held, beneficially and of record, by FPL Group, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of FPL Group, Inc.'s Proxy Statement for the 2009 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

This combined Form 10-K represents separate filings by FPL Group, Inc. and Florida Power & Light Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Florida Power & Light Company makes no representations as to the information relating to FPL Group, Inc.'s other operations.

Florida Power & Light Company meets the conditions set forth in General Instruction I.(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format.

DEFINITIONS

Acronyms and defined terms used in the text include the following:

Term	Meaning
AFUDC	allowance for funds used during construction
AFUDC - equity	equity component of allowance for funds used during construction
BART	Best Available Retrofit Technology
capacity clause	capacity cost recovery clause, as established by the FPSC
charter	restated articles of incorporation, as amended, of FPL Group or FPL, as the case may be
CO2	carbon dioxide
DOE	U.S. Department of Energy
Duane Arnold	Duane Arnold Energy Center
EMF	electric and magnetic field(s)
EMT	Energy Marketing & Trading
environmental clause	environmental compliance cost recovery clause, as established by the FPSC
EPA	U.S. Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
Exchange Act	Securities Exchange Act of 1934, as amended
FAS	Statement of Financial Accounting Standards No.
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FGT	Florida Gas Transmission Company
FIN	FASB Interpretation No.
FMPA	Florida Municipal Power Agency
FPL	Florida Power & Light Company
FPL FiberNet	FPL FiberNet, LLC
FPL Group	FPL Group, Inc.
FPL Group Capital	FPL Group Capital Inc
FPSC	Florida Public Service Commission
fuel clause	fuel and purchased power cost recovery clause, as established by the FPSC
Gulfstream	Gulfstream Natural Gas System, L.L.C.
Holding Company Act	Public Utility Holding Company Act of 2005
IRS	Internal Revenue Service
kv	kilovolt(s)
kwh	kilowatt-hour(s)
LIBOR	London InterBank Offered Rate
LTIP	FPL Group, Inc. Amended and Restated Long Term Incentive Plan
Management's Discussion	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
mortgage	mortgage and deed of trust dated as of January 1, 1944, from FPL to Deutsche Bank Trust Company Americas, as supplemented and amended
mw	megawatt(s)
NEPOOL	New England Power Pool

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NextEra Energy Resources	NextEra Energy Resources, LLC, formerly known as FPL Energy, LLC
Note ____	note ____ to consolidated financial statements
NOx	nitrogen oxide
NRC	U.S. Nuclear Regulatory Commission
Nuclear Waste Policy Act	Nuclear Waste Policy Act of 1982, as amended
O&M expenses	other operations and maintenance expenses in the consolidated statements of income
PJM	PJM Interconnection, L.L.C.
PMI	FPL Energy Power Marketing, LLC
Point Beach	Point Beach Nuclear Power Plant
PTCs	production tax credits
PURPA	Public Utility Regulatory Policies Act of 1978, as amended
qualifying facilities	non-utility power production facilities meeting the requirements of a qualifying facility under the PURPA
RFP	request for proposal
ROE	return on common equity
Seabrook	Seabrook Station
SEC	U.S. Securities and Exchange Commission
SEGS	Solar Electric Generating System
SO2	sulfur dioxide
VIE	variable interest entity

FPL Group, FPL, FPL Group Capital and NextEra Energy Resources each have subsidiaries and affiliates with names that include FPL, NextEra Energy Resources, FPL Energy, FPLE and similar references. For convenience and simplicity, in this report the terms FPL Group, FPL, FPL Group Capital and NextEra Energy Resources are sometimes used as abbreviated references to specific subsidiaries, affiliates or groups of subsidiaries or affiliates. The precise meaning depends on the context.

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FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events or performance, climate change strategy or growth strategies (often, but not always, through the use of words or phrases such as will, will likely result, are expected to, will continue, is anticipated, aim, believe, could, should, would, estimated, may, plan, potential, projection, target, outlook, predict and intend or words of similar meaning) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to important factors included in Part I, Item 1A. Risk Factors (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could have a significant impact on FPL Group's and/or FPL's operations and financial results, and could cause FPL Group's and/or FPL's actual results to differ materially from those contained or implied in forward-looking statements made by or on behalf of FPL Group and/or FPL in this combined Form 10-K, in presentations, on their respective websites, in response to questions or otherwise.

Any forward-looking statement speaks only as of the date on which such statement is made, and FPL Group and FPL undertake no obligation to update any forward-looking statement to reflect events or circumstances, including unanticipated events, after the date on which such statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statement.

PART I

Item 1. Business

FPL GROUP

FPL Group was incorporated in 1984 under the laws of Florida. FPL Group has two principal operating subsidiaries, FPL and NextEra Energy Resources (formerly known as FPL Energy, LLC). FPL is a rate-regulated utility engaged primarily in the generation, transmission, distribution and sale of electric energy. NextEra Energy Resources is FPL Group's competitive energy subsidiary which produces the majority of its electricity from clean and renewable fuels. FPL Group Capital, a wholly-owned subsidiary of FPL Group, holds the capital stock of, or has equity interests in, FPL Group's operating subsidiaries, other than FPL, and provides funding for those subsidiaries, including NextEra Energy Resources. At December 31, 2008, FPL Group and its subsidiaries employed approximately 15,300 people. For a discussion of FPL's and NextEra Energy Resources' businesses, see FPL Operations and NextEra Energy Resources Operations. For financial information regarding FPL Group's business segments, see Note 16.

In February 2009, the American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law. It includes approximately \$787 billion in tax incentives and new spending, a portion of which relates to renewable energy, energy efficiency and energy reliability. The Recovery Act includes, among other things, provisions that allow companies building wind facilities the option to choose between three investment cost recovery mechanisms: (i) PTCs which were extended for wind facilities through 2012, (ii) investment tax credits of 30% of the cost for qualifying wind facilities placed in service prior to 2013, or (iii) an election to receive a cash grant of 30% of the cost of qualifying wind facilities placed in service in 2009 or 2010, or if construction began prior to December 31, 2010 and the wind facility is placed in service prior to 2013. An election to receive a cash grant of 30%, in lieu of the 30% investment tax credit allowable under present law, also applies to the cost of qualifying solar facilities placed in service in either 2009 or 2010, or if construction began prior to December 31, 2010 and the solar facility is placed in service prior to 2017. In addition, 50% bonus depreciation was extended on most types of property placed in service in 2009, and certain property placed in service in 2010. FPL Group and FPL are in the process of evaluating the effect of the Recovery Act on their businesses.

Website Access to SEC Filings. FPL Group and FPL make their SEC filings, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, available free of charge on FPL Group's internet website, www.fplgroup.com, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Information on FPL Group's website (or any of its subsidiaries' websites) is not incorporated by reference in this annual report on Form 10-K. The SEC maintains an internet website at www.sec.gov that contains reports, proxy and other information about FPL Group and FPL filed electronically with the SEC.

FPL OPERATIONS

General. FPL was incorporated under the laws of Florida in 1925 and is a wholly-owned subsidiary of FPL Group. FPL supplies electric service to a population of more than 8.7 million throughout most of the east and lower west coasts of Florida. During 2008, FPL served approximately 4.5 million customer accounts. The percentage of FPL's operating revenues by customer class was as follows:

	Years Ended December 31,		
	2008	2007	2006
Residential	53%	54%	54%

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Commercial	40	39	39
Industrial	3	3	3
Other, including deferred or recovered clause revenues, the net change in unbilled revenues, transmission and wholesale sales and customer-related fees	4	4	4
	100%	100%	100%

Over the last ten years, FPL's average annual customer growth has been 2.1%. However, beginning in 2007, FPL has experienced a slowdown in retail customer growth and a decline in non-weather related usage per retail customer. Retail customer growth in 2008 was 0.3%, although during the fourth quarter of 2008 FPL experienced a decline in customer accounts of 0.2%. FPL believes that the economic slowdown, the downturn in the housing market and the credit crisis that have affected the country and the state of Florida have contributed to the slowdown in customer growth and to the decline in non-weather related usage per retail customer. In 2008, FPL experienced an increase in inactive accounts (accounts with installed meters without corresponding customer names) and in low-usage customers (customers using less than 200 kwh per month), which have contributed to the decline in retail customer growth and non-weather related usage per retail customer.

Regulation. FPL's retail operations provided approximately 99% of FPL's 2008 operating revenues. Retail operations are regulated by the FPSC, which has jurisdiction over retail rates, service territory, issuances of securities, planning, siting and construction of facilities and other matters. FPL is also subject to regulation by the FERC with respect to certain aspects of its operations, including, but not limited to, the acquisition and disposition of facilities, interchange and transmission services and wholesale purchases and sales of electric energy. In addition, FPL's nuclear power plants are subject to the jurisdiction of the NRC. NRC regulations govern the granting of licenses for the construction, operation and retirement of nuclear power plants and subject these plants to continuing review and regulation.

Retail Ratemaking. The underlying concept of utility ratemaking is to set rates at a level that allows the utility the opportunity to collect from customers total revenues (revenue requirements) equal to its cost of providing service, including a reasonable rate of return on invested capital. To accomplish this, the FPSC uses various ratemaking mechanisms, including, among other things, base rates and cost recovery clauses.

In general, the basic costs of providing electric service, other than fuel and certain other costs, are recovered through base rates, which are designed to recover the costs of constructing, operating and maintaining the utility system. These basic costs include O&M expenses, depreciation and taxes, as well as a return on FPL's investment in assets used and useful in providing electric service (rate base). At the time base rates are determined, the allowed rate of return on rate base approximates FPL's estimated weighted-average cost of capital, which includes its costs for outstanding debt and, typically, an allowed ROE. The FPSC monitors FPL's actual regulatory ROE through a surveillance report that is filed monthly by FPL with the FPSC. The FPSC does not provide assurance that an allowed ROE will be achieved. Base rates are determined in rate proceedings or through negotiations, which occur at irregular intervals at the initiative of FPL, the FPSC, the State of Florida Office of Public Counsel or a substantially affected party.

Base Rates – In 2005, the FPSC approved a stipulation and settlement agreement regarding FPL's retail base rates (2005 rate agreement), signed by FPL and all of the interveners in its 2005 base rate proceeding. FPL expects the 2005 rate agreement to be in effect through December 31, 2009; thereafter, it shall remain in effect until terminated on the date new retail base rates become effective pursuant to an FPSC order.

The 2005 rate agreement provides that retail base rates will not increase during the term of the agreement except to allow recovery of the revenue requirements of any power plant approved pursuant to the Florida Power Plant Siting Act (Siting Act) that achieves commercial operation during the term of the 2005 rate agreement. Retail base rates increased on May 1, 2007 when a 1,144 mw natural gas-fired plant at FPL's Turkey Point site (Turkey Point Unit No. 5) was placed in service. As approved by the FPSC, FPL's retail base revenues will increase in 2009 when two natural gas-fired combined-cycle units (West County Energy Center Units Nos. 1 and 2), each with approximately 1,220 mw of net generating capacity, are placed in service, which is expected to occur by the third quarter of 2009 and fourth quarter of 2009, respectively (see Fossil Operations below). The 2005 rate agreement also has a revenue sharing mechanism, whereby revenues from retail base operations in excess of certain thresholds will be shared with customers on the basis of two-thirds refunded to customers and one-third retained by FPL. Revenues from retail base operations in excess of a second, higher threshold (cap) will be refunded 100% to customers. The revenue sharing threshold and cap are established by increasing the prior year's threshold and cap by the sum of the following: (i) the average annual growth rate in retail kwh sales for the ten-year period ending December 31 of the preceding year multiplied by the prior year's retail base rate revenue sharing threshold and cap and (ii) the amount of any incremental base rate increases for power plants approved pursuant to the Siting Act that achieve commercial operation during the term of the 2005 rate agreement. The revenue sharing threshold and cap for 2009 are estimated to be \$4,534 million and \$4,713 million, respectively. For the year ended December 31, 2008, revenues from retail base operations did not exceed the 2008 thresholds.

Under the terms of the 2005 rate agreement: (i) FPL's electric property depreciation rates are based upon the comprehensive depreciation studies it filed with the FPSC in March 2005; however, FPL may reduce depreciation by up to \$125 million annually, (ii) FPL has the ability to recover prudently incurred storm restoration costs, either through securitization provisions pursuant to the Florida Statutes or through surcharges, and (iii) FPL will be allowed to recover through a cost recovery clause prudently incurred incremental costs associated with complying with an FPSC or FERC order regarding a regional transmission organization.

FPL does not have an authorized regulatory ROE under the 2005 rate agreement for the purpose of addressing earnings levels. For all other regulatory purposes, FPL has an ROE of 11.75%. Under the 2005 rate agreement, the revenue sharing mechanism described above is the appropriate and exclusive mechanism to address earnings levels. However, if FPL's regulatory ROE, as reported to the FPSC in FPL's monthly earnings surveillance report, falls below 10% during the term of the 2005 rate agreement, FPL may petition the FPSC to amend its base rates.

In November 2008, FPL notified the FPSC that it intends to initiate a base rate proceeding in March 2009. In the notification, FPL stated that it expects to request an \$800 million to \$950 million annual increase in base rates beginning on January 1, 2010 and an additional annual base rate increase beginning on January 1, 2011. These amounts exclude the effects of depreciation, which depend in part on the results of a detailed depreciation study that FPL is currently finalizing. Further, FPL expects to request that the FPSC continue to allow FPL to use the mechanism for recovery of the revenue requirements of any new power plant approved pursuant to the Siting Act that was established in FPL's 2005 rate agreement. Hearings on the base rate proceeding are expected during the third quarter of 2009 and a final decision is expected by the end of 2009. The final decision may approve rates that are different from those that FPL will request.

Cost Recovery Clauses – Fuel costs are recovered from customers through levelized charges per kwh established under the fuel clause. These charges are calculated annually based on estimated fuel costs and estimated customer usage for the following year, plus or minus a true-up adjustment to reflect the variance of actual costs and usage from the estimates used in setting the fuel adjustment charges for prior periods. An adjustment to the levelized charges may be approved during the course of a year to reflect a projected variance based on actual costs and usage. In 2008, approximately \$6.1 billion of costs were recovered through the fuel clause. FPL uses a risk management fuel procurement program which was approved by the FPSC at the program's inception. The FPSC reviews the program activities and results for prudence on an annual basis as part of its annual review of fuel costs. The program is intended to manage fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. See Energy Marketing and Trading, Management's Discussion – Results of Operations, Note 1 – Regulation and Note 3.

Capacity payments to other utilities and generating companies for purchased power are recovered from customers through the capacity clause and base rates. In 2008, approximately \$517 million of these costs were recovered through the capacity clause. Beginning in 2009, FPL will recover pre-construction costs and carrying charges (equal to the pretax AFUDC rate) on construction costs for new nuclear capacity through the capacity clause. Once the new capacity goes into service, construction costs will be recovered through base rate increases. See Nuclear Operations below.

Costs associated with implementing energy conservation programs totaled approximately \$182 million in 2008 and were recovered from customers through the energy conservation cost recovery clause. Costs of complying with federal, state and local environmental regulations enacted after April 1993 are recovered through the environmental clause to the extent not included in base rates. In 2008, approximately \$40 million of these costs were recovered through the environmental clause. Beginning in 2009, FPL will recover costs associated with its proposed solar generating facilities through the environmental clause. See Solar Operations below.

Other Recovery Mechanisms – FPL maintains a funded storm and property insurance reserve. Four hurricanes in 2005 and three hurricanes in 2004 caused major damage in parts of FPL's service territory. Storm restoration costs incurred by FPL during 2005 and 2004 exceeded the amount in the storm and property insurance reserve, resulting in a storm reserve deficiency. In 2007, FPL formed a wholly-owned bankruptcy remote special purpose subsidiary for the purpose of issuing storm-recovery bonds, pursuant to the securitization provisions of the Florida Statutes and an FPSC financing order. In May 2007, the FPL subsidiary issued \$652 million aggregate principal amount of senior secured bonds (storm-recovery bonds), primarily for the after-tax equivalent of the total of FPL's unrecovered balance of the 2004 storm restoration costs, the 2005 storm restoration costs and approximately \$200 million to reestablish FPL's storm and property insurance reserve. The storm-recovery bonds, including interest and bond issuance costs, are being repaid through a surcharge to retail customers. Prior to the issuance of these storm-recovery bonds, FPL had been recovering the 2004 storm restoration costs from retail customers through a storm damage surcharge. See Management's Discussion – Results of Operations – FPL and Note 9 – FPL.

In 2007, the FPSC denied FPL's need petition for two ultra super critical pulverized coal generating units in Glades County, Florida. In December 2008, the FPSC approved the recovery of approximately \$34 million of pre-construction costs associated with these units over a five-year period beginning January 2010.

The FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. Such costs may include, among others, fuel and O&M expenses, the cost of replacing power lost when fossil and nuclear units are unavailable, storm restoration costs and costs associated with the construction or acquisition of new facilities.

Competition. FPL currently holds 176 franchise agreements to provide electric service in various municipalities and counties in Florida with varying expiration dates through 2039. Of the 176 franchise agreements, three expire in 2009, 14 expire in 2010 and 159 expire during the period 2011 through 2039. Negotiations are ongoing to renew

franchises with upcoming expirations. FPL also provides service to 13 other municipalities and to 22 unincorporated areas within its service area without franchise agreements. FPL considers its franchises to be adequate for the conduct of its business.

FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. The FERC has jurisdiction over potential changes that could affect competition in wholesale transactions. In 2008, operating revenues from wholesale and industrial customers combined represented less than 4% of FPL's total operating revenues. Various states, other than Florida, have enacted legislation or have state commissions that have issued orders designed to allow retail customers to choose their electricity supplier. Management believes it is unlikely there will be any state actions to restructure the retail electric industry in Florida in the near future. If the basis of regulation for some or all of FPL's business changes from cost-based regulation, existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. See Management's Discussion – Critical Accounting Policies and Estimates – Regulatory Accounting.

The FPSC promotes cost competitiveness in the building of new steam generating capacity by requiring investor-owned electric utilities, such as FPL, to issue an RFP. The RFP process allows independent power producers and others to bid to supply the new generating capacity. If a bidder has the most cost-effective alternative, meets other criteria such as financial viability and demonstrates adequate expertise and experience in building and/or operating generating capacity of the type proposed, the investor-owned electric utility would seek to negotiate a power purchase agreement with the selected bidder and request that the FPSC approve the terms of the power purchase agreement and, if appropriate, provide the required authorization for the construction of the bidder's generating capacity. In 2007, the FPSC eliminated the requirement for utilities to issue an RFP for new nuclear power plants sited after June 2006. See Nuclear Operations below regarding the approval by the FPSC for two additional nuclear units.

Environmental. FPL is subject to environmental laws and regulations and is affected by some of the emerging issues included in the Environmental Matters section below. FPL expects to seek recovery through the environmental clause for compliance costs associated with any new environmental laws and regulations.

During 2008, FPL spent approximately \$181 million on capital additions to comply with existing environmental laws and regulations. FPL's capital expenditures to comply with existing environmental laws and regulations are estimated to be \$1.2 billion for 2009 through 2011, including approximately \$632 million in 2009, and are included in estimated capital expenditures set forth in Capital Expenditures below. These amounts include the capital expenditures associated with three solar generating facilities currently under construction. See Solar Operations below.

System Capability and Load. At December 31, 2008, FPL's resources for serving load consisted of 24,997 mw, of which 22,087 mw were from FPL-owned facilities (see Item 2 – Generating Facilities) and 2,910 mw were available through purchased power contracts (see Note 15 – Contracts). FPL's projected reserve margin for the summer of 2009 is approximately 28%. This reserve margin is expected to be achieved through the combination of output from FPL's active generating units, purchased power contracts and the capability to reduce peak demand through the implementation of load management, which was estimated to be capable of reducing demand by 1,734 mw at December 31, 2008. Occasionally, unusually cold temperatures during the winter months result in significant increases in electricity usage for short periods of time. However, customer usage and operating revenues are typically higher during the summer months, largely due to the prevalent use of air conditioning in FPL's service territory. The highest peak load FPL has served to date was 22,361 mw, which occurred on August 17, 2005. FPL had adequate resources available at the time of this peak to meet customer demand. See Fossil Operations, Nuclear Operations and Solar Operations below regarding additional capacity currently under construction.

Fuel Mix. FPL's generating plants use a variety of fuels. The diverse fuel options, along with purchased power, enable FPL to shift between sources of generation to achieve a more economical fuel mix. See Fossil Operations, Nuclear Operations and Item 2 – Generating Facilities.

FPL's 2008 fuel mix based on kwh produced was as follows:

Fuel Source	Percentage of kwh Produced
Natural gas	53%
Nuclear	22%
	14%

Purchased power	
Coal	6%
Oil	5%

Fossil Operations. FPL owns and operates 83 units that use fossil fuels such as natural gas and/or oil, and has a joint-ownership interest in three coal units. FPL's fossil units are out of service from time to time for routine maintenance or on standby during periods of reduced demand. FPL is currently constructing three natural gas-fired combined-cycle units of approximately 1,220 mw each at its West County Energy Center, which units are expected to be placed in service by the third quarter of 2009, fourth quarter of 2009 and mid-2011. The estimated total cost (including AFUDC) of the two units expected to be placed into service in 2009 is approximately \$1.3 billion and the estimated total cost (including AFUDC) of the third unit is approximately \$900 million. In 2008, the FPSC approved FPL's plan to modernize its Cape Canaveral and Riviera power plants to high-efficiency natural gas-fired units. Each modernized plant is expected to provide approximately 1,200 mw of capacity and be placed into service by 2013 and 2014 at an estimated total cost (including AFUDC) of \$1.1 billion and \$1.3 billion, respectively. Approval by the Florida Power Plant Siting Board (Siting Board), comprised of the Florida governor and cabinet, is pending and is expected in early 2010. The construction costs of the three new units and power plant modernizations (through early 2010) yet to be incurred as of December 31, 2008 are included in estimated capital expenditures set forth in Capital Expenditures below. See Note 15 – Commitments.

FPL has four firm transportation contracts in place with FGT, two firm transportation contracts with Gulfstream and one firm transportation contract with Southeast Supply Header, LLC, that together are expected to satisfy substantially all of the anticipated needs for natural gas transportation at its existing units. The four existing FGT contracts expire between 2021 and 2025, while both Gulfstream contracts expire in 2032. The Southeast Supply Header contract expires in 2020. To the extent desirable, FPL can also purchase interruptible natural gas transportation service from FGT and Gulfstream based on pipeline availability. FPL has several short- and medium-term natural gas supply contracts to provide a portion of FPL's anticipated needs for natural gas. The remainder of FPL's natural gas requirements is purchased under other contracts and in the spot market. FPL has a long-term agreement for the storage of natural gas that expires in 2013. In addition, FPL has entered into several long-term agreements for storage capacity and transportation of natural gas from facilities that have not yet started construction, or if started, have not yet completed construction. These agreements range from 15 to 25 years in length and contain firm commitments by FPL totaling up to approximately \$209 million annually or \$5.1 billion over the terms of the agreements. These firm commitments are contingent upon the occurrence of certain events, including approval by the FERC and/or completion of construction of the facilities from June 2009 to 2011. See Note 15 – Contracts. FPL's oil requirements are obtained under short-term contracts and in the spot market.

FPL has, through its joint ownership interest in St. Johns River Power Park (SJRPP) Units Nos. 1 and 2, a coal supply and transportation contract for all of the 2009 fuel needs and a portion of the 2010 and 2011 fuel needs for those units. All of the transportation requirements and a portion of the coal supply needs for Scherer Unit No. 4 are covered by a series of annual and long-term contracts. FPL's remaining fuel requirements for these units will be obtained in the spot market. See Note 15 – Contracts.

Nuclear Operations. FPL owns, or has undivided interests in, and operates four nuclear units, two at Turkey Point and two at St. Lucie, with a total net generating capability of 2,939 mw. The nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications. Scheduled nuclear refueling outages typically require the unit to be removed from service for approximately 30 days. The following table summarizes certain information related to FPL's nuclear units:

Facility	Unit	Net Capability (mw)	Operating License Expiration Dates	Next Scheduled Refueling Outage
St. Lucie	1	839	2036	April 2010
St. Lucie	2	714	2043	April 2009
Turkey Point	3	693	2032	March 2009
Turkey Point	4	693	2033	October 2009

FPL is in the process of adding approximately 400 mw of baseload capacity at its existing nuclear units at St. Lucie and Turkey Point, which additional capacity is projected to be placed in service by the end of 2012 at an estimated total cost (including carrying charges) of approximately \$1.6 billion. The construction costs relating to the 400 mw of baseload capacity yet to be incurred as of December 31, 2008 are included in estimated capital expenditures set forth in Capital Expenditures below. In 2008, the FPSC approved FPL's need petition for two additional nuclear units at its Turkey Point site with projected in-service dates between 2018 and 2020, which units are expected in the aggregate to add between 2,200 mw and 3,040 mw of baseload capacity. Additional approvals from other regulatory agencies will be required later in the process. See Note 15 – Commitments.

During 2003, nuclear utilities other than FPL identified pressurizer heater sleeves made with a particular material (alloy 600) that were experiencing penetration cracks and leaks as a result of primary water stress corrosion

cracking. As a result, in 2004, the NRC issued a bulletin requesting utilities to identify and inspect all alloy 600 and weld materials in all pressurizer locations and connected steam space piping. Due to the amount of time and cost associated with correcting potential leaks, FPL replaced St. Lucie Unit No. 1's pressurizer during its fall 2005 outage. FPL began the modification of St. Lucie Unit No. 1's non-pressurizer penetrations that have alloy 600 weld materials during its fall 2008 outage and expects to complete the modifications by 2010. The St. Lucie Unit No. 2 pressurizer has 30 heater sleeves as compared to 120 heater sleeves in the St. Lucie Unit No. 1 pressurizer. Accordingly, FPL has decided to modify rather than replace St. Lucie Unit No. 2's alloy 600 pressurizer heater sleeves during its fall 2010 outage. During St. Lucie Unit No. 2's scheduled refueling outage in the fall of 2007, FPL inspected the pressurizer heater sleeves and began modifications of other pressurizer and non-pressurizer penetrations that have alloy 600 weld materials. The modifications to St. Lucie Unit No. 2's other penetrations are scheduled to be completed by 2010. The estimated cost of modifications for the St. Lucie units is included in estimated capital expenditures set forth in Capital Expenditures below. See Note 15 – Commitments. All pressurizer penetrations and welds at Turkey Point Units Nos. 3 and 4 use a different material.

FPL leases nuclear fuel for all four of its nuclear units. See Note 1 – Nuclear Fuel. FPL Group and FPL consolidate the lessor entity in accordance with FIN 46, "Consolidation of Variable Interest Entities," as revised (FIN 46(R)). See Note 9 – FPL. The contracts for the supply, conversion, enrichment and fabrication of FPL's nuclear fuel have expiration dates ranging from 2009 through 2022. Under the Nuclear Waste Policy Act, the DOE is responsible for the development of a repository for the disposal of spent nuclear fuel and high-level radioactive waste. As required by the Nuclear Waste Policy Act, FPL is a party to contracts with the DOE to provide for disposal of spent nuclear fuel from its Turkey Point and St. Lucie nuclear units. The DOE was required to construct permanent disposal facilities and take title to and provide transportation and disposal for spent nuclear fuel by January 31, 1998 for a specified fee based on current generation from nuclear power plants. Through December 2008, FPL has paid approximately \$607 million in such fees to the DOE's nuclear waste fund. The DOE did not meet its statutory obligation for disposal of spent nuclear fuel under the Nuclear Waste Policy Act. In 1997, a federal appeals court ruled, in response to petitions filed by utilities, state governments and utility commissions, that the DOE could not assert a claim that its delay was unavoidable in any defense against lawsuits by utilities seeking money damages arising out of the DOE's failure to perform its obligations. In 1998, FPL filed a lawsuit against the DOE seeking damages caused by the DOE's failure to dispose of spent nuclear fuel from FPL's nuclear power plants. The matter is pending. In October 2006, a federal claims court ruled in another utility's case that the 1997 court decision regarding the DOE's unavoidable delay defense was not binding on that federal court. An appeal is pending in that case. The DOE filed a license application for a permanent disposal facility for spent nuclear fuel with the NRC in June 2008, and a licensing proceeding is ongoing before the NRC. However, it is uncertain when a permanent disposal facility will be constructed and when it would be ready to begin receiving spent nuclear fuel shipments.

FPL uses both on site storage pools and dry storage casks to store spent nuclear fuel generated by St. Lucie Units Nos. 1 and 2, which should allow FPL to store all spent nuclear fuel generated by these units through license expiration. FPL currently stores all spent nuclear fuel generated by Turkey Point Units Nos. 3 and 4 in on site storage pools. These spent nuclear fuel storage pools do not have sufficient storage capacity for the life of the respective units. Beginning in 2011, FPL plans to begin using dry storage casks to store spent nuclear fuel at the Turkey Point facility. Costs for the dry storage casks yet to be incurred are included in estimated capital expenditures set forth in Capital Expenditures below.

The NRC's regulations require FPL to submit a plan for decontamination and decommissioning five years before the projected end of plant operation. FPL's current plans, under the operating licenses, provide for prompt dismantlement of Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2032 and 2033, respectively. Current plans provide for St. Lucie Unit No. 1 to be mothballed beginning in 2036 with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 at the end of its useful life in 2043. See estimated decommissioning cost data in Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs – FPL.

Solar Operations. In 2008, the FPSC approved FPL's proposal to construct three solar generating facilities, which are expected to have a capacity totaling 110 mw. The solar generating facilities are expected to be placed into service by the end of 2010 at an estimated total cost (including carrying charges) of approximately \$728 million. The construction costs of these new solar generating facilities yet to be incurred as of December 31, 2008 are included in estimated capital expenditures set forth in Capital Expenditures below. See Note 15 – Commitments.

Energy Marketing and Trading. EMT, a division of FPL, buys and sells wholesale energy commodities, such as natural gas, oil and electricity. EMT procures natural gas and oil for FPL's use in power generation and sells excess natural gas, oil and electricity. EMT also uses derivative instruments, such as swaps, options and forwards, to manage the commodity price risk inherent in the purchase and sale of fuel and electricity. Substantially all of the results of EMT's activities are passed through to customers in the fuel or capacity clauses. See Retail Ratemaking, Management's Discussion – Results of Operations – FPL and Energy Marketing and Trading and Market Risk

Sensitivity and Note 3.

Capital Expenditures. Capital expenditures at FPL include, among other things, the cost for construction or acquisition of additional facilities and equipment to meet customer demand, as well as capital improvements to and maintenance of existing facilities. FPL's capital expenditures totaled \$2.3 billion in 2008 (including AFUDC of approximately \$53 million), \$1.9 billion in 2007 (including AFUDC of approximately \$36 million) and \$1.7 billion in 2006 (including AFUDC of approximately \$32 million). Planned capital expenditures that are conditional on obtaining regulatory approvals are not included in the table below until such approvals are received.

At December 31, 2008, planned capital expenditures for 2009 through 2013 were estimated as follows:

	2009	2010	2011	2012	2013	Total
	(millions)					
Generation: (a)						
New (b) (c) (d)	\$ 1,350	\$ 1,355	\$ 760	\$ 355	\$ 40	\$ 3,860
Existing	665	680	610	515	430	2,900
Transmission and distribution	615	865	925	930	975	4,310
Nuclear fuel	125	205	215	220	265	1,030
General and other	170	290	315	300	235	1,310
Total	\$ 2,925	\$ 3,395	\$ 2,825	\$ 2,320	\$ 1,945	\$ 13,410

(a) Includes AFUDC of approximately \$63 million, \$53 million, \$32 million and \$4 million in 2009 to 2012, respectively.

(b) Includes land, generating structures, transmission interconnection and integration and licensing.

(c) Includes pre-construction costs and carrying charges (equal to the pretax AFUDC rate) on construction costs recoverable through the capacity clause of approximately \$72 million, \$201 million, \$323 million, \$50 million and \$19 million in 2009 to 2013, respectively.

(d) Excludes capital expenditures of approximately \$2.2 billion for the modernization of the Cape Canaveral and Riviera power plants for the period from early-2010 (when approval by the Siting Board is expected) through 2013. Also excludes construction costs of approximately \$2.5 billion during the period 2012 to 2013 for the two additional nuclear units at FPL's Turkey Point site. Construction costs will not begin until license approval is received from the NRC, which is expected in 2012.

These estimates are subject to continuing review and adjustment and actual capital expenditures may vary from these estimates. See Management's Discussion – Liquidity and Capital Resources – Contractual Obligations and Planned Capital Expenditures and Note 15 – Commitments.

Electric and Magnetic Fields. EMF are present around electrical facilities, including, but not limited to, appliances, power lines and building wiring. Since the 1970s, there has been public, scientific and regulatory attention given to the question of whether EMF causes or contributes to adverse health effects. U.S. and international scientific organizations have evaluated the EMF research. Their reviews have generally concluded that while some epidemiology studies report an association with childhood leukemia, controlled laboratory studies do not support that association and the scientific studies overall have not demonstrated that EMF cause or contribute to any type of cancer or other disease.

The FDEP established EMF standards for electricity facilities in 1989. The FDEP regularly reviews the EMF science and has not made any changes in the state's EMF standards. FPL facilities comply with the FDEP standards. Future changes in the FDEP regulations could require additional capital expenditures by FPL for such things as increasing the width of right of ways or relocating or reconfiguring transmission facilities. It is not presently known whether any such expenditures will be required. Currently, there are no such changes proposed to the FDEP regulations.

Employees. FPL had approximately 10,700 employees at December 31, 2008. Approximately 32% of the employees are represented by the International Brotherhood of Electrical Workers (IBEW) under a collective bargaining agreement with FPL, which has been extended until October 31, 2009. FPL and the IBEW are discussing a proposal for a new agreement.

General. NextEra Energy Resources, a wholly-owned subsidiary of FPL Group Capital, was formed in 1998 to aggregate FPL Group's existing competitive energy business. It is a limited liability company organized under the laws of Delaware. Through its subsidiaries, NextEra Energy Resources currently owns, develops, constructs, manages and operates primarily domestic electric-generating facilities in wholesale energy markets. NextEra Energy Resources also provides full energy and capacity requirements services primarily to distribution utilities in certain markets and owns a retail electric provider based in Texas.

At December 31, 2008, NextEra Energy Resources managed or participated in the management of approximately 96% of its projects, which represented approximately 99% of the net generating capacity in which NextEra Energy Resources has an ownership interest. NextEra Energy Resources had ownership interests in operating independent power projects with a net generating capability totaling 16,928 mw (see Item 2 – Generating Facilities). Generation capacity spans various regions and is produced using a variety of fuel sources, thereby reducing overall volatility related to varying market conditions and seasonality on a portfolio basis. At December 31, 2008, the percentage of capacity by geographic region was:

Geographic Region	Percentage of Generation Capacity
ERCOT	30%
Northeast	30%
Midwest	18%
West	15%
Other South	7%

At December 31, 2008, fuel sources for these projects were as follows:

Fuel Source	Percentage of Generation Capacity
Natural Gas	39%
Wind	38%
Nuclear	15%
Oil	5%
Hydro	2%
Other	1%

NextEra Energy Resources seeks to expand its portfolio through project development and acquisitions where economic prospects are attractive. NextEra Energy Resources expects its future portfolio capacity growth to come primarily from wind and solar development and from asset acquisitions. NextEra Energy Resources plans to add a total of 7,000 mw to 9,000 mw of new wind generation over the 2008 – 2012 period, of which approximately 1,300 mw were added in 2008. NextEra Energy Resources expects to add approximately 1,100 mw in 2009, of which approximately 480 mw are either under construction or have obtained applicable internal approvals for construction. In addition, NextEra Energy Resources intends to pursue opportunities for new solar generating facilities. The wind and solar expansions are subject to, among other things, continued public policy support.

NextEra Energy Resources' capital expenditures and investments totaled approximately \$2.8 billion, \$3.1 billion and \$1.8 billion in 2008, 2007 and 2006, respectively. At December 31, 2008, planned capital expenditures for 2009 through 2013 were estimated as follows:

	2009	2010	2011	2012	2013	Total
	(millions)					
Wind (a)	\$ 2,035	\$ 20	\$ 20	\$ 15	\$ 10	\$ 2,100
Nuclear (b)	370	430	295	275	305	1,675
Natural gas	105	70	75	85	50	385
Other	70	60	45	35	30	240
Total	\$ 2,580	\$ 580	\$ 435	\$ 410	\$ 395	\$ 4,400

(a) Includes capital expenditures for new wind projects that have been identified and related transmission. NextEra Energy Resources expects to add approximately 1,100 mw in 2009 and 1,000 mw to 2,000 mw of new wind generation per year from 2010 through 2012, subject to, among other things, continued public policy support, which includes, but is not limited to, support for the construction and availability of sufficient transmission facilities and capacity, and access to reasonable capital and credit markets. The cost of the planned wind additions for the 2010 through 2012 period is estimated to be approximately \$2.5 billion to \$4.5 billion in each year, which is not included in the table above.

(b) Includes nuclear fuel.

These estimates are subject to continuing review and adjustment and actual capital expenditures may vary from these estimates. See Management's Discussion – Liquidity and Capital Resources – Contractual Obligations and Planned Capital Expenditures and Note 15 – Commitments.

In July 2008, the Public Utility Commission of Texas (PUCT) approved a \$4.92 billion transmission grid improvement program that would add approximately 2,300 miles of 345 kv lines to deliver wind power from the Competitive Renewable Energy Zones (CREZ) in west Texas and the Texas Panhandle to the Dallas/Fort Worth area and other population centers in Texas. In January 2009, Lone Star Transmission, LLC, a wholly-owned subsidiary of NextEra Energy Resources, was allocated \$565 million in projects by the PUCT under the CREZ program. The January 2009 determination is subject to, among other things, reconsideration, appeal and receipt of all applicable regulatory approvals. Due to these contingencies, the estimated costs associated with this project are not included in the capital expenditures table above.

Regulation. At December 31, 2008, NextEra Energy Resources had ownership interests in operating independent power projects that have received exempt wholesale generator status as defined under the Holding Company Act, which represent approximately 95% of NextEra Energy Resources' net generating capacity. Exempt wholesale generators own or operate a facility exclusively to sell electricity to wholesale customers. They are barred from selling electricity directly to retail customers. NextEra Energy Resources' exempt wholesale generators produce electricity from wind, hydropower, fossil fuels and nuclear facilities. In addition, approximately 5% of NextEra Energy Resources' net generating capacity has qualifying facility status under PURPA. NextEra Energy Resources' qualifying facilities generate electricity from wind, solar, fossil fuels or waste-product combustion. Qualifying facility status exempts the projects from, among other things, many of the provisions of the Federal Power Act, as well as state laws and regulations relating to rates and financial or organizational regulation of electric utilities. While projects with qualifying facility and/or exempt wholesale generator status are exempt from various restrictions, each project must still comply with other federal, state and local laws, including, but not limited to, those regarding siting, construction, operation, licensing, pollution abatement and other environmental laws.

Each of the markets in which NextEra Energy Resources operates is subject to regulation and specific rules. NextEra Energy Resources continues to evaluate regional market redesigns of existing operating rules for the purchase and sale of energy commodities. California is scheduled to implement a locational marginal price (LMP) market design, which is a market-pricing approach used to manage the efficient use of the transmission system when congestion occurs on the electricity grid, in the second quarter of 2009. ERCOT is also implementing an LMP market design currently scheduled to be implemented in late 2010. In the California and ERCOT markets, the final market design is not fully known at this time and NextEra Energy Resources is currently unable to determine the effects, if any, on its operations resulting from the implementation of the anticipated revised market designs.

Competition. Competitive wholesale markets in the United States continue to evolve and vary by geographic region. Revenues from electricity sales in these markets vary based on the prices obtainable for energy, capacity and other ancillary services. Some of the factors affecting success in these markets include the ability to operate generating assets efficiently and reliably, the price and supply of fuel, transmission constraints, wind, solar and hydro resources (weather conditions), competition from new sources of generation, effective risk management, demand growth and exposure to legal and regulatory changes.

Expanded competition in a frequently changing regulatory environment presents both opportunities and risks for NextEra Energy Resources. Opportunities exist for the selective acquisition of generation assets and for the construction and operation of efficient plants that can sell power in competitive markets. NextEra Energy Resources seeks to reduce its market risk by having a diversified portfolio by fuel type and location, as well as by contracting for the future sale of a significant amount of the electricity output of its plants. The combination of new wind projects, expected increase in contribution from existing merchant assets and asset acquisitions are expected to be the key drivers supporting NextEra Energy Resources' growth over the next few years.

Environmental. NextEra Energy Resources is subject to environmental laws and regulations and is affected by some of the emerging issues included in the Environmental Matters section below.

During 2008, NextEra Energy Resources spent approximately \$4 million on capital additions to comply with existing environmental laws and regulations. NextEra Energy Resources' capital additions to comply with existing environmental laws and regulations are estimated to be \$11 million for 2009 through 2011, including approximately \$5 million in 2009, and are included in estimated capital expenditures set forth in General above.

Portfolio by Category. NextEra Energy Resources' assets can be categorized into the following three groups: wind, contracted and merchant.

Wind Assets – At December 31, 2008, NextEra Energy Resources had ownership interests in wind plants with a combined capacity of approximately 6,375 mw (net ownership), of which approximately 69% have long-term contracts with utilities and power marketers, predominantly under fixed-price agreements with expiration dates ranging from 2011 to 2033. The expected output of the remaining 31% is substantially hedged through 2010 and partially hedged through 2013 against changes in commodity prices. NextEra Energy Resources operates substantially all of these wind facilities. Approximately 91% of NextEra Energy Resources' net ownership in wind facilities has received exempt wholesale generator status as defined under the Holding Company Act. Essentially all of the remaining facilities have qualifying facility status under PURPA. NextEra Energy Resources' wind facilities are located in 16 states and Canada. NextEra Energy Resources expects to add approximately 1,100 mw of new wind generation in 2009, of which approximately 480 mw are either under construction or have obtained applicable internal approvals for construction.

Contracted Assets – At December 31, 2008, NextEra Energy Resources had 3,537 mw of non-wind contracted assets. The contracted category includes all projects, other than wind, with contracts for substantially all of their

output. Essentially all of these contracted assets were under power sales contracts with utilities, with contract expiration dates ranging from 2010 to 2033 and have firm fuel and transportation agreements with expiration dates ranging from 2009 to 2018. See Note 15 – Contracts. Approximately 1,825 mw of this capacity is natural gas-fired generation. The remaining 1,712 mw uses a variety of fuels and technologies such as nuclear, waste-to-energy, oil, solar, coal and petroleum coke. As of December 31, 2008, approximately 92% of NextEra Energy Resources' contracted generating capacity is from power plants that have received exempt wholesale generator status under the Holding Company Act, while the remaining 8% has qualifying facility status under PURPA.

Merchant Assets – At December 31, 2008, NextEra Energy Resources' portfolio of merchant assets includes 7,016 mw of owned nuclear, natural gas, oil and hydro generation, of which 2,789 mw is located in the ERCOT region, 2,751 mw in the NEPOOL region and 1,476 mw in other regions. The merchant assets include 965 mw of peak generating facilities. Merchant assets are plants that do not have long-term power sales agreements to sell their output and therefore require active marketing and hedging. Approximately 85% (based on net mw capability) of the natural gas fueled merchant assets have natural gas supply agreements or a combination of natural gas supply and transportation agreements to provide for on-peak natural gas requirements. See Note 15 – Contracts. Derivative instruments (primarily swaps, options and forwards) are used to lock in pricing and manage the commodity price risk inherent in power sales and fuel purchases. Managing market risk through these instruments introduces other types of risk, primarily counterparty and operational risks. See Energy Marketing and Trading below.

Nuclear Operations. NextEra Energy Resources wholly owns, or has undivided interests in, three nuclear power plants with a total net generating capability of 2,545 mw. NextEra Energy Resources is responsible for all plant operations and the ultimate decommissioning of the plants, the cost of which is shared on a pro-rata basis by the joint owners for the jointly owned plants. See estimated decommissioning cost data in Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs – NextEra Energy Resources. The nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications. The following table summarizes certain information related to NextEra Energy Resources' nuclear units.

Facility	Location	Net Capability (mw)	Portfolio Category	Operating License Expiration Dates	Next Scheduled Refueling Outage
Seabrook	New Hampshire	1,098	Merchant	2030(a)	October 2009
Duane Arnold	Iowa	424	Contracted(b)	2014(c)	October 2010
Point Beach Unit No. 1	Wisconsin	509	Contracted(d)	2030	March 2010
Point Beach Unit No. 2	Wisconsin	514	Contracted(d)	2033	October 2009

(a) NextEra Energy Resources intends to seek approval from the NRC to renew Seabrook's operating license for an additional 20 years.

(b) NextEra Energy Resources sells substantially all of its share of the output of Duane Arnold under a long-term contract expiring in 2014.

(c) In September 2008, NextEra Energy Resources filed an application with the NRC to renew Duane Arnold's operating license for an additional 20 years.

(d) NextEra Energy Resources sells 100% of the output of Point Beach Units Nos. 1 and 2 under a long-term contract through the current license terms.

In 2004, the NRC issued a bulletin requesting utilities to identify and inspect all alloy 600 and weld materials in all pressurizer locations and connected steam space piping. This issue impacts some pressurizer and reactor vessel penetrations at Seabrook. In order to meet industry requirements, NextEra Energy Resources modified Seabrook's pressurizer penetrations that have alloy 600 weld materials during its April 2008 outage and plans to begin inspections of the reactor vessel alloy 600 penetrations during the scheduled fall 2009 outage. The estimated cost of modifications is included in NextEra Energy Resources' estimated capital expenditures set forth in General above. All pressurizer penetrations at Point Beach Units Nos. 1 and 2 use a different material except for the Point Beach Unit No. 2 steam generator nozzles, which have been modified to address the degradation concern. Duane Arnold, which is a boiling water reactor, is not affected by this issue.

NextEra Energy Resources' nuclear facilities have several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from 2009 to 2018. See Note 15 – Contracts. Under the Nuclear Waste Policy Act, the DOE is responsible for the development of a repository for the disposal of spent nuclear fuel and high-level radioactive waste. As required by the Nuclear Waste Policy Act, subsidiaries of NextEra Energy Resources are parties to contracts with the DOE to provide for disposal of spent nuclear fuel from its Seabrook, Duane Arnold and Point Beach nuclear units. The DOE was required to construct permanent disposal facilities and take title to and provide transportation and disposal for spent nuclear fuel by January 31, 1998 for a specified fee based on current generation from nuclear power plants. The total cumulative amount of such fees paid to

the DOE's nuclear waste fund for Seabrook, Duane Arnold and Point Beach, including amounts paid by all joint owners, since the start of the plants' operations through December 2008, is approximately \$491 million, of which NextEra Energy Resources has paid approximately \$75 million since the date of the plants' acquisition. NextEra Energy Resources, through its ownership interest in Seabrook, Duane Arnold and Point Beach, is involved in litigation against the DOE seeking damages caused by the DOE's failure to dispose of spent nuclear fuel from the Seabrook, Duane Arnold and Point Beach facilities. The matter is pending. The DOE filed a license application for a permanent disposal facility for spent nuclear fuel with the NRC in June 2008, and a licensing proceeding is ongoing before the NRC. However, it is uncertain when a permanent disposal facility will be constructed and when it would be ready to begin receiving spent nuclear fuel shipments. All of NextEra Energy Resources' nuclear facilities use both on site storage pools and dry storage casks to store spent nuclear fuel generated by these facilities, which should allow NextEra Energy Resources to store spent nuclear fuel at these facilities through license expiration.

Energy Marketing and Trading. PMI, a subsidiary of NextEra Energy Resources, buys and sells wholesale energy commodities, such as natural gas, oil and electricity. Its primary role is to manage the commodity risk of NextEra Energy Resources' portfolio and to sell the output from NextEra Energy Resources' plants that has not been sold under long-term contracts. PMI procures natural gas and oil for NextEra Energy Resources' use in power generation, as well as substantially all of the electricity needs for NextEra Energy Resources' retail operations conducted primarily in Texas, which at December 31, 2008 served approximately 1,200 mw of peak load to approximately 160,000 customers. PMI uses derivative instruments such as swaps, options and forwards to manage the risk associated with fluctuating commodity prices and to optimize the value of NextEra Energy Resources' power generation assets. PMI also provides full energy and capacity requirements services primarily to distribution utilities in certain markets and engages in energy trading activities to take advantage of expected future favorable price movements. Full energy and capacity requirements services include load-following services, which require the supplier of energy to vary the quantity delivered based on the load demand needs of the customer, as well as various ancillary services. At December 31, 2008, PMI provided full energy and capacity requirements services totaling approximately 3,300 mw of peak load in the NEPOOL, PJM and ERCOT markets. The results of PMI's activities are included in NextEra Energy Resources' operating results. See Management's Discussion – Energy Marketing and Trading and Market Risk Sensitivity, Note 1 – Energy Trading and Note 3.

Employees. NextEra Energy Resources had approximately 4,350 employees at December 31, 2008. Subsidiaries of NextEra Energy Resources have collective bargaining agreements with various unions which are summarized in the table below.

Union	Location	Contract Expiration Date	% of NextEra Energy Resources Employees Covered
IBEW	Wisconsin	June 2009 – August 2010 (a)	11%
Utility Workers Union of America	New Hampshire	December 2013	5
IBEW	Iowa	May 2012	4
IBEW	Maine	February 2013	2
Security Police and Fire Professionals of America	Iowa	July 2012	2
Total			24%

(a) Various employees at Point Beach are represented by the IBEW under four separate contracts with different expiration dates.

In addition, the employees of an operating project in California, constituting less than 1% of NextEra Energy Resources' employees, are represented by the IBEW, which is currently negotiating its first collective bargaining agreement.

OTHER FPL GROUP OPERATIONS

FPL Group's Corporate and Other segment represents other business activities, primarily FPL FiberNet, that are not separately reportable. See Note 16.

FPL FiberNet. FPL FiberNet, a wholly-owned subsidiary of FPL Group Capital, was formed in 2000 to enhance the value of FPL Group's fiber-optic network assets that were originally built to support FPL operations. Accordingly, in 2000, FPL's existing fiber-optic lines were transferred to FPL FiberNet. FPL FiberNet is a limited liability company organized under the laws of Delaware. FPL FiberNet leases wholesale fiber-optic network capacity and dark fiber to FPL and other customers, primarily telephone, wireless carriers, internet and other telecommunications companies. FPL FiberNet's primary business focus is the Florida metropolitan (metro) market. Metro networks cover Miami, Fort Lauderdale, West Palm Beach, Tampa, St. Petersburg, Orlando and Jacksonville. FPL FiberNet also has a long-haul network within Florida that leases bandwidth at wholesale rates. At December 31, 2008, FPL FiberNet's network consisted of approximately 2,745 route miles, which interconnect major cities throughout Florida.

In 2006, as a result of significant changes in the business climate, FPL FiberNet performed an impairment analysis and concluded that an impairment charge related to its metro market assets was necessary. The business climate changes included customer consolidations, migration to a more efficient form of networking technology and lack of future benefits to be achieved through competitive pricing, all of which had a negative impact on the value of FPL FiberNet's metro market assets. While the metro market business was expected to continue to generate positive cash flows, management's expectation of the rate of future growth in cash flows was reduced as a result of these business climate changes. Accordingly, FPL FiberNet recorded an impairment charge of approximately \$98 million (\$60 million after-tax) in 2006. See Note 5 – Corporate and Other. Currently, the wireless sector is experiencing growth, which has been offset by consolidations, price declines and loss of customers in the wire line sector.

At December 31, 2008, FPL Group's investment in FPL FiberNet totaled approximately \$130 million. FPL FiberNet invested approximately \$28 million during 2008 and plans to invest a total of approximately \$140 million over the next five years primarily to meet customers' specific requirements under contract.

ENVIRONMENTAL MATTERS

Federal, state and local environmental laws and regulations cover air and water quality, land use, power plant and transmission line siting, EMF from power lines and substations, oil discharge from transformers, lead paint, asbestos, noise and aesthetics, solid waste, natural resources, wildlife mortality and other environmental matters. Compliance with these laws and regulations increases the cost of electric service by requiring, among other things, changes in the design and operation of existing facilities and changes or delays in the location, design, construction and operation of new facilities. Environmental laws and regulations are subject to change. The following is a discussion of emerging federal and state initiatives and rules that could potentially affect FPL Group and its subsidiaries, including FPL and NextEra Energy Resources.

Climate Change – The U.S. Congress and certain states and regions are considering several legislative and regulatory proposals that would establish new regulatory requirements and reduction targets for greenhouse gases. Based on current reference data available from government sources, FPL Group is among the lowest emitters of greenhouse gases in the United States measured by its rate of emissions to generation in pounds per megawatt-hour. However, these legislative and regulatory proposals have differing methods of implementation and the impact on FPL's and NextEra Energy Resources' generating units and/or the financial impact (either positive or negative) to FPL Group and FPL could be material, depending on the eventual structure of any legislation enacted or specific implementation rules adopted.

In anticipation of the potential for further imposition of greenhouse gas emission limits on the electric industry in the future, FPL Group is involved in several climate change initiatives, including, but not limited to, the following:

- participation in various groups, including working with the Governor of Florida on the Governor's Action Team on Energy and Climate Change, the FDEP, the Florida Energy and Climate Commission and the FPSC in addressing executive orders issued in 2007 by the Governor of Florida (see below for additional information);
 - voluntary reporting of its greenhouse gas emissions to the DOE under the Energy Policy Act of 1992;
- voluntary reporting of its greenhouse gas emissions and climate change strategy through the Carbon Disclosure Project (an investor-led initiative to identify climate change impacts on publicly-traded companies);
 - participation in the U.S. Climate Action Partnership (an alliance made up of a diverse group of U.S.-based businesses and environmental organizations, which in January 2009 issued the Blueprint for Legislative Action, a set of legislative principles and recommendations to address global climate change and the reduction of greenhouse gas emissions);
- participation in the Clinton Global Initiative (an organization which seeks to foster shared commitment by individuals, businesses and governments to confront major world issues and achieve real change);
- participation in the EPA's Climate Leaders Program to reduce greenhouse gas intensity in the United States 18% by 2012, including reporting of emissions data annually. During 2008, FPL Group met its commitment to achieve a 2008 target emissions rate reduction of 18% below a 2001 baseline emission rate measured in pounds per megawatt-hour; and
- supporting Edison Electric Institute's climate change framework, which supports the concept of mandatory legislation capping carbon emissions economy wide and recommends, among other things, an 80% reduction of carbon emissions from current levels by 2050.

In July 2007, the Governor of Florida issued three executive orders aimed at reducing Florida greenhouse gas emissions and improving Florida's energy efficiency. The orders state, among other things, that Florida utilities will be required to reduce emissions to 2000 levels by 2017; to 1990 levels by 2025; and to 20% of 1990 levels by 2050, and that the FPSC should begin the process of adopting a renewable portfolio standard (RPS) that would require utilities to produce at least 20% of their energy from renewable sources, with an emphasis on wind and solar energy. In May 2008, the Florida legislature passed an energy bill which required the FPSC to develop an RPS and to provide a draft of an RPS rule to the legislature by February 1, 2009. The FPSC's draft rule, submitted to the legislature in late January 2009, requires, among other things, Florida investor-owned utilities, including FPL, to meet certain renewable energy standards. The standards are to be met through the production or the purchase of renewable energy credits and are defined as percentages of the prior year's retail megawatt-hour electricity sales, beginning with a standard of 7% by January 1, 2013 and culminating with a standard of 20% by January 1, 2021. The draft rule authorizes recovery of the costs associated with the construction and operation of new renewable energy resources, purchase of renewable energy credits and the purchase of capacity and energy from existing and new renewable energy resources through a new renewable energy cost recovery clause. As proposed by the FPSC, renewable energy resources would include new solar and wind generation. The FPSC's submission to the legislature also provides reasons supporting expansion of the 2008 legislation through new legislation to include clean energy resources such as new nuclear facilities and uprates approved by the FPSC since 2006, energy savings from energy efficiency and energy savings from demand side management programs in meeting the RPS. The FPSC's draft rule also addresses the cost of compliance by providing a cap on the increase to customer revenue requirements due to the purchase of renewable energy credits and/or the construction of renewable energy resources of up to 2% of the utility's total

annual revenues from retail sales of electricity. The May 2008 energy legislation also authorizes the FDEP to develop a cap and trade rule (a system by which affected generators buy and trade allowances under a set cap) to reduce greenhouse gas emissions, but provides that the rule will not be adopted until after January 1, 2010 and will not be effective until ratified by the legislature. The final requirements and their impact on FPL and FPL Group cannot be determined at this time.

NextEra Energy Resources' plants operate in many states and regions that are in the process of developing legislation to reduce greenhouse gas emissions, including, but not limited to, the following:

- The Regional Greenhouse Gas Initiative (RGGI) is a greenhouse gas reduction initiative whereby ten Northeast and Mid-Atlantic member states have established a cap and trade program for covered electric generating units in Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, Vermont, Maryland, Massachusetts and Rhode Island. RGGI members have agreed to stabilize power plant CO₂ emissions at 2009 levels through the end of 2014 and to further reduce the sector's emissions another 10% by the end of 2018. The RGGI greenhouse gas reduction requirements will affect 12 NextEra Energy Resources fossil electric generating units, requiring those electric generating units to reduce emissions or to acquire CO₂ allowances for emissions of CO₂ beginning in 2009. All RGGI states have enacted legislation and regulations. Based on NextEra Energy Resources' clean generating portfolio in the RGGI marketplace, NextEra Energy Resources expects that the requirement will have a positive overall impact on NextEra Energy Resources' earnings in 2009.

- The Western Climate Initiative (WCI) is a greenhouse gas reduction initiative with a goal of reducing CO₂ emissions by 15% below 2005 levels by 2020 for participants (Arizona, California, Oregon, Montana, New Mexico, Washington and Utah, as well as British Columbia, Manitoba, Ontario and Quebec, Canada).
- California Greenhouse Gas Regulation – California has enacted legislation to reduce greenhouse gas emissions in the state to 1990 emissions levels by 2020. Pursuant to the legislation, the California Air Resources Board (CARB) must implement multi-sector greenhouse gas reduction measures by January 1, 2012. The CARB has recommended that California not implement a state-only greenhouse gas reduction program but instead participate in the regional WCI program.
- The Midwestern Greenhouse Gas Reduction Accord (MGGRA) is an initiative to reduce greenhouse gas emissions through the establishment of targets for greenhouse gas reductions and the development of a cap and trade program. Participants in MGGRA are Illinois, Iowa, Kansas, Michigan, Minnesota, Wisconsin and Manitoba, Canada. The final Model Rule is expected in September 2009, with a cap and trade program beginning in January 2012. MGGRA is a multi-sector program that will initially be focused on the electricity generation and imports, industrial combustion and industrial processes sectors. NextEra Energy Resources does not have any fossil-fired generation in the MGGRA region.

Except as discussed above regarding the RGGI, the final requirements to be enacted in connection with these initiatives are uncertain and the financial and operational impacts on FPL Group cannot be determined at this time. However, NextEra Energy Resources' portfolio in these regions is heavily weighted toward non-CO₂ emitting and low CO₂ emitting generation sources (wind, hydro, solar, nuclear and natural gas).

Clean Air Act Mercury/Nickel Rule – During 2005, the EPA determined that new data indicated that nickel emissions from oil-fired units and mercury emissions from coal-fired units should not be regulated under Section 112 of the Clean Air Act, which set Maximum Achievable Control Technology standards (MACT), and as a result the EPA published a final rule delisting nickel and mercury from the requirements of regulation under Section 112. In lieu of regulation under Section 112, the EPA issued a final rule (Clean Air Mercury Rule) to regulate mercury emissions from coal-fired electric utility steam generating units under Section 111 of the Clean Air Act. The mercury and nickel delisting rule, as well as the Clean Air Mercury Rule, were challenged by various states and environmental groups. In February 2008, the U.S. Court of Appeals for the District of Columbia vacated both the EPA's mercury and nickel delisting rule and the Clean Air Mercury Rule and in May 2008, denied EPA's request for rehearing. Several petitioners, including the EPA, requested review of the delisting decision by the U.S. Supreme Court, however, their requests were denied after the EPA requested withdrawal of its petition. The EPA will now proceed with MACT rulemaking under Section 112. Depending upon the final outcome of the EPA's rulemaking, it is possible that certain FPL oil-fired units, Scherer Unit No. 4, SJRPP Units Nos. 1 and 2, certain coal-fired units from which FPL purchases power and three of NextEra Energy Resources' oil-fired units in Maine may be required to add additional pollution control equipment.

Clean Air Interstate Rule (CAIR) – In 2005, the EPA published a final rule that requires SO₂ and NO_x emissions reductions from electric generating units in 28 states, where the emissions from electric generating units are deemed to be transported to downwind states, allegedly resulting in fine particulate (PM 2.5) and ozone non-attainment areas. In July 2008, the U.S. Court of Appeals for the District of Columbia issued an opinion vacating the CAIR and remanded the rule to the EPA for further rulemaking. In September 2008, the EPA and three other parties petitioned for rehearing of that order. In December 2008, the U.S. Court of Appeals for the District of Columbia remanded the CAIR back to EPA for further rulemaking without vacating the rule. Because the U.S. Court of Appeals for the District of Columbia chose not to vacate the rule, FPL Group and FPL were required to begin complying with the current version of the CAIR on January 1, 2009 and must continue to comply until the EPA rewrites the rule. FPL Group and FPL do not expect the impact of complying with the current version of the CAIR to have a material effect

on their financial statements.

Clean Air Visibility Rule – In 2005, the EPA issued the Clean Air Visibility Rule to address regional haze in areas which include certain national park and wilderness areas through the installation of BART for electric generating units. BART eligible units include those built between 1962 and 1977 that have the potential to emit more than 250 tons of visibility-impairing pollution per year. The rule requires states to complete BART determinations and allows for a five-year period to implement pollution controls. While the impact of the final BART requirements of the Clean Air Visibility Rule are uncertain, FPL's Turkey Point Fossil Units Nos. 1 and 2 and one of NextEra Energy Resources' units located in Maine may be required to add additional emissions controls or switch fuels to meet the BART compliance requirements.

In 2007, the FDEP began the process to expand the number of units covered under the "Reasonable Further Progress" provision of the Clear Air Visibility Rule in an effort to reduce emissions of SO₂ in areas which include certain national park and wilderness areas. The provision requires that control measures be in place by 2017. Six of FPL's generating facilities are affected under the Reasonable Further Progress provision (Manatee Units Nos. 1 and 2, Port Everglades Units Nos. 3 and 4 and Turkey Point Fossil Units Nos. 1 and 2). While the final requirements of the Reasonable Further Progress provision are uncertain, it is possible that these units may be required to add additional emission controls or switch fuels to meet the provision's emissions requirements.

Clean Water Act Section 316(b) – In 2004, the EPA issued a rule under Section 316(b) of the Clean Water Act to address the location, design, construction and capacity of intake structures at existing power plants with once-through cooling water systems. The rule would have required FPL Group to demonstrate that it had met or would meet new impingement mortality (the loss of organisms against screens and other exclusion devices) and/or entrainment (the loss of organisms by passing through the cooling water system) reductions by complying with one of several alternatives, including the use of technology and/or operational measures. In 2007, the U.S. Court of Appeals for the Second Circuit ruled on a challenge to the rule by a number of environmental groups and six northeastern states. In its ruling, the court eliminated several of the compliance alternatives, including the use of a "cost-benefit test" and restoration measures, from consideration and remanded the rule to the EPA for further rulemaking. As a result of the 2007 court decision, the EPA has suspended its rule under Section 316(b) of the Clean Water Act and directed its jurisdictions to address Section 316(b) compliance based on best professional judgment when issuing and renewing permits. In December 2008, the U.S. Supreme Court heard oral arguments with respect to the portion of the rule related to the cost-benefit test in determining the best technology available for minimizing adverse environmental impacts from the use of large cooling water intake systems at existing power plants. Although the EPA has initiated new Section 316(b) rulemaking consistent with the ruling of the U.S. Court of Appeals for the Second Circuit, a new rule may be delayed until after the U.S. Supreme Court makes its decision, which is not expected until June 2009. Depending upon the final outcome of the litigation, additional rulemaking by the EPA could impact eight of FPL's generating facilities (Cape Canaveral, Cutler, Fort Myers, Lauderdale, Port Everglades, Sanford, Riviera and St. Lucie) and three NextEra Energy Resources plants (Seabrook, Point Beach and an oil-fired plant in Maine).

Revisions to the National Ambient Air Quality Standards for Ozone – In March 2008, the EPA issued a final rule establishing a new standard for ground-level ozone at 75 parts per billion. States are required to (i) obtain designation of non-attainment areas by 2010, (ii) develop plans to meet the attainment standard by 2013 and (iii) begin meeting the attainment standard between 2013 and 2030 based on non-attainment severity. Generating facilities located in areas designated as non-attainment may be required to add additional pollution control equipment. A review of recent ozone monitoring data indicates that some or all of FPL's generating facilities may be located in or affected by non-attainment areas, or areas projected to be in non-attainment.

EXECUTIVE OFFICERS OF FPL GROUP (a)

Name	Age	Position	Effective Date
Christopher A. Bennett	50	Executive Vice President & Chief Strategy, Policy & Business Process Improvement Officer of FPL Group	February 15, 2008 (b)
Paul I. Cutler	49	Treasurer of FPL Group Assistant Secretary of FPL Group Treasurer of FPL Assistant Secretary of FPL	February 19, 2003 December 10, 1997 February 18, 2003 December 10, 1997
F. Mitchell Davidson	46	Chief Executive Officer of NextEra Energy Resources President of NextEra Energy Resources	July 29, 2008 December 15, 2006
K. Michael Davis	62	Controller and Chief Accounting Officer of FPL Group Vice President, Accounting and Chief Accounting Officer of FPL	May 13, 1991 July 1, 1991
Lewis Hay, III	53	Chief Executive Officer of FPL Group Chairman of FPL Group Chairman of FPL	June 11, 2001 January 1, 2002 January 1, 2002
Robert L. McGrath	55	Executive Vice President, Engineering, Construction & Corporate Services of FPL Group Executive Vice President, Engineering, Construction & Corporate Services of FPL	February 21, 2005 (b) February 21, 2005 (c)
Armando J. Olivera	59	Chief Executive Officer of FPL President of FPL	July 17, 2008 June 24, 2003
Armando Pimentel, Jr.	46	Chief Financial Officer of FPL Group Executive Vice President, Finance of FPL Group Chief Financial Officer of FPL Executive Vice President, Finance of FPL	May 3, 2008 February 15, 2008 (b) May 3, 2008 February 15, 2008 (c)
James W. Poppell, Sr.	58	Executive Vice President, Human Resources of FPL Group and FPL Assistant Secretary of FPL Group and FPL	December 12, 2008 January 28, 2005
James L. Robo	46	President and Chief Operating Officer of FPL Group	December 15, 2006
Antonio Rodriguez	66	Executive Vice President, Power Generation Division of FPL Group Executive Vice President, Power Generation Division of FPL	January 1, 2007 (b) July 1, 1999 (c)
Charles E. Sieving	36	Executive Vice President and General Counsel of FPL Group	December 1, 2008

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		Executive Vice President and General Counsel of FPL	January 1, 2009
John A. Stall	54	President, Nuclear Division of FPL Group Executive Vice President, Nuclear Division of FPL	January 1, 2009 June 4, 2001 (c)

(a) Information is as of February 26, 2009. Executive officers are elected annually by, and serve at the pleasure of, their respective boards of directors. Except as noted below, each officer has held his present position for five years or more and his employment history is continuous. Mr. Bennett was vice president, business strategy & policy of FPL Group from July 2007 to February 15, 2008. Prior to that, Mr. Bennett was vice president of Dean & Company, a management consulting and investment firm. Mr. Davidson was senior vice president of business management of NextEra Energy Resources from March 2005 to December 2006. He was vice president of business management of NextEra Energy Resources from June 2004 to March 2005. Mr. Davis was also controller of FPL from July 1991 to September 2007. Mr. Hay was also chief executive officer of FPL from January 2002 to July 2008. Mr. Hay was president of FPL Group from June 2001 to December 2006. Mr. McGrath was senior vice president, engineering and construction of FPL from November 2002 to February 2005. Mr. Pimentel was a partner of Deloitte & Touche LLP, an independent registered public accounting firm, from June 1998 to February 2008. Mr. Poppell was vice president, human resources of FPL from November 2006 to December 2008. He was director, employee relations of FPL from January 2005 to November 2006. From March 2003 to January 2005, Mr. Poppell was a senior attorney of FPL. Mr. Robo was president of NextEra Energy Resources from July 2002 to December 2006. He was also vice president, corporate development and strategy of FPL Group from March 2002 to December 2006. Mr. Sieving was executive vice president, general counsel and secretary of PAETEC Holding Corp., a communications services and solutions provider, from February 2007 to November 2008 and was primarily responsible for all legal and regulatory matters. From January 2005 to February 2007, Mr. Sieving was a partner in the corporate, securities and finance practice group of Hogan & Hartson LLP, an international law firm, with which he had been associated since October 1998. Mr. Stall was also executive vice president, nuclear division of FPL Group from January 2007 to December 2008 (b).

(b) Title changed from vice president to executive vice president effective May 23, 2008.

(c) Title changed from senior vice president to executive vice president effective July 17, 2008.

Item 1A. Risk Factors

Risks Relating to FPL Group's and FPL's Business

FPL Group and FPL are subject to complex laws and regulations and to changes in laws and regulations as well as changing governmental policies and regulatory actions. FPL holds franchise agreements with local municipalities and counties, and must renegotiate expiring agreements. These factors may have a negative impact on the business and results of operations of FPL Group and FPL.

- FPL Group and FPL are subject to complex laws and regulations, and to changes in laws or regulations, with respect to, among other things, allowed rates of return, industry and rate structure, operation of nuclear power facilities, construction and operation of generation facilities, construction and operation of transmission and distribution facilities, acquisition, disposal, depreciation and amortization of assets and facilities, recovery of fuel and purchased power costs, decommissioning costs, ROE and equity ratio limits, transmission reliability and present or prospective wholesale and retail competition. This substantial and complex framework exposes FPL Group and FPL to increased compliance costs and potentially significant monetary penalties for non-compliance. The FPSC has the authority to disallow recovery by FPL of any and all costs that it considers excessive or imprudently incurred. The regulatory process generally restricts FPL's ability to grow earnings and does not provide any assurance as to achievement of earnings levels.
- FPL Group and FPL also are subject to extensive federal, state and local environmental statutes, rules and regulations, as well as the effect of changes in or additions to applicable statutes, rules and regulations that relate to, or in the future may relate to, for example, air quality, water quality, climate change, greenhouse gas emissions, CO2 emissions, waste management, marine and wildlife mortality, natural resources, health, safety and renewable portfolio standards that could, among other things, restrict or limit the output of certain facilities or the use of certain fuels required for the production of electricity and/or require additional pollution control equipment and otherwise increase costs. There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations, and those costs could be even more significant in the future.
- FPL Group and FPL operate in a changing market environment influenced by various legislative and regulatory initiatives regarding regulation, deregulation or restructuring of the energy industry, including, for example, deregulation or restructuring of the production and sale of electricity, as well as increased focus on renewable and clean energy sources and reduction of carbon emissions. FPL Group and its subsidiaries will need to adapt to these changes and may face increasing costs and competitive pressure in doing so.
- FPL Group's and FPL's results of operations could be affected by FPL's ability to negotiate or renegotiate franchise agreements with municipalities and counties in Florida.

The operation and maintenance of power generation, transmission and distribution facilities involve significant risks that could adversely affect the results of operations and financial condition of FPL Group and FPL.

- The operation and maintenance of power generation, transmission and distribution facilities involve many risks, including, for example, start up risks, breakdown or failure of equipment, transmission and distribution lines or pipelines, the inability to properly manage or mitigate known equipment defects throughout FPL Group's and FPL's generation fleets and transmission and distribution systems, use of new or unproven technology, the dependence on a specific fuel source, failures in the supply or transportation of fuel, the impact of unusual or adverse weather conditions (including natural disasters such as hurricanes, floods and droughts), and performance below expected or contracted levels of output or efficiency. This could result in lost revenues and/or increased expenses, including, for example, lost revenues due to prolonged outages and increased expenses due to monetary penalties or fines,

replacement equipment costs or an obligation to purchase or generate replacement power at potentially higher prices to meet contractual obligations. Insurance, warranties or performance guarantees may not cover any or all of the lost revenues or increased expenses. Breakdown or failure of an operating facility of NextEra Energy Resources may, for example, prevent the facility from performing under applicable power sales agreements which, in certain situations, could result in termination of the agreement or subject NextEra Energy Resources to incurring a liability for liquidated damages.

The operation and maintenance of nuclear facilities involves inherent risks, including environmental, health, regulatory, terrorism and financial risks, that could result in fines or the closure of nuclear units owned by FPL or NextEra Energy Resources, and which may present potential exposures in excess of insurance coverage.

- FPL and NextEra Energy Resources own, or hold undivided interests in, nuclear generation facilities in four states. These nuclear facilities are subject to environmental, health and financial risks such as on-site storage of spent nuclear fuel, the ability to dispose of spent nuclear fuel, the ability to maintain adequate reserves for decommissioning, potential liabilities arising out of the operation of these facilities, and the threat of a possible terrorist attack. Although FPL and NextEra Energy Resources maintain decommissioning trusts and external insurance coverage to minimize the financial exposure to these risks, it is possible that the cost of decommissioning the facilities could exceed the amount available in the decommissioning trusts, and that liability and property damages could exceed the amount of insurance coverage.

- The NRC has broad authority to impose licensing and safety-related requirements for the construction and operation and maintenance of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. NRC orders or new regulations related to increased security measures and any future safety requirements promulgated by the NRC could require FPL and NextEra Energy Resources to incur substantial operating and capital expenditures at their nuclear plants. In addition, if a serious nuclear incident were to occur at an FPL or NextEra Energy Resources plant, it could result in substantial costs. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit.
- In addition, potential terrorist threats and increased public scrutiny of utilities could result in increased nuclear licensing or compliance costs which are difficult or impossible to predict.

The construction of, and capital improvements to, power generation and transmission facilities involve substantial risks. Should construction or capital improvement efforts be unsuccessful or delayed, the results of operations and financial condition of FPL Group and FPL could be adversely affected.

- The ability of FPL Group and FPL to complete construction of, and capital improvement projects for, their power generation and transmission facilities on schedule and within budget are contingent upon many variables that could delay completion, increase costs or otherwise adversely affect operational and financial results, including, for example, limitations related to transmission interconnection issues, escalating costs for materials and labor and environmental compliance, delays with respect to permits and other approvals, and disputes involving third parties, and are subject to substantial risks. Should any such efforts be unsuccessful or delayed, FPL Group and FPL could be subject to additional costs, termination payments under committed contracts, loss of tax credits and/or the write-off of their investment in the project or improvement.

The use of derivative contracts by FPL Group and FPL in the normal course of business could result in financial losses or the payment of margin cash collateral that adversely impact the results of operations or cash flows of FPL Group and FPL.

- FPL Group and FPL use derivative instruments, such as swaps, options, futures and forwards, some of which are traded in the over-the-counter markets or on exchanges, to manage their commodity and financial market risks, and for FPL Group to engage in trading and marketing activities. FPL Group could recognize financial losses as a result of volatility in the market values of these derivative instruments, or if a counterparty fails to perform or make payments under these derivative instruments and could suffer a reduction in operating cash flows as a result of the requirement to post margin cash collateral. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these derivative instruments involves management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these derivative instruments. In addition, FPL's use of such instruments could be subject to prudence challenges and, if found imprudent, cost recovery could be disallowed by the FPSC.
- FPL Group provides full energy and capacity requirement services, which include load-following services and various ancillary services, primarily to distribution utilities to satisfy all or a portion of such utilities' power supply obligations to their customers. The supply costs for these transactions may be affected by a number of factors, such as weather conditions, fluctuating prices for energy and ancillary services, and the ability of the distribution utilities' customers to elect to receive service from competing suppliers, which could negatively affect FPL Group's results of operations from these transactions.

FPL Group's competitive energy business is subject to risks, many of which are beyond the control of FPL Group, including, but not limited to, the efficient development and operation of generating assets, the successful and timely completion of project restructuring activities, the price and supply of fuel and equipment, transmission constraints, competition from other generators, including those using new sources of generation, excess generation capacity and demand for power, that may reduce the revenues and adversely impact the results of operations and financial condition of FPL Group.

- There are various risks associated with FPL Group's competitive energy business. In addition to risks discussed elsewhere, risk factors specifically affecting NextEra Energy Resources' success in competitive wholesale markets include, for example, the ability to efficiently develop and operate generating assets, the successful and timely completion of project restructuring activities, maintenance of the qualifying facility status of certain projects, the price and supply of fuel (including transportation) and equipment, transmission constraints, the ability to utilize PTCs, competition from other and new sources of generation, excess generation capacity and shifting demand for power. There can be significant volatility in market prices for fuel, electricity and renewable and other energy commodities, and there are other financial, counterparty and market risks that are beyond the control of NextEra Energy Resources. NextEra Energy Resources' inability or failure to effectively hedge its assets or positions against changes in commodity prices, interest rates, counterparty credit risk or other risk measures could significantly impair FPL Group's future financial results. In keeping with industry trends, a portion of NextEra Energy Resources' power generation facilities operate wholly or partially without long-term power purchase agreements. As a result, power from these facilities is sold on the spot market or on a short-term contractual basis, which may increase the volatility of FPL Group's financial results. In addition, NextEra Energy Resources' business depends upon power transmission and natural gas transportation facilities owned and operated by others; if transmission or transportation is disrupted or capacity is inadequate or unavailable, NextEra Energy Resources' ability to sell and deliver its wholesale power or natural gas may be limited.

FPL Group's ability to successfully identify, complete and integrate acquisitions is subject to significant risks, including, but not limited to, the effect of increased competition for acquisitions resulting from the consolidation of the power industry.

- FPL Group is likely to encounter significant competition for acquisition opportunities that may become available as a result of the consolidation of the power industry in general. In addition, FPL Group may be unable to identify attractive acquisition opportunities at favorable prices and to complete and integrate them successfully and in a timely manner.

FPL Group and FPL participate in markets that are often subject to uncertain economic conditions, which makes it difficult to estimate growth, future income and expenditures.

- FPL Group and FPL participate in markets that are susceptible to uncertain economic conditions, which complicate estimates of revenue growth. Because components of budgeting and forecasting are dependent upon estimates of revenue growth in the markets FPL Group and FPL serve, the uncertainty makes estimates of future income and expenditures more difficult. As a result, FPL Group and FPL may make significant investments and expenditures but never realize the anticipated benefits, which could adversely affect results of operations. The future direction of the overall economy also may have a significant effect on the overall performance and financial condition of FPL Group and FPL.

Customer growth and customer usage in FPL's service area affect FPL Group's and FPL's results of operations.

- FPL Group's and FPL's results of operations are affected by the growth in customer accounts in FPL's service area and by customer usage. Customer growth can be affected by population growth. Customer growth and customer usage can be affected by economic factors in Florida and elsewhere, including, for example, job and income growth, housing starts and new home prices. Customer growth and customer usage directly influence the demand for electricity and the need for additional power generation and power delivery facilities at FPL.

Weather affects FPL Group's and FPL's results of operations, as can the impact of severe weather. Weather conditions directly influence the demand for electricity and natural gas, affect the price of energy commodities, and can affect the production of electricity at power generating facilities.

- FPL Group's and FPL's results of operations are affected by changes in the weather. Weather conditions directly influence the demand for electricity and natural gas, affect the price of energy commodities, and can affect the production of electricity at power generating facilities, including, but not limited to, wind, solar and hydro-powered facilities. FPL Group's and FPL's results of operations can be affected by the impact of severe weather which can be destructive, causing outages and/or property damage, may affect fuel supply, and could require additional costs to be incurred. At FPL, recovery of these costs is subject to FPSC approval.

Adverse capital and credit market conditions may adversely affect FPL Group's and FPL's ability to meet liquidity needs, access capital and operate and grow their businesses, and increase the cost of capital. Disruptions, uncertainty or volatility in the financial markets can also adversely impact the results of operations and financial condition of FPL Group and FPL, as well as exert downward pressure on the market price of FPL Group's common stock.

- Having access to the credit and capital markets, at a reasonable cost, is necessary for FPL Group and FPL to fund their operations, including their capital requirements. Those markets have provided FPL Group and FPL with the liquidity to operate and grow their businesses that is not otherwise provided from operating cash flows.

Disruptions, uncertainty or volatility in those markets can increase FPL Group's and FPL's cost of capital. If FPL Group and FPL are unable to access the credit and capital markets on terms that are reasonable, they may have to delay raising capital, issue shorter-term securities and/or bear an unfavorable cost of capital, which, in turn, could adversely impact their ability to grow their businesses, decrease earnings, significantly reduce financial flexibility and/or limit FPL Group's ability to sustain its current common stock dividend level.

- The market price and trading volume of FPL Group's common stock could be subject to significant fluctuations due to, among other things, general stock market conditions and changes in market sentiment regarding FPL Group and its subsidiaries' operations, business, growth prospects and financing strategies.

FPL Group's, FPL Group Capital's and FPL's inability to maintain their current credit ratings may adversely affect FPL Group's and FPL's liquidity, limit the ability of FPL Group and FPL to grow their businesses, and would likely increase interest costs.

- FPL Group and FPL rely on access to capital and credit markets as significant sources of liquidity for capital requirements not satisfied by operating cash flows. The inability of FPL Group, FPL Group Capital and FPL to maintain their current credit ratings could affect their ability to raise capital or obtain credit on favorable terms, which, in turn, could impact FPL Group's and FPL's ability to grow their businesses and would likely increase their interest costs.

FPL Group and FPL are subject to credit and performance risk from third parties under supply and service contracts.

- FPL Group and FPL rely on contracts with vendors for the supply of equipment, materials, fuel and other goods and services required for the construction and operation of, and for capital improvements to, their facilities, as well as for business operations. If vendors fail to fulfill their contractual obligations, FPL Group and FPL may need to make arrangements with other suppliers, which could result in higher costs, untimely completion of power generation facilities and other projects, and/or a disruption to their operations.

FPL Group and FPL are subject to costs and other potentially adverse effects of legal and regulatory proceedings, as well as regulatory compliance and changes in or additions to applicable tax laws, rates or policies, rates of inflation, accounting standards, securities laws, corporate governance requirements and labor and employment laws.

- FPL Group and FPL are subject to costs and other potentially adverse effects of legal and regulatory proceedings, settlements, investigations and claims, as well as regulatory compliance and the effect of new, or changes in, tax laws, rates or policies, rates of inflation, accounting standards, securities laws, corporate governance requirements and labor and employment laws.
- FPL and NextEra Energy Resources, as owners and operators of bulk power transmission systems and/or critical assets within various regions throughout the United States, are subject to mandatory reliability standards promulgated by the North American Electric Reliability Corporation and enforced by the FERC. These standards, which previously were being applied on a voluntary basis, became mandatory in June 2007. Noncompliance with these mandatory reliability standards could result in sanctions, including substantial monetary penalties, which likely would not be recoverable from customers.

Threats of terrorism and catastrophic events that could result from terrorism, cyber attacks, or individuals and/or groups attempting to disrupt FPL Group's and FPL's business may impact the operations of FPL Group and FPL in unpredictable ways.

- FPL Group and FPL are subject to direct and indirect effects of terrorist threats and activities, as well as cyber attacks and disruptive activities of individuals and/or groups. Infrastructure facilities and systems, including, for example, generation, transmission and distribution facilities, physical assets and information systems, in general, have been identified as potential targets. The effects of these threats and activities include, but are not limited to, the inability to generate, purchase or transmit power, the delay in development and construction of new generating facilities, the risk of a significant slowdown in growth or a decline in the U.S. economy, delay in economic recovery in the United States, and the increased cost and adequacy of security and insurance.

The ability of FPL Group and FPL to obtain insurance and the terms of any available insurance coverage could be adversely affected by international, national, state or local events and company-specific events.

- FPL Group's and FPL's ability to obtain insurance, and the cost of and coverage provided by such insurance, could be adversely affected by international, national, state or local events as well as company-specific events.

FPL Group and FPL are subject to employee workforce factors that could adversely affect the businesses and financial condition of FPL Group and FPL.

- FPL Group and FPL are subject to employee workforce factors, including, for example, loss or retirement of key executives, availability of qualified personnel, inflationary pressures on payroll and benefits costs and collective bargaining agreements with union employees and work stoppage that could adversely affect the businesses and financial condition of FPL Group and FPL.

The risks described herein are not the only risks facing FPL Group and FPL. Additional risks and uncertainties also may materially adversely affect FPL Group's or FPL's business, financial condition and/or future operating results.

Item 1B. Unresolved Staff Comments

None

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Item 2. Properties

FPL Group and its subsidiaries maintain properties which are adequate for their operations. At December 31, 2008, the electric generating, transmission, distribution and general facilities of FPL represented approximately 45%, 13%, 38% and 4%, respectively, of FPL's gross investment in electric utility plant in service.

Generating Facilities. At December 31, 2008, FPL Group had the following generating facilities:

FPL Facilities	Location	No. of Units	Fuel	Net Capability (mw) (a)
Nuclear				
St. Lucie	Hutchinson Island, FL	2	Nuclear	1,553(b)
Turkey Point	Florida City, FL	2	Nuclear	1,386
Steam turbines				
Cape Canaveral	Cocoa, FL	2	Oil/Gas	792
Cutler	Miami, FL	2	Gas	204
Manatee	Parrish, FL	2	Oil/Gas	1,624
Martin	Indiantown, FL	2	Oil/Gas	1,652
Port Everglades	Port Everglades, FL	4	Oil/Gas	1,205
Riviera	Riviera Beach, FL	2	Oil/Gas	565
Coal/Petroleum				
St. Johns River Power Park	Jacksonville, FL	2	Coke	254(c)
Sanford	Lake Monroe, FL	1	Oil/Gas	138
Scherer	Monroe County, GA	1	Coal	646(d)
Turkey Point	Florida City, FL	2	Oil/Gas	788
Combined-cycle				
Fort Myers	Fort Myers, FL	1	Gas	1,440
Lauderdale	Dania, FL	2	Gas/Oil	884
Manatee	Parrish, FL	1	Gas	1,111
Martin	Indiantown, FL	1	Gas/Oil	1,105
Martin	Indiantown, FL	2	Gas	944
Putnam	Palatka, FL	2	Gas/Oil	498
Sanford	Lake Monroe, FL	2	Gas	1,912
Turkey Point	Florida City, FL	1	Gas/Oil	1,148
Simple-cycle combustion turbines				
Fort Myers	Fort Myers, FL	1	Gas/Oil	318
Gas turbines/diesels				
Fort Myers	Fort Myers, FL	12	Oil	648
Lauderdale	Dania, FL	24	Oil/Gas	840
Port Everglades	Port Everglades, FL	12	Oil/Gas	420
Turkey Point	Florida City, FL	5	Oil	12
TOTAL				22,087(e)

(a) Represents FPL's net ownership interest in plant capacity.

- (b) Excludes Orlando Utilities Commission's and the FMPA's combined share of approximately 15% of St. Lucie Unit No. 2.
- (c) Represents FPL's 20% ownership interest in each of SJRPP Units Nos. 1 and 2, which are jointly owned with JEA.
- (d) Represents FPL's approximately 76% ownership of Scherer Unit No. 4, which is jointly owned with JEA.
- (e) Substantially all of FPL's properties are subject to the lien of FPL's mortgage.

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NextEra Energy Resources Facilities	Location	No. of Units	Fuel	Net Capability (mw) (a)
Wind				
Ashtabula Wind	Barnes County, ND	99	Wind	148
Cabazon (b)	Riverside County, CA	53	Wind	40
Callahan Divide (b)	Taylor County, TX	76	Wind	114
Capricorn Ridge	Sterling & Coke Counties, TX	208	Wind	364
Capricorn Ridge Expansion	Sterling & Coke Counties, TX	199	Wind	298
Cerro Gordo (b)	Cerro Gordo County, IA	55	Wind	41
Crystal Lake I (b)	Hancock County, IA	100	Wind	150
Crystal Lake II	Winnebago County, IA	76	Wind	190
Delaware Mountain	Culberson County, TX	38	Wind	28
Diablo Wind (b)	Alameda County, CA	31	Wind	21
Endeavor Wind	Osceola County, IA	40	Wind	100
Endeavor Wind II	Osceola County, IA	20	Wind	50
Gray County	Gray County, KS	170	Wind	112
Green Mountain (b)	Somerset County, PA	8	Wind	10
Green Power	Riverside County, CA	22	Wind	17
Green Ridge Power (b)	Alameda & Contra Costa Counties, CA	1,463	Wind	159
Hancock County (b)	Hancock County, IA	148	Wind	98
High Winds (b)	Solano County, CA	90	Wind	162
Horse Hollow Wind (b)	Taylor County, TX	142	Wind	213
Horse Hollow Wind II (b)	Taylor & Nolan Counties, TX	130	Wind	299
Horse Hollow Wind III (b)	Nolan County, TX	149	Wind	224
Indian Mesa	Pecos County, TX	125	Wind	83
King Mountain (b)	Upton County, TX	214	Wind	278
Lake Benton II (b)	Pipestone County, MN	138	Wind	104
Langdon Wind (b)	Cavalier County, ND	79	Wind	118
Langdon Wind II (b)	Cavalier County, ND	27	Wind	41
Logan Wind (c)	Logan County, CO	134	Wind	201
Meyersdale (b)	Somerset County, PA	20	Wind	30
Mill Run (b)	Fayette County, PA	10	Wind	15
Montfort (b)	Iowa County, WI	20	Wind	30
Mount Copper (b)	Murdochville, Quebec, Canada	30	Wind	54
Mountaineer (b)	Preston & Tucker Counties, WV	44	Wind	66
Mower County Wind (c)	Mower County, MN	43	Wind	99
New Mexico Wind (b)	Quay & DeBaca Counties, NM	136	Wind	204
North Dakota Wind (b)	LaMoure County, ND	41	Wind	62
Oklahoma / Sooner Wind (b)	Harper & Woodward Counties, OK	68	Wind	102
Oliver County Wind I (c)	Oliver County, ND	22	Wind	51
Oliver County Wind II (c)	Oliver County, ND	32	Wind	48
Peetz Table Wind (c)	Logan County, CO	133	Wind	199
Pubnico Point (b)	Yarmouth, Nova Scotia, Canada	17	Wind	31
Red Canyon Wind Energy (b)	Borden, Garza & Scurry Counties, TX	56	Wind	84
Sky River (b)	Kern County, CA	342	Wind	77

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Somerset Wind Power (b)	Somerset County, PA	6	Wind	9
South Dakota Wind (b)	Hyde County, SD	27	Wind	41
Southwest Mesa (b)	Upton & Crockett Counties, TX	106	Wind	74
	Umatilla County, OR and Walla			
Stateline (b)	Walla County, WA	454	Wind	300
Story County Wind	Story County, IA	100	Wind	150
Vansycle (b)	Umatilla County, OR	38	Wind	25
Victory Garden (b)	Kern County, CA	96	Wind	22
Waymart (b)	Wayne County, PA	43	Wind	65
Weatherford Wind (b)	Custer & Washita Counties, OK	98	Wind	147
Wilton Wind (b)	Burleigh County, ND	33	Wind	49
Windpower Partners 1991-92	Alameda & Contra Costa Counties, CA	279	Wind	28
	Alameda & Contra Costa Counties,			
Windpower Partners 1992	CA	300	Wind	30
Windpower Partners 1993	Riverside County, CA	115	Wind	41
Windpower Partners 1993	Lincoln County, MN	73	Wind	26
Windpower Partners 1994	Culberson County, TX	107	Wind	39
Wolf Ridge Wind	Cooke County, TX	75	Wind	112
Woodward Mountain	Upton & Pecos Counties, TX	242	Wind	160
Wyoming Wind (b)	Uinta County, WY	80	Wind	144
Investments in joint ventures (d)	Various	969	(d)	98
Total Wind				6,375

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NextEra Energy Resources Facilities	Location	No. of Units	Fuel	Net Capability (mw) (a)
Contracted				
Bayswater (b)	Far Rockaway, NY	2	Gas	56
Calhoun	Eastaboga, AL	4	Gas	668
Cherokee (b)	Gaffney, SC	2	Gas/Oil	98
Doswell (b)	Ashland, VA	6	Gas/Oil	708
Duane Arnold	Palo, IA	1	Nuclear	424(e)
Jamaica Bay (b)	Far Rockaway, NY	2	Oil/Gas	54
Point Beach	Two Rivers, WI	2	Nuclear	1,023
Port of Stockton	Stockton, CA	1	Coal/Petroleum Coke	44
Investments in joint ventures:				
SEGS III-IX	Kramer Junction and Harper Lake, CA	7	Solar	148
Other	Various	9	(f)	314
Total Contracted				3,537
Merchant				
Blythe Energy	Blythe, CA	3	Gas	507
Doswell – Expansion (b)	Ashland, VA	1	Gas/Oil	171
Forney	Forney, TX	8	Gas	1,789
Lamar Power Partners	Paris, TX	6	Gas	1,000
Maine – Cape, Wyman	Various – ME	6	Oil	744(g)
Maine (b)	Various – ME	81	Hydro	359
Marcus Hook 50	Marcus Hook, PA	1	Gas	50
Marcus Hook 750 (b)	Marcus Hook, PA	4	Gas	744
RISEP	Johnston, RI	3	Gas	550
Seabrook	Seabrook, NH	1	Nuclear	1,098(h)
Investment in joint venture	Frackville, PA	1	Waste coal	4
Total Merchant				7,016
TOTAL				16,928

(a) Represents NextEra Energy Resources' net ownership interest in plant capacity.

(b) These consolidated generating facilities are encumbered by liens against their assets securing various financings.

(c) NextEra Energy Resources owns these wind facilities together with third party investors with differential membership interests. See Note 11 – Sale of Differential Membership Interests.

(d) Represents plants with no more than 50% ownership using wind technology. Certain facilities, totaling 57 mw, are encumbered by liens against their assets securing a financing.

(e) Excludes Central Iowa Power Cooperative and Cornbelt Power Cooperative's combined share of 30%.

(f) Represents plants with no more than 50% ownership using fuels and technologies such as natural gas, waste-to-energy and coal.

(g) Excludes seven other energy-related partners' combined share of 24%.

(h) Excludes Massachusetts Municipal Wholesale Electric Company's, Taunton Municipal Lighting Plant's and Hudson Light & Power Department's combined share of 11.77%.

Transmission and Distribution. At December 31, 2008, FPL owned and operated the following electric transmission and distribution lines:

Nominal Voltage	Overhead Lines Pole Miles	Trench and Submarine Cables Miles
500kv	1,106 (a)	-
230kv	2,997	25
138kv	1,619	50
115kv	733	-
69kv	164	14
Less than 69 kv	41,668	24,981
Total	48,287	25,070

(a) Includes approximately 75 miles owned jointly with JEA.

In addition, at December 31, 2008, FPL owned and operated 581 substations, one of which is jointly owned. See Note 8.

Character of Ownership. Substantially all of FPL's properties are subject to the lien of FPL's mortgage, which secures most debt securities issued by FPL. The majority of FPL Group's principal properties are held by FPL in fee and are free from other encumbrances, subject to minor exceptions, none of which is of such a nature as to substantially impair the usefulness to FPL of such properties. Some of FPL's electric lines are located on land not owned in fee but are covered by necessary consents of governmental authorities or rights obtained from owners of private property. The majority of NextEra Energy Resources' generating facilities are held in fee and a number of those facilities are encumbered by liens against their assets securing various financings. Additionally, some of NextEra Energy Resources' wind turbines are located on land leased from owners of private property. See Generating Facilities and Note 1 – Electric Plant, Depreciation and Amortization.

Item 3. Legal Proceedings

FPL Group and FPL are parties to various legal and regulatory proceedings in the ordinary course of their respective businesses. For information regarding legal and regulatory proceedings that could have a material effect on FPL Group or FPL, see Note 15 – Legal and Regulatory Proceedings. Such descriptions are incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II

Item 5. Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Data. All of FPL's common stock is owned by FPL Group. FPL Group's common stock is traded on the New York Stock Exchange under the symbol "FPL." The high and low sales prices for the common stock of FPL Group as reported in the consolidated transaction reporting system of the New York Stock Exchange and the cash dividends per share declared for each quarter during the past two years are as follows:

Quarter	2008			2007		
	High	Low	Cash Dividends	High	Low	Cash Dividends
First	\$ 73.75	\$ 57.21	\$0.445	\$ 63.07	\$ 53.72	\$0.41
Second	\$ 68.98	\$ 62.75	\$0.445	\$ 66.52	\$ 56.18	\$0.41
Third	\$ 68.76	\$ 49.74	\$0.445	\$ 64.20	\$ 54.61	\$0.41
Fourth	\$ 51.87	\$ 33.81	\$0.445	\$ 72.77	\$ 60.26	\$0.41

The amount and timing of dividends payable on FPL Group's common stock are within the sole discretion of FPL Group's Board of Directors. The Board of Directors reviews the dividend rate at least annually (generally in February) to determine its appropriateness in light of FPL Group's financial position and results of operations, legislative and regulatory developments affecting the electric utility industry in general and FPL in particular, competitive conditions and any other factors the board deems relevant. The ability of FPL Group to pay dividends on its common stock is dependent upon, among other things, dividends paid to it by its subsidiaries. There are no restrictions in effect that currently limit FPL's ability to pay dividends to FPL Group. In February 2009, FPL Group announced that it would increase its quarterly dividend on its common stock from \$0.445 to \$0.4725 per share. See Management's Discussion – Liquidity and Capital Resources – Covenants with respect to dividend restrictions and Note 12 – Common Stock Dividend Restrictions regarding dividends paid by FPL to FPL Group.

As of the close of business on January 31, 2009, there were 28,774 holders of record of FPL Group's common stock.

Issuer Purchases of Equity Securities. Information regarding purchases made by FPL Group of its common stock is as follows:

Period	Total Number of Shares	Average Price Paid	Total Number of	Maximum Number of
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	Purchased (a)	Per Share (a)	Shares Purchased as Part of a Publicly Announced Program	Shares that May Yet be Purchased Under the Program (b)
10/1/08 – 10/31/08	106	\$ 48.40	-	20,000,000
11/1/08 – 11/30/08	52,205	\$ 46.94	-	20,000,000
12/1/08 – 12/31/08	1,774	\$ 50.33	-	20,000,000
Total	54,085		-	

(a) Represents shares of common stock withheld from employees to pay certain withholding taxes upon the vesting of stock awards granted to such employees under the LTIP.

(b) In February 2005, FPL Group's Board of Directors authorized a common stock repurchase plan of up to 20 million shares of common stock over an unspecified period, which authorization was ratified and confirmed by the Board of Directors in December 2005.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2008	2007	2006	2005	2004
SELECTED DATA OF FPL GROUP					
(millions, except per share amounts):					
Operating revenues	\$ 16,410	\$ 15,263	\$ 15,710	\$ 11,846	\$ 10,522
Net income	\$ 1,639(a)	\$ 1,312(a)	\$ 1,281(b)	\$ 901(c)	\$ 896(d)
Earnings per share of common stock – basic	\$ 4.10(a)	\$ 3.30(a)	\$ 3.25(b)	\$ 2.37(c)	\$ 2.50(d)
Earnings per share of common stock – assuming dilution	\$ 4.07(a)	\$ 3.27(a)	\$ 3.23(b)	\$ 2.34(c)	\$ 2.48(d)
Dividends paid per share of common stock	\$ 1.78	\$ 1.64	\$ 1.50	\$ 1.42	\$ 1.30
Total assets	\$ 44,821	\$ 40,123	\$ 35,822	\$ 32,599	\$ 28,324
Long-term debt, excluding current maturities	\$ 13,833	\$ 11,280	\$ 9,591	\$ 8,039	\$ 8,027
SELECTED DATA OF FPL (millions):					
Operating revenues	\$ 11,649	\$ 11,622	\$ 11,988	\$ 9,528	\$ 8,734
Net income available to FPL Group	\$ 789	\$ 836	\$ 802	\$ 748	\$ 749
Total assets	\$ 26,175	\$ 24,044	\$ 22,970	\$ 22,347	\$ 19,114
Long-term debt, excluding current maturities	\$ 5,311	\$ 4,976	\$ 4,214	\$ 3,271	\$ 2,813
Energy sales (kwh)	105,406	108,636	107,513	105,648	103,635
Energy sales:					
Residential	50.5%	50.8%	50.8%	51.4%	50.7%
Commercial	43.2	42.3	41.4	41.1	40.6
Industrial	3.4	3.5	3.8	3.7	3.8
Interchange power sales	1.6	1.8	2.1	2.0	2.9
Other (e)	1.3	1.6	1.9	1.8	2.0
Total	100%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute peak load (mw): (f)					
Summer season	21,060	21,962	21,819	22,361	20,545
Winter season	20,031	18,055	17,260	19,683	18,108
Average number of customer accounts (thousands):					
Residential	3,992	3,981	3,906	3,828	3,745
Commercial	501	493	479	470	458
Industrial	13	19	21	20	19
Other	4	4	4	4	3
Total	4,510	4,497	4,410	4,322	4,225
Average price billed to customers (cents per kwh)					
	10.96	10.63	11.14	8.88	8.36

(a) Includes net unrealized mark-to-market gains or losses associated with non-qualifying hedges and other than temporary impairment losses.

(b) Includes expenses related to a terminated merger, net unrealized mark-to-market gains associated with non-qualifying hedges, impairment charges and an Indonesian project gain.

(c) Includes net unrealized mark-to-market gains or losses associated with non-qualifying hedges.

(d) Includes impairment and restructuring charges and net unrealized mark-to-market losses associated with non-qualifying hedges.

(e) Includes the net change in unbilled sales.

(f) Winter season includes November and December of the current year and January to March of the following year (for 2008, through February 26, 2009).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the Notes to Consolidated Financial Statements contained herein. In the discussion of Results of Operations below, all comparisons are with the corresponding items in the prior year.

Overview

FPL Group is one of the nation's largest providers of electricity-related services. It has two principal operating subsidiaries, FPL and NextEra Energy Resources. FPL serves more than 8.7 million people throughout most of the east and lower west coasts of Florida. NextEra Energy Resources, FPL Group's competitive energy subsidiary, produces electricity primarily using natural gas, wind and nuclear resources. Together, FPL's and NextEra Energy Resources' generating assets represented approximately 39,000 mw of capacity at December 31, 2008. See Item 2 – Generating Facilities. Another of FPL Group's operating subsidiaries, FPL FiberNet, provides fiber-optic services to FPL, telecommunications companies and other customers throughout Florida.

FPL obtains its operating revenues primarily through the sale of electricity to retail customers at rates established as part of the 2005 rate agreement and through cost recovery clause mechanisms. See Note 1 – Revenues and Rates. Over the last ten years, FPL's average annual customer growth has been 2.1%. However, beginning in 2007, FPL has experienced a slowdown in retail customer growth and a decline in non-weather related usage per retail customer. Retail customer growth in 2008 was 0.3%, although during the fourth quarter of 2008 FPL experienced a decline in customer accounts of 0.2%. FPL believes that the economic slowdown, the downturn in the housing market and the credit crisis that have affected the country and the state of Florida have contributed to the slowdown in customer growth and to the decline in non-weather related usage per retail customer. In 2008, FPL experienced an increase in inactive accounts (accounts with installed meters without corresponding customer names) and in low-usage customers (customers using less than 200 kwh per month), which have contributed to the decline in retail customer growth and non-weather related usage per retail customer. In November 2008, FPL notified the FPSC that it intends to initiate a base rate proceeding in March 2009. In the notification, FPL stated that it expects to request an \$800 million to \$950 million annual increase in base rates beginning on January 1, 2010 and an additional annual base rate increase beginning on January 1, 2011. These amounts exclude the effects of depreciation, which depend in part on the results of a detailed depreciation study that FPL is currently finalizing. Further, FPL expects to request that the FPSC continue to allow FPL to use the mechanism for recovery of the revenue requirements of any new power plant approved pursuant to the Siting Act that was established in FPL's 2005 rate agreement. Hearings on the base rate proceeding are expected during the third quarter of 2009 and a final decision is expected by the end of 2009. The final decision may approve rates that are different from those that FPL will request. FPL's business strategy is to provide customers clean, reliable energy at rates among the lowest in the state and nation.

NextEra Energy Resources is in the competitive energy business with the majority of its operating revenues derived from wholesale electricity sales. Its business strategy is to maximize the value of its current portfolio, expand its U.S. market-leading wind position and build its portfolio through asset acquisitions. NextEra Energy Resources plans to add a total of 7,000 mw to 9,000 mw of new wind generation over the 2008 to 2012 period, of which approximately 1,300 mw were added in 2008. NextEra Energy Resources expects to add approximately 1,100 mw in 2009, of which approximately 480 mw are either under construction or have obtained applicable internal approvals for construction. In addition, NextEra Energy Resources intends to pursue opportunities for new solar generating facilities. The wind and solar expansions are subject to, among other things, continued public policy support, which includes, but is not limited to, support for the construction and availability of sufficient transmission facilities and capacity, and access to reasonable capital and credit markets. If capital and credit market conditions change, this could alter spending plans at NextEra Energy Resources.

NextEra Energy Resources' market is diversified by region as well as by fuel source. NextEra Energy Resources sells a large percentage of its expected output to hedge against price volatility. Consequently, if NextEra Energy Resources' plants do not perform as expected, NextEra Energy Resources could be required to purchase power at potentially higher market prices to meet its contractual obligations. NextEra Energy Resources' energy marketing and trading business is focused on managing commodity price risk and extracting maximum value from its assets.

FPL Group and its subsidiaries segregate into two categories unrealized mark-to-market gains and losses on energy derivative transactions which are used to manage commodity price risk. The first category, referred to as trading activities, represents the net unrealized effect of actively traded positions entered into to take advantage of market price movements and to optimize the value of generation assets and related contracts. The second category, referred to as non-qualifying hedges, represents the net unrealized effect of derivative transactions entered into as economic hedges (but which do not qualify for hedge accounting under FAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended) and the ineffective portion of transactions accounted for as cash flow hedges. In addition, at FPL substantially all changes in the fair value of energy derivative transactions are deferred as a regulatory asset or liability until the contracts are settled, and, upon settlement, any gains or losses are passed through the fuel clause or the capacity clause.

FPL Group's management uses earnings excluding certain items (adjusted earnings) internally for financial planning, for analysis of performance, for reporting of results to the Board of Directors and as inputs in determining whether performance targets are met for performance-based compensation under FPL Group's employee incentive compensation plans. FPL Group also uses adjusted earnings when communicating its earnings outlook to investors. Adjusted earnings exclude the unrealized mark-to-market effect of non-qualifying hedges and other than temporary impairment (OTTI) losses on securities held in NextEra Energy Resources' nuclear decommissioning funds, net of the reversal of previously recognized OTTI losses on securities sold and losses on securities where price recovery was deemed unlikely (collectively, OTTI reversals) and, in 2006 also excluded merger-related costs. FPL Group's management believes adjusted earnings provide a more meaningful representation of the company's fundamental earnings power. Although the excluded amounts are properly included in the determination of net income in accordance with generally accepted accounting principles, management believes that the amount and/or nature of such items make period to period comparisons of operations difficult and potentially confusing.

In February 2009, the Recovery Act was signed into law. It includes approximately \$787 billion in tax incentives and new spending, a portion of which relates to renewable energy, energy efficiency and energy reliability. The Recovery Act includes, among other things, provisions that allow companies building wind facilities the option to choose between three investment cost recovery mechanisms: (i) PTCs which were extended for wind facilities through 2012, (ii) investment tax credits of 30% of the cost for qualifying wind facilities placed in service prior to 2013, or (iii) an election to receive a cash grant of 30% of the cost of qualifying wind facilities placed in service in 2009 or 2010, or if construction began prior to December 31, 2010 and the wind facility is placed in service prior to 2013. An election to receive a cash grant of 30%, in lieu of the 30% investment tax credit allowable under present law, also applies to the cost of qualifying solar facilities placed in service in either 2009 or 2010, or if construction began prior to December 31, 2010 and the solar facility is placed in service prior to 2017. In addition, 50% bonus depreciation was extended on most types of property placed in service in 2009, and certain property placed in service in 2010. FPL Group and FPL are in the process of evaluating the effect of the Recovery Act on their businesses.

Results of Operations

Summary – Presented below is a summary of net income (loss) by reportable segment (see Note 16):

	Years Ended December 31,		
	2008	2007	2006
	(millions)		
FPL	\$ 789	\$ 836	\$ 802
NextEra Energy Resources	915	540	610
Corporate and Other	(65)	(64)	(131)
FPL Group Consolidated	\$ 1,639	\$ 1,312	\$ 1,281

The decrease in 2008 in FPL's results reflects lower retail customer usage, higher depreciation and interest expenses and provisions taken in 2008 for regulatory matters, partly offset by a retail base rate increase associated with Turkey Point Unit No. 5 commencing commercial operation, lower O&M expenses and higher other revenues and AFUDC – equity. FPL's 2007 improved results benefited from a retail base rate increase associated with Turkey Point Unit No. 5 and retail customer growth, partly offset by higher O&M and depreciation and amortization expenses recovered through base rates, a slight decline in retail customer usage and lower interest income on underrecovered fuel and storm costs. Disallowed storm costs, net of certain interest, reduced 2006 net income by approximately \$27 million.

NextEra Energy Resources' 2008 and 2007 results reflect additional earnings from the existing portfolio, from new investments and from full energy and capacity requirements services and trading, partially offset by higher expenses to support the growth in the business. NextEra Energy Resources' results in 2007 also reflect higher interest expense and the absence of an approximately \$97 million gain (\$63 million after-tax) recorded in 2006 resulting from a court judgment relating to an Indonesian project that was suspended in 1998. In addition, FPL Group's and NextEra Energy Resources' net income for 2008 and 2006 reflects net unrealized after-tax gains from non-qualifying hedges of \$170 million and \$92 million, respectively, while 2007 net income reflects net unrealized after-tax losses from such hedges of \$86 million. The change in unrealized mark-to-market activity is primarily attributable to changes in forward power and natural gas prices, as well as the reversal of previously recognized unrealized mark-to-market gains/losses as the underlying transactions are realized. As a general rule, a gain (loss) in the non-qualifying hedge category is offset by decreases (increases) in the fair value of related physical asset positions in the portfolio or contracts, which are not marked to market under generally accepted accounting principles. In 2008, 2007 and 2006, NextEra Energy Resources recorded \$82 million, \$6 million and \$1 million, respectively, of after-tax OTTI losses on securities held in NextEra Energy Resources' nuclear decommissioning funds. In 2008, NextEra Energy Resources had approximately \$6 million after-tax of OTTI reversals; there were no such OTTI reversals in 2007 or 2006.

Results for Corporate and Other in 2008 reflect higher interest expense offset by additional consolidating income tax adjustments. Results for Corporate and Other in 2007 reflect lower interest costs and higher interest income, partly offset by lower federal and state tax benefits. Results for Corporate and Other in 2006 reflect a \$98 million (\$60 million after-tax) impairment charge related to FPL FiberNet's metro market assets as a result of significant changes in the business climate in which FPL FiberNet operates and \$14 million of after-tax merger costs associated with the proposed merger between FPL Group and Constellation Energy Group, Inc. (Constellation Energy), which was terminated in October 2006. See Note 5 – Corporate and Other for FPL FiberNet impairment charges and Note 16 for segment information.

FPL Group's effective income tax rate for all periods presented reflects PTCs for wind projects at NextEra Energy Resources. PTCs can significantly affect FPL Group's effective income tax rate depending on the amount of pretax income and wind generation. See Note 1 – Income Taxes, Note 6 and Note 11 – Sale of Differential Membership Interests.

FPL – FPL's net income for 2008, 2007 and 2006 was \$789 million, \$836 million and \$802 million, respectively, a decrease in 2008 of \$47 million and an increase in 2007 of \$34 million. The decrease in 2008 reflects lower retail customer usage, higher depreciation and interest expenses and provisions taken in 2008 for regulatory matters, partly offset by a retail base rate increase associated with Turkey Point Unit No. 5 commencing commercial operation, lower O&M expenses and higher other revenues and AFUDC – equity. FPL's 2007 results benefited from a retail base rate increase associated with Turkey Point Unit No. 5 and retail customer growth. These factors were partly offset by higher O&M and depreciation and amortization expenses recovered through base rates, a slight decline in usage per retail customer and lower interest income on underrecovered fuel and storm costs. Disallowed storm costs, net of interest income recorded on 2005 storm restoration costs approved for recovery by the FPSC, reduced FPL's 2006 net income by approximately \$27 million. In 2006, when considering FPL's petition to recover 2005 storm costs, the FPSC applied a different standard for recovery of 2005 costs than was used for recovery of the 2004 storm costs. This resulted in certain adjustments and disallowances of storm costs that FPL sought to recover.

FPL's current retail base rates were approved by the FPSC in 2005 and are expected to be in effect through December 31, 2009. The 2005 rate agreement provides that retail base rates will not increase during the term of the agreement except to allow recovery of the revenue requirements of any power plant approved pursuant to the Siting Act that achieves commercial operation during the term of the 2005 rate agreement. Retail base rates increased in 2007 when Turkey Point Unit No. 5 commenced commercial operation on May 1, 2007. FPL expects that retail base revenues will increase approximately \$65 million in 2009 when retail base rates are changed pursuant to the 2005 rate agreement to reflect the placement in service of two West County Energy Center units, which is expected to occur by the third quarter of 2009 and fourth quarter of 2009. The 2005 rate agreement has a revenue sharing mechanism, whereby revenues from retail base operations in excess of certain thresholds will be shared with customers on the basis of two-thirds refunded to customers and one-third retained by FPL. Revenues from retail base operations in excess of a second, higher threshold (cap) will be refunded 100% to customers. The revenue sharing threshold and cap are adjusted each year. For the years ended December 31, 2008, 2007 and 2006, revenues from retail base operations did not exceed the thresholds for those years and FPL does not expect 2009 revenues to exceed the thresholds. See Note 1 – Revenues and Rates for information on the calculation of the threshold and cap and for information on FPL's regulatory ROE.

In November 2008, FPL notified the FPSC that it intends to initiate a base rate proceeding in March 2009. In the notification, FPL stated that it expects to request an \$800 million to \$950 million annual increase in base rates beginning on January 1, 2010 and an additional annual base rate increase beginning on January 1, 2011. These amounts exclude the effects of depreciation, which depend in part on the results of a detailed depreciation study that FPL is currently finalizing. Further, FPL expects to request that the FPSC continue to allow FPL to use the mechanism for recovery of the revenue requirements of any new power plant approved pursuant to the Siting Act that was established in FPL's 2005 rate agreement. Hearings on the base rate proceeding are expected during the third quarter of 2009 and a final decision is expected by the end of 2009. The final decision may approve rates that are different from those that FPL will request.

FPL's operating revenues consisted of the following:

	Years Ended December 31,		
	2008	2007	2006
	(millions)		
Retail base	\$ 3,738	\$ 3,796	\$ 3,657
Fuel cost recovery	6,202	6,162	6,573
Other cost recovery clauses and pass-through costs	1,505	1,490	1,588
	204	174	170

Other, primarily pole attachment rentals, transmission and wholesale sales
and customer-related fees

Total	\$	11,649	\$	11,622	\$	11,988
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For the year ended December 31, 2008, an increase in the average number of customers of 0.3% increased retail base revenues by approximately \$9 million while a 2.7% decrease in usage per retail customer, reflecting weather conditions and other factors, decreased retail base revenues by approximately \$95 million. Partly offsetting the usage decrease was an extra day of sales in 2008, as it was a leap year. In addition, a base rate increase resulting from Turkey Point Unit No. 5 commencing commercial operation on May 1, 2007 increased retail base revenues by approximately \$28 million. FPL experienced a decline in retail customer growth in the latter half of 2007 and throughout 2008 as well as a decline in non-weather related retail customer usage, which FPL believes is reflective of the economic slowdown and housing crisis that has affected the country and the state of Florida. FPL is unable to predict if growth in customers and non-weather related customer usage will return to previous trends.

For the year ended December 31, 2007, an increase in the average number of customers of 2.0% increased retail base revenues by approximately \$71 million. During this period, usage per retail customer decreased 0.4%. This usage decrease, as well as other factors, decreased retail base revenues by approximately \$18 million. In addition, the base rate increase resulting from Turkey Point Unit No. 5 commencing commercial operation on May 1, 2007 increased 2007 retail base revenues by approximately \$86 million.

Revenues from fuel and other cost recovery clauses and pass-through costs, such as franchise fees, revenue taxes and storm-related surcharges do not significantly affect net income; however, underrecovery or overrecovery of such costs can significantly affect FPL Group's and FPL's operating cash flows. Fluctuations in fuel cost recovery revenues are primarily driven by changes in fuel and energy charges which are included in fuel, purchased power and interchange expense in the consolidated statements of income, as well as by changes in energy sales. Fluctuations in revenues from other cost recovery clauses and pass-through costs are primarily driven by changes in storm-related surcharges, capacity charges, franchise fee costs, the impact of changes in O&M and depreciation expenses on the underlying cost recovery clause, as well as changes in energy sales. Capacity charges and franchise fee costs are included in fuel, purchased power and interchange and taxes other than income taxes, respectively, in the consolidated statements of income.

FPL uses a risk management fuel procurement program which was approved by the FPSC at the program's inception. The FPSC reviews the program activities and results for prudence on an annual basis as part of its annual review of fuel costs. The program is intended to manage fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. The current regulatory asset for the change in fair value of derivative instruments used in the fuel procurement program amounted to approximately \$1,109 million and \$117 million at December 31, 2008 and 2007, respectively. The increase in fuel revenues in 2008 reflects approximately \$230 million related to a higher average fuel factor partly offset by approximately \$190 million attributable to lower energy sales. The decrease in fuel revenues in 2007 reflects approximately \$484 million related to a lower average fuel factor partly offset by approximately \$73 million attributable to higher energy sales.

In May 2007, a wholly owned subsidiary of FPL issued \$652 million aggregate principal amount of storm-recovery bonds primarily for the after-tax equivalent of the total of FPL's unrecovered balance of 2004 storm restoration costs, the 2005 storm restoration costs and approximately \$200 million to reestablish FPL's storm and property insurance reserve. The storm-recovery bonds, including interest and bond issuance costs, are being repaid through a surcharge to retail customers. Prior to the issuance of these storm-recovery bonds, FPL had been recovering from retail customers, since February 2005, the 2004 storm restoration costs through a storm damage surcharge. Both the revenues from the 2004 storm damage surcharge and the storm-recovery bonds surcharge are included in other cost recovery clauses and pass-through costs and amounted to approximately \$97 million, \$94 million and \$151 million for the years ended December 31, 2008, 2007 and 2006, respectively. See Note 9 – FPL. Revenues from other cost recovery clauses and pass-through costs also declined in 2007 due to the absence in 2007 of the recovery of a portion of litigation costs that FPL had been recovering since 2002 through the capacity clause. See discussion below of depreciation and amortization expense. Beginning in 2009, revenues from the nuclear cost recovery rule will be included in revenues from other cost recovery clauses and pass-through costs.

The major components of FPL's fuel, purchased power and interchange expense are as follows:

	Years Ended December 31,		
	2008	2007	2006
	(millions)		
Fuel and energy charges during the period	\$ 6,289	\$ 6,259	\$ 5,662
Net collection of previously deferred retail fuel costs	-	-	906
Net deferral of retail fuel costs	(55)	(56)	-
Other, primarily capacity charges net of any capacity deferral	515	523	548
Total	\$ 6,749	\$ 6,726	\$ 7,116

The increase in fuel and energy charges in 2008 reflects higher fuel and energy prices of approximately \$224 million partly offset by approximately \$194 million attributable to lower energy sales. The increase in fuel and energy

charges in 2007 reflects higher fuel and energy prices of approximately \$532 million and approximately \$65 million attributable to higher energy sales. At December 31, 2008, approximately \$256 million of retail fuel costs were deferred pending collection from retail customers in a subsequent period. The increase from December 31, 2007 to December 31, 2008 in deferred clause and franchise expenses and the decrease in deferred clause and franchise revenues (current and noncurrent, collectively) on FPL Group's and FPL's consolidated balance sheets totaled approximately \$110 million and negatively affected FPL Group's and FPL's cash flows from operating activities for the year ended December 31, 2008.

FPL's O&M expenses decreased \$16 million in 2008 reflecting lower insurance, employee benefit and distribution costs of approximately \$47 million, \$11 million and \$10 million, respectively. These decreases were partly offset by higher nuclear generation, fossil generation, transmission and customer service costs of approximately \$21 million, \$4 million, \$3 million and \$20 million, respectively, as well as a reserve for ongoing regulatory matters. The decline in insurance costs was primarily due to the termination by mutual agreement of an environmental insurance policy. The decline in employee benefit costs reflects a higher pension credit as well as lower benefits due to declining market conditions, partly offset by higher medical costs. The decline in distribution costs reflects cost reduction efforts and efficiencies as well as reduced work load due to the decline in customer growth partly offset by severance costs incurred in 2008. The increase in nuclear generation costs reflects plant improvement initiatives to ensure long-term reliable operations. The fossil generation increase reflects costs associated with plant maintenance, while the transmission increase reflects additional improvement activities. The customer service cost increase is primarily due to higher uncollectible accounts. Other changes in O&M expenses were primarily driven by pass-through costs which did not significantly affect net income. Management expects O&M expenses in 2009 to exceed the 2008 level primarily due to the absence of the environmental insurance policy termination as well as higher expected nuclear, fossil generation, transmission, customer service and employee benefit costs.

FPL's O&M expenses increased \$80 million in 2007 reflecting higher nuclear, fossil generation, distribution, customer service and employee benefits costs of approximately \$23 million, \$11 million, \$11 million, \$7 million and \$17 million, respectively. The increase in nuclear costs reflects plant improvement initiatives to ensure long-term reliable operations while the fossil generation increase reflects costs associated with placing Turkey Point Unit No. 5 in service as well as costs associated with plant repair and a performance payment made to an owner of a jointly-owned plant. The distribution increase reflects higher storm preparation costs partly offset by lower new service account costs reflecting a decline in housing starts in FPL's territory. The customer service increase reflects staffing increases related to customer growth and higher uncollectible accounts. Other changes in O&M expenses were primarily driven by pass-through costs which did not significantly affect net income.

Depreciation and amortization expense in 2008 increased \$23 million, reflecting higher depreciation on transmission and distribution facilities (collectively, approximately \$20 million) and higher depreciation on fossil generation assets of \$10 million, primarily Turkey Point Unit No. 5 which was placed in service in May 2007. In addition, depreciation on nuclear assets was higher by approximately \$4 million primarily due to the steam generator and reactor vessel head replacements at St. Lucie Unit No. 2, which were substantially completed by late 2007. The remaining change in 2008 depreciation and amortization expense is primarily due to the absence of amortization of software and other property that has been fully amortized. Depreciation and amortization expense in 2007 decreased \$14 million. Depreciation and amortization expense in 2006 included approximately \$45 million of amortization of litigation costs that FPL had been recovering through cost recovery clauses over a five-year period that began January 1, 2002 and ended December 31, 2006. Depreciation and amortization expense in 2007 reflects higher depreciation on transmission and distribution facilities (approximately \$25 million) to support customer growth and demand and depreciation on Turkey Point Unit No. 5 (approximately \$18 million). The remaining change in depreciation and amortization expense is primarily due to lower amortization of software that has been fully amortized.

Taxes other than income taxes increased \$41 million in 2008, primarily due to changes in franchise fees and revenue taxes, which are pass-through costs, and higher property taxes (\$15 million), reflecting growth in plant in service balances. The increase in franchise fees was primarily driven by higher average franchise rates. Taxes other than income taxes decreased \$13 million in 2007 primarily due to lower franchise fees and revenue taxes reflecting lower retail base and fuel and other cost recovery clause revenues, which are discussed above under the operating revenue table. Taxes other than income taxes in 2007 also reflect lower property taxes of approximately \$2 million primarily due to a property tax reduction enacted by the Florida legislature partly offset by higher property taxes due to growth in plant in service balances.

Interest expense for 2008 reflects higher average debt balances partly offset by a decline in average interest rates of approximately 34 basis points. Interest expense for 2007 increased primarily due to higher average debt balances. Interest expense on storm-recovery bonds, as well as certain other interest expense (collectively, clause interest), are essentially pass-through amounts and do not significantly affect net income, as the clause interest is recovered either under cost recovery clause mechanisms or through the storm-recovery bond surcharge. Clause interest for 2008, 2007 and 2006 amounted to approximately \$44 million, \$32 million and \$10 million, respectively. For both 2008 and 2007, higher allowance for borrowed funds used during construction (see AFUDC – equity explanation below) partly offset the increase in interest expense.

The increase in AFUDC – equity for 2008 is primarily attributable to additional AFUDC – equity on three natural gas-fired combined-cycle units of approximately 1,220 mw each at FPL's West County Energy Center in western Palm Beach County, Florida, partly offset by the absence of AFUDC – equity on Turkey Point Unit No. 5, which was placed in service in May 2007 and the absence of AFUDC – equity on the steam generator and reactor vessel head replacement projects at St. Lucie Unit No. 2, which were substantially completed by late 2007. The increase in AFUDC in 2007 is primarily attributable to additional AFUDC – equity on two of the West County Energy Center units, the steam generator and reactor vessel head replacement projects at St. Lucie Unit No. 2 and nuclear spent fuel storage projects, partially offset by lower AFUDC on Turkey Point Unit No. 5.

Interest income declined in both 2008 and 2007 reflecting the cessation of interest on FPL's unrecovered balance of the storm reserve deficiency, which balance was collected upon the issuance of the storm-recovery bonds in May 2007, partly offset by higher interest income earned on higher average cash balances.

FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. The FERC has jurisdiction over potential changes that could affect competition in wholesale transactions. In 2008, operating revenues from wholesale and industrial customers combined represented less than 4% of FPL's total operating revenues. Various states, other than Florida, have enacted legislation or have state commissions that have issued orders designed to allow retail customers to choose their electricity supplier. Management believes it is unlikely there will be any state actions to restructure the retail electric industry in Florida in the near future. If the basis of regulation for some or all of FPL's business changes from cost-based regulation, existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. See Critical Accounting Policies and Estimates – Regulatory Accounting.

In 2007, the FPSC denied FPL's need petition for two ultra super critical pulverized coal generating units in Glades County, Florida. In December 2008, the FPSC approved the recovery of approximately \$34 million of pre-construction costs associated with these units over a five-year period beginning January 2010.

FPL is currently constructing three natural gas-fired combined-cycle units of approximately 1,220 mw each at its West County Energy Center, which units are expected to be placed in service by the third quarter of 2009, fourth quarter of 2009 and mid-2011. In addition, FPL is in the process of adding approximately 400 mw of baseload capacity at its existing nuclear units at St. Lucie and Turkey Point, which additional capacity is projected to be placed in service by the end of 2012. In 2008, the FPSC approved FPL's plan to modernize its Cape Canaveral and Riviera power plants to high-efficiency natural gas-fired units. Each modernized plant is expected to provide approximately 1,200 mw of capacity and be placed in service by 2013 and 2014, respectively. Siting Board approval is pending and is expected in early 2010.

In March 2008, the FPSC approved FPL's need petition for two additional nuclear units at its Turkey Point site with projected in-service dates between 2018 and 2020, which units are expected in the aggregate to add between 2,200 mw and 3,040 mw of baseload capacity. Additional approvals from other regulatory agencies will be required later in the process. The FPSC's nuclear cost recovery rule provides for the recovery of prudently incurred pre-construction costs and carrying charges (equal to the pretax AFUDC rate) on construction costs for new nuclear capacity through levelized charges under the capacity clause. The same rule provides for the recovery of construction costs, once the new capacity goes into service, through a base rate increase. In October 2008, the FPSC approved FPL's first annual request under the nuclear cost recovery rule for recovery of pre-construction costs associated with FPL's planned nuclear units and carrying charges on construction costs associated with the addition of approximately 400 mw of baseload capacity to FPL's existing nuclear units; substantially all of these costs are still subject to a prudence review by the FPSC.

In 2008, the FPSC approved eligibility for recovery of prudently incurred costs for FPL's proposed solar generating facilities through the environmental clause. The proposed solar generating facilities are expected to have a capacity totaling 110 mw and to be placed into service by the end of 2010.

NextEra Energy Resources – NextEra Energy Resources' net income for 2008, 2007 and 2006 was \$915 million, \$540 million and \$610 million, respectively, an increase in 2008 of \$375 million and a decrease in 2007 of \$70 million. The primary drivers, on an after-tax basis, of these changes were as follows:

	Increase (Decrease)	
	Years Ended	
	2008	2007
	(millions)	
New investments (a)	\$ 155	\$ 78
Existing assets (a)	48	117
Full energy and capacity requirements services and trading	6	56
Restructuring activities and asset sales	5	(14)
Indonesian project gain	-	(63)
Interest expense, differential membership costs and other	(25)	(61)
Change in unrealized mark-to-market non-qualifying hedge activity (b)	256	(178)
Change in OTTI losses on securities held in nuclear decommissioning funds, net of OTTI reversals	(70)	(5)
Net income increase (decrease)	\$ 375	\$ (70)

(a) Includes PTCs on wind projects but does not include allocation of interest expense or corporate general and administrative expenses. See Note 1 – Income Taxes. Results from new projects are included in new investments during the first twelve months of operation. A project's results are included in existing assets beginning with the thirteenth month of operation.

(b) For discussion of derivative instruments, see Note 3 and Overview.

The increase in NextEra Energy Resources' 2008 results from new investments reflects the addition of over 3,200 mw of wind and nuclear generation during or after 2007. The increase in NextEra Energy Resources' 2007 results from new investments reflects the addition of over 3,400 mw of wind and nuclear generation during or after 2006.

In 2008, results from NextEra Energy Resources' existing asset portfolio increased primarily due to favorable market conditions in the NEPOOL, ERCOT and PJM regions and higher wind resource partially offset by the impact of planned and unplanned outages at the Seabrook nuclear facility and lower results from NextEra Energy Resources' retail energy provider primarily due to unfavorable commodity margins. Results in 2008 in PJM benefited from a new FERC-approved forward capacity market that began in June 2007. In 2007, NextEra Energy Resources' existing asset portfolio benefited from improved market conditions in the NEPOOL and ERCOT regions and the absence of a refueling outage at the Seabrook nuclear facility. This was partially offset by lower wind resource, by the effect of the completion, in January 2007, of the amortization of deferred income under a power purchase agreement related to a combined-cycle plant in the NEPOOL region and by the reduction in the contracted capacity price at a combined-cycle plant in the PJM region. Results in the NEPOOL and PJM regions also benefited from new FERC-approved forward capacity markets that began in December 2006 and June 2007, respectively.

NextEra Energy Resources' 2008 and 2007 financial results benefited from increased gains from its full energy and capacity requirements services and trading activities. Full energy and capacity requirements services include load-following services, which require the supplier of energy to vary the quantity delivered based on the load demand needs of the customer, as well as various ancillary services.

The increase in 2008 of restructuring activities and asset sales is primarily due to a gain on the sale of development rights on a natural gas project while the decrease in 2007 is primarily due to the absence of a \$12 million after-tax gain recorded in 2006 on the sale of wind development rights. The decrease in the Indonesian project gain reflects the absence of a \$63 million after-tax gain (\$97 million pretax) recorded by NextEra Energy Resources in 2006 as the result of a court judgment.

In both 2008 and 2007, interest expense, differential membership costs and other reflects increased costs due to growth of the business partially offset, in 2008, by certain state income tax benefits.

In 2008 and 2006, NextEra Energy Resources recorded after-tax net unrealized mark-to-market gains on non-qualifying hedges of approximately \$170 million and \$92 million, respectively. During 2007, NextEra Energy Resources recorded after-tax net unrealized mark-to-market losses of approximately \$86 million. The change in unrealized mark-to-market activity for 2008 compared to 2007 is primarily attributable to decreased forward power and natural gas prices, as well as the reversal of previously recognized unrealized mark-to-market losses as the underlying transactions were realized during 2008. The change in unrealized mark-to-market activity for 2007 compared to 2006 is primarily attributable to increased forward power and natural gas prices, as well as the reversal of previously recognized unrealized mark-to-market gains as the underlying transactions were realized during 2007. In 2008, 2007 and 2006, NextEra Energy Resources recorded \$82 million, \$6 million and \$1 million, respectively, of after-tax OTTI losses on securities held in NextEra Energy Resources' nuclear decommissioning funds. In 2008, NextEra Energy Resources had approximately \$6 million after-tax of OTTI reversals; there were no such OTTI reversals in 2007 or 2006.

Operating revenues for the year ended December 31, 2008 increased \$1,096 million primarily due to gains of \$232 million on unrealized mark-to-market non-qualifying hedge activity in 2008 compared to losses on such hedges of \$342 million in 2007. Excluding this mark-to-market activity, revenues benefited from project additions, favorable market conditions in the NEPOOL, ERCOT and PJM regions, and favorable wind and hydro resources partially offset by nuclear planned and unplanned outages. NextEra Energy Resources' operating revenues for the year ended December 31, 2007 decreased \$84 million reflecting \$342 million of unrealized mark-to-market losses from

non-qualifying hedges compared to \$496 million of gains on such hedges in 2006. Excluding this mark-to-market activity, revenues benefited from project additions, favorable market conditions in the NEPOOL and ERCOT regions, the absence of a refueling outage at the Seabrook nuclear facility and increased gains from its full energy and capacity requirements services, partially offset by unfavorable wind resource.

NextEra Energy Resources' operating expenses for the year ended December 31, 2008 increased \$522 million, reflecting \$53 million of unrealized mark-to-market gains from non-qualifying hedges compared to \$198 million of gains on such hedges in 2007. Excluding these mark-to-market changes which are reflected in fuel, purchased power and interchange expense in FPL Group's consolidated statements of income, operating expenses increased primarily due to project additions, higher fuel costs and higher corporate general and administrative expenses to support the growth in the business. NextEra Energy Resources' operating expenses for the year ended December 31, 2007 decreased \$50 million, reflecting \$198 million of unrealized mark-to-market gains from non-qualifying hedges compared to \$318 million of losses on such hedges in 2006. Excluding these mark-to-market changes, operating expenses increased primarily due to project additions, higher fuel costs and higher corporate general and administrative expenses to support the growth in the business.

Equity in earnings of equity method investees in 2008 increased \$25 million due to improved market conditions in the PJM region. Equity in earnings of equity method investees decreased \$113 million in 2007 primarily due to the absence of the \$97 million Indonesian project gain discussed above and due to the effect of the completion, in January 2007, of the amortization of deferred income under a power purchase agreement related to a combined-cycle plant in the NEPOOL region, partially offset by unrealized mark-to-market losses on non-qualifying hedges of \$26 million in 2006.

NextEra Energy Resources' interest expense for the year ended December 31, 2008 decreased \$1 million. Interest expense for 2007 increased \$43 million reflecting higher average debt balances to support growth in the business and higher average interest rates. Gains on disposal of assets – net in FPL Group's consolidated statements of income for 2008 reflect an approximately \$10 million gain on the sale of development rights related to a natural gas project and \$8 million of gains on sales of securities held in nuclear decommissioning funds and in 2006 reflect a \$20 million gain for the sale of wind development rights.

PTCs from NextEra Energy Resources' wind projects are reflected in NextEra Energy Resources' earnings. PTCs are recognized as wind energy is generated and sold based on a per kwh rate prescribed in applicable federal and state statutes, and amounted to approximately \$262 million, \$219 million and \$167 million for the years ended December 31, 2008, 2007 and 2006, respectively.

In September 2007, NextEra Energy Resources completed the acquisition of Point Beach, a two-unit, 1,023 mw nuclear power plant located in Wisconsin from Wisconsin Electric Power Company (We Energies). NextEra Energy Resources purchased the plant, including nuclear fuel, inventory and other items, for a total of approximately \$933 million. All of the power from Point Beach is being sold under a long-term power purchase contract to We Energies through the current NRC license terms of 2030 for Unit No. 1 and 2033 for Unit No. 2. NextEra Energy Resources is responsible for management and operation of the plant, as well as for the ultimate decommissioning of the facility, and received \$390 million of decommissioning funds at closing.

NextEra Energy Resources expects its future portfolio capacity growth to come primarily from wind and solar development and from asset acquisitions. NextEra Energy Resources plans to add a total of 7,000 mw to 9,000 mw of new wind generation over the 2008 to 2012 period, of which approximately 1,300 mw were added in 2008. NextEra Energy Resources expects to add approximately 1,100 mw in 2009, of which approximately 480 mw are either under construction or have obtained applicable internal approvals for construction. In addition, NextEra Energy Resources intends to pursue opportunities for new solar generating facilities. The wind and solar expansions are subject to, among other things, continued public policy support, which includes, but is not limited to, support for the construction and availability of sufficient transmission facilities and capacity, and access to reasonable capital and credit markets.

In July 2008, the PUCT approved a \$4.92 billion transmission grid improvement program that would add approximately 2,300 miles of 345 kv lines to deliver wind power from the CREZ in west Texas and the Texas Panhandle to the Dallas/Fort Worth area and other population centers in Texas. In January 2009, Lone Star Transmission, LLC, a wholly-owned subsidiary of NextEra Energy Resources, was allocated \$565 million in projects by the PUCT under the CREZ program. The January 2009 determination is subject to, among other things, reconsideration, appeal and receipt of all applicable regulatory approvals.

Competitive wholesale markets in the United States continue to evolve and vary by geographic region. Revenues from electricity sales in these markets vary based on the prices obtainable for energy, capacity and other ancillary services. Some of the factors affecting success in these markets include the ability to operate generating assets efficiently and reliably, the price and supply of fuel, transmission constraints, wind, solar and hydro resources (weather conditions), competition from new sources of generation, effective risk management, demand growth and exposure to legal and regulatory changes.

Expanded competition in a frequently changing regulatory environment presents both opportunities and risks for NextEra Energy Resources. Opportunities exist for the selective acquisition of generation assets and for the construction and operation of efficient plants that can sell power in competitive markets. NextEra Energy Resources seeks to reduce its market risk by having a diversified portfolio by fuel type and location, as well as by contracting for the future sale of a significant amount of the electricity output of its plants. The combination of new wind projects, expected increase in contribution from existing merchant assets and asset acquisitions are expected to be the key

drivers supporting NextEra Energy Resources' growth over the next few years.

NextEra Energy Resources' earnings are subject to variability due to, among other things, operational performance, commodity price exposure, counterparty performance, weather conditions and project restructuring activities. NextEra Energy Resources' exposure to commodity price risk is reduced by the degree of contract coverage obtained for 2009 and 2010. Therefore, if NextEra Energy Resources' plants do not perform as expected, NextEra Energy Resources could be required to purchase power at potentially higher market prices to meet its contractual obligations.

NextEra Energy Resources' results are affected by fluctuations in weather. In addition to the effect of temperature, which is reflected in commodity prices and demand, changes in weather affect production levels of the wind portfolio as well as the hydro units in Maine and the solar units in California. In managing its exposure to commodity prices, NextEra Energy Resources is dependent upon its counterparties to perform under their contractual obligations. NextEra Energy Resources actively manages the trade-off between market risk and credit risk, as well as exposure with individual counterparties as a function of their creditworthiness. Substantially all of NextEra Energy Resources' 2009 contracted revenues are with investment grade counterparties.

Corporate and Other – Corporate and Other is primarily comprised of interest expense, the operating results of FPL FiberNet and other business activities as well as corporate interest income and expenses. Corporate and Other allocates interest expense to NextEra Energy Resources based on a deemed capital structure at NextEra Energy Resources of 50% debt for operating projects and 100% debt for projects under construction. For these purposes, the deferred credit associated with differential membership interests sold by a NextEra Energy Resources subsidiary in December 2007 is included with debt. Each subsidiary's income taxes are calculated based on the "separate return method," except that tax benefits that could not be used on a separate return basis, but are used on the consolidated tax return, are recorded by the subsidiary that generated the tax benefits. Any remaining consolidated income tax benefits or detriments are recorded at Corporate and Other. The major components of Corporate and Other's results, on an after-tax basis, are as follows:

	Years Ended December 31,		
	2008	2007	2006
	(millions)		
Interest expense, net of allocations	\$ (103)	\$ (90)	\$ (97)
Interest income	22	22	6
FPL FiberNet impairment charges	-	(2)	(60)
Merger costs	-	-	(14)
Federal and state tax benefits	18	3	30
Other	(2)	3	4
Net loss	\$ (65)	\$ (64)	\$ (131)

The increase in interest expense in 2008 reflects additional debt outstanding partly offset by lower average interest rates of approximately 91 basis points. Interest expense decreased in 2007 primarily due to lower average debt balances. Interest income in 2008 reflects lower interest rates on temporary investments offset by additional earnings on energy-related loans made to third parties by FPL Group Capital subsidiaries. In the latter half of 2008, temporary investments were accumulated in response to volatility and disruption in the credit and capital markets while in 2007 temporary investments had been accumulated to purchase Point Beach. Interest income in 2007 reflects earnings on temporary investments accumulated to purchase Point Beach as well as interest recorded on unrecognized tax benefits in accordance with FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." For discussion of FPL FiberNet's impairment charges, see Note 5 – Corporate and Other. The 2006 merger costs represent costs associated with the proposed merger between FPL Group and Constellation Energy, which was terminated in October 2006. The federal and state tax benefits are primarily due to NextEra Energy Resources' growth throughout the United States and other consolidating income tax adjustments. Other includes all other corporate income and expenses, as well as other business activities.

Liquidity and Capital Resources

FPL Group and its subsidiaries, including FPL, require funds to support and grow their businesses. These funds are used for working capital, capital expenditures, investments in or acquisitions of assets and businesses, to pay maturing debt obligations and, from time to time, to redeem or repurchase outstanding debt or equity securities. It is anticipated that these requirements will be satisfied through a combination of internally generated funds, borrowings, and the issuance, from time to time, of debt and equity securities, consistent with FPL Group's and FPL's objective of maintaining, on a long-term basis, a capital structure that will support a strong investment grade credit rating. FPL Group, FPL and FPL Group Capital access the credit and capital markets as significant sources of liquidity for capital requirements not satisfied by operating cash flows. The inability of FPL Group, FPL and FPL Group Capital to maintain their current credit ratings could affect their ability to raise short- and long-term capital, their cost of capital and the execution of their respective financing strategies, and could require the posting of additional collateral under

certain agreements.

The global and domestic credit and capital markets have been experiencing unprecedented levels of volatility and disruption. This has significantly affected the cost and available sources of liquidity in the financial markets. FPL and FPL Group Capital have continued to have access to commercial paper and short- and long-term credit and capital markets. If capital and credit market conditions change, this could alter spending plans at FPL and NextEra Energy Resources.

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Available Liquidity – At December 31, 2008, FPL Group's total net available liquidity was approximately \$4.6 billion, of which FPL's portion was approximately \$1.6 billion. The components of each company's net available liquidity at December 31, 2008 were as follows:

	FPL	FPL Group Capital (millions)	FPL Group Consoli- dated	Maturity Date FPL	FPL Group Capital
Bank revolving lines of credit (a)	\$ 2,500	\$ 4,000	\$ 6,500	(b)	(b)
Less letters of credit	(545)	(316)	(861)		
	1,955	3,684	5,639		
Revolving term loan facility	250	-	250	2011	
Less borrowings	-	-	-		
	250	-	250		
Subtotal	2,205	3,684	5,889		
Cash and cash equivalents	120	415	535		
Less commercial paper and short-term notes payable	(773)	(1,092)	(1,865)		
Net available liquidity	\$ 1,552	\$ 3,007	\$ 4,559		

(a) Provide for the issuance of letters of credit up to \$6.5 billion (\$2.5 billion for FPL) and are available to support FPL's and FPL Group Capital's commercial paper programs and short-term borrowings and to provide additional liquidity in the event of a loss to the companies' or their subsidiaries' operating facilities (including, in the case of FPL, a transmission and distribution property loss), as well as for general corporate purposes. FPL's bank revolving lines of credit are also available to support the purchase of \$633 million of pollution control, solid waste disposal and industrial development revenue bonds (tax exempt bonds) in the event they are tendered by individual bond holders and not remarketed prior to maturity. FPL's and FPL Group Capital's bank revolving lines of credit include commitments of approximately \$27 million and \$83 million, respectively, from Lehman Brothers Bank, FSB (Lehman). In September 2008, Lehman's parent, Lehman Brothers Holdings Inc., filed for protection under Chapter 11 of the U.S. Bankruptcy Code. As of late January 2009, Lehman must receive a notice of non-objection from the Office of Thrift Supervision before funding any commercial loan commitment, including this commitment.

(b) \$17 million of FPL's and \$40 million of FPL Group Capital's bank revolving lines of credit expire in 2012. The remaining portion of bank revolving lines of credit for FPL and FPL Group Capital expire in 2013.

At February 26, 2009, 38 banks participate in FPL's and FPL Group Capital's credit facilities, with no one bank providing more than 8% of the total in either credit facility. In order for FPL Group Capital to borrow under the terms of its credit facility, FPL Group (which guarantees the payment of FPL Group Capital's credit facility pursuant to a 1998 guarantee agreement) is required to maintain a ratio of funded debt to total capitalization that does not exceed a

stated ratio. The FPL Group Capital credit facility also contains default and related acceleration provisions relating to, among other things, failure of FPL Group to maintain a ratio of funded debt to total capitalization at or below the specified ratio. Similarly, in order for FPL to borrow under the terms of its credit facility and revolving term loan facility, FPL is required to maintain a ratio of funded debt to total capitalization that does not exceed a stated ratio. The FPL credit facility and revolving term loan facility also contain default and related acceleration provisions relating to, among other things, failure of FPL to maintain a ratio of funded debt to total capitalization at or below the specified ratio. At December 31, 2008, each of FPL Group and FPL was in compliance with its respective required ratio.

In addition, at December 31, 2008, FPL had the capacity to absorb up to approximately \$188 million in future prudently incurred storm restoration costs without seeking recovery through a rate adjustment from the FPSC. Also, an indirect wholly-owned subsidiary of NextEra Energy Resources has established a \$100 million letter of credit facility which expires in 2017 and serves as security for certain obligations under commodity hedge agreements entered into by the subsidiary.

In January 2009, FPL Group entered into an agreement under which FPL Group may offer and sell, from time to time, FPL Group common stock having a gross sales price of up to \$400 million. As of February 26, 2009, FPL Group had received proceeds of approximately \$40 million through the issuance of common stock under this agreement consisting of 760,000 shares at an average price of \$52.10 per share.

Shelf Registration – In September 2006, FPL Group, FPL Group Capital, FPL and certain affiliated trusts filed a shelf registration statement with the SEC for an unspecified amount of securities. The amount of securities issuable by the companies is established from time to time by their respective board of directors. As of February 26, 2009, securities that may be issued under the registration statement, as subsequently amended, which became effective upon filing, include, depending on the registrant, senior debt securities, subordinated debt securities, first mortgage bonds, preferred trust securities, common stock, stock purchase contracts, stock purchase units, preferred stock and guarantees related to certain of those securities. At February 26, 2009, FPL Group and FPL Group Capital had \$3.5 billion (issuable by either or both of them up to such aggregate amount) of board-authorized available capacity, and FPL had \$900 million of board-authorized available capacity.

Credit Ratings – At February 26, 2009, Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch) had assigned the following credit ratings to FPL Group, FPL and FPL Group Capital:

	Moody's (a)	S&P (a)	Fitch (a)
FPL Group: (b)			
Corporate credit rating	A2	A	A
FPL: (b)			
Corporate credit rating	A1	A	A
First mortgage bonds	Aa3	A	AA-
Pollution control, solid waste disposal and industrial development revenue bonds	Aa3/VMIG-1	A	A+
Commercial paper	P-1	A-1	F1
FPL Group Capital: (b)			
Corporate credit rating	A2	A	A
Debentures	A2	A-	A
Junior subordinated debentures	A3	BBB+	A-
Commercial paper	P-1	A-1	F1

(a) A security rating is not a recommendation to buy, sell or hold securities and should be evaluated independently of any other rating. The rating is subject to revision or withdrawal at any time by the assigning rating organization.

(b) The outlook indicated by each of Moody's, S&P and Fitch is stable.

FPL Group and its subsidiaries, including FPL, have no credit rating downgrade triggers that would accelerate the maturity dates of outstanding debt. A change in ratings is not an event of default under applicable debt instruments, and while there are conditions to drawing on the credit facilities maintained by FPL and FPL Group Capital, the maintenance of a specific minimum credit rating is not a condition to drawing upon those credit facilities. Commitment fees and interest rates on loans under the credit facilities' agreements are tied to credit ratings. A ratings downgrade also could reduce the accessibility and increase the cost of commercial paper and other short-term debt issuances and additional or replacement credit facilities, and could result in the requirement that FPL Group subsidiaries, including FPL, post collateral under certain agreements, including those related to fuel procurement, power sales and purchases, nuclear decommissioning funding, debt-related reserves and trading activities. FPL's and FPL Group Capital's bank revolving lines of credit are available to support these potential requirements. See Available Liquidity above.

Cash Flow – The changes in cash and cash equivalents are summarized as follows:

	FPL Group				FPL	
	2008	2007	Years Ended December 31,		2007	2006
			2006	2008		
	(millions)					
Net cash provided by operating activities	\$ 3,403	\$ 3,593	\$ 2,498	\$ 2,180	\$ 2,163	\$ 1,668
Net cash used in investing activities	(5,808)	(4,578)	(3,807)	(2,427)	(2,214)	(1,933)
Net cash provided by financing activities	2,650	655	1,399	304	50	273

Net increase (decrease) in cash and cash equivalents	\$	245	\$	(330)	\$	90	\$	57	\$	(1)	\$	8
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FPL Group's cash and cash equivalents increased for the year ended December 31, 2008, reflecting cash generated by operating activities and net issuances of both long- and short-term debt. These inflows were partially offset by capital investments by FPL and NextEra Energy Resources, the payment of common stock dividends to FPL Group shareholders and the funding of a \$500 million loan.

FPL Group's cash flows from operating activities for the year ended December 31, 2008 reflect cash generated by net income, the receipt of distributions from equity method investees, the underrecovery by FPL of cost recovery clause costs and an increase in fuel inventory at NextEra Energy Resources.

FPL Group's cash flows from investing activities for the year ended December 31, 2008 reflect capital investments, including nuclear fuel purchases, of approximately \$2.4 billion by FPL to expand and enhance its electric system and generating facilities to continue to provide reliable service to meet the power needs of present and future customers and investments in independent power projects of approximately \$2.8 billion, and the funding of a \$500 million loan by an FPL Group Capital subsidiary to a third party for an energy-related project. FPL Group's cash flows from investing activities also include amounts related to the purchase and sale of restricted securities held in the special use funds, including the reinvestment of fund earnings and new contributions by NextEra Energy Resources, as well as other investment activity, primarily at FPL Group Capital.

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During the year ended December 31, 2008, FPL Group generated proceeds from financing activities, net of related issuance costs, of approximately \$4.7 billion, including a net increase in short-term debt of \$848 million (comprised of \$917 million increase at FPL Group Capital and \$69 million decrease at FPL) and the following long-term debt issuances and borrowings:

Date Issued	Company	Debt Issued	Interest Rate(s)	Principal Amount (millions)	Maturity Date(s)
January 2008	FPL	First mortgage bonds	5.95%	\$ 600	2038
March 2008	FPL Group Capital	Term loans	variable	500	2009 - 2011
June 2008	FPL Group Capital	Debentures	5.35%	250	2013
June 2008	FPL Group Capital	Debentures	variable	250	2011
June 2008	NextEra Energy Resources subsidiary	Canadian dollar denominated term loan	variable	153	2011
July 2008	NextEra Energy Resources subsidiary	Limited-recourse senior secured notes	7.59%	525	2018 (a)
September 2008	FPL Group Capital	Term loans	variable	320	2011
December 2008	FPL Group Capital	Debentures	7 7/8%	500	2015
December 2008	FPL Group Capital	Japanese yen denominated term loan	variable	141	2011
December 2008	FPL Group Capital	Term loan	variable	50	2011
December 2008	NextEra Energy Resources subsidiary	Limited-recourse senior secured notes	7.5%	202	2013 (a)
December 2008	NextEra Energy Resources subsidiary	Limited-recourse senior secured notes	variable	373	2016 (a)
				\$ 3,864	

(a) Partially amortizing with a balloon payment at maturity.

During the year ended December 31, 2008, FPL Group paid approximately \$2.1 billion in connection with financing activities, including \$506 million for FPL Group Capital debt maturities, \$327 million for a NextEra Energy Resources subsidiary construction term loan maturity, \$200 million for maturing FPL first mortgage bonds, \$284 million principal repayments on NextEra Energy Resources subsidiary debt, \$41 million principal repayment on FPL subsidiary storm-recovery bonds and \$714 million for the payment of common stock dividends to FPL Group shareholders. In January 2009, an indirect wholly-owned subsidiary of NextEra Energy Resources borrowed Canadian \$94.6 million (US \$75.4 million) under a limited-recourse senior secured variable rate term loan agreement maturing in 2023 and entered into an interest rate swap agreement to pay a fixed rate of 2.5775%, plus applicable

margin, to limit cash flow exposure. The proceeds from the loan were used to repay a portion of the amount borrowed in June 2008 under the Canadian dollar denominated term loan included in the table above. Also, in January 2009, another indirect wholly-owned subsidiary of NextEra Energy Resources entered into an interest rate swap agreement to pay a fixed rate of 2.68%, plus applicable margin, until 2016 on its \$373 million variable rate limited-recourse senior secured note that is partially amortizing with a balloon payment due in 2016. This same wholly-owned subsidiary entered into a second interest rate swap agreement to pay a fixed rate of 3.725%, plus applicable margin, beginning in 2016 to limit the cash flow exposure of refinancing the balloon payment of approximately \$124 million due on this note in 2016. Additionally, in January 2009, FPL Group Capital borrowed \$72 million under a variable rate term loan agreement maturing in 2011.

FPL Group's cash and cash equivalents decreased for the year ended December 31, 2007, reflecting capital investments by FPL and NextEra Energy Resources, the payment of common stock dividends to FPL Group shareholders and an increase in customer receivables. These outflows were partially offset by cash generated by operating activities, net issuances of both long- and short-term debt, the sale of independent power investments, the return of margin cash collateral from counterparties and a distribution relating to an Indonesian project.

FPL Group's cash flows for the year ended December 31, 2006 benefited from net issuances of debt, the issuance of common stock and the recovery from customers of previously incurred fuel and storm costs at FPL, which were offset by an increase in FPL's customer receivables and the return of margin cash collateral to counterparties and payment of margin cash collateral to counterparties. The funds generated were used to pay for capital expenditures at FPL, additional investments at NextEra Energy Resources, common stock dividends, storm-related costs at FPL and to carry an increase in fossil fuel inventory.

Contractual Obligations and Planned Capital Expenditures – FPL Group's and FPL's commitments at December 31, 2008 were as follows:

	2009	2010	2011	2012	2013	Thereafter	Total
	(millions)						
Long-term debt, including interest:							
(a)							
FPL	\$ 542	\$ 311	\$ 312	\$ 314	\$ 705	\$ 9,354(b)	\$ 11,538
NextEra Energy Resources	544	549	656	548	582	3,397	6,276
Corporate and Other	1,195	533	1,874	187	430	9,343	13,562
Purchase obligations:							
FPL (c)	6,270	5,425	4,120	3,360	2,920	7,545	29,640
NextEra Energy Resources (d)	1,760	120	75	75	60	665	2,755
Asset retirement activities: (e)							
FPL (f)	-	-	-	-	-	11,610	11,610
NextEra Energy Resources (g)	1	-	-	2	-	7,247	7,250
Other Commitments:							
NextEra Energy Resources (h)	-	-	-	-	69	260	329
Total	\$ 10,312	\$ 6,938	\$ 7,037	\$ 4,486	\$ 4,766	\$ 49,421	\$ 82,960

- (a) Includes principal, interest and interest rate swaps. Variable rate interest was computed using December 31, 2008 rates.
- (b) Includes \$633 million of tax exempt bonds that permit individual bond holders to tender the bonds for purchase at any time prior to maturity. In the event bonds are tendered for purchase, they would be remarketed by a designated remarketing agent in accordance with the related indenture. If the remarketing is unsuccessful, FPL would be required to purchase the tax exempt bonds. As of December 31, 2008, all tax exempt bonds tendered for purchase have been successfully remarketed. FPL's bank revolving lines of credit are available to support the purchase of tax exempt bonds.
- (c) Represents required capacity and minimum payments under long-term purchased power and fuel contracts, the majority of which are recoverable through various cost recovery clauses (see Note 15 – Contracts), and projected capital expenditures through 2013. See Note 15 – Commitments.
- (d) Represents firm commitments primarily in connection with the purchase of wind turbines and towers, natural gas transportation, purchase and storage, firm transmission service, nuclear fuel and a portion of its projected capital expenditures. See Note 15 – Commitments and Contracts.
- (e) Represents expected cash payments adjusted for inflation for estimated costs to perform asset retirement activities.
- (f) At December 31, 2008, FPL had approximately \$2,035 million in restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units, which are included in FPL Group's and FPL's special use funds.
- (g) At December 31, 2008, NextEra Energy Resources' 88.23% portion of Seabrook's and 70% portion of Duane Arnold's and its Point Beach's restricted trust funds for the payment of future expenditures to decommission its nuclear units totaled approximately \$789 million and are included in FPL Group's special use funds.
- (h) Represents estimated cash distributions related to certain membership interests. See Note 11 – Sale of Differential Membership Interests.

Guarantees and Letters of Credit – FPL Group and FPL obtain letters of credit and issue guarantees to facilitate commercial transactions with third parties and financings. At December 31, 2008, FPL Group had standby letters of credit of approximately \$1.2 billion (\$557 million for FPL) and approximately \$8.6 billion notional amount of guarantees (\$648 million for FPL), of which approximately \$6.6 billion (\$567 million for FPL) have expirations within the next five years. An aggregate of approximately \$861 million of the standby letters of credit at December 31, 2008 were issued under FPL's and FPL Group Capital's credit facilities. See Available Liquidity above. Letters of credit and guarantees support the buying and selling of wholesale energy commodities, debt and related reserves, nuclear activities, capital expenditures for wind development, the commercial paper program of FPL's consolidated VIE from which it leases nuclear fuel and other contractual agreements. Each of FPL Group and FPL believe it is unlikely that it would incur any liabilities associated with these letters of credit and guarantees. At December 31, 2008, FPL Group and FPL did not have any liabilities recorded for these letters of credit and guarantees. In addition, FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most of its debt and all of its debentures and commercial paper issuances, as well as most of its payment guarantees, and FPL Group Capital has guaranteed certain debt and other obligations of NextEra Energy Resources and its subsidiaries. See Note 15 – Commitments.

Certain subsidiaries of NextEra Energy Resources have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the NextEra Energy Resources subsidiary becoming liable for liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that it is unlikely to experience a material exposure as a result of these liquidated damages.

Covenants – FPL Group's charter does not limit the dividends that may be paid on its common stock. As a practical matter, the ability of FPL Group to pay dividends on its common stock is dependent upon, among other things, dividends paid to it by its subsidiaries. During the first quarter of 2008, FPL Group increased its quarterly dividend on its common stock from \$0.41 to \$0.445 per share. In February 2009, FPL Group announced that it would increase its quarterly dividend on its common stock from \$0.445 to \$0.4725 per share. FPL pays dividends to FPL Group in a manner consistent with FPL's long-term targeted capital structure. The mortgage securing FPL's first mortgage bonds contains provisions which, under certain conditions, restrict the payment of dividends to FPL Group and the issuance of additional first mortgage bonds. In light of FPL's current financial condition and level of earnings, management does not expect that planned financing activities or dividends would be affected by these limitations.

Under the mortgage, in some cases, the amount of retained earnings that FPL can use to pay cash dividends on its common stock is restricted. The restricted amount may change based on factors set out in the mortgage. Other than this restriction on the payment of common stock dividends, the mortgage does not restrict FPL's use of retained earnings. As of December 31, 2008, no retained earnings were restricted by these provisions of the mortgage.

FPL may issue first mortgage bonds under its mortgage subject to its meeting an adjusted net earnings test set forth in the mortgage, which generally requires adjusted net earnings to be at least twice the annual interest requirements on, or at least 10% of the aggregate principal amount of, FPL's first mortgage bonds including those to be issued and any other non-junior FPL indebtedness. As of December 31, 2008, coverage for the 12 months ended December 31, 2008 would have been approximately 6.4 times the annual interest requirements and approximately 3.7 times the aggregate principal requirements. New first mortgage bonds are also limited to an amount equal to the sum of 60% of unfunded property additions after adjustments to offset property retirements, the amount of retired first mortgage bonds or qualified lien bonds and the amount of cash on deposit with the mortgage trustee. As of December 31, 2008, FPL could have issued in excess of \$6.5 billion of additional first mortgage bonds based on the unfunded property additions and in excess of \$5.5 billion based on retired first mortgage bonds. As of December 31, 2008, no cash was deposited with the mortgage trustee for these purposes.

In September 2006, FPL Group and FPL Group Capital executed a Replacement Capital Covenant (September 2006 RCC) in connection with FPL Group Capital's offering of \$350 million principal amount of Series A Enhanced Junior Subordinated Debentures due 2066 and \$350 million principal amount of Series B Enhanced Junior Subordinated Debentures due 2066 (collectively, Series A and Series B junior subordinated debentures). The September 2006 RCC is for the benefit of persons that buy, hold or sell a specified series of long-term indebtedness (covered debt) of FPL Group Capital (other than the Series A and Series B junior subordinated debentures) or, in certain cases, of FPL Group. FPL Group Capital Trust I's 5 7/8% Preferred Trust Securities have been initially designated as the covered debt under the September 2006 RCC. The September 2006 RCC provides that FPL Group Capital may redeem, and FPL Group or FPL Group Capital may purchase, any Series A and Series B junior subordinated debentures on or before October 1, 2036, only to the extent that the redemption or purchase price does not exceed a specified amount of proceeds from the sale of qualifying securities, subject to certain limitations described in the September 2006 RCC. Qualifying securities are securities that have equity-like characteristics that are the same as, or more equity-like than, the Series A and Series B junior subordinated debentures at the time of redemption or purchase, which are sold within 180 days prior to the date of the redemption or repurchase of the Series A and Series B junior subordinated debentures.

In June 2007, FPL Group and FPL Group Capital executed a Replacement Capital Covenant (June 2007 RCC) in connection with FPL Group Capital's offering of \$400 million principal amount of its Series C Junior Subordinated Debentures due 2067 (Series C junior subordinated debentures). The June 2007 RCC is for the benefit of persons that buy, hold or sell a specified series of covered debt of FPL Group Capital (other than the Series C junior subordinated debentures) or, in certain cases, of FPL Group. FPL Group Capital Trust I's 5 7/8% Preferred Trust Securities have been initially designated as the covered debt under the June 2007 RCC. The June 2007 RCC provides that FPL Group Capital may redeem or purchase, or satisfy, discharge or defease (collectively, defease), and FPL Group and any majority-owned subsidiary of FPL Group or FPL Group Capital may purchase, any Series C junior subordinated debentures on or before June 15, 2037, only to the extent that the principal amount defeased or the applicable redemption or purchase price does not exceed a specified amount raised from the issuance, during the 180 days prior to the date of that redemption, purchase or defeasance, of qualifying securities that have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the Series C junior subordinated debentures at the time of redemption, purchase or defeasance, subject to certain limitations described in the June 2007 RCC.

In September 2007, FPL Group and FPL Group Capital executed a Replacement Capital Covenant (September 2007 RCC) in connection with FPL Group Capital's offering of \$250 million principal amount of its Series D Junior

Subordinated Debentures due 2067 and \$350 million principal amount of Series E Junior Subordinated Debentures due 2067 (collectively, Series D and Series E junior subordinated debentures). The September 2007 RCC is for the benefit of persons that buy, hold or sell a specified series of covered debt of FPL Group Capital (other than the Series D and Series E junior subordinated debentures) or, in certain cases, of FPL Group. FPL Group Capital Trust I's 5 7/8% Preferred Trust Securities have been initially designated as the covered debt under the September 2007 RCC. The September 2007 RCC provides that FPL Group Capital may redeem, purchase, or defease, and FPL Group and any majority-owned subsidiary of FPL Group or FPL Group Capital may purchase, any Series D and Series E junior subordinated debentures on or before September 1, 2037, only to the extent that the principal amount defeased or the applicable redemption or purchase price does not exceed a specified amount raised from the issuance, during the 180 days prior to the date of that redemption, purchase or defeasance, of qualifying securities that have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the Series D and Series E junior subordinated debentures at the time of redemption, purchase or defeasance, subject to certain limitations described in the September 2007 RCC.

New Accounting Rules and Interpretations

Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities – In June 2008, the FASB issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." See Note 12 – Earnings Per Share.

Accounting for Business Combinations – In December 2007, the FASB issued FAS 141(R), "Business Combinations." This statement retains the fundamental requirements in FAS 141 that the acquisition method of accounting (which FAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This statement also establishes principles and requirements for how the acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and (iii) discloses the nature and financial effects of the business combination; and requires restructuring and acquisition-related costs to be expensed. FPL Group and FPL are required to adopt FAS 141(R) for business combinations for which the acquisition date is on or after January 1, 2009.

Accounting for Noncontrolling Interests – In December 2007, the FASB issued FAS 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51," to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. The standard clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. FAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of FAS 160 will be applied prospectively. The adoption of FAS 160 on January 1, 2009 did not have a material effect on FPL Group's or FPL's financial statements.

Critical Accounting Policies and Estimates

FPL Group's and FPL's significant accounting policies are described in Note 1 to the consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in the United States. Critical accounting policies are those that FPL Group and FPL believe are both most important to the portrayal of their financial condition and results of operations, and require complex, subjective judgments, often as a result of the need to make estimates and assumptions about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions.

FPL Group and FPL consider the following policies to be the most critical in understanding the judgments that are involved in preparing their consolidated financial statements:

Accounting for Derivatives and Hedging Activities – FPL Group and FPL use derivative instruments (primarily swaps, options and forwards) to manage the commodity price risk inherent in the purchase and sale of fuel and electricity, as well as interest rate and foreign currency exchange rate risk associated with long-term debt. In addition, FPL Group, through NextEra Energy Resources, uses derivatives to optimize the value of power generation assets. NextEra Energy Resources provides full energy and capacity requirements services primarily to distribution utilities, which include load-following services and various ancillary services, in certain markets and engages in energy trading activities to take advantage of expected future favorable price movements. Accounting pronouncements, which require the use of fair value accounting if certain conditions are met, apply not only to traditional financial derivative instruments, but to any contract having the accounting characteristics of a derivative.

Derivative instruments, when required to be marked to market under FAS 133, as amended, are recorded on the balance sheet at fair value. Fair values for some of the longer-term contracts where liquid markets are not available are based on internally developed models based on the forward prices for electricity and fuel. Forward prices represent the price at which a buyer or seller could contract today to purchase or sell a commodity at a future date. In general, the models estimate the fair value of a contract by calculating the present value of the difference between the contract price and the forward prices. The near term forward market for electricity is generally liquid and therefore the prices in the early years of the forward curves reflect observable market quotes. However, in the later years, the market is much less liquid and forward price curves must be developed using factors including the forward prices for the commodities used as fuel to generate electricity, the expected system heat rate (which measures the efficiency of power plants in converting fuel to electricity) in the region where the purchase or sale takes place, and a fundamental forecast of expected spot prices based on modeled supply and demand in the region. The assumptions in these models are critical since any changes therein could have a significant impact on the fair value of the contract. Substantially all changes in the fair value of derivatives held by FPL are deferred as a regulatory asset or liability until the contracts are settled. Upon settlement, any gains or losses will be passed through the fuel or capacity clauses. In FPL Group's non-rate regulated operations, predominantly NextEra Energy Resources, changes in derivative fair values are recognized in current earnings, unless the criteria for hedge accounting are met and the company elects to account for the derivative as a hedge. For those transactions accounted for as cash flow hedges, much of the effects of changes in fair value are reflected in other comprehensive income (OCI), a component of common shareholders' equity, rather than being recognized in current earnings. For those transactions accounted for as fair value hedges, the effects of changes in fair value are reflected in current earnings offset by changes in the fair value of the item being hedged.

Since FAS 133 became effective in 2001, the FASB has discussed and from time to time issued implementation guidance related to FAS 133. In particular, much of the interpretive guidance affects when certain contracts for the purchase and sale of power and certain fuel supply contracts can be excluded from the provisions of FAS 133. Despite the large volume of implementation guidance, FAS 133 and the supplemental guidance do not provide specific guidance on all contract issues. As a result, significant judgment must be used in applying FAS 133 and its interpretations. A result of changes in interpretation could be that contracts that currently are excluded from the provisions of FAS 133 would have to be recorded on the balance sheet at fair value, with changes in fair value recorded in the statement of income.

Certain economic hedging transactions at NextEra Energy Resources do not meet the requirements for hedge accounting treatment. Changes in the fair value of those transactions are marked to market and reported in the statement of income, often resulting in earnings volatility. These changes in fair value are captured in the non-qualifying hedge category in computing adjusted earnings. This could be significant to NextEra Energy Resources' results because often the economic offset to the positions which are required to be marked to market (such as the physical assets from which power is generated) are not marked to market. As a consequence, net income reflects only the movement in one part of economically linked transactions. Because of this, FPL Group's management views results expressed excluding the unrealized mark-to-market impact of the non-qualifying hedges as a meaningful measure of current period performance. For additional information regarding derivative instruments, see Note 3 and also see Energy Marketing and Trading and Market Risk Sensitivity.

Accounting for Pensions and Other Postretirement Benefits – FPL Group sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of FPL Group and its subsidiaries. FPL Group also has a supplemental executive retirement plan which includes a non-qualified supplemental defined benefit pension component that provides benefits to a select group of management and highly compensated employees. In addition to pension benefits, FPL Group sponsors a contributory postretirement plan for health care and life insurance benefits (other benefits plan) for retirees of FPL Group and its subsidiaries meeting certain eligibility requirements. The qualified pension plan has a fully funded trust dedicated to providing the benefits under the plan. The other benefits plan has a partially funded trust dedicated to providing benefits related to life insurance. FPL Group allocates net periodic benefit income or cost associated with the pension and other benefits plans to its subsidiaries annually using specific criteria.

FPL Group adopted the recognition and disclosure provisions of FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," effective December 31, 2006 and the measurement date provisions of FAS 158 effective December 31, 2008. Prior to 2008, FPL Group used a measurement date of September 30. In lieu of remeasuring plan assets and obligations as of January 1, 2008, FPL Group elected to calculate the net periodic benefit (income) cost for the fifteen-month period from September 30, 2007 to December 31, 2008 using the September 30, 2007 measurement date. Upon adoption of the measurement date provisions, FPL Group recorded an adjustment to increase 2008 beginning retained earnings by approximately \$13 million representing three-fifteenths of net periodic benefit (income) cost for the fifteen-month period from September 30, 2007 to December 31, 2008. Included in the adjustment to retained earnings is approximately \$1 million related to the reduction in accumulated other comprehensive income (AOCI) and approximately \$3 million related to the reduction in net regulatory liabilities.

Since FPL Group is the plan sponsor, and its subsidiaries do not have separate rights to the plan assets or direct obligations to their employees, the results of implementing all provisions of FAS 158 are reflected at FPL Group and not allocated to the subsidiaries. The portion of previously unrecognized actuarial gains and losses, prior service costs or credits and transition assets or obligations related to the recognition provision of FAS 158 that were estimated to be allocable to FPL as net periodic benefit (income) cost in future periods and that otherwise would have been recorded in AOCI were classified as regulatory assets and liabilities at FPL Group in accordance with regulatory treatment. In

addition, adjustments to AOCI as a result of implementing the measurement date provisions of FAS 158 that were estimated to be allocable to FPL were recorded as an adjustment to the previously established regulatory assets and liabilities.

FPL Group's income from its pension plan, net of the cost of the other benefits plan, was approximately \$86 million, \$69 million and \$65 million for the years ended December 31, 2008, 2007 and 2006, respectively. The corresponding amounts allocated to FPL were \$60 million, \$51 million and \$52 million, respectively. Pension income and the cost of the other benefits plan are included in O&M expenses, and are calculated using a number of actuarial assumptions. Those assumptions include an expected long-term rate of return on qualified plan assets of 7.75% for all years for the pension plan and 8.00%, 8.00% and 7.75% for the other benefits plan for the years ended December 31, 2008, 2007, and 2006, respectively, assumed increases in future compensation levels of 4% for all years, and weighted-average discount rates of 6.25%, 5.85% and 5.50% for the pension plan and 6.35%, 5.90% and 5.50% for the other benefits plan for the years ended December 31, 2008, 2007 and 2006, respectively. Based on current health care costs (as related to other benefits), the projected 2009 trend assumption used to measure the expected cost of health care benefits covered by the plans for all age groups are 7.0% for medical benefits and 9.0% for prescription drug benefits. These rates are assumed to decrease over the next seven years to the ultimate trend rate of 5.5% and remain at that level thereafter. The ultimate trend rate is assumed to be reached in 2015 for medical and prescription drug costs. In developing these assumptions, FPL Group evaluated input from its actuaries, as well as information available in the marketplace. For the expected long-term rate of return on fund assets, FPL Group considered 10-year and 20-year historical median returns for a portfolio with an equity/bond asset mix similar to its funds. FPL Group also considered its funds' historical compounded returns. FPL Group believes that 7.75% and 8.00% are reasonable long-term rates of return on its pension plan and other benefits plan assets, respectively. FPL Group will continue to evaluate all of its actuarial assumptions, including its expected rate of return, at least annually, and will adjust them as necessary.

FPL Group bases its determination of pension and other benefits plan expense or income on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return realized on those assets. Since the market-related value of assets recognizes gains or losses over a five-year period, the future value of assets will be affected as previously deferred gains or losses are recognized. Such gains and losses together with other differences between actual results and the estimates used in the actuarial valuations are deferred and recognized in determining pension and other benefits plan expense and income only when they exceed 10% of the greater of projected benefit obligations or the market-related value of assets.

The following table illustrates the effect on net periodic benefit income of changing the critical actuarial assumptions discussed above, while holding all other assumptions constant:

	Change in Assumption	Decrease in 2008 Net Periodic Benefit Income	
		FPL Group (millions)	FPL
Expected long-term rate of return	(0.5)%	\$ 17	\$ 12
Discount rate	(0.5)%	\$ 4	\$ 3
Salary increase	0.5%	\$ 2	\$ 1
Health care cost trend rate (a)	1.0%	\$ -	\$ -

(a) Assumed health care cost trend rates can have a significant effect on the amounts reported for postretirement plans providing health care benefits. However, this effect is somewhat mitigated by the retiree cost sharing structure incorporated in FPL Group's other benefits plan.

The fair value of plan assets has decreased from \$3.6 billion at September 30, 2007 to \$2.5 billion at December 31, 2008 for the pension plan and decreased from \$49 million at September 30, 2007 to \$29 million at December 31, 2008 for the other benefits plan. Management believes that, based on the actuarial assumptions and the well funded status of the pension plan, FPL Group will not be required to make any cash contributions to the qualified pension plan in the near future. In December 2008, \$26 million was transferred from the qualified pension plan as reimbursement for eligible retiree medical expenses paid by FPL Group during the year pursuant to the provisions of the Internal Revenue Code. FPL Group anticipates paying approximately \$29 million for eligible retiree medical expenses on behalf of the other benefits plan during 2009 with substantially all of that amount being reimbursed through a transfer of assets from the qualified pension plan. See Note 2.

Carrying Value of Long-Lived Assets – FPL Group evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable as described in FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Under that standard, an impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounting estimated future cash flows using an appropriate interest rate.

The amount of future net cash flows, the timing of the cash flows and the determination of an appropriate interest rate all involve estimates and judgments about future events. In particular, the aggregate amount of cash flows determines whether an impairment exists, and the timing of the cash flows is critical in determining fair value. Because each assessment is based on the facts and circumstances associated with each long-lived asset, the effects of changes in assumptions cannot be generalized.

In 2006, FPL FiberNet performed an impairment analysis and concluded that an impairment charge related to its metro market assets was necessary. The critical assumptions and estimates used in the analysis include revenue additions, projected capital expenditures and a discount rate. A 10% increase in the revenue growth rate or a 10% decrease in projected capital expenditures would have resulted in no impairment, while a 10% decrease in the revenue growth rate or a 10% increase in projected capital expenditures would increase the impairment charge by less than \$5 million. An increase or decrease of 1% in the discount rate would have a corresponding change to the impairment charge of approximately \$3 million. See Note 5 – Corporate and Other.

Nuclear Decommissioning and Fossil Dismantlement – FPL Group and FPL each account for asset retirement obligations and conditional asset retirement obligations (collectively, AROs) under FAS 143, "Accounting for Asset Retirement Obligations" and FIN 47, "Accounting for Conditional Asset Retirement Obligations." FAS 143 and FIN 47 require that a liability for the fair value of an ARO be recognized in the period in which it is incurred with the offsetting associated asset retirement costs capitalized as part of the carrying amount of the long-lived assets. See Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs and Note 14.

For ratemaking purposes, FPL accrues and funds for nuclear plant decommissioning costs over the expected service life of each unit based on studies that are filed with the FPSC at least every five years. The most recent studies, filed in 2005, indicate that FPL's portion of the future cost of decommissioning its four nuclear units, including spent fuel storage, is approximately \$10.9 billion, or \$2.3 billion in 2008 dollars. The studies reflect, among other things, the 20-year license extensions of FPL's nuclear units. At December 31, 2008, \$2,332 million was accrued for nuclear decommissioning, of which \$1,713 million was recorded as an ARO, \$52 million was recorded as a capitalized net asset related to the ARO, \$495 million was recorded as a regulatory liability and \$176 million was included in accrued asset removal costs (a regulatory liability) on the consolidated balance sheets.

FPL accrues the cost of dismantling its fossil plants over the expected service life of each unit based on studies filed with the FPSC. Unlike nuclear decommissioning, fossil dismantlement costs are not funded. The most recent studies, which became effective January 1, 2007, indicated that FPL's portion of the ultimate cost to dismantle its fossil units is \$707 million. The majority of the dismantlement costs are not considered AROs. At December 31, 2008, \$349 million was accrued for fossil dismantlement costs, of which \$26 million was recorded as an ARO, \$8 million was recorded as a capitalized net asset related to the ARO, \$25 million was recorded as a regulatory liability and \$306 million was included in accrued asset removal costs (a regulatory liability) on the consolidated balance sheets.

NextEra Energy Resources records a liability for the present value of its expected decommissioning costs in accordance with FAS 143 and FIN 47 which is determined using various internal and external data. NextEra Energy Resources' portion of the ultimate cost of decommissioning its nuclear plants, including costs associated with spent fuel storage, is approximately \$6.6 billion, or \$1.4 billion expressed in 2008 dollars. The liability is being accreted using the interest method through the date decommissioning activities are expected to be complete. At December 31, 2008, the ARO for nuclear decommissioning of NextEra Energy Resources' nuclear plants totaled approximately \$487 million.

The calculation of the future cost of retiring long-lived assets, including nuclear decommissioning and fossil dismantlement costs, involves estimating the amount and timing of future expenditures and making judgments concerning whether or not such costs are considered a legal obligation under FAS 143 and FIN 47. Estimating the amount and timing of future expenditures includes, among other things, making projections of when assets will be retired and how costs will escalate with inflation. In addition, FPL Group and FPL also make interest rate and rate of return projections on their investments in determining recommended funding requirements for nuclear decommissioning costs. Periodically, FPL Group and FPL will be required to update these estimates and projections which can affect the annual expense amounts recognized, the liabilities recorded and the annual funding requirements for nuclear decommissioning costs. For example, an increase of 0.25% in the assumed escalation rates would increase FPL Group's and FPL's ARO as of December 31, 2008 by \$223 million and \$174 million, respectively.

Regulatory Accounting – FPL follows the accounting practices set forth in FAS 71, "Accounting for the Effects of Certain Types of Regulation." FAS 71 indicates that regulators can create assets and impose liabilities that would not be recorded by non-rate regulated entities. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process. If FPL were no longer subject to cost-based rate regulation, the existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. In addition, the FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. Such costs may include, among others, fuel and O&M expenses, the cost of replacing power lost when fossil and nuclear units are unavailable, storm restoration costs and costs associated with the construction or acquisition of new facilities. The continued applicability of FAS 71 is assessed at each reporting period.

FPL Group's and FPL's regulatory assets and liabilities are as follows:

	FPL Group December 31,		FPL December 31,	
	2008	2007	2008	2007
(millions)				
Regulatory assets:				
Current:				
Deferred clause and franchise expenses	\$ 248	\$ 103	\$ 248	\$ 103
Securitized storm-recovery costs	\$ 64	\$ 59	\$ 64	\$ 59
Derivatives	\$ 1,109	\$ 117	\$ 1,109	\$ 117
Pension	\$ 19	\$ -	\$ -	\$ -
Other	\$ 4	\$ 2	\$ -	\$ -
Noncurrent:				
Securitized storm-recovery costs	\$ 697	\$ 756	\$ 697	\$ 756
Deferred clause expenses	\$ 79	\$ 121	\$ 79	\$ 121
Pension	\$ 100	\$ -	\$ -	\$ -
Unamortized loss on reacquired debt	\$ 32	\$ 36	\$ 32	\$ 36
Other	\$ 138	\$ 95	\$ 133	\$ 72
Regulatory liabilities:				
Current:				
Deferred clause and franchise revenues	\$ 11	\$ 18	\$ 11	\$ 18
Pension	\$ -	\$ 24	\$ -	\$ -
Noncurrent:				
Accrued asset removal costs	\$ 2,142	\$ 2,098	\$ 2,142	\$ 2,098
Asset retirement obligation regulatory expense difference	\$ 520	\$ 921	\$ 520	\$ 921
Pension	\$ -	\$ 696	\$ -	\$ -
Other	\$ 218	\$ 236	\$ 218	\$ 235

See Note 1 for a discussion of FPL Group's and FPL's other significant accounting policies.

Energy Marketing and Trading and Market Risk Sensitivity

Energy Marketing and Trading – Certain of FPL Group's subsidiaries, including FPL and NextEra Energy Resources, use derivative instruments (primarily swaps, options and forwards) to manage the commodity price risk inherent in the purchase and sale of fuel and electricity. In addition, FPL Group, through NextEra Energy Resources, uses derivatives to optimize the value of power generation assets. NextEra Energy Resources provides full energy and capacity requirements services primarily to distribution utilities, which include load-following services and various ancillary services, in certain markets and engages in energy trading activities to take advantage of expected future favorable price movements.

Derivative instruments, when required to be marked to market under FAS 133, as amended, are recorded on FPL Group's and FPL's consolidated balance sheets as either an asset or liability measured at fair value. At FPL, substantially all changes in fair value are deferred as a regulatory asset or liability until the contracts are settled. Upon settlement, any gains or losses are passed through the fuel clause or the capacity clause. For FPL Group's non-rate regulated operations, predominantly NextEra Energy Resources, essentially all changes in the derivatives' fair value for power purchases and sales and trading activities are recognized on a net basis in operating revenues; fuel purchases

and sales are recognized on a net basis in fuel, purchased power and interchange expense; and the equity method investees' related activity is recognized in equity in earnings of equity method investees in FPL Group's consolidated statements of income unless hedge accounting is applied. See Note 3.

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The changes in the fair value of FPL Group's consolidated subsidiaries' energy contract derivative instruments were as follows:

	Hedges on Owned Assets				FPL Group Total
	Trading	Non- Qualifying	OCI (millions)	FPL Cost Recovery Clauses	
Fair value of contracts outstanding at December 31, 2006	\$ 5	\$ 8	\$ (56)	\$ (921)	\$ (964)
Reclassification to realized at settlement of contracts	(8)	(95)	39	870	806
Value of contracts purchased/previously not consolidated	-	23	-	-	23
Effective portion of changes in fair value recorded in OCI	-	-	(92)	-	(92)
Ineffective portion of changes in fair value recorded in earnings	-	3	-	-	3
Changes in fair value excluding reclassification to realized	5	(77)	-	(68)	(140)
Fair value of contracts outstanding at December 31, 2007	2	(138)	(109)	(119)	(364)
Reclassification to realized at settlement of contracts	20	(30)	147	(658)	(521)
Effective portion of changes in fair value recorded in OCI	-	-	76	-	76
Ineffective portion of changes in fair value recorded in earnings	-	25	-	-	25
Changes in fair value excluding reclassification to realized	34	286	-	(331)	(11)
Fair value of contracts outstanding at December 31, 2008	56	143	114	(1,108)	(795)
Net option premium payments (receipts)	(12)	18	-	-	6
Net margin cash collateral paid	-	(2)	-	-	(2)
Total mark-to-market energy contract net assets (liabilities) at December 31, 2008	\$ 44	\$ 159	\$ 114	\$ (1,108)	\$ (791)

FPL Group's total mark-to-market energy contract net assets (liabilities) at December 31, 2008 shown above are included in the consolidated balance sheets as follows:

	December 31, 2008 (millions)
Current derivative assets	\$ 433
Noncurrent other assets	192
Current derivative liabilities	(1,271)
Noncurrent derivative liabilities	(145)

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FPL Group's total mark-to-market energy contract net liabilities \$ (791)

The sources of fair value estimates and maturity of energy contract derivative instruments at December 31, 2008 were as follows:

	2009	2010	2011	Maturity 2012 (millions)	2013	Thereafter	Total
Trading:							
Quoted prices in active markets for identical assets	\$ (38)	\$ (43)	\$ 1	\$ (11)	\$ (7)	\$ -	\$ (98)
Significant other observable inputs	(36)	(29)	2	5	1	-	(57)
Significant unobservable inputs	148	41	13	2	7	-	211
Total	74	(31)	16	(4)	1	-	56
Owned Assets – Non-Qualifying:							
Quoted prices in active markets for identical assets	7	18	(5)	(2)	-	-	18
Significant other observable inputs	(7)	(5)	(13)	(12)	(12)	(20)	(69)
Significant unobservable inputs	158	34	(1)	-	1	2	194
Total	158	47	(19)	(14)	(11)	(18)	143
Owned Assets – OCI:							
Quoted prices in active markets for identical assets	4	14	8	(1)	-	-	25
Significant other observable inputs	65	21	2	1	-	-	89
Significant unobservable inputs	-	-	-	-	-	-	-
Total	69	35	10	-	-	-	114
Owned Assets – FPL Cost Recovery Clauses:							
Quoted prices in active markets for identical assets	-	-	-	-	-	-	-
Significant other observable inputs	(1,108)	-	-	-	-	-	(1,108)
Significant unobservable inputs	(1)	1	-	-	-	-	-
Total	(1,109)	1	-	-	-	-	(1,108)
Total sources of fair value	\$ (808)	\$ 52	\$ 7	\$ (18)	\$ (10)	\$ (18)	\$ (795)

Market Risk Sensitivity – Financial instruments and positions affecting the financial statements of FPL Group and FPL described below are held primarily for purposes other than trading. Market risk is measured as the potential loss in fair value resulting from hypothetical reasonably possible changes in commodity prices, interest rates or equity prices over the next year. In December 2008, FPL Group Capital entered into a cross currency basis swap to hedge against currency movements with respect to both interest and principal payments on a loan; the fair value of the cross currency basis swap was not material at December 31, 2008. Management has established risk management policies to monitor and manage market risks. With respect to commodities, FPL Group's Exposure Management Committee (EMC), which is comprised of certain members of senior management, is responsible for the overall approval of market risk management policies and the delegation of approval and authorization levels. The EMC receives periodic updates on market positions and related exposures, credit exposures and overall risk management activities.

FPL Group and its subsidiaries are also exposed to credit risk through their energy marketing and trading operations. Credit risk is the risk that a financial loss will be incurred if a counterparty to a transaction does not fulfill its financial obligation. FPL Group manages counterparty credit risk for its subsidiaries with energy marketing and trading operations through established policies, including counterparty credit limits, and in some cases credit enhancements, such as cash prepayments, letters of credit, cash and other collateral and guarantees. Credit risk is also managed through the use of master netting agreements. FPL Group's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

Commodity price risk – FPL Group uses a value-at-risk (VaR) model to measure market risk in its trading and mark-to-market portfolios. The VaR is the estimated nominal loss of market value based on a one-day holding period at a 95% confidence level using historical simulation methodology. As of December 31, 2008 and 2007, the VaR figures are as follows:

	Trading		Non-Qualifying Hedges and Hedges in OCI and FPL Cost Recovery				Total		
	FPL	NextEra Energy Resources	FPL Group	Clauses (a) NextEra Energy Resources (millions)		FPL Group	FPL	NextEra Energy Resources	FPL Group
December 31, 2007	\$ -	\$ 6	\$ 6	\$ 51	\$ 31	\$ 37	\$ 51	\$ 28	\$ 39
December 31, 2008	\$ -	\$ 5	\$ 5	\$ 86	\$ 54	\$ 31	\$ 86	\$ 58	\$ 30
Average for the period ended									
December 31, 2008	\$ -	\$ 4	\$ 4	\$ 82	\$ 50	\$ 35	\$ 82	\$ 48	\$ 36

(a) Non-qualifying hedges are employed to reduce the market risk exposure to physical assets or contracts which are not marked to market. The VaR figures for the non-qualifying hedges and hedges in OCI and FPL cost recovery clauses category do not represent the economic exposure to commodity price movements.

Interest rate risk – FPL Group and FPL are exposed to risk resulting from changes in interest rates as a result of their respective issuances of debt, investments in special use funds and other investments. FPL Group and FPL manage their respective interest rate exposure by monitoring current interest rates, entering into interest rate swaps and adjusting their variable rate debt in relation to total capitalization.

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The following are estimates of the fair value of FPL Group's and FPL's financial instruments:

	December 31, 2008		December 31, 2007	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(millions)				
FPL Group:				
Fixed income securities:				
Other current assets	\$ 8	\$ 8(a)	\$ 3	\$ 3(a)
Special use funds	\$ 1,867	\$ 1,867(a)	\$ 2,025	\$ 2,025(a)
Other investments	\$ 97	\$ 97(a)	\$ 108	\$ 108(a)
Long-term debt, including current maturities	\$ 15,221	\$ 15,152(b)	\$ 12,681	\$ 12,642(b)
Interest rate swaps – net unrealized losses	\$ (78)	\$ (78)(c)	\$ (28)	\$ (28)(c)
FPL:				
Fixed income securities – special use funds	\$ 1,510	\$ 1,510(a)	\$ 1,436	\$ 1,436(a)
Long-term debt, including current maturities	\$ 5,574	\$ 5,652(b)	\$ 5,217	\$ 5,185(b)

(a) Based on quoted market prices for these or similar issues.

(b) Based on market prices provided by external sources.

(c) Based on market prices modeled internally.

The special use funds of FPL Group and FPL consist of restricted funds set aside to cover the cost of storm damage for FPL and for the decommissioning of FPL Group's and FPL's nuclear power plants. A portion of these funds is invested in fixed income debt securities carried at their market value. At FPL, adjustments to market value result in a corresponding adjustment to the related liability accounts based on current regulatory treatment. The market value adjustments of FPL Group's non-rate regulated operations result in a corresponding adjustment to OCI, except for impairments deemed to be other than temporary which are reported in current period earnings. Because the funds set aside by FPL for storm damage could be needed at any time, the related investments are generally more liquid and, therefore, are less sensitive to changes in interest rates. The nuclear decommissioning funds, in contrast, are generally invested in longer-term securities, as decommissioning activities are not scheduled to begin until at least 2014 (2032 at FPL).

FPL Group and its subsidiaries use a combination of fixed rate and variable rate debt to manage interest rate exposure. Interest rate swaps are used to adjust and mitigate interest rate exposure when deemed appropriate based upon market conditions or when required by financing agreements. At December 31, 2008, the estimated fair value for FPL Group interest rate swaps was as follows:

Notional Amount (millions)	Effective Date	Maturity Date	Rate Paid	Rate Received	Estimated Fair Value (millions)
Fair value hedge – FPL Group Capital:					
\$ 300	June 2008	September 2011	Variable(a)	5.625%	\$ 21
Cash flow hedges – NextEra Energy Resources:					
\$ 61	December 2003	December 2017	4.245%	Variable(b)	(5)
\$ 20	April 2004	December 2017	3.845%	Variable(b)	(1)
\$ 189	December 2005	November 2019	4.905%	Variable(b)	(23)
\$ 480	January 2007	January 2022	5.390%	Variable(c)	(65)
\$ 160	January 2008	September 2011	3.2050%	Variable(b)	(5)
Total cash flow hedges					(99)
Total interest rate hedges					\$ (78)

(a) Three-month LIBOR plus 1.18896%

(b) Three-month LIBOR

(c) Six-month LIBOR

Based upon a hypothetical 10% decrease in interest rates, which is a reasonable near-term market change, the net fair value of FPL Group's net liabilities would increase by approximately \$671 million (\$304 million for FPL) at December 31, 2008.

Equity price risk – Included in the nuclear decommissioning reserve funds of FPL Group are marketable equity securities carried at their market value of approximately \$1,080 million and \$1,456 million (\$648 million and \$1,063 million for FPL) at December 31, 2008 and 2007, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges, which is a reasonable near-term market change, would result in a \$108 million (\$65 million for FPL)

reduction in fair value and corresponding adjustments to the related liability accounts based on current regulatory treatment for FPL, or adjustments to OCI for FPL Group's non-rate regulated operations, at December 31, 2008.

Credit risk – For all derivative and contractual transactions, FPL Group's energy marketing and trading operations, which includes FPL's energy marketing and trading division, are exposed to losses in the event of nonperformance by counterparties to these transactions. Relevant considerations when assessing FPL Group's energy marketing and trading operations' credit risk exposure include:

- Operations are primarily concentrated in the energy industry.
- Trade receivables and other financial instruments are predominately with energy, utility and financial services related companies, as well as municipalities, cooperatives and other trading companies in the United States.
- Overall credit risk is managed through established credit policies.
- Prospective and existing customers are reviewed for creditworthiness based upon established standards, with customers not meeting minimum standards providing various credit enhancements or secured payment terms, such as letters of credit or the posting of margin cash collateral.
- The use of master netting agreements to offset cash and non-cash gains and losses arising from derivative instruments with the same counterparty. FPL Group's policy is to have master netting agreements in place with significant counterparties.

Based on FPL Group's policies and risk exposures related to credit, FPL Group and FPL do not anticipate a material adverse effect on their financial positions as a result of counterparty nonperformance. As of December 31, 2008, approximately 92% of FPL Group's and 100% of FPL's energy marketing and trading counterparty credit risk exposure is associated with companies that have investment grade credit ratings.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See Management's Discussion – Energy Marketing and Trading and Market Risk Sensitivity – Market Risk Sensitivity.

Item 8. Financial Statements and Supplementary Data

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

FPL Group, Inc.'s (FPL Group) and Florida Power & Light Company's (FPL) management are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The consolidated financial statements, which in part are based on informed judgments and estimates made by management, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

To aid in carrying out this responsibility, we, along with all other members of management, maintain a system of internal accounting control which is established after weighing the cost of such controls against the benefits derived. In the opinion of management, the overall system of internal accounting control provides reasonable assurance that the assets of FPL Group and FPL and their subsidiaries are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded for the preparation of financial statements. In addition, management believes the overall system of internal accounting control provides reasonable assurance that material errors or irregularities would be prevented or detected on a timely basis by employees in the normal course of their duties. Any system of internal accounting control, no matter how well designed, has inherent limitations, including the possibility that controls can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation and reporting.

The system of internal accounting control is supported by written policies and guidelines, the selection and training of qualified employees, an organizational structure that provides an appropriate division of responsibility and a program of internal auditing. FPL Group's written policies include a Code of Business Conduct & Ethics that states management's policy on conflict of interest and ethical conduct. Compliance with the Code of Business Conduct & Ethics is confirmed annually by key personnel.

The Board of Directors pursues its oversight responsibility for financial reporting and accounting through its Audit Committee. This Committee, which is comprised entirely of outside directors, meets regularly with management, the internal auditors and the independent auditors to make inquiries as to the manner in which the responsibilities of each are being discharged. The independent auditors and the internal audit staff have free access to the Committee without management's presence to discuss auditing, internal accounting control and financial reporting matters.

Management assessed the effectiveness of FPL Group's and FPL's internal control over financial reporting as of December 31, 2008, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the Internal Control – Integrated Framework. Based on this assessment, management believes that FPL Group's and FPL's internal control over financial reporting was effective as of December 31, 2008.

FPL Group's and FPL's independent registered public accounting firm, Deloitte & Touche LLP, is engaged to express an opinion on FPL Group's and FPL's consolidated financial statements and an opinion on FPL Group's and FPL's internal control over financial reporting. Their reports are based on procedures believed by them to provide a reasonable basis to support such opinions. These reports appear on the following pages.

LEWIS HAY, III
Lewis Hay, III

ARMANDO PIMENTEL, JR.
Armando Pimentel, Jr.

Chairman and Chief Executive Officer of
FPL Group
and Chairman of FPL

Executive Vice President, Finance and Chief
Financial Officer of FPL Group and FPL

ARMANDO J. OLIVERA
Armando J. Olivera
President and Chief Executive Officer of
FPL

K. MICHAEL DAVIS
K. Michael Davis
Controller and Chief Accounting Officer
of FPL Group and Vice President,
Accounting and Chief Accounting Officer of
FPL

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
FPL Group, Inc. and Florida Power & Light Company:

We have audited the internal control over financial reporting of FPL Group, Inc. and subsidiaries (FPL Group) and Florida Power & Light Company and subsidiaries (FPL) as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. FPL Group's and FPL's management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on FPL Group's and FPL's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audits included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, FPL Group and FPL maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2008 of FPL Group and FPL and our report dated February 26, 2009 expressed an unqualified opinion on those financial statements.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 26, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
FPL Group, Inc. and Florida Power & Light Company:

We have audited the accompanying consolidated balance sheets of FPL Group, Inc. and subsidiaries (FPL Group) and the separate consolidated balance sheets of Florida Power & Light Company and subsidiaries (FPL) as of December 31, 2008 and 2007, and the related consolidated statements of income, of FPL Group's common shareholders' equity, of FPL's common shareholder's equity and of cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the respective company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of FPL Group and of FPL at December 31, 2008 and 2007, and the respective results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), FPL Group's and FPL's internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2009 expressed an unqualified opinion on FPL Group's and FPL's internal control over financial reporting.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 26, 2009

FPL GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(millions, except per share amounts)

	Years Ended December 31,		
	2008	2007	2006
OPERATING REVENUES	\$ 16,410	\$ 15,263	\$ 15,710
OPERATING EXPENSES			
Fuel, purchased power and interchange	8,412	8,192	8,943
Other operations and maintenance	2,527	2,314	2,022
Impairment charges	-	4	105
Disallowed storm costs	-	-	52
Storm cost amortization	64	74	151
Merger-related	-	-	23
Depreciation and amortization	1,378	1,261	1,185
Taxes other than income taxes	1,204	1,135	1,132
Total operating expenses	13,585	12,980	13,613
OPERATING INCOME	2,825	2,283	2,097
OTHER INCOME (DEDUCTIONS)			
Interest expense	(813)	(762)	(706)
Equity in earnings of equity method investees	93	68	181
Gains on disposal of assets – net	18	2	29
Allowance for equity funds used during construction	35	23	21
Interest income	72	89	62
Other than temporary impairment losses on securities held in nuclear decommissioning funds	(148)	(10)	(2)
Other – net	7	(13)	(4)
Total other deductions – net	(736)	(603)	(419)
INCOME BEFORE INCOME TAXES	2,089	1,680	1,678
INCOME TAXES	450	368	397
NET INCOME	\$ 1,639	\$ 1,312	\$ 1,281
Earnings per share of common stock:			
Basic	\$ 4.10	\$ 3.30	\$ 3.25
Assuming dilution	\$ 4.07	\$ 3.27	\$ 3.23
Dividends per share of common stock	\$ 1.78	\$ 1.64	\$ 1.50
Weighted-average number of common shares outstanding:			
Basic	400.1	397.7	393.5

Assuming dilution	402.7	400.6	396.5
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The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FPL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31,	
	2008	2007
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	\$ 41,638	\$ 38,231
Nuclear fuel	1,260	1,096
Construction work in progress	2,630	1,713
Less accumulated depreciation and amortization	(13,117)	(12,388)
Total property, plant and equipment – net	32,411	28,652
CURRENT ASSETS		
Cash and cash equivalents	535	290
Customer receivables, net of allowances of \$29 and \$24, respectively	1,443	1,496
Other receivables, net of allowances of \$2 and \$8, respectively	264	225
Materials, supplies and fossil fuel inventory – at average cost	968	857
Regulatory assets:		
Deferred clause and franchise expenses	248	103
Securitized storm-recovery costs	64	59
Derivatives	1,109	117
Pension	19	-
Other	4	2
Derivatives	433	182
Other	305	448
Total current assets	5,392	3,779
OTHER ASSETS		
Special use funds	2,947	3,482
Prepaid benefit costs	914	1,911
Other investments	923	391
Regulatory assets:		
Securitized storm-recovery costs	697	756
Deferred clause expenses	79	121
Pension	100	-
Unamortized loss on reacquired debt	32	36
Other	138	95
Other	1,188	900
Total other assets	7,018	7,692
TOTAL ASSETS	\$ 44,821	\$ 40,123
CAPITALIZATION		
Common shareholders' equity	\$ 11,681	\$ 10,735
Long-term debt	13,833	11,280
Total capitalization	25,514	22,015
CURRENT LIABILITIES		

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Commercial paper	1,835	1,017
Notes payable	30	-
Current maturities of long-term debt	1,388	1,401
Accounts payable	1,062	1,204
Customer deposits	575	539
Accrued interest and taxes	374	351
Regulatory liabilities:		
Deferred clause and franchise revenues	11	18
Pension	-	24
Derivatives	1,300	289
Other	1,114	915
Total current liabilities	7,689	5,758

OTHER LIABILITIES AND DEFERRED CREDITS

Asset retirement obligations	2,283	2,157
Accumulated deferred income taxes	4,231	3,821
Regulatory liabilities:		
Accrued asset removal costs	2,142	2,098
Asset retirement obligation regulatory expense difference	520	921
Pension	-	696
Other	218	236
Derivatives	218	351
Other	2,006	2,070
Total other liabilities and deferred credits	11,618	12,350

COMMITMENTS AND CONTINGENCIES

TOTAL CAPITALIZATION AND LIABILITIES	\$ 44,821	\$ 40,123
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The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FPL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions)

	Years Ended December 31,		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 1,639	\$ 1,312	\$ 1,281
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,378	1,261	1,143
Nuclear fuel amortization	201	144	127
Impairment charges	-	4	105
Recoverable storm-related costs of FPL	17	(3)	(364)
Storm cost amortization	64	74	151
Unrealized (gains) losses on marked to market energy contracts	(337)	134	(173)
Deferred income taxes	569	402	393
Cost recovery clauses and franchise fees	(111)	(75)	940
Change in prepaid option premiums and derivative settlements	(12)	159	(66)
Equity in earnings of equity method investees	(93)	(68)	(181)
Distributions of earnings from equity method investees	124	175	104
Changes in operating assets and liabilities:			
Customer receivables	49	(216)	(215)
Other receivables	(26)	(14)	62
Material, supplies and fossil fuel inventory	(106)	(14)	(203)
Other current assets	(31)	(14)	8
Other assets	(166)	(100)	(142)
Accounts payable	(120)	63	(202)
Customer deposits	37	29	76
Margin cash collateral	49	86	(546)
Income taxes	(17)	(75)	(46)
Interest and other taxes	30	49	49
Other current liabilities	189	113	50
Other liabilities	(61)	(52)	32
Other – net	137	219	115
Net cash provided by operating activities	3,403	3,593	2,498
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures of FPL	(2,234)	(1,826)	(1,763)
Independent power investments	(2,715)	(2,852)	(1,701)
Nuclear fuel purchases	(247)	(310)	(212)
Other capital expenditures	(40)	(31)	(63)
Sale of independent power investments	25	700	20
Loan repayments and capital distributions from equity method investees	-	11	-
Proceeds from sale of securities in special use funds	2,235	2,211	3,135
Purchases of securities in special use funds	(2,315)	(2,440)	(3,217)
Proceeds from sale of other securities	28	138	96
Purchases of other securities	(84)	(156)	(109)
Funding of loan	(500)	-	-

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Other – net	39	(23)	7
Net cash used in investing activities	(5,808)	(4,578)	(3,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	3,827	3,199	3,408
Retirements of long-term debt	(1,358)	(1,866)	(1,665)
Proceeds from purchased Corporate Units	-	-	210
Payments to terminate Corporate Units	-	-	(258)
Net change in short-term debt	848	(80)	(62)
Issuances of common stock	41	46	333
Dividends on common stock	(714)	(654)	(593)
Change in funds held for storm-recovery bond payments	-	(42)	-
Other – net	6	52	26
Net cash provided by financing activities	2,650	655	1,399
Net increase (decrease) in cash and cash equivalents	245	(330)	90
Cash and cash equivalents at beginning of year	290	620	530
Cash and cash equivalents at end of year	\$ 535	\$ 290	\$ 620
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	\$ 764	\$ 686	\$ 648
Cash paid for income taxes – net	\$ 4	\$ 46	\$ 30
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Assumption of debt in connection with the purchase of independent power project	\$ 31	\$ 55	\$ -

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FPL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
(millions)

	Common Stock (a)		Accumulated Other Comprehensive Income (Loss) (b)			Retained Earnings	Common Shareholders' Equity
	Shares	Aggregate Par Value	Additional Paid-In Capital	Unearned ESOP Compensation			
Balances, December 31, 2005	395	\$ 4	\$ 4,322	\$ (140)	\$ (193)	\$ 4,568	\$ 8,561
Net income	-	-	-	-	-	1,281	
Issuances of common stock, net of issuance cost of less than \$1	9	-	307	4	-	-	
Exercise of stock options and other incentive plan activity	1	-	64	-	-	-	
Dividends on common stock	-	-	-	-	-	(593)	
Earned compensation under ESOP	-	-	21	11	-	-	
Termination of Corporate Units, net of tax benefit of \$15	-	-	(33)	-	-	-	
Other comprehensive income	-	-	-	-	210	-	
Implementation of FAS 158	-	-	-	-	98	-	
Other	-	-	(1)	-	-	-	
Balances, December 31, 2006	405(c)	4	4,680	(125)	115	5,256	\$ 9,930
Net income	-	-	-	-	-	1,312	
Issuances of common stock, net of issuance cost of less than \$1	1	-	33	3	-	-	
Exercise of stock options and other incentive plan activity	1	-	59	-	-	-	
Dividends on common stock	-	-	-	-	-	(654)	
Earned compensation under ESOP	-	-	27	8	-	-	
Other comprehensive loss	-	-	-	-	(44)	-	
Defined benefit pension and other benefits plans	-	-	-	-	45	-	

Implementation of FIN 48	-	-	(15)	-	-	31	
Balances, December 31, 2007	407(c)	4	4,784	(114)	116	5,945	\$ 10,735
Net income	-	-	-	-	-	1,639	
Issuances of common stock, net of issuance cost of less than \$1	1	-	38	4	-	-	
Exercise of stock options and other incentive plan activity	1	-	53	-	-	-	
Dividends on common stock	-	-	-	-	-	(714)	
Earned compensation under ESOP	-	-	30	10	-	-	
Other comprehensive income	-	-	-	-	40	-	
Defined benefit pension and other benefits plans	-	-	-	-	(167)	-	
Implementation of FAS 158 & FAS 159	-	-	-	-	(2)	15	
Balances, December 31, 2008	409(c)	\$ 4	\$ 4,905	\$ (100)	\$ (13)	\$ 6,885	\$ 11,681

(a) \$0.01 par value, authorized – 800,000,000 shares; outstanding shares 408,915,305, 407,344,972 and 405,404,438 at December 31, 2008, 2007 and 2006, respectively.

(b) Comprehensive income, which includes net income and other comprehensive income (loss), totaled approximately \$1,512 million, \$1,313 million and \$1,491 million for 2008, 2007 and 2006, respectively.

(c) Outstanding and unallocated shares held by the Employee Stock Ownership Plan (ESOP) Trust totaled approximately 7 million, 8 million and 9 million at December 31, 2008, 2007 and 2006, respectively; the original number of shares purchased and held by the ESOP Trust was approximately 25 million shares.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(millions)

	Years Ended December 31,		
	2008	2007	2006
OPERATING REVENUES	\$ 11,649	\$ 11,622	\$ 11,988
OPERATING EXPENSES			
Fuel, purchased power and interchange	6,749	6,726	7,116
Other operations and maintenance	1,438	1,454	1,374
Disallowed storm costs	-	-	52
Storm cost amortization	64	74	151
Depreciation and amortization	796	773	787
Taxes other than income taxes	1,073	1,032	1,045
Total operating expenses	10,120	10,059	10,525
OPERATING INCOME	1,529	1,563	1,463
OTHER INCOME (DEDUCTIONS)			
Interest expense	(334)	(304)	(278)
Allowance for equity funds used during construction	35	23	21
Interest income	11	17	30
Other – net	(9)	(12)	(10)
Total other deductions – net	(297)	(276)	(237)
INCOME BEFORE INCOME TAXES	1,232	1,287	1,226
INCOME TAXES	443	451	424
NET INCOME	\$ 789	\$ 836	\$ 802

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31,	
	2008	2007
ELECTRIC UTILITY PLANT		
Plant in service	\$ 26,497	\$ 25,585
Nuclear fuel	613	565
Construction work in progress	1,862	1,101
Less accumulated depreciation and amortization	(10,189)	(10,081)
Electric utility plant – net	18,783	17,170
CURRENT ASSETS		
Cash and cash equivalents	120	63
Customer receivables, net of allowances of \$19 and \$13, respectively	796	807
Other receivables, net of allowances of \$1 and \$1, respectively	143	178
Materials, supplies and fossil fuel inventory – at average cost	563	583
Regulatory assets:		
Deferred clause and franchise expenses	248	103
Securitized storm-recovery costs	64	59
Derivatives	1,109	117
Derivatives	4	83
Other	125	260
Total current assets	3,172	2,253
OTHER ASSETS		
Special use funds	2,158	2,499
Prepaid benefit costs	968	907
Regulatory assets:		
Securitized storm-recovery costs	697	756
Deferred clause expenses	79	121
Unamortized loss on reacquired debt	32	36
Other	133	72
Other	153	230
Total other assets	4,220	4,621
TOTAL ASSETS	\$ 26,175	\$ 24,044
CAPITALIZATION		
Common shareholder's equity	\$ 8,089	\$ 7,275
Long-term debt	5,311	4,976
Total capitalization	13,400	12,251
CURRENT LIABILITIES		
Commercial paper	773	842
Current maturities of long-term debt	263	241
Accounts payable	645	706
Customer deposits	570	531

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Accrued interest and taxes	449	225
Regulatory liabilities – deferred clause and franchise revenues	11	18
Derivatives	1,114	182
Other	598	531
Total current liabilities	4,423	3,276
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	1,743	1,653
Accumulated deferred income taxes	3,105	2,716
Regulatory liabilities:		
Accrued asset removal costs	2,142	2,098
Asset retirement obligation regulatory expense difference	520	921
Other	218	235
Other	624	894
Total other liabilities and deferred credits	8,352	8,517
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 26,175	\$ 24,044

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions)

	Years Ended December 31,		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 789	\$ 836	\$ 802
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	796	773	745
Nuclear fuel amortization	106	83	89
Recoverable storm-related costs	17	(3)	(364)
Storm cost amortization	64	74	151
Deferred income taxes	307	346	27
Cost recovery clauses and franchise fees	(111)	(75)	940
Change in prepaid option premiums and derivative settlements	3	142	(73)
Changes in operating assets and liabilities:			
Customer receivables	11	65	(219)
Other receivables	(11)	(32)	40
Material, supplies and fossil fuel inventory	20	(25)	(110)
Other current assets	(19)	(12)	9
Other assets	(96)	(50)	(83)
Accounts payable	(71)	(80)	(124)
Customer deposits	39	31	77
Margin cash collateral	26	75	(485)
Income taxes	175	(138)	157
Interest and other taxes	9	26	24
Other current liabilities	138	41	16
Other liabilities	(19)	(2)	10
Other – net	7	88	39
Net cash provided by operating activities	2,180	2,163	1,668
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,234)	(1,826)	(1,763)
Nuclear fuel purchases	(133)	(181)	(105)
Proceeds from sale of securities in special use funds	1,454	1,978	2,673
Purchases of securities in special use funds	(1,512)	(2,186)	(2,738)
Other – net	(2)	1	-
Net cash used in investing activities	(2,427)	(2,214)	(1,933)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	589	1,230	937
Retirements of long-term debt	(241)	(250)	(135)
Net change in short-term debt	(69)	212	(529)
Capital contribution from FPL Group	75	-	-
Dividends	(50)	(1,100)	-
Change in funds held for storm-recovery bond payments	-	(42)	-

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Net cash provided by financing activities	304	50	273
Net increase (decrease) in cash and cash equivalents	57	(1)	8
Cash and cash equivalents at beginning of year	63	64	56
Cash and cash equivalents at end of year	\$ 120	\$ 63	\$ 64

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest (net of amount capitalized)	\$ 320	\$ 267	\$ 257
Cash paid (received) for income taxes – net	\$ (11)	\$ 246	\$ 339

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FLORIDA POWER & LIGHT COMPANY
 CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY (a)
 (millions)

	Common Stock (b)	Additional Paid-In Capital	Retained Earnings	Common Shareholder's Equity
Balances, December 31, 2005	\$ 1,373	\$ 4,318	\$ 1,046	\$ 6,737
Net income	-	-	802	
Balances, December 31, 2006	1,373	4,318	1,848	\$ 7,539
Net income	-	-	836	
Dividends to FPL Group	-	-	(1,100)	
Balances, December 31, 2007	1,373	4,318	1,584	\$ 7,275
Net income	-	-	789	
Capital contributions from FPL Group	-	75	-	
Dividends to FPL Group	-	-	(50)	
Balances, December 31, 2008	\$ 1,373	\$ 4,393	\$ 2,323	\$ 8,089

(a) FPL's comprehensive income is the same as reported net income.

(b) Common stock, no par value, 1,000 shares authorized, issued and outstanding.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2008, 2007 and 2006

1. Summary of Significant Accounting and Reporting Policies

Basis of Presentation – FPL Group, Inc.'s (FPL Group) operations are conducted primarily through its wholly-owned subsidiary Florida Power & Light Company (FPL) and its wholly-owned indirect subsidiary NextEra Energy Resources, LLC (NextEra Energy Resources) formerly known as FPL Energy, LLC. FPL, a rate-regulated public utility, supplies electric service to approximately 4.5 million customer accounts throughout most of the east and lower west coasts of Florida. NextEra Energy Resources invests in independent power projects through both controlled and consolidated entities and non-controlling ownership interests in joint ventures essentially all of which are accounted for under the equity method.

The consolidated financial statements of FPL Group and FPL include the accounts of their respective majority-owned and controlled subsidiaries. In September 2007, NextEra Energy Resources acquired Point Beach Nuclear Power Plant (Point Beach), a two-unit, 1,023 megawatt (mw) nuclear facility located in Wisconsin. Since the date of acquisition, Point Beach's results have been included in FPL Group's consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts included in prior years' consolidated financial statements have been reclassified to conform to the current year's presentation. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Regulation – FPL is subject to regulation by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). Its rates are designed to recover the cost of providing electric service to its customers including a reasonable rate of return on invested capital. As a result of this cost-based regulation, FPL follows the accounting practices set forth in Statement of Financial Accounting Standards No. (FAS) 71, "Accounting for the Effects of Certain Types of Regulation." FAS 71 indicates that regulators can create assets and impose liabilities that would not be recorded by non-rate regulated entities. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process.

Cost recovery clauses, which are designed to permit full recovery of certain costs and provide a return on certain assets allowed to be recovered through the various clauses, include substantially all fuel, purchased power and interchange expenses, conservation and certain environmental-related expenses, certain revenue taxes and franchise fees. Beginning in 2009, pre-construction costs and carrying charges on construction costs for new nuclear capacity and costs incurred for FPL's proposed solar generating facilities will also be recovered through cost recovery clauses. Revenues from cost recovery clauses are recorded when billed; FPL achieves matching of costs and related revenues by deferring the net underrecovery or overrecovery. Any underrecovered costs or overrecovered revenues are collected from or returned to customers in subsequent periods. Although clause revenues and expenses do not significantly affect net income, the underrecoveries or overrecoveries can significantly affect FPL Group's and FPL's operating cash flows.

In 2007, the FPSC denied FPL's need petition for two ultra super critical pulverized coal generating units in Glades County, Florida. In December 2008, the FPSC approved the recovery of approximately \$34 million in pre-construction costs associated with these units over a five-year period beginning January 2010. At December 31, 2008 and 2007, these costs are reflected in regulatory assets – other and other assets, respectively, on FPL Group's and FPL's consolidated balance sheets.

If FPL were no longer subject to cost-based rate regulation, the regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. In addition, the FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. The continued applicability of FAS 71 is assessed at each reporting period.

Revenues and Rates – FPL's retail and wholesale utility rate schedules are approved by the FPSC and the FERC, respectively. FPL records unbilled base revenues for the estimated amount of energy delivered to customers but not yet billed. Unbilled base revenues are included in customer receivables and amounted to approximately \$114 million and \$119 million at December 31, 2008 and 2007, respectively. FPL's operating revenues also include amounts resulting from cost recovery clauses (see Regulation), franchise fees, gross receipts taxes and surcharges related to the recovery of storm restoration costs associated with hurricanes and storm-recovery bonds (see Note 9 – FPL). Franchise fees and gross receipts taxes are imposed on FPL; however, the FPSC allows FPL to include in the amounts charged to customers the amount of the gross receipts tax for all customers and the franchise amount for those customers located in the jurisdiction that imposes the fee. Accordingly, franchise fees and gross receipts taxes are reported gross in operating revenues and taxes other than income taxes on FPL Group's and FPL's consolidated statements of income and were approximately \$781 million, \$755 million and \$773 million in 2008, 2007 and 2006, respectively. FPL also collects municipal utility taxes which are reported gross in customer receivables and accounts payable on FPL Group's and FPL's consolidated balance sheets.

In 2005, the FPSC approved a stipulation and settlement agreement regarding FPL's retail base rates (2005 rate agreement), signed by FPL and all of the interveners in its 2005 base rate proceeding. FPL expects the 2005 rate agreement to be in effect through December 31, 2009; thereafter, it shall remain in effect until terminated on the date new retail base rates become effective pursuant to an FPSC order.

The 2005 rate agreement provides that retail base rates will not increase during the term of the agreement except to allow recovery of the revenue requirements of any power plant approved pursuant to the Florida Power Plant Siting Act (Siting Act) that achieves commercial operation during the term of the 2005 rate agreement. Retail base rates increased approximately \$86 million in 2007 when a 1,144 mw natural gas-fired plant at FPL's Turkey Point site (Turkey Point Unit No. 5) was placed in service on May 1, 2007. As approved by the FPSC, FPL's retail base revenues will increase in 2009 when two natural gas-fired combined-cycle units (West County Energy Center Units Nos. 1 and 2), each with approximately 1,220 mw of net generating capacity, are placed in service, which is expected to occur by the third quarter of 2009 and fourth quarter of 2009. The 2005 rate agreement also has a revenue sharing mechanism, whereby revenues from retail base operations in excess of certain thresholds will be shared with customers on the basis of two-thirds refunded to customers and one-third retained by FPL. Revenues from retail base operations in excess of a second, higher threshold (cap) will be refunded 100% to customers. The revenue sharing threshold and cap are established by increasing the prior year's threshold and cap by the sum of the following: (i) the average annual growth rate in retail kilowatt-hour (kwh) sales for the ten-year period ending December 31 of the preceding year multiplied by the prior year's retail base rate revenue sharing threshold and cap and (ii) the amount of any incremental base rate increases for power plants approved pursuant to the Siting Act that achieve commercial operation during the term of the 2005 rate agreement. The revenue sharing threshold and cap for 2009 are estimated to be \$4,534 million and \$4,713 million, respectively.

Under the 2005 rate agreement, the accrual for the refund associated with the revenue sharing mechanism is required to be computed monthly for each twelve-month period of the rate agreement. At the beginning of each twelve-month period, planned revenues are reviewed to determine if it is probable that the thresholds will be exceeded. If so, an accrual is recorded each month for a portion of the anticipated refund based on the relative percentage of year-to-date planned revenues to the total estimated revenues for the twelve-month period, plus accrued interest. In addition, if in any month actual revenues are above or below planned revenues, the accrual is increased or decreased as necessary to recognize the effect of this variance on the expected refund amount. Under the 2005 rate agreement, the annual refund (including interest) is required to be paid to customers as a credit to their February electric bill. For the years ended December 31, 2008, 2007 and 2006, there were no refunds due to customers.

Under the terms of the 2005 rate agreement: (i) FPL's electric property depreciation rates are based upon the comprehensive depreciation studies it filed with the FPSC in March 2005; however, FPL may reduce depreciation by up to \$125 million annually, (ii) FPL has the ability to recover prudently incurred storm restoration costs, either through securitization provisions pursuant to the Florida Statutes or through surcharges, and (iii) FPL will be allowed to recover through a cost recovery clause prudently incurred incremental costs associated with complying with an FPSC or FERC order regarding a regional transmission organization.

FPL does not have an authorized regulatory return on common equity (ROE) under the 2005 rate agreement for the purpose of addressing earnings levels. For all other regulatory purposes, FPL has an ROE of 11.75%. Under the 2005 rate agreement, the revenue sharing mechanism described above is the appropriate and exclusive mechanism to address earnings levels. However, if FPL's regulatory ROE, as reported to the FPSC in FPL's monthly earnings surveillance report, falls below 10% during the term of the 2005 rate agreement, FPL may petition the FPSC to amend its base rates.

In November 2008, FPL notified the FPSC that it intends to initiate a base rate proceeding in March 2009. In the notification, FPL stated that it expects to request an \$800 million to \$950 million annual increase in base rates beginning on January 1, 2010 and an additional annual base rate increase beginning on January 1, 2011. These

amounts exclude the effects of depreciation, which depend in part on the results of a detailed depreciation study that FPL is currently finalizing. Further, FPL expects to request that the FPSC continue to allow FPL to use the mechanism for recovery of the revenue requirements of any new power plant approved pursuant to the Siting Act that was established in FPL's 2005 rate agreement. Hearings on the base rate proceeding are expected during the third quarter of 2009 and a final decision is expected by the end of 2009. The final decision may approve rates that are different from those that FPL will request.

NextEra Energy Resources' revenue is recorded as electricity is delivered, which is when revenue is earned. NextEra Energy Resources' retail energy business records unbilled revenues for the estimated amount of energy delivered to customers but not yet billed. Unbilled revenues are included in customer receivables and amounted to approximately \$41 million and \$26 million at December 31, 2008 and 2007, respectively.

Electric Plant, Depreciation and Amortization – The cost of additions to units of property of FPL and NextEra Energy Resources is added to electric utility plant. In accordance with regulatory accounting, the cost of FPL's units of utility property retired, less estimated net salvage value, is charged to accumulated depreciation. Maintenance and repairs of property as well as replacements and renewals of items determined to be less than units of utility property are charged to other operations and maintenance (O&M) expenses. At December 31, 2008, the electric generating, transmission, distribution and general facilities of FPL represented approximately 45%, 13%, 38% and 4%, respectively, of FPL's gross investment in electric utility plant in service. Substantially all of FPL's properties are subject to the lien of FPL's mortgage, which secures most debt securities issued by FPL. A number of NextEra Energy Resources' generating facilities are encumbered by liens against their assets securing various financings. The net book value of NextEra Energy Resources' assets serving as collateral was approximately \$5.3 billion at December 31, 2008.

Depreciation of FPL's electric property is primarily provided on a straight-line average remaining life basis. FPL includes in depreciation expense a provision for fossil plant dismantlement and nuclear plant decommissioning (see Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs). For substantially all of FPL's property, depreciation studies are performed and filed with the FPSC at least every four years. Pursuant to the 2005 rate agreement, FPL implemented new depreciation rates on January 1, 2006 based on depreciation studies filed with the FPSC in March 2005. Under the 2005 rate agreement (see Revenues and Rates), FPL reduced depreciation by \$125 million annually in 2008, 2007 and 2006. The weighted annual composite depreciation rate for FPL's electric plant in service, including capitalized software, but excluding the effects of decommissioning, dismantlement and the depreciation adjustments discussed above, was approximately 3.6%, 3.6% and 3.7% for 2008, 2007 and 2006, respectively. NextEra Energy Resources' electric plants in service less salvage value, if any, are depreciated primarily using the straight-line method over their estimated useful lives. NextEra Energy Resources' effective depreciation rates, excluding decommissioning, were 4.3%, 4.4% and 4.1% for 2008, 2007 and 2006, respectively.

Nuclear Fuel – FPL leases nuclear fuel for all four of its nuclear units. FPL Group and FPL consolidate the lessor entity in accordance with Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities," as revised (FIN 46(R)). See Note 9 – FPL.

NextEra Energy Resources' nuclear units have several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel. See Note 15 – Contracts. NextEra Energy Resources' nuclear fuel costs are charged to fuel expense on a unit of production method.

Construction Activity – Allowance for funds used during construction (AFUDC) is a non-cash item which represents the allowed cost of capital, including an ROE, used to finance FPL construction projects. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of interest expense and the remainder is recorded as other income. FPSC rules limit the recording of AFUDC to projects that cost in excess of 0.5% of a utility's plant in service balance and require more than one year to complete. FPSC rules allow construction projects below the 0.5% threshold as a component of rate base. During 2008, 2007 and 2006, AFUDC was capitalized at a rate of 7.65%, 7.42% and 7.42%, respectively, and amounted to approximately \$53 million, \$36 million and \$32 million, respectively. See Note 15 – Commitments.

FPL's construction work in progress includes construction materials, progress payments on major equipment contracts, third party engineering costs, AFUDC and other costs directly associated with the construction of various projects. Upon completion of the projects, these costs are transferred to electric utility plant in service. At December 31, 2008 and 2007, FPL recorded approximately \$194 million and \$188 million, respectively, of construction accruals, which are included in other current liabilities on FPL Group's and FPL's consolidated balance sheets.

NextEra Energy Resources capitalizes project development costs once it is probable that such costs will be realized through the ultimate construction of a power plant. At December 31, 2008 and 2007, NextEra Energy Resources' capitalized development costs totaled approximately \$40 million and \$26 million, respectively, which are included in other assets on FPL Group's consolidated balance sheets. These costs include land rights and other third party costs directly associated with the development of a new project. Upon commencement of construction, these costs either are transferred to construction work in progress or remain in other assets, depending upon the nature of the cost. Capitalized development costs are charged to O&M expenses when recoverability is no longer probable.

NextEra Energy Resources' construction work in progress includes construction materials, prepayments on turbine generators, third party engineering costs, capitalized interest and other costs directly associated with the construction and development of the project. Interest capitalized on construction projects amounted to \$55 million, \$39 million and \$17 million during 2008, 2007 and 2006, respectively. NextEra Energy Resources' interest expense is based on a deemed capital structure of 50% debt for operating projects and 100% debt for projects under construction. Upon commencement of plant operation, costs associated with construction work in progress are transferred to electric utility plant in service and other property. At December 31, 2008 and 2007, NextEra Energy Resources recorded approximately \$74 million and \$106 million, respectively, of construction accruals, which are included in other current liabilities on FPL Group's consolidated balance sheets.

Asset Retirement Obligations – FPL Group and FPL each account for asset retirement obligations and conditional asset retirement obligations (collectively, AROs) under FAS 143, "Accounting for Asset Retirement Obligations" and FIN 47, "Accounting for Conditional Asset Retirement Obligations." See Note 14.

Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs – The components of FPL Group's and FPL's decommissioning of nuclear plants, dismantlement of plants and other accrued asset removal costs are as follows:

	FPL									
	Nuclear Decommissioning December 31, 2008		Fossil Dismantlement December 31, 2008		Interim Removal Costs and Other December 31, 2008		NextEra Energy Resources December 31, 2008		FPL Group December 31, 2008	
ARO	\$ 1,713	\$ 1,624	\$ 26	\$ 24	\$ 4	\$ 5	\$ 540	\$ 504	\$ 2,283	\$ 2,157
Less capitalized ARO asset net of accumulated depreciation	52	54	8	8	1	-	-	-	61	62
Accrued asset removal costs (a)	176	201	306	285	1,660	1,612	-	-	2,142	2,098
Asset retirement obligation regulatory expense difference (a)	495	887	25	34	-	-	-	-	520	921
Accrued decommissioning, dismantlement and other accrued asset removal costs	\$ 2,332(b)	\$ 2,658(b)	\$ 349(b)	\$ 335(b)	\$ 1,663(b)	\$ 1,617(b)	\$	\$	\$	\$