BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION

DOCKET NO. 09 8172 EI
FLORIDA POWER & LIGHT COMPANY

IN RE: FLORIDA POWER & LIGHT COMPANY'S PETITION TO DETERMINE NEED FOR FLORIDA ENERGYSECURE LINE

PETITION
APPENDIX "C"

ANNUAL REPORTS

POWERING TODAY.
EMPOWERING TOMORROW.

FPL GROUP 2005 ANNUAL REPORT

PROFILE – *FPL Group, Inc. is one of the nation's largest providers of electricity-related services and is nationally known as a high-quality, efficient and customer-driven organization. Its principal subsidiary, Florida Power & Light Company, serves more than eight million people along the eastern seaboard and southern portion of Florida. FPL Energy, LLC, FPL Group's competitive energy subsidiary, is a leader in producing electricity from clean and renewable fuels. Together, FPL's and FPL Energy's generating assets represent nearly 33,000 megawatts of capacity. FPL FiberNet, LLC, provides fiber-optic services to FPL and other customers, primarily telecommunications companies in Florida.*

SAFE HARBOR STATEMENT

Any statements made herein about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ substantially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in Item 1A-Risk Factors in the enclosed Form 10-K.

FINANCIAL HIGHLIGHTS

Years Ended December 31,	**2005**	2004	% change
FINANCIAL RESULTS			
(millions, except per share amounts)			
Net Income			
Adjustments, net of income taxes	$ 885	$ 887	(0.2)
Net unrealized mark-to-market losses associated with non-qualifying hedges – FPL Energy	112	3	
Adjusted Earnings	$ 997	$ 890	12.0
Earnings Per Share (assuming dilution)	$ 2.29	$ 2.45	(6.5)
Adjustments:			
Net unrealized mark-to-market losses associated with non-qualifying hedges – FPL Energy	0.29	0.01	
Adjusted Earnings Per Share	$ 2.58	$ 2.46	4.9
Operating Revenues	$ 11,846	$ 10,522	12.6
Operating Income	$ 1,464	$ 1,472	(0.5)
Cash Flows from Operating Activities	$ 1,547	$ 2,650	(41.6)
Total Assets	$ 33,004	$ 28,333	16.5
COMMON STOCK DATA			
Weighted-Average Shares Outstanding (assuming dilution – millions)	386	362	6.6
Dividends Per Share	$ 1.42	$ 1.30	9.2
Book Value Per Share	$ 22.11	$ 20.83	6.1
Market Price Per Share (high – low)	$ 48.11 - $35.90	$ 38.05 - $30.10	
OPERATING DATA			
Utility Energy Sales (kwh – millions)	105,648	103,635	1.9
FPL Customer Accounts (year end – thousands)	4,356	4,257	2.3
Employees (year end)	12,391	12,087	2.5

Lewis Hay, III
Chairman, President and Chief Executive Officer

To Our Shareholders

2005 was another extraordinary year for FPL Group. In last year's letter, I told you that 2005 would be defined by several major challenges and areas of focus for each of our businesses.

- For Florida Power & Light Company, our regulated electric company subsidiary, we would need to recover our prudently incurred 2004 storm restoration costs, establish a new base rate structure to be approved by the Florida Public Service Commission (PSC) before the end of the year, and meet continued growth in demand for electric service in Florida.
- For FPL Energy, our competitive energy subsidiary, our plan was to expand our U.S. market leading wind portfolio, continue to extract maximum value from our existing portfolio through a focus on operational excellence, manage a capacity uprate at our Seabrook nuclear power plant in New Hampshire and continue to upgrade our portfolio of assets.

I'm pleased to report that we were successful in meeting these challenges – and then some. Most notably:

- The PSC granted us permission to recover prudently incurred storm costs through a small temporary monthly surcharge on customer bills that began in February 2005.
- We negotiated and the PSC approved a new base rate agreement that provides for rate certainty at least through the end of 2009 and allows us to recover investment in new power plants. It also allows us to recover our prudently incurred storm restoration costs either through a surcharge on customers' bills or through the sale of bonds known as securitization. We believe this outcome fairly balances the interests of both our customers and our shareholders.
- Few people expected another storm season in Florida in 2005 like the one we experienced in 2004 - the year we prepared for and restored service after three powerful hurricanes that impacted more than 5.4 million FPL customers. But in many ways, 2005 proved every bit the match. We mobilized forces to restore service after four storms - Hurricanes Dennis, Katrina, Rita, and Wilma - resulting in approximately 5.3 million FPL customer outages and $906 million in restoration costs. Wilma caused the greatest number of power outages in FPL's 80-plus year history - 3.2 million - and all told was our most challenging restoration effort ever. In many ways, 2005 was a watershed year for us on the storm front, especially from an operational standpoint. We made some key enhancements to our storm restoration processes after the 2004 season, and we are making substantial infrastructure changes after the 2005 season. An independent international engineering consultant's review of our power delivery systems confirmed that our network meets or exceeds current standards and that it performed as expected under hurricane conditions. However, it is now clear that Florida is in the midst of a cycle of increased hurricane activity, and we must bolster our system. We recently announced a five-point, 10-year plan we call Storm Secure℠ that includes rapid completion of post-hurricane repairs and upgrades prior to the 2006 hurricane season, upgrades to our system to withstand higher wind velocity,

converting more overhead lines to underground, revising our pole inspection processes, and increasing line clearing and vegetation management, particularly around critical infrastructure. We expect these actions will make our network much more resilient to hurricanes. Unfortunately, this will take a lot of time and a significant investment of capital to complete. And, regardless of what we do, no system will ever be totally hurricane-proof.

- FPL Energy, our competitive energy business, had another year of strong performance, recording a 71 percent* increase in adjusted earnings over the prior year. Over the past five years, FPL Energy has grown adjusted earnings at an average annual rate of 29 percent*.
- Additionally, in December, we announced our proposed merger with Constellation Energy which, if approved, is expected to create the nation's leading competitive energy business and second largest regulated electric utility business. I'm very excited about this transaction. By successfully integrating our complementary businesses, we will cost effectively build scale and scope immediately to establish ourselves as the premier competitive energy business in America. From a financial standpoint, we expect the transaction to be immediately accretive to earnings, preserve balance sheet strength, and provide a solid foundation of risk-adjusted cash flows. As we see it today, the future earnings power of the combined company should be among the best in the industry. Following receipt of the necessary regulatory and shareholder approvals, we expect to complete the merger by the end of this year.

We're pleased that, in 2005, the U.S. Congress passed and the President signed an energy bill, the first major reform of energy policy in decades. The legislation includes a number of provisions that are favorable to our company, including a wind energy production tax credit, a measure providing greater flexibility to restructure power contracts at certain of our facilities and a section eliminating archaic ownership restrictions on utilities. This last provision was instrumental in allowing for our decision to merge with Constellation.

FPL Group continues to perform extraordinarily well

FPL Group performed admirably again in 2005, and our results speak for themselves:

- FPL Group provided a 15.1 percent total shareholder return for the year, which enabled us to continue to outperform the S&P 500 over the last one-, three-, five- and ten-year periods.
- Net income reached $885 million, or $2.29 per share in 2005, compared with $887 million or $2.45 per share in 2004.
- FPL Group's adjusted earnings, which excludes the net unrealized mark-to-market effect associated with non-qualifying hedges, were $997 million or $2.58 per share in 2005, compared with $890 million or $2.46 per share in 2004. (See page 1 for reconciliation of net income to adjusted earnings and earnings per share to adjusted earnings per share.)
- On February 17, 2006, the board of directors again increased the quarterly common stock dividend, this time by two cents per share, or 5.6 percent.

BUSINESS REVIEW AND 2005 PERFORMANCE

Florida Power & Light

Beyond meeting the extraordinary challenges I outlined earlier in this letter, Florida Power & Light achieved a variety of important results and met a number of key milestones last year.

- FPL is one of the country's largest and fastest growing electric utilities with nearly 4.4 million customer accounts. In 2005, the average number of FPL customer accounts increased by 97,000 or 2.3 percent, consistent with the growth that we have witnessed over the last three years.
- We continued the outstanding operational performance that places FPL among the best utilities in the electric industry. The amount of time our fossil power plants

*FPL Energy-Reconciliation of GAAP to Adjusted Earnings

(millions)	2000	2001	2002	2003	2004	2005
Net Income (Loss)	**$ 82**	**$ 113**	**$ (169)**	**$ 194**	**$ 172**	**$ 187**
Adjustments, net of income taxes:						
Merger-related expenses	1					
Cumulative effect of change in accounting principle (FAS 142)			222			
Restructuring and other charges			73			
Cumulative effect of change in accounting principle (FIN 46)				3		
Net unrealized mark-to-market losses (gains) associated with non-qualifying hedges		(8)		(22)	3	112
Adjusted Earnings	**$ 83**	**$ 105**	**$ 126**	**$ 175**	**$ 175**	**$ 299**

NOTE: For reconciliations of FPL Energy's net income to FPL Group's consolidated net income, see note 17 to FPL Group's consolidated financial statements included herein in FPL Group's 2005 Annual Report on Form 10-K and note 18 to FPL Group's consolidated financial statements in FPL Group's 2002 Annual Report on Form 10-K.

are available to generate electricity is among the highest in the nation, and the reliability of our power delivery system is also among the very best.

- We continue to invest heavily in this business to meet growth and to maintain system reliability. Last year, we reinvested approximately $1.7 billion in FPL. Of note, in June 2005, we added about 1,900 megawatts of gas-fired generation through expansions at our Martin and Manatee sites. Both of these facilities came into service on time and under budget.
- FPL also was challenged in 2005 by conditions in the fuels markets. Dramatically higher prices for natural gas and oil affected the total cost of fuel we needed to generate electricity in 2005 and will have a continuing effect in future years. FPL finished the year having spent just over $1 billion more for fuel than anticipated, and this figure would have been some $600 million higher had it not been for the beneficial impact of our fuel hedging program. Approximately three-quarters of this underrecovery has been built into the 2006 fuel factor approved by the PSC, and the balance is expected to be recovered in 2007. In addition, the 2006 fuel charge to customers reflects higher costs for 2006, causing the typical residential customer bill to increase by 19 percent, while commercial and industrial customers' bills went up by 30 to 40 percent. Even with these increases, FPL's total bills are still well below the charges for equivalent usage in many other parts of the country.

FPL Energy

FPL Energy, a leading clean energy provider with natural gas, wind, solar, hydroelectric and nuclear power plants in operation in 24 states, had a great year in 2005.

- Business results were positively impacted by new projects added during the year, a strong operating performance across the portfolio, improved market conditions, especially in Texas and New England, the ongoing benefits of previous contract restructurings and asset optimization and marketing activities.
- We added just over 500 megawatts to our U.S. market-leading wind energy portfolio. By year-end, we had a 35 percent share of the U.S. market with 3,192 megawatts of clean wind energy, well outpacing our nearest competitor.
- We also added 52 megawatts in the first phase of our two-phased uprate plan at the Seabrook nuclear plant in New Hampshire. The total uprate is anticipated to increase Seabrook's net plant output to 1,106 megawatts.
- Further, we continued to add value and reduce risk by actively hedging our wholesale energy portfolio. At year-end 2005, more than 90 percent of our expected 2006 gross margin and more than 80 percent of our expected 2007 gross margin was hedged.
- In early 2006, we completed the acquisition of a 70 percent interest in the Duane Arnold Energy Center in Iowa, adding approximately 415 megawatts of nuclear power to our portfolio.
- Importantly, the underlying earnings power of FPL Energy remains strong. We expect adjusted earnings per share growth to continue at a 20 to 30 percent annual pace through 2007, assuming normal weather and excluding the effect of adopting new accounting standards and the mark-to-market effect of non-qualifying hedges, neither of which can be determined at this time.

2006 AND BEYOND

Going forward, we have high expectations, sound strategies and strong tangible growth prospects.

From a corporate perspective we have three key priorities for 2006.

- First, we are focused intensely on achieving our 2006 business objectives, which will culminate in anticipated adjusted earnings per share growth for FPL Group of approximately 9 to 12 percent, translating into adjusted earnings per share in the range of $2.80 - $2.90. This includes contributions from FPL of $2.05 to $2.10 and from FPL Energy of $0.90 to $1.00, as well as an expected negative impact from Corporate & Other of $0.15 to $0.20, largely due to interest expense. These ranges are on an FPL Group stand-alone basis, assume normal weather and exclude the effect of adopting new accounting standards and the mark-to-market effect of non-qualifying hedges, neither of which can be determined at this time. We expect to benefit from continued growth in customer accounts at FPL, ongoing productivity improvements at both FPL and FPL Energy, the full-year contributions of new wind generation added in 2005, the partial-year contributions from the continued buildout of FPL Energy's portfolio in 2006, the addition of the Duane Arnold nuclear facility, and ongoing asset optimization and risk management activities at FPL Energy.
- Second, we are committed to completing the merger with Constellation as soon as reasonably possible.
- And third, we will prepare and begin implementing integration plans for "day one" operations of the combined company and to achieve the anticipated synergies in "year one."

In support of the first priority, we have a busy year underway:

- At Florida Power & Light, we'll complete the analysis of the infrastructure and begin to implement our Storm Secure plan to further strengthen our system in order to minimize disruptions from hurricanes. We expect to complete the process for recovering prior-year storm costs and are proposing the rebuilding of a reserve of $650 million for future hurricanes. To ensure reliable electric service and to continue expanding our system to meet the growth in demand for electric power in our service territory, we'll continue construction on the new natural gas-fired power plant at our existing Turkey Point location south of Miami, and we'll continue development plans for a natural gas-fired plant in western Palm Beach County. As we make these and other future additions to our generation portfolio, we'll remain mindful of the need to mitigate fuel prices, be sensitive to our environment and further diversify our fuel mix. On that last point, we'll continue laying the groundwork necessary to hopefully bring lower-cost advanced technology coal and more nuclear power units into our Florida portfolio in coming years.
- At FPL Energy, we'll further expand our wind portfolio. Our wind development pipeline is in excellent shape, with more than 700 megawatts of projects board-approved or already under construction. We'll continue to optimize our portfolio, seeking new assets as appropriate or divesting those that no longer fit into our portfolio. And we expect to benefit from the Duane Arnold nuclear plant acquisition I mentioned earlier.

I would like to personally thank Jesse Arnelle and Frank Zarb for their service as directors of FPL Group. They will be retiring from the board immediately prior to the 2006 annual meeting of shareholders. Jesse has been a director since 1990 and Frank since 2002. Each has made important contributions to our company. I've greatly appreciated their wise and candid counsel.

Rudy Schupp, Hansel Tookes and Brian Ferguson joined our board in 2005. Each has valuable expertise that will serve us well in our changing industry.

As always, I thank our employees for their outstanding efforts in providing safe and reliable power to our customers and for their concern for the environment and for the communities of which we are a part. I particularly want to thank them for the extraordinary hard work, dedication and personal sacrifices they have made to restore power to our customers following the seven hurricanes we experienced over the past two years. I firmly believe that no company could have done a better job than that done by these fine men and women. This past year, their efforts were recognized by several organizations:

- The Edison Electric Institute, the major trade association in the electric power industry, presented us with three awards, one each for our hurricane work in Florida and assisting utilities on the Gulf Coast, and one for our Right Tree Right Place public education campaign.
- For the fourth straight time, FPL Group received a No. 1 ranking for environmental performance among 23 electric utilities from Innovest, an internationally recognized research firm. The Innovest analysis indicates that companies that take positive and proactive measures to address environmental, social and governance factors are likely to outperform peers in stock price performance.
- In January 2006, FPL Group for the second year in a row was named one of the Global 100 Most Sustainable Corporations in the World by Corporate Knights Inc., a Canadian media company. Chosen from a universe of 1,800 publicly-traded companies, FPL Group was cited for the honor after having among "the best developed abilities, relative to their industry peers, to manage the environmental, social and governance risks and opportunities they face."
- In March 2006, FORTUNE magazine ranked FPL Group second among electric and gas utilities in the magazine's annual survey of America's most admired companies. The top companies in their respective industries were rated on eight key attributes: innovation, quality of management, employee talents, quality of service, long-term investment value, financial soundness, social responsibility and use of corporate assets.

I also want to thank the several hundred utilities and contractors and their thousands of restoration personnel from 39 states and Canada that helped our power restoration efforts over the past two years. Their assistance and the support of their family members were invaluable.

As always, I appreciate the support of you, our shareholders, as we continue our ongoing pursuit of increasing shareholder value.

Lewis Hay III

Lewis Hay, III
Chairman, President and Chief Executive Officer

March 31, 2006

NOTE: FPL Group, Inc. intends to file an amendment to its 2005 Annual Report on Form 10-K, a copy of which follows, on or before April 30, 2006 in order to include the Form 10-K Part III information previously intended to be incorporated by reference from the FPL Group, Inc. Proxy Statement for the 2006 Annual Meeting of Shareholders.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **December 31, 2005**

OR

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

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 and Preferred Share Purchase Rights	New York Stock Exchange
Florida Power & Light Company: None	

Securities registered pursuant to Section 12(g) of the Act: None

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 X No ___ Florida Power & Light Company Yes ___ No X

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 X Florida Power & Light Company Yes X No ___

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 requirements for the past 90 days
FPL Group, Inc. Yes X No ___ Florida Power & Light Company Yes ___ No X

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, or a non-accelerated filer. See definition of "large accelerated filer and accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934.
FPL Group, Inc. Large Accelerated Filer X Accelerated Filer ___ Non-Accelerated Filer ___
Florida Power & Light Company Large Accelerated Filer ___ Accelerated Filer ___ Non-Accelerated Filer X

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 X

Aggregate market value of the voting and non-voting common equity of FPL Group, Inc. held by non-affiliates as of June 30, 2005 (based on the closing market price on the Composite Tape on June 30, 2005) was $16,536,560,740.

There was no voting or non-voting common equity of Florida Power & Light Company held by non-affiliates as of June 30, 2005.

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, 2006: 394,857,526 shares.

As of January 31, 2006, 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 2006 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 under General Instruction (I)(1)(a) and (b) of Form 10-K and is therefore filing this form with reduced disclosure format.

DEFINITIONS

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

Term	Meaning
AFUDC	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
Constellation Energy	Constellation Energy Group, Inc.
CRDM	control rod drive mechanism
DOE	U.S. Department of Energy
Duane Arnold	Duane Arnold Energy Center
EMF	electric and magnetic fields
EMT	Energy Marketing & Trading
2005 Energy Act	Energy Policy Act of 2005
environmental clause	environmental compliance cost recovery clause, as established by the FPSC
ERCOT	Electric Reliability Council of Texas
EPA	U.S. Environmental Protection Agency
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 Energy	FPL Energy, LLC
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
Gexa	Gexa Energy, LP
GridFlorida	GridFlorida LLC
Gulfstream	Gulfstream Natural Gas System, L.L.C.
Holding Company Act	Holding Company Act of 2005
IARC	International Agency for Research on Cancer
IRS	Internal Revenue Service
ISO	independent system operator
kv	kilovolt
kwh	kilowatt-hour
LIBOR	London InterBank Offered Rate
Management's Discussion	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
MAPP	Mid-Continent Area Power Pool
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
NERC	North American Electric Reliability Council
Note ___	note ___ to consolidated financial statements
NRC	U.S. Nuclear Regulatory Commission
Nuclear Waste Policy Act	Nuclear Waste Policy Act of 1982
NYPP	New York Power Pool
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, Inc.
PTC	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
RFC	ReliabilityFirst Corporation
RFP	request for proposal
ROE	return on common equity
RTO	regional transmission organization
Seabrook	Seabrook Station
SEC	U.S. Securities and Exchange Commission
SERC	Southeastern Electric Reliability Council
SPP	Southwest Power Pool
VIE	variable interest entity
WECC	Western Electricity Coordinating Council

FPL Group, FPL, FPL Group Capital and FPL Energy each have subsidiaries and affiliates with names that include FPL, FPL Energy, FPLE and similar references. For convenience and simplicity, in this report the terms FPL Group, FPL, FPL Group Capital and FPL Energy 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 or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, believe, could, estimated, may, plan, potential, projection, target, outlook) 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 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. 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 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's principal subsidiary, FPL, is a rate-regulated utility engaged primarily in the generation, transmission, distribution and sale of electric energy. FPL Group Capital, a wholly-owned subsidiary of FPL Group, holds the capital stock and provides funding for FPL Group's operating subsidiaries other than FPL. The business activities of these operating subsidiaries primarily consist of FPL Energy's competitive energy business. At December 31, 2005, FPL Group and its subsidiaries employed approximately 12,400 people. For financial information regarding FPL Group's business segments, see Note 17.

In August 2005, President Bush signed into law the 2005 Energy Act, which substantially affected the regulation of energy companies. The 2005 Energy Act included provisions that, among other things, amended federal energy laws, provided the FERC with new oversight responsibilities, repealed the Public Utility Holding Company Act of 1935, as amended, which regulated the financial structure of certain utility holding companies and, among other things, restricted mergers and acquisitions in the electric industry, and enacted the Holding Company Act. FPL Group is a holding company, as defined in the Holding Company Act.

In December 2005, FPL Group and Constellation Energy announced a proposed merger. The combined company is expected to be the nation's largest competitive energy supplier based on generation and have the second largest electric utility portfolio based on number of customers served. The companies are working to complete the merger by the end of 2006. However, completion of the merger and the actual closing date depend upon the satisfaction of a number of conditions, including shareholder approvals and the receipt of required regulatory approvals. For additional information concerning the proposed merger, see Note 2.

Website Access to SEC Filings. FPL Group and FPL make their SEC filings, including their 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 the internet website, www.fplgroup.com, as soon as reasonably practicable after they are electronically filed with or furnished to 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 eight million throughout most of the east and lower west coasts of Florida. During 2005, FPL served approximately 4.3 million customer accounts. The percentage of FPL's operating revenues by customer class was as follows:

	Years Ended December 31,		
	2005	2004	2003
Residential	55%	54%	56%
Commercial	37	37	37
Industrial	3	3	3
Other, including deferred or recovered clause revenues, the net change in unbilled revenues and any provision for retail rate refund	5	6	4
	100%	100%	100%

FPL currently holds 174 franchise agreements to provide electric service in various municipalities and counties in Florida with varying expiration dates through 2035. Of the 174 franchise agreements, four expire in 2006, 18 expire in 2007 and 85 expire during the period 2008 through 2015. Ongoing negotiations are taking place to renew franchises with upcoming expirations. FPL considers its franchises to be adequate for the conduct of its business.

See the discussion of the proposed merger with Constellation Energy under FPL Group above.

Regulation. FPL's retail operations provided approximately 99% of FPL's 2005 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 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.

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). The rate of return on rate base approximates FPL's weighted-average cost of capital, which includes its costs for debt and preferred stock and, typically, an allowed ROE. The FPSC monitors FPL's actual 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.

In August 2005, FPL and all of the interveners in its 2005 rate case filing signed a stipulation and settlement agreement regarding FPL's retail base rates, which was subsequently approved by the FPSC (2005 rate agreement). The 2005 rate agreement will be in effect through December 31, 2009, and thereafter shall remain in effect until terminated on the date new retail base rates become effective pursuant to an FPSC order. The 2005 rate agreement replaced a rate agreement that was effective April 15, 2002 through December 31, 2005 (2002 rate agreement).

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. The 2005 rate agreement also continues the revenue sharing mechanism in FPL's 2002 rate agreement, 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 for 2006 will be $3,991 million and $4,156 million, respectively, which was established by using the 2005 revenue sharing threshold and cap of $3,880 million and $4,040 million, respectively, and increasing them by the average annual growth rate in retail kwh sales for the ten-year period ending December 31, 2005. For each succeeding year, retail base rate revenue sharing threshold and cap amounts will be 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.

Under the terms of the 2005 rate agreement: (i) FPL's electric property depreciation rates will be 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 suspended contributions of approximately $79 million per year to its nuclear decommissioning fund beginning in September 2005, (iii) FPL suspended contributions of $20.3 million per year to its storm and property insurance reserve beginning in January 2006 and has the ability to recover prudently incurred storm restoration costs, either through securitization pursuant to Section 366.8260 of the Florida Statutes or through surcharges, and (iv) 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 will not have an authorized regulatory ROE under the 2005 rate agreement for the purpose of addressing earnings levels. For all other regulatory purposes, FPL will have an ROE of 11.75%. The revenue sharing mechanism described above will be 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.

The 2002 rate agreement provided for a $250 million annual reduction in retail base revenues allocated to all customers by reducing customers' base rates and service charges by approximately 7%, as well as a revenue sharing mechanism based on stated thresholds. During the term of the 2002 rate agreement, FPL did not have an authorized regulatory ROE range for the purpose of addressing earnings levels and FPL reduced depreciation on its plant in service by $125 million each year.

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. Due to the significant increase in fuel costs during 2005, FPL filed several revisions to its estimated true-up adjustment. In 2005, approximately $4.1 billion of costs were recovered through the fuel clause. The FPSC has approved a risk management fuel procurement program which is intended to reduce the risk of unexpected fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. The results of the program are reviewed by the FPSC as part of the annual review of fuel costs. See Energy Marketing and Trading, Management's Discussion – Results of Operations, Note 1 – Regulation and Note 4.

Capacity payments to other utilities and generating companies for purchased power are recovered from customers through the capacity clause and base rates. In 2005, approximately $651 million of costs were recovered through the capacity clause. Costs associated with implementing energy conservation programs totaled approximately $176 million in 2005 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 totaled $24 million in 2005 and are recovered through the environmental clause to the extent not included in base rates.

FPL was impacted by Hurricanes Dennis, Katrina, Rita and Wilma in 2005 and by Hurricanes Charley, Frances and Jeanne in 2004. These hurricanes did major damage in parts of FPL's service territory and collectively resulted in customer power outages in 2005 and 2004 of 5.3 million and 5.4 million, respectively. At December 31, 2005, storm restoration costs incurred by FPL during 2005 and 2004 exceeded the amount in the storm and property insurance reserve. At December 31, 2005, FPL's storm reserve deficiency totaled approximately $1.1 billion. The storm reserve deficiency associated with the 2004 hurricanes, plus interest, is being recovered primarily through a storm damage surcharge applied to retail customer bills over a 36-month period that began in February 2005, and totaled approximately $297 million at December 31, 2005. The remaining balance of the storm reserve deficiency primarily relates to the storm restoration costs associated with 2005 hurricanes. In January 2006, FPL petitioned the FPSC for approval to recover approximately $1.7 billion of storm costs through the issuance of $1,050 million of storm recovery bonds pursuant to the securitization provisions of Section 366.8260 of the Florida Statutes. The storm bond proceeds will provide for the net-of-tax recovery of the remaining balance of the unrecovered hurricane costs of $1,040 million (estimated balance as of July 31, 2006) and the replenishment of the storm reserve to approximately $650 million. If the FPSC determines that the storm restoration costs should not be securitized and instead should be recovered through another means, FPL has recommended as an alternative recovering the 2005 hurricane costs through a surcharge over approximately three years and implementing a separate surcharge to fund a $650 million storm reserve. The FPSC's decision is expected in May 2006. On February 2, 2006, several interested parties filed a motion to dismiss FPL's petition, claiming that the petition did not satisfy certain technical requirements. FPL filed its response to the motion on February 6, 2006, asserting that the requirements cited are not applicable to FPL's petition and which were met in any event. The FPSC has the right to review FPL's storm charges for prudence, and has the authority to determine the manner and timing of recovery. See Note 1 – Storm Reserve Deficiency.

In January 2006, the FPSC held an electric infrastructure workshop to discuss the damage to electric utility facilities incurred due to recent hurricanes and to explore ways of minimizing damage and resulting outages to customers in the future. Presentations on hurricane issues were made by representatives of city governments, vendors and the Florida utilities. On January 30, 2006, FPL filed a report with the FPSC outlining its Storm Secure Plan, a new initiative to enhance its electrical grid as a result of heightened hurricane activity and in response to concerns expressed by the community, state leaders and regulators. On February 7, 2006, the FPSC approved a rule that requires the Florida electric utilities to inspect their transmission and distribution wood poles on an eight-year inspection cycle and file an annual report with the FPSC regarding such inspections. The FPSC has scheduled a meeting for February 27, 2006 to discuss what the next step(s) will be.

The FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. Such costs may include, among others, 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 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. In 2005, operating revenues from wholesale and industrial customers combined represented approximately 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. Such a regulatory restructuring, if enacted in Florida, would most likely result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Although the legislation and initiatives in other states vary substantially, common areas of focus include when market-based pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generating assets should be separated from transmission, distribution and other assets. It is generally believed that transmission and distribution activities would remain regulated. Within the last few years, these state restructuring efforts have diminished, and several states have delayed the implementation or reversed previously approved restructuring legislation and rules. 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 Note 1 – Regulation.

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 needed 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 generation 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 generation capacity. In August 2005, FPL issued part one of a two-part RFP for additional power resources beginning in 2009. FPL's self-build approach calls for building two approximately 1,200 mw natural gas-fired combined-cycle units in western Palm Beach County, Florida, that would be operational in 2009 and 2010. In January 2006, after evaluating alternative proposals, FPL concluded that its self-build approach is the most cost-effective alternative to satisfy the need for additional power resources in 2009 and 2010. FPL plans to issue part two of this RFP in 2006 soliciting competitive bids for additional power resources beginning in 2012. FPL's self-build approach calls for building two approximately 850 mw advanced technology coal generating units that would be operational in 2012 and 2013.

The FERC has jurisdiction over potential changes that could affect competition in wholesale transactions. In 1999, the FERC issued its final order on RTOs which, under a variety of structures, provides for the independent operation of transmission systems for a given geographic area. In early 2001, the FERC approved GridFlorida (FPL's, Progress Energy Florida, Inc.'s and Tampa Electric Company's proposed RTO) as the RTO for peninsular Florida. In late 2001, the FPSC determined that the RTO as proposed was not in the best interest of Florida customers and required the companies to develop a modified proposal. In early 2002, FPL, Progress Energy Florida, Inc. and Tampa Electric Company filed a modified RTO proposal with the FPSC changing the structure of GridFlorida from a for-profit transmission company to a non-profit ISO. In late 2002, the FPSC approved many of the aspects of the modified RTO proposal, administratively approving recovery of GridFlorida's incremental costs through the capacity clause. During 2004, the FPSC held workshops to address additional GridFlorida issues. In 2005, an independent consulting firm performed a cost benefit analysis of GridFlorida and concluded that GridFlorida would not be cost effective for the retail customers of the GridFlorida participants. In January 2006, FPL and the other GridFlorida participants petitioned the FPSC to approve the withdrawal of the GridFlorida proposal.

System Capability and Load. During 2005, FPL completed the addition of approximately 1,900 mw of natural gas combined-cycle generation at its Martin and Manatee sites. FPL is currently constructing an 1,150 mw natural gas-fired plant at its Turkey Point site with a planned in-service date of mid-2007. See Competition above regarding an RFP for additional power generation resources beginning in 2009.

At December 31, 2005, FPL's resources for serving load consisted of 23,768 mw, of which 20,777 mw are from FPL-owned facilities (see Item 2 – Generating Facilities) and 2,991 mw are obtained through purchased power contracts (see Note 16 – Contracts). FPL's projected reserve margin for the summer of 2006 is approximately 19.5%. This reserve margin will be achieved through the combination of output from FPL's generating units, purchased power contracts and the capability to reduce peak demand through the implementation of load management, which was estimated to be 1,387 mw at December 31, 2005. 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. During the summer of 2005, FPL set four all-time system peaks: 21,220 mw on July 5, 2005, 21,434 mw on July 6, 2005, 21,611 mw on July 21, 2005 and 22,361 on August 17, 2005. FPL had adequate resources available at the time of these peaks to meet customer demand.

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 $1.8 billion in 2005 (including AFUDC of approximately $41 million), $1.4 billion in 2004 (including AFUDC of approximately $48 million) and $1.4 billion in 2003 (including AFUDC of approximately $18 million). Capital expenditures for 2006 through 2010 are estimated as follows:

	2006	2007	2008	2009	2010	Total
			(millions)			
FPL:						
Generation: [a]						
New [b]	$ 255	$ 520	$ 605	$ 660	$ 500	$ 2,540
Existing	450	455	330	395	285	1,915
Transmission and distribution	750	665	640	640	645	3,340
Nuclear fuel	75	120	85	125	135	540
General and other	145	170	165	160	165	805
Total	$ 1,675	$ 1,930	$ 1,825	$ 1,980	$ 1,730	$ 9,140

[a] Includes AFUDC of approximately $39 million, $30 million, $51 million, $72 million and $71 million in 2006, 2007, 2008, 2009 and 2010, respectively.
[b] Includes generating structures, transmission interconnection and integration, licensing and AFUDC.

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 and Note 16 – Commitments.

Nuclear Operations. FPL owns and operates four nuclear units, two at Turkey Point and two at St. Lucie. Turkey Point Units Nos. 3 and 4 received operating license extensions in 2002, which give FPL the option to operate these units until 2032 and 2033, respectively. The NRC extended the operating licenses for St. Lucie Units Nos. 1 and 2 during 2003, which give FPL the option to operate these units until 2036 and 2043, respectively. The original license expiration dates for Turkey Point Units Nos. 3 and 4 and St. Lucie Units Nos. 1 and 2 were 2012, 2013, 2016 and 2023, respectively. The depreciation and decommissioning rates approved as part of the 2005 rate agreement reflect the license extensions received for Turkey Point Units Nos. 3 and 4 and St. Lucie Units Nos. 1 and 2. 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. Scheduled nuclear refueling outages by unit are as follows:

	Refueling Outage	
Unit	Most Recent	Next Scheduled
St. Lucie Unit No. 1	Fall 2005	Spring 2007
St. Lucie Unit No. 2	January 2005	Spring 2006
Turkey Point Unit No. 3	Fall 2004	Spring 2006
Turkey Point Unit No. 4	Spring 2005	Fall 2006

The NRC's regulations require FPL to submit a plan for decontamination and decommissioning five years prior to the projected end of plant operation. FPL's current plans, under the extended 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.

In 2003, the NRC issued an order requiring all pressurized water reactor licensees, including FPL, to perform visual and volumetric inspections of reactor vessel heads at each unit's scheduled refueling outage to identify if degradation such as cracking or corrosion has occurred. In conjunction with the NRC order, FPL has performed visual and volumetric inspections of its nuclear units' reactor vessel heads during their scheduled refueling outages since October 2002. FPL replaced the reactor vessel heads at Turkey Point Unit No. 3, Turkey Point Unit No. 4 and St. Lucie Unit No. 1 during their scheduled refueling outages in the fall of 2004, spring of 2005 and fall of 2005, respectively, and therefore no further inspections will be required at these units until 2009. The inspections during scheduled refueling outages at St. Lucie Unit No. 2 revealed CRDM nozzles with cracks, which were repaired during the outages in 2003 and 2005. It is anticipated that additional CRDM nozzle repairs will be needed at St. Lucie Unit No. 2's next scheduled outage. FPL intends to replace the reactor vessel head at St. Lucie Unit No. 2 during its fall 2007 scheduled refueling outage. The cost to replace St. Lucie Unit No. 2's reactor vessel head, including AFUDC, is included in FPL's estimated capital expenditures. See Management's Discussion – Results of Operations – FPL and Note 16 – Commitments.

St. Lucie Unit No. 2's steam generators are reaching the end of their useful life. As flaws are identified in individual tubes, they are plugged in order to prevent the tubes from leaking during plant operations. To date, 18.9% of these tubes have been plugged. In January 2005, FPL received permission from the NRC to plug up to 30% of St. Lucie Unit No. 2's steam generator tubes. Current projections indicate that the 30% tube plugging limit could be exceeded during St. Lucie Unit No. 2's next scheduled refueling outage. FPL is planning to repair any tubes exceeding the 30% tube plugging limit by inserting metal sleeves inside the degraded tubes (sleeving) and has requested NRC approval to sleeve degraded tubes as an alternative to plugging. Sleeving degraded tubes is expected to increase the cost and length of the outage. FPL intends to replace the steam generators along with the reactor vessel head at St. Lucie Unit No. 2 during its fall 2007 scheduled refueling outage. The cost to replace St. Lucie Unit No. 2's steam generators, including AFUDC, is included in FPL's estimated capital expenditures above. See Management's Discussion – Results of Operations – FPL and Note 16 – Commitments. The replacement of the reactor vessel head and steam generators is expected to add approximately 55 days to the number of days St. Lucie Unit No. 2 is removed from service during a typical scheduled refueling outage.

During 2003, nuclear utilities, other than FPL, identified that pressurizer heater sleeves made with a particular material (alloy 600) 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 and plans to repair St. Lucie Unit No. 2's pressurizer heater sleeves and other penetrations during its scheduled refueling and steam generator and reactor vessel head replacement outage in the fall of 2007. The estimated cost is included in FPL's estimated capital expenditures above. Since the 2004 NRC bulletin was issued, no leaks have been identified based on inspections at St. Lucie Unit No. 2. See Note 16 – Commitments. All pressurizer penetrations and welds at Turkey Point Units Nos. 3 and 4 utilize a different material.

Fuel. FPL's generating plants use a variety of fuels. See Item 2 – Generating Facilities and Note 16 – Contracts. The diverse fuel options, along with purchased power, enable FPL to shift between sources of generation to achieve a more economical fuel mix.

FPL has four firm transportation contracts in place with FGT and one firm transportation contract with Gulfstream that together will satisfy substantially all of the anticipated needs for natural gas transportation at its existing units. The four existing FGT contracts expire between 2015 and 2022, while the Gulfstream contract expires in 2028. The two contracts expiring in 2015 may be extended by FPL until 2030. To the extent desirable, FPL can also purchase interruptible 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 gas requirements are purchased under other 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, long-term coal supply and transportation contracts for a portion of the fuel needs for those units. All of the transportation requirements and a portion of the fuel 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. FPL's oil requirements are obtained under short-term contracts and in the spot market.

FPL leases nuclear fuel for all four of its nuclear units. See Note 1 – Nuclear Fuel. In 2003, FPL Group and FPL began consolidating the lessor entity in accordance with FIN 46, "Consolidation of Variable Interest Entities." See Note 9 – FPL. The contracts for the supply, conversion, enrichment and fabrication of FPL's nuclear fuel have expiration dates ranging from December 2006 through 2013. Currently, FPL is storing spent fuel on site pending its removal by the DOE. Under the Nuclear Waste Policy Act, 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 2005, FPL has paid approximately $541 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 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 the interim, FPL is investigating other alternatives to provide adequate storage capacity for all of its spent nuclear fuel. Based on current projections, FPL will lose its ability to store additional spent fuel on site for St. Lucie Unit No. 1 in 2008, St. Lucie Unit No. 2 in 2007, Turkey Point Unit No. 3 in 2010 and Turkey Point Unit No. 4 in 2012. These projections are based on additional space provided by new cask pit area storage racks installed at the Turkey Point Units Nos. 3 and 4 and St. Lucie Unit No. 1 spent fuel pools in 2004. St. Lucie Unit No. 2's cask pit rack is expected to be completed in the summer of 2006, which will extend its capability to store spent fuel through 2010. In addition, degradation in a material used in the spent fuel pools at St. Lucie Unit No. 1 and Turkey Point Units Nos. 3 and 4 could result in implementation of alternative spent fuel storage options sooner than projected. FPL plans to begin using dry storage casks to store spent fuel at the St. Lucie Units prior to 2009 and at the Turkey Point Units prior to 2010, which would extend their capability to store spent fuel indefinitely. The cost for the dry storage casks is included in FPL's estimated capital expenditures above.

In 2002, the governor of Nevada submitted a Notice of Disapproval to Congress regarding President Bush's recommendation to develop Yucca Mountain as a nuclear waste depository. The Yucca Mountain site is the DOE's recommended location to store and dispose of spent nuclear fuel and high-level radioactive waste. During May and July 2002, Congress overrode the Notice of Disapproval through a majority vote of both houses. The President signed the joint resolution of Congress into law in 2002. The State of Nevada has initiated legal actions to attempt to block the project. In 2004, the U.S. Court of Appeals for the District of Columbia Circuit ruled on a series of challenges to the statutes and regulations established to govern a nuclear waste depository at the Yucca Mountain site. The court denied all the challenges except for one, regarding an EPA rule governing the time period the public would be protected from hypothetical radiation leaks at the Yucca Mountain repository. The court's decision will likely result in revisions to the EPA's and NRC's licensing rules for Yucca Mountain and could further delay the licensing process for Yucca Mountain. The DOE is no longer projecting when the nuclear waste depository will be completed.

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 gas, oil and electricity. EMT also uses derivative instruments, such as swaps, options and forwards to manage the commodity price risk inherent in fuel and electricity sales and purchases. 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 – Energy Marketing and Trading and Market Risk Sensitivity and Note 4.

Environmental. 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. During 2005, FPL spent approximately $41 million on capital additions to comply with environmental laws and regulations. FPL's capital expenditures to comply with environmental laws and regulations are estimated to be $236 million for 2006 through 2008, including approximately $89 million in 2006, and are included in estimated capital expenditures set forth in Capital Expenditures above. Environmental regulations are subject to change. The following is a discussion of emerging federal initiatives and rules that could potentially affect FPL. FPL would generally seek recovery under its environmental clause for compliance costs associated with any new environmental laws and regulations.

Climate Change – As a participant in President Bush's Climate Leader Program to reduce greenhouse gas intensity in the United States by 18% by 2012, FPL has inventoried its greenhouse gas emission rates and FPL Group has committed to a 2008 reduction target of 18% below a 2001 baseline emission rate measured in pounds per megawatt-hour. FPL believes that the planned operation of its generating portfolio, along with its current efficiency initiatives, greenhouse gas management efforts and increased use of renewable energy, will allow it to achieve this target.

In addition to the voluntary initiative, the U.S. Congress is considering several legislative proposals that would establish new mandatory regulatory requirements and reduction targets for greenhouse gases. Based on the most current reference data available from government sources, FPL is among the lowest emitters of greenhouse gases measured by its rate of emissions to generation in pounds per megawatt-hour. However, these legislative proposals have differing methods of implementation and the impact on FPL's 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 a mandatory program.

Multi-Pollutant Legislation – The U.S. Congress and the Bush Administration are considering several legislative proposals that would establish new regulatory requirements and reduction targets for sulfur dioxide, nitrogen oxide, mercury, and in some proposals, carbon dioxide. Based on the most current reference data available from government sources, FPL is among the lowest generators of these emissions when measured by its rate of emissions to generation in pounds per megawatt-hour. However, these multi-pollutant proposals have differing methods of implementation and the impact on FPL's 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.

Clean Air Act Mercury/Nickel Rule – In 2005, the EPA proposed a final rule to regulate mercury emissions from coal-fired electric utility steam generating units under Section 111 of the Clean Air Act. The EPA's proposed final rule seeks to reduce mercury emissions starting in 2010 through "cobenefits" reduction occurring as a result of pollution control equipment currently installed or to be installed in response to the Clean Air Interstate Rule or other environmental rules. This proposed final rule would also allow the EPA to implement a mercury emissions trading program. There is considerable opposition to the proposed final rule from environmental groups, which contend that there should be more stringent control of mercury emissions. While the final requirements are uncertain, it is possible that Scherer Unit No. 4, St. Johns River Power Park Units Nos. 1 and 2 and certain coal-fired units from which FPL purchases power, may be required to add additional pollution control equipment or purchase emission allowances in order to achieve compliance with the proposed mercury emission limits.

During 2005, the EPA determined that new data indicated that nickel emissions from oil-fired units should not be regulated under Section 112 of the Clean Air Act, which set Maximum Achievable Control Technology standards, and as a result the EPA published a final rule delisting nickel from the requirements of regulation under Section 112. Both the mercury and nickel rulemaking decisions are being challenged by various states and environmental groups.

Clean Air Interstate Rule (CAIR) – In 2005, the EPA published a final CAIR that requires sulfur dioxide (SO_2) and nitrogen oxide (NOx) emissions reductions from electric generating units in 28 states where their emissions are transported to downwind states allegedly resulting in fine particulate (PM 2.5) and ozone non-attainment. The final rule requires phased reductions in SO_2 emissions by 2010 and by 2015, and reductions in NOx emissions by 2009 and by 2015, eventually reaching a nationwide reduction of 65% below a 2002 baseline emission rate for each. In the final rule, through the use of modeling data, the states in which FPL facilities are located were determined to be contributors of PM 2.5 and/or ozone production in downwind states. However, FPL believes that the emissions from most of its Florida generating facilities are not affecting the non-attainment status of downwind areas. In July 2005, FPL Group filed a petition for reconsideration with the EPA and a lawsuit in the U.S. Court of Appeals for the District of Columbia challenging the SO_2 and NOx provisions in CAIR. In November 2005, the EPA agreed to reconsider several issues raised regarding the final rule. The EPA plans to issue a decision on all issues by March 15, 2006. While the final requirements are uncertain, it is possible that the FPL generating facilities in Florida and Georgia may be required to add additional SO_2 and NOx controls or purchase emissions allowances to meet the compliance requirements of the final rule.

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 a year. The rule requires states to identify the facilities required to install BART controls by 2008 and allows for a five-year period to implement pollution controls. While the impact of final BART requirements are uncertain, it is possible that some of FPL's BART eligible units may be required to add additional controls or switch fuels to meet the BART compliance 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 intake structures at existing power plants with once-through cooling water systems. The rule requires FPL to demonstrate that it has met or will meet new impingement mortality (the loss of organisms against screens and other exclusion devices) and/or entrainment (the loss of organisms by passing them through the cooling system) reductions by complying with one of five alternatives, including the authorized use of technology, operational measures or restoration measures, and may involve the performance of biological studies. The rules will impact eight of FPL's generating facilities (Cape Canaveral, Cutler, Fort Myers, Lauderdale, Port Everglades, Sanford, Riviera and St. Lucie). FPL will be conducting the necessary studies/analyses over the next several years and implementing solutions based upon regulatory approvals. The total cost of these solutions, as well as any ongoing biological monitoring that may be required, has not yet been determined.

Electric and Magnetic Fields. 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. These fields exist whenever there is a flow of electricity, including in power lines, appliances and building wiring. Some epidemiological studies (which typically examine the incidence of disease in population groups) have reported a statistical association between EMF and some types of cancer, including childhood and adult leukemia. Other studies have not reported any such relationship. Neither these epidemiological studies nor the more controlled laboratory studies of EMF have produced conclusive evidence that EMF causes or contributes to any adverse health effects.

In 1999, the National Institute of Environmental Health Sciences, at the culmination of a five-year federally supported research effort, pronounced that the scientific support for an EMF-cancer link is marginal and concluded that the probability that EMF exposure is truly a health hazard is small but cannot be completely discounted.

In 2001, the IARC conducted an evaluation of power frequency EMF and cancer; it classified power frequency magnetic fields as "possibly carcinogenic" based on an association with childhood leukemia reported in some epidemiology studies. The IARC did not conclude that power frequency EMF cause or contribute to the development of childhood leukemia or any other cancer. In 2002, the California Department of Health Services (DHS) submitted its EMF Risk Evaluation report to the California Public Utility Commission. The report concluded in part that "To one degree or another, all three of the DHS scientists are inclined to believe that EMF can cause some degree of increased risk of childhood leukemia, adult brain cancer, Lou Gehrig's Disease, and miscarriage."

In 2002, the National Institute of Environmental Health Sciences said in a booklet it published on EMF: "For most health outcomes, there is no evidence that EMF exposures have adverse effects. There is some evidence from epidemiology studies that exposure to power-frequency EMF is associated with an increased risk for childhood leukemia. This association is difficult to interpret in the absence of reproducible laboratory evidence or a scientific explanation that links magnetic fields with childhood leukemia."

Florida has had EMF regulations in place for many years, and FPL believes it is in compliance with the FDEP regulations regarding EMF levels within and at the edge of the rights of way for transmission lines. Future changes in the FDEP regulations could require additional capital expenditures by FPL for such things as increasing the right of way corridors 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 10,200 employees at December 31, 2005. Approximately 32% of the employees are represented by the International Brotherhood of Electrical Workers (IBEW) under a collective bargaining agreement with FPL that expires October 31, 2008.

FPL ENERGY OPERATIONS

General. FPL Energy, 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. FPL Energy through its subsidiaries currently owns, develops, constructs, manages and operates domestic electric-generating facilities in wholesale energy markets. FPL Energy also provides full service requirements services to distribution utilities in certain markets. FPL Energy manages or participates in the management of approximately 90% of its projects, which represent approximately 97% of the net generating capacity in which FPL Energy has an ownership interest. At December 31, 2005, FPL Energy had ownership interests in operating independent power projects with a net generating capability totaling 12,053 mw (see Item 2 – Generating Facilities). Generation capacity spans various regions, thereby reducing overall volatility related to varying market conditions and seasonality on a portfolio basis. At December 31, 2005, the percentage of capacity by NERC region or power pool was:

NERC Region/Power Pool	Percentage of Generation Capacity
MAPP/RFC/SPP/ERCOT	37%
NEPOOL/NYPP	24%
SERC/PJM	23%
WECC	16%

Fuel sources for these projects were as follows:

Fuel Source	Percentage of Generation Capacity
Natural Gas	54%
Wind	26%
Nuclear	9%
Oil	6%
Hydro	3%
Other	2%

In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., a retail electric provider in Texas, which serves approximately 1,200 mw of peak load to over 160,000 commercial and residential customers as of December 31, 2005. The Texas commodity markets have recently experienced significant price increases, which have led some regulators, government officials and other interested parties to call for a review of the structure and operation of the Texas retail market. FPL Energy is unable to predict whether such review will occur or result in any changes to the market structure. However, if changes occur in the market structure, such changes could affect Gexa's ability to sign and retain new and existing customers. FPL Energy will continue to monitor these events.

FPL Energy expects its future capacity growth to come primarily from wind development benefiting from the extension of the production tax credit program through 2007 for new wind facilities, as well as from asset acquisitions. FPL Energy plans to add approximately 625 mw to 750 mw of new wind generation in each of 2006 and 2007, including over 700 mw which are currently under construction or have been approved by FPL Group's board of directors. In January 2006, FPL Energy completed the acquisition of a 70% interest in Duane Arnold. See Nuclear Operations. Also, see the discussion of the proposed merger with Constellation Energy under FPL Group above.

FPL Energy's capital expenditures and investments totaled approximately $0.9 billion, $0.4 billion and $1.6 billion in 2005, 2004 and 2003, respectively. Capital expenditures for 2006 through 2010 are estimated as follows:

	2006	2007	2008	2009	2010	Total
			(millions)			
FPL Energy:						
Wind [a]	$ 960	$ 930	$ 5	$ 5	$ 5	$ 1,905
Nuclear [b]	495	85	40	85	100	805
Gas	45	15	15	5	-	80
Other	10	10	10	10	10	50
Total	$ 1,510	$ 1,040	$ 70	$ 105	$ 115	$ 2,840

(a) Capital expenditures for new wind projects are estimated through 2007, when eligibility for PTCs for new wind projects is scheduled to expire.

(b) Includes nuclear fuel and, in 2006, the acquisition of a 70% interest in Duane Arnold (see Nuclear Operations).

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 and Note 16 – Commitments.

Regulation. At December 31, 2005, FPL Energy 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 96% of FPL Energy's 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. FPL Energy's exempt wholesale generators produce electricity from wind, hydropower, fossil fuels and nuclear facilities. In addition, approximately 4% of FPL Energy's net generating capacity has qualifying facility status under PURPA. FPL Energy's qualifying facilities generate electricity from wind, solar, fossil fuels, biomass 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 exempt wholesale generator status are exempt from various restrictions, each project must still comply with other federal, state and local laws, including those regarding siting, construction, operation, licensing, pollution abatement and other environmental laws.

FPL Energy continues to evaluate developing regional market designs. California is scheduled to implement a revised market design in 2007. ERCOT is considering adopting a revised market design with potential implementation in 2009. In both markets, the final market design is not fully known at this time and FPL Energy is currently unable to determine the effects, if any, on its operations resulting from the implementation of such 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 will 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 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 FPL Energy. Opportunities exist for the selective acquisition of generation assets divested under deregulation plans or available from other competitors and for the construction and operation of efficient plants that can sell power in competitive markets. FPL Energy seeks to reduce its market risk by having a diversified portfolio, by fuel type and location, as well as by contracting for the sale of a significant amount of the electricity output of its plants. As of December 31, 2005, FPL Energy had 86% of its on-peak capacity under contract for 2006. Over the last several years, contracting for the sale of electricity output was more difficult as a result of overcapacity in certain regions and diminished market liquidity due to fewer creditworthy counterparties. However, the major markets in which FPL Energy operates have shown signs of continued improvement since 2004, such as improved spark spreads and energy prices in ERCOT and NEPOOL. The combination of new wind projects, expected increase in contribution from merchant assets and asset acquisitions are expected to be the key drivers in supporting FPL Energy's growth over the next few years.

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

As of December 31, 2005, FPL Energy's capacity under contract for 2006 and 2007 was as follows:

Project Portfolio Category	2006 Available MW [a]	2006 % MW Under Contract	2007 Available MW [a]	2007 % MW Under Contract
Wind	3,166	97%[b]	3,287	93%[b]
Contracted [c]	2,461	99%[b]	2,461	99%[b]
Merchant: [d]				
NEPOOL	2,281	74%[e]	2,454	49%[e]
ERCOT	2,598	87%[e]	2,627	37%[e]
All other	1,417	58%[e]	1,372	18%[e]
Total portfolio [f]	11,921	86%[e]	12,200	65%[e]

(a) Weighted to reflect projected in-service dates, planned maintenance, Seabrook's planned refueling outage and power uprate in 2006, the acquisition of a 70% interest, or approximately 415 mw, in Duane Arnold and its planned refueling outage in 2007, and expected production from renewable resource assets.
(b) Reflects round-the-clock mw under contract.
(c) Includes all projects with mid- to long-term purchase power contracts for substantially all of their output.
(d) Includes only those facilities that require active hedging.
(e) Represents on-peak mw under contract.
(f) Totals may not add due to rounding.

Wind Assets – At December 31, 2005, FPL Energy had ownership interests in wind plants with a combined capacity of approximately 3,192 mw (net ownership). The majority of these wind assets have contracts with utilities and power marketers predominantly under fixed-price agreements with expiration dates ranging from 2011 to 2030. FPL Energy operates all but six of these wind facilities. Approximately 92% of FPL Energy's net ownership in wind facilities has received exempt wholesale generator status as defined under the Holding Company Act. The remaining facilities have qualifying facility status under PURPA. FPL Energy's wind facilities are located in fifteen states, thereby reducing weather-related performance risk on a portfolio basis.

FPL Energy plans to add approximately 625 mw to 750 mw of new wind generation in each of 2006 and 2007, including over 700 mw which are currently under construction or have been approved by FPL Group's board of directors.

Contracted – At December 31, 2005, FPL Energy had 2,046 mw of contracted assets. The contracted category includes all projects with mid- to long-term 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 2008 to 2020 and have firm fuel and transportation agreements with expiration dates ranging from 2009 to 2033. Approximately 1,776 mw of this capacity is gas-fired generation. The remaining 270 mw uses a variety of fuels and technologies such as waste-to-energy, oil, solar, coal and petroleum coke. As of December 31, 2005, approximately 89% of FPL Energy's contracted generating capacity is from power plants that have received exempt wholesale generator status under the Holding Company Act, while the remaining 11% have qualifying facility status under PURPA. In January 2006, FPL Energy completed the acquisition of a 70% interest, or approximately 415 mw, in Duane Arnold. FPL Energy is selling its share of the output of Duane Arnold to Interstate Power and Light Company, a subsidiary of Alliant Energy Corporation (IP&L), under a long-term contract expiring in 2014. See Nuclear Operations below.

Merchant Assets – At December 31, 2005, FPL Energy's portfolio of merchant assets includes 6,815 mw of owned nuclear, natural gas, oil and hydro generation, of which 2,700 mw is located in the ERCOT region, 2,643 mw in the NEPOOL region and 1,472 mw in other regions. The merchant assets include 877 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 77% of the merchant assets have gas supply agreements or a combination of gas supply and transportation agreements to provide for on-peak gas requirements. PMI uses derivative instruments (primarily swaps, options and forwards) to lock in pricing and manage the commodity price risk inherent in power sales and fuel purchases. Reducing market risk through these instruments introduces other types of risk however, primarily counterparty and operational risks.

Nuclear Operations. FPL Energy owns an 88.23% undivided interest, or 1,076 mw, in Seabrook, a nuclear power plant located in New Hampshire. FPL Energy is responsible for all plant operations and the ultimate decommissioning of the plant, the cost of which will be shared on a pro-rata basis by the joint owners. See estimated decommissioning cost data in Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs – FPL Energy. In December 2005, FPL Energy obtained NRC approval to extend the unit's operating license from 2026 to 2030 to recapture the period of non-operation from 1986 to 1990. FPL Energy intends to seek approval from the NRC to renew the unit's operating license for an additional 20 years. If granted, this approval would extend the term of the NRC operating license for Seabrook to 2050. In May 2005, Seabrook completed its first phase of a power uprate which increased FPL Energy's net plant output from 1,024 mw to 1,076 mw. Seabrook is periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications. Seabrook is scheduled to complete the second phase of the uprate during its next scheduled refueling outage in the fall of 2006, the estimated future costs of which are included in FPL Energy's estimated capital expenditures above. The uprate is anticipated to increase Seabrook's net plant output to 1,106 mw.

In 2003, the NRC issued an order requiring all pressurized water reactor licensees, including Seabrook, to perform visual and volumetric inspections of reactor vessel heads at certain scheduled refueling outages to identify if degradation such as cracking or corrosion has occurred. Seabrook will be required to perform 100% visual and volumetric inspections during the fall 2006 refueling outage, and subsequently, visual inspections every third refueling outage and volumetric inspections every fourth refueling outage.

Seabrook has several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from 2006 to 2014. See Note 16 – Contracts. Currently, Seabrook is storing spent fuel on site pending its removal by the DOE. Under the Nuclear Waste Policy Act, 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, including amounts paid by all joint owners since the start of Seabrook's operation, is approximately $122 million, of which FPL Energy has paid approximately $24 million since the date of the Seabrook acquisition. In 2004, FPL Energy and Seabrook's other joint owners filed a lawsuit against the DOE seeking damages caused by the DOE's failure to dispose of spent nuclear fuel from the Seabrook facility. The matter is pending. For details on the current status of permanent fuel storage with the DOE see FPL Operations – Fuel. Based on current projections, FPL Energy will lose its ability to store spent fuel at Seabrook as early as 2009. FPL Energy is proceeding with a dry cask storage system which will be placed into commercial operation prior to 2009, the cost of which is included in FPL Energy's estimated capital expenditures above. This would allow for all of Seabrook's spent fuel to be stored on site, including spent fuel storage through its license extension period of 2050, if granted.

In January 2006, FPL Energy completed the acquisition of a 70% interest, or approximately 415 mw, in Duane Arnold, a nuclear power plant located near Cedar Rapids, Iowa, from IP&L. FPL Energy is selling its share of the output of Duane Arnold to IP&L, under a long-term contract expiring in 2014. FPL Energy is responsible for management and operation of the plant, as well as for the ultimate decommissioning of the facility, the cost of which will be shared on a pro-rata basis by the joint owners. FPL Energy expects to file for a license extension for the plant in 2009, which, if approved, will enable the plant to continue to operate for an additional 20 years beyond its current license expiration of 2014. Duane Arnold's next scheduled refueling outage is in February 2007. Duane Arnold is using a spent fuel pool and dry cask storage for storing its spent fuel.

Energy Marketing and Trading. PMI, a subsidiary of FPL Energy, buys and sells wholesale energy commodities, such as natural gas, oil and electricity. PMI procures natural gas and oil for FPL Energy's use in power generation. PMI also sells the output from FPL Energy's plants which has not been sold under long-term contracts and purchases replacement power. 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 FPL Energy's power generation assets. To a lesser extent, PMI engages in limited energy trading activities to take advantage of expected future favorable price movements. FPL Energy also provides full service requirements services to distribution utilities in certain markets. These 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 results of PMI's activities are recognized in FPL Energy's operating results. See Management's Discussion – Energy Marketing and Trading and Market Risk Sensitivity, Note 1 – Energy Trading and Note 4.

Environmental. FPL Energy is subject to the same environmental laws and regulations and is affected by the same emerging issues included in the discussion of FPL's business (see FPL Operations – Environmental). While the final requirements for Section 111 of the Clean Air Act for mercury emissions are uncertain, it is possible that the final Clean Air Act Mercury/Nickel Rule may require a 44 mw coal-fired FPL Energy unit in California to add additional pollution control equipment or purchase emission allowances in order to achieve compliance with the proposed mercury emission limits. In addition, while the impact of final BART requirements of the Clean Air Visibility Rule are uncertain, it is possible that two of FPL Energy's BART eligible units located in Maine may be required to add additional controls or switch fuels to meet the BART compliance requirements. Furthermore, pursuant to a rule under Section 316(b) of the Clean Water Act, two FPL Energy plants (Seabrook and an oil-fired plant in Maine) will be required to demonstrate that they currently meet, or will meet, the prescribed performance standards for the reduction of impingement and/or entrainment at their cooling water intakes through technology, operational measures or restoration measures. FPL Energy will be conducting the necessary studies/analyses over the next several years and implementing solutions based upon regulatory approvals. The total cost of these solutions, as well as any ongoing biological monitoring that may be required, has not yet been determined.

During 2005, FPL Energy spent approximately $2 million on capital additions to comply with environmental laws and regulations. FPL Energy's capital additions to comply with environmental laws and regulations are estimated to be $5 million for 2006 through 2008, including approximately $1 million in 2006, and are included in estimated capital expenditures set forth in General above.

Employees. FPL Energy had approximately 2,030 employees at December 31, 2005. Subsidiaries of FPL Energy have collective bargaining agreements with the IBEW and the Utility Workers Union of America (UWUA), which expire in February 2008 and September 2008, respectively. The IBEW and the UWUA represented approximately 5% and 10%, respectively, of FPL Energy's employees.

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 17.

FPL FiberNet. FPL FiberNet 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, internet and other telecommunications companies. Dark fiber in the Florida metro market is also sold to third parties. FPL FiberNet's primary business focus is the Florida metro market. Metro networks cover Miami, Ft. 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, 2005, FPL FiberNet's network consisted of approximately 2,500 route miles, which interconnect major cities throughout Florida.

At December 31, 2005, FPL Group's investment in FPL FiberNet totaled approximately $203 million. FPL FiberNet invested approximately $11 million during 2005 and plans to invest a total of $55 million over the next five years to meet customers' specific requirements and sustain its fiber-optic network.

EXECUTIVE OFFICERS OF FPL GROUP [(a)]

Name	Age	Position	Effective Date
Paul I. Cutler	46	Treasurer and Assistant Secretary of FPL Group	February 19, 2003
		Treasurer and Assistant Secretary of FPL	February 18, 2003
K. Michael Davis	59	Controller and Chief Accounting Officer of FPL Group	May 13, 1991
		Vice President, Accounting, Controller and Chief Accounting Officer of FPL	July 1, 1991
Moray P. Dewhurst	50	Vice President, Finance and Chief Financial Officer of FPL Group	July 17, 2001
		Senior Vice President, Finance and Chief Financial Officer of FPL	July 19, 2001
Robert H. Escoto	52	Vice President, Human Resources of FPL Group	January 25, 2005
		Assistant Secretary of FPL Group	November 9, 2004
		Senior Vice President, Human Resources of FPL	February 21, 2005
		Assistant Secretary of FPL	January 25, 2005
Lewis Hay, III	50	President and Chief Executive Officer of FPL Group	June 11, 2001
		Chairman of the Board of FPL Group	January 1, 2002
		Chairman of the Board and Chief Executive Officer of FPL	January 1, 2002
Robert L. McGrath	52	Vice President, Engineering, Construction & Corporate Services of FPL Group	February 21, 2005
		Senior Vice President, Engineering, Construction & Corporate Services of FPL	February 21, 2005
Armando J. Olivera	56	President of FPL	June 24, 2003
James L. Robo	43	Vice President, Corporate Development and Strategy of FPL Group	March 11, 2002
		President of FPL Energy	July 26, 2002
Antonio Rodriguez	63	Senior Vice President, Power Generation Division of FPL	July 1, 1999
John A. Stall	51	Senior Vice President, Nuclear Division of FPL	June 4, 2001
Edward F. Tancer	44	Vice President & General Counsel of FPL Group	February 21, 2005
		Assistant Secretary of FPL Group	January 1, 1997
		Senior Vice President & General Counsel of FPL	February 21, 2005
		Assistant Secretary of FPL	January 1, 1997

(a) 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. The business experience of the executive officers is as follows: Mr. Cutler was assistant treasurer of FPL Group from May 1999 to February 2003. He was assistant treasurer of FPL from May 1997 to February 2003. Mr. Cutler has served as assistant secretary of FPL Group and FPL since December 1997. Prior to July 17, 2001, Mr. Dewhurst was senior partner of Dean & Company, a management consulting and investment firm that he co-founded in 1993. Mr. Escoto was vice president, human resources of FPL from March 2004 to February 2005. Mr. Escoto has served as vice president, human resources of FPL Energy since April 2002. Prior to that, Mr. Escoto was director of human resources of FPL. Mr. Hay was president of FPL Energy from March 2000 to December 2001. Mr. McGrath was senior vice president, engineering and construction of FPL from November 2002 to February 2005 and treasurer of FPL Group and FPL from January 2000 to November 2002. He was also vice president, finance and chief financial officer of FPL Energy from June 2000 to November 2002. Mr. Olivera was senior vice president, power systems of FPL from July 1999 to June 2003. Prior to March 2002, Mr. Robo was president and chief executive officer of TIP, a GE Capital Company that provides trailer and storage equipment services, and GE Capital Modular Space, a supplier of mobile and modular buildings. Mr. Stall was vice president of nuclear engineering of FPL from January 2000 to June 2001. Mr. Tancer was associate general counsel of FPL Group from April 2003 to February 2005. He was also vice president and general counsel of FPL Energy from February 2001 to February 2005.

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, including initiatives regarding deregulation and restructuring of the energy industry. 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, including the PURPA, the Holding Company Act, the Federal Power Act, the Atomic Energy Act of 1954, as amended, the 2005 Energy Act and certain sections of the Florida statutes relating to public utilities, changing governmental policies and regulatory actions, including those of the FERC, the FPSC and the legislatures and utility commissions of other states in which FPL Group has operations, and the NRC, with respect to, among other things, allowed rates of return, industry and rate structure, operation of nuclear power facilities, operation and construction of plant facilities, operation and construction of transmission facilities, acquisition, disposal, depreciation and amortization of assets and facilities, recovery of fuel and purchased power costs, decommissioning costs, ROE and equity ratio limits, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs). 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 are subject to extensive federal, state and local environmental statutes as well as the effect of changes in or additions to applicable statutes, rules and regulations relating to air quality, water quality, waste management, wildlife mortality, natural resources and health and safety 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 deregulation, regulation or restructuring of the energy industry, including deregulation or restructuring of the production and sale of electricity. FPL Group and its subsidiaries will need to adapt to these changes and may face increasing competitive pressure.

- FPL Group's and FPL's results of operations could be affected by FPL's ability to renegotiate franchise agreements with municipalities and counties in Florida.

The operation of power generation facilities, including nuclear facilities, involves significant risks that could adversely affect the results of operations and financial condition of FPL Group and FPL.

- The operation of power generation facilities involves many risks, including start up risks, breakdown or failure of equipment, transmission lines or pipelines, use of new technology, the dependence on a specific fuel source, including the supply and transportation of fuel, or the impact of unusual or adverse weather conditions (including natural disasters such as hurricanes), as well as the risk of performance below expected or contracted levels of output or efficiency. This could result in lost revenues and/or increased expenses, including the requirement to purchase power in the market at potentially higher prices to meet its contractual obligations. Insurance, warranties or performance guarantees may not cover any or all of the lost revenues or increased expenses, including the cost of replacement power. In addition to these risks, FPL Group's and FPL's nuclear units face certain risks that are unique to the nuclear industry including the ability to store and/or dispose of spent nuclear fuel, the potential payment of significant retrospective insurance premiums, as well as additional regulatory actions up to and including shutdown of the units stemming from public safety concerns, whether at FPL Group's and FPL's plants, or at the plants of other nuclear operators. Breakdown or failure of an operating facility of FPL Energy may prevent the facility from performing under applicable power sales agreements which, in certain situations, could result in termination of the agreement or incurring a liability for liquidated damages.

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

- FPL Group's and FPL's ability to successfully and timely complete their power generation facilities currently under construction, those projects yet to begin construction or capital improvements to existing facilities within established budgets is contingent upon many variables and subject to substantial risks. Should any such efforts be unsuccessful, FPL Group and FPL could be subject to additional costs, termination payments under committed contracts, 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 that negatively impact the results of operations of FPL Group and FPL.

- FPL Group and FPL use derivative instruments, such as swaps, options and forwards to manage their commodity and financial market risks, and to a lesser extent, engage in limited trading activities. FPL Group could recognize financial losses as a result of volatility in the market values of these contracts, or if a counterparty fails to perform. 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 contracts. In addition, FPL's use of such instruments could be subject to prudency challenges and if found imprudent, cost recovery could be disallowed by the FPSC.

FPL Group's competitive energy business is subject to risks, many of which are beyond the control of FPL Group, that may reduce the revenues and adversely impact the results of operations and financial condition of FPL Group.

- There are other risks associated with FPL Group's competitive energy business. In addition to risks discussed elsewhere, risk factors specifically affecting FPL Energy's success in competitive wholesale markets include 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), transmission constraints, competition from new sources of generation, excess generation capacity and demand for power. There can be significant volatility in market prices for fuel and electricity, and there are other financial, counterparty and market risks that are beyond the control of FPL Energy. FPL Energy's 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 FPL Energy's 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 affect the volatility of FPL Group's financial results. In addition, FPL Energy's business depends upon transmission facilities owned and operated by others; if transmission is disrupted or capacity is inadequate or unavailable, FPL Energy's ability to sell and deliver its wholesale power may be limited.

FPL Group's ability to successfully identify, complete and integrate acquisitions, including the proposed merger with Constellation Energy is subject to significant risks, including 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, as well as the passage of the 2005 Energy Act. In addition, FPL Group may be unable to identify attractive acquisition opportunities at favorable prices and to successfully and timely complete and integrate them.

- FPL Group's ability to successfully complete and integrate the proposed merger between FPL Group and Constellation Energy is subject to certain risks and uncertainties including the ability to obtain governmental approvals of the transaction on the proposed terms, conditions and schedule; the failure of FPL Group or Constellation Energy's shareholders to approve the transaction; the risk that anticipated synergies will not be achieved or will take longer to achieve than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees, suppliers or governmental entities; unexpected transaction costs or liabilities; economic conditions; and other specific factors discussed in documents filed with the SEC by both FPL Group and Constellation Energy. These risks, as well as other risks associated with the merger, will be more fully discussed in the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that Constellation Energy will file with the SEC in connection with the proposed merger.

Because FPL Group and FPL rely on access to capital markets, the inability to maintain current credit ratings and access capital markets on favorable terms may 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 markets as a significant source 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 on favorable terms, particularly during times of uncertainty in the capital markets, which, in turn, could impact FPL Group's and FPL's ability to grow their businesses and would likely increase their interest costs.

Customer growth in FPL's service area affects FPL Group's results of operations.

- FPL Group's results of operations are affected by the growth in customer accounts in FPL's service area. Customer growth can be affected by population growth as well as economic factors in Florida, including job and income growth, housing starts and new home prices. Customer growth directly influences 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.

- 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 and affect the price of energy commodities, and can affect the production of electricity at wind 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.

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

- FPL Group and FPL are subject to costs and other effects of legal and administrative proceedings, settlements, investigations and claims, as well as the effect of new, or changes in, tax laws, rates or policies, rates of inflation, accounting standards, securities laws and corporate governance requirements.

Threats of terrorism and catastrophic events that could result from terrorism 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. Generation and transmission facilities, in general, have been identified as potential targets. The effects of terrorist threats and activities include, among other things, terrorist actions or responses to such actions or threats, the inability to generate, purchase or transmit power, the risk of a significant slowdown in growth or a decline in the U.S. economy, delay in economic recovery in the U.S., 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 affected by 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 affected by national, state or local events as well as company-specific events.

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

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

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

FPL Group and its subsidiaries maintain properties which are adequate for their operations. At December 31, 2005, the electric generating, transmission, distribution and general facilities of FPL represented approximately 45%, 12%, 37% and 6%, respectively, of FPL's gross investment in electric utility plant in service.

Generating Facilities. At December 31, 2005, 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	798
Cutler	Miami, FL	2	Gas	170
Manatee	Parrish, FL	2	Oil/Gas	1,620
Martin	Indiantown, FL	2	Oil/Gas	1,643
Port Everglades	Port Everglades, FL	4	Oil/Gas	1,200
Riviera	Riviera Beach, FL	2	Oil/Gas	556
St. Johns River Power Park	Jacksonville, FL	2	Coal/Petroleum Coke	232 [c]
Sanford	Lake Monroe, FL	1	Oil/Gas	138
Scherer	Monroe County, GA	1	Coal	639 [d]
Turkey Point	Florida City, FL	2	Oil/Gas	785
Combined-cycle				
Fort Myers	Fort Myers, FL	1	Gas	1,441
Lauderdale	Dania, FL	2	Gas/Oil	859
Manatee	Parrish, FL	1	Gas	1,107
Martin	Indiantown, FL	1	Gas/Oil	1,107
Martin	Indiantown, FL	2	Gas	899
Putnam	Palatka, FL	2	Gas/Oil	494
Sanford	Lake Monroe, FL	2	Gas	1,904
Simple-cycle combustion turbines				
Fort Myers	Fort Myers, FL	1	Gas/Oil	326
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				20,777 [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 St. Johns River Power Park 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.

FPL Energy Facilities	Location	No. of Units	Fuel	Net Capability (mw)[a]
Wind				
Cabazon	Riverside County, CA	53	Wind	40
Callahan Divide [b]	Taylor County, TX	76	Wind	114
Cerro Gordo [b]	Cerro Gordo County, IA	55	Wind	41
Delaware Mountain	Culberson County, TX	39	Wind	30
Diablo Wind	Alameda County, CA	31	Wind	21
Gray County	Gray County, KS	170	Wind	112
Green Mountain	Somerset County, PA	8	Wind	10
Green Power	Riverside County, CA	22	Wind	17
Hancock County [b]	Hancock County, IA	148	Wind	98
High Winds [b]	Solano County, CA	90	Wind	162
Horse Hollow [b]	Taylor County, TX	140	Wind	210
Indian Mesa	Upton County, TX	125	Wind	83
King Mountain	Upton County, TX	215	Wind	281
Lake Benton II [b]	Pipestone County, MN	138	Wind	104
Meyersdale [b]	Somerset County, PA	20	Wind	30
Mill Run	Fayette County, PA	10	Wind	15
Montfort [b]	Iowa County, WI	20	Wind	30
Mountaineer [b]	Preston & Tucker Counties, WV	44	Wind	66
New Mexico [b]	Quay & Debaca Counties, NM	136	Wind	204
North Dakota [b]	LaMoure County, ND	41	Wind	62
Oklahoma / Sooner [b]	Harper & Woodward Counties, OK	68	Wind	102
Sky River	Kern County, CA	342	Wind	77
Somerset Wind Power	Somerset County, PA	6	Wind	9
South Dakota [b]	Hyde County, SD	27	Wind	41
Southwest Mesa [b]	Upton & Crockett Counties, TX	107	Wind	75
Stateline [b]	Umatilla County, OR and Walla Walla County, WA	454	Wind	300
Vansycle [b]	Umatilla County, OR	38	Wind	25
Victory Garden	Kern County, CA	96	Wind	22
Waymart [b]	Wayne County, PA	43	Wind	65
Weatherford Wind	Custer County, OK	98	Wind	147
Wilton Wind	Burleigh County, ND	21	Wind	31 [c]
Windpower Partners 1994 [b]	Culberson County, TX	112	Wind	27
Woodward Mountain	Upton & Pecos Counties, TX	242	Wind	160
Wyoming [b]	Uinta County, WY	80	Wind	144
Investments in joint ventures	Various	3,199	[d]	237
Total Wind				3,192
Contracted				
Bayswater [b]	Far Rockaway, NY	2	Gas	56
Calhoun [b]	Eastaboga, AL	4	Gas	668
Doswell [b]	Ashland, VA	6	Gas/Oil	708
Jamaica Bay [b]	Far Rockaway, NY	2	Oil/Gas	54
Port of Stockton	Stockton, CA	1	Coal/Petroleum Coke	44
Investments in joint ventures	Various	18	[e]	516
Total Contracted				2,046
Merchant				
Blythe Energy	Blythe, CA	3	Gas	507
Doswell – Expansion [b]	Ashland, VA	1	Gas/Oil	171
Forney	Forney, TX	8	Gas	1,700
Lamar Power Partners	Paris, TX	6	Gas	1,000
Maine	Various – ME	6	Oil	656 [f]
Maine	Various – ME	83	Hydro	361
Marcus Hook 50	Marcus Hook, PA	1	Gas	50
Marcus Hook 750 [b]	Marcus Hook, PA	4	Gas	744
RISEP [b]	Johnston, RI	3	Gas	550
Seabrook	Seabrook, NH	1	Nuclear	1,076 [g]
Total Merchant				6,815
TOTAL				12,053

(a) Represents FPL Energy's net ownership interest in plant capacity, and does not include the January 2006 acquisition of a 70% interest, or approximately 415 mw, in Duane Arnold.
(b) These consolidated generating facilities are encumbered by liens against their assets securing various financings.
(c) Represents partial operations as of December 31, 2005 with the remaining 18 mw operational in January 2006.
(d) Represents plants with no more than 50% ownership using wind technology.
(e) Represents plants with no more than 50% ownership using fuels and technologies such as gas, waste-to-energy, solar and coal.
(f) Excludes 10 other energy-related partners' combined share of 38.22%.
(g) 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, 2005, FPL owned and operated the following electric transmission and distribution lines:

Nominal Voltage	Overhead Lines Pole Miles	Trench and Submarine Cables Miles
500 kv	1,106[(a)]	-
230 kv	2,771	25
138 kv	1,588	50
115 kv	752	-
69 kv	164	14
Less than 69 kv	41,343	24,427
Total	47,724	24,516

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

In addition, at December 31, 2005, FPL owned and operated 543 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. A number of FPL Energy's generating facilities are encumbered by liens against their assets securing various financings. See Generating Facilities and Note 1 – Electric Plant, Depreciation and Amortization.

Item 3. Legal Proceedings

In November 1999, the Attorney General of the United States, on behalf of the EPA, brought an action in the U.S. District Court for the Northern District of Georgia against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged violations of the Prevention of Significant Deterioration (PSD) provisions and the New Source Performance Standards (NSPS) of the Clean Air Act. In May 2001, the EPA amended its complaint. The amended complaint alleges, among other things, that Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining a PSD permit, without complying with NSPS requirements, and without applying best available control technology for nitrogen oxides, sulfur dioxides and particulate matter as required by the Clean Air Act. It also alleges that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions. The EPA seeks injunctive relief requiring the installation of best available control technology and civil penalties of up to $25,000 per day for each violation from an unspecified date after June 1, 1975 through January 30, 1997 and $27,500 per day for each violation thereafter. The EPA further revised its civil penalty rule in February 2004, such that the maximum penalty is $32,500 per day for each violation after March 15, 2004. Georgia Power Company has answered the amended complaint, asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. In June 2001, the federal district court stayed discovery and administratively closed the case pending resolution of the EPA's motion for consolidation of discovery in several Clean Air Act cases that was filed with a Multi-District Litigation (MDL) panel. In August 2001, the MDL panel denied the motion for consolidation. In September 2001, the EPA moved that the federal district court reopen this case for purposes of discovery. Georgia Power Company opposed that motion asking that the case remain closed until the Eleventh Circuit Court of Appeals ruled on the Tennessee Valley Authority's (TVA) appeal of an EPA administrative compliance order relating to legal issues that are also central to this case. In August 2002, the federal district court denied without prejudice the EPA's motion to reopen. In June 2003, the Eleventh Circuit issued its order dismissing the TVA's appeal because it found the provision of the Clean Air Act allowing the EPA to issue binding administrative compliance orders was unconstitutional, and hence found that the TVA order was a non-final order that courts of appeal do not have jurisdiction to review. In September 2003, the Eleventh Circuit denied the EPA's motion for rehearing. In May 2004, the U.S. Supreme Court denied the EPA's petition for review of the Eleventh Circuit order. The EPA has not yet moved to reopen the Georgia Power Company case.

In November 2001, J. W. and Ernestine M. Thomas, Chester and Marie Jenkins (since substituted for by Hazel and Lamar Jenkins), and Ray Norman and Jack Teague, as Co-Personal Representatives on behalf of the Estate of Robert L. Johns, served FPL Group, FPL, FPL FiberNet, FPL Group Capital and FPL Investments, Inc. (FPL Investments) as defendants in a civil action filed in the Circuit Court for Suwanee County, Florida. This action was purportedly on behalf of all property owners in Florida (excluding railroad and public rights of way) whose property is encumbered by easements in favor of FPL, and on whose property defendants have installed or intend to install fiber-optic cable which defendants currently lease, license or convey or intend to lease, license or convey for non-electric transmission or distribution purposes. The lawsuit alleged that FPL's easements do not permit the installation and use of fiber-optic cable for general communication purposes. The plaintiffs asserted claims for unlawful detainer, unjust enrichment and constructive trust and sought injunctive relief and compensatory damages. In May 2002, plaintiffs filed an amended complaint, adding allegations regarding the installation of wireless communications equipment on some easements, and adding a claim for declaratory relief. Defendants filed an answer and affirmative defenses to the amended complaint in August 2002. Motions for summary judgment by FPL Group, FPL Group Capital and FPL Investments were granted, and they were dismissed from this lawsuit. In February 2004, the plaintiffs filed a motion for leave to file their third amended complaint adding four more plaintiffs and seeking leave to add a claim for punitive damages, and a hearing on this motion was held on April 29, 2005. In July 2005, the parties executed a settlement agreement, subject to court approval. The settlement resolved all aspects of the case and does not contain any admission of liability or wrongdoing by any of the FPL Group companies. The court entered its final order and judgment approving the settlement in January 2006.

In August 2001, FMPA filed with the U.S. Court of Appeals for the District of Columbia (DC Circuit) a petition for review asking the DC Circuit to reverse and remand orders of the FERC denying FMPA's request for credits for transmission facilities owned by FMPA members. The transmission credits sought by FMPA would offset the transmission charges that FPL bills FMPA for network transmission service to FMPA's member cities. FMPA member cities have been taking network transmission service under FPL's open access transmission tariff since 1996. In the orders appealed by FMPA, the FERC ruled that FMPA would be entitled to credits for any FMPA facilities that were "integrated" with the FPL transmission system. Based on the evidence submitted, the FERC concluded that none of the FMPA facilities met the integration test and, therefore, FMPA was not entitled to credits against FPL's charges for transmission service. In January 2003, the DC Circuit upheld the FERC's order denying FMPA credits for its facilities; in March 2003, the DC Circuit denied FMPA's rehearing request of the DC Circuit's decision; and in October 2003, the U.S. Supreme Court denied FMPA's petition for review of the DC Circuit's decision.

FMPA also has requested that the FERC decide the same crediting issue in a separate FERC proceeding. That proceeding dates back to a filing by FPL in 1993 of a comprehensive restructuring of its then-existing tariff structure. All issues in that case were settled in September 2000 except for three issues reserved by FMPA: (i) the crediting issue, (ii) treatment of behind-the-meter generation and load ratio pricing for network integration transmission service, and (iii) exclusions from FPL's transmission rates of the costs of FPL's facilities that failed to meet the same integration test that was applied to FMPA's facilities with respect to the crediting issue. In December 2003, the FERC issued an order addressing the three reserved issues. With respect to the crediting issue, the FERC stated that it had previously determined that FMPA was not entitled to credits for its facilities in the related proceeding discussed above and saw no persuasive reason to revisit that determination in this proceeding. Regarding the issue of behind-the-meter generation, the FERC stated that it had addressed the issue of load ratio pricing for network integration transmission service and the related issue of behind-the-meter generation in Order Nos. 888 and 888-A, and saw no persuasive reason to revisit that determination in this proceeding. With respect to the third issue, the FERC directed FPL to make a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test applied to the FMPA facilities.

In January 2004, FMPA requested a "conditional rehearing on the Commission's failure to order rate credits solely in the event that Commission does not adequately reduce FPL's rate base to achieve comparability," and challenging the FERC's determination not to revisit the issue of behind-the-meter generation and load ratio pricing for network integration transmission service. In March 2004, the FERC issued an order denying FMPA's rehearing request. In April 2004, FMPA petitioned the DC Circuit for review of the FERC's December 2003 order and March 2004 order. FMPA filed its initial brief in that proceeding in October 2004. FMPA's arguments are limited to the issue of behind-the-meter generation and load ratio pricing for network integration transmission service in instances when, according to FMPA, FPL cannot provide transmission service because of "physical transmission limitations." In June 2005, the DC Circuit remanded the case to the FERC for further consideration. The DC Circuit concluded that the FERC failed to explain in its orders why network customers should be charged by the transmission provider for network service that the provider is physically constrained from offering and why physical impossibility should not be recognized as an exception to the general rule against permitting partial load ratio pricing for network customers. The DC Circuit noted that it was not reaching a determination on whether charging on a full load basis in fact is unjust and unreasonable under the circumstances, that it was not defining what constitutes physical impossibility, and that it was not determining whether FMPA made a showing of impossibility. In December 2005, the FERC issued an order on remand answering the DC Circuit's question by finding that FPL is entitled to load ratio share pricing, notwithstanding constraints on a third-party's system. In January 2006, FMPA filed a rehearing request of this order with the FERC.

In May 2004, FPL made a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test that was applied to the FMPA facilities. Pursuant to this filing, 1.63% of FPL's transmission facilities do not satisfy the integration standard and FPL's current network transmission rate would be reduced by $0.02 per kilowatt (kw) per month. In June 2004, FMPA filed a protest to FPL's compliance filing, which protest would exclude approximately 30% of FPL's transmission facilities and reduce FPL's current network transmission rate by approximately $0.41 per kw per month. In January 2005, the FERC issued an order on FPL's compliance filing. In the order, the FERC accepted FPL's standards for analyzing the transmission system and agreed that FPL's "Georgia Ties" and "Turkey Point Lines" are part of FPL's integrated grid. The FERC required FPL to make an additional compliance filing removing the cost of all radial transmission lines from transmission rates, rather than only radial lines that serve one customer, analyzing the FPL transmission system to remove the cost of any transmission facilities that provide only "unneeded redundancy," and calculating rate adjustments using 1993 data rather than 1998 data. FPL made this compliance filing in April 2005, reducing FPL's rate $0.04 per kw per month resulting in a refund obligation to FMPA of approximately $3 million at December 31, 2005. In May 2005, FMPA protested FPL's compliance filing, claiming that FPL had not followed the FERC's mandate and argued that FPL's rates should be reduced by an additional $0.20, potentially resulting in a refund obligation to FMPA of approximately $18 million at December 31, 2005. Any reduction in FPL's network service rate also would apply effective January 1, 2004 to Seminole Electric Cooperative Inc. (Seminole), FPL's other network customer. The refund obligation to Seminole at December 31, 2005 would be approximately $1 million under FPL's filing and approximately $5 million based on FMPA's position.

In December 2005, the FERC issued an order accepting FPL's April 2005 compliance filing in part, rejecting it in part, and directing the submission of a further compliance filing. The FERC accepted FPL's compliance filing wherein FPL proposed a reduction in its rate base created by the exclusion of certain radial lines valued at $29 million net plant. However, the FERC concluded that it is not clear whether FPL failed to test its non-radial facilities in a manner comparable to the way it tested FMPA's facilities. The December 2005 order asks FPL to make a further compliance filing in 60 days to explain the meaning of "unserved load" as it applies to Florida Reliability Coordinating Council (FRCC) standards, and to remove from rates any facility where the unserved load occurred only as a result of the contingency facility. The FERC noted that FRCC and NERC standards allow for the controlled loss of load on radial facilities and that FPL tested FMPA facilities for loss of local load as well as load at other load centers. FPL filed a rehearing request in January 2006, contending that the FERC misapplied FRCC/NERC planning criteria for radial facilities to network systems and misinterpreted the test FPL applied to FMPA facilities. FPL also filed a request to delay the compliance filing pending FERC action on FPL's rehearing request.

In 1995 and 1996, FPL Group, through an indirect subsidiary, purchased from Adelphia Communications Corporation (Adelphia) 1,091,524 shares of Adelphia common stock and 20,000 shares of Adelphia preferred stock (convertible into 2,358,490 shares of Adelphia common stock) for an aggregate price of approximately $35,900,000. On January 29, 1999, Adelphia repurchased all of these shares for $149,213,130 in cash. On June 24, 2004, Adelphia, Adelphia Cablevision, L.L.C. and the Official Committee of Unsecured Creditors of Adelphia filed a complaint against FPL Group and its indirect subsidiary in the U.S. Bankruptcy Court, Southern District of New York. The complaint alleges that the repurchase of these shares by Adelphia was a fraudulent transfer, in that at the time of the transaction Adelphia (i) was insolvent or was rendered insolvent, (ii) did not receive reasonably equivalent value in exchange for the cash it paid, and (iii) was engaged or about to engage in a business or transaction for which any property remaining with Adelphia had unreasonably small capital. The complaint seeks the recovery for the benefit of Adelphia's bankruptcy estate of the cash paid for the repurchased shares, plus interest. FPL Group has filed an answer to the complaint and discovery has commenced. FPL Group believes that the complaint is without merit because, among other reasons, Adelphia will be unable to demonstrate that (i) Adelphia's repurchase of shares from FPL Group, which repurchase was at the market value for those shares, was not for reasonably equivalent value, (ii) Adelphia was insolvent at the time of the repurchase, or (iii) the repurchase left Adelphia with unreasonably small capital. The case has been set for trial in August 2007.

In February 2003, Scott and Rebecca Finestone brought an action on behalf of themselves and their son Zachary Finestone in the U.S. District Court for the Southern District of Florida alleging that their son has developed cancer (neuroblastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The complaint, as subsequently amended, includes counts against FPL for strict liability for allegedly engaging in an ultra-hazardous activity and for alleged negligence in operating the plant in a manner that allowed emissions of the foregoing materials and failing to limit its release of nuclear fission products as prescribed by federal and state laws and regulations. The plaintiffs seek damages in excess of $1 million. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. On February 8, 2006, the plaintiffs filed a notice of appeal of the court's decision granting final summary judgment for FPL.

In May 2003, Tish Blake and John Lowe, as personal representatives of the Estate of Ashton Lowe, on behalf of the estate and themselves, as surviving parents, brought an action in the U.S. District Court for the Southern District of Florida alleging that their son developed cancer (medulo-blastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The allegations, counts and damages demanded in the complaint, as subsequently amended, are virtually identical to those contained in the Finestone lawsuit described above. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. On February 8, 2006, the plaintiffs filed a notice of appeal of the court's decision granting final summary judgment for FPL.

In August 2003, Pedro C. and Emilia Roig brought an action on behalf of themselves and their son, Pedro Anthony Roig, in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida (the state court), which was removed in October 2003 to the U.S. District Court for the Southern District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies and FPL, alleging that their son has suffered toxic neurological effects from mercury poisoning. The sources of mercury exposure are alleged to be vaccines containing a preservative called thimerosal that were allegedly manufactured and distributed by the drug companies, mercury amalgam dental fillings, and emissions from FPL power plants in southeast Florida. The complaint includes counts against all defendants for civil battery and against FPL for alleged negligence in operating the plants such that the son was exposed to mercury and other heavy metals emissions. The damages demanded from FPL are for injuries and losses allegedly suffered by the son as a result of his exposure to the plants' mercury emissions and the parents' alleged pain and suffering, medical expenses, loss of wages, and loss of their son's services and companionship. No amount of damages is specified. The U.S. District Court remanded the action back to the state court. The drug manufacturing and distribution companies have moved to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until the state court rules on those motions.

In December 2003, Edward and Janis Shiflett brought an action on behalf of themselves and their son, Phillip Benjamin Shiflett, in the Circuit Court of the 18th Judicial Circuit in and for Brevard County, Florida (the state court), which was removed in January 2004 to the U.S. District Court for the Middle District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, FPL and the Orlando Utilities Commission, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Roig lawsuit described above. FPL's motion to dismiss the complaint was denied. The U.S. District Court subsequently remanded the action back to the state court. All parties anticipate that the drug manufacturing and distribution companies will move to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until the state court rules on those motions.

In October 2004, TXU Portfolio Management Company (TXU) served FPL Energy Pecos Wind I, LP, FPL Energy Pecos Wind I GP, LLC, FPL Energy Pecos Wind II, LP, FPL Energy Pecos Wind II GP, LLC and Indian Mesa Wind Farm, LP (FPL Energy Affiliates) as defendants in a civil action filed in the District Court in Dallas County, Texas. The petition alleges that the FPL Energy Affiliates had a contractual obligation to produce and sell to TXU a minimum quantity of energy each year and that the FPL Energy Affiliates failed to meet this obligation. The plaintiff has asserted claims for breach of contract and declaratory judgment and seeks damages of approximately $21 million. The FPL Energy Affiliates filed their answer and counterclaim in November 2004, denying the allegations. The counterclaim, as now amended, asserts claims for conversion, breach of fiduciary duty, breach of warranty, conspiracy, breach of contract and fraud and seeks termination of the contract and damages. At the end of 2005, TXU amended its complaint to add FPL Group, FPL Energy, FPL Group Capital and ESI Energy, LLC, as defendants. Motions to dismiss those entities as defendants have been filed. The case is in discovery and has been set for trial in October 2006.

In November 2005, Peter Rabbino and Legal Computer Consultants, Inc. brought a civil action against FPL in the Circuit Court for Broward County, Florida. This action is purportedly on behalf of all customers of FPL that lost power due to Hurricane Wilma. No class certification motion has been filed to date. The two count complaint alleges, in Count I, breach of contract and, in Count II, violation of a statute. Count I alleges that FPL failed to sufficiently maintain its system to prevent power outages due to inclement weather, including hurricanes. This count seeks injunctive relief requiring FPL to bury its lines or install stronger poles and consequential damages. Count II alleges that FPL is statutorily obligated to provide sufficient, adequate and efficient service and that FPL was grossly negligent in carrying out this obligation resulting in damages to its customers due to Hurricane Wilma. This count seeks injunctive relief and consequential damages identical to that sought in Count I. FPL filed a motion to dismiss based on a number of legal grounds, including the exclusive jurisdiction of the FPSC to govern these types of disputes. On February 8, 2006, the court granted FPL's motion to dismiss, dismissing all claims in Count I with prejudice, and dismissing Count II without prejudice except as to any claims for injunctive relief, which were dismissed with prejudice.

In addition to those legal proceedings discussed above, FPL Group and its subsidiaries, including FPL, are involved in a number of other legal proceedings and claims in the ordinary course of their businesses. In addition, generating plants in which FPL Group or FPL have an ownership interest are involved in legal proceedings and claims, the liabilities from which, if any, would be shared by FPL Group or FPL.

In the event that FPL Group and FPL do not prevail in these lawsuits, there may be a material adverse effect on their financial statements. However, FPL Group and FPL believe that they have meritorious defenses to all the pending litigation and proceedings discussed above under the heading Litigation and are vigorously defending the lawsuits. While management is unable to predict with certainty the outcome of the legal proceedings and claims discussed or described herein, based on current knowledge it is not expected that their ultimate resolution, individually or collectively, will have a material adverse effect on the financial statements.

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

None

PART II

Item 5. Market for the 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. 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 for each quarter during the past two years are as follows:

	2005		2004	
Quarter	High	Low	High	Low
First	$ 41.38	$ 35.90	$ 34.41	$ 31.67
Second	$ 42.72	$ 39.16	$ 33.63	$ 30.10
Third	$ 48.11	$ 40.30	$ 34.93	$ 31.21
Fourth	$ 48.05	$ 40.75	$ 38.05	$ 33.67

Approximate Number of Shareholders. As of the close of business on January 31, 2006, there were 32,364 holders of record of FPL Group's common stock.

Dividends. Quarterly dividends have been paid on common stock of FPL Group during the past two years in the following amounts per share:

Quarter	2005	2004
First	$ 0.355	$ 0.31
Second	$ 0.355	$ 0.31
Third	$ 0.355	$ 0.34
Fourth	$ 0.355	$ 0.34

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, primarily FPL. There are no restrictions in effect that currently limit FPL's ability to pay dividends to FPL Group. In February 2006, FPL Group announced that it would increase its quarterly dividend on its common stock from $0.355 to $0.375. See Management's Discussion – Liquidity and Capital Resources with respect to dividend restrictions and Note 12 – Common Stock Dividend Restrictions regarding dividends paid by FPL to FPL Group.

Issuer Purchases of Equity Securities.

The following table presents information regarding purchases made by FPL Group of its common stock:

Period	Total Number of Shares Purchased [a]	Average Price Paid Per Share [a]	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program [b]
				(thousands)
10/1/05 – 10/31/05	5,350	$ 44.93	-	20,000
11/1/05 – 11/30/05	422,826	$ 41.38	-	20,000
12/1/05 – 12/31/05	229	$ 41.56	-	20,000
Total	428,405		-	

(a) Represents: (1) shares of common stock purchased by FPL Group in the open market in accordance with the terms and conditions of the FPL Group Amended and Restated Long-Term Incentive Plan (LTIP), which provides for the purchase of such shares in connection with grants and vesting of stock awards and (2) shares of common stock purchased from employees to pay certain withholding taxes upon the vesting of stock awards granted to such employees under the LTIP. The November 2005 period also includes 171,132 shares forfeited by an employee pursuant to an agreement without any payment by FPL Group.

(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 (after giving effect to the 2005 stock split) over an unspecified period, which plan was ratified and confirmed by FPL's Group's board of directors in December 2005.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2005	2004	2003	2002	2001
SELECTED DATA OF FPL GROUP (millions, except per share amounts):					
Operating revenues	$ 11,846	$ 10,522	$ 9,630	$ 8,173	$ 8,217
Income before cumulative effect of changes in accounting principles	$ 885[a]	$ 887[a]	$ 893[a]	$ 695[b]	$ 781[c]
Cumulative effect of adopting FAS 142, net of income taxes of $143	$ -	$ -	$ -	$ (222)	$ -
Cumulative effect of adopting FIN 46, net of income taxes of $2	$ -	$ -	$ (3)	$ -	$ -
Net income	$ 885[a]	$ 887[a]	$ 890[d]	$ 473[e]	$ 781[c]
Earnings per share of common stock:					
Earnings per share before cumulative effect of changes in accounting principles	$ 2.33[a]	$ 2.47[a]	$ 2.52[a]	$ 2.01[b]	$ 2.31[c]
Cumulative effect of changes in accounting principles	$ -	$ -	$ (0.01)	$ (0.64)	$ -
Earnings per share	$ 2.33[a]	$ 2.47[a]	$ 2.51[d]	$ 1.37[e]	$ 2.31[c]
Earnings per share of common stock – assuming dilution:					
Earnings per share before cumulative effect of changes in accounting principles	$ 2.29[a]	$ 2.45[a]	$ 2.51[a]	$ 2.01[b]	$ 2.31[c]
Cumulative effect of changes in accounting principles	$ -	$ -	$ (0.01)	$ (0.64)	$ -
Earnings per share	$ 2.29[a]	$ 2.45[a]	$ 2.50[d]	$ 1.37[e]	$ 2.31[c]
Dividends paid per share of common stock	$ 1.42	$ 1.30	$ 1.20	$ 1.16	$ 1.12
Total assets [f][g]	$ 33,004	$ 28,333	$ 26,935	$ 23,185	$ 20,713
Long-term debt, excluding current maturities [f]	$ 8,039	$ 8,027	$ 8,723	$ 5,790	$ 4,858
Obligations of FPL under capital lease, excluding current maturities [f]	$ -	$ -	$ -	$ 140	$ 133
SELECTED DATA OF FPL (millions):					
Operating revenues	$ 9,528	$ 8,734	$ 8,293	$ 7,378	$ 7,477
Net income available to FPL Group	$ 748	$ 749	$ 733	$ 717	$ 679[h]
Total assets [f]	$ 22,726	$ 19,114	$ 17,817	$ 16,032	$ 15,174
Long-term debt, excluding current maturities [f]	$ 3,271	$ 2,813	$ 3,074	$ 2,364	$ 2,579
Energy sales (kwh)	105,648	103,635	103,202	98,605	93,488
Energy sales:					
Residential	51.4%	50.7%	51.8%	51.6%	50.9%
Commercial	41.1	40.6	40.1	40.6	40.6
Industrial	3.7	3.8	3.9	4.1	4.4
Interchange power sales	2.0	2.9	2.3	1.8	2.2
Other [i]	1.8	2.0	1.9	1.9	1.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute peak load (mw): [j]					
Summer season	22,361	20,545	19,668	19,219	18,754
Winter season	19,682	18,108	15,989	20,190	17,585
Average number of customer accounts (thousands):					
Residential	3,828	3,745	3,653	3,566	3,491
Commercial	470	458	445	435	427
Industrial	20	19	17	16	15
Other	4	3	2	3	2
Total	4,322	4,225	4,117	4,020	3,935
Average price per kwh (cents) [k]	8.88	8.36	7.95	7.32	8.05

(a) Includes net unrealized mark-to-market gains or losses associated with non-qualifying hedges.
(b) Includes impairment and restructuring charges, charges related to certain wind projects and leveraged leases, a favorable settlement of litigation with the IRS and net unrealized mark-to-market gains associated with non-qualifying hedges.
(c) Includes merger-related expenses and net unrealized mark-to-market gains associated with non-qualifying hedges.
(d) Includes the cumulative effect of an accounting change and net unrealized mark-to-market gains associated with non-qualifying hedges.
(e) Includes the cumulative effect of an accounting change, impairment and restructuring charges, charges related to certain wind projects and leveraged leases, a favorable settlement of litigation with the IRS and net unrealized mark-to-market gains associated with non-qualifying hedges.
(f) Reflects the adoption of FIN 46 in July 2003. See Note 9.
(g) Reflects the adoption of FAS 142 in January 2002.
(h) Includes merger-related expenses.
(i) Includes the net change in unbilled sales.
(j) Winter season includes November and December of the current year and January to March of the following year.
(k) Excludes interchange power sales, net change in unbilled revenues, deferrals/recoveries under cost recovery clauses and a provision, if any, for retail rate refund.

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. Its principal subsidiary, FPL, serves more than eight million people throughout most of the east and lower west coasts of Florida. FPL Energy, FPL Group's competitive energy subsidiary, produces electricity primarily utilizing natural gas, wind and nuclear resources. Together, FPL's and FPL Energy's generating assets represented approximately 32,800 mw of capacity at December 31, 2005. FPL FiberNet provides fiber-optic services to FPL, telecommunications companies and other customers throughout Florida. In December 2005, FPL Group entered into an agreement and plan of merger with Constellation Energy. The combined company is expected to be the nation's largest competitive energy supplier based on generation and have the second largest electric utility portfolio based on the number of customers served. Completion of the merger and the actual closing date depend upon the satisfaction of a number of conditions, including shareholder approvals and the receipt of required regulatory approvals. The parties believe that the proposed merger will offer both strategic and financial advantages in serving the energy marketplace, as well as generate significant cost savings and synergies, the majority of which are expected to come from the competitive energy businesses. These synergies are expected to result from consolidation of competitive energy business unit operations, sharing of best practices, improved procurement strategies and consolidation of systems and support activities. See Note 2.

FPL obtains its operating revenues primarily from the retail sale of electricity. In August 2005, FPL and all of the interveners in its 2005 rate case filing signed a stipulation and settlement agreement regarding FPL's retail base rates, which was subsequently approved by the FPSC. The 2005 rate agreement will be in effect through December 31, 2009, and thereafter shall remain in effect until terminated on the date new retail base rates become effective pursuant to an FPSC order. See Note 1 – Revenues and Rates. Over the last 10 years, FPL's average annual customer growth has been 2.2% while underlying usage growth has been 0.6%. FPL is meeting the increased demands of its customers by adding to its generation capacity and electric transmission and distribution infrastructure. FPL plans to add approximately 1,150 mw of combined-cycle generating capacity by 2007 at a total investment of approximately $580 million. FPL's O&M expenses increased in 2005 reflecting continued upward trends in nuclear maintenance and employee-related costs, as well as increased maintenance costs for fossil generation plants due to a number of FPL's older units going through major overhauls. These same factors, along with costs associated with enhancing FPL's transmission and distribution system and uncollectible accounts, are expected to increase O&M expenses in 2006. FPL's business strategy is to meet the increased demands of customer growth and focus on improving operating performance.

FPL Energy is in the competitive energy business with the majority of its operating revenues derived from wholesale electricity sales. Its market is diversified by region as well as by fuel source. As of December 31, 2005, approximately 86% of FPL Energy's expected 2006 capacity was hedged against commodity price volatility. If FPL Energy's plants do not perform as expected, this high degree of hedging could result in FPL Energy being required to purchase power, including transportation, in the market at potentially higher prices to meet its contractual obligations. FPL Energy's energy marketing and trading business is focused on reducing risk and extracting maximum value from its assets. FPL Energy, through its subsidiaries, is one of the largest producers of wind energy in the world, and with the extension of the production tax credit program through December 2007, plans to continue expanding its wind portfolio in 2006 and 2007 through construction of new facilities and selective acquisitions. FPL Energy's 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.

Results of Operations

Summary – FPL Group's net income for the years ended December 31, 2005, 2004 and 2003 was $885 million, $887 million and $890 million, respectively. See Note 17 for segment information. FPL Group's net income for the year ended December 31, 2005 reflects slightly reduced earnings at FPL and higher interest expense at Corporate and Other, partially offset by improved results at FPL Energy. FPL's 2005 results reflect strong customer growth and increased usage per retail customer despite the impact of increased hurricane activity in 2005 versus 2004, which were more than offset by higher O&M expenses, depreciation and amortization and interest charges. FPL Energy's 2005 results improved primarily due to improved market conditions in the ERCOT and NEPOOL regions and the favorable effects of contract restructuring activities and asset sales, as well as the addition of new wind projects partially offset by higher interest expense. In addition, FPL Group's and FPL Energy's net income for 2005 reflect unrealized losses from non-qualifying hedges of $112 million while 2004 net income reflects unrealized losses of $3 million. The increase in unrealized mark-to-market losses associated with non-qualifying hedge activity for 2005 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 this period. As a general rule, a loss in the non-qualifying hedge category is offset by increases in the fair value of physical asset positions in the portfolio, which are not marked to market under generally accepted accounting principles. That is, the same factors that affected the decline in value of the hedges in general also increase the future value of nearly all of FPL Energy's merchant assets. Results for Corporate and Other in 2005 reflect approximately $25 million in certain state tax benefits resulting from FPL Energy's growth throughout the United States, more than offset by higher interest expense and the absence of the effect of a prior year resolution of various tax issues. FPL Group's net income for the year ended December 31, 2004 reflects reduced earnings at FPL Energy partially offset by improved results at FPL. At Corporate and Other, the impact of the favorable resolution of certain tax issues was partially offset by higher interest expense. FPL's 2004 results improved as a result of strong customer growth and the settlement of shareholder litigation initiated in 2002 and 2003, but were partially offset by the impacts of three hurricanes that struck FPL's service territory during the third quarter of 2004, as well as lower customer usage due to overall milder weather. FPL Energy's 2004 results decreased due to the effect of restructuring activities during 2004 compared to 2003 and higher interest expense partially offset by increased earnings from its existing portfolio as well as project additions. In addition, FPL Group's and FPL Energy's net income for 2004 reflect unrealized losses from non-qualifying hedges of $3 million while 2003 net income reflects unrealized gains of $22 million and a $3 million charge due to a change in accounting principle. FPL Group's effective tax rate for all periods presented reflect production tax credits for wind projects at FPL Energy. PTCs can significantly affect FPL Group's effective tax rate depending on the amount of pre-tax income and wind generation. See Note 1 – Income Taxes and Note 5.

FPL Group and its subsidiaries segregate unrealized mark-to-market gains and losses on derivative transactions into two categories. The first category, referred to as trading and managed hedge 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. These derivative transactions have been entered into to reduce FPL Group's aggregate risk.

FPL Group's management uses earnings excluding certain items (adjusted earnings), which in 2005 and 2004 were the mark-to-market effect of non-qualifying hedges, internally for financial planning, for reporting of results to the Board of Directors and for FPL Group's employee incentive compensation plans. FPL Group also uses adjusted earnings when communicating its earnings outlook to analysts and investors. FPL Group's management believes adjusted earnings provide a more meaningful representation of the company's fundamental earnings power. Although the excluded items are properly included in the determination of net income in accordance with generally accepted accounting principles, both the size and nature of such items can make period to period comparisons of operations difficult and potentially confusing.

FPL – FPL's net income available to FPL Group for 2005, 2004 and 2003 was $748 million, $749 million and $733 million, respectively. During 2005, FPL's net income benefited from strong customer growth and increased customer usage due to overall improved weather conditions. However, the impact of increased hurricane activity, higher depreciation and amortization expense and increased O&M and interest expenses more than offset these benefits. During 2004, FPL's net income benefited from strong customer growth, underlying customer usage growth and lower O&M expenses, including reduced expenses associated with the settlement of shareholder litigation. In addition, AFUDC, primarily equity funds, increased during 2004 reflecting higher plant balances under construction. However, the effect of milder weather as compared to 2003, the impact of three hurricanes and higher depreciation and amortization expense partially offset these benefits.

In August 2005, FPL and all of the interveners in its 2005 rate case filing signed a stipulation and settlement agreement regarding FPL's retail base rates, which was subsequently approved by the FPSC. The 2005 rate agreement will be in effect through December 31, 2009, and thereafter shall remain in effect until terminated on the date new retail base rates become effective pursuant to an FPSC order. The 2005 rate agreement replaced a rate agreement that was effective April 15, 2002 through December 31, 2005.

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. The 2005 rate agreement also continues the revenue sharing mechanism in FPL's 2002 rate agreement, 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 for 2006 will be $3,991 million and $4,156 million, respectively, which was established by using the 2005 revenue sharing threshold and cap of $3,880 million and $4,040 million, respectively, and increasing them by the average annual growth rate in retail kwh sales for the ten-year period ending December 31, 2005. For each succeeding year, retail base rate revenue sharing threshold and cap amounts will be 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.

Under the terms of the 2005 rate agreement: (i) FPL's electric property depreciation rates will be 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 suspended contributions of approximately $79 million per year to its nuclear decommissioning fund beginning in September 2005, (iii) FPL suspended contributions of $20.3 million per year to its storm and property insurance reserve beginning in January 2006 and has the ability to recover prudently incurred storm restoration costs, either through securitization pursuant to Section 366.8260 of the Florida Statutes or through surcharges, and (iv) 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 will not have an authorized regulatory ROE under the 2005 rate agreement for the purpose of addressing earnings levels. For all other regulatory purposes, FPL will have an ROE of 11.75%. The revenue sharing mechanism described above will be 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.

The 2002 rate agreement provided for a $250 million annual reduction in retail base revenues allocated to all customers by reducing customers' base rates and service charges by approximately 7%, as well as a revenue sharing mechanism based on stated thresholds. During the term of the 2002 rate agreement, FPL did not have an authorized regulatory ROE range for the purpose of addressing earnings levels and FPL reduced depreciation on its plant in service by $125 million each year.

FPL's operating revenues consisted of the following:

	Years Ended December 31, 2005	2004 (millions)	2003
Retail base operations	$ 3,658	$ 3,548	$ 3,560
Revenue refund provision	-	-	(3)
Cost recovery clauses and other pass-through costs	5,651	4,999	4,558
Other, primarily gas, transmission and wholesale sales and customer-related fees	219	187	178
Total	$ 9,528	$ 8,734	$ 8,293

The increase in retail base revenues for the year ended December 31, 2005 was primarily due to an increase in the average number of customer accounts as well as an increase in usage per retail customer. A 2.3% increase in the average number of customer accounts during 2005 increased revenue from retail base operations by approximately $82 million while the balance of the increase, or $28 million, was primarily due to a 0.5% increase in usage per retail customer. The majority of the growth in usage was due to the effects of overall improved weather conditions which was partially offset by increased hurricane activity in 2005 that caused customer service interruptions throughout FPL's service territory. The 2005 hurricanes resulted in lost revenues of approximately $52 million.

The decrease in retail base revenues in 2004 was primarily due to a decrease in usage per retail customer, partially offset by a 2.6% increase in the average number of customer accounts. A 2.7% decrease in usage per retail customer resulted in a decrease in revenues from retail base operations of approximately $100 million, primarily due to milder weather and customer service interruptions during the three hurricanes that struck FPL's service territory. The increase in the average number of customer accounts, as well as other factors, increased revenues from retail base operations by approximately $88 million. The 2004 hurricanes resulted in lost revenues of approximately $38 million.

Revenues from cost recovery clauses and other pass-through costs, such as franchise fees, revenue taxes and storm cost recoveries do not significantly affect net income; however, under- or over-recovery of such costs can significantly affect FPL Group's and FPL's operating cash flows. Fluctuations in these revenues, as well as in fuel, purchased power and interchange expense are primarily driven by changes in energy sales, fuel prices and capacity charges. Ordinarily, the fuel charge is set annually based on estimated fuel costs and estimated customer usage, plus or minus a true-up for prior period estimates. Effective January 1, 2003, the FPSC approved a risk management fuel procurement program, which is intended to reduce the risk of unexpected fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. The results of the program are reviewed by the FPSC as part of the annual review of fuel costs. Revenues from cost recovery clauses and other pass-through costs increased effective January 1, 2005, primarily as a result of additional fuel clause revenues due to an increase of approximately 6% in the fuel clause recovery factor as a result of higher fuel prices. The effect of higher fuel prices also was the primary contributor to the $872 million increase in deferred clause and franchise expenses (current and noncurrent, collectively) on FPL Group's and FPL's consolidated balance sheets at December 31, 2005, and negatively affected FPL Group's and FPL's cash flows from operations for the year ended December 31, 2005. In February 2005, FPL began recovering the 2004 storm restoration cost deficiency from retail customers. For the year ended December 31, 2005, the amount billed to customers related to these storm restoration cost recoveries amounted to approximately $155 million and the corresponding expense for the amortization of the storm reserve deficiency is shown as a separate line on the consolidated statements of income. For further discussion, see Note 1 – Storm Reserve Deficiency.

FPL's O&M expenses increased approximately $79 million in 2005 primarily due to higher employee benefits expenses of approximately $28 million, higher nuclear maintenance costs of approximately $19 million and higher fossil generation costs of approximately $18 million, as well as the absence of a $21 million settlement related to shareholder litigation which reduced O&M expenses in 2004. In addition, part of the O&M expense increase relates to approximately $17 million of expenses associated with increased nuclear security costs which are recovered through the capacity clause. The overall increase in O&M expenses was partially offset by a reversal of a prior year reserve of approximately $15 million related to 2004 storm costs that were subsequently determined to be recoverable pursuant to a 2005 FPSC order. Increased employee benefits expenses are primarily associated with the absence of a pension transition credit that was fully amortized by the end of 2004 and higher employee costs. The increase in fossil generation expense relates primarily to the introduction of the Martin and Manatee expansion as well as timing of overhaul maintenance at some of the older generating units. Management expects to see a continued upward trend in O&M expenses for 2006, primarily driven by nuclear maintenance, uncollectible accounts as a result of higher customer bills primarily related to fuel charges and employee-related costs, as well as costs associated with enhancing FPL's transmission and distribution system as part of its Storm Secure Plan and an increase in maintenance costs for fossil generation plants as major overhauls continue for a number of older generating units. Partly offsetting the increased costs is the suspension of contributions to the storm and property insurance reserve as specified in the 2005 rate agreement.

In conjunction with an NRC order, FPL has performed visual and volumetric inspections of its nuclear units' reactor vessel heads during their scheduled refueling outages since October 2002. FPL replaced the reactor vessel heads at Turkey Point Unit No. 3, Turkey Point Unit No. 4 and St. Lucie Unit No. 1 during their scheduled refueling outages in the fall of 2004, spring of 2005 and fall of 2005, respectively, and therefore no further inspections will be required at these units until 2009. The inspections during scheduled refueling outages at St. Lucie Unit No. 2 revealed CRDM nozzles with cracks, which were repaired during the outages in 2003 and 2005. It is anticipated that additional CRDM nozzle repairs will be needed at St. Lucie Unit No. 2's next scheduled outage scheduled for the spring of 2006. FPL intends to replace the reactor vessel head at St. Lucie Unit No. 2 during its fall 2007 scheduled refueling outage. The estimated remaining cost to replace St. Lucie Unit No. 2's reactor vessel head, including AFUDC, is approximately $67 million and is included in FPL's estimated capital expenditures. See Note 16 – Commitments. The cost of performing inspections and any necessary repairs to the reactor vessel heads until they are replaced is being recognized as expense on a levelized basis over a five-year period beginning in 2002, as authorized by the FPSC, and amounted to approximately $11 million in 2005, $10 million in 2004 and $13 million in 2003.

St. Lucie Unit No. 2's steam generators are reaching the end of their useful life. As flaws are identified in individual tubes, they are plugged in order to prevent the tubes from leaking during plant operations. To date, 18.9% of these tubes have been plugged. In January 2005, FPL received permission from the NRC to plug up to 30% of St. Lucie Unit No. 2's steam generator tubes. Current projections indicate that the 30% tube plugging limit could be exceeded during St. Lucie Unit No. 2's next scheduled refueling outage in the spring of 2006. FPL is planning to repair any tubes exceeding the 30% tube plugging limit by inserting metal sleeves inside the degraded tubes (sleeving) and has requested NRC approval to sleeve degraded tubes as an alternative to plugging. Sleeving degraded tubes is expected to increase the cost and length of the outage. Costs accrued in 2005 associated with sleeving are reflected in the nuclear maintenance costs discussed above. FPL intends to replace the steam generators along with the reactor vessel head at St. Lucie Unit No. 2 during its fall 2007 scheduled refueling outage. The remaining cost to replace St. Lucie Unit No. 2's steam generators, including AFUDC, is approximately $200 million and is included in FPL's estimated capital expenditures. See Note 16 – Commitments.

In conjunction with a 2004 NRC bulletin, FPL must perform inspections of all alloy 600 and weld materials in 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 and plans to repair St. Lucie Unit No. 2's pressurizer heater sleeves and other penetrations during its scheduled refueling and steam generator and reactor vessel head replacement outage in the fall of 2007. The estimated cost is included in FPL's estimated capital expenditures. See Note 16 – Commitments. Since the 2004 NRC bulletin was issued, no leaks have been identified based on inspections at St. Lucie Unit No. 2. All pressurizer penetrations and welds at Turkey Point Units Nos. 3 and 4 utilize a different material.

In 2004, O&M expenses decreased $22 million primarily reflecting the receipt of approximately $21 million associated with the settlement of the shareholder litigation. The settlement was offset by higher nuclear maintenance costs of approximately $10 million, higher insurance costs of approximately $8 million and an increase in the provision for uncollectible accounts receivable of approximately $8 million in connection with the hurricanes. The remainder of the fluctuation in the 2004 O&M expenses was primarily due to the absence of certain legal expenses recorded in 2003.

For the year ended December 31, 2005, depreciation and amortization expense increased by $36 million of which approximately $23 million related to the addition of two new generating units at FPL's existing Martin and Manatee power plant sites, which became operational on June 30, 2005. The remainder of the increase is primarily due to FPL's continued investment in transmission and distribution expansion to support customer growth and demand. FPL expects to place an additional approximately 1,150 mw generating unit into service at its Turkey Point site by mid-2007. The increase in depreciation and amortization expense was partially offset by the suspension, in September 2005, of FPL's nuclear decommissioning accrual which totaled approximately $79 million annually. In addition, beginning in 2006, depreciation and amortization expense will also benefit from lower depreciation and decommissioning rates approved as part of the 2005 rate agreement reflecting mainly the 20-year license extensions received for Turkey Point Units Nos. 3 and 4 and St. Lucie Units Nos. 1 and 2. Depreciation and amortization expense in 2004 increased by $17 million, reflecting continued growth of electric utility plant in service to help meet increasing customer demand.

Interest charges for 2005 and 2004 increased primarily due to an increase of approximately 30 basis points and 40 basis points, respectively, in average interest rates and higher average debt balances used to fund increased investment in generation, transmission and distribution expansion and to pay for storm restoration costs. Interest income, included in other – net in FPL's consolidated statements of income, increased in 2005 by approximately $14 million primarily due to interest accrued on the unrecovered balance of the storm reserve deficiency and on deferred costs associated with nuclear security as approved by the FPSC.

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. In 2005, operating revenues from wholesale and industrial customers combined represented approximately 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. Such a regulatory restructuring, if enacted in Florida, would most likely result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Although the legislation and initiatives in other states vary substantially, common areas of focus include when market-based pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generating assets should be separated from transmission, distribution and other assets. It is generally believed that transmission and distribution activities would remain regulated. Within the last few years, these state restructuring efforts have diminished, and several states have delayed the implementation or reversed previously approved restructuring legislation and rules. 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 Note 1 – Regulation.

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 needed 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 generation 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 generation capacity. In August 2005, FPL issued part one of a two-part RFP for additional power resources beginning in 2009. FPL's self-build approach calls for building two approximately 1,200 mw natural gas-fired combined-cycle units in western Palm Beach County, Florida that would be operational in 2009 and 2010. In January 2006, after evaluating alternative proposals, FPL concluded that its self-build approach is the most cost-effective alternative to satisfy the need for additional power resources in 2009 and 2010. FPL plans to issue part two of this RFP in 2006 soliciting competitive bids for additional power resources beginning in 2012. FPL's self-build approach calls for building two approximately 850 mw advanced technology coal generating units that would be operational in 2012 and 2013.

The FERC has jurisdiction over potential changes that could affect competition in wholesale transactions. In 1999, the FERC issued its final order on RTOs which, under a variety of structures, provides for the independent operation of transmission systems for a given geographic area. In early 2001, the FERC approved GridFlorida (FPL's, Progress Energy Florida, Inc.'s and Tampa Electric Company's proposed RTO) as the RTO for peninsular Florida. In late 2001, the FPSC determined that the RTO as proposed was not in the best interest of Florida customers and required the companies to develop a modified proposal. In early 2002, FPL, Progress Energy Florida, Inc. and Tampa Electric Company filed a modified RTO proposal with the FPSC changing the structure of GridFlorida from a for-profit transmission company to a non-profit ISO. In late 2002, the FPSC approved many of the aspects of the modified RTO proposal, administratively approving recovery of GridFlorida's incremental costs through the capacity clause. During 2004, the FPSC held workshops to address additional GridFlorida issues. In 2005, an independent consulting firm performed a cost benefit analysis of GridFlorida and concluded that GridFlorida would not be cost effective for the retail customers of the GridFlorida participants. In January 2006, FPL and the other GridFlorida participants petitioned the FPSC to approve the withdrawal of the GridFlorida proposal.

FPL Energy – FPL Energy's net income for 2005, 2004, and 2003 was $187 million, $172 million and $194 million, respectively, and included net unrealized mark-to-market gains (losses) on non-qualifying hedges of approximately $(112) million, $(3) million and $22 million, respectively. For further discussion of derivative instruments, see Note 4.

In 2005, net income benefited from improved results of the existing portfolio primarily reflecting improved market conditions and higher prices in the ERCOT and NEPOOL regions, as well as the favorable effects of contract restructurings, asset sales and the addition of new projects, primarily wind, partially offset by higher interest expense and lost revenues related to the planned Seabrook outage in 2005.

FPL Energy's net income for the year ended December 31, 2004 decreased primarily as a result of approximately $50 million of higher net losses associated with restructuring activities and higher interest expense, partially offset by the addition of new projects, primarily wind, and improved results of the existing portfolio primarily due to improved market conditions, particularly in the NEPOOL region, and the absence of an outage at Seabrook that affected 2003 results.

FPL Energy added over 1,300 mw of gas-fired, wind and solar generation since late 2004 which added approximately $29 million to net income. This contribution was partially offset by losses associated with Gexa, a retail electric provider in Texas acquired in June 2005. The net effect of these additions resulted in a net increase to 2005 net income of approximately $14 million. FPL Energy's operating revenues increased $516 million in 2005 primarily driven by improved market conditions mainly in the ERCOT and NEPOOL regions, project additions and improved hydro resources, partially offset by higher unrealized mark-to-market losses from non-qualifying hedge activity, lower generation at Seabrook due to its scheduled spring 2005 refueling outage and reduced wind resource. Operating expenses increased $552 million in 2005 primarily driven by increased fuel prices and generation in the ERCOT and NEPOOL regions as well as by project additions which also resulted in higher O&M and depreciation and amortization expenses. The increase in operating expenses was partially offset by higher unrealized mark-to-market gains from non-qualifying hedge activity. Included in operating expenses in 2004 are charges of approximately $81 million associated with the restructuring of the Marcus Hook steam contract discussed below. FPL Energy expects O&M expenses to increase in 2006, primarily related to costs associated with project additions and plant maintenance.

In 2005, earnings from investments in partnerships and joint ventures, presented as equity in earnings of equity method investees, increased $30 million primarily due to the positive effects of prior contract restructurings partially offset by lower gains from non-qualifying hedge activity.

For the year ended December 31, 2005, FPL Energy's net income also reflected higher interest expense of $43 million associated with increased average debt balances due to growth in its asset base, as well as a 56 basis point increase in average interest rates. In addition, interest income increased by approximately $10 million in 2005 primarily related to higher investment income associated with the Seabrook decommissioning fund balance as well as interest income associated with a bridge loan, which was originated early in 2005 in connection with an acquisition of a solar project and repaid in the third quarter of 2005. In addition, other – net in FPL Group's consolidated statements of income includes approximately $43 million of pre-tax gains on the sale of joint venture projects in California and a $12 million pre-tax benefit associated with obtaining an additional partnership interest in a coal plant in California. PTCs from FPL Energy's wind projects are reflected in FPL Energy's earnings. PTCs are recognized as wind energy is generated based upon a per kwh rate prescribed in applicable federal and state statutes, and amounted to approximately $129 million and $109 million in 2005 and 2004, respectively.

FPL Energy's 2004 net income benefited from the full year effect of 3,904 mw of wind and fossil generation added during 2003 and 39 mw of wind generation added during 2004. In aggregate, these project additions added approximately $30 million to 2004 net income. FPL Energy's operating revenues increased $453 million primarily driven by project additions, the commencement of a contract for the sale of the remaining 50% of the capacity of a natural gas-fired facility in Alabama, lack of a refueling outage at the Seabrook facility, improvements in the NEPOOL region aided by higher gas prices and volatility in the oil-gas price ratio and increased generation in the ERCOT region due to improved market conditions. Operating expenses increased $482 million, over half of which was fuel-related, primarily driven by project additions and the increased generation in the ERCOT region. Included in operating expenses in 2004 are charges of approximately $81 million associated with the restructuring of the Marcus Hook steam contract, which consisted of the write-off of an auxiliary boiler of approximately $33 million and a $48 million contract termination payment. As a result of changes in market conditions since initiation of the Marcus Hook project in the late 1990's, it became more economical to dispatch the plant during peak hours and uneconomical to operate the auxiliary boiler to satisfy the steam contract obligation when the plant is not running.

Earnings from investments in partnerships and joint ventures for the year ended December 31, 2004 increased $5 million from the prior year primarily due to the positive effects on operating results of prior contract restructurings, the receipt of a portion of a settlement related to a previous investment in an Indonesian project partially offset by unrealized losses from non-qualifying hedge activity in the portfolio in 2004 compared to gains in 2003. Also, during 2004, FPL Energy recorded a net gain of approximately $52 million on the termination of a gas supply contract and a steam agreement which was essentially offset by an impairment loss recorded as a result of agreeing to sell its interest in a combined-cycle power plant in Texas. The sale was completed in 2004.

FPL Energy's net income for the year ended 2004 also reflected higher interest expense of $56 million due to growth in the business reflecting more projects being placed in service and the acquisition of new projects, as well as higher average interest rates of approximately 60 basis points. PTCs amounted to approximately $109 million and $78 million in 2004 and 2003, respectively.

In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., a retail electric provider in Texas which was valued at approximately $73 million, payable in shares of FPL Group common stock. The Texas commodity markets have recently experienced significant price increases, which have led some regulators, government officials and other interested parties to call for a review of the structure and operation of the Texas retail market. FPL Energy is unable to predict whether such review will occur or result in any changes to the market structure. However, if changes occur in the market structure, such changes could affect Gexa's ability to sign and retain new and existing customers. FPL Energy will continue to monitor these events.

In January 2006, FPL Energy completed the acquisition of a 70% interest, or approximately 415 mw, in Duane Arnold, a nuclear power plant located near Cedar Rapids, Iowa, from IP&L. FPL Energy purchased the 70% interest, including nuclear fuel, inventory and other items for a total of approximately $373 million. FPL Energy is selling its share of the output of Duane Arnold to IP&L at a price of approximately $46 per mwh in 2006, escalating annually to approximately $61 per mwh in 2013, under a long-term contract expiring in 2014. FPL Energy is responsible for management and operation of the plant, as well as for the ultimate decommissioning of the facility, the cost of which will be shared on a pro-rata basis by the joint owners. FPL Energy received approximately $188 million of decommissioning funds at closing. FPL Energy expects to file for a license extension for the plant in 2009, which, if approved, will enable the plant to continue to operate for an additional 20 years beyond its current license expiration of 2014.

FPL Energy expects its future capacity growth to come primarily from wind development benefiting from the extension of the production tax credit program through 2007 for new wind facilities, as well as from asset acquisitions. FPL Energy plans to add approximately 625 mw to 750 mw of new wind generation in each of 2006 and 2007, including over 700 mw which are currently under construction or have been approved by FPL Group's board of directors.

Competitive wholesale markets in the United States continue to evolve and vary by geographic region. Revenues from electricity sales in these markets will 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 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 FPL Energy. Opportunities exist for the selective acquisition of generation assets divested under deregulation plans or available from other competitors and for the construction and operation of efficient plants that can sell power in competitive markets. FPL Energy seeks to reduce its market risk by having a diversified portfolio, by fuel type and location, as well as by contracting for the sale of a significant amount of the electricity output of its plants. As of December 31, 2005, FPL Energy had 86% of its on-peak capacity under contract for 2006. Over the last several years, contracting for the sale of electricity output was more difficult as a result of overcapacity in certain regions and diminished market liquidity due to fewer creditworthy counterparties. However, the major markets in which FPL Energy operates have shown signs of continued improvement since 2004, such as improved sparks spreads and energy prices in ERCOT and NEPOOL. The combination of new wind projects, expected increase in contribution from merchant assets and asset acquisitions are expected to be the key drivers in supporting FPL Energy's growth over the next few years.

FPL Energy's earnings are subject to variability due to, among other things, operational performance, commodity price exposure, counterparty performance, weather conditions and project restructuring activities. FPL Energy's exposure to commodity price risk is reduced by the degree of contract coverage obtained for 2006 and 2007. As of December 31, 2005, approximately 86% of FPL Energy's expected 2006 capacity was hedged against commodity price volatility. If FPL Energy's plants do not perform as expected, this high degree of hedging could result in FPL Energy being required to purchase power, including transportation, in the market at potentially higher prices to meet its contractual obligations. As of December 31, 2005, FPL Energy's capacity under contract for 2006 and 2007 was as follows:

	2006		2007	
Project Portfolio Category	Available MW [(a)]	% MW Under Contract	Available MW [(a)]	% MW Under Contract
Wind	3,166	97% [(b)]	3,287	93% [(b)]
Contracted [(c)]	2,461	99% [(b)]	2,461	99% [(b)]
Merchant: [(d)]				
NEPOOL	2,281	74% [(e)]	2,454	49% [(e)]
ERCOT	2,598	87% [(e)]	2,627	37% [(e)]
All other	1,417	58% [(e)]	1,372	18% [(e)]
Total portfolio [(f)]	11,921	86% [(e)]	12,200	65% [(e)]

(a) Weighted to reflect projected in-service dates, planned maintenance, Seabrook's planned refueling outage and power uprate in 2006, the acquisition of a 70% interest, or approximately 415 mw, in Duane Arnold and its planned refueling outage in 2007, and expected production from renewable resource assets.
(b) Reflects round-the-clock mw under contract.
(c) Includes all projects with mid- to long-term purchase power contracts for substantially all of their output.
(d) Includes only those facilities that require active hedging.
(e) Represents on-peak mw under contract.
(f) Totals may not add due to rounding.

FPL Energy's results are affected by natural 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. In managing its exposure to commodity prices, FPL Energy is dependent upon its counterparties to perform under their contractual obligations. FPL Energy 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 FPL Energy's 2006 contracted revenues are with investment grade counterparties.

Corporate and Other – Corporate and Other is primarily comprised of interest expense, FPL FiberNet and other business activities as well as corporate interest income and expenses. Corporate and Other allocates interest charges to FPL Energy based on a deemed capital structure at FPL Energy of 50% debt for operating projects and 100% debt for projects under construction. Corporate and Other's net loss for the years ended December 31, 2005, 2004 and 2003 was $50 million, $34 million and $37 million, respectively. Results for Corporate and Other in 2005 reflect approximately $25 million in certain state tax benefits resulting from FPL Energy's growth throughout the United States and gains of approximately $10 million ($6 million after tax) from the sale and termination of leveraged lease agreements, which are included in gains (losses) on disposal of equity method investees and leveraged leases-net in FPL Group's consolidated statements of income. Operating expenses at Corporate and Other increased $18 million in 2005 primarily due to higher corporate expenses, including the absence of the pension transition credit that was fully amortized in 2004. Interest expense at Corporate and Other increased $20 million primarily due to higher interest rates. Corporate and Other's 2005 results also reflect an increase in interest income of approximately $10 million primarily related to interest on a secured third party loan that was repaid in October 2005. Results from Corporate and Other for 2004 reflect certain state tax benefits resulting from FPL Energy's growth throughout the United States as well as the resolution of other tax issues totaling approximately $30 million, partially offset by higher interest expenses and the absence of gains at FPL FiberNet associated with restructuring two transactions in 2003.

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 and investments in or acquisitions of assets and businesses, to pay maturing debt obligations and, from time to time, to redeem outstanding debt and/or repurchase common stock. It is anticipated that these requirements will be satisfied through a combination of internally generated funds 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. Credit ratings can affect FPL Group's, FPL's and FPL Group Capital's ability to obtain short- and long-term financing, the cost of such financing and the execution of their respective financing strategies.

FPL Group's cash flows from operating activities for the year ended December 31, 2005 reflect the receipt of cash collateral primarily from FPL's counterparties related to energy contracts (margin cash deposits), under-recovered fuel costs at FPL caused primarily by higher than anticipated fuel costs, the payment of 2004 and 2005 storm restoration costs and recoveries from customers of a portion of the 2004 storm restoration costs. See Note 1 – Storm Reserve Deficiency. The cash collateral amounts associated with energy contracts can fluctuate significantly as a result of, among other things, commodity price movements in the underlying contracts.

FPL Group's cash flows from investing activities for the year ended December 31, 2005 reflect continuing investment by FPL to meet customer demand of approximately $1.6 billion and new investments at FPL Energy of approximately $815 million, as well as FPL Group Capital's receipt of approximately $218 million in full payment of a secured third party loan.

During 2005, FPL Group generated proceeds of approximately $2.7 billion from financing activities, including approximately $575 million from the sale of FPL Group common stock related to the Corporate Units issued in February 2002, the issuance of $600 million in first mortgage bonds at FPL, approximately $821 million from the issuance of limited-recourse senior secured bonds, limited-recourse floating rate notes and draws on a construction revolver by FPL Energy subsidiaries, approximately $64 million related to the exercise of stock options and warrants and a net increase in commercial paper of $667 million. During 2005, FPL Group used approximately $1.2 billion to pay off maturing debt, and redeem or make principal payments on debt and preferred stock. Maturities, redemptions and principal payments during 2005 included the maturity of $600 million in debentures at FPL Group Capital and $500 million in first mortgage bonds at FPL, the redemption of $5 million of FPL preferred stock held by third parties, a redemption of approximately $5 million in 7.35% bonds at FPL Group Capital and principal payments of approximately $110 million at FPL Energy. Also during 2005, FPL Energy subsidiaries entered into two interest rate swap agreements. One swap associated with a variable rate construction revolver, was to receive LIBOR and pay a fixed rate of 4.255% to hedge specified notional amounts ranging from approximately $4 million to $6 million through November 2007 and approximately $163 million from November 2007 until the related debt matures in June 2008. The other swap was to receive LIBOR and pay a fixed rate of 4.905% on $266 million of a limited recourse note. In addition, in November 2005, FPL Group Capital reset the annual interest rate on $506 million principal amount of its debentures due February 2008 from 5.0% to 5.551%. These debentures were originally issued in June 2002 in connection with FPL Group's publicly-traded equity units known as Corporate Units. The interest rate was reset as a result of FPL Group Capital remarketing these debentures. Neither FPL Group nor FPL Group Capital received any proceeds from the remarketing of the debentures. See further discussion of interest rate swaps in Note 10 – Interest Rate Swaps.

In January 2006, FPL issued $400 million of 5.65% first mortgage bonds maturing in 2037. In February 2006, FPL Group paid net approximately $48 million to cancel approximately 4.2 million of its Corporate Units sold in June 2002. Also in February 2006, FPL Group issued approximately 8.7 million shares of common stock in return for approximately $296 million in proceeds, upon settlement of the stock purchase contracts issued in connection with its Corporate Units sold in June 2002.

The following provides various metrics regarding FPL Group's (including FPL's) and FPL's outstanding debt:

	FPL Group		FPL	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Weighted-average annual interest rate [a]	5.9%	5.4%	5.2%	4.9%
Weighted-average life (years)	9.3	8.7	15.1	14.3
Annual average of floating rate debt to total debt [a]	35%	31%	40%	34%

[a] Calculations include interest rate swaps.

FPL was impacted by Hurricanes Dennis, Katrina, Rita and Wilma in 2005 and by Hurricanes Charley, Frances and Jeanne in 2004. These hurricanes did major damage in parts of FPL's service territory and collectively resulted in customer power outages in 2005 and 2004 of 5.3 million and 5.4 million, respectively. At December 31, 2005, storm restoration costs incurred by FPL during 2005 and 2004 exceeded the amount in the storm and property insurance reserve. At December 31, 2005, FPL's storm reserve deficiency totaled approximately $1.1 billion. The storm reserve deficiency associated with the 2004 hurricanes, plus interest, is being recovered primarily through a storm damage surcharge applied to retail customer bills over a 36-month period that began in February 2005, and totaled approximately $297 million at December 31, 2005. The remaining balance of the storm reserve deficiency primarily relates to the storm restoration costs associated with 2005 hurricanes. In January 2006, FPL petitioned the FPSC for approval to recover approximately $1.7 billion of storm costs through the issuance of $1,050 million of storm recovery bonds pursuant to the securitization provisions of Section 366.8260 of the Florida Statutes. The storm bond proceeds will provide for the net-of-tax recovery of the remaining balance of the unrecovered hurricane costs of $1,040 million (estimated balance as of July 31, 2006) and the replenishment of the storm reserve to approximately $650 million. If the FPSC determines that the storm restoration costs should not be securitized and instead should be recovered through another means, FPL has recommended as an alternative recovering the 2005 hurricane costs through a surcharge over approximately three years and implementing a separate surcharge to fund a $650 million storm reserve. The FPSC's decision is expected in May 2006. On February 2, 2006, several interested parties filed a motion to dismiss FPL's petition, claiming that the petition did not satisfy certain technical requirements. FPL filed its response to the motion on February 6, 2006, asserting that the requirements cited are not applicable to FPL's petition and which were met in any event. The FPSC has the right to review FPL's storm charges for prudence, and has the authority to determine the manner and timing of recovery. See Note 1 – Storm Reserve Deficiency.

In January 2006, the FPSC held an electric infrastructure workshop to discuss the damage to electric utility facilities incurred due to recent hurricanes and to explore ways of minimizing damage and resulting outages to customers in the future. Presentations on hurricane issues were made by representatives of city governments, vendors and the Florida utilities. On January 30, 2006, FPL filed a report with the FPSC outlining its Storm Secure Plan, a new initiative to enhance its electrical grid as a result of heightened hurricane activity and in response to concerns expressed by the community, state leaders and regulators. On February 7, 2006, the FPSC approved a rule that requires the Florida electric utilities to inspect their transmission and distribution wood poles on an eight-year inspection cycle and file an annual report with the FPSC regarding such inspections. The FPSC has scheduled a meeting for February 27, 2006 to discuss what the next step(s) will be.

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, primarily FPL. During the first quarter of 2005, FPL Group increased its quarterly dividend on its common stock from $0.34 to $0.355 per share. In February 2006, FPL Group announced that it would increase its quarterly dividend on its common stock from $0.355 to $0.375. FPL pays dividends to FPL Group in a manner consistent with FPL's long-term targeted capital structure. FPL Group made capital contributions to FPL in 2003 of $600 million. FPL's mortgage 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 securing FPL's first mortgage bonds, 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, 2005, 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, 2005, after giving effect to the January 2006 issuance of $400 million 5.65% first mortgage bonds maturing in 2037, coverage for the 12 months ended December 31, 2005 would have been in excess of 8.5 times the annual interest requirements and 5 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, 2005, after giving effect to the January 2006 issuance of $400 million 5.65% first mortgage bonds maturing in 2037, FPL could have issued in excess of $5.5 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, 2005, no cash was deposited with the mortgage trustee for these purposes.

FPL Group and its subsidiaries, including FPL, have no credit rating downgrade triggers that would accelerate the maturity dates of debt outstanding. 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 Group Capital and FPL, the maintenance of a specific minimum level of credit rating is not a condition to drawing upon those credit facilities. However, commitment fees and interest rates on loans under the credit facilities agreements are tied to credit ratings and would increase or decrease when ratings are changed. A ratings downgrade also could reduce the accessibility and increase the cost of commercial paper issuances and additional or replacement credit facilities, and could result in the requirement that FPL Group subsidiaries, including FPL, post collateral under certain power purchase and other agreements. FPL Group subsidiaries, including FPL, may be required to post collateral in excess of collateral threshold amounts when FPL Group's exposure to the counterparty under the applicable trading agreement exceeds such threshold.

Securities of FPL Group and its subsidiaries are currently rated by Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch). At February 22, 2006, Moody's, S&P and 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-1	N/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	F-1
FPL Group Capital: [b]			
Corporate credit rating	N/A	A/A-1	N/A
Debentures	A2	A-	A
Commercial paper	P-1	A-1	F-1

[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 Moody's, S&P and Fitch is negative, watch negative and stable, respectively.

FPL Group's commitments at December 31, 2005 were as follows:

	2006	2007	2008	2009 (millions)	2010	Thereafter	Total
Long-term debt, including interest: [a]							
FPL	$ 306	$ 169	$ 363	$ 376	$ 144	$ 5,694	$ 7,052
FPL Energy	322	690	547	206	199	1,346	3,310
Corporate and Other	1,321	1,189	577	666	18	914	4,685
Corporate Units	2	-	-	-	-	-	2
Purchase obligations:							
FPL [b]	5,800	3,880	2,730	2,880	2,500	6,965	24,755
FPL Energy [c]	1,335	614	56	56	56	779	2,896
Corporate and Other	52	-	-	-	-	-	52
Asset retirement activities: [d]							
FPL [e]	-	-	-	-	-	11,571	11,571
FPL Energy [f]	-	-	-	-	-	1,869	1,869
Total	$ 9,138	$ 6,542	$ 4,273	$ 4,184	$ 2,917	$ 29,138	$ 56,192

(a) Includes principal, interest and interest rate swaps. Variable rate interest was computed using December 31, 2005 rates.

(b) Represents required capacity and minimum payments under long-term purchased power and fuel contracts, the majority of which is recoverable through various cost recovery clauses (see Note 16 – Contracts), and projected capital expenditures through 2010 to meet, among other things, increased electricity usage and customer growth, as well as capital improvements to and maintenance of existing facilities (see Note 16 – Commitments).

(c) Represents firm commitments primarily in connection with the supply of wind turbines and towers, natural gas transportation, supply and storage, firm transmission service, nuclear fuel, a portion of its projected capital expenditures and in 2006 the acquisition of a 70% interest in Duane Arnold. See Note 16 – Commitments and Contracts.

(d) Represents expected cash payments adjusted for inflation for estimated costs to perform asset retirement activities.

(e) At December 31, 2005, FPL had $2,083 million in restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units, which are included in nuclear decommissioning reserve funds.

(f) At December 31, 2005, FPL Energy's 88.23% portion of Seabrook's restricted trust fund for the payment of future expenditures to decommission Seabrook was $318 million and is included in FPL Group's nuclear decommissioning reserve funds.

FPL Group and FPL obtain letters of credit and issue guarantees to facilitate commercial transactions with third parties and financings. At December 31, 2005, FPL Group had standby letters of credit of approximately $927 million ($14 million for FPL) and approximately $5,540 million notional amount of guarantees ($265 million for FPL), of which approximately $5,423 million ($249 million for FPL) have expirations within the next five years. These letters of credit and guarantees support the buying and selling of wholesale energy commodities, debt-related reserves and other contractual agreements. FPL Group and FPL believe it is unlikely that they would be required to perform or otherwise incur any losses associated with these letters of credit and guarantees. At December 31, 2005, 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 those under FPL Group Capital's debt, including all of its debentures and commercial paper issuances, as well as most of its guarantees, and FPL Group Capital has guaranteed certain debt and other obligations of FPL Energy and its subsidiaries. See Note 16 – Commitments.

In addition to the above, FPL Energy has guaranteed certain performance obligations of a power plant owned by a wholly-owned subsidiary as part of a power purchase agreement that expires in 2027. Under this agreement, the subsidiary could incur market-based liquidated damages for failure to meet contractual minimum outputs. In addition, certain subsidiaries of FPL Energy have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the FPL Energy subsidiary incurring specified liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that the exposure associated with these guarantees is not material.

Bank revolving lines of credit currently available to FPL Group and its subsidiaries, including FPL, are as follows:

FPL [a]	FPL Group Capital (millions)	Total	Maturity Date
$ 2,000	$ 2,500	$ 4,500	November 2010

(a) Excludes a $100 million senior secured revolving credit facility of a consolidated FPL VIE that leases nuclear fuel to FPL, which matures in June 2009 and is available only to the VIE.

These credit facilities provide for the issuance of letters of credit up to $4.5 billion and are available to support the companies' commercial paper programs 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. At December 31, 2005, letters of credit totaling $598 million were outstanding under FPL Group Capital's credit facilities and no amounts were outstanding under FPL's credit facilities. FPL Group (which guarantees the payment of FPL Group Capital's credit facilities pursuant to a 1998 guarantee agreement) is required to maintain a minimum ratio of funded debt to total capitalization under the terms of FPL Group Capital's credit facility. FPL is required to maintain a minimum ratio of funded debt to total capitalization under the terms of FPL's credit facility. At December 31, 2005, each of FPL Group and FPL was in compliance with its respective ratio.

In addition, at December 31, 2005, FPL Energy had a $50 million letter of credit outstanding. Also, FPL Group Capital and FPL have each established an uncommitted credit facility with a bank to be used for general corporate purposes. The bank may at its discretion, upon the request of FPL Group Capital or FPL, make a short-term loan or loans to FPL Group Capital or FPL in an aggregate amount determined by the bank, which is subject to change at any time. The terms of the specific borrowings under the uncommitted credit facilities, including maturity, are set at the time borrowing requests are made by FPL Group Capital or FPL. At December 31, 2005, there were no amounts outstanding for either FPL Group Capital or FPL under the uncommitted credit facilities.

In addition to the bank lines of credit discussed above, a consolidated FPL VIE that leases nuclear fuel to FPL has established a $100 million senior secured revolving credit facility, which expires in June 2009, to provide backup support for its commercial paper program. FPL has provided an unconditional guarantee of the payment obligations of the VIE under the credit facility, which is included in the guarantee discussion above. At December 31, 2005, the VIE had no outstanding borrowings under the revolving credit facility and had approximately $59 million of commercial paper outstanding. FPL also provides an unconditional payment guarantee of the VIE's $135 million of 2.34% senior secured notes, maturing in June 2006, which is included in the guarantee discussion above.

At February 22, 2006, FPL Group and FPL Group Capital had $2.0 billion (issuable by either or both of them up to such aggregate amount) of available capacity under shelf registration statements. Securities that may be issued under the FPL Group and FPL Group Capital shelf registration statements, depending on the registrant, include common stock, stock purchase contracts, stock purchase units, preferred stock, senior debt securities, preferred trust securities and related subordinated debt securities, and guarantees relating to certain of those securities. This capacity is available for, among other things, new investment opportunities.

In February 2005, FPL Group's board of directors approved a two-for-one stock split of FPL Group's common stock effective March 15, 2005 (2005 stock split). FPL Group's authorized common stock increased from 400 million to 800 million shares. Also in February 2005, FPL Group's board of directors authorized a new common stock repurchase plan of up to 20 million shares of common stock (after giving effect to the 2005 stock split) over an unspecified period, which plan was ratified and confirmed by the board of directors in December 2005, and terminated a previous common stock repurchase plan. At December 31, 2005, no shares had been repurchased under the repurchase plan.

In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., a retail electric provider in Texas, which serves approximately 1,200 mw of peak load to over 160,000 commercial and residential customers as of December 31, 2005. Each share of Gexa Corp.'s outstanding common stock was converted into 0.1682 of a share of FPL Group common stock. Assuming the exercise of Gexa Corp.'s options and warrants net of cash to be received upon exercise, the aggregate value of the consideration for the acquisition of Gexa Corp. was approximately $73 million, payable in shares of FPL Group common stock.

In December 2005, FPL Group and Constellation Energy entered into an agreement and plan of merger that is expected to create a combined company which will be the nation's largest competitive energy supplier based on generation and have the second largest electric utility portfolio based on the number of customers served. Completion of the merger and the actual closing date depend upon the satisfaction of a number of conditions, including shareholder approvals and the receipt of required regulatory approvals. The parties believe that the proposed merger will offer both strategic and financial advantages in serving the energy marketplace, as well as generate significant cost savings and synergies, the majority of which are expected to come from the competitive energy businesses. These synergies are expected to result from consolidation of competitive energy business unit operations, sharing of best practices, improved procurement strategies and consolidation of systems and support activities. In a tax free, stock-for-stock exchange, each share of Constellation Energy common stock outstanding immediately prior to the merger will be converted into 1.444 shares of Constellation Energy common stock and each share of FPL Group common stock outstanding immediately prior to the merger will be converted into one share of Constellation Energy common stock. Upon completion of the merger, former FPL Group shareholders will own approximately 60 percent and Constellation Energy's shareholders will own approximately 40 percent of the combined company. See Note 2.

New Accounting Rules and Interpretations

Stock-Based Compensation – On January 1, 2006, FPL Group adopted FAS 123(R), "Share-Based Payment." The statement requires costs related to share-based payment transactions to be recognized in the financial statements based on grant-date fair value. Because FPL Group adopted the fair value recognition provisions of FAS 123, "Accounting for Stock-Based Compensation," on January 1, 2004, the adoption of FAS 123(R) will not have a significant financial impact for the year ending December 31, 2006.

Accounting for Conditional Asset Retirement Obligations – On December 31, 2005, FPL Group and FPL adopted FIN 47, "Accounting for Conditional Asset Retirement Obligations," an interpretation of FAS 143, "Accounting for Asset Retirement Obligations." See Note 15.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to exercise judgment and make estimates and assumptions where amounts are not subject to precise measurement or are dependent on future events.

Critical accounting policies and estimates, which are important to the portrayal of both FPL Group's and FPL's financial condition and results of operations and which require complex, subjective judgments are as follows:

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 fuel and electricity contracts, optimize the value of power generation assets and related contracts and manage risks associated with changes in interest rates. To a lesser extent, FPL Group and FPL also engage in limited energy trading activities to take advantage of expected 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 and capacity clauses. In non-rate regulated operations, predominantly FPL Energy, 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 does not provide specific guidance on all contract issues. As a result, significant judgment must be used in applying FAS 133 and its interpretations. The interpretation of FAS 133 continues to evolve. 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 income statement.

During the fourth quarter of 2003, FPL Group and its subsidiaries adopted EITF 03-11, which precluded certain economic hedging transactions at FPL Energy from qualifying for hedge accounting treatment. Changes in fair value of those transactions are marked to market and reported in the non-qualifying hedge category and may result in volatility in the non-qualifying hedge category. The ongoing changes in accounting guidance relating to derivatives confirm management's belief in the importance of segregating the effects of the unrealized mark-to-market impact of non-qualifying hedges. Without any change in FPL Group's economic positions or the timing or amounts of future cash flows, a small change in classification of particular transactions can result in significant changes in net income. This could be significant to FPL Energy's 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 continues to view 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 4 and also see Management's Discussion – 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 non-qualified supplemental defined benefit pension plan that provides benefits to higher-level employees. In addition to pension benefits, FPL Group sponsors a substantially contributory postretirement plan for health care and split dollar life insurance benefits (other benefits) 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's pension income net of the cost of other benefits was approximately $53 million, $81 million and $78 million for the years ended December 31, 2005, 2004 and 2003, respectively. The corresponding amounts allocated to FPL were $38 million, $63 million and $60 million, respectively. Pension income and the cost of other benefits 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, assumed increases in future compensation levels of 4.0% for 2005 and 2004 and 4.5% for 2003, and a weighted-average discount rate of 5.50% for 2005 and 2004 and 6.00% for 2003, respectively. Based on current health care costs (as related to other benefits), the projected 2006 trend assumption used to measure the expected cost of health care benefits covered by the plans for all age groups are 8.50% for medical benefits and 10.50% for prescription drug benefits. The rates are assumed to decrease over the next eight years to the ultimate trend rate of 5.0% and remain at that level thereafter. The ultimate trend rate is assumed to be reached in 2013 for medical costs and 2017 for 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% is a reasonable long-term rate of return on its plans' assets. 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 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 expense and income only when they exceed 10% of the greater of projected benefit obligations or the market-related value of assets.

Lowering the expected long-term rate of return on plan assets by 0.5% (from 7.75% to 7.25%) would have reduced FPL Group's net income for 2005 by approximately $14 million ($10 million for FPL). Lowering the discount rate assumption by 0.5% would have decreased FPL Group's net income for 2005 by approximately $5 million ($4 million for FPL). Raising the salary increase assumption by 0.5% would have decreased FPL Group's net income for 2005 by approximately $2 million ($1 million for FPL). 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. Increasing the assumed health care cost trend rates by 1% would have reduced FPL Group's net income for 2005 by approximately $1 million.

The fair value of plan assets has increased from $2.9 billion at September 30, 2004 to $3.1 billion at September 30, 2005 for the pension plan and decreased from $50 million at September 30, 2004 to $49 million at September 30, 2005 for other benefits. 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 2005, $24 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 $27 million for eligible retiree medical expenses on behalf of the other benefits plan during 2006 with substantially all of that amount being reimbursed through a transfer of assets from the qualified pension plan pursuant to the provisions of the Internal Revenue Code. See Note 3.

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.

Nuclear Decommissioning and Fossil Dismantlement – FPL Group and FPL adopted FAS 143, "Accounting for Asset Retirement Obligations" and FIN 47, "Accounting for Conditional Asset Retirement Obligations," effective January 1, 2003 and December 31, 2005, respectively. FAS 143 and FIN 47 require that a liability for the fair value of an asset retirement obligation (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.

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. FPL filed updated nuclear decommissioning studies in 2005, which indicate that FPL's portion of the future cost of decommissioning its four nuclear units, including spent fuel storage, is $10.9 billion, or $2.0 billion in 2005 dollars. The 2005 studies reflect, among other things, the 20-year license extensions of FPL's nuclear units and support the suspension, effective September 2005, of the $79 million annual decommissioning accrual. At December 31, 2005, $2,351 million was accrued for nuclear decommissioning, of which $1,460 million was recorded as an ARO, $57 million was recorded as a capitalized net asset related to the ARO, $770 million was recorded as a regulatory liability and $178 million was included in accrued asset removal costs on the consolidated balance sheets. See Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs and Note 15.

FPL accrues the cost of dismantling its fossil plants over the expected service life of each unit based on studies filed with the FPSC at least every four years. Unlike nuclear decommissioning, fossil dismantlement costs are not funded. The most recent studies, which became effective January 1, 2003, indicated that FPL's portion of the ultimate cost to dismantle its fossil units is $668 million. The majority of the dismantlement costs are not considered AROs. At December 31, 2005, the provision for fossil dismantlement was approximately $277 million and is included in accrued asset removal costs.

FPL Energy records a liability for the present value of Seabrook's expected decommissioning costs in accordance with FAS 143 and FIN 47. Comprehensive studies are filed with the New Hampshire Nuclear Decommissioning Financing Committee every four years, with updates provided annually. These studies indicate that FPL Energy's 88.23% portion of the ultimate cost of decommissioning Seabrook, including costs associated with spent fuel storage, is approximately $1,496 million, or $604 million in 2005 dollars. At December 31, 2005, the ARO for Seabrook's nuclear decommissioning totaled approximately $189 million. See Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs and Note 15.

The calculation of the future cost of retiring long-lived assets, including nuclear decommissioning and fossil dismantlement costs, involves the use of estimates and judgments concerning the amount and timing of future expenditures and whether or not such costs are considered a legal obligation under FAS 143 and FIN 47. FPL Group and FPL also make interest rate, rate of return and inflation projections to determine funding requirements related to decommissioning. Periodically, FPL Group and FPL will be required to update their estimates and projections which can affect the annual expense amounts recognized, the liabilities recorded and the annual funding requirements for nuclear decommissioning costs.

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, 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's regulatory assets and liabilities are as follows:

	December 31,	
	2005	2004
	(millions)	
Regulatory assets:		
Current:		
Deferred clause and franchise expenses	$ 795	$ 230
Storm reserve deficiency	$ 156	$ 163
Derivatives	$ -	$ 9
Other	$ 7	$ -
Noncurrent:		
Storm reserve deficiency	$ 957	$ 373
Deferred clause expenses	$ 307	$ -
Unamortized loss on reacquired debt	$ 42	$ 45
Litigation settlement	$ -	$ 45
Other	$ 37	$ 38
Regulatory liabilities:		
Current:		
Deferred clause and franchise revenues	$ 32	$ 30
Derivatives	$ 757	$ -
Noncurrent:		
Accrued asset removal costs	$ 2,033	$ 2,012
Asset retirement obligation regulatory expense difference	$ 786	$ 266
Unamortized investment tax credits	$ 62	$ 81
Other	$ 90	$ 106

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 FPL Energy, 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 to optimize the value of power generation assets. To a lesser extent, FPL Group and FPL engage in limited 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 FPL Energy, 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 net 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 4.

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

	Proprietary Trading	Hedges on Owned Assets: Managed	Hedges on Owned Assets: Non-Qualifying	Hedges on Owned Assets: OCI	FPL Cost Recovery Clauses	FPL Group Total
			(millions)			
Fair value of contracts outstanding at December 31, 2003	$ 7	$ 1	$ 21	$ (11)	$ 94	$ 112
Reclassification to realized at settlement of contracts	(15)	(2)	(60)	1	(223)	(299)
Effective portion of changes in fair value recorded in OCI	-	-	-	(99)	-	(99)
Ineffective portion of changes in fair value recorded in earnings	-	-	(7)	-	-	(7)
Changes in fair value excluding reclassification to realized	14	(1)	36	-	120	169
Fair value of contracts outstanding at December 31, 2004	6	(2)	(10)	(109)	(9)	(124)
Reclassification to realized at settlement of contracts	(6)	3	(9)	89	(617)	(540)
Acquisition of Gexa contracts	-	-	38	-	-	38
Effective portion of changes in fair value recorded in OCI	-	-	-	(353)	-	(353)
Ineffective portion of changes in fair value recorded in earnings	-	-	(33)	-	-	(33)
Changes in fair value excluding reclassification to realized	3	(2)	(162)	-	1,383	1,222
Fair value of contracts outstanding at December 31, 2005	3	(1)	(176)	(373)	757	210
Net option premium payments (receipts)	-	1	10	-	71	82
Total mark-to-market energy contract net assets (liabilities) at December 31, 2005	$ 3	$ -	$ (166)	$ (373)	$ 828	$ 292

FPL Group's total mark-to-market energy contract net assets (liabilities) at December 31, 2005 shown above are included in the consolidated balance sheets as follows:

	December 31, 2005
	(millions)
Derivative assets	$ 1,070
Other assets	56
Other current liabilities	(449)
Other liabilities	(385)
FPL Group's total mark-to-market energy contract net assets	$ 292

The sources of fair value estimates and maturity of energy contract derivative instruments at December 31, 2005 were as follows:

	Maturity						
	2006	2007	2008	2009	2010	Thereafter	Total
				(millions)			
Proprietary Trading:							
Actively quoted (i.e., exchange trade) prices	$ (16)	$ 1	$ -	$ -	$ -	$ -	$ (15)
Prices provided by other external sources	58	1	-	-	1	1	61
Modeled	(43)	-	-	-	-	-	(43)
Total	(1)	2	-	-	1	1	3
Owned Assets – Managed:							
Actively quoted (i.e., exchange trade) prices	(20)	-	-	-	-	-	(20)
Prices provided by other external sources	9	1	-	-	-	-	10
Modeled	9	-	-	-	-	-	9
Total	(2)	1	-	-	-	-	(1)
Owned Assets – Non-Qualifying:							
Actively quoted (i.e., exchange trade) prices	88	22	(9)	(2)	(7)	(7)	85
Prices provided by other external sources	(144)	(58)	(8)	(1)	-	(17)	(228)
Modeled	(29)	1	-	(1)	(1)	(3)	(33)
Total	(85)	(35)	(17)	(4)	(8)	(27)	(176)
Owned Assets – OCI:							
Actively quoted (i.e., exchange trade) prices	1	-	-	-	-	-	1
Prices provided by other external sources	(107)	(191)	(57)	(15)	(4)	-	(374)
Modeled	-	-	-	-	-	-	-
Total	(106)	(191)	(57)	(15)	(4)	-	(373)
Owned Assets – FPL Cost Recovery Clauses:							
Actively quoted (i.e., exchange trade) prices	690	-	-	-	-	-	690
Prices provided by other external sources	50	-	-	-	-	-	50
Modeled	17	-	-	-	-	-	17
Total	757	-	-	-	-	-	757
Total sources of fair value	$ 563	$ (223)	$ (74)	$ (19)	$ (11)	$ (26)	$ 210

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. Management has established risk management policies to monitor and manage market risks. 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, 2005 and 2004, the VaR figures are as follows:

	Trading and Managed Hedges			Non-Qualifying Hedges and Hedges in OCI and FPL cost recovery clauses [a]			Total		
	FPL	FPL Energy	FPL Group	FPL	FPL Energy	FPL Group	FPL	FPL Energy	FPL Group
					(millions)				
December 31, 2004	$ -	$ -	$ -	$ 55	$ 12	$ 48	$ 55	$ 15	$ 47
December 31, 2005	$ -	$ -	$ -	$ 114	$ 38	$ 98	$ 114	$ 38	$ 98
Average for the period ended December 31, 2005	$ -	$ 1	$ 1	$ 57	$ 40	$ 48	$ 57	$ 40	$ 49

[a] Non-qualifying hedges are employed to reduce the market risk exposure to physical assets 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 nuclear decommissioning reserve funds and interest rate swaps. 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.

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

	December 31, 2005		December 31, 2004	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
FPL Group:				
Long-term debt, including current maturities	$ 9,443	$ 9,540[a]	$ 9,247	$ 9,611[a]
Fixed income securities:				
Nuclear decommissioning reserve funds	$ 1,290	$ 1,290[b]	$ 1,219	$ 1,219[b]
Other investments	$ 80	$ 80[b]	$ 72	$ 72[b]
Interest rate swaps – net unrealized loss	$ (9)	$ (9)[c]	$ (11)	$ (11)[c]
FPL:				
Long-term debt, including current maturities	$ 3,406	$ 3,416[a]	$ 3,311	$ 3,438[a]
Fixed income securities:				
Nuclear decommissioning reserve funds	$ 1,151	$ 1,151[b]	$ 1,081	1,081[b]
Interest rate swaps – net unrealized loss	$ -	$ -	$ (2)	$ (2)[c]

(a) Based on market prices provided by external sources.
(b) Based on quoted market prices for these or similar issues.
(c) Based on market prices modeled internally.

The nuclear decommissioning reserve funds of FPL Group consist of restricted funds set aside to cover the cost of 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. Adjustments to market value result in a corresponding adjustment to the related liability accounts based on current regulatory treatment for FPL. The market value adjustments of FPL Group's non-rate regulated operations result in a corresponding adjustment to OCI. See Note 10.

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, 2005, 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 hedges – FPL Group Capital:					
$ 150	July 2003	September 2006	variable[a]	7.625%	$ (3)
$ 150	July 2003	September 2006	variable[b]	7.625%	(3)
$ 195	October 2004	April 2006	variable[c]	3.250%	(2)
$ 55	October 2004	April 2006	variable[d]	3.250%	-
$ 195	October 2004	April 2006	variable[e]	3.250%	(2)
$ 55	October 2004	April 2006	variable[f]	3.250%	-
$ 300	November 2004	February 2007	variable[g]	4.086%	(5)
$ 275	December 2004	February 2007	variable[h]	4.086%	(4)
Total fair value hedges					(19)
Cash flow hedges – FPL Energy:					
$ 90	August 2002	December 2007	4.410%	variable[i]	1
$ 185	August 2003	November 2007	3.557%	variable[i]	4
$ 6	February 2005	June 2008	4.255%	variable[i]	1
$ 85	December 2003	December 2017	4.245%	variable[i]	3
$ 28	April 2004	December 2017	3.845%	variable[i]	1
$ 266	December 2005	November 2019	4.905%	variable[i]	-
Total cash flow hedges					10
Total interest rate hedges					$ (9)

(a) Six-month LIBOR plus 4.9900%
(b) Six-month LIBOR plus 4.9925%
(c) Six-month LIBOR plus 0.0153%
(d) Six-month LIBOR plus 0.0100%
(e) Six-month LIBOR plus 0.1500%
(f) Six-month LIBOR plus 0.1525%
(g) Three-month LIBOR plus 0.50577%
(h) Three-month LIBOR plus 0.4025%
(i) Three-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 $311 million ($171 million for FPL) at December 31, 2005.

Equity price risk – Included in the nuclear decommissioning reserve funds of FPL Group are marketable equity securities carried at their market value of approximately $1,113 million and $1,051 million ($933 million and $890 million for FPL) at December 31, 2005 and 2004, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges, which is a reasonable near-term market change, would result in a $111 million ($93 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, 2005.

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 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, 2005, approximately 99% of both FPL Group's and 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 its 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.

In accordance with the SEC's published guidance, we have excluded from our assessment the internal control over financial reporting for the entities that directly own the interests in each of the entities acquired in connection with the acquisition of Gexa Corp., which was acquired in June 2005, and whose financial statements reflect total assets and operating revenues representing less than 1% and approximately 3%, respectively, of FPL Group's consolidated total assets and operating revenues as of and for the year ended December 31, 2005. FPL Group does not consider the acquisition of Gexa Corp. material to FPL Group's results of operations, financial position and cash flows.

Management assessed the effectiveness of FPL Group's and FPL's internal control over financial reporting as of December 31, 2005, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the Internal Control – Integrated Framework and also the standards of the Public Company Accounting Oversight Board. Based on this assessment, management believes that FPL Group's and FPL's internal control over financial reporting was effective as of December 31, 2005.

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. FPL Group's and FPL's independent registered public accounting firm has issued an attestation report on management's assessment of FPL Group's and FPL's internal control over financial reporting. That report appears on the following page.

LEWIS HAY, III
Lewis Hay, III
Chairman, President and Chief
Executive Officer of FPL Group
and Chairman and Chief Executive
Officer of FPL

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance and Chief
Financial Officer of FPL Group
and Senior Vice President, Finance
and Chief Financial Officer of FPL

K. MICHAEL DAVIS
K. Michael Davis
Controller and Chief Accounting Officer
of FPL Group and Vice President,
Accounting, Controller 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 management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that FPL Group, Inc. and subsidiaries (FPL Group) and Florida Power & Light Company and subsidiaries (FPL) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from their assessment the internal control over financial reporting for the entities that directly own the interests in each of the entities acquired in connection with the acquisition of Gexa Corp., which was acquired on June 17, 2005 and whose financial statements reflect total assets and revenues constituting less than one percent and approximately three percent, respectively, of the related consolidated financial statement amounts of FPL Group as of and for the year ended December 31, 2005. Accordingly, our audit did not include the internal control over financial reporting for the entities that directly own the interests in each of the entities acquired in connection with the acquisition of Gexa Corp. FPL Group's management 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. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of 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 audit 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 effectiveness 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, management's assessment that FPL Group and FPL maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, FPL Group and FPL maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, 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, 2005 of FPL Group and FPL and our report dated February 22, 2006 expressed an unqualified opinion on those financial statements.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 22, 2006

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, 2005 and 2004, and the related consolidated statements of income, common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. 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 audit 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 the financial position of FPL at December 31, 2005 and 2004, and the respective results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, 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), the effectiveness of FPL Group's and FPL's internal control over financial reporting as of December 31, 2005, 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 22, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of FPL Group's and FPL's internal control over financial reporting and an unqualified opinion on the effectiveness of FPL Group's and FPL's internal control over financial reporting.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 22, 2006

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

	Years Ended December 31, 2005	2004	2003
OPERATING REVENUES	$ 11,846	$ 10,522	$ 9,630
OPERATING EXPENSES			
Fuel, purchased power and interchange	6,171	5,217	4,539
Other operations and maintenance	1,840	1,672	1,626
Restructuring charge	-	81	-
Amortization of storm reserve deficiency	155	-	-
Depreciation and amortization	1,285	1,198	1,105
Taxes other than income taxes	931	882	829
Total operating expenses	10,382	9,050	8,099
OPERATING INCOME	1,464	1,472	1,531
OTHER INCOME (DEDUCTIONS)			
Interest charges	(593)	(489)	(379)
Preferred stock dividends – FPL	-	-	(13)
Loss on redemption of preferred stock – FPL	-	-	(9)
Equity in earnings of equity method investees	124	94	89
Gains (losses) on disposal of equity method investees and leveraged leases – net	52	(3)	6
Allowance for equity funds used during construction	28	37	14
Interest income	59	25	19
Other – net	23	18	3
Total other deductions – net	(307)	(318)	(270)
INCOME FROM OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	1,157	1,154	1,261
INCOME TAXES	272	267	368
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	885	887	893
CUMULATIVE EFFECT OF ADOPTING FASB INTERPRETATION NO. 46, "CONSOLIDATION OF VARIABLE INTEREST ENTITIES," NET OF INCOME TAXES OF $2	-	-	(3)
NET INCOME	$ 885	$ 887	$ 890
Earnings per share of common stock:			
Earnings per share before cumulative effect of adopting FASB Interpretation No. 46	$ 2.33	$ 2.47	$ 2.52
Cumulative effect of adopting FASB Interpretation No. 46	$ -	$ -	$ (0.01)
Earnings per share	$ 2.33	$ 2.47	$ 2.51
Earnings per share of common stock – assuming dilution:			
Earnings per share before cumulative effect of adopting FASB Interpretation No. 46	$ 2.29	$ 2.45	$ 2.51
Cumulative effect of adopting FASB Interpretation No. 46	$ -	$ -	$ (0.01)
Earnings per share	$ 2.29	$ 2.45	$ 2.50
Dividends per share of common stock	$ 1.42	$ 1.30	$ 1.20
Weighted-average number of common shares outstanding:			
Basic	380.1	358.6	355.1
Assuming dilution	385.7	361.7	356.3

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

FPL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31, 2005	December 31, 2004
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	$ 31,886	$ 29,721
Nuclear fuel	520	504
Construction work in progress	945	1,495
Less accumulated depreciation and amortization	(10,888)	(10,494)
Total property, plant and equipment – net	22,463	21,226
CURRENT ASSETS		
Cash and cash equivalents	530	225
Customer receivables, net of allowances of $34 and $37, respectively	1,064	785
Other receivables, net of allowances of $9 and $1, respectively	366	259
Materials, supplies and fossil fuel inventory – at average cost	567	394
Regulatory assets:		
Deferred clause and franchise expenses	795	230
Storm reserve deficiency	156	163
Derivatives	-	9
Other	7	-
Derivatives	1,074	110
Other	428	352
Total current assets	4,987	2,527
OTHER ASSETS		
Nuclear decommissioning reserve funds	2,401	2,271
Other investments	467	740
Regulatory assets:		
Storm reserve deficiency	957	373
Deferred clause expenses	307	-
Unamortized loss on reacquired debt	42	45
Litigation settlement	-	45
Other	37	38
Other	1,343	1,068
Total other assets	5,554	4,580
TOTAL ASSETS	$ 33,004	$ 28,333
CAPITALIZATION		
Common shareholders' equity	$ 8,499	$ 7,537
Long-term debt	8,039	8,027
Total capitalization	16,538	15,564
CURRENT LIABILITIES		
Commercial paper	1,159	492
Current maturities of long-term debt and preferred stock	1,404	1,225
Accounts payable	1,245	762
Customers' deposits	433	394
Margin cash deposits	393	5
Accrued interest and taxes	253	227
Regulatory liabilities:		
Deferred clause and franchise revenues	32	30
Derivatives	757	-
Derivatives	463	118
Other	1,128	995
Total current liabilities	7,267	4,248
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	1,685	2,207
Accumulated deferred income taxes	3,015	2,685
Regulatory liabilities:		
Accrued asset removal costs	2,033	2,012
Asset retirement obligation regulatory expense difference	786	266
Unamortized investment tax credits	62	81
Other	90	106
Other	1,528	1,164
Total other liabilities and deferred credits	9,199	8,521
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 33,004	$ 28,333

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, 2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 885	$ 887	$ 890
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,242	1,153	1,060
Nuclear fuel amortization	99	93	58
Cumulative effect of changes in accounting principles	-	-	5
Storm-related costs of FPL, net of insurance advances	(659)	(627)	-
Amortization of storm reserve deficiency	155	-	-
Restructuring charges	-	33	-
Unrealized losses on marked to market energy contracts	191	25	(12)
Deferred income taxes and related regulatory credit	333	428	588
Cost recovery clauses and franchise fees	(825)	144	(186)
Equity in earnings of equity method investees	(124)	(94)	(89)
Distribution of earnings from equity method investees	86	83	68
Changes in operating assets and liabilities:			
Customer receivables	(227)	23	(161)
Other receivables	(64)	16	2
Material, supplies and fossil fuel inventory	(173)	29	1
Other current assets	(9)	(10)	(18)
Deferred pension cost	(70)	(101)	(123)
Accounts payable	346	220	104
Customers' deposits	32	42	41
Margin cash deposits	387	(5)	11
Income taxes	(51)	108	(142)
Interest and other taxes	29	(2)	57
Other current liabilities	(95)	80	90
Other liabilities	(21)	65	(55)
Other – net	80	60	65
Net cash provided by operating activities	1,547	2,650	2,254
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures of FPL	(1,616)	(1,394)	(1,383)
Independent power investments	(815)	(476)	(1,461)
Nuclear fuel purchases	(102)	(141)	(42)
Sale of independent power investments	69	93	-
Loan repayments and capital distributions from equity method investees	199	9	13
Proceeds from sale of securities	2,928	2,207	2,735
Purchase of securities	(2,928)	(2,207)	(2,735)
Contributions to special use funds	(127)	(148)	(173)
Reimbursements from special use funds	8	218	-
Sale of Olympus Communications, L.P. note receivable	-	126	-
Funding of secured loan	(43)	(128)	(47)
Repayment of secured loan	218	-	-
Proceeds from termination and sale of leveraged leases	58	-	-
Other – net	(14)	(31)	4
Net cash used in investing activities	(2,165)	(1,872)	(3,089)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	1,391	569	2,995
Retirements of long-term debt	(1,215)	(432)	(431)
Retirements of preferred stock – FPL	(5)	-	(228)
Net change in short-term debt	667	(423)	(1,238)
Issuances of common stock	639	110	73
Dividends on common stock	(544)	(467)	(425)
Other – net	(10)	(39)	(48)
Net cash provided by (used in) financing activities	923	(682)	698
Net increase (decrease) in cash and cash equivalents	305	96	(137)
Cash and cash equivalents at beginning of year	225	129	266
Cash and cash equivalents at end of year	$ 530	$ 225	$ 129
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	$ 543	$ 460	$ 342
Cash paid (received) for income taxes – net	$ 8	$ (254)	$ (77)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Issuance of common stock and conversion of options and warrants in connection with the acquisition of Gexa Corp.	$ 74	$ -	$ -
Additions to capital lease obligations	$ -	$ -	$ 41
Additions to debt through the adoption of FIN 46	$ -	$ -	$ 515
Additions to property, plant and equipment – net through the adoption of FIN 46	$ -	$ -	$ 346

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

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

	Common Stock [b] Shares	Common Stock [b] Aggregate Par Value	Additional Paid-In Capital	Unearned Compensation	Accumulated Other Comprehensive Income (Loss) [c]	Retained Earnings	Common Shareholders' Equity
Balances, December 31, 2002	366	$ 4	$ 3,282	$ (192)	$ 16	$ 3,280	
Net income	-	-	-	-	-	890	
Issuances of common stock, net of issuance cost of less than $1	3	-	73	-	-	-	
Exercise of stock options and other incentive plan activity	-	-	20	-	-	-	
Dividends on common stock	-	-	-	-	-	(425)	
Earned compensation under ESOP	-	-	18	16	-	-	
Other comprehensive loss	-	-	-	-	(12)	-	
Other	-	-	2	(5)	-	-	
Balances, December 31, 2003	369 [d]	4	3,395	(181)	4	3,745	$ 6,967
Net income	-	-	-	-	-	887	
Issuances of common stock, net of issuance cost of less than $1	2	-	83	-	-	-	
Exercise of stock options and other incentive plan activity	1	-	77	-	-	-	
Dividends on common stock	-	-	-	-	-	(467)	
Earned compensation under ESOP	-	-	21	16	-	-	
Other comprehensive loss	-	-	-	-	(50)	-	
Other	-	-	1	2	-	-	
Balances, December 31, 2004	372 [d]	4	3,577	(163)	(46)	4,165	$ 7,537
Net income	-	-	-	-	-	885	
Issuances of common stock, net of issuance cost of less than $1	20	-	645	-	-	-	
Exercise of stock options and other incentive plan activity	3	-	98	-	-	-	
Dividends on common stock	-	-	-	-	-	(544)	
Earned compensation under ESOP	-	-	19	14	-	-	
Other comprehensive loss	-	-	-	-	(147)	-	
Other	-	-	1	(9)	-	-	
Balances, December 31, 2005	395 [d]	$ 4	$ 4,340	$ (158)	$ (193)	$ 4,506	$ 8,499

[a] Information pertaining to shares, aggregate par value and additional paid-in capital have been restated to reflect the two-for-one stock split effective March 15, 2005. See Note 12 – Earnings Per Share.

[b] $0.01 par value, authorized – 800,000,000 shares, 800,000,000 shares and 600,000,000 shares at December 31, 2005, 2004 and 2003, respectively; outstanding shares 394,854,416, 372,351,756 and 368,528,254 at December 31, 2005, 2004 and 2003, respectively.

[c] Comprehensive income, which includes net income and other comprehensive income (loss), totaled approximately $738 million, $837 million and $878 million for 2005, 2004 and 2003, respectively.

[d] Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled approximately 10 million, 11 million and 12 million at December 31, 2005, 2004 and 2003, respectively.

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,		
	2005	2004	2003
OPERATING REVENUES	$ 9,528	$ 8,734	$ 8,293
OPERATING EXPENSES			
Fuel, purchased power and interchange	4,910	4,467	4,047
Other operations and maintenance	1,307	1,228	1,250
Amortization of storm reserve deficiency	155	-	-
Depreciation and amortization	951	915	898
Taxes other than income taxes	858	809	769
Total operating expenses	8,181	7,419	6,964
OPERATING INCOME	1,347	1,315	1,329
OTHER INCOME (DEDUCTIONS)			
Interest charges	(224)	(183)	(173)
Allowance for equity funds used during construction	28	37	14
Other – net	5	(10)	(12)
Total other deductions – net	(191)	(156)	(171)
INCOME BEFORE INCOME TAXES	1,156	1,159	1,158
INCOME TAXES	408	409	403
NET INCOME	748	750	755
PREFERRED STOCK DIVIDENDS	-	1	13
LOSS ON REDEMPTION OF PREFERRED STOCK	-	-	9
NET INCOME AVAILABLE TO FPL GROUP	$ 748	$ 749	$ 733

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

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31, 2005	December 31, 2004
ELECTRIC UTILITY PLANT		
Plant in service	$ 23,251	$ 21,860
Nuclear fuel	380	370
Construction work in progress	776	1,285
Less accumulated depreciation and amortization	(9,530)	(9,467)
Electric utility plant – net	14,877	14,048
CURRENT ASSETS		
Cash and cash equivalents	56	65
Customer receivables, net of allowances of $20 and $18, respectively	653	585
Other receivables, net of allowances of $1 and $1, respectively	313	216
Materials, supplies and fossil fuel inventory – at average cost	449	315
Regulatory assets:		
Deferred clause and franchise expenses	795	230
Storm reserve deficiency	156	163
Derivatives	-	9
Other	7	-
Derivatives	828	26
Other	212	146
Total current assets	3,469	1,755
OTHER ASSETS		
Nuclear decommissioning reserve funds	2,083	1,971
Regulatory assets:		
Storm reserve deficiency	957	373
Deferred clause expenses	307	-
Unamortized loss on reacquired debt	42	45
Litigation settlement	-	45
Other	37	38
Other	954	839
Total other assets	4,380	3,311
TOTAL ASSETS	$ 22,726	$ 19,114
CAPITALIZATION		
Common shareholder's equity	$ 6,737	$ 6,150
Long-term debt	3,271	2,813
Total capitalization	10,008	8,963
CURRENT LIABILITIES		
Commercial paper	1,159	492
Current maturities of long-term debt and preferred stock	135	523
Accounts payable	863	606
Customers' deposits	423	388
Margin cash deposits	382	-
Accrued interest and taxes	174	158
Regulatory liabilities:		
Deferred clause and franchise revenues	32	30
Derivatives	757	-
Other	929	826
Total current liabilities	4,854	3,023
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	1,474	2,015
Accumulated deferred income taxes	2,647	1,949
Regulatory liabilities:		
Accrued asset removal costs	2,033	2,012
Asset retirement obligation regulatory expense difference	786	266
Unamortized investment tax credits	62	81
Other	90	106
Other	772	699
Total other liabilities and deferred credits	7,864	7,128
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 22,726	$ 19,114

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, 2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 748	$ 750	$ 755
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	909	870	853
Nuclear fuel amortization	72	66	33
Storm-related costs, net of insurance advances	(659)	(627)	-
Amortization of storm reserve deficiency	155	-	-
Deferred income taxes and related regulatory credit	531	553	172
Cost recovery clauses and franchise fees	(825)	144	(186)
Changes in operating assets and liabilities:			
Customer receivables	(82)	51	(132)
Other receivables	(26)	(5)	(2)
Material, supplies and fossil fuel inventory	(133)	39	(6)
Other current assets	(9)	(8)	(10)
Deferred pension cost	(52)	(78)	(99)
Accounts payable	221	171	84
Customers' deposits	35	42	30
Margin cash deposits	382	-	-
Income taxes	(71)	(61)	(52)
Interest and other taxes	17	(1)	29
Other current liabilities	(44)	27	74
Other liabilities	33	33	(27)
Other – net	36	(18)	41
Net cash provided by operating activities	1,238	1,948	1,557
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,616)	(1,394)	(1,383)
Proceeds from sale of securities	2,759	2.072	2.702
Purchases of securities	(2,759)	(2,072)	(2,702)
Contributions to special use funds	(111)	(134)	(157)
Reimbursements from special use funds	8	218	-
Nuclear fuel purchases	(95)	(90)	(26)
Other – net	(2)	-	1
Net cash used in investing activities	(1,816)	(1,400)	(1,565)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	588	236	877
Retirements of long-term debt	(500)	-	(388)
Issuances of preferred stock	-	20	-
Retirements of preferred stock	(25)	-	(228)
Net change in short-term debt	667	(139)	(121)
Capital contributions from FPL Group	-	-	600
Dividends	(161)	(604)	(728)
Net cash provided by (used in) financing activities	569	(487)	12
Net increase (decrease) in cash and cash equivalents	(9)	61	4
Cash and cash equivalents at beginning of year	65	4	-
Cash and cash equivalents at end of year	$ 56	$ 65	$ 4
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	$ 217	$ 167	$ 155
Cash paid (received) for income taxes – net	$ (46)	$ (60)	$ 292
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Additions to capital lease obligations	$ -	$ -	$ 41
Additions to debt through the adoption of FIN 46	$ -	$ -	$ 164

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
(millions)

	Common Stock [a]	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss) [b]	Retained Earnings	Common Shareholder's Equity
Balances, December 31, 2002	$ 1,373	$ 3,716	$ (2)	$ 295	
Net income available to FPL Group	-	-	-	733	
Capital contributions from FPL Group	-	600	-	-	
Dividends to FPL Group	-	-	-	(715)	
Other comprehensive income	-	-	2 [c]	-	
Other	-	2	-	-	
Balances, December 31, 2003	1,373	4,318	-	313	$ 6,004
Net income available to FPL Group	-	-	-	749	
Dividends to FPL Group	-	-	-	(603)	
Balances, December 31, 2004	1,373	4,318	-	459	$ 6,150
Net income available to FPL Group	-	-	-	748	
Dividends to FPL Group	-	-	-	(161)	
Balances, December 31, 2005	$ 1,373	$ 4,318	$ -	$ 1,046	$ 6,737

(a) Common stock, no par value, 1,000 shares authorized, issued and outstanding.
(b) Comprehensive income, which includes net income and other comprehensive income (loss), totaled approximately $748 million, $749 million and $735 million for 2005, 2004 and 2003, respectively.
(c) Minimum supplemental employee retirement plan liability adjustment.

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, 2005, 2004 and 2003

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 FPL Energy, LLC (FPL Energy). FPL, a rate-regulated public utility, supplies electric service to approximately 4.3 million customer accounts throughout most of the east and lower west coasts of Florida. FPL Energy 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. 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. Revenues from cost recovery clauses are recorded when billed; FPL achieves matching of costs and related revenues by deferring the net under- or over-recovery. Any under-recovered costs or over-recovered revenues are collected from or returned to customers in subsequent periods. Although deferred clause revenues and expenses do not significantly affect net income, the under- or over-recoveries can significantly affect FPL Group's and FPL's operating cash flows.

Beginning in 2004, in order to comply with a U.S. Nuclear Regulatory Commission (NRC) order, FPL incurred additional cost to modify its security systems at its St. Lucie and Turkey Point nuclear units. During 2005 and 2004, FPL incurred and deferred pursuant to an FPSC order approximately $12 million and $25 million, respectively, in additional costs as a regulatory asset (included in regulatory assets – other) and, in 2005, accrued interest on the deferred amount at an FPSC-approved rate of 7.29%. During 2005, FPL reduced the regulatory asset by the amount of the reduction in the decommissioning accrual approved by the FPSC in the 2005 rate agreement discussed below. Effective January 1, 2006, the remaining balance of approximately $13 million will be included in rate base, amortized over a four-year period and included in depreciation expense.

In 2000, a bankruptcy court approved a $222.5 million settlement of a contract dispute between FPL and two qualifying facilities. As approved by the FPSC, FPL is recovering the cost of the settlement through the fuel and purchased power cost recovery clause (fuel clause) and capacity cost recovery clause (capacity clause) over a five-year period which began January 1, 2002. The settlement cost is included in deferred clause and franchise expenses and litigation settlement 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 $123 million and $135 million at December 31, 2005 and 2004, respectively. FPL's operating revenues also include amounts resulting from cost recovery clauses (see Regulation), franchise fees, gross receipts taxes and beginning in 2005 a surcharge related to the recovery of storm restoration costs associated with the 2004 hurricanes (see Storm Reserve Deficiency). 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 $604 million, $558 million and $527 million in 2005, 2004 and 2003, 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 August 2005, FPL and all of the interveners in its 2005 rate case filing signed a stipulation and settlement agreement regarding FPL's retail base rates, which was subsequently approved by the FPSC (2005 rate agreement). The 2005 rate agreement will be in effect through December 31, 2009, and thereafter shall remain in effect until terminated on the date new retail base rates become effective pursuant to an FPSC order. The 2005 rate agreement replaced a rate agreement that was effective April 15, 2002 through December 31, 2005 (2002 rate agreement).

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. The 2005 rate agreement also continues the revenue sharing mechanism in FPL's 2002 rate agreement, 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 for 2006 will be $3,991 million and $4,156 million, respectively, which was established by using the 2005 revenue sharing threshold and cap of $3,880 million and $4,040 million, respectively, and increasing them by the average annual growth rate in retail kilowatt-hour (kwh) sales for the ten-year period ending December 31, 2005. For each succeeding year, retail base rate revenue sharing threshold and cap amounts will be 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.

Under both the 2005 and 2002 rate agreements, the accrual for the refund associated with the revenue sharing mechanism is 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 threshold 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 both the 2005 and 2002 rate agreements, the annual refund (including interest) is paid to customers as a credit to their February electric bill. At December 31, 2005 and 2004, there was no refund due to customers.

Under the terms of the 2005 rate agreement: (i) FPL's electric property depreciation rates will be 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 suspended contributions of approximately $79 million per year to its nuclear decommissioning fund beginning in September 2005, (iii) FPL suspended contributions of $20.3 million per year to its storm and property insurance reserve beginning in January 2006 and has the ability to recover prudently incurred storm restoration costs, either through securitization pursuant to Section 366.8260 of the Florida Statutes or through surcharges, and (iv) 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 will not have an authorized regulatory ROE under the 2005 rate agreement for the purpose of addressing earnings levels. For all other regulatory purposes, FPL will have an ROE of 11.75%. The revenue sharing mechanism described above will be 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.

The 2002 rate agreement provided for a $250 million annual reduction in retail base revenues allocated to all customers by reducing customers' base rates and service charges by approximately 7% as well as a revenue sharing mechanism based on stated thresholds. During the term of the 2002 rate agreement, FPL did not have an authorized regulatory ROE range for the purpose of addressing earnings levels and FPL reduced depreciation on its plant in service by $125 million each year.

FPL Energy's revenue is recorded as electricity is delivered, which is when revenue is earned. FPL Energy's 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 $30 million at December 31, 2005.

Electric Plant, Depreciation and Amortization – The cost of additions to units of utility property of FPL and FPL Energy 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, 2005, the electric generating, transmission, distribution and general facilities of FPL represented approximately 45%, 12%, 37% and 6%, 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 FPL Energy's generating facilities are encumbered by liens against their assets securing various financings. The total amount of FPL Energy's assets serving as collateral was approximately $3.7 billion at December 31, 2005.

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; however, the 2002 rate agreement required FPL to continue to depreciate its electric property based on rates approved in April 1999 that became effective January 1, 1998. The weighted annual composite depreciation rate for FPL's electric plant in service, including intangible software, but excluding the effects of decommissioning and dismantlement, was approximately 4.3%, 4.2% and 4.3% for 2005, 2004 and 2003, respectively. These rates exclude the depreciation adjustments discussed below. Pursuant to the 2005 rate agreement, FPL implemented new depreciation rates on January 1, 2006. FPL Energy's electric plants in service less salvage value are depreciated using the straight-line method over their estimated useful lives. FPL Energy's effective depreciation rates were 3.9%, 3.9% and 3.9% for 2005, 2004 and 2003, respectively.

Under the 2002 and 2005 rate agreements (see Revenues and Rates), FPL may reduce depreciation by up to $125 million annually during the term of the rate agreements. These depreciation adjustments are included in earnings. The amounts recorded during the 2002 rate agreement were allocated primarily to the nuclear depreciation reserve. The amounts to be recorded during the 2005 rate agreement will be allocated to the appropriate assets when FPL files its comprehensive depreciation studies at the end of the 2005 rate agreement.

Nuclear Fuel – FPL leases nuclear fuel for all four of its nuclear units. Beginning July 1, 2003, the lessor was consolidated by FPL as a result of adopting the Financial Accounting Standards Board's (FASB) Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities." See Note 9 – FPL. For ratemaking purposes, these leases are treated similar to operating leases. For financial reporting, prior to July 1, 2003, these leases were recorded as capital leases. Nuclear fuel lease expense was $31 million for the six months ended June 30, 2003. Included in this expense was an interest component of $1 million for the six months ended June 30, 2003. Until July 1, 2003, the lease payments were charged to fuel expense on a unit of production method. Beginning July 1, 2003, the cost of nuclear fuel was capitalized and is being amortized to fuel expense on a unit of production method except for the interest component, which is recorded as interest expense. These charges, as well as a charge for spent nuclear fuel, are recovered through the fuel clause. FPL makes quarterly payments to the lessor for the lease commitments. Under certain circumstances of lease termination, the associated debt ($194 million at December 31, 2005), which was recorded in commercial paper and long-term debt on FPL Group's and FPL's consolidated balance sheets, would become due.

Seabrook Station (Seabrook) has several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel. See Note 16 – Contracts. Seabrook's 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 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. The 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. The FPSC rules allow construction projects below the 0.5% threshold as a component of rate base. During 2005, 2004 and 2003, AFUDC was capitalized at a rate of 7.42%, 7.29% and 7.84%, respectively, and amounted to approximately $41 million, $48 million and $18 million, respectively. See Note 16 – Commitments.

FPL's construction work in progress at December 31, 2005 includes construction materials, progress payments on major equipment contracts, third party engineering costs 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, 2005 and 2004, FPL recorded approximately $156 million and $135 million, respectively, of construction accruals, which are included in other current liabilities on FPL Group's and FPL's consolidated balance sheets.

FPL Energy 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, 2005 and 2004, FPL Energy's capitalized development costs totaled approximately $19 million and $15 million, respectively, which are included in other assets on FPL Group's consolidated balance sheets. These costs include emission reduction credits, 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 the development of a project is no longer probable. In addition to capitalized development costs, FPL Energy capitalizes interest on its construction projects. Interest capitalized on construction projects amounted to $8 million, $43 million and $83 million during 2005, 2004 and 2003, respectively. FPL Energy's interest charges are based on a deemed capital structure of 50% debt for operating projects and 100% debt for projects under construction.

FPL Energy's construction work in progress includes construction materials, prepayments on turbine generators, third party engineering costs, interest and other costs directly associated with the construction and development of the project. Upon commencement of plant operation, these costs are transferred to electric utility plant in service and other property. At December 31, 2005 and 2004, FPL Energy recorded approximately $73 million and $55 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 adopted FAS 143, "Accounting for Asset Retirement Obligations" and FIN 47, "Accounting for Conditional Asset Retirement Obligations" effective January 1, 2003 and December 31, 2005, respectively. See Note 15.

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

	FPL									
	Nuclear Decommissioning		Fossil Dismantlement		Interim Removal Costs and Other		FPL Energy		FPL Group	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	(millions)									
Asset retirement obligations (ARO)	$ 1,460	$ 2,013	$ 11	$ 2	$ 3	$ -	$ 211	$ 192	$ 1,685	$ 2,207
Less capitalized ARO asset net of accumulated depreciation	57	214	2	1	1	-	-	-	60	215
Accrued asset removal costs [a]	178	158	277	291	1,578	1,563	-	-	2,033	2,012
Asset retirement obligation regulatory expense difference [a]	770	267	16	(1)	-	-	-	-	786	266
Accrued decommissioning, dismantlement and other accrued asset removal costs	$ 2,351 [b]	$ 2,224 [b]	$ 302 [b]	$ 291 [b]	$ 1,580 [b]	$ 1,563 [b]	$ 211	$ 192	$ 4,444	$ 4,270

[a] Regulatory liability on FPL Group's and FPL's consolidated balance sheets.
[b] Represents total amount accrued for ratemaking purposes.

FPL – For ratemaking purposes, FPL accrues for the cost of end of life retirement and disposal of its nuclear and fossil plants over the expected service life of each unit based on nuclear decommissioning and fossil dismantlement studies periodically filed with the FPSC. In addition, FPL accrues for interim removal costs over the life of the related assets based on depreciation studies approved by the FPSC. For financial reporting purposes, FPL recognizes decommissioning and dismantlement liabilities in accordance with FAS 143 and FIN 47. Any differences between expense recognized under FAS 143 and FIN 47 and the amount recoverable through rates are deferred in accordance with FAS 71. See Electric Plant, Depreciation and Amortization and Note 15.

Nuclear decommissioning studies are performed at least every five years and are submitted to the FPSC for approval. FPL filed updated nuclear decommissioning studies with the FPSC in December 2005. The studies filed in December 2005 support the suspension, effective September 2005, of the $79 million annual decommissioning accrual as indicated in the 2005 rate agreement. These studies reflect FPL's current plans, under the extended operating licenses, for prompt dismantlement of Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2032 and 2033, respectively, and 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. These studies also assume that FPL will be storing spent fuel on site pending removal to a U.S. government facility. The studies indicate FPL's portion of the ultimate costs of decommissioning its four nuclear units, including costs associated with spent fuel storage, to be $10.9 billion. FPL's portion of the ultimate cost of decommissioning its four units, expressed in 2005 dollars, is estimated by the studies to aggregate $2.0 billion.

During 2005, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $112 million related to ARO accretion expense, approximately $7 million related to depreciation of the capitalized ARO asset, approximately $4 million related to the non-legal obligation included in accrued asset removal costs and an approximately $70 million credit to adjust the total accrual to the $53 million approved by the FPSC for decommissioning expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income). During 2004, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $106 million related to ARO accretion expense, approximately $8 million related to depreciation of the capitalized ARO asset, approximately $6 million related to the non-legal obligation included in accrued asset removal costs and an approximate $41 million credit to adjust the total accrual to the $79 million approved by the FPSC for decommissioning expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income). During 2003, FPL recognized approximately $101 million related to ARO accretion expense, approximately $8 million related to depreciation of the capitalized ARO asset, approximately $6 million related to the non-legal obligation included in accrued asset removal costs and an approximate $36 million credit to adjust the total accrual to the $79 million approved by the FPSC for decommissioning expense.

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in nuclear decommissioning reserve funds of FPL. Consistent with regulatory treatment, marketable securities held in the decommissioning funds are classified as available for sale and are carried at market value with market adjustments, including any other-than-temporary impairment losses, resulting in a corresponding adjustment to the related regulatory liability accounts. See Note 10. Contributions to the funds were based on current period decommissioning expense and were suspended beginning September 2005. Additionally, fund earnings, net of taxes, are reinvested in the funds. Earnings are recognized as income and an offsetting expense is recorded to reflect a corresponding increase in the related regulatory liability accounts. As a result, there is no effect on net income. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

Fossil fuel plant dismantlement studies are performed and filed with the FPSC at least every four years. FPL's latest fossil fuel plant dismantlement studies became effective January 1, 2003. The studies indicate that FPL's portion of the ultimate cost to dismantle its fossil units is $668 million. FPL recognized fossil dismantlement expense of approximately $19 million in each of 2005, 2004 and 2003, which is included in depreciation and amortization expense.

FPL Energy – FPL Energy also records a nuclear decommissioning liability for Seabrook in accordance with FAS 143 and FIN 47. See Note 15. Seabrook's current decommissioning funding plan is based on an operating license expiration date of 2026. The funding plan is based on a comprehensive nuclear decommissioning study reviewed by the New Hampshire Nuclear Decommissioning Financing Committee (NDFC) in 2003 and is effective for four years. This study assumes that Seabrook would begin decommissioning in 2026 and that FPL Energy's 88.23% portion of the ultimate cost of decommissioning Seabrook, including costs associated with spent fuel storage, is approximately $1.5 billion, or $604 million expressed in 2005 dollars. In December 2005, FPL Energy obtained NRC approval to extend the unit's operating license from 2026 to 2030 to recapture the period of non-operation from 1986 to 1990. FPL Energy intends to seek approval from the NRC to renew the unit's operating license for an additional 20 years. At December 31, 2005 and 2004, FPL Energy had an ARO related to nuclear decommissioning of $189 million and $175 million, respectively.

FPL Energy's 88.23% portion of Seabrook's restricted trust fund for the payment of future expenditures to decommission Seabrook is included in FPL Group's nuclear decommissioning reserve funds. Marketable securities held in the decommissioning fund are classified as available for sale and are carried at market value with market adjustments resulting in a corresponding adjustment to other comprehensive income. Any unrealized losses associated with marketable securities that are determined to be other-than-temporarily impaired would be recognized as an expense in FPL Group's consolidated statements of income. Fund earnings are recognized in income and are reinvested in the funds either on a pretax or after-tax basis. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes. See Note 10.

Accrual for Major Maintenance Costs – Consistent with regulatory treatment, FPL's estimated nuclear maintenance costs for each nuclear unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. Any difference between the estimated and actual costs is included in O&M expenses when known. The estimated costs for inspection and repair of FPL's four reactor vessel heads were deferred and are being amortized on a levelized basis over a five-year period beginning in 2002 as authorized by the FPSC, and amounted to approximately $11 million in 2005, $10 million in 2004 and $13 million in 2003. The accrued liability for nuclear maintenance costs, including those for the reactor vessel heads, at December 31, 2005 and 2004 totaled approximately $79 million and $74 million, respectively, and is included in other liabilities. For the years ended December 31, 2005, 2004 and 2003, FPL recognized approximately $160 million, $164 million and $157 million, respectively, in nuclear maintenance costs (including reactor vessel head inspection and repair costs) which are included in O&M expenses in FPL Group's and FPL's consolidated income statements.

FPL Energy's estimated major maintenance costs for its combustion turbine and nuclear generating units' next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. Any difference between the estimated and actual costs is included in O&M expenses when known. The accrued liability for FPL Energy's major maintenance costs totaled approximately $114 million and $83 million at December 31, 2005 and 2004, respectively, and is included in other liabilities. For the years ended December 31, 2005, 2004 and 2003, FPL Energy recognized approximately $78 million, $80 million and $54 million in major maintenance costs which are included in O&M expenses in FPL Group's consolidated income statements.

Cash Equivalents – Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Restricted Cash – At both December 31, 2005 and 2004, FPL Group had approximately $56 million of restricted cash included in other current assets on FPL Group's consolidated balance sheets, essentially all of which is restricted for debt service payments and O&M expenses, as well as for margin collateral in 2005 and construction liabilities in 2004.

Allowance for Doubtful Accounts – FPL maintains an accumulated provision for uncollectible customer accounts receivable that is determined by multiplying the previous six months of revenues by a bad debt percentage, which represents an average of the past two years' actual write-offs. Additional amounts are included in the provision to address specific items that are not considered in the calculation described above. FPL Energy regularly reviews collectibility of its receivables and establishes a provision for losses estimated as a percentage of revenue based on the historical bad debt write-off trends for its retail energy business, and when necessary using the specific identification method for all other receivables.

Inventory – FPL values materials, supplies and fossil fuel inventory using a weighted-average cost method. FPL Energy's materials, supplies and oil and gas inventories are carried at the lower of weighted-average cost or market.

Energy Trading – FPL Group and FPL engage in limited energy trading activities to optimize the value of electricity and fuel contracts and generating facilities, as well as to take advantage of expected favorable commodity price movements. In accordance with Emerging Issues Task Force Issue No. (EITF) 02-3, trading contracts that meet the definition of a derivative are accounted for at market value and realized gains and losses from all trading contracts, including those where physical delivery is required, are recorded net for all periods presented. See Note 4.

Storm Reserve Deficiency – The storm reserve deficiency represents storm restoration costs incurred by FPL that exceeded the amounts in the storm and property insurance reserve, which provided FPL coverage toward storm damage costs and possible retrospective premium assessments stemming from a nuclear incident under the various insurance programs covering FPL's nuclear generating plants. The storm restoration costs were associated with hurricanes that affected FPL's service territory in 2004 and 2005. At December 31, 2005 and 2004, FPL's storm reserve deficiency totaled approximately $1.1 billion and $536 million, respectively, a portion of which is included in current assets.

The storm reserve deficiency associated with the 2004 hurricanes, plus interest, is being recovered primarily through a storm damage surcharge applied to retail customer bills over a 36-month period that began in February 2005, and totaled approximately $297 million at December 31, 2005. During 2005, FPL billed to customers approximately $155 million through the storm damage surcharge, which is included in operating revenues on the consolidated statements of income. A corresponding expense for the amortization of the storm reserve deficiency is shown as a separate line on the consolidated statements of income. The remaining balance of the storm reserve deficiency primarily relates to the storm restoration costs associated with Hurricanes Dennis, Katrina, Rita and Wilma that struck FPL's service territory in 2005. In January 2006, FPL petitioned the FPSC for approval to recover approximately $1.7 billion of storm costs through the issuance of $1,050 million of storm recovery bonds pursuant to the securitization provisions of Section 366.8260 of the Florida Statutes. The storm bond proceeds will provide for the net-of-tax recovery of the remaining balance of the unrecovered hurricane costs of $1,040 million (estimated balance as of July 31, 2006) and the replenishment of the storm reserve to approximately $650 million. If the FPSC determines that the storm restoration costs should not be securitized and instead should be recovered through another means, FPL has recommended as an alternative recovering the 2005 hurricane costs through a surcharge over approximately three years and implementing a separate surcharge to fund a $650 million storm reserve. The FPSC's decision is expected in May 2006. On February 2, 2006, several interested parties filed a motion to dismiss FPL's petition, claiming that the petition did not satisfy certain technical requirements. FPL filed its response to the motion on February 6, 2006, asserting that the requirements cited are not applicable to FPL's petition and which were met in any event. The FPSC has the right to review FPL's storm charges for prudence, and has the authority to determine the manner and timing of recovery.

Investments in Leveraged Leases – Subsidiaries of FPL Group, other than FPL, have investments in leveraged leases, which at December 31, 2005 and 2004 totaled $28 million and $81 million, respectively, and are included in other investments on FPL Group's consolidated balance sheets. The related deferred tax liabilities totaled $28 million and $80 million at December 31, 2005 and 2004, respectively, and are included in accumulated deferred income taxes.

Impairment 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." See Note 6.

Goodwill and Other Intangible Assets – At December 31, 2005, FPL Energy had recorded, after certain purchase price allocation adjustments, approximately $72 million of goodwill within its merchant reporting unit, and approximately $27 million of intangible assets for customer lists (net of accumulated amortization of approximately $2 million) in connection with the 2005 acquisition of Gexa Corp. The intangible asset for customer lists is being amortized on a straight-line basis over its estimated economic life of 8 years. The acquisition of Gexa Corp. was accounted for using the purchase method of accounting.

FPL Energy's other intangible assets consist primarily of power purchase agreements, transmission and land rights, permits and licenses and totaled approximately $75 million and $79 million at December 31, 2005 and 2004, respectively, net of accumulated amortization. Other intangible assets are amortized over their estimated useful lives.

FPL Energy's goodwill and other intangible assets are included in other assets on FPL Group's consolidated balance sheets. In accordance with FAS 142, "Goodwill and Other Intangible Assets," goodwill is assessed for impairment at least annually by applying a fair value based test. Other intangible assets are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted future cash flows in accordance with FAS 144.

Stock-Based Compensation – Effective January 1, 2004, FPL Group adopted the fair value recognition provisions of FAS 123, "Accounting for Stock-Based Compensation." FPL Group selected the modified prospective method of adoption described in FAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." Under that method, stock-based employee compensation cost recognized in 2004 is the same as that which would have been recognized had the fair value recognition provisions of FAS 123 been applied from its original effective date. Prior to 2004, FPL Group accounted for its stock-based compensation plans under the intrinsic value based method as permitted by FAS 123.

The following table illustrates the effect on net income and earnings per share of common stock as if FPL Group's compensation expense had been determined using the fair value based method in each period:

	Years Ended December 31,		
	2005	2004	2003
	(millions, except per share amounts)		
Net income, as reported	$ 885	$ 887	$ 890
Add: total stock-based employee compensation expense included in reported net income, net of related income tax effects	18	17	12
Deduct: total stock-based employee compensation expense determined under fair value based method, net of related income tax effects	(18)	(17)	(19)
Pro forma net income	$ 885	$ 887	$ 883
Earnings per share of common stock:			
Basic – as reported	$ 2.33	$ 2.47	$ 2.51
Basic – pro forma	$ 2.33	$ 2.47	$ 2.49
Assuming dilution – as reported	$ 2.29	$ 2.45	$ 2.50
Assuming dilution – pro forma	$ 2.29	$ 2.45	$ 2.48

On January 1, 2006, FPL Group adopted FAS 123(R), "Share-Based Payment." The statement requires costs related to share-based payment transactions to be recognized in the financial statements based on grant-date fair value. Because FPL Group adopted the fair value recognition provisions of FAS 123, "Accounting for Stock-Based Compensation," on January 1, 2004, the adoption of FAS 123(R) will not have a significant financial impact for the year ending December 31, 2006.

Retirement of Long-Term Debt – Gains and losses that result from differences in FPL's reacquisition cost and the book value of long-term debt which is retired are deferred and amortized to interest expense ratably over the remaining life of the original issue, which is consistent with its treatment in the ratemaking process. FPL Group Capital Inc (FPL Group Capital) recognizes as expense any such excess at time of retirement.

Retirement of Preferred Stock – Gains and losses that result from differences in FPL's reacquisition cost and the book value of preferred stock which is retired are recognized as gains or losses by FPL Group and as an addition or reduction to net income available to FPL Group by FPL.

Income Taxes – Deferred income taxes are provided on all significant temporary differences between the financial statement and tax bases of assets and liabilities. In connection with the tax sharing agreement with FPL Group, FPL's income tax provision reflects the use of the "separate return method." Included in other regulatory liabilities on FPL Group's and FPL's consolidated balance sheets is the revenue equivalent of the difference in accumulated deferred income taxes computed under FAS 109, "Accounting for Income Taxes," as compared to regulatory accounting rules. This amount is being amortized in accordance with the regulatory treatment over the estimated lives of the assets or liabilities which resulted in the initial recognition of the deferred tax amount. Investment tax credits (ITC) for FPL are deferred and amortized to income over the approximate lives of the related property in accordance with the regulatory treatment. Production tax credits (PTCs) are recognized as wind energy is generated based on a per kwh rate prescribed in applicable federal and state statutes. PTCs generated by certain wind operations of FPL Energy are recorded as a reduction of current income taxes payable, unless limited by tax law in which instance they are recorded as deferred tax assets. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. Accruals for estimated losses from federal and state income tax contingencies are established when it is probable that an income tax liability has been incurred and the amount of such loss is reasonably estimable. See Note 5.

Guarantees – FPL Group and FPL each account for payment guarantees and related contracts, for which it or a subsidiary is the guarantor, under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others," which requires that the fair value of guarantees provided to unconsolidated entities entered into after December 31, 2002 be recorded on the balance sheet. See Note 16 – Commitments.

Variable Interest Entities (VIEs) – FIN 46, "Consolidation of Variable Interest Entities," requires FPL Group and FPL to assess the variable interests they hold and determine if those entities are VIEs. See Note 9.

2. Proposed Merger

In December 2005, FPL Group and Constellation Energy Group, Inc. (Constellation Energy) entered into an agreement and plan of merger (the merger agreement). In a tax free, stock-for-stock exchange, each share of Constellation Energy common stock outstanding immediately prior to the merger will be converted into 1.444 shares of Constellation Energy common stock and each share of FPL Group common stock outstanding immediately prior to the merger will be converted into one share of Constellation Energy common stock. Upon completion of the merger, former FPL Group shareholders will own approximately 60 percent and Constellation Energy's shareholders will own approximately 40 percent of the combined company. FPL Group will account for the merger as an acquisition of Constellation Energy under the purchase method of accounting. The companies are working to complete the merger by the end of 2006. However, completion of the merger and the actual closing date depend upon the satisfaction of a number of conditions, including shareholder approvals and the receipt of required regulatory approvals. The merger agreement contains certain termination rights for FPL Group and Constellation Energy and provides that, upon termination of the merger agreement under specified circumstances, one of the parties may be required to pay a termination fee. In the event a termination fee is payable by Constellation Energy to FPL Group, it would equal $425 million. In the event a termination fee is payable by FPL Group to Constellation Energy, it would equal $650 million.

3. Employee Retirement Benefits

Employee Benefit Plans and Other Postretirement Plan – 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 non-qualified supplemental defined benefit pension plan that provides benefits to higher-level employees. See Supplemental Retirement Plan below. In addition to pension benefits, FPL Group sponsors a substantially contributory postretirement plan for health care and life insurance benefits (other benefits) for retirees of FPL Group and its subsidiaries meeting certain eligibility requirements.

Benefit Obligations – FPL Group uses a measurement date of September 30 for its pension and other benefits plans. The following table provides a reconciliation of the changes in the benefit obligations of the plans:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
	(millions)			
Obligation at October 1 of prior year	$ 1,581	$ 1,516	$ 468	$ 488
Service cost	52	52	8	8
Interest cost	87	84	25	27
Participant contributions	-	-	5	4
Plan amendments [a]	9	3	-	-
Actuarial (gains) losses – net	(27)	12	(42)	(25)
Benefit payments	(103)	(86)	(29)	(34)
Obligation at September 30	$ 1,599	$ 1,581	$ 435	$ 468

[a] Relates to union negotiated credits and, for 2005, also relates to Internal Revenue Code (IRC) transfers and various Supplemental Retirement Plan changes.

FPL Group's accumulated benefit obligation, which includes no assumption about future compensation levels, for its pension plans at September 30, 2005 and 2004 was $1,548 million and $1,525 million, respectively.

The following table provides the weighted-average assumptions used to determine benefit obligations for the plans. These rates are used in determining net periodic benefit cost in the following year.

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Discount rate	5.5%	5.5%	5.5%	5.5%
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%

An 8.5% annual rate of increase in the per capita cost of covered medical benefits and a 10.5% annual rate of increase in the per capita cost of covered prescription drug benefits was assumed for 2006. The rates are assumed to decrease gradually to 5.0% by 2013 and 2017 for medical and prescription drug benefits, respectively, and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of one percentage point in assumed health care cost trend rates would have a corresponding effect on the other benefits accumulated obligation of approximately $9 million and $(8) million, respectively, at September 30, 2005.

Plan Assets – The following table provides a reconciliation of the fair value of assets of the plans. Employer contributions and benefits paid in the table below include only those amounts contributed directly to, or paid directly from, plan assets.

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
	(millions)			
Fair value of plan assets at October 1 of prior year	$ 2,907	$ 2,697	$ 50	$ 54
Actual return on plan assets	331	296	2	6
Employer contributions	6	-	21	20
IRC transfers [(a)]	(21)	-	-	-
Participant contributions	-	-	5	4
Benefit payments	(103)	(86)	(29)	(34)
Fair value of plan assets at September 30	$ 3,120	$ 2,907	$ 49	$ 50

(a) Represents amounts that were transferred from the qualified pension plan as reimbursement for eligible retiree medical expenses paid by FPL Group pursuant to the provisions of the IRC.

FPL Group's current investment policy for the pension plan recognizes the benefit of protecting the plan's funded status, thereby avoiding the necessity of future employer contributions. Its broad objectives are to achieve a high rate of total return with a prudent level of risk taking while maintaining sufficient liquidity and diversification to avoid large losses while preserving capital.

FPL Group's pension plan fund has a strategic asset allocation that targets a mix of 50% equity investments and 50% fixed income investments. The fund's investment strategy emphasizes traditional investments, broadly diversified across the global equity and fixed income markets, utilizing a combination of different investment styles and vehicles. The pension fund's equity investments include direct equity holdings and assets classified as equity commingled vehicles. Similarly, its fixed income investments include direct debt security holdings and assets classified as debt security commingled vehicles. These equity and debt security commingled vehicles include common and collective trusts, pooled separate accounts, registered investment companies or other forms of pooled investment arrangements.

At September 30, the asset allocation for FPL Group's pension fund is as follows:

Asset Category	2005	2004
Equity	12%	14%
Equity commingled vehicles	39	34
Debt securities	30	30
Debt security commingled vehicles	19	22
Total	100%	100%

With regard to its other benefits, FPL Group's policy is to fund claims as incurred during the year through FPL Group contributions, participant contributions and plan assets. The other benefits' assets are invested with a focus on assuring the availability of funds to pay benefits while maintaining sufficient diversification to avoid large losses and preserve capital. The other benefits plan fund has a strategic asset allocation that targets a mix of 55% equity investments and 45% fixed income investments. The fund's investment strategy emphasizes traditional investments, diversified among equity and fixed income investments. The fund's equity investments include direct equity holdings and assets classified as equity commingled vehicles. Similarly, its fixed income investments include direct debt security holdings and assets classified as debt security commingled vehicles. These equity and debt commingled vehicles include common and collective trusts, pooled separate accounts, registered investment companies or other forms of pooled investment arrangements.

At September 30, the asset allocation for FPL Group's other benefits fund is as follows:

Asset Category	2005	2004
Equity	36%	38%
Equity commingled vehicles	21	18
Debt securities	1	2
Debt security commingled vehicles	42	42
Total	100%	100%

Funded Status – The following table reconciles the funded status of the plans to the amounts on the consolidated balance sheets:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
	(millions)			
Fair value of plan assets	$ 3,120	$ 2,907	$ 49	$ 50
Benefit obligation	(1,599)	(1,581)	(435)	(468)
Funded status at September 30	1,521	1,326	(386)	(418)
Unrecognized prior service (benefit) cost	(14)	(27)	-	-
Unrecognized transition (asset) obligation	-	-	25	28
Unrecognized (gain) loss	(644)	(509)	43	87
Other	(23)	(21)	10	8
Prepaid (accrued) benefit cost at FPL Group at December 31	$ 840	$ 769	$ (308)	$ (295)
Prepaid (accrued) benefit cost at FPL at December 31	$ 798	$ 746	$ (282)	$ (271)

FPL Group's and FPL's prepaid (accrued) benefit cost shown above are included in the consolidated balance sheets as follows:

	FPL Group				FPL			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2005	2004	2005	2004	2005	2004	2005	2004
	(millions)							
Prepaid benefit cost included in other assets	$ 849	$ 779	$ -	$ -	$ 803	$ 750	$ -	$ -
Accrued benefit cost included in other liabilities	(14)	(19)	(308)	(295)	(6)	(5)	(282)	(271)
Intangible asset included in other assets	3	3	-	-	1	1	-	-
Accumulated other comprehensive income	2	6	-	-	-	-	-	-
Prepaid (accrued) benefit cost at December 31	$ 840	$ 769	$ (308)	$ (295)	$ 798	$ 746	$ (282)	$ (271)

Expected Cash Flows – In December 2005, $24 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 $27 million for eligible retiree medical expenses on behalf of the other benefits plan during 2006 with substantially all amounts being reimbursed through a transfer of assets from the qualified pension plan pursuant to the provisions of the Internal Revenue Code.

The following table provides information about gross benefit payments expected to be paid by the plans for each of the following calendar years:

	Pension Benefits	Other Benefits
	(millions)	
2006	$121	$ 34
2007	$127	$ 37
2008	$133	$ 40
2009	$139	$ 40
2010	$139	$ 40
2011–2015	$731	$ 187

Net Periodic Cost – The following table provides the components of net periodic benefit (income) cost for the plans:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2005	2004	2003	2005	2004	2003
	(millions)					
Service cost	$ 52	$ 52	$ 52	$ 8	$ 8	$ 7
Interest cost	87	84	84	25	27	27
Expected return on plan assets	(211)	(207)	(199)	(3)	(4)	(4)
Amortization of transition (asset) obligation	-	(23)	(23)	3	3	3
Amortization of prior service (benefit) cost	(5)	(5)	(5)	-	-	-
Amortization of (gains) losses	(15)	(21)	(28)	4	5	6
Supplemental Retirement Plan settlements	3	-	2	-	-	-
Net periodic benefit (income) cost at FPL Group	$ (89)	$ (120)	$ (117)	$ 37	$ 39	$ 39
Net periodic benefit (income) cost at FPL	$ (71)	$ (97)	$ (95)	$ 32	$ 35	$ 35

The following table provides the weighted-average assumptions used to determine net periodic benefit (income) cost for the plans:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2005	2004	2003	2005	2004	2003
Discount rate	5.50%	5.50%	6.00%	5.50%	5.50%	6.00%
Salary increase	4.00%	4.00%	4.50%	4.00%	4.00%	4.50%
Expected long-term rate of return [(a)]	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%

[(a)] In developing the expected long-term rate of return on assets assumption for its plans, FPL Group evaluated input from its actuaries as well as information available in the marketplace. FPL Group considered the 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. No specific adjustments were made to reflect expectations of future returns.

Assumed health care cost trend rates can have a significant effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of one percentage point in assumed health care cost trend rates would have affected the total service and interest cost recognized at September 30, 2005 by less than $1 million.

Supplemental Retirement Plan – FPL Group also has a non-qualified supplemental defined benefit pension plan that provides benefits to higher-level employees. The cost of this plan is included in the determination of net periodic benefit income for pension benefits in the preceding tables and amounted to $5 million, $2 million and $5 million for FPL Group for years ended December 31, 2005, 2004 and 2003, respectively. The projected benefit obligation is included in the pension benefits obligation in the preceding tables and amounted to $21 million and $22 million for FPL Group at December 31, 2005 and 2004, respectively. Further, the accumulated benefit obligation was $13 million and $19 million for FPL Group ($6 million and $5 million for FPL) at December 31, 2005 and 2004, respectively.

FPL Group established a trust to provide assets that may be used for the benefits payable under the non-qualified supplemental defined benefit pension plan. The trust is irrevocable and, although subject to creditors' claims, assets contributed to the trust can only be used to pay such benefits with certain exceptions. These assets are included in other investments on the consolidated balance sheets and amounted to $5 million and $11 million for FPL Group ($3 million and $3 million for FPL) at December 31, 2005 and December 31, 2004, respectively.

Employee Contribution Plans – FPL Group offers employee retirement savings plans which allow eligible participants to contribute a percentage of qualified compensation through payroll deductions. FPL Group makes matching contributions to participants' accounts. Defined contribution expense pursuant to these plans was approximately $27 million, $27 million and $25 million for FPL Group ($25 million, $23 million and $21 million for FPL) for years ended December 31, 2005, 2004 and 2003, respectively. See Note 12 – Employee Stock Ownership Plan (ESOP).

4. Derivative Instruments

Derivative instruments, when required to be marked to market under FAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, are recorded on FPL Group's and FPL's consolidated balance sheets as either an asset or liability measured at fair value.

FPL Group's and FPL's mark-to-market derivative instrument assets (liabilities) are included in the consolidated balance sheets as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2005	2004	2005	2004
	(millions)			
Current derivative assets	$ 1,074	$ 110	$ 828	$ 26
Other assets	62	24	-	-
Current derivative liabilities	(463)	(118)	-	(6)
Other liabilities	(387)	(111)	-	-
Total mark-to-market derivative instrument assets (liabilities)	$ 286	$ (95)	$ 828	$ 20

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 risk associated with long-term debt. In addition, FPL Group uses derivatives to optimize the value of power generation assets. 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 and the capacity clause. For FPL Group's non-rate regulated operations, predominantly FPL Energy, 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. While substantially all of FPL Energy's derivative transactions are entered into for the purposes described above, hedge accounting is only applied where specific criteria are met and it is practicable to do so. In order to apply hedge accounting, the transaction must be designated as a hedge and it must be highly effective in offsetting the hedged risk. Additionally, for hedges of commodity price risk physical delivery for forecasted commodity transactions must be probable. FPL Group believes that where offsetting positions exist at the same location for the same time, the transactions are considered to have been netted and therefore physical delivery has not occurred. Transactions for which physical delivery is deemed to have not occurred are presented on a net basis. Generally, the hedging instrument's effectiveness is assessed utilizing regression analysis at the inception of the hedge and on at least a quarterly basis throughout its life.

At December 31, 2005, FPL Group had cash flow hedges with expiration dates through December 2010 for energy contract derivative instruments, and interest rate cash flow hedges with expiration dates through November 2019. The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is reported as a component of other comprehensive income and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings. The ineffective portion of net unrealized losses on these hedges flows through earnings in the current period and amounted to $33 million, $7 million and $2 million for the years ended December 31, 2005, 2004 and 2003, respectively. Settlement gains and losses are included within the line items in the statements of income to which they relate.

Unrealized mark-to-market gains (losses) on derivative transactions for both consolidated subsidiaries and equity method investees are as follows:

	Years Ended December 31,		
	2005	2004	2003
		(millions)	
Consolidated subsidiaries	$ (191)	$ (23)	$ 16
Equity method investees	$ 1	$ 13	$ 21

5. Income Taxes

The components of income taxes, including deferred regulatory credit, are as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2005	2004	2003	2005	2004	2003
	(millions)					
Federal:						
Current	$ 26	$ (207)	$ (181)	$ (80)	$ (125)	$ 214
Deferred	225	464	507	445	490	145
ITC	(19)	(20)	(20)	(19)	(20)	(20)
Total federal	232	237	306	346	345	339
State:						
Current	(67)	66	(21)	(24)	-	37
Deferred	107	(36)	83	86	64	27
Total state	40	30	62	62	64	64
Total income taxes	$ 272	$ 267	$ 368	$ 408	$ 409	$ 403

A reconciliation between the effective income tax rates and the applicable statutory rates is as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2005	2004	2003	2005	2004	2003
Statutory federal income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increases (reductions) resulting from:						
State income taxes – net of federal income tax benefit	2.3	1.7	3.2	3.5	3.6	3.6
Allowance for other funds used during construction	(1.0)	(1.1)	(0.4)	(1.0)	(1.1)	(0.4)
Amortization of ITC	(1.7)	(1.7)	(1.6)	(1.7)	(1.7)	(1.7)
Production tax credits – FPL Energy	(10.8)	(9.2)	(6.2)	-	-	-
Amortization of deferred regulatory credit – income taxes	(0.6)	(0.6)	(0.8)	(0.6)	(0.6)	(0.8)
Adjustments of prior years' tax matters	-	(0.9)	(0.6)	-	(0.2)	(0.7)
Preferred stock dividends – FPL	-	-	0.4	-	-	-
Other – net	0.3	(0.1)	0.2	0.1	0.3	(0.2)
Effective income tax rate	23.5%	23.1%	29.2%	35.3%	35.3%	34.8%

The income tax effects of temporary differences giving rise to consolidated deferred income tax liabilities and assets are as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2005	2004	2005	2004
	(millions)			
Deferred tax liabilities:				
Property-related	$ 3,498	$ 2,996	$ 2,451	$ 2,105
Investment-related	177	274	-	-
Pension	324	298	310	289
Deferred fuel costs	406	57	406	57
Storm reserve deficiency	417	174	417	174
Other	347	378	156	160
Total deferred tax liabilities	5,169	4,177	3,740	2,785
Deferred tax assets and valuation allowance:				
Unamortized ITC and deferred regulatory credit – income taxes	15	35	15	35
Decommissioning reserves	268	253	268	253
Postretirement benefits	130	126	120	115
Net operating loss carryforwards	680	213	381	-
Tax credit carryforwards	404	235	-	-
Other	915	763	413	378
Valuation allowance	(35)	(23)	-	-
Net deferred tax assets	2,377	1,602	1,197	781
Net accumulated deferred income taxes	$ 2,792	$ 2,575	$ 2,543	$ 2,004

Deferred tax liabilities associated with property- and investment-related assets reflect additional first year depreciation as allowed by tax legislation. During 2005 and 2004, FPL Group recognized net tax benefits of approximately $25 million and $30 million, respectively, related to certain state tax benefits resulting from the growth of FPL Energy outside the state of Florida and, in 2004, from the resolution of various tax issues. Valuation allowances for 2005 and 2004 relate to the deferral of production tax credits and operating loss carryforwards.

Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

	FPL Group December 31,		FPL December 31,	
	2005	2004	2005	2004
	(millions)			
Other current assets	$ 223	$ 110	$ 104	$ -
Other current liabilities	-	-	-	55
Accumulated deferred income taxes	3,015	2,685	2,647	1,949
Net accumulated deferred income taxes	$ 2,792	$ 2,575	$ 2,543	$ 2,004

The components of FPL Group's deferred tax assets relating to net operating loss carryforwards and tax credit carryforwards at December 31, 2005 are as follows:

	Amount	Expiration Date
	(millions)	
Net operating loss carryforwards:		
Federal	$ 539	2024–2025
State	141	2007–2025
Total net operating loss carryforwards	$ 680	
Tax credit carryforwards:		
Federal	$ 378	2023–2025
State	26	2008–2013
Total tax credit carryforwards	$ 404	

6. Restructuring and Impairment Charges

During 2005, FPL Energy recorded a net gain of approximately $13 million ($8 million after-tax) related to the termination of a gas supply contract at one of its investments in joint ventures. The gain is included in equity in earnings of equity method investees in FPL Group's consolidated statements of income. This agreement was terminated in connection with an amended power purchase agreement that allows the investee to source power from the wholesale market.

Restructuring charges in 2004 reflect contract restructuring to take advantage of changed market conditions. FPL Energy recorded a net gain of approximately $52 million ($31 million after tax) related to the termination of a gas supply contract and a steam agreement at one of its investments in joint ventures. These agreements were terminated in connection with an amended power purchase agreement that allows the investee to source power from the wholesale market. In addition, FPL Energy recorded an impairment loss of approximately $47 million ($29 million after tax) to write down its investment in a combined-cycle power plant in Texas to its fair value as a result of agreeing to sell its interest in the project. The sale was completed in the second quarter of 2004. The results of the above transactions are reflected in equity in earnings of equity method investees in FPL Group's consolidated statements of income. Also in 2004, FPL Energy restructured a steam sales agreement on a natural gas-fired facility in Pennsylvania due to a downturn in market conditions where the plant is operating. The restructuring resulted in a loss of approximately $81 million ($48 million after tax) which includes the write-off of an auxiliary boiler of approximately $33 million and a $48 million contract termination payment which was included in other current liabilities on FPL Group's consolidated balance sheet at December 31, 2004 and was paid in 2005.

7. Comprehensive Income

The following table provides the components of comprehensive income and accumulated other comprehensive income (loss):

	Net Income	Accumulated Other Comprehensive Income (Loss): Net Unrealized Gains (Losses) On Cash Flow Hedges	Other	Total	Comprehensive Income
			(millions)		
Balances, December 31, 2002		$ 19	$ (3)	$ 16	
Net income of FPL Group	$ 890				$ 890
Net unrealized gains (losses) on commodity cash flow hedges:					
Effective portion of net unrealized gain:					
Consolidated subsidiaries (net of $7 tax expense)		11	-	11	11
Equity method investees (net of $7 tax expense)		11	-	11	11
Reclassification adjustment: [a]					
Consolidated subsidiaries (net of $23 tax benefit)		(35)	-	(35)	(35)
Equity method investees (net of $7 tax benefit)		(12)	-	(12)	(12)
Net unrealized gains (losses) on interest rate cash flow hedges:					
Effective portion of net unrealized loss on interest rate swaps (net of $5 tax benefit)		(8)	-	(8)	(8)
Reclassification from other comprehensive income (OCI) to net income (net of $3 tax expense)		4	-	4	4
Net unrealized gains on available for sale securities (net of $11 tax expense)		-	17	17	17
Balances, December 31, 2003		(10)	14	4	$ 878
Net income of FPL Group	$ 887				$ 887
Net unrealized gains (losses) on commodity cash flow hedges:					
Effective portion of net unrealized losses:					
Consolidated subsidiaries (net of $40 tax benefit)		(61)	-	(61)	(61)
Net unrealized gains (losses) on interest rate cash flow hedges:					
Effective portion of net unrealized loss on interest rate swaps (net of $4 tax benefit)		(6)	-	(6)	(6)
Reclassification from OCI to net income (net of $6 tax expense)		10	-	10	10
Net unrealized gains on available for sale securities (net of $4 tax expense)		-	7	7	7
Balances, December 31, 2004		(67)	21	(46)	$ 837
Net income of FPL Group	$ 885				$ 885
Net unrealized gains (losses) on commodity cash flow hedges:					
Effective portion of net unrealized losses:					
Consolidated subsidiaries (net of $143 tax benefit)		(209)	-	(209)	(209)
Reclassification from OCI to net income (net of $37 tax expense)		55	-	55	55
Net unrealized gains (losses) on interest rate cash flow hedges:					
Effective portion of net unrealized gain on interest rate swaps (net of $3 tax expense)		4	-	4	4
Reclassification from OCI to net income (net of $1 tax expense)		2	-	2	2
Net unrealized losses on available for sale securities (net of $0.4 tax benefit)		-	(1)	(1)	(1)
Supplemental retirement plan liability adjustment (net of $2 tax expense)		-	2	2	2
Balances, December 31, 2005		$ (215) [b]	$ 22	$ (193)	$ 738

[a] Includes amounts reclassified into earnings due to settlements of approximately $44 million and discontinuance of cash flow hedges of approximately $3 million for which the hedged transaction is no longer probable of occurring.

[b] Approximately $62 million of losses included in FPL Group's accumulated other comprehensive income at December 31, 2005 will be reclassified into earnings within the next 12 months as either the hedged fuel is consumed, electricity is sold or interest payments are made. Such amount assumes no change in fuel prices, power prices or interest rates.

8. Jointly-Owned Electric Plants

The following FPL Group subsidiaries own undivided interests in the jointly-owned facilities described below, and are entitled to a proportionate share of the output from those facilities. FPL and FPL Energy are responsible for their share of the operating costs, as well as providing their own financing. Accordingly, each subsidiary includes its proportionate share of the facilities and related revenues and expenses in the appropriate balance sheet and income statement captions. FPL Group's and FPL's share of direct expenses for these facilities are included in fuel, purchased power and interchange, other operations and maintenance, depreciation and amortization and taxes other than income taxes on FPL Group's and FPL's consolidated statements of income.

FPL Group's and FPL's proportionate ownership interest in jointly-owned facilities is as follows:

	December 31, 2005			
	Ownership Interest	Gross Investment	Accumulated Depreciation	Construction Work in Progress
			(millions)	
FPL:				
St. Lucie Unit No. 2	85%	$ 1,174	$ 832	$ 106
St. Johns River Power Park units and coal terminal	20%	$ 327	$ 197	$ 2
Scherer Unit No. 4	76%	$ 588	$ 362	$ -
Transmission substation assets located in Seabrook, New Hampshire	88.23%	$ 30	$ 10	$ -
FPL Energy: [a]				
Seabrook	88.23%	$ 941	$ 134	$ 18
Wyman Station Unit No. 4	61.78%	$ 76	$ 25	$ -

[a] In January 2006, FPL Energy purchased a 70% interest, or approximately 415 megawatts (mw), in the Duane Arnold Energy Center (Duane Arnold), a nuclear power plant located in Iowa.

9. Variable Interest Entities

FIN 46, as revised (FIN 46R), requires the consolidation of entities which are determined to be VIEs when the reporting company determines that it will absorb a majority of the VIE's expected losses, receive a majority of the VIE's residual returns, or both. The company that is required to consolidate the VIE is called the primary beneficiary. Conversely, the reporting company would not consolidate VIEs in which it has a majority ownership interest when the company is not considered to be the primary beneficiary. Variable interests are contractual, ownership or other monetary interests in an entity that change as the fair value of the entity's net assets, excluding variable interests, change. An entity is considered to be a VIE when its capital is insufficient to permit it to finance its activities without additional subordinated financial support or its equity investors, as a group, lack the characteristics of having a controlling financial interest.

FPL Group adopted the requirements of FIN 46R in two phases. At the original effective date, July 1, 2003, FPL Group identified two VIEs which were consolidated. Revised guidance was issued and became effective March 31, 2004. As discussed below, no additional VIEs were identified for consolidation. The cumulative effect of a change in accounting principle of implementing FIN 46 at July 1, 2003 for the VIEs discussed below was approximately a $3 million loss (net of income tax benefit of $2 million) for FPL Group and zero for FPL.

FPL – Effective July 1, 2003, FPL consolidates a VIE from which it leases nuclear fuel for its nuclear units. For ratemaking purposes, these leases are treated as operating leases. For financial reporting, prior to July 1, 2003 the capital lease obligation was recorded at the amount due to the lessor in the event of lease termination. FPL makes quarterly payments to the lessor for the lease commitments. The lessor has issued senior secured notes to fund the procurement of nuclear fuel and has established a revolving credit facility to support its commercial paper program. FPL has provided an unconditional guarantee of the payment obligations of the lessor under the notes and credit facility. The consolidated assets of the VIE consist primarily of nuclear fuel, which had a carrying value of $380 million and $370 million at December 31, 2005 and 2004, respectively.

In its evaluation of the revised guidance as of March 31, 2004, FPL identified two potential VIEs, both of which are considered qualifying facilities (QFs) as defined by the Public Utility Regulatory Policies Act of 1978, as amended (PURPA). In November 2005, the purchased power agreement (PPA) with one of the projects expired and was not renewed. Therefore, FPL has no further involvement with this project. PURPA requires FPL to purchase the electricity output of the remaining project. As a result, FPL has entered into a PPA with this QF to purchase substantially all of the project's electrical output over a substantial portion of its estimated useful life. For each megawatt-hour (mwh) provided, FPL pays a per mwh price (energy payment) based upon FPL's avoided cost, which is determined at the time the PPA is executed, and is based on the cost of avoiding the construction and operation of a coal unit. The energy component is primarily based on the cost of coal at an FPL jointly-owned coal-fired facility. The avoided cost is the incremental cost to the utility of the electric energy or capacity, or both, which is avoided by neither generating the electricity nor purchasing it from another source. The project has a capacity of 250 mw. After making exhaustive efforts, FPL was unable to obtain the information from the project necessary to determine whether the project is a VIE or whether FPL is the primary beneficiary of the project. The PPA with the project contains no provision which legally obligates the project to release this information to FPL. The energy payments paid by FPL will fluctuate as coal prices change. This does not expose FPL to losses since the energy payments paid by FPL to the project are passed on to FPL's customers through the fuel clause as approved by the FPSC. Notwithstanding the fact that FPL's energy payments are recovered through the fuel clause, if the project was determined to be a VIE, the absorption of some of the project's fuel price variability might cause FPL to be considered the primary beneficiary. During the years ended December 31, 2005 and 2004, FPL purchased 1,813,114 mwh and 1,802,467 mwh, respectively, from the project at a total cost of approximately $144 million and $141 million, respectively. FPL will continue to make exhaustive efforts to obtain the necessary information from the project in order to determine if it is a VIE and, if so, whether FPL is the primary beneficiary.

Additionally, FPL entered into a PPA with a 330 mw coal-fired cogeneration facility (the Facility) in 1995 to purchase substantially all of the Facility's electrical output through 2025. The Facility is considered a QF as defined by PURPA. In November 2004, FPL and the Facility reached an agreement to change the index related to the energy payment, triggering a new analysis under FIN 46R. FPL determined that (a) the Facility is a VIE and (b) the PPA represents a variable interest in the Facility. However, FPL determined that it is not the Facility's primary beneficiary. During the first quarter of 2005, a change in ownership of the facility occurred, triggering the need to reevaluate whether FPL is the facility's primary beneficiary. After making exhaustive efforts, FPL was unable to obtain the information necessary to perform this reevaluation. The PPA with the Facility contains no provisions which legally obligate the Facility to release this information to FPL. During the years ended December 31, 2005 and 2004, FPL purchased 2,332,000 mwh and 2,265,371 mwh, respectively, from the Facility at a total cost of approximately $191 million and $186 million, respectively. Additionally, the PPA does not expose FPL to losses since the energy payments made by FPL to the Facility are passed on to FPL's customers through the fuel clause as approved by the FPSC. FPL will continue to make exhaustive efforts to obtain the necessary information from the Facility in order to determine if FPL is the Facility's primary beneficiary.

FPL Energy – In 2000, an FPL Energy subsidiary entered into an operating lease agreement with a special purpose entity (SPE) lessor to lease a 550 mw combined-cycle power generation plant through 2007. The FPL Energy subsidiary began making quarterly lease payments on March 31, 2003. The quarterly lease payments are intended to cover the lessor's debt service, which includes a stated yield to equity holders and certain other costs. The FPL Energy subsidiary has the option to purchase the plant at any time during the remaining lease term for 100% of the outstanding principal balance of the loans and equity contributions made to the SPE, all accrued and unpaid interest and yield, and all other fees, costs and amounts then due and owing pursuant to the provisions of the related financing documents. However, under certain limited events of default, the FPL Energy subsidiary can be required to purchase the plant for the same cost. If the FPL Energy subsidiary does not elect to purchase the plant at the end of the lease term, a residual value guarantee must be paid, and the plant will be sold. Any sale proceeds received by the lessor in excess of the outstanding debt and equity will be given to the FPL Energy subsidiary. FPL Group Capital has guaranteed certain obligations of the FPL Energy subsidiary under the lease agreement.

In the initial implementation of FIN 46, the FPL Energy subsidiary was determined to be the primary beneficiary of the lessor and, accordingly, effective July 1, 2003, consolidates the assets and liabilities of the lessor on FPL Group's consolidated financial statements. The assets of the lessor primarily consist of the power generation plant, which had a carrying value of $331 million and $343 million at December 31, 2005 and 2004, respectively, and is reported in electric utility plant in service and other property in FPL Group's consolidated balance sheets. The liabilities of the lessor consist primarily of debt (which is secured by the power generation plant), which had a carrying value of $333 million and $345 million at December 31, 2005 and 2004, respectively, and is reported in long-term debt in FPL Group's consolidated balance sheets. The equity interests of the lessor not owned by the FPL Energy subsidiary are reported as minority interest.

FPL Group – In March 2004, a trust created by FPL Group sold 12 million 5 7/8% preferred trust securities to the public and common trust securities to FPL Group. The trust is considered a VIE because FPL Group's investment through the common trust securities is not considered equity at risk in accordance with FIN 46R. The proceeds from the sale of the preferred and common trust securities were used to buy 5 7/8% junior subordinated debentures maturing in March 2044, from FPL Group Capital. The trust exists only to issue its preferred trust securities and common trust securities and to hold the junior subordinated debentures of FPL Group Capital as trust assets. Since FPL Group, as the common security holder, is not considered to have equity at risk and will therefore not absorb any variability of the trust, FPL Group is not the primary beneficiary and does not consolidate the trust in accordance with FIN 46R. FPL Group includes the junior subordinated debentures issued by FPL Group Capital on its consolidated balance sheets. See Note 11 – FPL Group.

FPL Group and FPL expect additional implementation guidance to be issued regarding FIN 46R and are unable to determine what effect, if any, this additional guidance might have on FPL Group's and FPL's financial statements.

10. Financial Instruments

The carrying amounts of cash equivalents, commercial paper and notes payable approximate fair values. At December 31, 2005 and 2004, other investments of FPL Group included financial instruments of approximately $43 million and $294 million, respectively, and primarily consist of notes receivable that are carried at estimated fair value or cost, which approximates fair value. See Note 11.

The following estimates of the fair value of financial instruments have been made using available market information. However, the use of different market assumptions or methods of valuation could result in different estimated fair values.

	December 31, 2005		December 31, 2004	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
FPL Group:				
Long-term debt, including current maturities	$ 9,443	$ 9,540 [a]	$ 9,247	$ 9,611 [a]
Nuclear decommissioning reserve funds	$ 2,401	$ 2,401 [b]	$ 2,271	$ 2,271 [b]
Other investments	$ 80	$ 80 [b]	$ 72	$ 72 [b]
Interest rate swaps – net unrealized loss	$ (9)	$ (9) [c]	$ (11)	$ (11) [c]
FPL:				
Long-term debt, including current maturities	$ 3,406	$ 3,416 [a]	$ 3,311	$ 3,438 [a]
Nuclear decommissioning reserve funds	$ 2,083	$ 2,083 [b]	$ 1,971	$ 1,971 [b]
Interest rates swaps – net unrealized loss	$ -	$ -	$ (2)	$ (2) [c]

(a) Based on market prices provided by external sources.
(b) Based on quoted market prices for these or similar issues.
(c) Based on market prices modeled internally.

Nuclear Decommissioning Reserve Funds and Other Investments – Securities held in the nuclear decommissioning reserve funds and other investments are carried at estimated fair value based on quoted market prices. FPL Group's nuclear decommissioning funds consist of approximately 46% equity securities and 54% municipal, government, corporate and mortgage- and other asset-backed debt securities (45% and 55% for FPL, respectively) with a weighted-average maturity of approximately 7 years at December 31, 2005. The cost of securities sold is determined on the specific identification method.

The following tables provide the nuclear decommissioning and storm reserve funds and other investments approximate gains and losses and proceeds from the sale of securities:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2005	2004	2003	2005	2004	2003
	(millions)					
Realized gains	$ 18	$ 11	$ 26	$ 14	$ 9	$ 25
Realized losses	$ 17	$ 13	$ 20	$ 16	$ 12	$ 19
Proceeds from sale of securities	$ 2,928	$ 2,207	$ 2,735	$ 2,759	$ 2,072	$2,702

The following tables provide the unrealized gains and losses for the nuclear decommissioning reserve funds and other investments. There were no storm reserve funds at December 31, 2005 or at December 31, 2004.

	FPL Group		FPL	
	December 31,		December 31,	
	2005	2004	2005	2004
	(millions)			
Unrealized gains				
Equity securities	$ 382	$ 345	$ 342	$ 304
Debt securities	$ 27	$ 49	$ 26	$ 46
Unrealized losses [a]				
Equity securities	$ 1	$ -	$ -	$ -
Debt securities	$ 4	$ 6	$ 3	$ 5

(a) At December 31, 2005, FPL Group had 22 securities in an unrealized loss position for greater than twelve months. The total unrealized loss on these securities was less than $1 million and the fair value was approximately $21 million for FPL Group. For accounting treatment description, see Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs and Note 1 – Storm Reserve Deficiency.

Regulations issued by the FERC and the NRC provide general risk management guidelines to protect nuclear decommissioning trust funds and to allow such funds to earn a reasonable return. The FERC regulations prohibit investments in any securities of FPL Group or its subsidiaries, affiliates or associates, excluding investments tied to market indices or other mutual funds. Similar restrictions applicable to the decommissioning trust fund for FPL Energy's Seabrook nuclear plant are contained in the NRC operating license for that facility. NRC regulations applicable to NRC licensees not in cost-of-service environments require similar investment restrictions. The NRC's regulations permit licensees with operating licenses containing conditions restricting the use of decommissioning trust funds to rely on those conditions in lieu of compliance with NRC regulations. FPL Energy's Seabrook nuclear plant contains such restrictions in its NRC operating license. With respect to the decommissioning trust fund for FPL

Energy's Seabrook nuclear plant, decommissioning trust fund withdrawals are also regulated by the NDFC pursuant to New Hampshire law.

The nuclear decommissioning reserve funds are managed by investment managers who must comply with the guidelines and rules of the applicable regulatory authorities, FPL Group and FPL. The funds' assets are invested in order to optimize the after-tax earnings of these funds, giving consideration to liquidity, risk, diversification and other prudent investment objectives.

Interest Rate Swaps – 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, 2005, 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 hedges – FPL Group Capital:					
$ 150	July 2003	September 2006	variable[a]	7.625%	$ (3)
$ 150	July 2003	September 2006	variable[b]	7.625%	(3)
$ 195	October 2004	April 2006	variable[c]	3.250%	(2)
$ 55	October 2004	April 2006	variable[d]	3.250%	-
$ 195	October 2004	April 2006	variable[e]	3.250%	(2)
$ 55	October 2004	April 2006	variable[f]	3.250%	-
$ 300	November 2004	February 2007	variable[g]	4.086%	(5)
$ 275	December 2004	February 2007	variable[h]	4.086%	(4)
Total fair value hedges					(19)
Cash flow hedges – FPL Energy:					
$ 90	August 2002	December 2007	4.410%	variable[i]	1
$ 185	August 2003	November 2007	3.557%	variable[i]	4
$ 6	February 2005	June 2008	4.255%	variable[i]	1
$ 85	December 2003	December 2017	4.245%	variable[i]	3
$ 28	April 2004	December 2017	3.845%	variable[i]	1
$ 266	December 2005	November 2019	4.905%	variable[i]	-
Total cash flow hedges					10
Total interest rate hedges					$ (9)

(a) Six-month LIBOR plus 4.9900%
(b) Six-month LIBOR plus 4.9925%
(c) Six-month LIBOR plus 0.0153%
(d) Six-month LIBOR plus 0.0100%
(e) Six-month LIBOR plus 0.1500%
(f) Six-month LIBOR plus 0.1525%
(g) Three-month LIBOR plus 0.50577%
(h) Three-month LIBOR plus 0.4025%
(i) Three-month LIBOR

11. Investments in Partnerships and Joint Ventures

FPL Energy – FPL Energy has non-controlling non-majority owned interests in various partnerships and joint ventures, essentially all of which are electricity producers. At December 31, 2005 and 2004, FPL Energy's investment in partnerships and joint ventures totaled approximately $313 million and $288 million, respectively, which is included in other investments on FPL Group's consolidated balance sheets. FPL Energy's interest in these partnerships and joint ventures range from approximately 5.5% to 50%. At December 31, 2005, the principal entities included in FPL Energy's investments in partnerships and joint ventures were Northeast Energy, LP, Cherokee County Cogeneration Partners, LP, Green Ridge Power, LLC, Mojave 16/17/18 LLC, Windpower Partners 1993, LP and, in 2004, included Cameron Ridge LLC. FPL Energy's interest in Cameron Ridge was sold in 2005.

Summarized combined information for these principal entities is as follows:

	2005	2004
	(millions)	
Net income	$ 176	$ 227
Total assets	$ 1,313	$ 1,369
Total liabilities	$ 711	$ 791
Partners'/members' equity	$ 602	$ 578
FPL Energy's share of underlying equity in the principal entities	$ 301	$ 289
Difference between investment carrying amount and underlying equity in net assets [a]	(33)	(49)
FPL Energy's investment carrying amount for the principal entities	$ 268	$ 240

[a] The majority of the difference between the investment carrying amount and the underlying equity in net assets is being amortized over the remaining life of the investee's assets.

Certain subsidiaries of FPL Energy provide services to the partnerships and joint ventures, including O&M expenses and business management services. FPL Group's operating revenues for the years ended December 31, 2005, 2004 and 2003 include approximately $19 million, $16 million and $16 million, respectively, related to such services. The net receivables at December 31, 2005 and 2004, for these services, as well as for affiliate energy commodity transactions, payroll and other payments made on behalf of these investees, were approximately $65 million and $23 million, respectively, and are included in other current assets on FPL Group's consolidated balance sheets.

Notes receivable (long- and short-term) include approximately $21 million and $99 million at December 31, 2005 and 2004, respectively, due from partnerships and joint ventures in which FPL Energy has an ownership interest. The notes receivable balance at December 31, 2005 matures in 2011 and bears interest at a fixed rate of 8.5%. The majority of the notes receivable balance at December 31, 2004 bear interest at variable rates, which ranged from approximately 6.1% to 8.5%. Interest income related to notes receivable totaled approximately $7 million, $7 million and $6 million for the years ended December 31, 2005, 2004 and 2003, respectively, and is included in interest income in FPL Group's consolidated statements of income. There was no interest receivable associated with these notes as of December 31, 2005 and 2004.

FPL Group – In March 2004, a trust created by FPL Group sold $300 million of preferred trust securities to the public and $9 million of common trust securities to FPL Group. The trust is an unconsolidated 100%-owned finance subsidiary. The trust used the proceeds to purchase $309 million of 5 7/8% junior subordinated debentures maturing in March 2044 from FPL Group Capital. FPL Group has fully and unconditionally guaranteed the preferred trust securities and the junior subordinated debentures.

12. Common Stock

Earnings Per Share – The reconciliation of FPL Group's basic and diluted earnings per share of common stock is shown below:

	Years Ended December 31,		
	2005	2004	2003
	(millions, except per share amounts)		
Numerator – net income	$ 885	$ 887	$ 890
Denominator:			
Weighted-average number of common shares outstanding – basic	380.1	358.6	355.1
Restricted stock, performance share and shareholder value awards, options, warrants and equity units [a]	5.6	3.1	1.2
Weighted-average number of common shares outstanding – assuming dilution	385.7	361.7	356.3
Earnings per share of common stock:			
Basic	$ 2.33	$ 2.47	$ 2.51
Assuming dilution	$ 2.29	$ 2.45	$ 2.50

[a] Performance share awards and shareholder value awards are included in diluted weighted-average number of shares outstanding based upon what would be issued if the end of the reporting period were the end of the term of the award. Restricted stock, performance share awards, shareholder value awards, options, warrants and equity units (known as Corporate Units, see Note 14) are included in diluted weighted-average number of common shares outstanding by applying the treasury stock method.

In 2005, 2004 and 2003, there were no securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been antidilutive.

In February 2005, FPL Group's board of directors approved a two-for-one stock split of FPL Group's common stock effective March 15, 2005 (2005 stock split). FPL Group's authorized common stock increased from 400 million to 800 million shares. All share or per share information included in FPL Group's consolidated financial statements reflect the effect of the 2005 stock split.

Common Stock Dividend Restrictions – FPL Group's charter does not limit the dividends that may be paid on its common stock. FPL's mortgage securing FPL's first mortgage bonds contains provisions that, under certain conditions, restrict the payment of dividends and other distributions to FPL Group. These restrictions do not currently limit FPL's ability to pay dividends to FPL Group.

Employee Stock Ownership Plan (ESOP) – The employee thrift plans of FPL Group include a leveraged ESOP feature. Shares of common stock held by the trust for the thrift plans (Trust) are used to provide all or a portion of the employers' matching contributions. Dividends received on all shares, along with cash contributions from the employers, are used to pay principal and interest on an ESOP loan held by FPL Group Capital. Dividends on shares allocated to employee accounts and used by the Trust for debt service are replaced with an equivalent amount of shares of common stock at prevailing market prices. For purposes of computing basic and fully diluted earnings per share, ESOP shares that have been committed to be released are considered outstanding.

ESOP-related compensation expense of approximately $27 million, $27 million and $25 million in 2005, 2004 and 2003, respectively, was recognized based on the fair value of shares allocated to employee accounts during the period. Interest income on the ESOP loan is eliminated in consolidation. ESOP-related unearned compensation included as a reduction of common shareholders' equity at December 31, 2005 was approximately $140 million, representing unallocated shares at the original issue price. The fair value of the ESOP-related unearned compensation account using the closing price of FPL Group common stock at December 31, 2005 was approximately $401 million.

Incentive Plans – At December 31, 2005, approximately 26.6 million shares of common stock were authorized and 19.7 million were available for awards (including outstanding awards) to officers, employees and non-employee directors of FPL Group and its subsidiaries under FPL Group's long-term incentive plan (LTIP) and non-employee directors stock plan. Restricted stock is issued at market value at the date of grant, typically vests within four years and is subject to, among other things, restrictions on transferability. Performance share awards and shareholder value awards are typically payable at the end of a three- or four-year performance period if the specified performance criteria are met. The exercise price of each option granted in 2005, 2004 and 2003 equaled the market price of FPL Group common stock on the date of grant. Options typically vest within three years and have a maximum term of ten years. See Note 1 – Stock-Based Compensation.

The changes in awards under the incentive plans are as follows:

	Restricted Stock	Performance Share and Shareholder Value Awards	Options: Number	Options: Weighted-Average Exercise Price
Balances, December 31, 2002	597,410	836,978	7,290,260	$ 28.65
Granted	468,690[a]	420,866[b]	3,211,940[c]	$ 28.07
Paid/released/exercised	(225,836)	(338,190)	(236,602)	$ 23.94
Forfeited	(74,888)	(128,362)	(704,774)	$ 27.82
Balances, December 31, 2003	765,376	791,292	9,560,824	$ 28.62
Granted	310,910[a]	481,752[b]	790,000[c]	$ 32.46
Paid/released/exercised	(229,040)	(185,554)	(987,350)	$ 29.41
Forfeited	(25,890)	(49,080)	(190,448)	$ 28.15
Balances, December 31, 2004	821,356	1,038,410	9,173,026	$ 28.92
Granted	565,950[a]	483,293[b]	421,000[c]	$ 36.95
Paid/released/exercised	(302,317)	(256,348)	(2,078,533)	$ 28.65
Forfeited	(62,444)	(119,853)	(286,876)	$ 29.98
Balances, December 31, 2005	1,022,545	1,145,502	7,228,617[d]	$ 27.48

(a) The weighted-average grant date fair value of restricted stock granted in 2005, 2004 and 2003 was $39.92, $32.58 and $29.50 per share, respectively.

(b) The weighted-average grant date fair value of performance share and shareholder value awards in 2005, 2004 and 2003 was $39.38, $32.52 and $30.67 per share, respectively.

(c) The weighted-average fair value of options granted was $6.30, $5.10 and $4.19 in 2005, 2004 and 2003, respectively. The fair value of the options granted in 2005, 2004 and 2003 were estimated on the date of the grant using the Black-Scholes option-pricing model with a weighted-average expected dividend yield of 3.68%, 3.93% and 3.97%, a weighted-average expected volatility of 20.00%, 20.11% and 19.99%, a weighted-average risk-free interest rate of 4.08%, 3.78% and 3.48%, respectively, and a weighted-average expected term of 7 years.

(d) Of the options outstanding at December 31, 2005, 4,587,394 options were exercisable and had exercise prices ranging from $19.06 to $36.95 per share with a weighted-average exercise price of $29.04 per share and a weighted-average remaining contractual life of 6.0 years. The remainder of the outstanding options had exercise prices ranging from $27.56 to $36.95 per share with a weighted-average exercise price of $30.08 per share and a weighted-average remaining contractual life of 7.6 years.

In addition, as a result of certain employees voluntarily electing to convert a cash bonus, net of taxes, into fully-vested shares of FPL Group common stock, approximately 36 thousand common shares were issued under the LTIP during 2004.

Other – Each share of common stock has been granted a Preferred Share Purchase Right (Right), at an exercise price of $120, subject to adjustment, in the event of certain attempted business combinations. The Rights will cause substantial dilution to a person or group attempting to acquire FPL Group on terms not approved by FPL Group's board of directors.

In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., a retail electric provider in Texas, which serves approximately 1,200 mw of peak load to over 160,000 commercial and residential customers as of December 31, 2005. Each share of Gexa Corp.'s outstanding common stock was converted into 0.1682 of a share of FPL Group common stock. Assuming the exercise of Gexa Corp.'s options and warrants net of cash to be received upon exercise, the aggregate value of the consideration for the acquisition of Gexa Corp. was approximately $73 million, payable in shares of FPL Group common stock. At December 31, 2005, there were Gexa Corp. options and warrants outstanding for a total of 219,086 shares of FPL Group common stock.

13. Preferred Stock

FPL Group's charter authorizes the issuance of 100 million shares of serial preferred stock, $0.01 par value. None of these shares are outstanding. FPL Group has reserved 3 million shares for issuance upon exercise of preferred share purchase rights which expire in June 2006. At December 31, 2005, FPL had no preferred stock outstanding. Preferred stock of FPL at December 31, 2004 consisted of the following: [(a)]

	December 31, 2004		
	Shares Outstanding [(b)]	Redemption Price	December 31, 2004 (millions)
Cumulative, $100 Par Value, without sinking fund requirements, authorized 10,664,100 shares:			
4 1/2% Series A	50,000	$ 103.25	$ 5
4 1/2% Series V	200,000	$ 100.00	20
Total preferred stock of FPL	250,000		25 [(c)]
Less 4 1/2% Series V preferred stock held by FPL Group (eliminated in consolidation)	200,000		20
Total preferred stock of FPL reported at FPL Group	50,000		$ 5 [(c)]

(a) FPL's charter also authorizes the issuance of 5 million shares of subordinated preferred stock, no par value. None of these shares are outstanding. In November 2003, FPL redeemed 2.2 million shares of preferred stock with an aggregate par value of $221 million for redemption prices per share ranging from $101.00 to $103.52. In January 2004, FPL sold 200,000 shares of 4 1/2% Series V preferred stock with an aggregate par value of $20 million to FPL Group. In January 2005, FPL redeemed all 250,000 shares of its $100 Par Value 4 1/2% (Series A and Series V) preferred stock outstanding at December 31, 2004.

(b) FPL's preferred shares are entitled to dividends at the stated rates in preference to FPL's common stockholder, FPL Group. In the event of voluntary liquidation, the outstanding preferred shares have preference over common shares until an amount equal to the current redemption price of all shares has been paid. In the event of involuntary liquidation, outstanding preferred shares shall have preference over common shares until the full par value of all shares and all unpaid accumulated dividends thereon have been paid.

(c) Included in current maturities of long-term debt and preferred stock on the consolidated balance sheets.

14. Debt

Long-term debt consists of the following:

	December 31, 2005	December 31, 2004
	(millions)	
FPL:		
First mortgage bonds:		
Maturing in 2005 – 6 7/8%	$ -	$ 500
Maturing 2008 through 2013 – 4.85% to 6.00%	825	825
Maturing 2033 through 2035 – 4.95% to 5.95%	1,840	1,240
Medium-term note – maturing 2006 – 2.34%	135	135
Pollution control, solid waste disposal and industrial development revenue bonds – maturing 2020 through 2029 – variable, 3.5% and 2.1% weighted-average annual interest rates, respectively	633	633
Fair value swaps (see Note 10)	-	(2)
Unamortized discount	(27)	(20)
Total long-term debt of FPL	3,406	3,311
Less current maturities of long-term debt	135	500
Less fair value swaps on current maturities of long-term debt (see Note 10)	-	(2)
Long-term debt of FPL, excluding current maturities	3,271	2,813
FPL Group Capital:		
Debentures – maturing 2005 – variable, 2.86%	-	400
Debentures – maturing 2006 through 2009 – 3 1/4% to 7 5/8%	2,800	3,000
Debentures, related to FPL Group's equity units – maturing 2008 – 5.551% and 5.00%, respectively [a]	506	506
Junior Subordinated Debentures – maturing 2044 – 5 7/8%	309	309
Other long-term debt – maturing 2013 – 7.35% [b]	-	5
Fair value swaps (see Note 10)	(15)	(9)
Unamortized discount	(3)	(4)
Total long-term debt of FPL Group Capital	3,597	4,207
Less current maturities of long-term debt	1,100	605
Less fair value swap on current maturities of long-term debt (see Note 10)	(7)	(1)
Long-term debt of FPL Group Capital, excluding current maturities	2,504	3,603
FPL Energy:		
Senior secured bonds – maturing 2017 through 2024 – 5.608% to 7.52%	1,189	789
Senior secured notes – maturing 2020 – 7.11%	107	111
Construction term facility – maturing 2008 – variable, 5.70% and 4.31% weighted-average annual interest rates, respectively	381	349
Other long-term debt – maturing 2007 through 2017 – variable, 5.765% and 3.89% weighted-average annual interest rates, respectively	751	468
Other long-term debt – maturing 2018 through 2020 – 6.65% to 10.63%	12	12
Total long-term debt of FPL Energy	2,440	1,729
Less current maturities of long-term debt	176	118
Long-term debt of FPL Energy, excluding current maturities	2,264	1,611
Total long-term debt	$ 8,039	$ 8,027

(a) During 2005, these debentures were remarketed. See discussion below.
(b) The other long-term debt was redeemed in January 2005 and is included in current maturities of long-term debt and preferred stock on FPL Group's consolidated balance sheet at December 31, 2004.

Minimum annual maturities of long-term debt for FPL Group are approximately $1,411 million, $1,617 million, $1,155 million, $976 million and $127 million for 2006, 2007, 2008, 2009 and 2010, respectively. The amounts for FPL are $135 million, $200 million, and $225 million for 2006, 2008 and 2009, respectively, with no long-term debt scheduled to mature in 2007 and 2010.

At December 31, 2005, commercial paper borrowings had a weighted-average interest rate of 4.36% for FPL Group (4.36% for FPL). Available lines of credit aggregated approximately $4.6 billion ($2.5 billion for FPL Group Capital and $2.1 billion for FPL) at December 31, 2005, all of which were based on firm commitments. These facilities provide for the issuance of letters of credit of up to $4.5 billion. The issuance of letters of credit is subject to the aggregate commitment under the applicable facility. While no direct borrowings were outstanding at December 31, 2005, letters of credit totaling $598 million were outstanding under the FPL Group Capital credit facilities. No letters of credit were outstanding under the FPL credit facilities.

FPL Group Capital has guaranteed certain debt and other obligations of FPL Energy and its subsidiaries. FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most of those under FPL Group Capital's debt, including all of its debentures and commercial paper issuances, as well as most of its guarantees.

In June 2002, FPL Group sold concurrently a total of 11.5 million shares of common stock and 10.12 million 8% Corporate Units. In connection with the corporate units financing, FPL Group Capital issued $506 million principal amount of 5% debentures due February 16, 2008. During 2005, FPL Group Capital remarketed these debentures and the annual interest rate was reset to 5.551%. Payment of FPL Group Capital debentures is absolutely, irrevocably and unconditionally guaranteed by FPL Group. Each 8% Corporate Unit initially consisted of a $50 FPL Group Capital debenture and a purchase contract pursuant to which the holder will purchase $50 of FPL Group common shares on or before February 16, 2006, and FPL Group will make payments of 3% of the unit's $50 stated value until the shares are purchased. In February 2006, FPL Group paid net approximately $48 million to cancel approximately 4.2 million of its Corporate Units sold in June 2002. Also in February 2006, FPL Group issued approximately 8.7 million shares of common stock in return for approximately $296 million in proceeds, upon settlement of the stock purchase contracts issued in connection with its Corporate Units sold in June 2002. In addition, in February 2005, FPL Group received approximately $575 million in settlement of the purchase contracts associated with the Corporate Units sold in February 2002 and issued approximately 18.5 million shares of FPL Group common stock.

Prior to the issuance of FPL Group's common stock, the purchase contracts are reflected in FPL Group's diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of FPL Group common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares that would be issued upon settlement of the purchase contracts over the number of shares that could be purchased by FPL Group in the market, at the average market price during the period, using the proceeds receivable upon settlement.

In January 2006, FPL issued $400 million principal amount of 5.65% first mortgage bonds maturing in February 2037. The proceeds were used to repay FPL's short-term borrowings and for other corporate purposes.

15. Asset Retirement Obligations

FPL Group and FPL adopted FAS 143, "Accounting for Asset Retirement Obligations" and FIN 47, "Accounting for Conditional Asset Retirement Obligations" effective January 1, 2003 and December 31, 2005, respectively. 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 if it can be reasonably estimated, with the offsetting associated asset retirement costs capitalized as part of the carrying amount of the long-lived assets. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over its useful life. Changes in the ARO resulting from the passage of time are recognized as an increase in the carrying amount of the liability and as accretion expense, which is included in depreciation and amortization expense in the consolidated statements of income. Changes resulting from revisions to the timing or amount of the original estimate of cash flows are recognized as an increase or a decrease in the asset retirement cost and ARO. Prior to the adoption of FIN 47, FPL Group and FPL recognized obligations related to conditional AROs when the condition occurred.

FPL Group and FPL have identified but not recognized ARO liabilities related to electric transmission and distribution and telecommunications assets resulting from easements over property not owned by FPL Group or FPL. In addition, FPL Group has identified but not recognized ARO liabilities related to the majority of FPL Energy's hydro facilities. These easements are generally perpetual and, along with the hydro facilities, only require retirement action upon abandonment or cessation of use of the property or facility for its specified purpose. The ARO liability is not estimable for such easements and hydro facilities as FPL Group and FPL intend to utilize these properties and facilities indefinitely. In the event FPL Group and FPL decide to abandon or cease the use of a particular easement and/or hydro facility, an ARO liability would be recorded at that time.

The cumulative effect of a change in accounting principle of adopting each of FAS 143 and FIN 47 was not material to FPL Group's net income in the period of adoption and had no effect on FPL's net income due to the regulatory treatment discussed below. Had FIN 47 been applied in 2004 and 2003, FPL Group would have recorded conditional AROs of approximately $12 million ($10 million FPL) and $12 million ($11 million FPL), respectively. Pro forma net income for FPL Group and FPL and earnings per share for FPL Group have not been presented for the years ended December 31, 2004 and 2003 because the pro forma application of FIN 47 to prior periods would result in the same net income and earnings per share as actual reported amounts.

FPL – FPL's ARO relates primarily to the nuclear decommissioning obligation of its nuclear units. FPL's AROs other than nuclear decommissioning are not significant. The provisions of FAS 143 and FIN 47 result in timing differences in the recognition of legal asset retirement costs for financial reporting purposes and the method the FPSC allows FPL to recover in rates. Accordingly, any differences between the ongoing expense recognized under FAS 143 and FIN 47 and the amount recoverable through rates are deferred in accordance with FAS 71. See Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs.

Upon adoption of FIN 47, FPL recorded a conditional ARO of approximately $12 million, capitalized a net asset related to the ARO of approximately $2 million and reversed the approximately $27 million it had previously recorded in accumulated depreciation. The difference, approximately $17 million, was deferred as a regulatory liability. FPL's conditional AROs are related to the removal of asbestos primarily from its fossil generating plants.

At December 31, 2005 and 2004, FPL's ARO was approximately $1,474 million and $2,015 million, respectively. During 2005, FPL recognized accretion expense of approximately $112 million, reduced the ARO by approximately $665 million, primarily as a result of changing the useful lives of the nuclear units to reflect their extended license terms, and increased the ARO approximately $12 million as a result of implementing FIN 47. During 2004, FPL recognized accretion expense of $106 million. No other adjustments were made to FPL's ARO during the year ended December 31, 2004. Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in nuclear decommissioning reserve funds of FPL and approximated $2,083 million and $1,971 million at December 31, 2005 and 2004, respectively. See Note 10.

FPL Energy – FPL Energy's ARO relates primarily to the nuclear decommissioning obligation of Seabrook and also includes the current estimated fair value of obligations to dismantle its wind facilities located on leased property and certain hydro facilities. See Note 1 – Decommissioning of Nuclear Plants, Dismantlements of Plants and Other Accrued Asset Removal Costs.

In addition to the amounts recorded by FPL, upon adoption of FIN 47, FPL Energy recorded a conditional ARO of approximately $1 million, which primarily relates to the removal of asbestos and lead paint from its generating facilities, and capitalized a net asset related to the ARO of approximately $1 million.

At December 31, 2005 and 2004, FPL Energy's ARO was approximately $211 million and $192 million, respectively. The nuclear decommissioning liability for Seabrook represents the fair value of FPL Energy's ultimate decommissioning liability as determined by an independent study. The liability is being accreted using the interest method over an assumed license extension period that runs through 2050. FPL Energy recorded accretion expense of approximately $15 million and $13 million for the years ended December 31, 2005 and 2004, respectively. Further, FPL Energy recorded approximately $3 million and $1 million for the years ended December 31, 2005 and 2004, respectively, in additional ARO liabilities relating to new wind assets. A restricted trust fund for the payment of future expenditures to decommission Seabrook is included in FPL Group's nuclear decommissioning reserve funds and approximated $318 million and $299 million at December 31, 2005 and 2004, respectively. See Note 10.

16. Commitments and Contingencies

Commitments – FPL Group and its subsidiaries have made commitments in connection with a portion of their projected 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. At FPL Energy, capital expenditures include, among other things, the cost, including capitalized interest, for construction of wind projects and the procurement of nuclear fuel, as well as announced acquisitions. FPL FiberNet's capital expenditures primarily include costs to meet customer specific requirements and sustain its fiber-optic network. At December 31, 2005, planned capital expenditures for 2006 through 2010 are estimated as follows:

	2006	2007	2008	2009	2010	Total
			(millions)			
FPL:						
Generation: [a]						
New [b]	$ 255	$ 520	$ 605	$ 660	$ 500	$ 2,540
Existing	450	455	330	395	285	1,915
Transmission and distribution	750	665	640	640	645	3,340
Nuclear fuel	75	120	85	125	135	540
General and other	145	170	165	160	165	805
Total	$ 1,675	$ 1,930	$ 1,825	$ 1,980	$ 1,730	$ 9,140
FPL Energy:						
Wind [c]	$ 960	$ 930	$ 5	$ 5	$ 5	$ 1,905
Nuclear [d]	495	85	40	85	100	805
Gas	45	15	15	5	-	80
Other	10	10	10	10	10	50
Total	$ 1,510	$ 1,040	$ 70	$ 105	$ 115	$ 2,840
FPL FiberNet	$ 11	$ 11	$ 11	$ 11	$ 11	$ 55

[a] Includes AFUDC of approximately $39 million, $30 million, $51 million, $72 million and $71 million in 2006, 2007, 2008, 2009 and 2010, respectively.
[b] Includes generating structures, transmission interconnection and integration, licensing and AFUDC.
[c] Capital expenditures for new wind projects are estimated through 2007, when eligibility for PTC's for new wind projects is scheduled to expire.
[d] Includes nuclear fuel and, in 2006, the acquisition of a 70% interest in Duane Arnold.

In addition to estimated capital expenditures listed above, FPL and FPL Energy have long-term contracts related to purchased power and/or fuel (see Contracts below). At December 31, 2005, FPL Energy had approximately $2.9 billion in firm commitments primarily for the supply of wind turbines and towers, natural gas transportation, supply and storage, firm transmission service, nuclear fuel and a portion of its projected capital expenditures, including the acquisition of a 70% interest in Duane Arnold for approximately $373 million. In addition, FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most payment obligations under FPL Group Capital's debt.

FPL Group and FPL each account for payment guarantees and related contracts, for which it or a subsidiary is the guarantor, under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others," which requires that the fair value of guarantees provided to unconsolidated entities entered into after December 31, 2002, be recorded on the balance sheet. At December 31, 2005, subsidiaries of FPL Group, other than FPL, have guaranteed debt service payments relating to agreements that existed at December 31, 2002. The term of the guarantees is equal to the term of the related debt, with remaining terms ranging from 1 year to 14 years. The maximum potential amount of future payments that could be required under these guarantees at December 31, 2005 was approximately $14 million. At December 31, 2005, FPL Group did not have any liabilities recorded for these guarantees. In certain instances, FPL Group can seek recourse from third parties for 50% of any amount paid under the guarantees. Guarantees provided to unconsolidated entities entered into subsequent to December 31, 2002, and the related fair value, were not material as of December 31, 2005.

FPL Energy has guaranteed certain performance obligations of a power plant owned by a wholly-owned subsidiary as part of a power purchase agreement that expires in 2027. Under this agreement, the subsidiary could incur market-based liquidated damages for failure to meet contractual minimum outputs. In addition, certain subsidiaries of FPL Energy have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the FPL Energy subsidiary incurring specified liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that the exposure associated with these guarantees is not material.

Contracts – FPL Group has entered into a long-term agreement for the supply of wind, combustion and steam turbines, as well as parts, repairs and on-site services through 2021. The related commitments as of December 31, 2005 are included in FPL Energy's and Corporate and Other's minimum payments shown in the table below and in FPL Energy's estimated capital expenditures shown in the table above.

FPL has entered into long-term purchased power and fuel contracts. FPL is obligated under take-or-pay purchased power contracts with JEA and with subsidiaries of The Southern Company (Southern subsidiaries) to pay for approximately 1,300 mw of power annually through mid-2015 and 381 mw annually thereafter through 2021, and one of the Southern subsidiaries' contracts is subject to minimum quantities. FPL also has various firm pay-for-performance contracts to purchase approximately 700 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2009 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. FPL has various agreements with several electricity suppliers to purchase an aggregate of up to approximately 1,500 mw (including approximately 575 mw beginning in January 2006) of power with expiration dates ranging from 2007 through 2009. In general, the agreements require FPL to make capacity payments and supply the fuel consumed by the plants under the contracts. FPL has contracts with expiration dates through 2028 for the supply of natural gas, coal and oil, transportation of natural gas and coal, and storage of natural gas.

FPL Energy has entered into several contracts for the supply of wind turbines and towers in support of a portion of its planned new wind generation. In addition, FPL Energy has contracts primarily for the supply, transportation and storage of natural gas and firm transmission service with expiration dates ranging from 2007 through 2033. FPL Energy also has several contracts for the supply, conversion, enrichment and fabrication of Seabrook's nuclear fuel with expiration dates ranging from 2006 to 2014.

The required capacity and minimum payments under these contracts as of December 31, 2005 are estimated as follows:

	2006	2007	2008	2009	2010	Thereafter
				(millions)		
FPL:						
Capacity payments: [a]						
JEA and Southern subsidiaries [b]	$ 190	$ 200	$ 200	$ 210	$ 190	$ 1,060
Qualifying facilities [b]	$ 310	$ 320	$ 320	$ 320	$ 290	$ 3,500
Other electricity suppliers [b]	$ 95	$ 45	$ 35	$ 30	$ -	$ -
Minimum payments, at projected prices:						
Southern subsidiaries – energy [b]	$ 60	$ 60	$ 60	$ 70	$ 30	$ -
Natural gas, including transportation and storage [c]	$ 2,510	$ 1,285	$ 260	$ 260	$ 260	$ 2,405
Coal [c]	$ 55	$ 40	$ 30	$ 10	$ -	$ -
Oil [c]	$ 905	$ -	$ -	$ -	$ -	$ -
FPL Energy	$ 895	$ 590	$ 50	$ 50	$ 50	$ 700
Corporate and Other	$ 52	$ -	$ -	$ -	$ -	$ -

(a) Capacity payments under these contracts, the majority of which are recoverable through the capacity clause, totaled approximately $616 million, $656 million and $641 million for the years ended December 31, 2005, 2004 and 2003, respectively.
(b) Energy payments under these contracts, which are recoverable through the fuel clause, totaled approximately $363 million, $376 million and $346 million for the years ended December 31, 2005, 2004 and 2003, respectively.
(c) Recoverable through the fuel clause.

Insurance – Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with this act, FPL Group maintains $300 million of private liability insurance per site, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to $503 million ($402 million for FPL), plus any applicable taxes, per incident at any nuclear reactor in the United States, payable at a rate not to exceed $75 million ($60 million for FPL) per incident per year. FPL Group and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook and St. Lucie Unit No. 2, which approximates $12 million and $15 million, plus any applicable taxes, per incident, respectively.

FPL Group participates in nuclear insurance mutual companies that provide $2.75 billion of limited insurance coverage per occurrence per site for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL Group also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service for an extended period of time because of an accident. In the event of an accident at one of FPL Group's or another participating insured's nuclear plants, FPL Group could be assessed up to $112 million ($89 million for FPL) in retrospective premiums. FPL Group and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook and St. Lucie Unit No. 2, which approximates $2 million and $3 million, respectively.

Due to the high cost and limited coverage available from third-party insurers, FPL has essentially no insurance coverage on its transmission and distribution property and FPL Group has no insurance coverage for FPL FiberNet's fiber-optic cable located throughout Florida. Under the terms of the 2005 rate agreement, FPL may recover prudently incurred storm restoration costs either through securitization pursuant to Section 366.8260 of the Florida Statutes or through surcharges. See Note 1 – Storm Reserve Deficiency.

In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered from customers in the case of FPL, would be borne by FPL Group and FPL and could have a material adverse effect on FPL Group's and FPL's financial condition and results of operations.

Litigation – In 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA), brought an action against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged violations of the Clean Air Act. In May 2001, the EPA amended its complaint. The amended complaint alleges, among other things, that Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining proper permitting, and without complying with performance and technology standards as required by the Clean Air Act. It also alleges that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions. The EPA seeks injunctive relief requiring the installation of best available control technology and civil penalties of up to $25,000 per day for each violation from an unspecified date after June 1, 1975 through January 30, 1997 and $27,500 per day for each violation thereafter. The EPA further revised its civil penalty rule in February 2004, such that the maximum penalty is $32,500 per day for each violation after March 15, 2004. Georgia Power Company has answered the amended complaint, asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. In June 2001, a federal district court stayed discovery and administratively closed the case pending resolution of the EPA's motion for consolidation of discovery in several Clean Air Act cases that was filed with a Multi-District Litigation (MDL) panel. In August 2001, the MDL panel denied the motion for consolidation. In September 2001, the EPA moved that the federal district court reopen this case for purposes of discovery. Georgia Power Company opposed that motion asking that the case remain closed until the Eleventh Circuit Court of Appeals ruled on the Tennessee Valley Authority's (TVA) appeal of an EPA administrative compliance order relating to legal issues that are also central to this case. In August 2002, the federal district court denied without prejudice the EPA's motion to reopen. In June 2003, the Eleventh Circuit issued its order dismissing the TVA's appeal because it found the provision of the Clean Air Act allowing the EPA to issue binding administrative compliance orders was unconstitutional, and hence found that the TVA order was a non-final order that courts of appeal do not have jurisdiction to review. In September 2003, the Eleventh Circuit denied the EPA's motion for rehearing. In May 2004, the U.S. Supreme Court denied the EPA's petition for review of the Eleventh Circuit order. The EPA has not yet moved to reopen the Georgia Power Company case.

In 2001, Florida Municipal Power Agency (FMPA) filed with the U.S. Court of Appeals for the District of Columbia (DC Circuit) a petition for review asking the DC Circuit to reverse and remand orders of the FERC denying FMPA's request for credits for transmission facilities owned by FMPA members. The transmission credits sought by FMPA would offset the transmission charges that FPL bills FMPA for network transmission service to FMPA's member cities. FMPA member cities have been taking network transmission service under FPL's open access transmission tariff since 1996. In the orders appealed by FMPA, the FERC ruled that FMPA would be entitled to credits for any FMPA facilities that were "integrated" with the FPL transmission system. Based on the evidence submitted, the FERC concluded that none of the FMPA facilities met the integration test and, therefore, FMPA was not entitled to credits against FPL's charges for transmission service. In January 2003, the DC Circuit upheld the FERC's order denying FMPA credits for its facilities; in March 2003, the DC Circuit denied

FMPA's rehearing request of the DC Circuit's decision; and in October 2003, the U.S. Supreme Court denied FMPA's petition for review of the DC Circuit's decision.

FMPA also has requested that the FERC decide the same crediting issue in a separate FERC proceeding. That proceeding dates back to a filing by FPL in 1993 of a comprehensive restructuring of its then-existing tariff structure. All issues in that case were settled in September 2000 except for three issues reserved by FMPA: (i) the crediting issue, (ii) treatment of behind-the-meter generation and load ratio pricing for network integration transmission service, and (iii) exclusions from FPL's transmission rates of the costs of FPL's facilities that failed to meet the same integration test that was applied to FMPA's facilities with respect to the crediting issue. In December 2003, the FERC issued an order addressing the three reserved issues. With respect to the crediting issue, the FERC stated that it had previously determined that FMPA was not entitled to credits for its facilities in the related proceeding discussed above and saw no persuasive reason to revisit that determination in this proceeding. Regarding the issue of behind-the-meter generation, the FERC stated that it had addressed the issue of load ratio pricing for network integration transmission service and the related issue of behind-the-meter generation in Order Nos. 888 and 888-A, and saw no persuasive reason to revisit that determination in this proceeding. With respect to the third issue, the FERC directed FPL to make a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test applied to the FMPA facilities.

In January 2004, FMPA requested a "conditional rehearing on the Commission's failure to order rate credits solely in the event that Commission does not adequately reduce FPL's rate base to achieve comparability," and challenging the FERC's determination not to revisit the issue of behind-the-meter generation and load ratio pricing for network integration transmission service. In March 2004, the FERC issued an order denying FMPA's rehearing request. In April 2004, FMPA petitioned the DC Circuit for review of the FERC's December 2003 order and March 2004 order. FMPA filed its initial brief in that proceeding in October 2004. FMPA's arguments are limited to the issue of behind-the-meter generation and load ratio pricing for network integration transmission service in instances when, according to FMPA, FPL cannot provide transmission service because of "physical transmission limitations." In June 2005, the DC Circuit remanded the case to the FERC for further consideration. The DC Circuit concluded that the FERC failed to explain in its orders why network customers should be charged by the transmission provider for network service that the provider is physically constrained from offering and why physical impossibility should not be recognized as an exception to the general rule against permitting partial load ratio pricing for network customers. The DC Circuit noted that it was not reaching a determination on whether charging on a full load basis in fact is unjust and unreasonable under the circumstances, that it was not defining what constitutes physical impossibility, and that it was not determining whether FMPA made a showing of impossibility. In December 2005, the FERC issued an order on remand answering the DC Circuit's question by finding that FPL is entitled to load ratio share pricing, notwithstanding constraints on a third-party's system. In January 2006, FMPA filed a rehearing request of this order with the FERC.

In May 2004, FPL made a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test that was applied to the FMPA facilities. Pursuant to this filing, 1.63% of FPL's transmission facilities do not satisfy the integration standard and FPL's current network transmission rate would be reduced by $0.02 per kilowatt (kw) per month. In June 2004, FMPA filed a protest to FPL's compliance filing, which protest would exclude approximately 30% of FPL's transmission facilities and reduce FPL's current network transmission rate by approximately $0.41 per kw per month. In January 2005, the FERC issued an order on FPL's compliance filing. In the order, the FERC accepted FPL's standards for analyzing the transmission system and agreed that FPL's "Georgia Ties" and "Turkey Point Lines" are part of FPL's integrated grid. The FERC required FPL to make an additional compliance filing removing the cost of all radial transmission lines from transmission rates, rather than only radial lines that serve one customer, analyzing the FPL transmission system to remove the cost of any transmission facilities that provide only "unneeded redundancy," and calculating rate adjustments using 1993 data rather than 1998 data. FPL made this compliance filing in April 2005, reducing FPL's rate $0.04 per kw per month resulting in a refund obligation to FMPA of approximately $3 million at December 31, 2005. In May 2005, FMPA protested FPL's compliance filing, claiming that FPL had not followed the FERC's mandate and argued that FPL's rates should be reduced by an additional $0.20, potentially resulting in a refund obligation to FMPA of approximately $18 million at December 31, 2005. Any reduction in FPL's network service rate also would apply effective January 1, 2004 to Seminole Electric Cooperative Inc. (Seminole), FPL's other network customer. The refund obligation to Seminole at December 31, 2005 would be approximately $1 million under FPL's filing and approximately $5 million based on FMPA's position.

In December 2005, the FERC issued an order accepting FPL's April 2005 compliance filing in part, rejecting it in part, and directing the submission of a further compliance filing. The FERC accepted FPL's compliance filing wherein FPL proposed a reduction in its rate base created by the exclusion of certain radial lines valued at $29 million net plant. However, the FERC concluded that it is not clear whether FPL failed to test its non-radial facilities in a manner comparable to the way it tested FMPA's facilities. The December 2005 order asks FPL to make a further compliance filing in 60 days to explain the meaning of "unserved load" as it applies to Florida Reliability Coordinating Council (FRCC) standards, and to remove from rates any facility where the unserved load occurred only as a result of the contingency facility. The FERC noted that FRCC and North American Electric Reliability Council (NERC) standards allow for the controlled loss of load on radial facilities and that FPL tested FMPA facilities for loss of local load as well as load at other load centers. FPL filed a rehearing request in January 2006, contending that the FERC misapplied FRCC/NERC planning criteria for radial facilities to network systems and misinterpreted the test FPL applied to FMPA facilities. FPL also filed a request to delay the compliance filing pending FERC action on FPL's rehearing request.

In 1995 and 1996, FPL Group, through an indirect subsidiary, purchased from Adelphia Communications Corporation (Adelphia) 1,091,524 shares of Adelphia common stock and 20,000 shares of Adelphia preferred stock (convertible into 2,358,490 shares of Adelphia common stock) for an aggregate price of approximately $35,900,000. On January 29, 1999, Adelphia repurchased all of these shares for $149,213,130 in cash. On June 24, 2004, Adelphia, Adelphia Cablevision, L.L.C. and the Official Committee of Unsecured Creditors of Adelphia filed a complaint against FPL Group and its indirect subsidiary in the U.S. Bankruptcy Court, Southern District of New York. The complaint alleges that the repurchase of these shares by Adelphia was a fraudulent transfer, in that at the time of the transaction Adelphia (i) was insolvent or was rendered insolvent, (ii) did not receive reasonably equivalent value in exchange for the cash it paid, and (iii) was engaged or about to engage in a business or transaction for which any property remaining with Adelphia had unreasonably small capital. The complaint seeks the recovery for the benefit of Adelphia's bankruptcy estate of the cash paid for the repurchased shares, plus interest. FPL Group has filed an answer to the complaint and discovery has commenced. FPL Group believes that the complaint is without merit because, among other reasons, Adelphia will be unable to demonstrate that (i) Adelphia's repurchase of shares from FPL Group, which repurchase was at the market value for those shares, was not for reasonably equivalent value, (ii) Adelphia was insolvent at the time of the repurchase, or (iii) the repurchase left Adelphia with unreasonably small capital. The case has been set for trial in August 2007.

In 2003, Scott and Rebecca Finestone brought an action on behalf of themselves and their son Zachary Finestone in the U.S. District Court for the Southern District of Florida alleging that their son has developed cancer (neuroblastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The complaint, as subsequently amended, includes counts against FPL for strict liability for allegedly engaging in an ultra-hazardous activity and for alleged negligence in operating the plant in a manner that allowed emissions of the foregoing materials and failing to limit its release of nuclear fission products as prescribed by federal and state laws and regulations. The plaintiffs seek damages in excess of $1 million. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. On February 8, 2006, the plaintiffs filed a notice of appeal of the court's decision granting final summary judgment for FPL.

In 2003, Tish Blake and John Lowe, as personal representatives of the Estate of Ashton Lowe, on behalf of the estate and themselves, as surviving parents, brought an action in the U.S. District Court for the Southern District of Florida alleging that their son developed cancer (medulo-blastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The allegations, counts and damages demanded in the complaint, as subsequently amended, are virtually identical to those contained in the Finestone lawsuit described above. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. On February 8, 2006, the plaintiffs filed a notice of appeal of the court's decision granting final summary judgment for FPL.

In 2003, Pedro C. and Emilia Roig brought an action on behalf of themselves and their son, Pedro Anthony Roig, in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida (the state court), which was removed in October 2003 to the U.S. District Court for the Southern District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies and FPL, alleging that their son has suffered toxic neurological effects from mercury poisoning. The sources of mercury exposure are alleged to be vaccines containing a preservative called thimerosal that were allegedly manufactured and distributed by the drug companies, mercury amalgam dental fillings, and emissions from FPL power plants in southeast Florida. The complaint includes counts against all defendants for civil battery and against FPL for alleged negligence in operating the plants such that the son was exposed to mercury and other heavy metals emissions. The damages demanded from FPL are for injuries and losses allegedly suffered by the son as a result of his exposure to the plants' mercury emissions and the parents' alleged pain and suffering, medical expenses, loss of wages, and loss of their son's services and companionship. No amount of damages is specified. The U.S. District Court remanded the action back to the state court. The drug manufacturing and distribution companies have moved to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until the state court rules on those motions.

In 2003, Edward and Janis Shiflett brought an action on behalf of themselves and their son, Phillip Benjamin Shiflett, in the Circuit Court of the 18th Judicial Circuit in and for Brevard County, Florida (the state court), which was removed in January 2004 to the U.S. District Court for the Middle District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, FPL and the Orlando Utilities Commission, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Roig lawsuit described above. FPL's motion to dismiss the complaint was denied. The U.S. District Court subsequently remanded the action back to the state court. All parties anticipate that the drug manufacturing and distribution companies will move to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until the state court rules on those motions.

In October 2004, TXU Portfolio Management Company (TXU) served FPL Energy Pecos Wind I, LP, FPL Energy Pecos Wind I GP, LLC, FPL Energy Pecos Wind II, LP, FPL Energy Pecos Wind II GP, LLC and Indian Mesa Wind Farm, LP (FPL Energy Affiliates) as defendants in a civil action filed in the District Court in Dallas County, Texas. The petition alleges that the FPL Energy Affiliates had a contractual obligation to produce and sell to TXU a minimum quantity of energy each year and that the

FPL Energy Affiliates failed to meet this obligation. The plaintiff has asserted claims for breach of contract and declaratory judgment and seeks damages of approximately $21 million. The FPL Energy Affiliates filed their answer and counterclaim in November 2004, denying the allegations. The counterclaim, as now amended, asserts claims for conversion, breach of fiduciary duty, breach of warranty, conspiracy, breach of contract and fraud and seeks termination of the contract and damages. At the end of 2005, TXU amended its complaint to add FPL Group, FPL Energy, FPL Group Capital and ESI Energy, LLC, as defendants. Motions to dismiss those entities as defendants have been filed. The case is in discovery and has been set for trial in October 2006.

In November 2005, Peter Rabbino and Legal Computer Consultants, Inc. brought a civil action against FPL in the Circuit Court for Broward County, Florida. This action is purportedly on behalf of all customers of FPL that lost power due to Hurricane Wilma. No class certification motion has been filed to date. The two count complaint alleges, in Count I, breach of contract and, in Count II, violation of a statute. Count I alleges that FPL failed to sufficiently maintain its system to prevent power outages due to inclement weather, including hurricanes. This count seeks injunctive relief requiring FPL to bury its lines or install stronger poles and consequential damages. Count II alleges that FPL is statutorily obligated to provide sufficient, adequate and efficient service and that FPL was grossly negligent in carrying out this obligation resulting in damages to its customers due to Hurricane Wilma. This count seeks injunctive relief and consequential damages identical to that sought in Count I. FPL filed a motion to dismiss based on a number of legal grounds, including the exclusive jurisdiction of the FPSC to govern these types of disputes. On February 8, 2006, the court granted FPL's motion to dismiss, dismissing all claims in Count I with prejudice, and dismissing Count II without prejudice except as to any claims for injunctive relief, which were dismissed with prejudice.

In addition to those legal proceedings discussed above, FPL Group and its subsidiaries, including FPL, are involved in a number of other legal proceedings and claims in the ordinary course of their businesses. In addition, generating plants in which FPL Group or FPL have an ownership interest are involved in legal proceedings and claims, the liabilities from which, if any, would be shared by FPL Group or FPL.

FPL Group and FPL believe that they have meritorious defenses to all the pending litigation and proceedings discussed above under the heading Litigation and are vigorously defending the lawsuits. While management is unable to predict with certainty the outcome of the legal proceedings and claims discussed or described herein, based on current knowledge it is not expected that their ultimate resolution, individually or collectively, will have a material adverse effect on the financial statements.

17. Segment Information

FPL Group's reportable segments include FPL, a rate-regulated utility, and FPL Energy, a competitive energy subsidiary. Corporate and Other represents other business activities, other segments that are not separately reportable and eliminating entries. FPL Group's operating revenues derived from the sale of electricity represented approximately 98% of FPL Group's operating revenues for each of the three years ended December 31, 2005, 2004 and 2003. Less than 1% of operating revenues were from foreign sources for each of the three years ended December 31, 2005, 2004 and 2003. At December 31, 2005 and 2004, less than 1% of long-lived assets were located in foreign countries.

FPL Group's segment information is as follows:

	2005				2004				2003			
	FPL	FPL Energy [a]	Corp. and Other	Total	FPL	FPL Energy [a]	Corp. and Other	Total	FPL	FPL Energy [a]	Corp. and Other	Total
						(millions)						
Operating revenues	$ 9,528	$ 2,221	$ 97	$ 11,846	$ 8,734	$ 1,705	$ 83	$ 10,522	$ 8,293	$ 1,252	$ 85	$ 9,630
Operating expenses	$ 8,181	$ 2,093	$ 108	$ 10,382	$ 7,419	$ 1,541	$ 90	$ 9,050	$ 6,964	$ 1,059	$ 76	$ 8,099
Interest charges	$ 224	$ 223	$ 146	$ 593	$ 183	$ 180	$ 126	$ 489	$ 173	$ 124	$ 82	$ 379
Depreciation and amortization	$ 951	$ 311	$ 23	$ 1,285	$ 915	$ 264	$ 19	$ 1,198	$ 898	$ 187	$ 20	$ 1,105
Equity in earnings of equity method investees	$ -	$ 124	$ -	$ 124	$ -	$ 94	$ -	$ 94	$ -	$ 89	$ -	$ 89
Income tax expense (benefit) [b]	$ 408	$ (65)	$ (71)	$ 272	$ 409	$ (65)	$ (77)	$ 267	$ 403	$ (4)	$ (31)	$ 368
Income (loss) before cumulative effect of changes in accounting principle	$ 748	$ 187	$ (50)	$ 885	$ 749	$ 172 [c]	$ (34)	$ 887	$ 733	$ 197	$ (37)	$ 893
Cumulative effect of changes in accounting principle, net of income taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (3) [d]	$ -	$ (3)
Net income (loss)	$ 748	$ 187	$ (50)	$ 885	$ 749	$ 172 [c]	$ (34)	$ 887	$ 733	$ 194	$ (37)	$ 890
Capital expenditures, independent power investments and nuclear fuel purchases	$ 1,711	$ 822	$ 13	$ 2,546	$ 1,484	$ 527	$ 6	$ 2,017	$ 1,409	$ 1,478	$ 7	$ 2,894
Property, plant and equipment	$ 24,407	$ 8,611	$ 333	$ 33,351	$ 23,515	$ 7,888	$ 317	$ 31,720	$ 22,489	$ 7,495	$ 288	$ 30,272
Accumulated depreciation	$ 9,530	$ 1,253	$ 105	$ 10,888	$ 9,467	$ 940	$ 87	$ 10,494	$ 9,237	$ 671	$ 67	$ 9,975
Total assets [d]	$ 22,726	$ 9,408	$ 870	$ 33,004	$ 19,114	$ 8,507	$ 712	$ 28,333	$ 17,817	$ 8,446	$ 672	$ 26,935
Investment in equity method investees	$ -	$ 313	$ 10	$ 323	$ -	$ 288	$ 9	$ 297	$ -	$ 346	$ -	$ 346

[a] FPL Energy's interest charges are based on a deemed capital structure of 50% debt for operating projects and 100% debt for projects under construction. Residual non-utility interest charges are included in Corporate and Other.
[b] FPL Energy's tax benefits relate primarily to production tax credits that were recognized based on its tax sharing agreement with FPL Group.
[c] Includes contract restructuring and impairment charges of $46 million after tax. See Note 6.
[d] Reflects the adoption of FIN 46 in July 2003. See Note 9.

18. Summarized Financial Information of FPL Group Capital

FPL Group Capital, a 100% owned subsidiary of FPL Group, provides funding for and holds ownership interest in FPL Group's operating subsidiaries other than FPL. Most of FPL Group Capital's debt, including its debentures, and payment guarantees are fully and unconditionally guaranteed by FPL Group. Condensed consolidating financial information is as follows:

Condensed Consolidating Statements of Income

	Year Ended December 31, 2005				Year Ended December 31, 2004				Year Ended December 31, 2003			
	FPL Group	FPL Group Capital	Other [a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other [a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other [a]	FPL Group Consolidated
						(millions)						
Operating revenues	$ -	$ 2,323	$ 9,523	$ 11,846	$ -	$ 1,789	$ 8,733	$ 10,522	$ -	$ 1,337	$ 8,293	$ 9,630
Operating expenses	-	(2,205)	(8,177)	(10,382)	-	(1,632)	(7,418)	(9,050)	-	(1,135)	(6,964)	(8,099)
Interest charges	(25)	(366)	(202)	(593)	(28)	(303)	(158)	(489)	(28)	(204)	(147)	(379)
Other income (deductions) – net	893	273	(880)	286	905	163	(897)	171	903	154	(948)	109
Income (loss) before income taxes and cumulative effect of changes in accounting principle	868	25	264	1,157	877	17	260	1,154	875	152	234	1,261
Income tax expense (benefit)	(17)	(119)	408	272	(10)	(132)	409	267	(15)	(20)	403	368
Net income (loss) before cumulative effect of changes in accounting principle	885	144	(144)	885	887	149	(149)	887	890	172	(169)	893
Cumulative effect of changes in accounting principle, net of income taxes	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Net income (loss)	$ 885	$ 144	$ (144)	$ 885	$ 887	$ 149	$ (149)	$ 887	$ 890	$ 169	$ (169)	$ 890

[a] Represents FPL and consolidating adjustments.

Condensed Consolidating Balance Sheets

	December 31, 2005				December 31, 2004			
	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated
	(millions)							
PROPERTY, PLANT AND EQUIPMENT								
Electric utility plant in service and other property	$ -	$ 8,945	$ 24,406	$ 33,351	$ -	$ 8,204	$ 23,516	$ 31,720
Less accumulated depreciation and amortization	-	(1,359)	(9,529)	(10,888)	-	(1,026)	(9,468)	(10,494)
Total property, plant and equipment – net	-	7,586	14,877	22,463	-	7,178	14,048	21,226
CURRENT ASSETS								
Cash and cash equivalents	7	467	56	530	26	134	65	225
Receivables	5	584	841	1,430	32	423	590	1,045
Other	63	518	2,446	3,027	137	285	835	1,257
Total current assets	75	1,569	3,343	4,987	195	842	1,490	2,527
OTHER ASSETS								
Investment in subsidiaries	8,647	-	(8,647)	-	7,674	-	(7,674)	-
Other	140	1,339	4,075	5,554	121	1,448	3,011	4,580
Total other assets	8,787	1,339	(4,572)	5,554	7,795	1,448	(4,663)	4,580
TOTAL ASSETS	$ 8,862	$ 10,494	$ 13,648	$ 33,004	$ 7,990	$ 9,468	$ 10,875	$ 28,333
CAPITALIZATION								
Common shareholders' equity	$ 8,499	$ 1,911	$ (1,911)	$ 8,499	$ 7,537	$ 1,525	$ (1,525)	$ 7,537
Long-term debt	-	4,768	3,271	8,039	-	5,214	2,813	8,027
Total capitalization	8,499	6,679	1,360	16,538	7,537	6,739	1,288	15,564
CURRENT LIABILITIES								
Debt due within one year	-	1,269	1,294	2,563	-	722	995	1,717
Accounts payable	17	365	863	1,245	-	156	606	762
Other	85	803	2,571	3,459	155	458	1,156	1,769
Total current liabilities	102	2,437	4,728	7,267	155	1,336	2,757	4,248
OTHER LIABILITIES AND DEFERRED CREDITS								
Asset retirement obligations	-	211	1,474	1,685	-	192	2,015	2,207
Accumulated deferred income taxes	(5)	464	2,556	3,015	(5)	816	1,874	2,685
Regulatory liabilities	-	-	2,971	2,971	-	-	2,465	2,465
Other	266	703	559	1,528	303	385	476	1,164
Total other liabilities and deferred credits	261	1,378	7,560	9,199	298	1,393	6,830	8,521
COMMITMENTS AND CONTINGENCIES								
TOTAL CAPITALIZATION AND LIABILITIES	$ 8,862	$ 10,494	$ 13,648	$ 33,004	$ 7,990	$ 9,468	$ 10,875	$ 28,333

(a) Represents FPL and consolidating adjustments.

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2005				Year Ended December 31, 2004				Year Ended December 31, 2003			
	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated
						(millions)						
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 191	$ 278	$ 1,078	$ 1,547	$ 437	$ 868	$ 1,345	$ 2,650	$ 1,028	$ 397	$ 829	$ 2,254
CASH FLOWS FROM INVESTING ACTIVITIES												
Capital expenditures, independent power investments and nuclear fuel purchases	-	(834)	(1,712)	(2,546)	-	(533)	(1,484)	(2,017)	-	(1,486)	(1,408)	(2,894)
Capital contributions to FPL	-	-	-	-	-	-	-	-	(600)	-	600	-
Other – net	(299)	478	202	381	(29)	89	85	145	-	(18)	(177)	(195)
Net cash used in investing activities	(299)	(356)	(1,510)	(2,165)	(29)	(444)	(1,399)	(1,872)	(600)	(1,504)	(985)	(3,089)
CASH FLOWS FROM FINANCING ACTIVITIES												
Issuances of long-term debt	-	803	588	1,391	-	334	235	569	-	2,118	877	2,995
Retirements of long-term debt	-	(715)	(500)	(1,215)	-	(432)	-	(432)	-	(43)	(388)	(431)
Retirements of preferred stock – FPL	-	-	(5)	(5)	-	-	-	-	-	-	(228)	(228)
Net change in short-term debt	-	-	667	667	-	(284)	(139)	(423)	-	(1,116)	(122)	(1,238)
Issuances of common stock	639	-	-	639	110	-	-	110	73	-	-	73
Dividends on common stock	(544)	-	-	(544)	(467)	-	-	(467)	(425)	-	-	(425)
Other – net	(6)	323	(327)	(10)	(52)	(6)	19	(39)	(54)	(15)	21	(48)
Net cash provided by (used in) financing activities	89	411	423	923	(409)	(388)	115	(682)	(406)	944	160	698
Net increase (decrease) in cash and cash equivalents	(19)	333	(9)	305	(1)	36	61	96	22	(163)	4	(137)
Cash and cash equivalents at beginning of year	26	134	65	225	27	98	4	129	5	261	-	266
Cash and cash equivalents at end of year	$ 7	$ 467	$ 56	$ 530	$ 26	$ 134	$ 65	$ 225	$ 27	$ 98	$ 4	$ 129

(a) Represents FPL and consolidating adjustments.

19. Quarterly Data (Unaudited)

Condensed consolidated quarterly financial information is as follows:

	March 31 [a]	June 30 [a]	September 30 [a]	December 31 [a]
		(millions, except per share amounts)		
FPL GROUP:				
2005				
Operating revenues [b]	$2,437	$2,741	$3,504	$3,164
Operating income [b]	$ 234	$ 320	$ 559	$ 351
Net income [b]	$ 137	$ 203	$ 339	$ 206
Earnings per share [c]	$ 0.37	$ 0.53	$ 0.88	$ 0.54
Earnings per share – assuming dilution [c]	$ 0.36	$ 0.52	$ 0.87	$ 0.53
Dividends per share	$0.355	$0.355	$0.355	$0.355
High-low common stock sales prices	$41.38-35.90	$42.72-39.16	$48.11-40.30	$48.05-40.75
2004				
Operating revenues [b]	$2,331	$2,619	$2,983	$2,589
Operating income [b]	$ 261	$ 434	$ 523	$ 254
Net income [b]	$ 138	$ 257	$ 320	$ 173
Earnings per share [c]	$ 0.39	$ 0.72	$ .89	$ 0.48
Earnings per share – assuming dilution [c]	$ 0.39	$ 0.71	$ .88	$ 0.47
Dividends per share	$ 0.31	$ 0.31	$ 0.34	$ 0.34
High-low common stock sales prices	$34.41-31.67	$33.63-30.10	$34.93-31.21	$38.05-33.67
FPL:				
2005				
Operating revenues [b]	$2,041	$2,298	$2,891	$2,298
Operating income [b]	$ 201	$ 343	$ 551	$ 252
Net income [b]	$ 111	$ 201	$ 311	$ 124
2004				
Operating revenues [b]	$1,942	$2,172	$2,485	$2,135
Operating income [b]	$ 199	$ 357	$ 466	$ 294
Net income [b]	$ 105	$ 205	$ 275	$ 164
Net income available to FPL Group [b]	$ 105	$ 205	$ 275	$ 164

(a) In the opinion of FPL Group and FPL, all adjustments, which consist of normal recurring accruals necessary to present a fair statement of the amounts shown for such periods, have been made. Results of operations for an interim period generally will not give a true indication of results for the year.
(b) The sum of the quarterly amounts may not equal the total for the year due to rounding.
(c) The sum of the quarterly amounts may not equal the total for the year due to rounding and changes in weighted-average number of common shares outstanding.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of December 31, 2005, each of FPL Group and FPL had performed an evaluation, under the supervision and with the participation of its management, including FPL Group's and FPL's chief executive officer and chief financial officer, of the effectiveness of the design and operation of each company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) or 15d-15(e)). Based upon that evaluation, the chief executive officer and chief financial officer of each of FPL Group and FPL concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company and its consolidated subsidiaries required to be included in the company's reports filed or submitted under the Exchange Act and ensuring that information required to be disclosed in the company's reports filed or submitted under the Exchange Act is accumulated and communicated to management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure. FPL Group and FPL each have a Disclosure Committee, which is made up of several key management employees and reports directly to the chief executive officer and chief financial officer of each company, to monitor and evaluate these disclosure controls and procedures. Due to the inherent limitations of the effectiveness of any established disclosure controls and procedures, management of FPL Group and FPL cannot provide absolute assurance that the objectives of their respective disclosure controls and procedures will be met.

Internal Control Over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

See Item 8. Financial Statements and Supplementary Data.

(b) Attestation Report of the Independent Registered Public Accounting Firm

See Item 8. Financial Statements and Supplementary Data.

(c) Changes in Internal Control Over Financial Reporting

FPL Group and FPL are continuously seeking to improve the efficiency and effectiveness of their operations and of their internal controls. This results in refinements to processes throughout FPL Group and FPL. However, there has been no change in FPL Group's or FPL's internal control over financial reporting that occurred during FPL Group's and FPL's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, FPL Group's or FPL's internal control over financial reporting.

In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., which was valued at approximately $73 million, payable in shares of FPL Group common stock. FPL Group's management elected to exclude from its assessment of internal control over financial reporting for the year ended December 31, 2005 the entities that directly own the interests in each of the entities acquired in connection with the acquisition of Gexa Corp., and whose financial statements reflect total assets and operating revenues representing less than 1% and approximately 3%, respectively, of FPL Group's consolidated total assets and total operating revenues as of and for the year ended December 31, 2005. FPL Group does not consider the acquisition of Gexa Corp. material to FPL Group's results of operations, financial position and cash flows. FPL Group is in the process of evaluating the impact of Gexa's business on FPL Group's internal control over financial reporting and has noted numerous inadequacies throughout Gexa's operations, including the contract approval and administration process, the customer enrollment process, billing system security and accounting and financial controls. FPL Group is in the process of remediating these inadequacies and expects to complete this process in 2006. FPL Group's management does not believe these inadequacies affect the adequacy of FPL Group's internal control over financial reporting because of the relative immateriality of Gexa's activities.

Item 9B. Other Information

On February 16, 2006, Frank G. Zarb announced his retirement from FPL Group's board of directors effective at FPL Group's 2006 Annual Meeting of Shareholders. In addition, H. Jesse Arnelle has reached mandatory retirement age and will also retire from the board of directors effective at FPL Group's 2006 Annual Meeting of Shareholders. The board has adopted a resolution reducing its size from twelve to ten effective upon the retirements of Messrs. Arnelle and Zarb.

PART III

Item 10. Directors and Executive Officers of Registrant

The information required by this item will be included in FPL Group's Proxy Statement which will be filed with the SEC in connection with the 2006 Annual Meeting of Shareholders (FPL Group's Proxy Statement) and is incorporated herein by reference, or is included in Item 1. Business – Executive Officers of FPL Group.

Item 11. Executive Compensation

The information required by this item will be included in FPL Group's Proxy Statement and is incorporated herein by reference, provided that the Compensation Committee Report, the Audit Committee Report (to the extent permitted by the rules of the SEC) and Performance Graph which are contained in FPL Group's Proxy Statement shall not be deemed to be incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

FPL Group's equity compensation plan information as of December 31, 2005 is as follows:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,228,617	$27.48	12,477,628 [a]
Equity compensation plans not approved by security holders [b]	79,614	$17.77	-

(a) These shares are also available for issuance as restricted stock and as performance-based stock awards.

(b) Represents options granted by Gexa Corp. under its Amended and Restated 2004 Incentive Plan and pursuant to various individual grants, all of which were made prior to the acquisition of Gexa Corp. All such options were assumed by FPL Group in connection with the acquisition of Gexa Corp. and are fully vested and exercisable for shares of FPL Group common stock. No further grants of stock options will be made under this plan.

Item 13. Certain Relationships and Related Transactions

The information required by this item will be included in FPL Group's Proxy Statement under a similar heading, if applicable, and under the headings Executive Compensation, Employment Agreements and Director Compensation and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

FPL Group – The information required by this item will be included in FPL Group's Proxy Statement under the headings "Fees Paid to Deloitte & Touche LLP" and "Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditor" and is incorporated herein by reference.

FPL – The following table presents fees billed for professional services rendered by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche) for the fiscal years ended December 31, 2005 and 2004. The amounts presented below reflect allocations from FPL Group for FPL's portion of the fees, as well as amounts billed directly to FPL.

	2005	2004
Audit fees [a]	$ 2,410,000	$ 2,340,000
Audit-related fees [b]	237,000	308,000
Tax fees [c]	101,000	86,000
All other fees [d]	-	-
Total	$ 2,748,000	$ 2,734,000

(a) Audit fees consist of fees billed for professional services rendered for the audit of FPL's and FPL Group's annual consolidated financial statements for the fiscal year, the reviews of the financial statements included in FPL's and FPL Group's Quarterly Reports on Form 10-Q for the fiscal year, attestation of management's assessment of internal control over financial reporting and the audit of the effectiveness of internal control over financial reporting, comfort letters, consents, and other services related to SEC matters, services in connection with annual and semi-annual filings of FPL Group's financial statements with the Japanese Ministry of Finance and accounting consultations to the extent necessary for Deloitte & Touche to fulfill their responsibility under Public Company Accounting Oversight Board standards.

(b) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of FPL's and FPL Group's consolidated financial statements and are not reported under "Audit Fees." These fees primarily related to audits of subsidiary financial statements, comfort letters, consents and other services related to subsidiary (non-SEC registrant) financing activities, audits of employee benefit plans and consultation on accounting standards and on transactions.

(c) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. In 2005, approximately $21,000 was paid related to tax advice and planning services. All other tax fees in 2005 and all tax fees in 2004 related to tax compliance services.

(d) All other fees consist of fees for products and services other than the services reported under the other named categories. In 2005 and 2004, there were no other fees incurred in this category.

In accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), FPL Group's Audit Committee's pre-approval policy for services provided by the independent auditor, and the Charter of the Audit Committee, all services performed by Deloitte & Touche are approved in advance by the Audit Committee. Audit and audit-related services specifically identified in an appendix to the pre-approval policy are pre-approved by the Audit Committee each year. This pre-approval allows management to request the specified audit and audit-related services on an as-needed basis during the year, provided any such services are reviewed with the Audit Committee at its next regularly scheduled meeting. Any audit or audit-related service for which the fee is expected to exceed $250,000, or that involves a service not listed on the pre-approval list, must be specifically approved by the Audit Committee prior to commencement of such work. In addition, the Audit Committee approves all services other than audit and audit-related services performed by Deloitte & Touche in advance of the commencement of such work or, in cases which meet the de minimus pre-approval exception established by Sarbanes-Oxley, prior to completion of the audit. The Audit Committee has delegated to the chairman of the committee the right to approve audit, audit-related, tax and other services, within certain limitations, between meetings of the Audit Committee, provided any such decision is presented to the Audit Committee at its next regularly scheduled meeting. The Audit Committee reviews on a quarterly basis a schedule of all services for which Deloitte & Touche has been engaged and the estimated fees for those services. In fiscal years 2005 and 2004, no services provided by Deloitte & Touche to FPL or allocated to FPL under the categories Audit-related, Tax and All other fees described above were approved by the Audit Committee after services were rendered pursuant to the de minimus exception established by Sarbanes-Oxley.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

2. Financial Statement Schedules – Schedules are omitted as not applicable or not required.

3. Exhibits (including those incorporated by reference)

Exhibit Number	Description	FPL Group	FPL
*2	Agreement and Plan of Merger among FPL Group, Inc., Constellation Energy Group, Inc. and CF Merger Corporation dated as of December 18, 2005 (filed as Exhibit 2.1 to Form 8-K dated December 19, 2005, File No. 1-8841)	x	x
*3(i)a	Restated Articles of Incorporation of FPL Group dated December 31, 1984, as amended through March 10, 2005 (filed as Exhibit 3(i) to Form S-4, File No. 333-124438)	x	
*3(i)b	Restated Articles of Incorporation of FPL dated March 23, 1992 (filed as Exhibit 3(i)a to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)c	Amendment to FPL's Restated Articles of Incorporation dated March 23, 1992 (filed as Exhibit 3(i)b to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)d	Amendment to FPL's Restated Articles of Incorporation dated May 11, 1992 (filed as Exhibit 3(i)c to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)e	Amendment to FPL's Restated Articles of Incorporation dated March 12, 1993 (filed as Exhibit 3(i)d to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)f	Amendment to FPL's Restated Articles of Incorporation dated June 16, 1993 (filed as Exhibit 3(i)e to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)g	Amendment to FPL's Restated Articles of Incorporation dated August 31, 1993 (filed as Exhibit 3(i)f to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)h	Amendment to FPL's Restated Articles of Incorporation dated November 30, 1993 (filed as Exhibit 3(i)g to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x

Exhibit Number	Description	FPL Group	FPL
*3(i)i	Amendment to FPL's Restated Articles of Incorporation dated January 20, 2004 (filed as Exhibit 3(i)j to Form 10-K dated December 31, 2003, File No. 2-27612)		x
*3(i)j	Amendment to FPL's Restated Articles of Incorporation dated January 20, 2004 (filed as Exhibit 3(i)k to Form 10-K dated December 31, 2003, File No. 2-27612)		x
*3(i)k	Amendment to FPL's Restated Articles of Incorporation dated February 11, 2005 (filed as Exhibit 3(i)m to Form 10-K for the year ended December 31, 2004, File No. 1-8841)		x
*3(ii)a	Bylaws of FPL Group as amended February 12, 2001 (filed as Exhibit 3(ii)a to Form 10-K for the year ended December 31, 2000, File No. 1-8841)	x	
*3(ii)b	Bylaws of FPL dated May 11, 1992 (filed as Exhibit 3 to Form 8-K dated May 1, 1992, File No. 1-3545)		x
*4(a)	Form of Rights Agreement, dated as of July 1, 1996, between FPL Group and EquiServe Trust Company, N.A. as successor to Fleet National Bank (f/k/a The First National Bank of Boston), as Rights Agent (filed as Exhibit 4 to Form 8-K dated June 17, 1996, File No. 1-8841)	x	
*4(b)	Second Amendment to Rights Agreement, dated as of December 26, 2002, between FPL Group and EquiServe Trust Company, N.A. as successor to Fleet National Bank (f/k/a The First National Bank of Boston), as the Rights Agent (filed as Exhibit 3 to Form 8-A/A dated January 3, 2003, File No. 1-8841)	x	
*4(c)	Third Amendment to Rights Agreement, dated as of January 1, 2004, between FPL Group, Computershare Investor Services, LLC as successor rights agent, and EquiServe Trust Company, N.A. as predecessor rights agent (filed as Exhibit 4 to Form 8-A/A dated December 19, 2003, File No. 1-8841)	x	
*4(d)	Fourth Amendment to Rights Agreement, dated as of December 18, 2005, between FPL Group, Inc. and Computershare Investor Services, LLC, as successor rights agent to EquiServe Trust Company, N.A., predecessor rights agent (filed as Exhibit 5 to Form 8-A/A dated December 19, 2005, File No. 1-8841)	x	
*4(e)	Certificate of Adjustment, dated March 15, 2005, to the Rights Agreement, dated July 1, 1996, as amended, between FPL Group, Inc. and Computershare Investor Services, LLC, as successor rights agent (filed as Exhibit 4(b) to Form 8-K dated March 11, 2005, File No. 1-8841)	x	
*4(f)	Mortgage and Deed of Trust dated as of January 1, 1944, and One hundred and nine Supplements thereto, between FPL and Deutsche Bank Trust Company Americas, Trustee (filed as Exhibit B-3, File No. 2-4845; Exhibit 7(a), File No. 2-7126; Exhibit 7(a), File No. 2-7523; Exhibit 7(a), File No. 2-7990; Exhibit 7(a), File No. 2-9217; Exhibit 4(a)-5, File No. 2-10093; Exhibit 4(c), File No. 2-11491; Exhibit 4(b)-1, File No. 2-12900; Exhibit 4(b)-1, File No. 2-13255; Exhibit 4(b)-1, File No. 2-13705; Exhibit 4(b)-1, File No. 2-13925; Exhibit 4(b)-1, File No. 2-15088; Exhibit 4(b)-1, File No. 2-15677; Exhibit 4(b)-1, File No. 2-20501; Exhibit 4(b)-1, File No. 2-22104; Exhibit 2(c), File No. 2-23142; Exhibit 2(c), File No. 2-24195; Exhibit 4(b)-1, File No. 2-25677; Exhibit 2(c), File No. 2-27612; Exhibit 2(c), File No. 2-29001; Exhibit 2(c), File No. 2-30542; Exhibit 2(c), File No. 2-33038; Exhibit 2(c), File No. 2-37679; Exhibit 2(c), File No. 2-39006; Exhibit 2(c), File No. 2-41312; Exhibit 2(c), File No. 2-44234; Exhibit 2(c), File No. 2-46502; Exhibit 2(c), File No. 2-48679; Exhibit 2(c), File No. 2-49726; Exhibit 2(c), File No. 2-50712; Exhibit 2(c), File No. 2-52826; Exhibit 2(c), File No. 2-53272; Exhibit 2(c), File No. 2-54242; Exhibit 2(c), File No. 2-56228; Exhibits 2(c) and 2(d), File No. 2-60413; Exhibits 2(c) and 2(d), File No. 2-65701; Exhibit 2(c), File No. 2-66524; Exhibit 2(c), File No. 2-67239; Exhibit 4(c), File No. 2-69716; Exhibit 4(c), File No. 2-70767; Exhibit 4(b), File No. 2-71542; Exhibit 4(b), File No. 2-73799; Exhibits 4(c), 4(d) and 4(e), File No. 2-75762; Exhibit 4(c), File No. 2-77629; Exhibit 4(c), File No. 2-79557; Exhibit 99(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669; Exhibit 99(a) to Post-Effective Amendment No. 1 to Form S-3, File No. 33-46076; Exhibit 4(b) to Form 10-K	x	x

Exhibit Number	Description	FPL Group	FPL
	for the year ended December 31, 1993, File No. 1-3545; Exhibit 4(i) to Form 10-Q for the quarter ended June 30, 1994, File No. 1-3545; Exhibit 4(b) to Form 10-Q for the quarter ended June 30, 1995, File No. 1-3545; Exhibit 4(a) to Form 10-Q for the quarter ended March 31,1996, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended June 30, 1998, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended March 31, 1999, File No. 1-3545; Exhibit 4(f) to Form 10-K for the year ended December 31, 2000, File No. 1-3545; Exhibit 4(g) to Form 10-K for the year ended December 31, 2000, File No. 1-3545; Exhibit 4(o), File No. 333-102169; Exhibit 4(k) to Post-Effective Amendment No. 1 to Form S-3, File No. 333-102172; Exhibit 4(l) to Post-Effective Amendment No. 2 to Form S-3, File No. 333-102172; Exhibit 4(m) to Post-Effective Amendment No. 3 to Form S-3, File No. 333-102172; Exhibit 4(a) to Form 10-Q for the quarter ended September 30, 2004, File No. 2-27612); Exhibit 4(f) to Amendment No. 1 to Form S-3, File No.333-125275; Exhibit 4(y) to Post-Effective Amendment No. 2 to Form S-3, File Nos. 333-116300, 333-116300-01 and 333-116300-02; and Exhibit 4(z) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-116300, 333-116300-01 and 333-116300-02)		
*4(g)	Indenture, dated as of June 1, 1999, between FPL Group Capital and The Bank of New York, as Trustee (filed as Exhibit 4(a) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(h)	Guarantee Agreement between FPL Group (as Guarantor) and The Bank of New York (as Guarantee Trustee) dated as of June 1, 1999 (filed as Exhibit 4(b) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(i)	Officer's Certificate of FPL Group Capital, dated June 29, 1999, creating the 7 3/8% Debentures, Series due June 1, 2009 (filed as Exhibit 4(d) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(j)	Officer's Certificate of FPL Group Capital, dated September 7, 1999, creating the 7 5/8% Debentures, Series due September 15, 2006 (filed as Exhibit 4 to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*4(k)	Officer's Certificate of FPL Group Capital, dated May 11, 2001, creating the 6 1/8% Debentures, Series due May 15, 2007 (filed as Exhibit 4 to Form 10-Q for the quarter ended June 30, 2001, File No. 1-8841)	x	
*4(l)	Officer's Certificate of FPL Group Capital, dated February 4, 2002, creating the Series A Debentures due February 16, 2007 (filed as Exhibit 4(j) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	
*4(m)	Supplemental Officer's Certificate of FPL Group Capital, dated October 27, 2004, to the Officer's Certificate creating the Series A Debentures due February 16, 2007 (filed as Exhibit 4(b) to Form 10-Q for the quarter ended September 30, 2004, File No. 1-8841)	x	
*4(n)	Officer's Certificate of FPL Group Capital, dated April 11, 2003, creating the 3 1/4% Debentures, Series due April 11, 2006 (filed as Exhibit 4(ao) to Post-Effective Amendment No. 1 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(o)	Officer's Certificate of FPL Group Capital, dated June 12, 2002, creating the Series B Debentures due February 16, 2008 (filed as Exhibit 4(a) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	
*4(p)	Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities) of FPL Group Capital, dated as of March 1, 2004 (filed as Exhibit 4(au) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	

Exhibit Number	Description	FPL Group	FPL
*4(q)	Officer's Certificate of FPL Group Capital, dated March 15, 2004, creating the 5 7/8% Junior Subordinated Debentures, Series due March 15, 2044 (filed as Exhibit 4(av) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(r)	Preferred Trust Securities Guarantee Agreement between FPL Group (as Guarantor) and The Bank of New York (as Guarantee Trustee), dated as of March 15, 2004 (filed as Exhibit 4(aw) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(s)	Amended and Restated Trust Agreement relating to FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(at) to Post-Effective Amendment No. 3 to Form S-3, File No. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(t)	Agreement as to Expenses and Liabilities of FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(ax) to Post-Effective Amendment No. 3 to Form S-3, File No. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(u)	Warrant Agreement by and between Gexa Corp. and Highbridge/Zwirn Special Opportunities Fund, L.P., dated as of July 8, 2004, assumed by FPL Group effective June 17, 2005 (filed by Gexa Corp. as Exhibit 4.1 to Form 8-K dated July 8, 2004, File No. 1-31435)	x	
*4(v)	Warrant Agreement by and between Gexa Corp. and Cappello Capital Corp., dated as of November 1, 2004, assumed by FPL Group effective June 17, 2005 (filed by Gexa Corp. as Exhibit 4.1 to Form 8-K dated December 3, 2004, File No. 1-31435)	x	
*4(w)	Warrant Agreement by and between Gexa Corp. and Prospect Street Ventures Ltd., dated as of July 19, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(d) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*4(x)	Warrant Agreement by and between Gexa Corp. and Prospect Street Ventures I LLC, dated as of September 9, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(e) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*4(y)	Form of Warrant Agreement to Purchase Shares of Common Stock of Gexa Corp., dated as of November 23, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(f) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*10(a)	FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(b)	Amendments # 1 and 2 effective January 1, 1998 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(b) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(c)	Amendment #3 effective January 1, 1999 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(c) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(d)	Amendment #4 adopted October 13, 2005 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2005, File No. 1-8841)	x	x
*10(e)	Supplement to the FPL Group Supplemental Executive Retirement Plan as it applies to Lewis Hay, III effective March 22, 2002 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	x

Exhibit Number	Description	FPL Group	FPL
*10(f)	FPL Group, Inc. Amended and Restated Long Term Incentive Plan, as amended and restated October 14, 2005 (filed as Exhibit 10(b) to Form 10-Q for the quarter ended September 30, 2005, File No. 1-8841)	x	x
*10(g)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Performance Share Award Agreement (filed as Exhibit 10(a) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(h)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10(b) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(i)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10 to Form 8-K dated January 28, 2005, File No. 1-8841)	x	x
*10(j)	Form of FPL Group, Inc. Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement (filed as Exhibit 10(c) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(k)	Form of FPL Group, Inc. Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement (filed as Exhibit 10(d) to to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(l)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Shareholder Value Award Agreement (filed as Exhibit 10(l) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
*10(m)	Form of 2004 Annual Incentive Plan (filed as Exhibit 10(h) to Form 10-K for the year ended December 31, 2003, File No. 1-8841)	x	x
*10(n)	Form of FPL Group, Inc. Annual Incentive Plan (filed as Exhibit 10(n) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
*10(o)	FPL Group Deferred Compensation Plan, amended and restated effective January 1, 2001 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended June 30, 2001, File No. 1-8841)	x	x
*10(p)	FPL Group Deferred Compensation Plan, amended and restated effective January 1, 2003 (filed as Exhibit 10(k) to Form 10-K for the year ended December 31, 2002, File No. 1-8841)	x	x
*10(q)	FPL Group Executive Long Term Disability Plan effective January 1, 1995 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	x
*10(r)	FPL Group Non-Employee Directors Stock Plan dated as of March 17, 1997 (filed as Appendix A to FPL Group's 1997 Proxy Statement, File No. 1-8841)	x	
*10(s)	Summary of Non-Employee Director Compensation effective January 1, 2006 (filed as Exhibit 10(c) to Form 10-Q for the quarter ended September 30, 2005, File No. 1-8841)	x	
*10(t)	Form of Split Dollar Agreement between FPL Group and each of its executive officers who elect to participate, including provisions relating to Certain Officers (as of February 25, 2005 all executive officers participate except Moray P. Dewhurst, and "Certain Officers" include Armando J. Olivera and Antonio Rodriguez (filed as Exhibit 10(s) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x

Exhibit Number	Description	FPL Group	FPL
*10(u)	Form of Executive Retention Employment Agreement between FPL Group and each of Lewis Hay, III, Armando J. Olivera and Antonio Rodriguez (filed as Exhibit 10(a) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	x
*10(v)	Form of Executive Retention Employment Agreement between FPL Group and each of Moray P. Dewhurst, John A. Stall and James L. Robo (filed as Exhibit 10(b) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	x
*10(w)	Amendment to Executive Retention Employment Agreement between FPL Group and Armando J. Olivera, dated as of October 17, 2003 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2003, File No. 1-8841)	x	x
*10(x)	Form of Executive Retention Employment Agreement between FPL Group and each of Robert H. Escoto, Robert L. McGrath and Edward F. Tancer (filed as Exhibit 10(x) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
10(y)	Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement dated as of June 17, 2002 by and between FPL Group, Inc. and Lewis Hay, III	x	x
10(z)	Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement dated as of June 10, 2002 by and between FPL Group, Inc. and Moray P. Dewhurst	x	x
10(aa)	Form of Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement between FPL Group, Inc. and each of Robert H. Escoto, Robert L. McGrath, Armando J. Olivera, James L. Robo, Antonio Rodriguez, John A. Stall, and Edward F. Tancer	x	x
*10(bb)	Employment Agreement between FPL Group, Inc. and Lewis Hay, III dated February 25, 2005 (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
10(cc)	Amendment dated as of December 15, 2005 to the Employment Agreement dated as of February 25, 2005 between FPL Group, Inc. and Lewis Hay, III	x	x
10(dd)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Deferred Stock Award Agreement	x	x
10(ee)	FPL Group, Inc. Employee Retention Bonus Plan	x	x
10(ff)	Form of FPL Group, Inc. Employee Retention Bonus Plan Agreement	x	x
*10(gg)	Guarantee Agreement between FPL Group and FPL Group Capital, dated as of October 14, 1998 (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	
12(a)	Computation of Ratios	x	
12(b)	Computation of Ratios		x
21	Subsidiaries of FPL Group, Inc.	x	
23	Consent of Independent Registered Public Accounting Firm	x	x
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of FPL Group	x	
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of FPL Group	x	
31(c)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of FPL		x
31(d)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of FPL		x

Exhibit Number	Description	FPL Group	FPL
32(a)	Section 1350 Certification of FPL Group	x	
32(b)	Section 1350 Certification of FPL		x

*Incorporated herein by reference

FPL Group and FPL agree to furnish to the SEC upon request any instrument with respect to long-term debt that FPL Group and FPL have not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

FPL GROUP, INC. SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FPL Group, Inc.

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board, President,
Chief Executive Officer and Director
(Principal Executive Officer)

Date: February 22, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title as of February 23, 2006:

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)

K. MICHAEL DAVIS
K. Michael Davis
Controller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

H. JESSE ARNELLE
H. Jesse Arnelle

RUDY E. SCHUPP
Rudy E. Schupp

SHERRY S. BARRAT
Sherry S. Barrat

MICHAEL H. THAMAN
Michael H. Thaman

ROBERT M. BEALL, II
Robert M. Beall, II

HANSEL E. TOOKES, II
Hansel E. Tookes, II

J. HYATT BROWN
J. Hyatt Brown

PAUL R. TREGURTHA
Paul R. Tregurtha

JAMES L. CAMAREN
James L. Camaren

FRANK G. ZARB
Frank G. Zarb

J. BRIAN FERGUSON
J. Brian Ferguson

FLORIDA POWER & LIGHT COMPANY SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Florida Power & Light Company

ARMANDO J. OLIVERA
Armando J. Olivera
President and Director

Date: February 22, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title as of February 22, 2006:

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance and Chief Financial Officer and Director (Principal Financial Officer)

K. MICHAEL DAVIS
K. Michael Davis
Vice President, Accounting, Controller and Chief Accounting Officer (Principal Accounting Officer)

Directors:

ANTONIO RODRIGUEZ
Antonio Rodriguez

JOHN A. STALL
John A. Stall

EDWARD F. TANCER
Edward F. Tancer

Exhibit 12(a)

FPL GROUP, INC. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS[a]

	Years Ended December 31,				
	2005	2004	2003	2002	2001
	(millions of dollars)				
Earnings, as defined:					
Income before cumulative effect of changes in accounting principles	$ 885	$ 887	$ 893	$ 695	$ 781
Preferred stock dividends of a consolidated subsidiary	-[b]	-[b]	13	15	15
Income taxes	272	267	368	244	379
Fixed charges included in the determination of net income, as below	609	505	397	328	337
Amortization of capitalized interest	11	8	4	2	1
Distributed income of equity method investees	86	83	68	96	62
Less: Equity in earnings of equity method investees	124	94	89	76	81
Total earnings, as defined	$1,739	$1,656	$1,654	$1,304	$1,494
Fixed charges, as defined:					
Interest charges	$ 593	$ 489	$ 379	$ 311	$ 324
Rental interest factor	16	16	17	14	8
Fixed charges included in nuclear fuel cost	-	-	1	3	5
Fixed charges included in the determination of net income	609	505	397	328	337
Capitalized interest	21	54	88	91	55
Dividend requirements on preferred stock of a consolidated subsidiary before income taxes	-[b]	-[b]	20	23	23
Total fixed charges, as defined	$ 630	$ 559	$ 505	$ 442	$ 415
Ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends[a]	2.76	2.96	3.28	2.95	3.60

[a] FPL Group, Inc. has no preference equity securities outstanding; therefore, the ratio of earnings to fixed charges is the same as the ratio of earnings to combined fixed charges and preferred stock dividends.

[b] A portion of Florida Power & Light Company's preferred stock was owned by FPL Group, Inc. and was eliminated in consolidation. Accordingly, those dividends are not included herein.

Exhibit 12(b)

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS [a]

	Years Ended December 31,				
	2005	2004	2003	2002	2001
	(millions of dollars)				
RATIO OF EARNINGS TO FIXED CHARGES					
Earnings, as defined:					
Net income	$ 748	$ 750	$ 755	$ 732	$ 694
Income taxes	408	409	403	413	383
Fixed charges, as below	244	202	186	177	198
Total earnings, as defined	$1,400	$1,361	$1,344	$1,322	$1,275
Fixed charged, as defined:					
Interest charges	$ 224	$ 183	$ 173	$ 166	$ 187
Rental interest factor	7	8	8	8	6
Fixed charges included in nuclear fuel cost	-	-	1	3	5
Capitalized interest	13	11	4	-	-
Total fixed charges, as defined	$ 244	$ 202	$ 186	$ 177	$ 198
Ratio of earnings to fixed charges	5.74	6.74	7.23	7.47	6.44
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS					
Earnings, as defined:					
Net income	$ 748	$ 750	$ 755	$ 732	$ 694
Income taxes	408	409	403	413	383
Fixed charges, as below	244	202	186	177	198
Total earnings, as defined	$1,400	$1,361	$1,344	$1,322	$1,275
Fixed charged, as defined:					
Interest charges	$ 224	$ 183	$ 173	$ 166	$ 187
Rental interest factor	7	8	8	8	6
Fixed charges included in nuclear fuel cost	-	-	1	3	5
Capitalized interest	13	11	4	-	-
Total fixed charges, as defined	244	202	186	177	198
Non-tax deductible preferred stock dividends	-	1	13	15	15
Ratio of income before income taxes to net income	1.55	1.55	1.53	1.56	1.55
Preferred stock dividends before income taxes	-	2	20	23	23
Combined fixed charges and preferred stock dividends	$ 244	$ 204	$ 206	$ 200	$ 221
Ratio of earnings to combined fixed charges and preferred stock dividends	5.74	6.67	6.52	6.61	5.77

[a] Florida Power & Light Company's preference equity securities were redeemed in January 2005. For the year ended December 31, 2005, preferred stock dividends were less than $1 million; therefore, for the year ended December 31, 2005, the ratio of earnings to fixed charges is the same as the ratio of earnings to combined fixed charges and preferred stock dividends.

Exhibit 21

SUBSIDIARIES OF FPL GROUP, INC.

FPL Group Inc.'s principal subsidiaries as of December 31, 2005 are listed below. All other subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

	Subsidiary	State or Jurisdiction of Incorporation
1.	Florida Power & Light Company (100%-owned)	Florida
2.	FPL Group Capital Inc (100%-owned)	Florida
3.	FPL Energy, LLC [(a)] [(b)]	Delaware
4.	Bay Loan and Investment Bank [(b)]	Rhode Island
5.	Palms Insurance Company, Limited [(b)]	Cayman Islands

(a) Includes 322 subsidiaries that operate in the United States in the same line of business as FPL Energy, LLC

(b) 100%-owned subsidiary of FPL Group Capital Inc

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report dated February 22, 2006, relating to the financial statements of FPL Group, Inc. and Florida Power & Light Company and our report dated February 22, 2006 relating to management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of FPL Group, Inc. and Florida Power & Light Company for the year ended December 31, 2005:

FPL Group, Inc.

Form S-8	No. 33-57673
Form S-8	No. 33-11631
Form S-3	No. 33-57470
Form S-8	No. 333-27079
Form S-8	No. 333-88067
Form S-3	No. 333-102169
Form S-3	No. 333-102173
Form S-8	No. 333-114911
Form S-3	No. 333-116209
Form S-8	No. 333-116501
Form S-3	No. 333-125275
Form S-8	No. 333-125954
Form S-3	No. 333-129482
Form S-8	No. 333-130479

FPL Group Trust I

Form S-3	No. 333-116209-02

FPL Group Trust II

Form S-3	No. 333-116209-01

Florida Power & Light Company

Form S-3	No. 33-40123

FPL Group Capital Inc

Form S-3	No. 333-102173-01
Form S-3	No. 333-116209-05

FPL Group Capital Trust II

Form S-3	No. 333-102173-02
Form S-3	No. 333-116209-04

FPL Group Capital Trust III

Form S-3	No. 333-116209-03

DELOITTE & TOUCHE LLP

Miami, Florida
February 22, 2006

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification

I, Lewis Hay, III, certify that:

1. I have reviewed the annual report on Form 10-K for the year ended December 31, 2005 of FPL Group, Inc. (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board, President
and Chief Executive Officer
of FPL Group, Inc.

Exhibit 31(b)

Rule 13a-14(a)/15d-14(a) Certification

I, Moray P. Dewhurst, certify that:

1. I have reviewed the annual report on Form 10-K for the year ended December 31, 2005 of FPL Group, Inc. (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance
and Chief Financial Officer
of FPL Group, Inc.

Exhibit 31(c)

Rule 13a-14(a)/15d-14(a) Certification

I, Lewis Hay, III, certify that:

1. I have reviewed the annual report on Form 10-K for the year ended December 31, 2005 of Florida Power & Light Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer
of Florida Power & Light Company

Exhibit 31(d)

Rule 13a-14(a)/15d-14(a) Certification

I, Moray P. Dewhurst, certify that:

1. I have reviewed the annual report on Form 10-K for the year ended December 31, 2005 of Florida Power & Light Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance
and Chief Financial Officer
of Florida Power & Light Company

Exhibit 32(a)

Section 1350 Certification

We, Lewis Hay, III and Moray P. Dewhurst, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of FPL Group, Inc. (FPL Group) for the year ended December 31, 2005 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FPL Group.

Dated: February 23, 2006

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board, President
and Chief Executive Officer of FPL Group, Inc.

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance
and Chief Financial Officer of FPL Group, Inc.

A signed original of this written statement required by Section 906 has been provided to FPL Group and will be retained by FPL Group and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of FPL Group under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Exhibit 32(b)

Section 1350 Certification

We, Lewis Hay, III and Moray P. Dewhurst, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of Florida Power & Light Company (FPL) for the year ended December 31, 2005 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FPL.

Dated: February 23, 2006

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer of
Florida Power & Light Company

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance
and Chief Financial Officer of
Florida Power & Light Company

A signed original of this written statement required by Section 906 has been provided to FPL and will be retained by FPL and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of FPL under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Officers

FPL GROUP, INC.

Lewis Hay, III
Chairman, President and Chief Executive Officer

Moray P. Dewhurst
Vice President, Finance and Chief Financial Officer

Edward F. Tancer
Vice President & General Counsel

James L. Robo
Vice President, Corporate Development and Strategy

Robert H. Escoto
Vice President, Human Resources

Paul I. Cutler
Treasurer

K. Michael Davis
Controller and Chief Accounting Officer

James P. Higgins
Vice President, Tax

Robert L. McGrath
Vice President, Engineering, Construction & Corporate Services

Mary Lou Kromer
Vice President, Marketing & Communications

Alissa E. Ballot
Vice President & Corporate Secretary

FLORIDA POWER & LIGHT COMPANY

Lewis Hay, III
Chairman and Chief Executive Officer

Armando J. Olivera
President

Moray P. Dewhurst
Senior Vice President, Finance and Chief Financial Officer

Edward F. Tancer
Senior Vice President & General Counsel

Robert H. Escoto
Senior Vice President, Human Resources

Robert L. McGrath
Senior Vice President, Engineering, Construction & Corporate Services

Antonio Rodriguez
Senior Vice President, Power Generation Division

John A. Stall
Senior Vice President, Nuclear Division

FPL ENERGY, LLC

Lewis Hay, III
Chief Executive Officer

James L. Robo
President

Michael L. Leighton
Senior Vice President and Chief Operating Officer

Mark Maisto
President, Power Marketing, Inc.

Mitch Davidson
Senior Vice President, Business Management

Michael O'Sullivan
Senior Vice President, Development

Mark R. Sorensen
Vice President, Finance and Chief Financial Officer

TJ Tuscai
President, GEXA Energy GP, LLC

FPL FIBERNET, LLC

Mark Ianni
President

COMMUNICATIONS WITH THE BOARD *Shareholders may communicate [illegible] directly with any of the company's directors, including the presiding director, [illegible] by writing to them c/o FPL Group, Inc., P.O. Box 14000, Juno [illegible] 33408-0420. Communications intended for the non-management direc-tors should be directed to the presiding director. Employees [illegible] wish to contact the board or any member of the audit committee [illegible] complaints or concerns with respect to accounting, internal [illegible] controls or auditing matters may do so anonymously using [illegible]*

Board of Directors

H. JESSE ARNELLE
Retired. Formerly of Counsel, Womble, Carlyle, Sandridge & Rice (law firm) *Director since 1990. Member finance & investment committee, governance & nominating committee.*

SHERRY S. BARRAT
President, Personal Financial Services, The Northern Trust Company (banking corporation) *Director since 1998. Chairman compensation committee. Member governance & nominating committee, executive committee.*

ROBERT M. BEALL, II
Chairman and Chief Executive Officer, Beall's, Inc. (department stores) *Director since 1989. Chairman audit committee. Member governance & nominating committee, executive committee.*

J. HYATT BROWN
Chairman and Chief Executive Officer, Brown & Brown, Inc. (insurance broker) *Director since 1989. Member audit committee, governance & nominating committee.*

JAMES L. CAMAREN
Chairman and Chief Executive Officer, Utilities, Inc. (water utilities) *Director since 2002. Member compensation committee, finance & investment committee, governance & nominating committee.*

J. BRIAN FERGUSON
Chairman and Chief Executive Officer, Eastman Chemical Company (chemical company) *Director since July 2005. Member compensation committee.*

LEWIS HAY, III
Chairman, President and Chief Executive Officer, FPL Group, Inc. *Director since 2001. Chairman executive committee.*

RUDY E. SCHUPP
President and Chief Executive Officer, 1st United Bank, and Chief Executive Officer, 1st United Bancorp, Inc. (commercial bank) *Director since March 2005. Member audit committee.*

MICHAEL H. THAMAN
Chairman and Chief Financial Officer, Owens Corning (manufacturer) *Director since 2003. Member finance & investment committee, audit committee, compensation committee.*

HANSEL E. TOOKES, II
Retired. Formerly President, Raytheon International (defense and aerospace systems) *Director since March 2005. Member finance & investment committee.*

PAUL R. TREGURTHA
Chairman and Chief Executive Officer, Mormac Marine Group, Inc. (maritime shipping company) *Director since 1989. Chairman governance & nominating committee. Member compensation committee, finance & investment committee, executive committee.*

FRANK G. ZARB
Chairman, Frank Zarb Associates, LLC (consulting firm to the financial industry) Formerly Chairman and Chief Executive Officer, National Association of Securities Dealers, Inc. (NASD) *Director since 2002. Chairman finance & investment committee. Member audit committee, executive committee.*

Investor Information

CORPORATE OFFICES
FPL Group, Inc.
700 Universe Blvd.
Juno Beach, FL 33408-0420

EXCHANGE LISTING
Common Stock
New York Stock Exchange
Ticker Symbol: FPL
5 7/8% Preferred Trust Securities
New York Stock Exchange
Ticker Symbol: FPL PRC

NEWSPAPER LISTING
Common Stock: FPL Gp
5 7/8% Preferred Trust Securities: FPL Gp Trups

REGISTRAR, TRANSFER AND PAYING AGENTS
FPL Group Common Stock
FPL Group, Inc.
c/o Computershare Investor Services
2 N. LaSalle Street
Chicago, IL 60602
(888) 218-4392

Florida Power & Light Company
First Mortgage Bonds
Deutsche Bank Trust Co. America
Corporate Trust & Agency Group
648 Grassmere Park Road
Nashville, TN 37211
(800) 735-7777

FPL Group Capital Trust I Preferred Trust Securities
FPL Group Capital Debentures
Bank of New York
Corporate Trust Operations
111 Sanders Creek Parkway
East Syracuse, NY 13057
(800) 254-2826

CERTIFICATIONS
FPL Group has included as Exhibits 31(a) and (b) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of FPL Group certifying the quality of FPL Group's public disclosure, and FPL Group has submitted to the New York Stock Exchange a certificate of the chief executive officer of FPL Group certifying that he is not aware of any violation by FPL Group of New York Stock Exchange corporate governance listing standards.

SHAREHOLDER INQUIRIES
Communications concerning transfer requirements, lost certificates, dividend checks, address changes, stock accounts and the dividend reinvestment plan should be directed to Computershare:
(888) 218-4392 or www.computershare.com

Other shareholder communications to:
Shareholder Services (800) 222-4511 or (561) 694-4694, (561) 694-4718 (Fax)

ANNUAL MEETING
Generally held in May, the annual meeting of shareholders in 2006 will be scheduled later this year and is expected to include a proposal relating to shareholder approval of the pending merger with Constellation Energy Group, Inc.

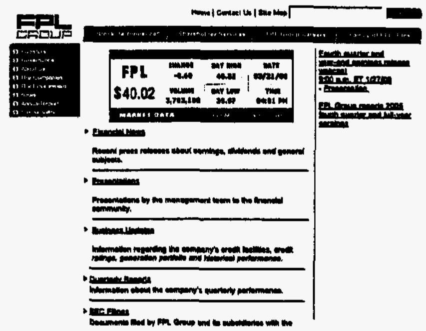
ELECTRONIC PROXY MATERIAL
Registered shareholders may receive proxy materials electronically by accessing **www.computershare.com/us/sc/fpl**. Beneficial shareholders should contact their brokerage firm to determine the availability of electronic proxy material distribution.

DUPLICATE MAILINGS
Financial reports must be mailed to each account unless you instruct us otherwise. If you wish to discontinue multiple mailings to your address, please call Computershare.

DIRECT DEPOSIT OF DIVIDENDS
Cash dividends may be deposited directly to personal accounts at financial institutions. Call Computershare for authorization forms.

DIVIDEND REINVESTMENT PLAN
FPL Group offers a plan for holders of common stock to reinvest their dividends or make optional cash payments for the purchase of additional common stock. Enrollment materials may be obtained by calling Computershare or by accessing **www.computershare.com**. The table below shows the dates during which optional cash payments can be made.

ONLINE INVESTOR INFORMATION
Visit our investor information site at **www.fplgroup.com/investors** to get stock quotes, earnings reports, financial releases, SEC filings and other news. You can also request and receive information via e-mail. Shareholders of record can receive secure online account access through a link to our transfer agent, Computershare.



SEC FILINGS
All Securities and Exchange Commission filings appear on our Web site at **www.fplgroup.com/investors.** Copies of SEC filings also are available without charge by writing to FPL Group, Shareholder Services.

NEWS AND FINANCIAL INFORMATION
Get the latest news and financial information about FPL Group by calling (866) FPL-NEWS. Besides hearing recorded announcements, you can request information to be sent via fax or mail.

ANALYST INQUIRIES
Investor Relations
(561) 694-4697
(561) 694-4718 (Fax)

NEWS MEDIA INQUIRIES
Media Relations
(305) 552-3888
(305) 552-2144 (Fax)

CERTIFIED PUBLIC ACCOUNTANTS
Deloitte & Touche LLP
200 S. Biscayne Boulevard, Suite 400
Miami, FL 33131-2310

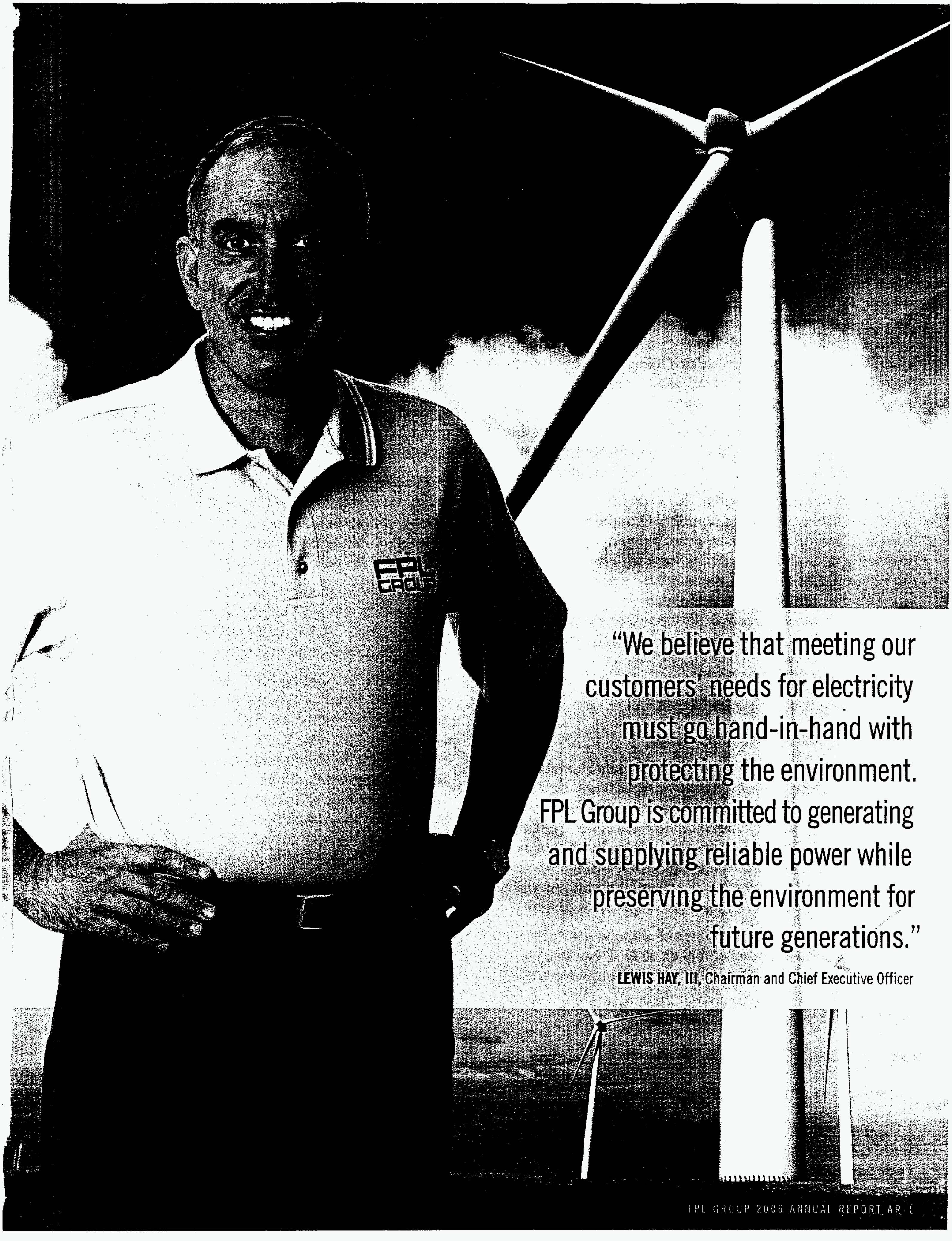
Proposed 2006 Common Stock Dividend Dates*

Declaration	Ex-Dividend	Record	Payment
February 17	March 3	March 7	March 15
May 26	June 7	June 9	June 15
August 4	August 23	August 25	September 15
October 13	November 21	November 24	December 15

Optional Cash Payment Dates*

Qtr./Yr.	Acceptance begins	Must be received by
2nd/06	May 16	June 8
3rd/06	August 16	September 8
4th/06	November 15	December 8

*Declaration of dividends and dates shown are subject to the discretion of the board of directors of FPL Group. Dates shown are based on the assumption that past patterns will prevail.



"We believe that meeting our customers' needs for electricity must go hand-in-hand with protecting the environment. FPL Group is committed to generating and supplying reliable power while preserving the environment for future generations."

LEWIS HAY, III, Chairman and Chief Executive Officer

To Our Shareholders

FPL Group performed extremely well in 2006, posting record adjusted earnings driven by continued outstanding results at FPL Energy and a solid year financially at Florida Power & Light Company.

In last year's letter, I articulated three priorities for 2006.

The first was achieving our 2006 business objectives, which we said would culminate in adjusted earnings per share growth of between 9 and 12 percent, or $2.80 to $2.90 per share, expectations we later revised upward to $2.90 to $2.95. As we reported in January, we exceeded even those revised expectations, growing our adjusted earnings per share 16 percent to $3.04 per share. Adjusted earnings exclude the mark-to-market effect of non-qualifying hedges and merger-related costs. *(See inside front cover for reconciliation of net income to adjusted earnings and earnings per share to adjusted earnings per share.)*

Florida Power & Light (FPL), our regulated electric utility, fared well financially for the year, and FPL Energy, our competitive energy business, delivered exceptional growth in adjusted earnings.

The other two priorities related to completing our intended merger with Constellation Energy and beginning operations as a combined company. Though we were disappointed the merger was terminated jointly due to continued uncertainty over regulatory and judicial matters in Maryland and the potential for a protracted and open-ended merger review process, we have excellent prospects at FPL Group as a standalone company. We have a strong financial position, sound strategies and growth prospects, and great people.

FPL GROUP CONTINUES TO PERFORM EXTRAORDINARILY WELL

Our results in 2006 speak for themselves.

- FPL Group provided a 36 percent total shareholder return for the year, outperforming two key peer indices – the S&P Electric Utilities (23 percent total return) and the Dow Jones U.S. Electricity Index (17 percent) – as well as the Standard & Poor's 500 index (16 percent). Our 36 percent total return was the second best of all major utilities. FPL Group also has substantially outperformed each of these three indices over the last five years. *(See "Performance Graph" on page AR-5.)*
- Net income, using generally accepted accounting principles (GAAP), reached almost $1.3 billion, or $3.23 per share in 2006, compared with $901 million or $2.34 per share in 2005.

Business Review and 2006 Performance

FLORIDA POWER & LIGHT COMPANY

FPL, one of the fastest growing and top performing electric utilities in the nation, achieved a variety of important results and met a number of key milestones last year.

- FPL's net income increased to $802 million, or $2.02 per share, compared to $748 million, or $1.94 per share in 2005. Lower-than-anticipated electricity usage stemming primarily from higher underlying commodity prices, the initial implementation of our Storm Secure® initiative to make our electric system more resilient to hurricanes, rising operating costs and a storm cost disallowance by the Florida Public Service Commission all contributed to a challenging year. Despite the challenges, FPL delivered solid results and is well positioned going forward.
- FPL serves 4.4 million customer accounts. In 2006, the average number of FPL customer accounts increased by 88,000 or 2 percent, consistent with the growth we have witnessed over the last three years.
- Our ongoing outstanding operational performance places FPL among the best utilities in the electric industry. The amount of time our fossil power plants are available to generate electricity is among the highest in the nation, and the reliability of our power delivery system is also among the best.
- We continued to invest heavily – about $1.7 billion in 2006 – to expand and enhance our generating facilities and related infrastructure to ensure continued reliable service and meet the growing power needs of present and future customers.
- Early in 2006, we kicked off an industry-leading program called Storm Secure to improve the ability of our power grid to withstand hurricanes. In the first year of this multi-year effort, we inspected more than 95,000 poles, cleared nearly 11,000 circuit miles of vegetation and focused time and resources on helping local governments that choose to place their existing overhead power lines underground. We also hardened four major infrastructure projects critical to the health and safety of the public, and we put into place plans to harden an additional 28 acute-care projects and 34 community projects in 2007.
- We made progress constructing a 1,144-megawatt combined-cycle natural gas-fired power plant at our Turkey Point site in Miami-Dade County, expected to go into service by mid-2007. In December, we received state approval to build another natural gas-fired, combined-cycle generating plant in western Palm Beach County. The first of the two units of the 2,440-megawatt facility is expected to begin producing electricity in 2009.
- Maintaining a diverse mix of fuels to generate power is a key component of providing reliable electric service and keeping rates stable. Natural gas is now used to efficiently generate about half of all power that FPL supplies, and though it will continue to be an important part of our fuel mix, it's critical that our fuel choices going forward include fuels other than natural gas. In December, we filed a site certification application with the Florida Department of Environmental Protection for a

state-of-the-art, ultra-supercritical pulverized coal power plant, which will be comprised of two 980-megawatt generating units in Glades County. This year, we'll pursue necessary approvals with the Florida Public Service Commission, and if our plans are approved, we'll proceed with licensing and then with construction, which is expected to take five years. In 2006, we announced our intent to file a license application with the Nuclear Regulatory Commission in the near future to create the option for adding nuclear power generation to our system. This would complement the four nuclear units we now have in operation in Florida, which account for nearly 20 percent of FPL's power production today. Adding a new nuclear power plant will be a long and expensive process, but we believe nuclear power has a key role to play in our energy mix. In 2006, we were able to meet a small portion of our electricity needs through the purchase of power from renewable sources, but generating electricity using renewable fuels is not currently reliable or affordable on a large scale in Florida. We are, however, optimistic that renewable fuels will play a bigger role in Florida's future, especially given recent and ongoing public policy developments.

- Due to high fuel costs, a 1,000-kilowatt hour residential bill for FPL customers increased 19 percent, beginning in January 2006, and thanks to a variety of energy management programs and other efforts, we're helping customers cope better and keep their bills lower than they otherwise might be. FPL ranks #1 among electric utilities nationwide in energy conservation programs, according to the latest U.S. Department of Energy report (using 2005 data). In just over two decades, our efforts have curtailed enough demand so that we've been able to avoid building 11 medium-size power plants. Moreover, in 2006, we provided additional energy management opportunities for both residential and business customers, and we expect that the additional savings from these programs through 2014 will enable us to forego the building of nearly four more medium-size power plants.
- In late 2006, we announced that we would lower customer rates by nearly 5 percent, effective in January 2007, primarily due to lower fuel costs than earlier forecast as well as more fuel-efficient operations at FPL power plants.

FPL ENERGY

FPL Energy, our competitive energy business and a leading clean energy provider with natural gas, wind, solar, hydroelectric and nuclear power plants in operation in 24 states, had a remarkable year in 2006. As the industry leader in wind and solar generation, FPL Energy recorded a 64 percent increase in year-over-year adjusted earnings in 2006. Over the past five years, FPL Energy has grown adjusted earnings at a compounded annual rate of about 35 percent. Net income on a GAAP basis at FPL Energy was $610 million, or $1.54 per share in 2006, compared to $203 million, or $0.53 per share in 2005. (*See "FPL Energy Reconciliation of GAAP To Adjusted Earnings" on page AR-5.)*

New project additions, primarily wind and nuclear, along with a strong performance from our merchant power plant portfolio, contributed significantly to the exceptional 2006 results. Operational performance was outstanding, with the fossil and nuclear plants collectively having their best year ever for reliability. FPL Energy's 2006 results also reflect a gain of approximately $63 million after tax from a court judgment relating to an Indonesian project that was suspended in 1998.

- We completed another successful year in our world-leading wind development program, with new projects added in Texas, Minnesota and North Dakota, as well as the purchase of existing assets in Texas, California and Minnesota. In all, we added more than 800 megawatts to our wind portfolio, which now totals 4,016 net megawatts of owned capacity.
- As for our nuclear power plant fleet, we expanded our portfolio and our strategic position by completing the acquisition of a 70 percent interest in the Duane Arnold Energy Center in Iowa, which added 424 megawatts to FPL Energy's net nuclear plant output. We completed a power uprate at our Seabrook Nuclear Power Plant in New Hampshire, bringing its net capacity to 1,098 megawatts. In December, we announced an agreement to acquire the two-unit 1,033-megawatt Point Beach Nuclear Power Plant from a subsidiary of Wisconsin Energy.
- Also contributing to successes in 2006 were: growth in our asset optimization and trading business, including full energy and capacity requirements services, and our retail operations.

2007 and Beyond

GOING FORWARD, WE HAVE HIGH EXPECTATIONS, SOUND STRATEGIES AND STRONG TANGIBLE GROWTH PROSPECTS

We are focused intensely on achieving our 2007 business objectives, which will culminate in anticipated adjusted earnings per share growth for FPL Group of approximately 10 to 13 percent, translating into adjusted earnings per share in the range of $3.35 to $3.45. All adjusted earnings expectations are as of the date of this letter, reflect continued customer growth at FPL and assume normal weather at both FPL and FPL Energy. In addition, they exclude the effects of adopting new accounting standards, as well as the mark-to-market effect of non-qualifying hedges, neither of which can be determined at this time. The adjusted earnings contribution from FPL is expected to be in the range of $2.10 to $2.15, from FPL Energy of $1.45 to $1.55, and a negative impact from Corporate and Other of $0.20 to $0.25 per share.

IN SUPPORT OF THIS PRIORITY, WE HAVE A BUSY YEAR UNDER WAY

- Florida Power & Light – We'll continue to implement our Storm Secure plan and our aggressive maintenance program to continue to enhance system reliability and resilience to hurricanes. To further ensure reliable electric service and to meet ongoing growth in demand for electricity in our service territory, we'll be bringing into service this year the new natural gas-fired power plant in Miami-Dade County, and we have begun construction on our new natural gas-fired power plant project in western Palm Beach County, both of which I discussed earlier in this letter. As we make these and other future additions to our generation portfolio, we'll remain mindful of the need to help customers manage their bills, and we are committed to being sensitive to our environment.

- FPL Energy – With the federal production tax credit (PTC) for wind energy extended through 2008, equipment secured and a strong pipeline of wind projects, we expect to add at least 1,500 megawatts of new wind projects to our portfolio by the end of 2008. Additional earnings growth will come from the rollover of existing power sales contracts to new values more closely approximating current market conditions. And we expect to complete the acquisition of the 1,033-megawatt Point Beach Nuclear Power Plant later this year. Importantly, the underlying earnings power of FPL Energy remains strong. Beyond the healthy pipeline of new wind projects, higher power prices and the addition of Point Beach, FPL Energy's strong growth prospects include possible asset acquisition opportunities; fossil, solar and transmission development; and the continued expansion of our retail and wholesale power marketing businesses.
- Our entire company is committed to sustaining the position we've earned as a leader in environmental management and, especially, to demonstrating industry leadership in further reducing greenhouse gas emissions. In January 2007, we joined a diverse group of U.S. businesses and leading environmental organizations – the U.S. Climate Action Partnership (USCAP) – in calling on the federal government to quickly enact mandatory policies to reduce carbon dioxide emissions for our country. In February, we endorsed the Joint Statement of the Global Roundtable on Climate Change. The statement lays out a proactive framework for global action to mitigate climate change risks and impacts while also meeting the need for energy, economic growth and sustainable development around the world.

STRENGTH IN TEAMWORK

I want to thank each member of our board of directors for their advice and counsel throughout 2006. We have a diverse and well-rounded team of directors, each of whom provides a unique perspective on the key decisions we're making in our ever-changing industry. Of note, I'd like to offer my special thanks to Frank Zarb and Jesse Arnelle, both of whom retired in 2006, for their dedicated service and many important contributions. In February 2007, Toni Jennings, a former lieutenant governor of Florida and long-time state legislator and business executive, was elected as the newest member of our board, and we are looking forward to drawing upon her business expertise and experience, as well as her vast knowledge about Florida. We further strengthened our senior leadership team in 2006 with several key promotions. Jim Robo, formerly president of FPL Energy, was named president and chief operating officer of the corporation; Mitch Davidson was named to succeed him at FPL Energy, and Mark Maisto was named president of commodities and retail markets. With Jim's strong leadership, operational expertise and innovative thinking, we will continue to advance our successful strategy and also find new ways to capitalize on the synergies of our businesses for added benefits to our customers and shareholders. Mitch and Mark both have generated outstanding results in their prior roles at our company, and I believe they will lead their respective units to new levels of profitable growth. Again this year, I'm proud to salute our entire team of more than 13,000 men and women for their outstanding efforts in safely providing reliable power to our customers and for their concern for the environment and for the communities of which we're a part. This past year, their efforts were recognized by a number of important industry observers.

- *Fortune* magazine, in its "America's Most Admired Companies®" edition dated March 19, 2007, named us #1 among Electric and Gas Utilities.
- Our leadership in addressing climate change was recognized for the third straight time as "best in class" by the Carbon Disclosure Project, a coalition of global investors with more than $31 trillion in assets.
- FPL, for the third consecutive year, received the "Service One™ Award" for top-rated customer service among utilities in the U.S., Canada and Africa. Specifically, FPL ranked "best in class" in the use of customer self-service options through the Internet and the automated phone system.
- Earlier this year at the World Economic Forum in Davos, Switzerland, FPL Group was named one of the Global 100 Most Sustainable Corporations in the World. Some 1,800 companies were evaluated on environmental, social and governance criteria, and we were one of just 19 U.S. companies and only two U.S. utility companies to make the list.

As always, I appreciate the support of you, our shareholders, as we continue our ongoing pursuit of increasing shareholder value.

Lewis Hay III

Lewis Hay, III
Chairman and Chief Executive Officer
March 22, 2007

A LEADER AMONG OUR PEERS

FPL GROUP IS RANKED FIRST AMONG ELECTRIC AND GAS UTILITIES IN *FORTUNE* MAGAZINE'S "AMERICA'S MOST ADMIRED COMPANIES®" EDITION, DATED MARCH 19, 2007. WE SCORED #1 IN EACH OF THE EIGHT ATTRIBUTES CONSIDERED:

Innovation	Quality of Management
People Management	Financial Soundness
Use of Corporate Assets	Long-Term Investments
Social Responsibility	Quality of Products/Services

FPL GROUP.

FPL.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **December 31, 2006**

OR

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

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	New York Stock Exchange
Florida Power & Light Company: None	

Securities registered pursuant to Section 12(g) of the Act: None

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 _X_ No ___ Florida Power & Light Company Yes _X_ No ___

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 _X_ Florida Power & Light Company Yes ___ No _X_

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 requirements for the past 90 days.
FPL Group, Inc. Yes _X_ No ___ Florida Power & Light Company Yes _X_ 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. [X]

Indicate by check mark whether the registrants are a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "large accelerated filer" and "accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934.
FPL Group, Inc. Large Accelerated Filer _X_ Accelerated Filer ___ Non-Accelerated Filer ___
Florida Power & Light Company Large Accelerated Filer ___ Accelerated Filer ___ Non-Accelerated Filer _X_

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 _X_

Aggregate market value of the voting and non-voting common equity of FPL Group, Inc. held by non-affiliates as of June 30, 2006 (based on the closing market price on the Composite Tape on June 30, 2006) was $16,694,263,323.

There was no voting or non-voting common equity of Florida Power & Light Company held by non-affiliates as of June 30, 2006.

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, 2007: 405,590,044 shares.

As of January 31, 2007, 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 2007 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 under General Instruction (I)(1)(a) and (b) of Form 10-K and is therefore filing this form with reduced disclosure format.

DEFINITIONS

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

Term	Meaning
AFUDC	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
Constellation Energy	Constellation Energy Group, Inc.
CRDM	control rod drive mechanism
DOE	U.S. Department of Energy
Duane Arnold	Duane Arnold Energy Center
EMF	electric and magnetic fields
EMT	Energy Marketing & Trading
2005 Energy Act	Energy Policy Act of 2005
environmental clause	environmental compliance cost recovery clause, as established by the FPSC
ERCOT	Electric Reliability Council of Texas
EPA	U.S. Environmental Protection Agency
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 Energy	FPL Energy, LLC
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
Gexa	Gexa Energy, LP
Gulfstream	Gulfstream Natural Gas System, L.L.C.
Holding Company Act	Public Utility Holding Company Act of 2005
IARC	International Agency for Research on Cancer
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
MRO	Midwest Reliability Organization
mw	megawatt(s)
NEPOOL	New England Power Pool
NERC	North American Electric Reliability Council
Note ___	note ___ to consolidated financial statements
NO_x	Nitrogen oxide
NRC	U.S. Nuclear Regulatory Commission
Nuclear Waste Policy Act	Nuclear Waste Policy Act of 1982
NYPP	New York Power Pool
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, Inc.
Point Beach	Point Beach Nuclear Power Plant
PTC	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
RFC	ReliabilityFirst Corporation
RFP	request for proposal
ROE	return on common equity
Seabrook	Seabrook Station
SEC	U.S. Securities and Exchange Commission
SERC	Southeastern Electric Reliability Council
SO_2	Sulfur dioxide
SPP	Southwest Power Pool
VIE	variable interest entity
WECC	Western Electricity Coordinating Council

FPL Group, FPL, FPL Group Capital and FPL Energy each have subsidiaries and affiliates with names that include FPL, FPL Energy, FPLE and similar references. For convenience and simplicity, in this report the terms FPL Group, FPL, FPL Group Capital and FPL Energy 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 or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, believe, could, estimated, may, plan, potential, projection, target, outlook) 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 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. 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 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's principal subsidiary, FPL, is a rate-regulated utility engaged primarily in the generation, transmission, distribution and sale of electric energy. FPL Group Capital, a wholly-owned subsidiary of FPL Group, holds the capital stock and provides funding for FPL Group's operating subsidiaries other than FPL. The business activities of these operating subsidiaries primarily consist of FPL Energy's competitive energy business. At December 31, 2006, FPL Group and its subsidiaries employed approximately 13,300 people. For financial information regarding FPL Group's business segments, see Note 17.

In 2005, President Bush signed into law the 2005 Energy Act, which substantially affected the regulation of energy companies. The 2005 Energy Act included provisions that, among other things, amended federal energy laws, provided the FERC with new oversight responsibilities, repealed the Public Utility Holding Company Act of 1935, as amended, which regulated the financial structure of certain utility holding companies and, among other things, restricted mergers and acquisitions in the electric industry, and enacted the Holding Company Act. FPL Group is a holding company, as defined in the Holding Company Act.

In December 2005, FPL Group and Constellation Energy announced a proposed merger. As a result of continued uncertainty over regulatory and judicial matters in Maryland, on October 24, 2006, FPL Group and Constellation Energy mutually agreed to terminate the proposed merger. No termination fee is payable under the termination agreement unless Constellation Energy agrees with another party to a comparable transaction on or prior to September 30, 2007, in which case a fee will be payable to FPL Group by Constellation Energy. For additional information, see Note 2.

Environmental. 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 regulations are subject to change. The following is a discussion of emerging federal initiatives and rules that could potentially affect FPL Group. See FPL Operations – Environmental and FPL Energy Operations – Environmental for a discussion of certain impacts specific to those entities.

Climate Change – As a participant in President Bush's Climate Leader Program to reduce greenhouse gas intensity in the United States by 18% by 2012, FPL Group has inventoried its greenhouse gas emission rates and has committed to a 2008 reduction target of 18% below a 2001 baseline emission rate measured in pounds per megawatt-hour. FPL Group believes that the planned operation of its generating portfolio, along with its current efficiency initiatives, greenhouse gas management efforts and increased use of renewable energy, will allow it to achieve this target. In addition, FPL Group has joined the U.S. Climate Action Partnership, an alliance made up of a diverse group of U.S.-based businesses and environmental organizations, which in early 2007 issued a set of principles and recommendations to address global climate change and the reduction of greenhouse gas emissions.

The U.S. Congress is considering several legislative proposals that would establish new mandatory regulatory requirements and reduction targets for greenhouse gases. Based on the most current reference data available from government sources, FPL Group is among the lowest emitters of greenhouse gases measured by its rate of emissions to generation in pounds per megawatt-hour. However, these legislative proposals have differing methods of implementation and the impact on FPL's and FPL Energy's 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 and specific implementation rules adopted.

Multi-Pollutant Legislation – The U.S. Congress and the Bush Administration are considering several legislative proposals that would establish new regulatory requirements and reduction targets for sulfur dioxide, nitrogen oxide, mercury, and in some proposals, carbon dioxide. Based on the most current reference data available from government sources, FPL Group is among the lowest generators of these emissions measured by its rate of emissions to generation in pounds per megawatt-hour. However, these multi-pollutant proposals have differing methods of implementation and the impact on FPL's and FPL Energy's 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 and specific implementation rules adopted.

Clean Air Act Mercury/Nickel Rule – In 2005, the EPA proposed a final rule to regulate mercury emissions from coal-fired electric utility steam generating units under Section 111 of the Clean Air Act. The EPA's proposed final rule seeks to reduce mercury emissions starting in 2010 through "cobenefits" reduction occurring as a result of pollution control equipment currently installed or to be installed in response to the Clean Air Interstate Rule or other environmental rules. This proposed final rule would also allow the EPA to implement a mercury emissions trading program. There is considerable opposition to the proposed final rule from environmental groups, which contend that there should be more stringent control of mercury emissions.

During 2005, the EPA determined that new data indicated that nickel emissions from oil-fired units should not be regulated under Section 112 of the Clean Air Act, which set Maximum Achievable Control Technology standards, and as a result the EPA published a final rule delisting nickel from the requirements of regulation under Section 112. Both the mercury and nickel rulemaking decisions are being challenged by various states and environmental groups.

Clean Air Interstate Rule (CAIR) – In 2005, the EPA published a final CAIR that requires SO_2 and NOx emissions reductions from electric generating units in 28 states where their emissions are transported to downwind states allegedly resulting in fine particulate (PM 2.5) and ozone non-attainment. The final rule requires phased reductions in SO_2 emissions by 2010 and by 2015, and reductions in NOx emissions by 2009 and by 2015, eventually reaching a nationwide reduction of 65% below a 2002 baseline emission rate for each. In the final rule, through the use of modeling data, the states in which FPL facilities are located were determined to be contributors of PM 2.5 and/or ozone production in downwind states. However, FPL Group believes that the emissions from most of its Florida generating facilities are not affecting the non-attainment status of downwind areas. In 2005, FPL Group filed a petition for reconsideration with the EPA and a lawsuit in the U.S. Court of Appeals for the District of Columbia challenging the SO_2 and NOx provisions in CAIR. In March 2006, the EPA denied FPL Group's and other petitioners' requests to revise the final rule. FPL Group will continue to challenge the SO_2 and NOx provisions of the final rule through the lawsuit that it filed.

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 a year. The rule requires states to identify the facilities required to install BART controls by 2008 and allows for a five-year period to implement pollution controls.

Clean Water Act Section 316(b) – In 2004, the EPA issued a rule under Section 316(b) of the Clean Water Act to address location, design, construction and capacity of intake structures at existing power plants with once-through cooling water systems. The rule requires FPL Group to demonstrate that it has met or will 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 compliance alternatives, including the use of technology and/or operational measure and response to the rule may involve the performance of biological studies. FPL Group has been conducting the necessary studies/analyses over the past few years and was planning to submit solutions for regulatory approval in early 2008. However, on January 25, 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 restoration measures, from consideration and remanded the rule to the EPA for further rulemaking. Accordingly, the final requirements are uncertain.

Website Access to SEC Filings. FPL Group and FPL make their SEC filings, including their 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.

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 8.5 million throughout most of the east and lower west coasts of Florida. During 2006, FPL served approximately 4.4 million customer accounts. The percentage of FPL's operating revenues by customer class was as follows:

	Years Ended December 31,		
	2006	2005	2004
Residential	54%	55%	54%
Commercial	39	37	37
Industrial	3	3	3
Other, including deferred or recovered clause revenues, the net change in unbilled revenues, any provision for retail rate refund, gas, transmission and wholesale sales and customer-related fees	4	5	6
	100%	100%	100%

FPL currently holds 176 franchise agreements to provide electric service in various municipalities and counties in Florida with varying expiration dates through 2037. Of the 176 franchise agreements, 13 expire in 2007, six expire in 2008 and 157 expire during the period 2009 through 2037. Ongoing negotiations are taking place to renew franchises with upcoming expirations. FPL considers its franchises to be adequate for the conduct of its business.

Regulation. FPL's retail operations provided approximately 99% of FPL's 2006 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 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.

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). The rate of return on rate base approximates FPL's weighted-average cost of capital, which includes its costs for outstanding debt and preferred stock and, typically, an allowed ROE. The FPSC monitors FPL's actual 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.

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 rate case filing. FPL expects the 2005 rate agreement to be in effect through December 31, 2009, and thereafter shall remain in effect until terminated on the date new retail base rates become effective pursuant to an FPSC order. The 2005 rate agreement replaced a rate agreement that was effective April 15, 2002 through December 31, 2005 (2002 rate agreement).

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 will increase approximately $127 million on an annualized basis when a 1,144 mw natural gas-fired plant at FPL's Turkey Point site (Turkey Point Unit No. 5) is placed in service, which is expected to occur in the second quarter of 2007 (see System Capability and Load below). The 2005 rate agreement also continues the revenue sharing mechanism in FPL's 2002 rate agreement, 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 for 2007 and each succeeding year is 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 2007 is estimated to be $4,203 million and $4,373 million, respectively, and will be adjusted based on the actual incremental base revenues associated with Turkey Point Unit No. 5 going into service in the second quarter of 2007. For the year ended December 31, 2006, revenues from retail base operations did not exceed the 2006 threshold.

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 which was also permitted under the 2002 rate agreement, (ii) FPL suspended contributions of approximately $79 million per year to its nuclear decommissioning fund beginning in September 2005, (iii) FPL suspended contributions of $20.3 million per year to its storm and property insurance reserve beginning in 2006 and has the ability to recover prudently incurred storm restoration costs, either through securitization pursuant to Section 366.8260 of the Florida Statutes or through surcharges, and (iv) 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.

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 2006, approximately $6.4 billion of costs were recovered through the fuel clause. The FPSC has approved a risk management fuel procurement program which is intended to reduce the risk of unexpected fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. The results of the program are reviewed by the FPSC as part of the annual review of fuel costs. See Energy Marketing and Trading, Management's Discussion – Results of Operations, Note 1 – Regulation and Note 4.

Capacity payments to other utilities and generating companies for purchased power are recovered from customers through the capacity clause and base rates. In 2006, approximately $583 million of costs were recovered through the capacity clause. Costs associated with implementing energy conservation programs totaled approximately $174 million in 2006 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 totaled $26 million in 2006 and were recovered through the environmental clause to the extent not included in base rates.

In February 2007, the FPSC approved a nuclear cost recovery rule that provides for the recovery of all prudently incurred costs for siting, designing, licensing and constructing new nuclear power plants. FPL is in the process of evaluating the economics, risks and advisability, among other things, of potentially building a new nuclear power plant in its service area.

FPL was impacted by four hurricanes in 2005 and three hurricanes in 2004, which 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. At December 31, 2006, FPL's storm reserve deficiency totaled approximately $868 million. In May 2006, the FPSC approved the issuance of up to $708 million of bonds pursuant to the securitization provisions of Section 366.8260 of the Florida Statutes for the net-of-tax recovery by FPL of the estimated storm reserve deficiency, including interest, and for a storm and property insurance reserve of $200 million. The unrecovered 2004 storm restoration costs are being recovered through a previously approved storm damage surcharge applied to retail customer bills since February 2005. Once the bonds are issued, a surcharge to retail customers will be used for repayment of the outstanding bonds. FPL is working with the FPSC staff and its financial advisors to complete the issuance of the bonds. See Note 1 – Storm Reserve Deficiency.

In January 2006, FPL introduced an initiative to enhance its electrical grid as a result of heightened hurricane activity and in response to concerns expressed by the community, state leaders and regulators. The estimated capital expenditures associated with this initiative, as well as the FPSC's approved storm preparedness plan (collectively, Storm Secure[SM] Plan) for 2007 through 2011 are included in FPL's projected capital expenditures. See Capital Expenditures below and Note 16 – Commitments. See also Management's Discussion – Results of Operations – FPL for further discussion regarding the impact of Storm Secure Plan costs on O&M expenses. The estimated costs associated with the Storm Secure Plan, both capital expenditures and O&M expenses, are subject to change over time based on, among other things, productivity enhancements and prioritization.

The FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. Such costs may include, among others, 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 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 2006, operating revenues from wholesale and industrial customers combined represented approximately 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 generation 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 generation capacity. In September 2006, the FPSC granted FPL an exemption from the FPSC's bid rule for two ultra super critical pulverized coal generating units that FPL is seeking to build in Glades County, Florida. See System Capability and Load. Effective February 2007, the FPSC eliminated the requirement for utilities to issue an RFP for new nuclear power plants sited after June 2006.

System Capability and Load. At December 31, 2006, FPL's resources for serving load consisted of 24,651 mw, of which 20,981 mw were from FPL-owned facilities (see Item 2 – Generating Facilities) and 3,670 mw were available through purchased power contracts (see Note 16 – Contracts). FPL's projected reserve margin for the summer of 2007 is approximately 22.6% and reflects the addition of Turkey Point Unit No. 5, which is expected to be placed in service during the second quarter of 2007. This reserve margin is expected to be achieved through the combination of output from FPL's generating units, purchased power contracts and the capability to reduce peak demand through the implementation of load management, which was estimated to be 1,444 mw at December 31, 2006. 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 FPL has served to date was a summer peak of 22,361 mw, which occurred on August 17, 2005. FPL had adequate resources available at the time of this peak to meet customer demand.

Turkey Point Unit No. 5 is currently under construction and is expected to be placed in service during the second quarter of 2007. In June 2006, the FPSC approved FPL's proposal to build two approximately 1,220 mw natural gas-fired combined-cycle units in western Palm Beach County, Florida, with planned in-service dates of 2009 and 2010, which were subsequently approved by the Siting Board (comprised of the Florida governor and cabinet) under the Siting Act in December 2006. In February 2007, FPL filed a need application with the FPSC to build two ultra super critical pulverized coal generating units totaling approximately 1,960 mw in Glades County, Florida with planned in-service dates of 2013 and 2014.

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 2006 fuel mix based on kwh produced was as follows:

Source	
Natural gas	50%
Nuclear	20%
Purchased power	17%
Oil	8%
Coal	5%

Fossil Operations. FPL owns and operates 82 units that utilize 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 mild weather. Since June 2006, FPL has experienced compressor blade failures in three combustion turbine compressors (CTCs) at two of its fossil generating plants, resulting in significant damage to the combustion turbines. FPL has 28 of this type of CTCs in its generating fleet, which were all made by the same manufacturer. Recently other companies in the electric industry have reported similar failures. The manufacturer of the CTCs has determined the root cause of the first failure experienced by FPL involving a rotating blade and is in the process of determining how to remediate the issue. In the interim, FPL is conducting inspections of all rotating compressor blades in its generating fleet and replacing any blade sets found to have cracks. FPL Group is currently working with the manufacturer of the CTCs to determine the root cause of the other two failures in the stationary section of the compressor and how to remediate the issue. In the interim, FPL is planning to proactively replace a portion of the stationary compressor blades it considers to be at higher risk of failure. Repairs to all three of the units affected have been completed and the units returned to service.

FPL has four firm transportation contracts in place with FGT and one firm transportation contract with Gulfstream 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 2015 and 2022, while the Gulfstream contract expires in 2028. The two contracts expiring in 2015 may be extended by FPL until 2030. To the extent desirable, FPL can also purchase interruptible 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 gas requirements are purchased under other contracts and in the spot market. In addition, FPL has entered into several long-term agreements for storage capacity and transportation of natural gas from facilities that have not yet begun construction. These agreements range from 12 to 23 years in length and are contingent upon certain events, including approval by the FERC and completion of construction of the facilities in 2008 and 2009. FPL's oil requirements are obtained under short-term contracts and in the spot market. See Note 16 – Contracts.

FPL has, through its joint ownership interest in St. Johns River Power Park (SJRPP) Units Nos. 1 and 2, long-term coal supply and transportation contracts for a portion of the fuel needs for those units. All of the transportation requirements and a portion of the fuel 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 16 – Contracts.

Nuclear Operations. FPL owns and operates four nuclear units, two at Turkey Point and two at St. Lucie. FPL has received operating license extensions to operate Turkey Point Units Nos. 3 and 4 and St. Lucie Units Nos. 1 and 2 until 2032, 2033, 2036 and 2043, respectively. 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.

Scheduled nuclear refueling outages by unit are as follows:

Unit	Refueling Outage Most Recent	Refueling Outage Next Scheduled
St. Lucie Unit No. 1	Fall 2005	Spring 2007 [(a)]
St. Lucie Unit No. 2	Spring 2006	Fall 2007 [(b)]
Turkey Point Unit No. 3	Spring 2006	Fall 2007
Turkey Point Unit No. 4	Fall 2006	Spring 2008

(a) FPL anticipates replacing incore instrument thimbles during this outage, which is expected to extend the number of days the unit will be removed from service to approximately 50 days.

(b) FPL anticipates replacing the reactor vessel head and steam generators during this outage, which is expected to extend the number of days the unit will be removed from service to approximately 85 days.

In 2003, the NRC issued an order requiring all pressurized water reactor licensees, including FPL, to perform visual and volumetric inspections of reactor vessel heads at each unit's scheduled refueling outage to identify if degradation such as cracking or corrosion has occurred. In conjunction with the NRC order, FPL has performed visual and volumetric inspections of its nuclear units' reactor vessel heads during their scheduled refueling outages since October 2002. FPL replaced the reactor vessel heads at Turkey Point Unit No. 3, Turkey Point Unit No. 4 and St. Lucie Unit No. 1 during their scheduled refueling outages in the fall of 2004, spring of 2005 and fall of 2005, respectively, and therefore no further inspections will be required at these units until 2009. The inspections during scheduled refueling outages at St. Lucie Unit No. 2 in 2003 and 2005 revealed CRDM nozzles with cracks, which were repaired during the outages. FPL intends to replace the reactor vessel head at St. Lucie Unit No. 2 during its next scheduled refueling outage in the fall of 2007. The cost to replace St. Lucie Unit No. 2's reactor vessel head, including AFUDC, is included in FPL's estimated capital expenditures below. See Management's Discussion – Results of Operations – FPL and Note 16 – Commitments.

St. Lucie Unit No. 2's steam generators are reaching the end of their useful life. As flaws were identified in individual tubes, they were plugged in order to prevent the tubes from leaking during plant operations. FPL intends to replace the steam generators along with the reactor vessel head at St. Lucie Unit No. 2 during its next scheduled refueling outage in the fall of 2007. The cost to replace St. Lucie Unit No. 2's steam generators, including AFUDC, is included in FPL's estimated capital expenditures below. See 16 – Commitments.

During 2003, nuclear utilities other than FPL identified that pressurizer heater sleeves made with a particular material (alloy 600) 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 will begin the repair of St. Lucie Unit No. 1's non-pressurizer penetrations with alloy 600 weld materials during its fall 2008 outage and expects to complete the repairs 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 repair rather than replace St. Lucie Unit No. 2's alloy 600 pressurizer heater sleeves during its spring 2009 outage. During St. Lucie Unit No. 2's next scheduled refueling and steam generator and reactor vessel head replacement outage in the fall of 2007, FPL will inspect the pressurizer heater sleeves and begin repairs of other pressurizer and non-pressurizer penetrations with alloy 600 weld materials. The repairs to St. Lucie Unit No. 2's other penetrations are scheduled to be completed by 2010. The estimated cost of repairs for the St. Lucie units are included in FPL's estimated capital expenditures below. See Note 16 – Commitments. All pressurizer penetrations and welds at Turkey Point Units Nos. 3 and 4 utilize 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 2008 through 2016. Currently, FPL is storing spent fuel on site pending its removal by the DOE. Under the Nuclear Waste Policy Act, 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 2006, FPL has paid approximately $562 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 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 court ruled in another utility's case that the 1997 court decision regarding DOE's unavoidable delay defense was not binding on this federal court. An appeal is pending in that case. Based on current projections, FPL will lose its ability to store additional spent fuel on site for St. Lucie Unit No. 1 in 2008, St. Lucie Unit No. 2 in 2010, Turkey Point Unit No. 3 in 2010 and Turkey Point Unit No. 4 in 2012. Degradation in a material used in the spent fuel pools at Turkey Point Units Nos. 3 and 4 could result in implementation of alternative spent fuel storage options sooner than projected. FPL expects to extend the storage capacity of Turkey Point Unit No. 3 to early 2012 by recovering storage cells in the spent fuel pools that are currently damaged or otherwise unusable. In addition, FPL plans to begin using dry storage casks to store spent fuel at the St. Lucie Units prior to

2009 and at the Turkey Point Units prior to 2012, which would extend their capability to store spent fuel indefinitely. The cost for the dry storage casks is included in FPL's estimated capital expenditures below.

In 2002, the governor of Nevada submitted a Notice of Disapproval to Congress regarding President Bush's recommendation to develop Yucca Mountain as a nuclear waste repository. The Yucca Mountain site is the DOE's recommended location to store and dispose of spent nuclear fuel and high-level radioactive waste. In 2002, Congress overrode the Notice of Disapproval through a majority vote of both houses and the President signed the joint resolution of Congress into law. The State of Nevada has initiated legal actions to attempt to block the project. In 2004, the U.S. Court of Appeals for the District of Columbia Circuit ruled on a series of challenges to the statutes and regulations established to govern a nuclear waste repository at the Yucca Mountain site. The court denied all the challenges except for one, regarding an EPA rule governing the time period the public would be protected from hypothetical radiation leaks at the Yucca Mountain repository. The court's decision will likely result in revisions to the EPA's and NRC's licensing rules for Yucca Mountain and could further delay the licensing process for Yucca Mountain. In a progress report submitted to Congress, the DOE Office of Civilian Radioactive Waste Management stated that the DOE plans to submit a license application for a permanent disposal facility for spent nuclear fuel to the NRC by June 20, 2008, and indicated that the best achievable schedule would anticipate commencing initial repository operations in 2017. Although the DOE has stated that it anticipates that its permanent disposal facility will commence operations in 2017, there is considerable doubt within the utility industry that this schedule will be met.

The NRC's regulations require FPL to submit a plan for decontamination and decommissioning five years prior to the projected end of plant operation. FPL's current plans, under the extended 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.

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 $1.7 billion in 2006 (including AFUDC of approximately $32 million), $1.8 billion in 2005 (including AFUDC of approximately $41 million) and $1.4 billion in 2004 (including AFUDC of approximately $48 million). Capital expenditures for 2007 through 2011 are estimated as follows:

	2007	2008	2009	2010	2011	Total
			(millions)			
Generation: [a]						
New [b] [c]	$ 420	$ 720	$ 210	$ 10	$ -	$ 1,360
Existing	630	600	485	565	425	2,705
Transmission and distribution [d]	885	985	1,105	1,055	1,080	5,110
Nuclear fuel	105	130	140	170	110	655
General and other	145	160	170	205	205	885
Total	$ 2,185	$ 2,595	$ 2,110	$ 2,005	$ 1,820	$ 10,715

(a) Includes AFUDC of approximately $37 million, $52 million, $53 million and $6 million in 2007, 2008, 2009 and 2010, respectively.
(b) Includes land, generating structures, transmission interconnection and integration, licensing and AFUDC.
(c) Excludes capital expenditures of approximately $3.4 billion (approximately $310 million in 2008) for the two ultra super critical pulverized coal generating units for the period from early 2008 (expected Siting Board approval) through 2011.
(d) Includes estimated capital costs associated with FPL's Storm Secure Plan. These capital costs are subject to change over time based on, among other things, productivity enhancements and prioritization.

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 16 – 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 gas, oil and electricity. EMT also uses derivative instruments, such as swaps, options and forwards to manage the commodity price risk inherent in fuel and electricity sales and purchases. 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 4.

Environmental. FPL is subject to environmental laws and regulations and is affected by emerging issues included in the discussion of FPL Group's business (see FPL Group – Environmental). FPL would generally seek recovery under the environmental clause for compliance costs associated with any new environmental laws and regulations. While the final requirements for Section 111 of the Clean Air Act for mercury emissions are subject to challenge, it is likely that Scherer Unit No. 4, St. Johns River Power Park Units Nos. 1 and 2 and certain coal-fired units from which FPL purchases power will be required to add additional pollution control equipment or purchase emission allowances in order to achieve compliance with the proposed mercury emission limits. In addition, while the final CAIR requirements are uncertain, it is possible that the FPL generating facilities in Florida and Georgia may be required to add additional SO_2 and NOx controls or purchase emissions allowances to meet the compliance requirements of the final rule. Furthermore, while the impact of final BART requirements of the Clean Air Visibility Rule are uncertain, it is possible that some of FPL's BART eligible units may be required to add additional emissions controls or switch fuels to meet the BART compliance requirements. Lastly, the rule under Section 316(b) of the Clean Water Act impacts eight of FPL's generating facilities (Cape Canaveral, Cutler, Fort Myers, Lauderdale, Port Everglades, Sanford, Riviera and St. Lucie); however, the final requirements are uncertain.

During 2006, FPL spent approximately $82 million on capital additions to comply with environmental laws and regulations. FPL's capital expenditures to comply with environmental laws and regulations are estimated to be $347 million for 2007 through 2009, including approximately $106 million in 2007, and are included in estimated capital expenditures set forth in Capital Expenditures above.

Electric and Magnetic Fields. 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. EMF are present around electrical facilities, including appliances, power lines, and building wiring.

In 1999, the U.S. National Institute of Environmental Health Sciences, at the culmination of a five-year federally supported EMF research effort, concluded that the scientific evidence suggesting that EMF exposures pose any health risk is weak, but cannot be completely discounted. In 2001, the IARC conducted an evaluation of power frequency EMF and cancer; it classified power frequency magnetic fields as "possibly carcinogenic" based on an association with childhood leukemia reported in some epidemiology studies. The IARC did not conclude that power frequency EMF cause or contribute to the development of childhood leukemia or any other cancer. In 2002, the National Institute of Environmental Health Sciences said in a booklet it published on EMF: "For most health outcomes, there is no evidence that EMF exposures have adverse effects. There is some evidence from epidemiology studies that exposure to power-frequency EMF is associated with an increased risk for childhood leukemia. This association is difficult to interpret in the absence of reproducible laboratory evidence or a scientific explanation that links magnetic fields with childhood leukemia."

Florida has had EMF regulations in place for many years, and FPL believes it is in compliance with the FDEP regulations regarding EMF levels within and at the edge of the rights of way for transmission lines. Future changes in the FDEP regulations could require additional capital expenditures by FPL for such things as increasing the right of way corridors 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 10,400 employees at December 31, 2006. Approximately 31% of the employees are represented by the International Brotherhood of Electrical Workers (IBEW) under a collective bargaining agreement with FPL that expires October 31, 2008.

FPL ENERGY OPERATIONS

General. FPL Energy, 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. FPL Energy through its subsidiaries currently owns, develops, constructs, manages and operates domestic electric-generating facilities in wholesale energy markets. FPL Energy also provides full energy and capacity requirements services to distribution utilities in certain markets and owns a retail electric provider in Texas.

FPL Energy manages or participates in the management of approximately 95% of its projects, which represent approximately 98% of the net generating capacity in which FPL Energy has an ownership interest. At December 31, 2006, FPL Energy had ownership interests in operating independent power projects with a net generating capability totaling 13,343 mw (see Item 2 – Generating Facilities). Generation capacity spans various regions and is produced utilizing a variety of fuel sources, thereby reducing overall volatility related to varying market conditions and seasonality on a portfolio basis. At December 31, 2006, the percentage of capacity by NERC region or power pool was:

NERC Region/Power Pool	Percentage of Generation Capacity
MRO/RFC/SPP/ERCOT	42%
NEPOOL/NYPP	22%
SERC/PJM	21%
WECC	15%

Fuel sources for these projects were as follows:

Fuel Source	Percentage of Generation Capacity
Natural Gas	49%
Wind	30%
Nuclear	11%
Oil	5%
Hydro	3%
Other	2%

FPL Energy expects its future portfolio capacity growth to come primarily from wind development and from asset acquisitions. FPL Energy plans to add a total of at least 1,500 mw of new wind generation over the 2007 and 2008 period, including approximately 450 mw which are currently under construction. In December 2006, FPL Energy entered into an agreement to purchase Point Beach, a two-unit, 1,033 mw nuclear power plant. The transaction is subject to, among other things, the receipt of approvals from various federal and state regulatory agencies. FPL Energy expects to close the transaction in the third quarter of 2007. See Nuclear Operations.

FPL Energy's capital expenditures and investments totaled approximately $1.8 billion, $0.9 billion and $0.4 billion in 2006, 2005 and 2004, respectively. Capital expenditures for 2007 through 2011 are estimated as follows:

	2007	2008	2009	2010	2011	Total
			(millions)			
Wind [a]	$ 1,565	$ 1,300	$ 10	$ 5	$ 5	$ 2,885
Nuclear [b]	1,140	155	120	165	110	1,690
Gas	105	30	15	15	20	185
Other	65	40	5	10	10	130
Total	$ 2,875	$ 1,525	$ 150	$ 195	$ 145	$ 4,890

[a] Capital expenditures for new wind projects are estimated through 2008, when eligibility for PTCs for new wind projects is scheduled to expire.
[b] Includes nuclear fuel for Seabrook and Duane Arnold and, in 2007, the pending acquisition of Point Beach (see Nuclear Operations).

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 16 – Commitments.

During 2006, other companies in the electric industry, including FPL, experienced compressor blade failures in certain CTCs made by a single manufacturer. FPL Energy has 19 of these CTCs in its generating fleet. FPL Energy is conducting inspections of its rotating compressor blades in its generating fleet and replacing any blade sets found to have cracks. FPL Energy is also planning to proactively replace a portion of the stationary compressor blades it considers to be at higher risk of failure. See the discussion at FPL Operations – Fossil Operations.

Regulation. At December 31, 2006, FPL Energy 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 96% of FPL Energy's 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. FPL Energy's exempt wholesale generators produce electricity from wind, hydropower, fossil fuels and nuclear facilities. In addition, approximately 4% of FPL Energy's net generating capacity has qualifying facility status under PURPA. FPL Energy's 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 exempt wholesale generator status are exempt from various restrictions, each project must still comply with other federal, state and local laws, including those regarding siting, construction, operation, licensing, pollution abatement and other environmental laws.

FPL Energy continues to evaluate regional market redesigns of existing operating rules for the purchase and sale of energy commodities. During 2006, revised market rules for capacity were approved in the NEPOOL and PJM regions. California is scheduled to implement a revised market design no earlier than late 2008. ERCOT is considering adopting a revised market design with potential implementation in 2009. In the California and ERCOT markets, the final market design is not fully known at this time and FPL Energy is currently unable to determine the effects, if any, on its operations resulting from the implementation of such 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 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 FPL Energy. 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. FPL Energy seeks to reduce its market risk by having a diversified portfolio, by fuel type and location, as well as by contracting for the sale of a significant amount of the electricity output of its plants. The major markets in which FPL Energy operates have shown signs of continued improvement since 2004, such as improved spark spreads and energy prices in ERCOT and NEPOOL. The combination of new wind projects, expected increase in contribution from merchant assets and asset acquisitions are expected to be the key drivers in supporting FPL Energy's growth over the next few years.

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

Wind Assets – At December 31, 2006, FPL Energy had ownership interests in wind plants with a combined capacity of approximately 4,016 mw (net ownership), of which approximately 77% have long-term contracts with utilities and power marketers predominantly under fixed-price agreements with expiration dates ranging from 2011 to 2031. The expected output of the remaining 23% is hedged against changes in commodity prices for at least five years. FPL Energy operates substantially all of these wind facilities. Approximately 93% of FPL Energy's net ownership in wind facilities has received exempt wholesale generator status as defined under the Holding Company Act. The remaining facilities have qualifying facility status under PURPA. FPL Energy's wind facilities are located in fifteen states, thereby reducing weather-related performance risk on a portfolio basis. FPL Energy plans to add a total of at least 1,500 mw of new wind generation over the 2007 and 2008 period, including approximately 450 mw which are currently under construction.

Contracted Assets – At December 31, 2006, FPL Energy had 2,469 mw of 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 2008 to 2020 and have firm fuel and transportation agreements with expiration dates ranging from 2007 to 2017. Approximately 1,776 mw of this capacity is gas-fired generation. The remaining 693 mw uses a variety of fuels and technologies such as nuclear, waste-to-energy, oil, solar, coal and petroleum coke. As of December 31, 2006, approximately 91% of FPL Energy's contracted generating capacity is from power plants that have received exempt wholesale generator status under the Holding Company Act, while the remaining 9% has qualifying facility status under PURPA.

Merchant Assets – At December 31, 2006, FPL Energy's portfolio of merchant assets includes 6,858 mw of owned nuclear, natural gas, oil and hydro generation, of which 2,700 mw is located in the ERCOT region, 2,686 mw in the NEPOOL region and 1,472 mw in other regions. The merchant assets include 898 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 62% of the merchant assets have gas supply agreements or a combination of gas supply and transportation agreements to provide for on-peak gas requirements. 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. Reducing market risk through these instruments introduces other types of risk however, primarily counterparty and operational risks. See Energy Marketing and Trading.

Nuclear Operations. FPL Energy owns undivided interests in and operates two nuclear power plants, Seabrook, a 1,098 mw (net ownership) merchant power plant in New Hampshire, and Duane Arnold, a 424 mw (net ownership) power plant in Iowa which sells substantially all of its output under a long-term contract. FPL Energy 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. See estimated decommissioning cost data in Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs – FPL Energy. In December 2006, FPL Energy entered into an agreement to purchase another nuclear power plant, Point Beach. See the discussion of the Point Beach transaction below.

Seabrook completed the second phase of a power uprate in October 2006 which increased FPL Energy's net plant output to 1,098 mw. In December 2005, FPL Energy obtained NRC approval to extend Seabrook's operating license from 2026 to 2030 to recapture the period of non-operation from 1986 to 1990. FPL Energy intends to seek approval from the NRC to renew Seabrook's operating license for an additional 20 years. If granted, this approval would extend the term of the NRC operating license for Seabrook to 2050. Seabrook is periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications. The next refueling outage at Seabrook is scheduled for April 2008.

In 2003, the NRC issued an order requiring all pressurized water reactor licensees, including Seabrook, to perform visual and volumetric inspections of reactor vessel heads at certain scheduled refueling outages to identify if degradation such as cracking or corrosion has occurred. Seabrook performed 100% visual and volumetric inspections during its fall 2006 refueling outage, and no degradation was identified. Seabrook will be required to perform visual inspections every third refueling outage and volumetric inspections every fourth refueling outage.

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, FPL Energy is planning to repair Seabrook's pressurizer penetrations with alloy 600 weld materials during its April 2008 outage and begin inspections of the reactor vessel alloy 600 penetrations during the fall 2009 outage. The estimated cost of repairs is included in FPL Energy's estimated capital expenditures set forth in General above. Based on alloy 600 issues recently identified at another company's nuclear plant, the NRC may mandate that certain nuclear plants, including Seabrook, accelerate repairs to their pressurizer penetrations into 2007. Accelerated repairs at Seabrook would have an adverse effect on FPL Energy's 2007 results of operations.

In January 2006, FPL Energy completed the acquisition of Duane Arnold from Interstate Power and Light Company (IP&L), a subsidiary of Alliant Energy Corporation. In October 2006, Duane Arnold completed a power uprate which increased FPL Energy's net plant output to 424 mw. FPL Energy sells substantially all of its share of the output of Duane Arnold to IP&L

under a long-term contract expiring in 2014. FPL Energy expects to file for a license extension for Duane Arnold in 2009, which, if approved, will enable the plant to continue to operate for an additional 20 years beyond its current license expiration of 2014. Duane Arnold's most recent scheduled refueling outage began in February 2007, and the next one is expected to begin in January 2009.

FPL Energy's nuclear facilities have several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from 2007 to 2014. See Note 16 – Contracts. Currently, Seabrook and Duane Arnold are storing spent fuel on site pending its removal by the DOE. Under the Nuclear Waste Policy Act, 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 and Duane Arnold, including amounts paid by all joint owners since the start of the plants' operations, is approximately $234 million, of which FPL Energy has paid approximately $35 million since the date of the plants' acquisition. FPL Energy through its ownership interest in Seabrook and Duane Arnold is involved in litigation against the DOE seeking damages caused by the DOE's failure to dispose of spent nuclear fuel from the Seabrook and Duane Arnold facilities. The matter is pending. For details on the current status of permanent fuel storage with the DOE, see FPL Operations – Nuclear Operations. Based on current projections, FPL Energy will lose its ability to store spent fuel as early as 2009 at Seabrook and 2014 at Duane Arnold. FPL Energy is proceeding with a dry cask storage system at Seabrook which will be placed into commercial operation prior to 2009, the cost of which is included in FPL Energy's estimated capital expenditures set forth in General above. This would allow for all of Seabrook's spent fuel to be stored on site, including spent fuel storage through its license extension period of 2050, if granted. Duane Arnold currently is using both a spent fuel pool and a dry cask storage system and is making plans for additional dry cask storage modules to increase on site storage capability beginning in 2009, the estimated cost of which is included in FPL Energy's estimated capital expenditures set forth in General above.

In December 2006, FPL Energy entered into an agreement to purchase Point Beach, a two-unit, 1,033 mw nuclear power plant located in Wisconsin from Wisconsin Electric Power Company (Wisconsin Electric), a subsidiary of Wisconsin Energy Corporation. Under the agreement, FPL Energy will sell the output of Point Beach to Wisconsin Electric under a long-term contract. The duration of the contract will be, at the option of Wisconsin Electric, either through the current license terms of 2030 for Unit 1 and 2033 for Unit 2 or for a term of 16 or 17 years from the closing date for Units 1 and 2, respectively. FPL Energy will assume responsibility for decommissioning the plant. Also, upon closing, FPL Energy will assume management and operation of Point Beach. The transaction is subject to, among other things, the receipt of approvals from various federal and state regulatory agencies. FPL Energy expects to close the transaction in the third quarter of 2007.

Energy Marketing and Trading. PMI, a subsidiary of FPL Energy, buys and sells wholesale energy commodities, such as natural gas, oil and electricity. PMI procures natural gas and oil for FPL Energy's use in power generation, as well as substantially all of the electricity needs for FPL Energy's retail operations in Texas, which at December 31, 2006 served approximately 1,000 mw of peak load to approximately 185,000 customers. PMI also sells the output from FPL Energy's plants which has not been sold under long-term contracts and purchases replacement power when needed. 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 FPL Energy's power generation assets. PMI also provides full energy and capacity requirements services 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, 2006, PMI provided full energy and capacity requirements services totaling approximately 3,500 mw of peak load in the NEPOOL, PJM and ERCOT markets. The results of PMI's activities are included in FPL Energy's operating results. See Management's Discussion – Energy Marketing and Trading and Market Risk Sensitivity, Note 1 – Energy Trading and Note 4.

Environmental. FPL Energy is subject to environmental laws and regulations and is affected by emerging issues included in the discussion of FPL Group's business (see FPL Group – Environmental). While the impact of final BART requirements of the Clean Air Visibility Rule are uncertain, it is possible that two of FPL Energy's BART eligible units located in Maine may be required to add additional emissions controls or switch fuels to meet the BART compliance requirements. In addition, pursuant to the rule under Section 316(b) of the Clean Water Act, two FPL Energy plants (Seabrook and an oil-fired plant in Maine) will be required to demonstrate that they currently meet, or will meet, the prescribed performance standards for the reduction of impingement and/or entrainment at their cooling water intakes through technology and/or operational measures; however, the final requirements are uncertain.

During 2006, FPL Energy spent approximately $3 million on capital additions to comply with environmental laws and regulations. FPL Energy's capital additions to comply with environmental laws and regulations are estimated to be $15 million for 2007 through 2009, including approximately $4 million in 2007, and are included in estimated capital expenditures set forth in General above.

Employees. FPL Energy had approximately 2,760 employees at December 31, 2006. Subsidiaries of FPL Energy have collective bargaining agreements with the IBEW in Maine and Iowa, the Security Police and Fire Professionals of America (SPFPA) in Iowa and the Utility Workers Union of America (UWUA) in Maine, which expire in February 2008, May 2011, July 2012 and December 2008, respectively. As of December 31, 2006, the IBEW in Maine and Iowa, the SPFPA and the UWUA represented approximately 3%, 6%, 3% and 7%, respectively, of FPL Energy's employees.

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 17.

FPL FiberNet. FPL FiberNet 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, internet and other telecommunications companies. Dark fiber in the Florida metropolitan (metro) market is also sold to third parties. FPL FiberNet's primary business focus is the Florida metro market. Metro networks cover Miami, Ft. 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, 2006, FPL FiberNet's network consisted of approximately 2,500 route miles, which interconnect major cities throughout Florida.

In light of recent significant changes in the business climate, FPL FiberNet performed an impairment analysis in the fourth quarter of 2006 and concluded that an impairment charge related to its metro market assets was necessary. The business climate changes include 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 have a negative impact on the value of FPL FiberNet's metro market assets. While the metro market business is expected to continue to generate positive cash flows, management's expectation of the rate of future growth in cash flow has been reduced as a result of these business climate changes. Accordingly, FPL FiberNet recorded an impairment charge of $98 million ($60 million after-tax).

At December 31, 2006, FPL Group's remaining investment in FPL FiberNet totaled approximately $130 million. FPL FiberNet invested approximately $14 million during 2006 and plans to invest a total of $57 million over the next five years to meet customers' specific requirements and sustain its fiber-optic network.

EXECUTIVE OFFICERS OF FPL GROUP [(a)]

Name	Age	Position	Effective Date
Paul I. Cutler	47	Treasurer and Assistant Secretary of FPL Group	February 19, 2003
		Treasurer and Assistant Secretary of FPL	February 18, 2003
F. Mitchell Davidson	44	President of FPL Energy	December 15, 2006
K. Michael Davis	60	Controller and Chief Accounting Officer of FPL Group	May 13, 1991
		Vice President, Accounting, Controller and Chief Accounting Officer of FPL	July 1, 1991
Moray P. Dewhurst	51	Vice President, Finance and Chief Financial Officer of FPL Group	July 17, 2001
		Senior Vice President, Finance and Chief Financial Officer of FPL	July 19, 2001
Robert H. Escoto	53	Vice President, Human Resources of FPL Group	January 25, 2005
		Assistant Secretary of FPL Group	November 9, 2004
		Senior Vice President, Human Resources of FPL	February 21, 2005
		Assistant Secretary of FPL	January 25, 2005
Lewis Hay, III	51	Chief Executive Officer of FPL Group	June 11, 2001
		Chairman of the Board of FPL Group	January 1, 2002
		Chairman of the Board and Chief Executive Officer of FPL	January 1, 2002
Robert L. McGrath	53	Vice President, Engineering, Construction & Corporate Services of FPL Group	February 21, 2005
		Senior Vice President, Engineering, Construction & Corporate Services of FPL	February 21, 2005
Armando J. Olivera	57	President of FPL	June 24, 2003
James L. Robo	44	President and Chief Operating Officer of FPL Group	December 15, 2006
Antonio Rodriguez	64	Vice President, Power Generation Division of FPL Group	January 1, 2007
		Senior Vice President, Power Generation Division of FPL	July 1, 1999
John A. Stall	52	Vice President, Nuclear Division of FPL Group	January 1, 2007
		Senior Vice President, Nuclear Division of FPL	June 4, 2001
Edward F. Tancer	45	Vice President & General Counsel of FPL Group	February 21, 2005
		Assistant Secretary of FPL Group	January 1, 1997
		Senior Vice President & General Counsel of FPL	February 21, 2005
		Assistant Secretary of FPL	January 1, 1997

(a) 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. The business experience of the executive officers is as follows: Mr. Cutler was assistant treasurer of FPL Group from May 1999 to February 2003. He was assistant treasurer of FPL from May 1997 to February 2003. Mr. Cutler has served as assistant secretary of FPL Group and FPL since December 1997. Mr. Davidson was senior vice president of business management of FPL Energy from March 2005 to December 2006. He was vice president of business management of FPL Energy from June 2004 to March 2005. From March 2001 to September 2003, Mr. Davidson was senior vice president, energy management of Duke Energy North America (Duke) where his primary responsibility was for the overall direction, profitability, growth and risk mitigation for Duke's trading business. Mr. Escoto was vice president, human resources of FPL from March 2004 to February 2005. Mr. Escoto has served as vice president, human resources of FPL Energy since April 2002. Prior to that, Mr. Escoto was director of human resources of FPL. 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 and treasurer of FPL Group and FPL from January 2000 to November 2002. He was also vice president, finance and chief financial officer of FPL Energy from June 2000 to November 2002. Mr. Olivera was senior vice president, power systems of FPL from July 1999 to June 2003. Mr. Robo was president of FPL Energy from July 2002 to December 2006. He was also vice president, corporate development and strategy of FPL Group from March 2002 to December 2006. Prior to March 2002, Mr. Robo was president and chief executive officer of GE Capital TIP, a company that provides trailer and storage equipment services, and GE Capital Modular Space, a supplier of mobile and modular buildings. Mr. Tancer was associate general counsel of FPL Group from April 2003 to February 2005. He was also vice president and general counsel of FPL Energy from February 2001 to February 2005.

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, including initiatives regarding deregulation and restructuring of the energy industry and environmental matters. 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, including the PURPA, the Holding Company Act, the Federal Power Act, the Atomic Energy Act of 1954, as amended, the 2005 Energy Act and certain sections of the Florida statutes relating to public utilities, changing governmental policies and regulatory actions, including those of the FERC, the FPSC and the legislatures and utility commissions of other states in which FPL Group has operations, and the NRC, with respect to, among other things, allowed rates of return, industry and rate structure, operation of nuclear power facilities, operation and construction of plant facilities, operation and construction of transmission facilities, acquisition, disposal, depreciation and amortization of assets and facilities, recovery of fuel and purchased power costs, decommissioning costs, ROE and equity ratio limits, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs). 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 are subject to extensive federal, state and local environmental statutes as well as the effect of changes in or additions to applicable statutes, rules and regulations relating to air quality, water quality, climate change, waste management, wildlife mortality, natural resources and health and safety 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 deregulation, regulation or restructuring of the energy industry, including deregulation or restructuring of the production and sale of electricity. FPL Group and its subsidiaries will need to adapt to these changes and may face increasing competitive pressure.

- FPL Group's and FPL's results of operations could be affected by FPL's ability to renegotiate franchise agreements with municipalities and counties in Florida.

The operation and maintenance of power generation facilities, including nuclear 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 facilities involve many risks, including, but not limited to, start up risks, breakdown or failure of equipment, transmission lines or pipelines, the inability to properly manage or mitigate known equipment defects throughout our generation fleets unless and until such defects are remediated, use of new technology, the dependence on a specific fuel source, including the supply and transportation of fuel, or the impact of unusual or adverse weather conditions (including natural disasters such as hurricanes), as well as the risk of performance below expected or contracted levels of output or efficiency. This could result in lost revenues and/or increased expenses, including, but not limited to, the requirement to purchase power in the market 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, including the cost of replacement power. In addition to these risks, FPL Group's and FPL's nuclear units face certain risks that are unique to the nuclear industry including, but not limited to, the ability to store and/or dispose of spent nuclear fuel, the potential payment of significant retrospective insurance premiums, as well as additional regulatory actions up to and including shutdown of the units stemming from public safety concerns, whether at FPL Group's and FPL's plants, or at the plants of other nuclear operators. Breakdown or failure of an operating facility of FPL Energy may prevent the facility from performing under applicable power sales agreements which, in certain situations, could result in termination of the agreement or incurring a liability for liquidated damages.

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

- FPL Group's and FPL's ability to successfully and timely complete their power generation facilities currently under construction, those projects yet to begin construction or capital improvements to existing facilities within established budgets is contingent upon many variables and subject to substantial risks. Should any such efforts be unsuccessful, FPL Group and FPL could be subject to additional costs, termination payments under committed contracts, 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 that negatively impact the results of operations of FPL Group and FPL.

- FPL Group and FPL use derivative instruments, such as swaps, options and forwards to manage their commodity and financial market risks. FPL Group provides full energy and capacity requirements services and engages in trading activities. FPL Group could recognize financial losses as a result of volatility in the market values of these contracts, or if a counterparty fails to perform. 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 contracts. In addition, FPL's use of such instruments could be subject to prudency challenges and if found imprudent, cost recovery could be disallowed by the FPSC.

FPL Group's competitive energy business is subject to risks, many of which are beyond the control of FPL Group, that may reduce the revenues and adversely impact the results of operations and financial condition of FPL Group.

- There are other risks associated with FPL Group's competitive energy business. In addition to risks discussed elsewhere, risk factors specifically affecting FPL Energy's success in competitive wholesale markets include 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), transmission constraints, competition from new sources of generation, excess generation capacity and demand for power. There can be significant volatility in market prices for fuel and electricity, and there are other financial, counterparty and market risks that are beyond the control of FPL Energy. FPL Energy's 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 FPL

Energy's 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 affect the volatility of FPL Group's financial results. In addition, FPL Energy's business depends upon transmission facilities owned and operated by others; if transmission is disrupted or capacity is inadequate or unavailable, FPL Energy's ability to sell and deliver its wholesale power may be limited.

FPL Group's ability to successfully identify, complete and integrate acquisitions is subject to significant risks, including 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, as well as the passage of the 2005 Energy Act. In addition, FPL Group may be unable to identify attractive acquisition opportunities at favorable prices and to successfully and timely complete and integrate them.

Because FPL Group and FPL rely on access to capital markets, the inability to maintain current credit ratings and access capital markets on favorable terms may 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 markets as a significant source 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 on favorable terms, particularly during times of uncertainty in the capital markets, which, in turn, could impact FPL Group's and FPL's ability to grow their businesses and would likely increase their interest costs.

Customer growth in FPL's service area affects 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. Customer growth can be affected by population growth as well as economic factors in Florida, including job and income growth, housing starts and new home prices. Customer growth directly influences 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.

- 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 and affect the price of energy commodities, and can affect the production of electricity at wind 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.

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

- FPL Group and FPL are subject to costs and other effects of legal and administrative proceedings, settlements, investigations and claims, as well as the effect of new, or changes in, tax laws, rates or policies, rates of inflation, accounting standards, securities laws and corporate governance requirements.

Threats of terrorism and catastrophic events that could result from terrorism 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. Generation and transmission facilities, in general, have been identified as potential targets. The effects of terrorist threats and activities include, among other things, terrorist actions or responses to such actions or threats, the inability to generate, purchase or transmit power, the risk of a significant slowdown in growth or a decline in the U.S. economy, delay in economic recovery in the U.S., 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 affected by 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 affected by national, state or local events as well as company-specific events.

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

- FPL Group and FPL are subject to employee workforce factors, including loss or retirement of key executives, availability of qualified personnel, collective bargaining agreements with union employees and work stoppage that could 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 not currently known to FPL Group or FPL, or that are currently deemed to be immaterial, 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

Item 2. Properties

FPL Group and its subsidiaries maintain properties which are adequate for their operations. At December 31, 2006, the electric generating, transmission, distribution and general facilities of FPL represented approximately 44%, 13%, 38% and 5%, respectively, of FPL's gross investment in electric utility plant in service.

Generating Facilities. At December 31, 2006, 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	1,638
Martin	Indiantown, FL	2	Oil/Gas	1,678
Port Everglades	Port Everglades, FL	4	Oil/Gas	1,219
Riviera	Riviera Beach, FL	2	Oil/Gas	565
St. Johns River Power Park	Jacksonville, FL	2	Coal/Petroleum Coke	250 [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	872
Manatee	Parrish, FL	1	Gas	1,104
Martin	Indiantown, FL	1	Gas/Oil	1,104
Martin	Indiantown, FL	2	Gas	956
Putnam	Palatka, FL	2	Gas/Oil	498
Sanford	Lake Monroe, FL	2	Gas	1,906
Simple-cycle combustion turbines				
Fort Myers	Fort Myers, FL	1	Gas/Oil	324
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				20,981 [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 St. Johns River Power Park 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.

FPL Energy Facilities	Location	No. of Units	Fuel	Net Capability (mw)[a]
Wind				
Cabazon	Riverside County, CA	53	Wind	40
Callahan Divide [b]	Taylor County, TX	76	Wind	114
Cerro Gordo [b]	Cerro Gordo County, IA	55	Wind	41
Delaware Mountain	Culberson County, TX	39	Wind	30
Diablo Wind	Alameda County, CA	31	Wind	21
Gray County	Gray County, KS	170	Wind	112
Green Mountain	Somerset County, PA	8	Wind	10
Green Power	Riverside County, CA	22	Wind	17
Green Ridge Power	Alameda & Contra Costa Counties, CA	1,463	Wind	80
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	Upton County, TX	125	Wind	83
King Mountain	Upton County, TX	215	Wind	281
Lake Benton II [b]	Pipestone County, MN	138	Wind	104
Meyersdale [b]	Somerset County, PA	20	Wind	30
Mill Run	Fayette County, PA	10	Wind	15
Montfort [b]	Iowa County, WI	20	Wind	30
Mountaineer [b]	Preston & Tucker Counties, WV	44	Wind	66
Mower County Wind	Mower County, MN	43	Wind	99
New Mexico [b]	Quay & Debaca Counties, NM	136	Wind	204
North Dakota [b]	LaMoure County, ND	41	Wind	62
Oklahoma / Sooner [b]	Harper & Woodward Counties, OK	68	Wind	102
Oliver County Wind	Oliver County, ND	22	Wind	51
Red Canyon Wind Energy [b]	Borden, Garza & Scurry Counties, TX	56	Wind	84
Sky River	Kern County, CA	342	Wind	77
Somerset Wind Power	Somerset County, PA	6	Wind	9
South Dakota [b]	Hyde County, SD	27	Wind	41
Southwest Mesa [b]	Upton & Crockett Counties, TX	107	Wind	75
Stateline [b]	Umatilla County, OR and Walla Walla County, WA	454	Wind	300
Vansycle [b]	Umatilla County, OR	38	Wind	25
Victory Garden	Kern County, CA	96	Wind	22
Waymart [b]	Wayne County, PA	43	Wind	65
Weatherford Wind [b]	Custer County, OK	98	Wind	147
Wilton Wind [b]	Burleigh County, ND	33	Wind	49
Windpower Partners 1991-92	Alameda & Contra Costa Counties, CA	279	Wind	14
Windpower Partners 1992	Alameda & Contra Costa Counties, CA	300	Wind	15
Windpower Partners 1994	Culberson County, TX	110	Wind	40
Woodward Mountain	Upton & Pecos Counties, TX	242	Wind	160
Wyoming [b]	Uinta County, WY	80	Wind	144
Windpower Partners 1993	Riverside County, CA	115	Wind	41
Windpower Partners 1993	Lincoln County, MN	73	Wind	26
Investments in joint ventures	Various	969	[c]	94
Total Wind				4,016
Contracted				
Bayswater [b]	Far Rockaway, NY	2	Gas	56
Calhoun [b]	Eastaboga, AL	4	Gas	668
Doswell [b]	Ashland, VA	6	Gas/Oil	708
Duane Arnold	Cedar Rapids, IA	1	Nuclear	424 [d]
Jamaica Bay [b]	Far Rockaway, NY	2	Oil/Gas	54
Port of Stockton	Stockton, CA	1	Coal/Petroleum Coke	44
Investments in joint ventures	Various	18	[e]	515
Total Contracted				2,469
Merchant				
Blythe Energy	Blythe, CA	3	Gas	507
Doswell – Expansion [b]	Ashland, VA	1	Gas/Oil	171
Forney	Forney, TX	8	Gas	1,700
Lamar Power Partners	Paris, TX	6	Gas	1,000
Maine	Various – ME	6	Oil	677 [f]
Maine	Various – ME	83	Hydro	361
Marcus Hook 50	Marcus Hook, PA	1	Gas	50
Marcus Hook 750 [b]	Marcus Hook, PA	4	Gas	744
RISEP [b]	Johnston, RI	3	Gas	550
Seabrook	Seabrook, NH	1	Nuclear	1,098 [g]
Total Merchant				6,858
TOTAL				13,343

[a] Represents FPL Energy's net ownership interest in plant capacity.
[b] These consolidated generating facilities are encumbered by liens against their assets securing various financings.
[c] Represents plants with no more than 50% ownership using wind technology.
[d] Excludes Central Iowa Power Cooperative and Cornbelt Power Cooperative's combined share of 30%.
[e] Represents plants with no more than 50% ownership using fuels and technologies such as gas, waste-to-energy, solar and coal.
[f] Excludes nine other energy-related partners' combined share of 34.9%.
[g] 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, 2006, FPL owned and operated the following electric transmission and distribution lines:

Nominal Voltage	Overhead Lines Pole Miles	Trench and Submarine Cables Miles
500 kv	1,106[a]	-
230 kv	2,904	25
138 kv	1,608	50
115 kv	750	-
69 kv	164	14
Less than 69 kv	41,619	24,679
Total	48,151	24,768

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

In addition, at December 31, 2006, FPL owned and operated 558 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 FPL Energy's 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 FPL Energy's 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

In November 1999, the Attorney General of the United States, on behalf of the EPA, brought an action in the U.S. District Court for the Northern District of Georgia against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged violations of the Prevention of Significant Deterioration (PSD) provisions and the New Source Performance Standards (NSPS) of the Clean Air Act. In May 2001, the EPA amended its complaint. The amended complaint alleges, among other things, that Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining a PSD permit, without complying with NSPS requirements, and without applying best available control technology for nitrogen oxides, sulfur dioxides and particulate matter as required by the Clean Air Act. It also alleges that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions. The EPA seeks injunctive relief requiring the installation of best available control technology and civil penalties of up to $25,000 per day for each violation from an unspecified date after June 1, 1975 through January 30, 1997 and $27,500 per day for each violation thereafter. The EPA further revised its civil penalty rule in February 2004, such that the maximum penalty is $32,500 per day for each violation after March 15, 2004. Georgia Power Company has answered the amended complaint, asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. In June 2001, a federal district court stayed discovery and administratively closed the case pending resolution of the EPA's motion for consolidation of discovery in several Clean Air Act cases that was filed with a Multi-District Litigation (MDL) panel. In August 2001, the MDL panel denied the motion for consolidation. In September 2001, the EPA moved that the federal district court reopen this case for purposes of discovery. Georgia Power Company opposed that motion asking that the case remain closed until the Eleventh Circuit Court of Appeals ruled on the Tennessee Valley Authority's (TVA) appeal of an EPA administrative compliance order relating to legal issues that are also central to this case. In August 2002, the federal district court denied without prejudice the EPA's motion to reopen. In June 2003, the Eleventh Circuit issued its order dismissing the TVA's appeal because it found the provision of the Clean Air Act allowing the EPA to issue binding administrative compliance orders was unconstitutional, and hence found that the TVA order was a non-final order that courts of appeal do not have jurisdiction to review. In September 2003, the Eleventh Circuit denied the EPA's motion for rehearing. In May 2004, the U.S. Supreme Court denied the EPA's petition for review of the Eleventh Circuit order. The EPA has not yet moved to reopen the Georgia Power Company case.

In August 2001, FMPA filed with the U.S. Court of Appeals for the District of Columbia (DC Circuit) a petition for review asking the DC Circuit to reverse and remand orders of the FERC denying FMPA's request for credits for transmission facilities owned by FMPA members. In 1993, FPL filed a comprehensive restructuring of its then-existing tariff structure. All issues in that case were settled in September 2000 except for three issues reserved by FMPA: (i) FMPA's request for transmission credits related to the costs of its transmission facilities (the crediting issue), (ii) treatment of behind-the-meter generation and load ratio pricing for network integration transmission service (the behind-the-meter issue), and (iii) exclusions from FPL's transmission rates of the costs of FPL's facilities that fail to meet the same integration test that was applied to FMPA's facilities with respect to the crediting issue (the rate base issue). The FERC and the DC Circuit have rejected FMPA's claim for transmission credits, which would have reduced FMPA's payment obligation to FPL for network integration transmission service.

With regard to the behind-the-meter issue, the FERC rejected FMPA's argument that its obligation to pay for network integration transmission service should be reduced to the extent that FPL allegedly cannot provide transmission service because of "physical transmission limitations." In June 2005, the DC Circuit remanded the case to the FERC for further consideration. In December 2005, the FERC issued an order on remand finding that load ratio share pricing is appropriate notwithstanding constraints on a third-party's system. In January 2006, FMPA filed a rehearing request of this order with the FERC, which the FERC denied in July 2006. FMPA submitted a petition for review of the FERC's December 2005 and July 2006 orders at the DC Circuit. A briefing schedule has not yet been established in that proceeding.

With regard to the rate base issue, in May 2004 FPL made a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test that was applied to the FMPA facilities. Pursuant to that filing, FPL's current network transmission rate would have been reduced by $0.02 per kilowatt (kw) per month. In June 2004, FMPA filed a protest to FPL's compliance filing, arguing that FPL's current network transmission rate should be reduced by approximately $0.41 per kw per month. In January 2005, the FERC issued an order on FPL's compliance filing. In the order, the FERC accepted FPL's standards for analyzing the transmission system and agreed that FPL's "Georgia Ties" and "Turkey Point Lines" are part of FPL's integrated grid. The FERC required FPL to make an additional compliance filing removing the cost of all radial transmission lines from transmission rates, analyzing the FPL transmission system to remove the cost of any transmission facilities that provide only "unneeded redundancy," and calculating rate adjustments using 1993 data rather than 1998 data. FPL made this compliance filing in April 2005, which would reduce FPL's current rate by $0.04 per kw per month. In May 2005, FMPA protested FPL's compliance filing and argued that FPL's rates should be reduced by an additional $0.20 per kw per month, potentially resulting in a refund obligation to FMPA of approximately $22 million at December 31, 2006. Any reduction in FPL's network service rate also would apply effective January 1, 2004 to Seminole Electric Cooperative Inc. (Seminole), FPL's other network customer. The potential refund obligation to Seminole based on FMPA's position is approximately $9 million at December 31, 2006.

In December 2005, the FERC issued an order accepting FPL's April 2005 compliance filing in part, rejecting it in part, and directing the submission of a further compliance filing. The FERC concluded that it is not clear whether FPL failed to test its non-radial facilities in a manner comparable to the way it tested FMPA's facilities. FPL filed a rehearing request in January 2006, which the FERC denied in July 2006. FPL filed a request for rehearing of the FERC's July 2006 order. In September 2006, FPL made the required compliance filing, removing additional transmission facilities from rates, which resulted in a refund liability of approximately $4 million to FMPA and approximately $1 million to Seminole at December 31, 2006. FMPA has protested FPL's filing, claiming again that FPL's rates should be reduced by an additional $0.20 per kw per month.

In 1995 and 1996, FPL Group, through an indirect subsidiary, purchased from Adelphia Communications Corporation (Adelphia) 1,091,524 shares of Adelphia common stock and 20,000 shares of Adelphia preferred stock (convertible into 2,358,490 shares of Adelphia common stock) for an aggregate price of approximately $35,900,000. On January 29, 1999, Adelphia repurchased all of these shares for $149,213,130 in cash. On June 24, 2004, Adelphia, Adelphia Cablevision, L.L.C. and the Official Committee of Unsecured Creditors of Adelphia filed a complaint against FPL Group and its indirect subsidiary in the U.S. Bankruptcy Court, Southern District of New York. The complaint alleges that the repurchase of these shares by Adelphia was a fraudulent transfer, in that at the time of the transaction Adelphia (i) was insolvent or was rendered insolvent, (ii) did not receive reasonably equivalent value in exchange for the cash it paid, and (iii) was engaged or about to engage in a business or transaction for which any property remaining with Adelphia had unreasonably small capital. The complaint seeks the recovery for the benefit of Adelphia's bankruptcy estate of the cash paid for the repurchased shares, plus interest. FPL Group has filed an answer to the complaint. FPL Group believes that the complaint is without merit because, among other reasons, Adelphia will be unable to demonstrate that (i) Adelphia's repurchase of shares from FPL Group, which repurchase was at the market value for those shares, was not for reasonably equivalent value, (ii) Adelphia was insolvent at the time of the repurchase, or (iii) the repurchase left Adelphia with unreasonably small capital. The case is in discovery and has been reset for trial in March 2008.

In February 2003, Scott and Rebecca Finestone brought an action on behalf of themselves and their son Zachary Finestone in the U.S. District Court for the Southern District of Florida alleging that their son has developed cancer (neuroblastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The complaint, as subsequently amended, includes counts against FPL for strict liability for allegedly engaging in an ultra-hazardous activity and for alleged negligence in operating the plant in a manner that allowed emissions of the foregoing materials and failing to limit its release of nuclear fission products as prescribed by federal and state laws and regulations. The plaintiffs seek damages in excess of $1 million. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. On February 8, 2006, the plaintiffs filed a notice of appeal of the court's decision granting final summary judgment for FPL. The appeal is pending before the U.S. Court of Appeals for the Eleventh Circuit.

In May 2003, Tish Blake and John Lowe, as personal representatives of the Estate of Ashton Lowe, on behalf of the estate and themselves, as surviving parents, brought an action in the U.S. District Court for the Southern District of Florida alleging that their son developed cancer (medulo-blastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The allegations, counts and damages demanded in the complaint, as subsequently amended, are virtually identical to those contained in the Finestone lawsuit described above. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. On February 8, 2006, the plaintiffs filed a notice of appeal of the court's decision granting final summary judgment for FPL. The appeal is pending before the U.S. Court of Appeals for the Eleventh Circuit.

In August 2003, Pedro C. and Emilia Roig brought an action on behalf of themselves and their son, Pedro Anthony Roig, in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida (the state court), which was removed in October 2003 to the U.S. District Court for the Southern District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies and FPL, alleging that their son has suffered toxic neurological effects from mercury poisoning. The sources of mercury exposure are alleged to be vaccines containing a preservative called thimerosal that were allegedly manufactured and distributed by the drug companies, mercury amalgam dental fillings, and emissions from FPL power plants in southeast Florida. The complaint includes counts against all defendants for civil battery and against FPL for alleged negligence in operating the plants such that the son was exposed to mercury and other heavy metals emissions. The damages demanded from FPL are for injuries and losses allegedly suffered by the son as a result of his exposure to the plants' mercury emissions and the parents' alleged pain and suffering, medical expenses, loss of wages, and loss of their son's services and companionship. No amount of damages is specified. The U.S. District Court remanded the action back to the state court. The drug manufacturing and distribution companies have moved to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until requested by the plaintiffs.

In December 2003, Edward and Janis Shiflett brought an action on behalf of themselves and their son, Phillip Benjamin Shiflett, in the Circuit Court of the Eighteenth Judicial Circuit in and for Brevard County, Florida (the state court), which was removed in January 2004 to the U.S. District Court for the Middle District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, FPL and the Orlando Utilities Commission, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Roig lawsuit described above. FPL's motion to dismiss the complaint was denied. The U.S. District Court subsequently remanded the action back to the state court. The state court subsequently dismissed the drug manufacturing and distribution companies from the action. Plaintiffs' appeal of that order is pending before the Florida Fifth District Court of Appeal. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until requested by the plaintiffs.

In October 2004, TXU Portfolio Management Company (TXU) served FPL Energy Pecos Wind I, LP, FPL Energy Pecos Wind I GP, LLC, FPL Energy Pecos Wind II, LP, FPL Energy Pecos Wind II GP, LLC and Indian Mesa Wind Farm, LP (FPL Energy Affiliates) as defendants in a civil action filed in the District Court in Dallas County, Texas. The petition alleges that the FPL Energy Affiliates had a contractual obligation to produce and sell to TXU a minimum quantity of energy each year and that the FPL Energy Affiliates failed to meet this obligation. The plaintiff has asserted claims for breach of contract and declaratory judgment and seeks damages of approximately $34 million. The FPL Energy Affiliates filed their answer and counterclaim in November 2004, denying the allegations. The counterclaim, as now amended, asserts claims for conversion, breach of fiduciary duty, breach of warranty, conspiracy, breach of contract and fraud and seeks termination of the contract and damages. At the end of 2005, TXU amended its complaint to add FPL Group, FPL Energy, FPL Group Capital and ESI Energy, LLC (ESI Energy), as defendants. Motions to dismiss those entities as defendants were filed, and FPL Group, FPL Group Capital and ESI Energy have been dismissed. The case is in discovery and has been reset for trial in April 2007.

During 2006, a U.S. court judgment in favor of Karaha Bodas Company, LLC (KBC) totaling approximately $320 million, including interest, became final. FPL Energy owns an equity interest in KBC. The judgment related to proceedings initiated by KBC against PT Pertamina, Indonesia's state-owned oil/energy company to recover KBC's investment in a power generation project suspended indefinitely by the Indonesian government in 1998 and for lost profits. A portion of the final judgment, or approximately $290 million, was received by KBC in 2006, of which approximately $7 million was distributed to FPL Energy in May 2006 and approximately $90 million, FPL Energy's portion of the remaining funds, was distributed to FPL Energy in mid-February 2007. FPL Group recorded a $97 million pretax gain in equity in earnings of equity method investees in 2006 relating to the judgment. Also, during 2004, judgment funds of approximately $30 million were received by KBC, of which approximately $7 million was distributed to FPL Energy.

In September 2006, PT Pertamina filed an action against KBC in the Grand Court of the Cayman Islands for fraud and for an injunction prohibiting KBC from disposing of, dealing with or diminishing the value of any of KBC's assets up to the value of PT Pertamina's funds KBC received as a result of the court judgment (approximately $320 million) pending resolution of the fraud claim. FPL Energy's portion of the damages being sought is approximately $145 million. KBC sought and in December 2006 received from the U.S. District Court for the Southern District of New York an anti-suit injunction against the plaintiff, prohibiting the plaintiff from pursuing the fraud action, or any similar action, and the request for injunctive relief in the Cayman court or any other court worldwide. The plaintiff's appeal of that order to the U.S. Court of Appeals for the Second Circuit is pending. In January 2007, the district court granted plaintiff's motion for stay pending appeal prohibiting the judgment funds from being distributed to KBC's owners, and in mid-February 2007, the U.S. Court of Appeals for the Second Circuit lifted the stay and the judgment funds of approximately $265 million were distributed.

In addition to those legal proceedings discussed above, FPL Group and its subsidiaries, including FPL, are involved in a number of other legal proceedings and claims in the ordinary course of their businesses. Generating plants in which FPL Group or FPL have an ownership interest are also involved in legal proceedings and claims, the liabilities from which, if any, would be shared by FPL Group or FPL.

In the event that FPL Group and FPL, or their affiliates, do not prevail in these lawsuits, there may be a material adverse effect on their financial statements. However, FPL Group and FPL believe that they, or their affiliates, have meritorious defenses to all the pending litigation and proceedings discussed above under the heading Legal Proceedings and are vigorously defending the lawsuits. While management is unable to predict with certainty the outcome of the legal proceedings and claims discussed or described herein, based on current knowledge it is not expected that their ultimate resolution, individually or collectively, will have a material adverse effect on the financial statements of FPL Group or FPL.

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

The Annual Meeting of FPL Group's shareholders was held on December 15, 2006. Of the 404,915,470 shares of common stock outstanding on the record date of October 25, 2006, a total of 347,815,519 shares (or 85.9% of the outstanding shares) were represented in person or by proxy.

The following directors were elected effective December 15, 2006:

	For	Withheld
Sherry S. Barrat	342,489,549	5,325,970
Robert M. Beall, II	341,620,508	6,195,011
J. Hyatt Brown	290,711,809	57,103,710
James L. Camaren	342,601,389	5,214,130
J. Brian Ferguson	342,482,604	5,332,915
Lewis Hay, III	340,759,425	7,056,094
Rudy E. Schupp	342,625,649	5,189,870
Michael H. Thaman	342,505,153	5,310,366
Hansel E. Tookes, II	342,437,527	5,377,992
Paul R. Tregurtha	340,822,923	6,992,596

The vote ratifying the appointment of Deloitte & Touche LLP as FPL Group's independent registered public accounting firm was 342,961,240 for, 1,830,348 against and 3,023,931 abstaining.

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. 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 for each quarter during the past two years are as follows:

	2006		2005	
Quarter	High	Low	High	Low
First	$ 43.42	$ 38.85	$ 41.38	$ 35.90
Second	$ 41.97	$ 37.81	$ 42.72	$ 39.16
Third	$ 45.87	$ 40.59	$ 48.11	$ 40.30
Fourth	$ 55.57	$ 44.97	$ 48.05	$ 40.75

Approximate Number of Shareholders. As of the close of business on January 31, 2007, there were 30,981 holders of record of FPL Group's common stock.

Dividends. Quarterly dividends have been paid on common stock of FPL Group during the past two years in the following amounts per share:

Quarter	2006	2005
First	$ 0.375	$ 0.355
Second	$ 0.375	$ 0.355
Third	$ 0.375	$ 0.355
Fourth	$ 0.375	$ 0.355

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

THE GENERATION FOR WHAT'S NEXT

ANNUAL REPORT 2006

FPL GROUP

FPL GROUP PROFILE

FPL Group, Inc. is one of the nation's largest providers of electricity-related services and is nationally known as a high-quality, efficient and customer-driven organization. Its principal subsidiary, Florida Power & Light Company, serves more than eight million people along the eastern seaboard and southern portion of Florida. FPL Energy, LLC, FPL Group's competitive energy subsidiary, is a leader in producing electricity from clean and renewable fuels. Together, FPL's and FPL Energy's generating assets represent more than 34,000 megawatts of capacity. FPL FiberNet, LLC provides fiber-optic services to FPL and other customers, primarily telecommunications companies in Florida.

SAFE HARBOR STATEMENT

Any statements made herein about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ substantially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in Item 1A. Risk Factors in the enclosed FPL Group Form 10-K.

FINANCIAL HIGHLIGHTS

Years Ended December 31,	2006	2005*	% change
FINANCIAL RESULTS (millions, except per share amounts)			
Net Income	$ 1,281	$ 901	42.2
Adjustments, net of income taxes:			
Net unrealized mark-to-market (gains) losses associated with non-qualifying hedges – FPL Energy	(92)	112	
Merger-related costs	14	—	
Adjusted Earnings	$ 1,203	$ 1,013	18.8
Earnings Per Share (assuming dilution)	$ 3.23	$ 2.34	38.0
Adjustments:			
Net unrealized mark-to-market (gains) losses associated with non-qualifying hedges – FPL Energy	(0.23)	0.29	
Merger-related costs	0.04	—	
Adjusted Earnings Per Share	$ 3.04	$ 2.63	15.6
Operating Revenues	$ 15,710	$ 11,846	32.6
Operating Income	$ 2,097	$ 1,490	40.7
Cash Flows from Operating Activities	$ 2,498	$ 1,547	61.5
Total Assets	$ 35,991	$ 32,990	9.1
COMMON STOCK DATA			
Weighted-Average Shares Outstanding (assuming dilution–millions)	397	386	2.8
Dividends Per Share	$ 1.50	$ 1.42	5.6
Book Value Per Share	$ 25.07	$ 22.27	12.6
Market Price Per Share (high-low)	$ 55.57-$37.81	$ 48.11-$35.90	
OPERATING DATA			
Utility Energy Sales (kwh - millions)	107,513	105,648	1.8
FPL Customer Accounts (year end - thousands)	4,457	4,356	2.3
Employees (year end)	13,344	12,391	7.7

* Amounts have been adjusted to reflect the retrospective application of an accounting change.

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 2007, FPL Group announced that it would increase its quarterly dividend on its common stock from $0.375 to $0.41 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.

Issuer Purchases of Equity Securities. The following table presents information regarding purchases made by FPL Group of its common stock:

Period	Total Number of Shares Purchased [a]	Average Price Paid Per Share [a]	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program [b]
10/1/06 – 10/31/06	5,747	$ 46.96	-	20,000,000
11/1/06 – 11/30/06	19,223	$ 53.14	-	20,000,000
12/1/06 – 12/31/06	2,421	$ 54.82	-	20,000,000
Total	27,391		-	

[a] Shares of common stock purchased 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 FPL Group's board of directors in December 2005.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2006	2005[a]	2004[a]	2003[a]	2002[a]
SELECTED DATA OF FPL GROUP (millions, except per share amounts):					
Operating revenues	$ 15,710	$ 11,846	$ 10,522	$ 9,630	$ 8,173
Income before cumulative effect of changes in accounting principles	$ 1,281[b]	$ 901[c]	$ 896[d]	$ 906[c]	$ 701[e]
Cumulative effect of adopting FAS 142, net of income taxes of $143	$ -	$ -	$ -	$ -	$ (222)
Cumulative effect of adopting FIN 46, net of income taxes of $2	$ -	$ -	$ -	$ (3)	$ -
Net income	$ 1,281[b]	$ 901[c]	$ 896[d]	$ 903[f]	$ 479[g]
Earnings per share of common stock – basic:					
Earnings per share before cumulative effect of changes in accounting principles	$ 3.25[b]	$ 2.37[c]	$ 2.50[d]	$ 2.55[c]	$ 2.02[e]
Cumulative effect of changes in accounting principles	$ -	$ -	$ -	$ (0.01)	$ (0.64)
Earnings per share	$ 3.25[b]	$ 2.37[c]	$ 2.50[d]	$ 2.54[f]	$ 1.38[g]
Earnings per share of common stock – assuming dilution:					
Earnings per share before cumulative effect of changes in accounting principles	$ 3.23[b]	$ 2.34[c]	$ 2.48[d]	$ 2.54[c]	$ 2.02[e]
Cumulative effect of changes in accounting principles	$ -	$ -	$ -	$ (0.01)	$ (0.64)
Earnings per share	$ 3.23[b]	$ 2.34[c]	$ 2.48[d]	$ 2.53[f]	$ 1.38[g]
Dividends paid per share of common stock	$ 1.50	$ 1.42	$ 1.30	$ 1.20	$ 1.16
Total assets[h]	$ 35,991	$ 32,990	$ 28,324	$ 26,955	$ 23,184
Long-term debt, excluding current maturities[h]	$ 9,591	$ 8,039	$ 8,027	$ 8,723	$ 5,790
Obligations of FPL under capital lease, excluding current maturities[h]	$ -	$ -	$ -	$ -	$ 140
SELECTED DATA OF FPL (millions):					
Operating revenues	$ 11,988	$ 9,528	$ 8,734	$ 8,293	$ 7,378
Net income available to FPL Group	$ 802	$ 748	$ 749	$ 733	$ 717
Total assets[h]	$ 23,073	$ 22,726	$ 19,114	$ 17,817	$ 16,032
Long-term debt, excluding current maturities[h]	$ 4,214	$ 3,271	$ 2,813	$ 3,074	$ 2,364
Energy sales (kwh)	107,513	105,648	103,635	103,202	98,605
Energy sales:					
Residential	50.8%	51.4%	50.7%	51.8%	51.6%
Commercial	41.4	41.1	40.6	40.1	40.6
Industrial	3.8	3.7	3.8	3.9	4.1
Interchange power sales	2.1	2.0	2.9	2.3	1.8
Other[i]	1.9	1.8	2.0	1.9	1.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute peak load (mw):[j]					
Summer season	21,819	22,361	20,545	19,668	19,219
Winter season	17,260	19,683	18,108	15,989	20,190
Average number of customer accounts (thousands):					
Residential	3,906	3,828	3,745	3,653	3,566
Commercial	479	470	458	445	435
Industrial	21	20	19	17	16
Other	4	4	3	2	3
Total	4,410	4,322	4,225	4,117	4,020
Average price billed to customers (cents per kwh)	11.14	8.88	8.36	7.95	7.32

(a) Amounts have been adjusted to reflect the retrospective application of a FASB Staff Position related to planned major maintenance activities. See Note 1 – Major Maintenance Costs.
(b) Includes merger-related expenses, 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 impairment and restructuring charges, charges related to certain wind projects and leveraged leases, a favorable settlement of litigation with the IRS and net unrealized mark-to-market gains associated with non-qualifying hedges.
(f) Includes the cumulative effect of an accounting change and net unrealized mark-to-market gains associated with non-qualifying hedges.
(g) Includes the cumulative effect of an accounting change, impairment and restructuring charges, charges related to certain wind projects and leveraged leases, a favorable settlement of litigation with the IRS and net unrealized mark-to-market gains associated with non-qualifying hedges.
(h) Reflects the adoption of FIN 46 in July 2003.
(i) Includes the net change in unbilled sales.
(j) Winter season includes November and December of the current year and January to March of the following year (for 2006, through February 26, 2007).

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. Its principal subsidiary, FPL, serves more than 8.5 million people throughout most of the east and lower west coasts of Florida. FPL Energy, FPL Group's competitive energy subsidiary, produces electricity primarily utilizing natural gas, wind and nuclear resources. Together, FPL's and FPL Energy's generating assets represented approximately 34,300 mw of capacity at December 31, 2006. FPL FiberNet provides fiber-optic services to FPL, telecommunications companies and other customers throughout Florida.

FPL obtains its operating revenues primarily from the retail sale of electricity. FPL expects the 2005 rate agreement to be in effect through December 31, 2009. See Note 1 – Revenues and Rates. Over the last ten years, FPL's average annual customer growth has been 2.2% while usage growth per customer has been 0.7%. FPL is meeting the increased electricity demands of its customers by adding to its generation capacity and electric transmission and distribution infrastructure. FPL is currently constructing Turkey Point Unit No. 5, a 1,144 mw natural gas-fired combined-cycle plant, which is expected to be in service in the second quarter of 2007, for a total investment of approximately $580 million. FPL's expects to build two approximately 1,220 mw natural gas-fired combined-cycle units in western Palm Beach County, Florida with planned in-service dates of 2009 and 2010 at an expected cost of approximately $1.3 billion. In addition, FPL filed a need application with the FPSC in 2007 to build two ultra super critical pulverized coal generating units totaling approximately 1,960 mw in Glades County, Florida with planned in-service dates of 2013 and 2014 at an expected cost of approximately $5.7 billion. FPL is in the process of evaluating the economics, risks and advisability, among other things, of potentially building a new nuclear power plant in its service area. FPL's business strategy is to continue meeting the increased demands of customers in a safe, reliable, cost-effective manner while focusing on operating performance.

FPL's O&M expenses again increased in 2006 reflecting higher transmission and distribution costs and the cost of FPL's Storm Secure Plan, as well as higher nuclear, customer service and employee medical costs. In addition, in 2006 the FPSC applied a different standard for recovery of 2005 storm costs than was used for the 2004 storm costs and, accordingly, FPL expensed approximately $27 million, after-tax and net of interest, of disallowed 2005 storm costs. Management expects O&M expenses in 2007 to continue trending upward reflecting as much as a $30 million increase in Storm Secure Plan costs, higher fossil generation costs reflecting the placement of Turkey Point Unit No. 5 into service, and higher employee benefit, customer service and insurance costs.

FPL Energy 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. FPL Energy's market is diversified by region as well as by fuel source. FPL Energy sells a large percentage of its expected capacity to hedge against price volatility. If FPL Energy's plants do not perform as expected, this high degree of hedging could result in FPL Energy being required to purchase power at potentially higher market prices to meet its contractual obligations. FPL Energy's energy marketing and trading business is focused on reducing commodity price risk and extracting maximum value from its assets. FPL Energy, through its subsidiaries, is one of the largest producers of wind energy in the world, and with the extension of the production tax credit program through December 2008, plans to continue expanding its wind portfolio in 2007 and 2008 through construction of new facilities and selective acquisitions.

FPL Group and its subsidiaries segregate unrealized mark-to-market gains and losses on derivative transactions into two categories. 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. FPL Group uses derivative instruments to reduce its commodity price and interest rate risk.

FPL Group's management uses earnings excluding certain items (adjusted earnings), which in 2006 were the unrealized mark-to-market effect of non-qualifying hedges and merger-related expenses, 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. 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.

FPL Group and FPL adopted a FASB Staff Position (FSP) related to planned major maintenance activities (Major Maintenance FSP) effective December 31, 2006. The Major Maintenance FSP eliminates the accrue-in-advance method for recognizing costs associated with planned major maintenance activities. This FSP requires retrospective application and, accordingly, all prior period reported results of FPL Group and FPL Energy have been adjusted to reflect this change. FPL will continue to apply the accrue-in-advance method in accordance with regulatory treatment and, accordingly, this change resulted in the reclassification of its accrued major maintenance costs to a regulatory liability. See Note 1 – Major Maintenance Costs.

Results of Operations

Summary – Presented below is a summary of net income by reportable segment (see Note 17):

	Years Ended December 31,		
	2006	2005	2004
		(millions)	
FPL	$ 802	$ 748	$ 749
FPL Energy	610	203	181
Corporate and Other	(131)	(50)	(34)
FPL Group Consolidated	$ 1,281	$ 901	$ 896

FPL's 2006 improved results reflect lower depreciation and amortization expense and customer growth partly offset by the expensing of disallowed 2005 storm costs and higher O&M expenses. FPL's results for 2005 reflect strong customer growth and higher average electricity usage per retail customer despite the impact of increased hurricane activity, which were more than offset by higher O&M expenses, depreciation and amortization expense and interest charges.

FPL Energy's 2006 results reflect an approximately $97 million gain ($63 million after-tax) resulting from a court judgment relating to an Indonesian project that was suspended in 1998, additional earnings from new investments and improved results from the existing portfolio. FPL Energy's 2005 results improved primarily due to improved market conditions and the favorable effects of contract restructuring activities and asset sales, as well as project additions partially offset by higher interest expense. In addition, FPL Group's and FPL Energy's net income for 2006 reflect net unrealized after-tax gains from non-qualifying hedges of $92 million while 2005 and 2004 net income reflect net unrealized after-tax losses from non-qualifying hedges of $112 million and $3 million, respectively. While the unrealized marked-to-market gains and losses on non-qualifying hedge activity may be significant in any given period, the cumulative impact on FPL Group's balance sheet at December 31, 2006 was not material. 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.

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. In addition, Corporate and Other's 2006 results reflect approximately $14 million of after-tax merger costs associated with the proposed merger between FPL Group and Constellation Energy, which was terminated in October 2006. See Note 2 for information about the terminated merger, Note 5 – Corporate and Other for FPL FiberNet impairment charge and Note 17 for segment information.

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

FPL – FPL's net income available to FPL Group for 2006, 2005 and 2004 was $802 million, $748 million and $749 million, respectively. During 2006, FPL's net income benefited from lower depreciation and amortization expense, continued customer growth and certain federal income tax deductions and credits. These factors were partially offset by higher O&M and property tax expenses, the disallowance of certain storm costs and a slight decline in customer usage. During 2005, FPL's net income benefited from strong customer growth and increased customer usage due to overall improved weather conditions. However, the impact of increased hurricane activity, higher depreciation and amortization expense and increased O&M and interest expenses more than offset these benefits.

In the second quarter of 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, which reduced FPL Group's and FPL's 2006 net income by approximately $27 million.

In 2005, the FPSC approved the 2005 rate agreement regarding FPL's retail base rates signed by FPL and all of the interveners in its 2005 rate case filing. FPL expects the 2005 rate agreement to be in effect through December 31, 2009. The 2005 rate agreement replaced a rate agreement that was effective April 15, 2002 through December 31, 2005.

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 will increase approximately $127 million on an annualized basis when Turkey Point Unit No. 5 is placed in service, which is expected to occur in the second quarter of 2007. The 2005 rate agreement also continues the revenue sharing mechanism in FPL's 2002 rate agreement, 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 is adjusted each year. For the years ended December 31, 2006, 2005 and 2004, revenues from retail base operations did not exceed the thresholds for those years. See Note 1 – Revenues and Rates for information on the calculation of the threshold and cap and for information on FPL's regulatory ROE.

The 2005 rate agreement, among other things, requires FPL to use electric property depreciation rates based upon comprehensive depreciation studies filed with the FPSC in March 2005 and permits FPL to continue to reduce annual depreciation by up to $125 million, which FPL has been doing since 2002. The 2005 rate agreement suspended contributions of approximately $79 million per year to the nuclear decommissioning fund beginning in September 2005. The 2005 rate agreement also suspended, beginning in 2006, contributions of $20.3 million per year to the storm and property insurance reserve but allows FPL to recover prudently incurred storm restoration costs, either through securitization pursuant to a state financing statute or surcharges.

FPL's operating revenues consisted of the following:

	Years Ended December 31,		
	2006	2005	2004
		(millions)	
Retail base	$ 3,657	$ 3,658	$ 3,548
Fuel cost recovery	6,573	4,283	3,877
Other cost recovery clauses and pass-through costs	1,588	1,368	1,122
Other, primarily gas, transmission and wholesale sales and customer-related fees	170	219	187
Total	$ 11,988	$ 9,528	$ 8,734

For the year ended December 31, 2006, an increase in the average number of customers of 2.0% increased retail base revenues by approximately $74 million. During this period, usage per retail customer decreased 0.4% primarily due to warmer weather experienced in 2005 and the elasticity effect on customers of higher electricity prices in 2006 reflecting the increase in FPL's retail fuel clause recovery factor as discussed below. This decrease in usage per retail customer was partly offset by the absence of hurricane activity in 2006 compared to the 2005 activity that caused customer service interruptions throughout FPL's service territory. This usage decrease, as well as other factors, decreased retail base revenues by approximately $23 million. In addition, under the 2005 rate agreement, FPL was authorized by the FPSC to collect, through a separate charge on a customer bill, the portion (approximately 1.5%) of gross receipts taxes that was previously embedded in base rates. This resulted in an approximately $52 million reduction in retail base revenues with a corresponding increase in revenues from other cost recovery clauses and pass-through costs.

For the year ended December 31, 2005, a 2.3% increase in the average number of customer accounts increased revenue from retail base operations by approximately $82 million while the balance of the increase, or $28 million, was primarily due to a 0.5% increase in usage per retail customer. The majority of the growth in usage was due to the effects of overall improved weather conditions which was partially offset by increased hurricane activity in 2005 that caused customer service interruptions throughout FPL's service territory. The 2005 and 2004 hurricanes resulted in lost revenues of approximately $52 million and $38 million, respectively.

Revenues from fuel and other cost recovery clauses and pass-through costs, such as franchise fees, revenue taxes and storm cost recoveries, 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, as well as by changes in energy sales. Fluctuations in other cost recovery clauses and pass-through costs revenues are primarily driven by changes in capacity charges, franchise fee costs and storm reserve deficiency amortization, and the impact of changes in O&M and depreciation expense 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.

Ordinarily, the fuel charge is set annually based on estimated fuel costs and estimated customer usage, plus or minus a true-up for prior period estimates. FPL utilizes an FPSC approved risk management fuel procurement program, which is intended to reduce the risk of unexpected fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. The results of the program are reviewed by the FPSC as part of the annual review of fuel costs. In response to higher fuel prices, in January 2006 and January 2005 the retail fuel clause recovery factor was increased approximately 46% and 7%, respectively. This was the primary contributor to the increase in fuel cost recovery revenues in 2006 and 2005. The retail fuel clause recovery factor for 2007 was reduced approximately 7.2% in January 2007 primarily in response to expected fuel price changes. This factor will decline again by another 2.3% during the second quarter of 2007 when Turkey Point Unit No. 5 is placed in service, although a typical 1,000 kwh residential bill will remain the same because the previously discussed base rate increase for this unit will offset the fuel clause recovery factor decline. In February 2005, FPL began recovering the 2004 storm restoration cost deficiency from retail customers. These revenues are included in other cost recovery clauses and pass-through costs. For the years ended December 31, 2006 and 2005, the amount billed to customers related to these storm restoration cost recoveries amounted to approximately $151 million and $155 million, respectively, and the corresponding expense for the amortization of the storm reserve deficiency is shown as a separate line on the consolidated statements of income. For further discussion, see Note 1 – Storm Reserve Deficiency.

The decrease in other revenues in 2006 is primarily due to the transfer, effective January 1, 2006, of FPL's retail gas contracts to a subsidiary of FPL Group Capital, which also reduced FPL's fuel expense by approximately $64 million for the year ended December 31, 2006. The increase in other revenues in 2005 was primarily due to higher retail gas revenues.

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

	Years Ended December 31,		
	2006	2005	2004
		(millions)	
Fuel and energy charges during the period	$ 5,662	$ 5,213	$ 3,742
Recovery of costs incurred in a prior period	743	140	345
Net over (under) recovery of costs during the period	194	(1,027)	(188)
Other, primarily capacity charges net of any capacity deferral	517	584	568
Total	$ 7,116	$ 4,910	$ 4,467

Effective January 2006, FPL's fuel clause recovery factor was increased in response to higher expected fuel prices in 2006, as well as the recovery of a portion of underrecovered fuel costs from 2005. The increase in the fuel factor was the primary contributor to the $935 million decrease in deferred clause and franchise expenses (current and noncurrent, collectively) on FPL Group's and FPL's consolidated balance sheets at December 31, 2006, and positively affected FPL Group's and FPL's cash flows from operations for the year ended December 31, 2006. The increase in fuel and energy charges in 2006 reflects higher fuel and energy prices of approximately $415 million and approximately $98 million attributable to higher energy sales partly offset by approximately $64 million related to the transfer of FPL's retail gas business. The increase in fuel and energy charges in 2005 reflects higher fuel energy prices of approximately $1,352 million, approximately $98 million attributable to higher energy sales and $21 million related to higher retail gas costs. The recovery of costs incurred in a prior period represents the collection of underrecovered fuel costs the FPSC permitted FPL to start collecting at the beginning of the year. The net overrecovery (underrecovery) of costs during the period represents fuel clause collections from customers which were higher (lower) than fuel and energy costs incurred.

FPL's O&M expenses increased approximately $67 million in 2006 primarily due to higher transmission and distribution costs and costs associated with FPL's Storm Secure Plan totaling approximately $39 million, higher nuclear costs of approximately $38 million, excluding the sleeving and reactor vessel head amortization cost reductions discussed below, and higher employee benefit costs, primarily medical, of approximately $10 million. In addition, customer service costs increased approximately $19 million reflecting additional staffing needs and higher uncollectible accounts as a result of higher customer bills. These factors were partially offset by the suspension in 2006 of approximately $20 million of contributions to the storm and property insurance reserve in accordance with the 2005 rate agreement. The increase in nuclear costs were substantially offset by a partial reversal in 2006 of sleeving costs recorded in 2005 that FPL expected to spend, but did not, during the spring 2006 outage of the St. Lucie Unit No. 2 nuclear plant in order to comply with the NRC regulations concerning tube plugging in the unit's two steam generators and by lower reactor vessel head amortization costs. The reactor vessel head inspection costs reflect the amortization over a five-year period that began in 2002, as authorized by the FPSC, of the estimated cost of performing inspections for cracks and corrosion and making any necessary repair to the reactor vessel heads at all four of FPL's nuclear facilities until replacement. No cracking was detected and no repairs were needed to the reactor vessel head during the spring 2006 outage at St. Lucie Unit No. 2. The reactor vessel heads at FPL's three other nuclear units were replaced in 2004 and 2005. FPL intends to replace the reactor vessel head and the steam generators at St. Lucie Unit No. 2 during its fall 2007 scheduled refueling outage. Other changes in O&M expenses were primarily driven by pass-through costs which did not significantly affect net income. Management expects O&M in 2007 to continue trending upward reflecting as much as a $30 million increase in Storm Secure Plan costs, higher fossil generation costs reflecting the placement of Turkey Point Unit No. 5 into service, and higher employee benefit, customer service and insurance costs.

FPL's O&M expenses increased approximately $79 million in 2005 primarily due to higher employee benefit expenses of approximately $28 million, higher nuclear maintenance costs of approximately $19 million and higher fossil generation costs of approximately $18 million, as well as the absence of a $21 million settlement related to shareholder litigation which reduced O&M expenses in 2004. In addition, part of the O&M expense increase relates to approximately $17 million of expenses associated with increased nuclear security costs which are recovered through the capacity clause. The overall increase in O&M expenses was partially offset by a reversal of a prior year reserve of approximately $15 million related to 2004 storm costs that were subsequently determined to be recoverable pursuant to a 2005 FPSC order. Increased employee benefits expenses are primarily associated with the absence of a pension transition credit that was fully amortized by the end of 2004 and higher employee costs. The increase in fossil generation expense relates primarily to the introduction of the Martin and Manatee expansion as well as the timing of overhaul maintenance at some of the older generating units.

Depreciation and amortization expense for the year ended December 31, 2006 decreased $164 million primarily benefiting from lower depreciation rates and the elimination of the decommissioning accrual approved as part of the 2005 rate agreement (a collective benefit of approximately $242 million). This reduction in depreciation rates applied to substantially all power plant assets including Turkey Point Units Nos. 3 and 4 and St. Lucie Units Nos. 1 and 2, which have received 20-year license extensions. This was partially offset by FPL's continued investment in transmission and distribution facilities to support customer growth and demand (approximately $31 million), depreciation from the addition of two new generating units at FPL's existing Martin and Manatee power plant sites which became operational on June 30, 2005 (approximately $23 million) and increased nuclear depreciation related to plant additions (approximately $24 million). FPL expects to place Turkey Point Unit No. 5, a 1,144 mw natural gas-fired generating unit, into service during the second quarter of 2007. For the year ended December 31, 2005, depreciation and amortization expense increased by $36 million, of which approximately $23 million related to the addition of the two new generating units at the Martin and Manatee power plant sites. The remainder of the increase was primarily due to FPL's continued investment in transmission and distribution expansion to support customer growth and demand. The increase in depreciation and amortization expense was partially offset by the suspension, in September 2005, of FPL's nuclear decommissioning accrual which totaled approximately $79 million annually.

Taxes other than income taxes increased $187 million and $49 million for 2006 and 2005, respectively, primarily due to higher franchise fees and revenue taxes, which are pass-through costs, as a result of increases in fuel and other cost recovery clause revenues. In both 2006 and 2005, taxes other than income taxes also included higher property taxes reflecting growth in property balances.

Interest charges for 2006 and 2005 increased primarily due to higher average debt balances used to fund increased investment in generation, transmission and distribution expansion, and to pay for unrecovered fuel and storm restoration costs. In addition, average interest rates in 2006 and 2005 increased approximately 20 basis points and 30 basis points, respectively. The decline in AFUDC in both 2006 and 2005 is primarily attributable to the placement of the additional Martin and Manatee units in service on June 30, 2005, partially offset by increased AFUDC on Turkey Point Unit No. 5. Interest income, included in other – net in FPL's consolidated statements of income, increased in 2006 and 2005 by approximately $16 million and $14 million, reflecting higher interest accrued on the unrecovered balance of the storm reserve deficiency. In 2005, interest income included interest on deferred costs associated with nuclear security, as approved by the FPSC.

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 2006, operating revenues from wholesale and industrial customers combined represented approximately 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 Policies and Estimates – Regulatory Accounting.

In September 2006, the FPSC granted FPL an exemption from the FPSC's bid rule for two ultra super critical pulverized coal generating units, totaling approximately 1,960 mw and in February 2007, FPL filed a need application with the FPSC to build these units in Glades County, Florida with expected operational dates of 2013 and 2014. Effective February 2007, the FPSC eliminated the requirement for utilities to issue an RFP for new nuclear power plants sited after June 2006. Also in February 2007, the FPSC approved a nuclear cost recovery rule that provides for the recovery of all prudently incurred costs for siting, designing, licensing and constructing new nuclear power plants. FPL is in the process of evaluating the economics, risks and advisability, among other things, of potentially building a new nuclear power plant in its service area.

FPL Energy – FPL Energy's net income for 2006, 2005, and 2004 was $610 million, $203 million and $181 million, respectively, an increase in 2006 of $407 million and an increase in 2005 of $22 million. The net income amounts have been adjusted to reflect the retrospective application of the Major Maintenance FSP. See Note 1 – Major Maintenance Costs. The primary drivers, on an after-tax basis, of these increases were as follows:

	Years Ended December 31, 2006	Years Ended December 31, 2005
	(millions)	
New investments [a]	$ 112	$ 15
Existing assets [a]	54	87
Full energy and capacity requirements services and trading	26	(2)
Restructuring activities and asset sales	(20)	74
Indonesian project gain	63	(5)
Interest expense and other	(32)	(38)
Change in unrealized mark-to-market non-qualifying hedge activity [b]	204	(109)
Net income increase	$ 407	$ 22

(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 13th month of operation.

(b) For discussion of derivative instruments, see Note 4 and Overview.

The increase in FPL Energy's 2006 results from new investment reflects the addition of over 1,800 mw of wind, nuclear and solar generation during or after 2005. The 2005 increase reflects over 1,300 mw of gas-fired, wind and solar generation during or after 2004. The 2005 contribution was partially offset by losses associated with Gexa, a retail electric provider in Texas acquired in June 2005.

In 2006, FPL Energy's existing asset portfolio benefited from improved market conditions in the NEPOOL, ERCOT and PJM regions and a higher wind resource. This was partially offset by the unfavorable impact of a longer refueling outage in 2006 as compared to 2005 at the Seabrook nuclear facility. In addition, included in the existing assets line item was a $4 million after-tax ($8 million pretax) impairment charge recorded by FPL Energy in 2006 related to a California coal plant. See Note 5 – FPL Energy. In 2005, the existing portfolio benefited from improved market conditions in the ERCOT and NEPOOL regions as well as the favorable effect of prior contract restructurings. FPL Energy is currently planning to make alloy 600 pressurizer repairs to its Seabrook nuclear plant in 2008, but the NRC may require the repairs to be done in 2007. Performing these repairs in 2007 may reduce FPL Energy's 2007 results of operations but is not expected to significantly affect the estimated capital expenditures for the 2007 through 2011 period.

FPL Energy's 2006 financial results benefited from increased gains from its full energy and capacity requirements services and trading activities in 2006. Full energy and capacity requirements services included 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 results of restructuring activities and asset sales in 2006 were lower than 2005 reflecting the absence of gains recorded in 2005 from asset sales and from a contract restructuring, partly offset by a $12 million after-tax gain recorded in 2006 on the sale of wind development rights. Restructuring activities in 2005 reflect the absence of a $48 million loss ($81 million pretax) recorded in 2004 associated with the restructuring of the Marcus Hook steam contract, which consisted of the write-off of an auxiliary boiler and a payment to terminate an associated steam sales agreement. Also in 2004, FPL Energy recorded a $29 million after-tax impairment loss (approximately $47 million pretax) to write down its investment in a combined-cycle power plant in Texas to its fair value as a result of agreeing to sell its interest in the project. In addition, in 2004 FPL Energy recorded a net after-tax gain of approximately $31 million (approximately $52 million pretax) related to the termination of a gas supply contract and a steam agreement at one of its investments in joint ventures. See Note 5 – FPL Energy.

The Indonesian project gain reflects a $63 million after-tax gain ($97 million pretax) recorded by FPL Energy in 2006 as the result of a court judgment. A portion of the judgment (approximately $7 million pretax or $5 million after-tax) was recorded by FPL Energy in 2004. See Item 3 for a discussion of pending litigation relating to the Indonesian project.

In both 2006 and 2005, interest expense and other reflects higher interest expense due to higher debt balances as a result of growth in the business as well as an increase in average interest rates of approximately 38 basis points and 56 basis points for 2006 and 2005, respectively. In addition, interest and other in both 2006 and 2005 includes higher corporate general and administrative expenses to support the growth in the business.

In 2006, FPL Energy recorded approximately $92 million of after-tax net unrealized mark-to-market gains on non-qualifying hedge activity. In 2005 and 2004, FPL Energy recorded approximately $112 million and $3 million, respectively, of net unrealized mark-to-market losses on non-qualifying hedge activity. The change in unrealized mark-to-market activity for 2006 compared to 2005 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 2006. The increase in 2005 in unrealized mark-to-market losses associated with non-qualifying hedge activity was 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 2005.

FPL Energy's operating revenues for the years ended December 31, 2006 and 2005 increased $1,337 million and $516 million, respectively. The year ended December 31, 2006 benefited primarily from gains on unrealized mark-to-market non-qualifying hedge activity in 2006 as compared to losses in the 2005 period, project additions, favorable market conditions in the NEPOOL, ERCOT and PJM regions, and a higher wind resource, partially offset by the impact of the longer refueling outage in 2006 as compared to 2005 for the Seabrook nuclear facility. Also, operating revenues in 2006 include approximately $12 million related to the settlement of certain operational performance issues with wind turbine equipment suppliers. The year ended December 31, 2005 benefited primarily from improved market conditions mainly in the ERCOT and NEPOOL regions, project additions and improved hydro resources, partially offset by higher unrealized mark-to-market losses from non-qualifying hedge activity, lower generation at Seabrook due to its scheduled spring 2005 refueling outage and a reduced wind resource.

FPL Energy's operating expenses for the years ended December 31, 2006 and 2005 increased $736 million and $539 million, respectively. The increase for 2006 is primarily due to unrealized mark-to-market non-qualifying hedge losses in 2006 compared to gains in 2005, project additions and increased fuel costs as a result of market conditions. The increase for 2005 is primarily driven by increased fuel prices and generation in the ERCOT and NEPOOL regions as well as by project additions which also resulted in higher O&M and depreciation and amortization expenses. The increase in operating expenses was partially offset by higher unrealized mark-to-market gains from non-qualifying hedge activity. Included in operating expenses in 2004 were charges of approximately $81 million associated with the restructuring of the Marcus Hook steam contract discussed above. FPL Energy expects O&M expenses to continue to increase in 2007, primarily due to costs associated with project additions and plant maintenance.

Equity in earnings of equity method investees increased $57 million for the year ended December 31, 2006 primarily due to the $97 million Indonesian project gain discussed above and the favorable effect on operating results from a prior contract restructuring. These factors were partially offset by unrealized mark-to-market losses of approximately $26 million from non-qualifying hedge activity in 2006 compared to an approximately $2 million gain in 2005 and the absence of an approximately $13 million pretax gain on a contract restructuring recorded in 2005. In 2005, equity in earnings of equity method investees increased primarily due to the positive effects of prior contract restructurings partially offset by lower gains of approximately $11 million from non-qualifying hedge activity. In 2004, FPL Energy recorded a net pretax gain of approximately $52 million on the termination of a gas supply contract and a steam agreement. Also included in the equity in earnings of equity method investees in 2004 was the $47 million pretax impairment loss related to a combined-cycle power plant in Texas discussed above. See Note 5 – FPL Energy.

FPL Energy's interest expense for the year ended December 31, 2006 and 2005 increased $46 million and $43 million, respectively, reflecting higher average debt balances to support growth in the business and an increase in average interest rates. Gains (losses) on disposal of assets in FPL Group's consolidated statements of income for 2006 reflect an approximately $20 million pretax gain for the sale of wind development rights. In 2005, this line item included approximately $44 million of pretax gains on the sale of FPL Energy joint venture projects. FPL Energy's interest income increased by approximately $10 million in 2005 primarily related to higher investment income associated with the Seabrook decommissioning fund balance, as well as interest income associated with a bridge loan, which was originated early in 2005 in connection with an acquisition of a solar project and repaid in the third quarter of 2005. Other – net for the year ended December 31, 2005 includes a benefit associated with obtaining an additional partnership interest in a coal plant in California.

PTCs from FPL Energy's wind projects are reflected in FPL Energy's 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 $167 million, $129 million and $109 million for the years ended December 31, 2006, 2005 and 2004, respectively.

In January 2006, FPL Energy completed the acquisition of a 70% interest, or approximately 415 mw, in the Duane Arnold nuclear power plant. FPL Energy purchased the 70% interest, including nuclear fuel, inventory and other items, for a net purchase price of approximately $350 million. FPL Energy is selling substantially all of its share of the output of Duane Arnold to IP&L under a long-term contract expiring in 2014. FPL Energy is responsible for management and operation of the plant, as well as for the ultimate decommissioning of the facility, the cost of which will be shared on a pro-rata basis by the joint owners. FPL Energy received approximately $188 million of decommissioning funds at the closing of the acquisition which is included in nuclear decommissioning reserve funds on FPL Group's condensed consolidated balance sheet at December 31, 2006. FPL Energy expects to file for a license extension for the plant in 2009, which, if approved, will enable the plant to continue to operate for an additional 20 years beyond its current license expiration of 2014.

In December 2006, FPL Energy entered into an agreement to purchase Point Beach, a two-unit, 1,033 mw nuclear power plant located in Wisconsin from Wisconsin Electric. Under the agreement, FPL Energy will purchase the plant, including nuclear fuel, inventory and other items, for a total of approximately $998 million. Under the agreement, FPL Energy will sell the output of Point Beach to Wisconsin Electric under a long-term contract. The duration of the contract will be, at the option of Wisconsin Electric, either through the current license terms of 2030 for Unit 1 and 2033 for Unit 2 or for a term of 16 or 17 years from the closing date for Units 1 and 2, respectively. FPL Energy will be responsible for management and operation of the plant, as well as for the ultimate decommissioning of the facility and expects to receive at least $360 million of decommissioning funds at closing. The transaction is subject to, among other things, the receipt of approvals from various federal and state regulatory agencies. FPL Energy expects to close the transaction in the third quarter of 2007.

FPL Energy expects its future portfolio capacity growth to come primarily from wind development and from asset acquisitions. FPL Energy plans to add a total of at least 1,500 mw of new wind generation over the 2007 and 2008 period, including approximately 450 mw which are currently under construction.

In 2006, the FERC approved a settlement agreement that established a new forward capacity market in the NEPOOL region. The parties to the settlement agreement include wholesale power generators in New England, including FPL Energy, and four of the six New England states. Under the settlement agreement, capacity payments to generators will be established competitively through an annual auction, the first of which will be conducted in the first quarter of 2008 to purchase capacity for the twelve months starting June 1, 2010. The settlement agreement also provides for a transition period starting December 1, 2006 through May 31, 2010, during which capacity suppliers will receive fixed capacity payments, subject to penalties for forced outages during peak demand periods. The settlement agreement, as approved by the FERC, is expected to result in increased gross margins for FPL Energy's assets in the NEPOOL region during the transition period.

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 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 FPL Energy. 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. FPL Energy seeks to reduce its market risk by having a diversified portfolio, by fuel type and location, as well as by contracting for the sale of a significant amount of the electricity output of its plants. The major markets in which FPL Energy operates have shown signs of continued improvement since 2004, such as improved sparks spreads and energy prices in ERCOT and NEPOOL. The combination of new wind projects, expected increase in contribution from merchant assets and asset acquisitions are expected to be the key drivers in supporting FPL Energy's growth over the next few years.

FPL Energy's earnings are subject to variability due to, among other things, operational performance, commodity price exposure, counterparty performance, weather conditions and project restructuring activities. FPL Energy's exposure to commodity price risk is reduced by the degree of contract coverage obtained for 2007 and 2008. If FPL Energy's plants do not perform as expected, this high degree of hedging could result in FPL Energy being required to purchase power at potentially higher market prices to meet its contractual obligations.

FPL Energy's results are affected by natural 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. In managing its exposure to commodity prices, FPL Energy is dependent upon its counterparties to perform under their contractual obligations. FPL Energy 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 FPL Energy's 2007 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 charges to FPL Energy based on a deemed capital structure at FPL Energy of 50% debt for operating projects and 100% debt for projects under construction. Each subsidiary's income taxes are calculated based on the "separate return method," except that tax benefits that could not be utilized on a separate return basis, but are utilized on the consolidated tax return, are recorded by the subsidiary. Any remaining consolidated income tax benefits or detriments are recorded at Corporate and Other. The major components of Corporate & Other results, on an after-tax basis, are as follows:

	Years Ended December 31,		
	2006	2005	2004
		(millions)	
Interest expense	$ (97)	$ (90)	$ (78)
FPL FiberNet impairment charge	(60)	-	-
Merger costs	(14)	-	-
State tax benefits	36	25	30
Interest income on secured third party loan	-	12	6
Gains on sale and termination of leveraged lease agreements	-	6	-
Other	4	(3)	8
Net loss	$ (131)	$ (50)	$ (34)

Interest expense increased in 2006 reflecting higher debt balances and slightly higher rates while the increase in 2005 was primarily due to higher rates. The impairment charge is for FPL FiberNet's metro market assets. See Note 5 – Corporate and Other. The merger costs represent costs associated with the proposed merger between FPL Group and Constellation Energy, which was terminated in October 2006. See Note 2. The state tax benefits are primarily due to FPL Energy's growth throughout the United States and, in 2004, include the resolution of other tax issues. In 2006, state tax benefits were partially offset by a $7 million deferred tax expense resulting from a modification of the Texas franchise tax enacted in 2006. Interest income on a secured third party loan reflects the repayment of the loan in the fourth quarter of 2005. The 2005 gains on sale and termination of leveraged lease agreements ($10 million on a pretax basis) are included in gains (losses) on disposal of assets in FPL Group's consolidated statements of income. Other includes all other corporate income and expenses as well as other business activities. The decline in 2005 reflects the absence of a pension transition credit that was fully amortized in 2004.

Corporate and Other's operating revenues increased in 2006 primarily due to the transfer, effective January 1, 2006, of FPL's retail gas business to a subsidiary of FPL Group Capital. The increase in operating expenses in 2006 is primarily due to the $98 million pretax impairment charge at FPL FiberNet as well as the transfer of FPL's retail gas business.

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 and investments in or acquisitions of assets and businesses, to pay maturing debt obligations and, from time to time, to redeem outstanding debt and/or repurchase common stock. It is anticipated that these requirements will be satisfied through a combination of internally generated funds 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. Credit ratings can affect FPL Group's, FPL's and FPL Group Capital's ability to obtain short- and long-term financing, the cost of such financing and the execution of their respective financing strategies.

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

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2006	2005	2004	2006	2005	2004
	(millions)					
Net cash provided by operating activities	$ 2,498	$ 1,547	$ 2,650	$ 1,668	$ 1,238	$ 1,948
Net cash used in investing activities	(3,807)	(2,165)	(1,872)	(1,933)	(1,816)	(1,400)
Net cash provided by (used in) financing activities	1,399	923	(682)	273	569	(487)
Net increase (decrease) in cash and cash equivalents	$ 90	$ 305	$ 96	$ 8	$ (9)	$ 61

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 deposits and payment of cash collateral to counterparties. The funds generated were used to pay for capital expenditures at FPL, additional investments at FPL Energy, common stock dividends, storm-related costs at FPL and to carry an increase in fossil fuel inventory.

FPL Group's cash flows from operating activities for the year ended December 31, 2006 reflect the recovery by FPL of fuel and storm costs deferred in prior years as a result of an increase in the fuel clause recovery factor effective January 2006 and the implementation of a storm damage surcharge applied to retail customer bills that began in February 2005. The recovery of these deferred costs was offset by storm-related payments at FPL, an increase in customer receivables at FPL reflecting the higher fuel factor, the return of margin cash deposits and payment of cash collateral to counterparties due to changing energy prices and an increase in fossil fuel inventory. The increase in fossil fuel inventory is primarily due to the accumulation of oil inventory at FPL reflecting the burning of more natural gas due to relatively lower natural gas prices and the addition, at an FPL Energy plant, of oil and gas inventory which was purchased in connection with the termination of a fuel management contract.

FPL Group's cash flows from investing activities for the year ended December 31, 2006 reflect capital investments of approximately $1,763 million by FPL to meet customer demand and costs associated with its Storm Secure Plan and independent power investments at FPL Energy of approximately $1,701 million, including the purchase of Duane Arnold. FPL Group's cash flows from investing activities also include amounts related to the purchase and sale of restricted securities held in the nuclear decommissioning funds including the reinvestment of fund earnings and new contributions from FPL Energy, as well as other investment activity. FPL suspended nuclear decommissioning fund contributions of approximately $79 million annually, beginning in September 2005, pursuant to the terms of the 2005 rate agreement.

During the year ended December 31, 2006, FPL Group generated proceeds of approximately $3.8 billion from financing activities, including the issuance of $700 million in FPL first mortgage bonds, the borrowing of $250 million by FPL under a five-year term loan facility, the borrowing of $400 million by FPL Group Capital under three separate two-year term loan facilities, the issuance of $600 million in debentures and $700 million in enhanced junior subordinated debentures by FPL Group Capital, the issuance of $206 million of limited-recourse senior secured notes and the borrowing of $600 million under a variable rate limited recourse term loan by FPL Energy subsidiaries, approximately $296 million from the issuance of FPL Group common stock related to its 8% Corporate Units and approximately $37 million related to the exercise of stock options. During the year ended December 31, 2006, FPL Group paid out approximately $2.4 billion for financing activities, including approximately $1.1 billion for maturing FPL Group Capital debentures, approximately $250 million for the repayment of FPL Group Capital variable rate term loans, approximately $135 million for maturing senior secured notes of a consolidated VIE that leases nuclear fuel to FPL, a net decrease in short-term debt of approximately $62 million ($529 million decrease at FPL), approximately $48 million net to cancel approximately 4.2 million of FPL Group's 8% Corporate Units, approximately $593 million for the payment of dividends on its common stock and approximately $180 million for principal payments on FPL Energy debt. In January 2007, an indirect wholly-owned subsidiary of FPL Energy entered into an interest rate swap agreement to pay a fixed rate of 5.39% on approximately $547 million of its variable rate limited recourse debt in order to limit cash flow exposure.

FPL Group's cash flows for the year ended December 31, 2005 reflect the benefit of net issuances of debt, the issuance of common stock, the receipt of payment of a secured third party loan, the receipt of cash collateral primarily from FPL's counterparties related to energy contracts (margin cash deposits) and the recovery from customers of a portion of the 2004 storm restoration costs at FPL. The funds generated were used to pay for common stock dividends, capital expenditures at FPL, additional investments at FPL Energy, FPL storm restoration costs and to fund under-recovered fuel costs at FPL caused primarily by higher than anticipated fuel costs.

FPL Group's cash flows for the year ended December 31, 2004 reflect the use of funds to reduce debt, pay common stock dividends, make a secured loan and capital investments at FPL and FPL Energy, and pay for FPL storm restoration costs, as well as the benefit of the issuance of common stock and the sale of a note receivable by an indirect subsidiary of FPL Group.

The following provides various metrics regarding FPL Group's (including FPL's) and FPL's outstanding debt:

	FPL Group		FPL	
	December 31,		December 31,	
	2006	2005	2006	2005
Weighted-average annual interest rate [a]	6.1%	5.9%	5.4%	5.2%
Weighted-average life (years)	13.1	9.3	17.9	15.1
Annual average of floating rate debt to total debt [a]	31%	35%	33%	40%

[a] Calculations include the effects of interest rate swaps.

Contractual Obligations and Planned Capital Expenditures – FPL Group's commitments were as follows:

	2007	2008	2009	2010	2011	Thereafter	Total
				(millions)			
Long-term debt, including interest: [a]							
FPL	$ 227	$ 662	$ 419	$ 188	$ 188	$ 7,320	$ 9,004
FPL Energy	764	659	318	305	281	1,843	4,170
Corporate and Other	1,281	810	745	97	697	4,077	7,707
Purchase obligations:							
FPL [b]	4,915	3,760	3,050	2,810	2,565	6,335	23,435
FPL Energy [c]	2,401	845	61	60	59	878	4,304
Corporate and Other	15	-	-	-	-	-	15
Asset retirement activities: [d]							
FPL [e]	-	-	-	-	-	11,571	11,571
FPL Energy [f]	-	1	-	-	-	4,761	4,762
Total	$ 9,603	$ 6,737	$ 4,593	$ 3,460	$ 3,790	$ 36,785	$ 64,968

[a] Includes principal, interest and interest rate swaps. Variable rate interest was computed using December 31, 2006 rates.

[b] 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 16 – Contracts), and projected capital expenditures through 2011 to meet, among other things, increased electricity usage and customer growth, capital improvements to and maintenance of existing facilities and estimated capital costs associated with FPL's Storm Secure Plan. Estimated capital costs associated with FPL's Storm Secure Plan are subject to change over time based on, among other things, productivity enhancements and prioritization. Excludes capital expenditures of approximately $3.4 billion (approximately $310 million in 2008) for the two ultra super critical pulverized coal generating units for the period from early 2008 (expected Siting Board approval) through 2011. See Note 16 – Commitments.

[c] 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 for Seabrook and Duane Arnold and a portion of its projected capital expenditures, including, in 2007, the pending acquisition of Point Beach. See Note 16 – Commitments and Contracts.

[d] Represents expected cash payments adjusted for inflation for estimated costs to perform asset retirement activities.

[e] At December 31, 2006, FPL had approximately $2,264 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 nuclear decommissioning reserve funds.

[f] At December 31, 2006, FPL Energy's 88.23% portion of Seabrook's and 70% portion of Duane Arnold's restricted trust funds for the payment of future expenditures to decommission Seabrook and Duane Arnold totaled approximately $560 million and are included in FPL Group's nuclear decommissioning reserve funds.

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, 2006, FPL Group had standby letters of credit of approximately $733 million ($171 million for FPL) and approximately $6,719 million notional amount of guarantees ($356 million for FPL), of which approximately $5,562 million ($497 million for FPL) have expirations within the next five years. An aggregate of approximately $345 million of the standby letters of credit at December 31, 2006 were issued under FPL's and FPL Group Capital's credit facilities. See Available Liquidity below. These letters of credit and guarantees support the buying and selling of wholesale energy commodities, debt-related reserves, nuclear activities and other contractual agreements. FPL Group and FPL believe it is unlikely that they would incur any liabilities associated with these letters of credit and guarantees. At December 31, 2006, 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, including 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 FPL Energy and its subsidiaries. See Note 16 – Commitments.

In addition to the above, FPL Energy has guaranteed certain performance obligations of a power plant owned by a wholly-owned subsidiary as part of a power purchase agreement that expires in 2027. Under this agreement, the subsidiary could incur market-based liquidated damages for failure to meet contractual minimum outputs. In addition, certain subsidiaries of FPL Energy have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the FPL Energy subsidiary becoming liable for specified liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that the exposure associated with these guarantees is not material.

Available Liquidity – At December 31, 2006, FPL Group's total available net liquidity was approximately $4.8 billion and FPL's was approximately $1.9 billion. The components of each company's net available liquidity at December 31, 2006 were as follows.

	FPL	FPL Group Capital (in millions)	FPL Group	Maturity Date FPL	FPL Group Capital
Bank revolving lines of credit [a]	$ 2,000[b]	$ 2,500	$ 4,500[b]	November 2010	November 2010
Less letters of credit	156	189	345		
	1,844	2,311	4,155		
Revolving term loan facility	250	-	250	May 2011	
Less borrowings	250	-	250	May 2008	
	-	-	-		
Cash and cash equivalents	64	556	620		
Net available liquidity	$ 1,908	$ 2,867	$ 4,775		

[a] Provide for the issuance of letters of credit up to $4.5 billion and are available to support the companies' commercial paper programs 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.
[b] Excludes $300 million in senior secured revolving credit facilities of an entity consolidated by FPL under FIN 46(R) (the VIE) that leases nuclear fuel to FPL which credit facilities are available only to the VIE.

FPL Group (which guarantees the payment of FPL Group Capital's credit facilities pursuant to a 1998 guarantee agreement) is required to maintain a minimum ratio of funded debt to total capitalization under the terms of FPL Group Capital's credit facility. FPL is required to maintain a minimum ratio of funded debt to total capitalization under the terms of FPL's credit facility. At December 31, 2006, each of FPL Group and FPL was in compliance with its respective ratio.

In addition to the amounts in the table above, FPL Group Capital and FPL have each established an uncommitted credit facility with a bank to be used for general corporate purposes. The bank may at its discretion, upon the request of FPL Group Capital or FPL, make a short-term loan or loans to FPL Group Capital or FPL in an aggregate amount determined by the bank, which is subject to change at any time. The terms of the specific borrowings under the uncommitted credit facilities, including maturity, are set at the time borrowing requests are made by FPL Group Capital or FPL. At December 31, 2006, there were no amounts outstanding for either FPL Group Capital or FPL under the uncommitted credit facilities.

During 2006, FPL entered into a $250 million revolving five-year term loan facility, which is included in the table above, and FPL Group Capital entered into three separate two-year term loan facilities aggregating $400 million, each of which expire in June 2008. Both FPL and FPL Group Capital borrowed the full amount under the term loan facilities during the second quarter of 2006. During the fourth quarter of 2006, FPL Group Capital repaid two of the three loans totaling $250 million. Under the terms of the respective term loan facilities, each of FPL and FPL Group is required to maintain a minimum ratio of funded debt to total capitalization. At December 31, 2006, each of FPL and FPL Group was in compliance with its respective ratio. Pursuant to its guarantee agreement with FPL Group Capital, FPL Group guarantees the payment of FPL Group Capital's term loans.

In addition to the bank lines of credit discussed above, the consolidated VIE that leases nuclear fuel to FPL has established a $100 million senior secured revolving credit facility, which expires in June 2009, and a $200 million senior secured revolving credit facility, which expires in May 2007. Both credit facilities provide backup support for the VIE's commercial paper program. FPL has provided an unconditional guarantee of the payment obligations of the VIE under the credit facilities, which is included in the guarantee discussion under Guarantees and Letters of Credit above. At December 31, 2006, the VIE had no outstanding borrowings under the revolving credit facilities and had approximately $221 million of commercial paper outstanding.

Additionally, an indirect wholly-owned subsidiary of FPL Energy 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.

Shelf Registration – In September 2006, FPL Group, FPL Group Capital, FPL and certain affiliated trusts filed a shelf registration statement for an unspecified amount of securities with the SEC. The amount of securities issuable by the companies is established from time to time by their respective board of directors. As of February 26, 2007, securities that may be issued under the registration statement, which became effective upon filing, include, depending on the registrant, senior debt securities, subordinated debt securities, first mortgage bonds, preferred trust securities and guarantees related to certain of those securities. As of February 26, 2007, FPL Group and FPL Group Capital had $2 billion (issuable by either or both of them up to such aggregate amount) of board-authorized available capacity, and FPL had $1 billion of board-authorized available capacity.

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 2006, FPL Group increased its quarterly dividend on its common stock from $0.355 to $0.375 per share. In February 2007, FPL Group announced that it would increase its quarterly dividend on its common stock from $0.375 to $0.41 per share. FPL pays dividends to FPL Group in a manner consistent with FPL's long-term targeted capital structure. FPL's mortgage 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 securing FPL's first mortgage bonds, 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, 2006, 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, 2006, coverage for the 12 months ended December 31, 2006 would have been approximately 11 times the annual interest requirements and approximately six 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, 2006, FPL could have issued in excess of $6.0 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, 2006, 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 (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, enhanced junior subordinated debentures). The 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 enhanced 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 RCC. The RCC provides that FPL Group Capital may redeem, and FPL Group or FPL Group Capital may purchase, any enhanced junior subordinated debentures on or before October 1, 2036, only to the extent that the redemption or purchase price exceeds a specified amount of proceeds from the sale of qualifying securities, subject to certain limitations described in the RCC. Qualifying securities are securities that have equity-like characteristics that are the same as, or more equity-like than, the enhanced 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 enhanced junior subordinated debentures.

Credit Ratings – Securities of FPL Group and its subsidiaries are currently rated by Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch). At February 26, 2007, Moody's, S&P and 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	F-1
FPL Group Capital: [b]			
Corporate credit rating	N/A	A	A
Debentures	A2	A-	A
Junior subordinated debentures	A3	BBB+	A-
Commercial paper	P-1	A-1	F-1

(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 debt outstanding. 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 Group Capital and FPL, the maintenance of a specific minimum level of credit rating is not a condition to drawing upon those credit facilities. However, commitment fees and interest rates on loans under the credit facilities agreements are tied to credit ratings and increase or decrease when ratings change. A ratings downgrade also could reduce the accessibility and increase the cost of commercial paper issuances and additional or replacement credit facilities, and could result in the requirement that FPL Group subsidiaries, including FPL, post collateral under certain power purchase and other agreements. FPL Group subsidiaries, including FPL, may be required to post collateral in excess of collateral threshold amounts when FPL Group's exposure to the counterparty under the applicable trading agreement exceeds such threshold.

Other – FPL was impacted by four hurricanes in 2005 and three hurricanes in 2004, which 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. At December 31, 2006, FPL's storm reserve deficiency totaled approximately $868 million. In May 2006, the FPSC approved the issuance of up to $708 million of bonds pursuant to the securitization provisions of Section 366.8260 of the Florida Statutes for the net-of-tax recovery by FPL of the estimated storm reserve deficiency, including interest, and for a storm and property insurance reserve of $200 million. The unrecovered 2004 storm restoration costs are being recovered through a previously approved storm damage surcharge applied to retail customer bills since February 2005. Once the bonds are issued, a surcharge to retail customers will be used for repayment of the outstanding bonds. FPL is working with the FPSC staff and its financial advisors to complete the issuance of the bonds. See Note 1 – Storm Reserve Deficiency.

In January 2006, FPL introduced an initiative to enhance its electrical grid as a result of heightened hurricane activity and in response to concerns express by the community, state leaders and regulators. The estimated capital expenditures associated with this initiative, as well as the FPSC's approved storm preparedness plan (collectively, Storm Secure Plan) for 2007 through 2011 are included in FPL's projected capital expenditures under Contractual Obligations and Planned Capital Expenditures above, and are subject to change over time based on, among other things, productivity enhancements and prioritization. See Note 16 – Commitments. See also Results of Operations – FPL for further discussion regarding the impact of Storm Secure Plan costs on O&M expenses.

In February 2005, FPL Group's board of directors approved a two-for-one stock split of FPL Group's common stock effective March 15, 2005 (2005 stock split). FPL Group's authorized common stock increased from 400 million to 800 million shares. Also in February 2005, FPL Group's board of directors authorized a new common stock repurchase plan of up to 20 million shares of common stock (after giving effect to the 2005 stock split) over an unspecified period, which plan was ratified and confirmed by the board of directors in December 2005, and terminated a previous common stock repurchase plan. At December 31, 2006, no shares had been repurchased under the repurchase plan.

In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., a retail electric provider in Texas. Each share of Gexa Corp.'s outstanding common stock was converted into 0.1682 of a share of FPL Group common stock. Assuming the exercise of Gexa Corp.'s options and warrants net of cash to be received upon exercise, the aggregate value of the consideration for the acquisition of Gexa Corp. was approximately $73 million, payable in shares of FPL Group common stock.

New Accounting Rules and Interpretations

Accounting for Uncertainty in Income Taxes – In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109." See Note 6.

Accounting for Planned Major Maintenance Activities – In September 2006, the FASB issued FSP AUG AIR-1, "Accounting for Planned Major Maintenance Activities." See Note 1 – Major Maintenance Costs.

Fair Value Measurements – In September 2006, the FASB issued FAS 157, "Fair Value Measurements." See Note 1 – Fair Value Measurements.

Accounting for Pensions and Other Postretirement Plans – In September 2006, the FASB issued FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." See Note 3.

The Fair Value Option for Financial Assets and Financial Liabilities – In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities." See Note 1 – The Fair Value Option for Financial Assets and Financial Liabilities.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to exercise judgment and make estimates and assumptions where amounts are not subject to precise measurement or are dependent on future events.

Critical accounting policies and estimates, which are important to the portrayal of both FPL Group's and FPL's financial condition and results of operations and which require complex, subjective judgments are as follows:

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 risk associated with long-term debt. In addition, FPL Group uses derivatives to optimize the value of power generation assets. 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 and capacity clauses. In FPL Group's non-rate regulated operations, predominantly FPL Energy, 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 does not provide specific guidance on all contract issues. As a result, significant judgment must be used in applying FAS 133 and its interpretations. The interpretation of FAS 133 continues to evolve. 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 income statement.

Certain economic hedging transactions at FPL Energy 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 income statement, 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 FPL Energy's 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 4 and also see Management's Discussion – 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 pension benefit 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.

Effective December 31, 2006, FPL Group adopted the recognition and disclosure provisions of FAS 158, which requires the reporting of previously unrecognized actuarial gains and losses, prior service costs or credits and transition assets or obligations on the balance sheet as part of accumulated other comprehensive income. Since FPL Group is the plan sponsor, and the subsidiaries do not have separate rights to the plan assets or direct obligations to their employees, the results of implementing the recognition and disclosure provisions of FAS 158 are reflected at FPL Group and not allocated to its subsidiaries. The portion of previously unrecognized actuarial gains and losses, prior service costs or credits and transition assets or obligations that are estimated to be allocable to FPL as net periodic benefit (income) cost in future periods is classified as regulatory assets and liabilities at FPL Group in accordance with regulatory treatment as required by FAS 71, "Accounting for the Effects of Certain Types of Regulation." FAS 158 also requires FPL Group to measure plan assets and liabilities as of its year end, rather than as of September 30, no later than December 31, 2008.

FPL Group's pension income net of the cost of the other benefits plan was approximately $65 million, $52 million and $81 million for the years ended December 31, 2006, 2005 and 2004, respectively. The corresponding amounts allocated to FPL were $52 million, $39 million and $62 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, assumed increases in future compensation levels of 4.0% for all years, and a weighted-average discount rate of 5.50% for all years. Based on current health care costs (as related to other benefits), the projected 2007 trend assumption used to measure the expected cost of health care benefits covered by the plans for all age groups are 8.0% for medical benefits and 10.0% for prescription drug benefits. These rates are assumed to decrease over the next ten years to the ultimate trend rate of 5.0% and remain at that level thereafter. The ultimate trend rate is assumed to be reached in 2013 for medical costs and 2017 for 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% is a reasonable long-term rate of return on its plans' assets. 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.

Lowering the expected long-term rate of return on plan assets by 0.5% (from 7.75% to 7.25%) would have reduced FPL Group's net income for 2006 by approximately $14 million ($11 million for FPL). Lowering the discount rate assumption by 0.5% would have decreased FPL Group's net income for 2006 by approximately $5 million ($4 million for FPL). Raising the salary increase assumption by 0.5% would have decreased FPL Group's net income for 2006 by approximately $2 million ($2 million for FPL). 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. Increasing the assumed health care cost trend rates by 1% would have reduced FPL Group's net income for 2006 by approximately $1 million.

The fair value of plan assets has increased from $3.1 billion at September 30, 2005 to $3.2 billion at September 30, 2006 for the pension plan and decreased from $49 million at September 30, 2005 to $48 million at September 30, 2006 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 2006, $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 2007 with substantially all of that amount being reimbursed through a transfer of assets from the qualified pension plan pursuant to the provisions of the Internal Revenue Code. See Note 3.

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 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 asset retirement obligation (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 15.

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 $10.9 billion, or $2.1 billion in 2006 dollars. The studies reflect, among other things, the 20-year license extensions of FPL's nuclear units and support the suspension, effective September 2005, of the $79 million annual decommissioning accrual. At December 31, 2006, $2,541 million was accrued for nuclear decommissioning, of which $1,540 million was recorded as an ARO, $55 million was recorded as a capitalized net asset related to the ARO, $864 million was recorded as a regulatory liability and $192 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 at least every four years. Unlike nuclear decommissioning, fossil dismantlement costs are not funded. The most recent studies, which became effective January 1, 2003, indicated that FPL's portion of the ultimate cost to dismantle its fossil units is $668 million. The majority of the dismantlement costs are not considered AROs. At December 31, 2006, $308 million was accrued for fossil dismantlement costs, of which $30 million was recorded as an ARO, $5 million was recorded as a capitalized net asset related to the ARO, $4 million was recorded as a regulatory liability and $279 million was included in accrued asset removal costs (a regulatory liability) on the consolidated balance sheets.

FPL Energy records a liability for the present value of its expected decommissioning costs in accordance with FAS 143 and FIN 47. The nuclear decommissioning liability represents the fair value of FPL Energy's ultimate decommissioning liability for Seabrook and Duane Arnold. The fair value of the ultimate decommissioning liability as of December 31, 2006 was determined using various internal and external data. FPL Energy's portion of the ultimate cost of decommissioning Seabrook and Duane Arnold, including costs associated with spent fuel storage, is approximately $4.3 billion, or $725 million expressed in 2006 dollars. The liability is being accreted using the interest method through the date decommissioning activities are expected to be complete. At December 31, 2006, the ARO for Seabrook's and Duane Arnold's nuclear decommissioning totaled approximately $213 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, 2006 by $180 million and $158 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, 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.

Effective December 31, 2006, FPL Group adopted the recognition and disclosure provisions of FAS 158, which requires reporting of previously unrecognized actuarial gains and losses, prior service costs or credits and transition assets or obligations related to pension and other post retirement benefits gross on the balance sheet. The portion of previously unrecognized actuarial gains and losses, prior service costs or credits and transition assets or obligations that are estimated to be allocable to FPL as net periodic benefit (income) cost in future periods is classified as regulatory assets and liabilities on FPL Group's 2006 consolidated balance sheet in accordance with regulatory treatment as required by FAS 71. See Note 3.

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

	FPL Group		FPL	
	December 31,		December 31,	
	2006	2005	2006	2005
	(millions)			
Regulatory assets:				
Current:				
Deferred clause and franchise expenses	$ 167	$ 795	$ 167	$ 795
Storm reserve deficiency	$ 106	$ 156	$ 106	$ 156
Derivatives	$ 921	$ -	$ 921	$ -
Other	$ 3	$ 7	$ -	$ 7
Noncurrent:				
Storm reserve deficiency	$ 762	$ 957	$ 762	$ 957
Deferred clause expenses	$ -	$ 307	$ -	$ 307
Unamortized loss on reacquired debt	$ 39	$ 42	$ 39	$ 42
Other	$ 80	$ 37	$ 37	$ 37
Regulatory liabilities:				
Current:				
Deferred clause and franchise revenues	$ 37	$ 32	$ 37	$ 32
Derivatives	$ -	$ 757	$ -	$ 757
Pension	$ 17	$ -	$ -	$ -
Noncurrent:				
Accrued asset removal costs	$ 2,044	$ 2,033	$ 2,044	$ 2,033
Asset retirement obligation regulatory expense difference	$ 868	$ 786	$ 868	$ 786
Pension	$ 531	$ -	$ -	$ -
Other	$ 209	$ 256	$ 209	$ 256

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 FPL Energy, 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 to optimize the value of power generation assets. FPL Energy provides full energy and capacity requirements services to distribution utilities 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 FPL Energy, 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 net 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 4.

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

		Hedges on Owned Assets			
	Trading	Non-Qualifying	OCI	FPL Cost Recovery Clauses	FPL Group Total
			(millions)		
Fair value of contracts outstanding at December 31, 2004	$ 4	$ (10)	$ (109)	$ (9)	$ (124)
Reclassification to realized at settlement of contracts	(3)	(9)	89	(617)	(540)
Acquisition of Gexa contracts	-	38	-	-	38
Effective portion of changes in fair value recorded in OCI	-	-	(353)	-	(353)
Ineffective portion of changes in fair value recorded in earnings	-	(33)	-	-	(33)
Changes in fair value excluding reclassification to realized	1	(162)	-	1,383	1,222
Fair value of contracts outstanding at December 31, 2005	2	(176)	(373)	757	210
Reclassification to realized at settlement of contracts	26	107	56	325	514
Effective portion of changes in fair value recorded in OCI	-	-	261	-	261
Ineffective portion of changes in fair value recorded in earnings	-	31	-	-	31
Changes in fair value excluding reclassification to realized	(23)	46	-	(2,003)	(1,980)
Fair value of contracts outstanding at December 31, 2006	5	8	(56)	(921)	(964)
Net option premium payments (receipts)	(1)	16	-	145	160
Total mark-to-market energy contract net assets (liabilities) at December 31, 2006	$ 4	$ 24	$ (56)	$ (776)	$ (804)

FPL Group's total mark-to-market energy contract net assets (liabilities) at December 31, 2006 shown above are included in the consolidated balance sheets as follows:

	December 31, 2006
	(millions)
Derivative assets	$ 371
Other assets	73
Other current liabilities	(1,141)
Other liabilities	(107)
FPL Group's total mark-to-market energy contract net assets (liabilities)	$ (804)

The sources of fair value estimates and maturity of energy contract derivative instruments at December 31, 2006 were as follows:

	Maturity						
	2007	2008	2009	2010	2011	Thereafter	Total
				(millions)			
Trading:							
Actively quoted (i.e., exchange traded) prices	$ 11	$ 7	$ -	$ -	$ -	$ -	$ 18
Prices provided by other external sources	(162)	(8)	1	-	-	1	(168)
Modeled	152	3	-	-	-	-	155
Total	1	2	1	-	-	1	5
Owned Assets – Non-Qualifying:							
Actively quoted (i.e., exchange traded) prices	(211)	(20)	2	(10)	(7)	(5)	(251)
Prices provided by other external sources	230	9	(3)	(2)	-	(2)	232
Modeled	29	-	-	-	(1)	(1)	27
Total	48	(11)	(1)	(12)	(8)	(8)	8
Owned Assets – OCI:							
Actively quoted (i.e., exchange traded) prices	(1)	-	-	-	-	-	(1)
Prices provided by other external sources	(30)	(26)	1	7	3	-	(45)
Modeled	(5)	(5)	-	-	-	-	(10)
Total	(36)	(31)	1	7	3	-	(56)
Owned Assets – FPL Cost Recovery Clauses:							
Actively quoted (i.e., exchange traded) prices	(727)	-	-	-	-	-	(727)
Prices provided by other external sources	(195)	-	-	-	-	-	(195)
Modeled	2	(1)	-	-	-	-	1
Total	(920)	(1)	-	-	-	-	(921)
Total sources of fair value	$ (907)	$ (41)	$ 1	$ (5)	$ (5)	$ (7)	$ (964)

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. 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, 2006 and 2005, the VaR figures are as follows:

	Trading			Non-Qualifying Hedges and Hedges in OCI and FPL Cost Recovery Clauses [a]			Total		
	FPL	FPL Energy	FPL Group	FPL	FPL Energy	FPL Group	FPL	FPL Energy	FPL Group
					(millions)				
December 31, 2005	$ -	$ 1	$ 1	$ 114	$ 38	$ 98	$ 114	$ 39	$ 98
December 31, 2006	$ -	$ 2	$ 2	$ 89	$ 57	$ 54	$ 89	$ 60	$ 56
Average for the period ended December 31, 2006	$ -	$ 2	$ 2	$ 113	$ 47	$ 88	$ 113	$ 48	$ 88

[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 nuclear decommissioning reserve funds and interest rate swaps. 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.

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

	December 31, 2006		December 31, 2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
FPL Group:		(millions)		
Long-term debt, including current maturities	$ 11,236	$ 11,314[a]	$ 9,443	$ 9,540[a]
Fixed income securities:				
Nuclear decommissioning reserve funds	$ 1,430	$ 1,430[b]	$ 1,290	$ 1,290[b]
Other investments	$ 93	$ 93[b]	$ 80	$ 80[b]
Interest rate swaps – net unrealized gain (loss)	$ 6	$ 6[c]	$ (9)	$ (9)[c]
FPL:				
Long-term debt, including current maturities	$ 4,214	$ 4,208[a]	$ 3,406	$ 3,416[a]
Fixed income securities:				
Nuclear decommissioning reserve funds	$ 1,235	$ 1,235[b]	$ 1,151	$ 1,151[b]

[a] Based on market prices provided by external sources.
[b] Based on quoted market prices for these or similar issues.
[c] Based on market prices modeled internally.

The nuclear decommissioning reserve funds of FPL Group consist of restricted funds set aside to cover the cost of 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. See Note 10.

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, 2006, 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 hedges – FPL Group Capital:					
$ 300	November 2004	February 2007	variable[a]	4.086%	$ (2)
$ 275	December 2004	February 2007	variable[b]	4.086%	(2)
Total fair value hedges					(4)
Cash flow hedges – FPL Energy:					
$ 87	August 2002	December 2007	4.410%	variable[c]	1
$ 172	August 2003	November 2007	3.557%	variable[c]	2
$ 5	February 2005	June 2008	4.255%	variable[c]	1
$ 78	December 2003	December 2017	4.245%	variable[c]	3
$ 26	April 2004	December 2017	3.845%	variable[c]	1
$ 234	December 2005	November 2019	4.905%	variable[c]	2
Total cash flow hedges					10
Total interest rate hedges					$ 6

(a) Three-month LIBOR plus 0.50577%
(b) Three-month LIBOR plus 0.4025%
(c) Three-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 $390 million ($200 million for FPL) at December 31, 2006.

Equity price risk – Included in the nuclear decommissioning reserve funds of FPL Group are marketable equity securities carried at their market value of approximately $1,395 million and $1,113 million ($1,029 million and $933 million for FPL) at December 31, 2006 and 2005, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges, which is a reasonable near-term market change, would result in a $139 million ($103 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, 2006.

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 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, 2006, approximately 97% 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 its 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.

In accordance with the SEC's published guidance, we have excluded from our current assessment the internal control over financial reporting for Duane Arnold Energy Center in which a 70 percent interest was acquired on January 27, 2006 and whose financial statements reflect total assets and revenues consisting of approximately two percent and approximately one percent, respectively, of FPL Group's consolidated total assets and operating revenues as of and for the year ended December 31, 2006. FPL Group will include Duane Arnold Energy Center in its assessment as of December 31, 2007.

Management assessed the effectiveness of FPL Group's and FPL's internal control over financial reporting as of December 31, 2006, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the Internal Control – Integrated Framework and also the standards of the Public Company Accounting Oversight Board. Based on this assessment, management believes that FPL Group's and FPL's internal control over financial reporting was effective as of December 31, 2006.

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. FPL Group's and FPL's independent registered public accounting firm has issued an attestation report on management's assessment of FPL Group's and FPL's internal control over financial reporting. That report appears on the following page.

LEWIS HAY, III
Lewis Hay, III
Chairman and Chief Executive Officer of FPL Group
and Chairman and Chief Executive Officer of FPL

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance and Chief
Financial Officer of FPL Group
and Senior Vice President, Finance
and Chief Financial Officer of FPL

K. MICHAEL DAVIS
K. Michael Davis
Controller and Chief Accounting Officer
of FPL Group and Vice President,
Accounting, Controller 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 management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that FPL Group, Inc. and subsidiaries (FPL Group) and Florida Power & Light Company and subsidiaries (FPL) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from their assessment the internal control over financial reporting for Duane Arnold Energy Center in which a 70 percent interest was acquired on January 27, 2006 and whose financial statements reflect total assets and revenues constituting approximately two percent and approximately one percent, respectively, of the related consolidated financial statement amounts of FPL Group as of and for the year ended December 31, 2006. Accordingly, our audit of FPL Group did not include the internal control over financial reporting for Duane Arnold Energy Center in which a 70 percent interest was acquired on January 27, 2006. FPL Group's management 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. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of 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 audit 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 effectiveness 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, management's assessment that FPL Group and FPL maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, FPL Group and FPL maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, 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, 2006 of FPL Group and FPL and our report dated February 26, 2007 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding FPL Group's and FPL's accounting changes resulting from the adoption of new accounting standards.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 26, 2007

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, 2006 and 2005, and the related consolidated statements of income, common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. 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 audit 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 the financial position of FPL at December 31, 2006 and 2005, and the respective results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, in 2006 FPL Group and FPL changed their method of accounting for planned major maintenance activities to adopt FASB Staff Position AUG AIR-1, *Accounting for Planned Major Maintenance Activities* and, retrospectively, adjusted the 2005 and 2004 financial statements for the change. As discussed in Note 3 to the consolidated financial statements, in 2006, FPL Group also adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of FPL Group's and FPL's internal control over financial reporting as of December 31, 2006, 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, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of FPL Group's and FPL's internal control over financial reporting and an unqualified opinion on the effectiveness of FPL Group's and FPL's internal control over financial reporting.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 26, 2007

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

	Years Ended December 31,		
	2006	2005*	2004*
OPERATING REVENUES	$ 15,710	$ 11,846	$ 10,522
OPERATING EXPENSES			
Fuel, purchased power and interchange	8,943	6,171	5,217
Other operations and maintenance	2,022	1,814	1,659
Impairment and restructuring charges	105	-	81
Disallowed storm costs	52	-	-
Merger-related	23	-	-
Amortization of storm reserve deficiency	151	155	-
Depreciation and amortization	1,185	1,285	1,198
Taxes other than income taxes	1,132	931	882
Total operating expenses	13,613	10,356	9,037
OPERATING INCOME	2,097	1,490	1,485
OTHER INCOME (DEDUCTIONS)			
Interest charges	(706)	(593)	(489)
Equity in earnings of equity method investees	181	124	96
Gains (losses) on disposal of assets	29	52	(3)
Allowance for equity funds used during construction	21	28	37
Interest income	53	59	25
Other – net	3	23	17
Total other deductions – net	(419)	(307)	(317)
INCOME BEFORE INCOME TAXES	1,678	1,183	1,168
INCOME TAXES	397	282	272
NET INCOME	$ 1,281	$ 901	$ 896
Earnings per share of common stock:			
Basic	$ 3.25	$ 2.37	$ 2.50
Assuming dilution	$ 3.23	$ 2.34	$ 2.48
Dividends per share of common stock	$ 1.50	$ 1.42	$ 1.30
Weighted-average number of common shares outstanding:			
Basic	393.5	380.1	358.6
Assuming dilution	396.5	385.7	361.7

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

FPL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31, 2006	December 31, 2005*
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	$ 34,071	$ 31,844
Nuclear fuel	688	520
Construction work in progress	1,393	945
Less accumulated depreciation and amortization	(11,653)	(10,888)
Total property, plant and equipment – net	24,499	22,421
CURRENT ASSETS		
Cash and cash equivalents	620	530
Customer receivables, net of allowances of $32 and $34, respectively	1,279	1,064
Other receivables, net of allowances of $8 and $9, respectively	377	366
Materials, supplies and fossil fuel inventory – at average cost	785	567
Regulatory assets:		
Deferred clause and franchise expenses	167	795
Storm reserve deficiency	106	156
Derivatives	921	-
Other	3	7
Derivatives	376	1,074
Other	365	428
Total current assets	4,999	4,987
OTHER ASSETS		
Nuclear decommissioning reserve funds	2,824	2,401
Pension plan assets – net	1,608	849
Other investments	533	474
Regulatory assets:		
Storm reserve deficiency	762	957
Deferred clause expenses	-	307
Unamortized loss on reacquired debt	39	42
Other	80	37
Other	647	515
Total other assets	6,493	5,582
TOTAL ASSETS	$ 35,991	$ 32,990
CAPITALIZATION		
Common shareholders' equity	$ 9,930	$ 8,561
Long-term debt	9,591	8,039
Total capitalization	19,521	16,600
CURRENT LIABILITIES		
Commercial paper	1,097	1,159
Current maturities of long-term debt	1,645	1,404
Accounts payable	1,060	1,245
Customer deposits	510	433
Margin cash deposits	35	393
Accrued interest and taxes	302	253
Regulatory liabilities:		
Deferred clause and franchise revenues	37	32
Derivatives	-	757
Pension	17	-
Derivatives	1,144	463
Other	646	1,128
Total current liabilities	6,493	7,267
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	1,820	1,685
Accumulated deferred income taxes	3,432	3,052
Regulatory liabilities:		
Accrued asset removal costs	2,044	2,033
Asset retirement obligation regulatory expense difference	868	786
Pension	531	-
Other	209	256
Other	1,073	1,311
Total other liabilities and deferred credits	9,977	9,123
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 35,991	$ 32,990

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

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

	Years Ended December 31, 2006	2005*	2004*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,281	$ 901	$ 896
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,143	1,242	1,153
Nuclear fuel amortization	127	99	93
Impairment and restructuring charges	105	-	33
Recoverable storm-related costs of FPL	(364)	(659)	(627)
Amortization of storm reserve deficiency	151	155	-
Unrealized (gains) losses on marked to market energy contracts	(173)	191	25
Deferred income taxes	393	343	433
Cost recovery clauses and franchise fees	940	(825)	144
Change in prepaid option premiums	(66)	(57)	21
Equity in earnings of equity method investees	(181)	(124)	(96)
Distributions of earnings from equity method investees	104	86	83
Changes in operating assets and liabilities:			
Customer receivables	(215)	(225)	23
Other receivables	62	(64)	16
Material, supplies and fossil fuel inventory	(203)	(173)	29
Other current assets	8	(9)	(10)
Other assets	(142)	(47)	(88)
Accounts payable	(202)	346	220
Customer deposits	76	32	37
Margin cash deposits	(546)	387	5
Income taxes	(46)	(51)	108
Interest and other taxes	49	29	(2)
Other current liabilities	50	(95)	80
Other liabilities	32	(53)	(48)
Other – net	115	118	122
Net cash provided by operating activities	2,498	1,547	2,650
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures of FPL	(1,763)	(1,616)	(1,394)
Independent power investments	(1,701)	(815)	(476)
Nuclear fuel purchases	(212)	(102)	(141)
Other capital expenditures	(63)	(13)	(6)
Sale of independent power investments	20	69	93
Loan repayments and capital distributions from equity method investees	-	199	9
Proceeds from sale of securities in nuclear decommissioning and storm funds	3,135	2,837	2,311
Purchases of securities in nuclear decommississioning and storm funds	(3,217)	(2,956)	(2,220)
Proceeds from sale of other securities	96	100	30
Purchases of other securities	(109)	(112)	(45)
Sale of Olympus Communications, L.P. note receivable	-	-	126
Funding of secured loan	-	(43)	(128)
Repayment of secured loan	-	218	-
Proceeds from termination and sale of leveraged leases	-	58	-
Other – net	7	11	(31)
Net cash used in investing activities	(3,807)	(2,165)	(1,872)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	3,408	1,391	569
Retirements of long-term debt and FPL preferred stock	(1,665)	(1,220)	(432)
Proceeds from purchased Corporate Units	210	-	-
Payments to terminate Corporate Units	(258)	-	-
Net change in short-term debt	(62)	667	(423)
Issuances of common stock	333	639	110
Dividends on common stock	(593)	(544)	(467)
Other – net	26	(10)	(39)
Net cash provided by (used in) financing activities	1,399	923	(682)
Net increase in cash and cash equivalents	90	305	96
Cash and cash equivalents at beginning of year	530	225	129
Cash and cash equivalents at end of year	$ 620	$ 530	$ 225
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	$ 648	$ 543	$ 460
Cash paid (received) for income taxes – net	$ 30	$ 8	$ (254)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Issuance of common stock and conversion of options and warrants in connection with the acquisition of Gexa Corp.	$ -	$ 74	$ -

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

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

	Common Stock [b]		Additional		Accumulated Other		Common
	Shares	Aggregate Par Value	Paid-In Capital	Unearned Compensation	Comprehensive Income (Loss) [c]	Retained Earnings*	Shareholders' Equity*
Balances, January 1, 2004	369	$ 4	$ 3,395	$ (181)	$ 4	$ 3,782	$ 7,004
Net income	-	-	-	-	-	896	
Issuances of common stock, net of issuance cost of less than $1	2	-	83	-	-	-	
Exercise of stock options and other incentive plan activity	1	-	77	-	-	-	
Dividends on common stock	-	-	-	-	-	(467)	
Earned compensation under ESOP	-	-	21	16	-	-	
Other comprehensive loss	-	-	-	-	(50)	-	
Other	-	-	1	2	-	-	
Balances, December 31, 2004	372 [d]	4	3,577	(163)	(46)	4,211	$ 7,583
Net income	-	-	-	-	-	901	
Issuances of common stock, net of issuance cost of less than $1	20	-	645	-	-	-	
Exercise of stock options and other incentive plan activity	3	-	98	-	-	-	
Dividends on common stock	-	-	-	-	-	(544)	
Earned compensation under ESOP	-	-	19	14	-	-	
Other comprehensive loss	-	-	-	-	(147)	-	
Other	-	-	1	(9)	-	-	
Balances, December 31, 2005	395 [d]	4	4,340	(158)	(193)	4,568	$ 8,561
Net income	-	-	-	-	-	1,281	
Issuances of common stock, net of issuance cost of less than $1	9	-	307	-	-	-	
Exercise of stock options and other incentive plan activity	1	-	64	-	-	-	
Dividends on common stock	-	-	-	-	-	(593)	
Earned compensation under ESOP	-	-	21	14	-	-	
Termination of Corporate Units, net of tax benefit of $15 million	-	-	(33)	-	-	-	
Other comprehensive income	-	-	-	-	210	-	
Implementation of FAS 158	-	-	-	-	98	-	
Other	-	-	(1)	1	-	-	
Balances, December 31, 2006	405 [d]	$ 4	$ 4,698	$ (143)	$ 115	$ 5,256	$ 9,930

[a] Information pertaining to shares, aggregate par value and additional paid-in capital have been restated to reflect the two-for-one stock split effective March 15, 2005. See Note 12 – Earnings Per Share.

[b] $0.01 par value, authorized – 800,000,000 shares; outstanding shares 405,404,438, 394,854,416 and 372,351,756 at December 31, 2006, 2005 and 2004, respectively.

[c] Comprehensive income, which includes net income and other comprehensive income (loss), totaled approximately $1,491 million, $754 million and $846 million for 2006, 2005 and 2004, respectively.

[d] Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled approximately 9 million, 10 million and 11 million at December 31, 2006, 2005 and 2004, respectively.

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

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

	Years Ended December 31,		
	2006	2005	2004
OPERATING REVENUES	$ 11,988	$ 9,528	$ 8,734
OPERATING EXPENSES			
Fuel, purchased power and interchange	7,116	4,910	4,467
Other operations and maintenance	1,374	1,307	1,228
Disallowed storm costs	52	-	-
Amortization of storm reserve deficiency	151	155	-
Depreciation and amortization	787	951	915
Taxes other than income taxes	1,045	858	809
Total operating expenses	10,525	8,181	7,419
OPERATING INCOME	1,463	1,347	1,315
OTHER INCOME (DEDUCTIONS)			
Interest charges	(278)	(224)	(183)
Allowance for equity funds used during construction	21	28	37
Other – net	20	5	(10)
Total other deductions – net	(237)	(191)	(156)
INCOME BEFORE INCOME TAXES	1,226	1,156	1,159
INCOME TAXES	424	408	409
NET INCOME	802	748	750
PREFERRED STOCK DIVIDENDS	-	-	1
NET INCOME AVAILABLE TO FPL GROUP	$ 802	$ 748	$ 749

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

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31, 2006	December 31, 2005*
ELECTRIC UTILITY PLANT		
Plant in service	$ 24,150	$ 23,251
Nuclear fuel	423	380
Construction work in progress	1,113	776
Less accumulated depreciation and amortization	(9,848)	(9,530)
Electric utility plant – net	15,838	14,877
CURRENT ASSETS		
Cash and cash equivalents	64	56
Customer receivables, net of allowances of $15 and $20, respectively	872	653
Other receivables, net of allowances of $1 and $1, respectively	221	313
Materials, supplies and fossil fuel inventory – at average cost	558	449
Regulatory assets:		
Deferred clause and franchise expenses	167	795
Storm reserve deficiency	106	156
Derivatives	921	-
Other	-	7
Derivatives	4	828
Other	202	212
Total current assets	3,115	3,469
OTHER ASSETS		
Nuclear decommissioning reserve funds	2,264	2,083
Pension plan assets – net	857	802
Regulatory assets:		
Storm reserve deficiency	762	957
Deferred clause expenses	-	307
Unamortized loss on reacquired debt	39	42
Other	37	37
Other	161	152
Total other assets	4,120	4,380
TOTAL ASSETS	$ 23,073	$ 22,726
CAPITALIZATION		
Common shareholder's equity	$ 7,539	$ 6,737
Long-term debt	4,214	3,271
Total capitalization	11,753	10,008
CURRENT LIABILITIES		
Commercial paper	630	1,159
Current maturities of long-term debt	-	135
Accounts payable	735	863
Customer deposits	500	423
Margin cash deposits	-	382
Accrued interest and taxes	281	174
Regulatory liabilities:		
Deferred clause and franchise revenues	37	32
Derivatives	-	757
Derivatives	780	-
Other	423	929
Total current liabilities	3,386	4,854
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	1,572	1,474
Accumulated deferred income taxes	2,561	2,647
Regulatory liabilities:		
Accrued asset removal costs	2,044	2,033
Asset retirement obligation regulatory expense difference	868	786
Other	209	256
Other	680	668
Total other liabilities and deferred credits	7,934	7,864
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 23,073	$ 22,726

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

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

	Years Ended December 31,		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 802	$ 748	$ 750
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	745	909	870
Nuclear fuel amortization	89	72	66
Recoverable storm-related costs	(364)	(659)	(627)
Amortization of storm reserve deficiency	151	155	-
Deferred income taxes	27	531	553
Cost recovery clauses and franchise fees	940	(825)	144
Change in prepaid option premiums	(73)	(43)	9
Changes in operating assets and liabilities:			
Customer receivables	(219)	(68)	51
Other receivables	40	(26)	(5)
Material, supplies and fossil fuel inventory	(110)	(133)	39
Other current assets	9	(9)	(8)
Other assets	(83)	(43)	(77)
Accounts payable	(124)	221	171
Customer deposits	77	35	42
Margin cash deposits	(485)	382	-
Income taxes	157	(71)	(61)
Interest and other taxes	24	17	(1)
Other current liabilities	16	(44)	27
Other liabilities	10	31	(37)
Other – net	39	58	42
Net cash provided by operating activities	1,668	1,238	1,948
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,763)	(1,616)	(1,394)
Nuclear fuel purchases	(105)	(95)	(90)
Proceeds from sale of securities in nuclear decommissioning and storm funds	2,673	2,767	2,290
Purchases of securities in nuclear decommissioning and storm funds	(2,738)	(2,870)	(2,206)
Other – net	-	(2)	-
Net cash used in investing activities	(1,933)	(1,816)	(1,400)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	937	588	236
Retirements of long-term debt	(135)	(500)	-
Issuances of preferred stock	-	-	20
Retirements of preferred stock	-	(25)	-
Net change in short-term debt	(529)	667	(139)
Dividends	-	(161)	(604)
Net cash provided by (used in) financing activities	273	569	(487)
Net increase (decrease) in cash and cash equivalents	8	(9)	61
Cash and cash equivalents at beginning of year	56	65	4
Cash and cash equivalents at end of year	$ 64	$ 56	$ 65
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	$ 257	$ 217	$ 167
Cash paid (received) for income taxes – net	$ 339	$ (46)	$ (60)

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
(millions)

	Common Stock [a]	Additional Paid-In Capital	Retained Earnings	Common Shareholder's Equity
Balances, December 31, 2003	$ 1,373	$ 4,318	$ 313	
Net income available to FPL Group	-	-	749	
Dividends to FPL Group	-	-	(603)	
Balances, December 31, 2004	1,373	4,318	459	$ 6,150
Net income available to FPL Group	-	-	748	
Dividends to FPL Group	-	-	(161)	
Balances, December 31, 2005	1,373	4,318	1,046	$ 6,737
Net income available to FPL Group	-	-	802	
Balances, December 31, 2006	$ 1,373	$ 4,318	$ 1,848	$ 7,539

(a) 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, 2006, 2005 and 2004

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 FPL Energy, LLC (FPL Energy). FPL, a rate-regulated public utility, supplies electric service to approximately 4.4 million customer accounts throughout most of the east and lower west coasts of Florida. FPL Energy 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. All significant intercompany balances and transactions have been eliminated in consolidation. Amounts included in the consolidated financial statements and the accompanying notes have been adjusted to reflect the retrospective application of a Financial Accounting Standards Board (FASB) Staff Position (FSP) related to planned major maintenance activities (Major Maintenance FSP). See Major Maintenance Costs below. In addition, 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. Revenues from cost recovery clauses are recorded when billed; FPL achieves matching of costs and related revenues by deferring the net under- or over-recovery. Any under-recovered costs or over-recovered revenues are collected from or returned to customers in subsequent periods. Although deferred clause revenues and expenses do not significantly affect net income, the under- or over-recoveries can significantly affect FPL Group's and FPL's operating cash flows.

Beginning in 2004, in order to comply with a U.S. Nuclear Regulatory Commission (NRC) order, FPL incurred additional cost to modify its security systems at its St. Lucie and Turkey Point nuclear units. During 2005 and 2004, FPL incurred and deferred pursuant to an FPSC order a total of approximately $37 million in additional costs as a regulatory asset (included in regulatory assets – other) and, in 2005, accrued interest on the deferred amount at an FPSC-approved rate of 7.29%. During 2005, FPL reduced the regulatory asset by the amount of the reduction in the decommissioning accrual approved by the FPSC in the 2005 rate agreement discussed below. Effective January 1, 2006, the remaining balance of approximately $13 million was included in rate base and is being amortized over a four-year period and included in depreciation expense. At December 31, 2006 the remaining balance was approximately $10 million.

In 2000, a bankruptcy court approved a $222.5 million settlement of a contract dispute between FPL and two qualifying facilities. As approved by the FPSC, FPL recovered the cost of the settlement through the fuel and purchased power cost recovery clause (fuel clause) and capacity cost recovery clause (capacity clause) over a five-year period which began January 1, 2002. The settlement cost is included in deferred clause and franchise expenses on FPL Group's and FPL's December 31, 2005 consolidated balance sheet.

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 $122 million and $123 million at December 31, 2006 and 2005, respectively. FPL's operating revenues also include amounts resulting from cost recovery clauses (see Regulation), franchise fees, gross receipts taxes and beginning in 2005 a surcharge related to the recovery of storm restoration costs associated with the 2004 hurricanes (see Storm Reserve Deficiency). 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 $773 million, $604 million and $558 million in 2006, 2005 and 2004, 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 rate case filing. FPL expects the 2005 rate agreement to be in effect through December 31, 2009, and thereafter shall remain in effect until terminated on the date new retail base rates become effective pursuant to an FPSC order. The 2005 rate agreement replaced a rate agreement that was effective April 15, 2002 through December 31, 2005 (2002 rate agreement).

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 will increase approximately $127 million on an annualized basis when a 1,144 megawatt (mw) natural gas-fired plant at FPL's Turkey Point site (Turkey Point Unit No. 5) is placed in service which is expected to occur in the second quarter of 2007. The 2005 rate agreement also continues the revenue sharing mechanism in FPL's 2002 rate agreement, 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 for 2007 and each succeeding year is 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 2007 is estimated to be $4,203 million and $4,373 million, respectively, and will be adjusted based on the actual incremental base revenues associated with Turkey Point Unit No. 5 going into service in the second quarter of 2007.

Under both the 2005 and 2002 rate agreements, the accrual for the refund associated with the revenue sharing mechanism is or was 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 threshold 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 both the 2005 and 2002 rate agreements, the annual refund (including interest) is or was paid to customers as a credit to their February electric bill. For the years ended December 31, 2006, 2005 and 2004, 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 suspended contributions of approximately $79 million per year to its nuclear decommissioning fund beginning in September 2005, (iii) FPL suspended contributions of $20.3 million per year to its storm and property insurance reserve beginning in January 2006 and has the ability to recover prudently incurred storm restoration costs, either through securitization pursuant to Section 366.8260 of the Florida Statutes or through surcharges, and (iv) 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.

The 2002 rate agreement provided for a $250 million annual reduction in retail base revenues allocated to all customers by reducing customers' base rates and service charges by approximately 7% as well as a revenue sharing mechanism based on stated thresholds. During the term of the 2002 rate agreement, FPL did not have an authorized regulatory ROE range for the purpose of addressing earnings levels and FPL reduced depreciation on its plant in service by $125 million each year.

FPL Energy's revenue is recorded as electricity is delivered, which is when revenue is earned. FPL Energy's 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 $28 million and $30 million at December 31, 2006 and 2005, respectively.

Electric Plant, Depreciation and Amortization – The cost of additions to units of utility property of FPL and FPL Energy 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, 2006, the electric generating, transmission, distribution and general facilities of FPL represented approximately 44%, 13%, 38% and 5%, 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 FPL Energy's generating facilities are encumbered by liens against their assets securing various financings. The net book value of FPL Energy's assets serving as collateral was approximately $4.6 billion at December 31, 2006.

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 2002 and 2005 rate agreements (see Revenues and Rates), FPL reduced depreciation by $125 million annually, which it has been doing since 2002. The weighted annual composite depreciation rate for FPL's electric plant in service, including capitalized software, but excluding the effects of decommissioning and dismantlement, was approximately 3.6%, 4.3% and 4.2% for 2006, 2005 and 2004, respectively. These rates exclude the depreciation adjustments discussed above. FPL Energy's electric plants in service less salvage value are depreciated primarily using the straight-line method over their estimated useful lives. FPL Energy's effective depreciation rates, excluding decommissioning, were 4.1%, 3.9% and 3.9% for 2006, 2005 and 2004, 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 FASB Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities," as revised (FIN 46(R)). See Note 9 – FPL.

FPL Energy's nuclear units have several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel. See Note 16 – Contracts. FPL Energy's 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 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 2006, 2005 and 2004, AFUDC was capitalized at a rate of 7.42%, 7.42% and 7.29%, respectively, and amounted to approximately $32 million, $41 million and $48 million, respectively. See Note 16 – Commitments.

FPL's construction work in progress at December 31, 2006 includes construction materials, progress payments on major equipment contracts, third party engineering costs 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, 2006 and 2005, FPL recorded approximately $152 million and $156 million, respectively, of construction accruals, which are included in other current liabilities on FPL Group's and FPL's consolidated balance sheets.

FPL Energy 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, 2006 and 2005, FPL Energy's capitalized development costs totaled approximately $22 million and $19 million, respectively, which are included in other assets on FPL Group's consolidated balance sheets. These costs include emission reduction credits, 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 the development of a project is no longer probable.

FPL Energy's 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 $17 million, $8 million and $43 million during 2006, 2005 and 2004, respectively. FPL Energy's interest charges are 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, 2006 and 2005, FPL Energy recorded approximately $38 million and $73 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 under FAS 143, "Accounting for Asset Retirement Obligations" and FIN 47, "Accounting for Conditional Asset Retirement Obligations." See Note 15.

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

	FPL									
	Nuclear Decommissioning		Fossil Dismantlement		Interim Removal Costs and Other		FPL Energy		FPL Group	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
					(millions)					
Asset retirement obligations (ARO)	$ 1,540	$ 1,460	$ 30	$ 11	$ 2	$ 3	$ 248	$ 211	$ 1,820	$ 1,685
Less capitalized ARO asset net of accumulated depreciation	55	57	5	2	-	1	-	-	60	60
Accrued asset removal costs [a]	192	178	279	277	1,573	1,578	-	-	2,044	2,033
Asset retirement obligation regulatory expense difference [a]	864	770	4	16	-	-	-	-	868	786
Accrued decommissioning, dismantlement and other accrued asset removal costs	$ 2,541[b]	$ 2,351[b]	$ 308[b]	$ 302[b]	$ 1,575[b]	$ 1,580[b]	$ 248	$ 211	$ 4,672	$ 4,444

[a] Regulatory liability on FPL Group's and FPL's consolidated balance sheets.
[b] Represents total amount accrued for ratemaking purposes.

FPL – For ratemaking purposes, FPL accrues for the cost of end of life retirement and disposal of its nuclear and fossil plants over the expected service life of each unit based on nuclear decommissioning and fossil dismantlement studies periodically filed with the FPSC. In addition, FPL accrues for interim removal costs over the life of the related assets based on depreciation studies approved by the FPSC. For financial reporting purposes, FPL recognizes decommissioning and dismantlement liabilities in accordance with FAS 143 and FIN 47. Any differences between expense recognized under FAS 143 and FIN 47 and the amount recoverable through rates are deferred in accordance with FAS 71. See Electric Plant, Depreciation and Amortization and Note 15.

Nuclear decommissioning studies are performed at least every five years and are submitted to the FPSC for approval. FPL filed updated nuclear decommissioning studies with the FPSC in December 2005. The studies filed in December 2005 support the suspension, effective September 2005, of the $79 million annual decommissioning accrual as provided for in the 2005 rate agreement. These studies reflect FPL's current plans, under the extended operating licenses, for prompt dismantlement of Turkey Point Units Nos. 3 and 4 following the end of plant operation with decommissioning activities commencing in 2032 and 2033, respectively, and 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. These studies also assume that FPL will be storing spent fuel on site pending removal to a U.S. government facility. The studies indicate FPL's portion of the ultimate costs of decommissioning its four nuclear units, including costs associated with spent fuel storage, to be approximately $10.9 billion. FPL's portion of the ultimate cost of decommissioning its four units, expressed in 2006 dollars, is estimated by the studies to aggregate $2.1 billion.

During 2006, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $80 million related to ARO accretion expense, approximately $2 million related to depreciation of the capitalized ARO asset and approximately $82 million to adjust the total accrual to reflect the suspension of the accrual by the FPSC effective September 1, 2005. During 2005, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $112 million related to ARO accretion expense, approximately $7 million related to depreciation of the capitalized ARO asset, approximately $4 million related to the non-legal obligation included in accrued asset removal costs and approximately $70 million to adjust the total accrual to the $53 million approved by the FPSC for decommissioning expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income). During 2004, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $106 million related to ARO accretion expense, approximately $8 million related to depreciation of the capitalized ARO asset, approximately $6 million related to the non-legal obligation included in accrued asset removal costs and approximately $41 million to adjust the total accrual to the $79 million approved by the FPSC for decommissioning expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income).

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in nuclear decommissioning reserve funds of FPL. Consistent with regulatory treatment, marketable securities held in the decommissioning funds are classified as available for sale and are carried at market value with market adjustments, including any other-than-temporary impairment losses, resulting in a corresponding adjustment to the related regulatory liability accounts. See Note 10. Contributions to the funds were based on current period decommissioning expense and were suspended beginning September 2005. Additionally, fund earnings, net of taxes, are reinvested in the funds. Earnings are recognized as income and an offsetting expense is recorded to reflect a corresponding increase in the related regulatory liability accounts. As a result, there is no effect on net income. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

Fossil fuel plant dismantlement studies are performed and filed with the FPSC at least every four years. FPL's latest fossil fuel plant dismantlement studies became effective January 1, 2003. The studies indicate that FPL's portion of the ultimate cost to dismantle its fossil units is $668 million. During 2006, with respect to costs associated with fossil dismantlement, FPL recognized approximately $1 million related to ARO accretion expense and depreciation of the capitalized ARO asset, approximately $17 million related to the non-legal obligation included in accrued asset removal costs and approximately $1 million to adjust the total accrual to the $19 million approved by the FPSC for dismantlement expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income). FPL recognized fossil dismantlement expense of approximately $19 million in both 2005 and 2004, which is included in depreciation and amortization expense.

FPL Energy – FPL Energy records nuclear decommissioning liabilities for Seabrook Station (Seabrook) and Duane Arnold Energy Center (Duane Arnold) in accordance with FAS 143 and FIN 47. See Note 15. At December 31, 2006 and 2005, FPL Energy's ARO related to nuclear decommissioning totaled approximately $213 million and $189 million, respectively, reflecting the fair value of FPL Energy's ultimate decommissioning liability for Seabrook and Duane Arnold. The fair value of the ultimate decommissioning liability as of December 31, 2006 was determined using various internal and external data. FPL Energy's portion of the ultimate cost of decommissioning Seabrook and Duane Arnold, including costs associated with spent fuel storage, is approximately $4.3 billion, or $725 million expressed in 2006 dollars. The liability is being accreted using the interest method through the date decommissioning activities are expected to be complete.

Seabrook's decommissioning funding plan is based on a comprehensive nuclear decommissioning study filed with the New Hampshire Nuclear Decommissioning Financing Committee (NDFC) in 2003 and is effective for four years. Currently, there are no ongoing decommissioning funding requirements for Duane Arnold, however, the NRC has the authority to require additional funding in the future. FPL Energy's portion of Seabrook's and Duane Arnold's restricted trust funds for the payment of future expenditures to decommission these plants is included in FPL Group's nuclear decommissioning reserve funds. Marketable securities held in the decommissioning funds are classified as available for sale and are carried at market value with market adjustments resulting in a corresponding adjustment to other comprehensive income (OCI). All unrealized losses associated with marketable securities that are considered to be other-than-temporary are recognized as an expense in other – net in FPL Group's consolidated statements of income. Fund earnings are recognized in income and are reinvested in the funds either on a pretax or after-tax basis. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes. See Note 10.

Major Maintenance Costs – FPL Group and FPL adopted the Major Maintenance FSP effective December 31, 2006. The Major Maintenance FSP eliminates the accrue-in-advance method for recognizing costs associated with planned major maintenance activities, and requires retrospective application to all prior periods presented. Prior to adoption of the Major Maintenance FSP, FPL and FPL Energy utilized the accrue-in-advance method to account for certain planned major maintenance costs. Upon adoption of the Major Maintenance FSP, FPL will continue to apply the accrue-in-advance method in accordance with regulatory treatment and has reclassified the accrual to a regulatory liability. FPL Energy utilizes the deferral method to account for certain planned major maintenance costs.

FPL's estimated nuclear maintenance costs for each nuclear unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. Any difference between the estimated and actual costs is included in O&M expenses when known. The estimated costs for inspection and repair of FPL's four reactor vessel heads were deferred and were amortized on a levelized basis over a five-year period beginning in 2002 as authorized by the FPSC, and amounted to approximately $1 million in 2006, $11 million in 2005 and $10 million in 2004. The accrued liability for nuclear maintenance costs, including those for the reactor vessel heads, at December 31, 2006 and 2005 totaled approximately $47 million and $79 million, respectively, and is included in regulatory liabilities – other. For the years ended December 31, 2006, 2005 and 2004, FPL recognized approximately $79 million, $96 million and $97 million, respectively, in nuclear maintenance costs (including reactor vessel head inspection and repair costs) which are included in O&M expenses in FPL Group's and FPL's consolidated income statements.

FPL Energy's major maintenance costs for its combustion turbines are capitalized and amortized on a units of production method over the period from the end of the last outage to the beginning of the next planned outage. FPL Energy's major maintenance costs for its nuclear generating units are capitalized and amortized on a straight-line basis over the period from the end of the last outage to the beginning of the next planned outage. FPL Energy's deferred major maintenance costs totaled approximately $51 million and $22 million at December 31, 2006 and 2005, respectively, and are included in other assets. For the years ended December 31, 2006, 2005 and 2004, FPL Energy recognized approximately $49 million, $38 million and $43 million in major maintenance costs which are included in O&M expenses in FPL Group's consolidated income statements.

As a result of the retrospective application of the Major Maintenance FSP, FPL Group's and FPL's consolidated balance sheet line items increased (decreased) by the following amounts:

	December 31, 2005	
	FPL Group	FPL
	(millions)	
Electric utility plant in service and other property	$ (42)	$ -
Other investments	$ 7	$ -
Other assets	$ 21	$ -
Common shareholders' equity [(a)]	$ 62	$ -
Accumulated deferred income taxes	$ 37	$ -
Regulatory liabilities – other	$ 75	$ 75
Other liabilities	$ (188)	$ (75)

(a) Common shareholders' equity at December 31, 2004 and January 1, 2004 increased by $46 million and $37 million, respectively.

As a result of the retrospective application of the Major Maintenance FSP, FPL Group's consolidated income statement line items increased (decreased) by the following amounts:

	December 31,	
	2005	2004
	(millions, except per share amounts)	
Other O&M expenses	$ (26)	$ (13)
Equity in earnings of equity method investees	$ -	$ 2
Other – net	$ -	$ (1)
Income taxes	$ 10	$ 5
Net income	$ 16	$ 9
Earnings per share of common stock – basic	$ 0.04	$ 0.03
Earnings per share of common stock – assuming dilution	$ 0.05	$ 0.03

Cash Equivalents – Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Restricted Cash – At December 31, 2006 and 2005, FPL Group had approximately $218 million ($103 million for FPL) and $56 million (none for FPL), respectively, of restricted cash included in other current assets on FPL Group's and FPL's consolidated balance sheets, essentially all of which is restricted for margin collateral, debt service payments and O&M expenses.

Allowance for Doubtful Accounts – FPL maintains an accumulated provision for uncollectible customer accounts receivable that is determined by multiplying the previous six months of revenues by a bad debt percentage, which represents an average of the past two years' actual write-offs. Additional amounts are included in the provision to address specific items that are not considered in the calculation described above. FPL Energy regularly reviews collectibility of its receivables and establishes a provision for losses estimated as a percentage of revenue based on the historical bad debt write-off trends for its retail energy business and, when necessary, using the specific identification method for all other receivables.

Inventory – FPL values materials, supplies and fossil fuel inventory using a weighted-average cost method. FPL Energy's materials, supplies and oil and gas inventories are carried at the lower of weighted-average cost or market, unless evidence indicates that the weighted-average cost (even if in excess of market) will be recovered with a normal profit upon sale in the ordinary course of business.

Energy Trading – FPL Group provides full energy and capacity requirements services to distribution utilities and engages in energy trading activities to optimize the value of electricity and fuel contracts and generating facilities, as well as to take advantage of expected favorable commodity price movements. Trading contracts that meet the definition of a derivative are accounted for at market value and realized gains and losses from all trading contracts, including those where physical delivery is required, are recorded net for all periods presented. See Note 4.

Fair Value Measurements – In September 2006, the FASB issued FAS 157, "Fair Value Measurements," which clarifies how to measure fair value and requires enhanced fair value measurement disclosures. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets for identical assets or liabilities. FPL Group and FPL will be required to adopt FAS 157 on January 1, 2008. FPL Group and FPL are currently evaluating the impact of FAS 157.

The Fair Value Option for Financial Assets and Financial Liabilities – In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits, but does not require, entities to account for financial instruments at fair value. The standard does not extend to non-financial instruments. FPL Group and FPL will be required to adopt FAS 159 on January 1, 2008. FPL Group and FPL are currently evaluating the impact of FAS 159.

Storm Reserve Deficiency – The storm reserve deficiency represents storm restoration costs incurred by FPL that exceeded the amounts in the storm and property insurance reserve and are probable of recovery through future rates. The storm and property insurance reserve provided FPL coverage toward storm damage costs and possible retrospective premium assessments stemming from a nuclear incident under the various insurance programs covering FPL's nuclear generating plants. The storm restoration costs were associated with hurricanes and storms that affected FPL's service territory primarily in 2004 and 2005. At December 31, 2006 and 2005, FPL's storm reserve deficiency totaled approximately $868 million and $1.1 billion, respectively, a portion of which is included in current assets.

In May 2006, the FPSC approved the issuance of up to $708 million of bonds pursuant to the securitization provisions of Section 366.8260 of the Florida Statutes for the net-of-tax recovery by FPL of the estimated storm reserve deficiency, including interest, and for a storm and property insurance reserve of $200 million. The unrecovered 2004 storm restoration costs are being recovered through a previously approved storm damage surcharge applied to retail customer bills since February 2005. Once the bonds are issued, a surcharge to retail customers will be used for repayment of the outstanding bonds. During 2006 and 2005, FPL billed to customers approximately $151 million and $155 million, respectively, through the storm damage surcharge, which is included in operating revenues on the consolidated statements of income. A corresponding expense for the amortization of the storm reserve deficiency is shown as a separate line on the consolidated statements of income. FPL is working with the FPSC staff and its financial advisors to complete the issuance of the bonds.

In its May 2006 decision, the FPSC applied a different standard for recovery of 2005 storm costs than was used for the 2004 storm costs. Accordingly, the FPSC made certain adjustments and disallowances to amounts sought to be recovered by FPL. In addition, the FPSC allowed FPL to recover interest on 2005 storm restoration costs. These adjustments and disallowances reduced FPL Group's and FPL's net income for the year ended December 31, 2006 by approximately $27 million, reduced FPL Group's and FPL's storm reserve deficiency by approximately $33 million and reduced FPL Group's and FPL's property, plant and equipment by approximately $11 million.

Impairment 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." See Note 5.

Goodwill and Other Intangible Assets – FPL Group's goodwill and other intangible assets are as follows:

	Weighted Average Useful Lives (Years)	December 31, 2006	December 31, 2005
		(millions)	
Goodwill:			
Merchant reporting unit		$ 72	$ 72
Wind reporting unit		17	-
Total goodwill		$ 89	$ 72
Other intangible assets:			
Purchase power agreements	17	$ 59	$ 41
Customer lists	8	29	29
Other, primarily transmission and land rights, permits and licenses	30	58	53
Total		146	123
Less accumulated amortization		39	21
Total other intangible assets – net		$ 107	$ 102

FPL Energy has recorded goodwill in its merchant reporting unit related to the acquisition of Gexa Corp. in 2005 and in its wind reporting unit related to the acquisition of a wind modeling and analysis business in 2006. The acquisitions were accounted for using the purchase method of accounting. FPL Energy's other intangible assets are amortized, primarily on a straight-line basis, over their estimated useful lives. For the years ended December 31, 2006, 2005 and 2004, amortization expense was approximately $12 million, $8 million and $13 million, respectively, and is expected to be approximately $12 million, $11 million, $10 million, $10 million and $10 million for 2007, 2008, 2009, 2010 and 2011, respectively.

FPL Energy's goodwill and other intangible assets are included in other assets on FPL Group's consolidated balance sheets. In accordance with FAS 142, "Goodwill and Other Intangible Assets," goodwill is assessed for impairment at least annually by applying a fair value-based test. Other intangible assets are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted future cash flows in accordance with FAS 144.

Stock-Based Compensation – On January 1, 2006, FPL Group adopted FAS 123(R), "Share-Based Payment." The statement requires costs related to share-based payment transactions to be recognized in the financial statements based on grant-date fair value. Because FPL Group adopted the fair value recognition provisions of FAS 123, "Accounting for Stock-Based Compensation," on January 1, 2004, the adoption of FAS 123(R) did not have a significant effect on FPL Group's financial statements. See Note 12 – Stock-Based Compensation.

Retirement of Long-Term Debt – Gains and losses that result from differences in FPL's reacquisition cost and the book value of long-term debt which is retired are deferred and amortized to interest expense ratably over the remaining life of the original issue, which is consistent with its treatment in the ratemaking process. FPL Group Capital Inc (FPL Group Capital) recognizes as expense any such excess at time of retirement.

Income Taxes – Deferred income taxes are provided on all significant temporary differences between the financial statement and tax bases of assets and liabilities. In connection with the tax sharing agreement between FPL Group and its subsidiaries, the income tax provision at each subsidiary reflects the use of the "separate return method," except that tax benefits that could not be utilized on a separate return basis, but are utilized on the consolidated tax return, are recorded by the subsidiary. Any remaining consolidated income tax benefits or detriments are recorded at the corporate level. Included in other regulatory assets on FPL Group's and FPL's consolidated balance sheets is the revenue equivalent of the difference in accumulated deferred income taxes computed under FAS 109, "Accounting for Income Taxes," as compared to regulatory accounting rules. This amount totaled $26 million and $23 million at December 31, 2006 and 2005, respectively, and is being amortized in accordance with the regulatory treatment over the estimated lives of the assets or liabilities for which the deferred tax amount was initially recognized. Investment tax credits (ITC) for FPL are deferred and amortized to income over the approximate lives of the related property in accordance with the regulatory treatment. At December 31, 2006 and 2005, the ITC amount was approximately $46 million and $62 million, respectively, and is included in other regulatory liabilities on FPL Group's and FPL's consolidated balance sheets. Production tax credits (PTCs) are recognized as wind energy is generated based on a per kwh rate prescribed in applicable federal and state statutes. PTCs generated by certain wind operations of FPL Energy are recorded as a reduction of current income taxes payable, unless limited by tax law in which instance they are recorded as deferred tax assets. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. Accruals for estimated losses from federal and state income tax contingencies are established when it is probable that an income tax liability has been incurred and the amount of such loss is reasonably estimable. See Note 6.

Guarantees – FPL Group and FPL each account for payment guarantees and related contracts, for which it or a subsidiary is the guarantor, under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others," which requires that the fair value of guarantees provided to unconsolidated entities entered into after December 31, 2002 be recorded on the balance sheet. See Note 16 – Commitments.

Variable Interest Entities (VIEs) – FIN 46, "Consolidation of Variable Interest Entities," as revised (FIN 46(R)), requires FPL Group and FPL to assess the variable interests they hold and determine if those entities are VIEs. See Note 9.

2. Merger

In December 2005, FPL Group and Constellation Energy Group, Inc. (Constellation Energy) entered into an agreement and plan of merger. As a result of continued uncertainty over regulatory and judicial matters in Maryland, on October 24, 2006, FPL Group and Constellation Energy mutually agreed to terminate the proposed merger. No termination fee is payable under the termination agreement unless Constellation Energy agrees with another party to a comparable transaction on or prior to September 30, 2007, in which case a fee will be payable to FPL Group by Constellation Energy. FPL Group recorded approximately $23 million of merger-related costs in 2006, including the write-off of previously capitalized transaction costs.

3. Employee Retirement Benefits

Employee Benefit Plans and Other Postretirement Plan – FPL Group sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of FPL Group and its subsidiaries, including Duane Arnold since January 2006. FPL Group allocates net periodic pension benefit income to its subsidiaries based on the pensionable earnings of the subsidiaries' employees. FPL Group also has a supplemental executive retirement plan (SERP). See Supplemental Retirement Plan below. FPL Group allocates net periodic SERP benefit costs to its subsidiaries based upon actuarial calculations by participant. In addition to pension benefits, FPL Group sponsors a contributory postretirement plan for health care and life insurance benefits (other benefits) for retirees of FPL Group and its subsidiaries meeting certain eligibility requirements. FPL Group allocates other benefits net periodic benefit costs to its subsidiaries based upon the number of eligible employees at each subsidiary.

Implementation of FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" – Effective December 31, 2006, FPL Group adopted the recognition and disclosure provisions of FAS 158, which requires the reporting of previously unrecognized actuarial gains and losses, prior service costs or credits and transition assets or obligations on the balance sheet as part of accumulated other comprehensive income. 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 the recognition and disclosure 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 that are estimated to be allocable to FPL as net periodic benefit (income) cost in future periods is classified as regulatory assets and liabilities at FPL Group in accordance with regulatory treatment as required by FAS 71.

As a result of implementing the recognition and disclosure provisions of FAS 158 as of December 31, 2006, FPL Group's consolidated balance sheet line items were increased by the following amounts (millions):

Assets:	
Current assets	
Regulatory assets – other	$ 3
Other	5
Other assets	
Pension plan assets – net	713
Regulatory assets – other	44
Total assets	$ 765

Capitalization and liabilities:	
Common shareholders' equity (accumulated OCI)	$ 98
Current liabilities	
Regulatory liabilities – pension	17
Other	30
Other liabilities and deferred credits	
Accumulated deferred income taxes	64
Regulatory liabilities – pension	531
Other	25
Total capitalization and liabilities	$ 765

Benefit Obligations – FPL Group uses a measurement date of September 30 for its pension and other benefits plans. FAS 158 requires that FPL Group measure plan assets and liabilities as of its year end no later than December 31, 2008. The following table provides a reconciliation of the changes in the benefit obligations of the plans:

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
	(millions)			
Obligation at October 1 of prior year	$ 1,599	$ 1,581	$ 435	$ 468
Service cost	51	52	6	8
Interest cost	87	87	23	25
Participant contributions	-	-	4	5
Plan amendments [(a)]	(1)	9	-	-
Duane Arnold acquisition	38	-	6	-
Actuarial (gains) losses – net	(36)	(27)	(12)	(42)
Benefit payments	(117)	(103)	(37)	(29)
Obligation at September 30	$ 1,621	$ 1,599	$ 425	$ 435

(a) Primarily relates to union negotiated credits, Internal Revenue Code (IRC) transfers and various SERP changes.

FPL Group's accumulated benefit obligation, which includes no assumption about future compensation levels, for its pension plans at September 30, 2006 and 2005 was $1,573 million and $1,548 million, respectively.

The following table provides the weighted-average assumptions used to determine benefit obligations for the plans. These rates are used in determining net periodic benefit cost in the following year.

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Discount rate	5.85%	5.50%	5.90%	5.50%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%

An 8% annual rate of increase in the per capita cost of covered medical benefits and a 10% annual rate of increase in the per capita cost of covered prescription drug benefits was assumed for 2007. The rates are assumed to decrease gradually to 5% by 2013 and 2017 for medical and prescription drug benefits, respectively, and remain at that level thereafter. Assumed health care cost trend rates have an effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of one percentage point in assumed health care cost trend rates would have a corresponding effect on the other benefits accumulated obligation of approximately $7 million and $6 million, respectively, at September 30, 2006.

Plan Assets – The following table provides a reconciliation of the fair value of assets of the plans. Employer contributions and benefits paid in the table below include only those amounts contributed directly to, or paid directly from, plan assets.

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
	(millions)			
Fair value of plan assets at October 1 of prior year	$ 3,120	$ 2,907	$ 49	$ 50
Actual return on plan assets	250	331	1	2
Employer contributions [a]	1	6	30	21
Transfers for retiree medical expenses [b]	(24)	(21)	-	-
Duane Arnold acquisition	13	-	-	-
Participant contributions	-	-	5	5
Benefit payments	(117)	(103)	(37)	(29)
Fair value of plan assets at September 30	$ 3,243	$ 3,120	$ 48	$ 49

[a] FPL's portion of contributions related to other benefits was $27 million and $19 million for the years ended December 31, 2006 and 2005, respectively.
[b] Represents amounts that were transferred from the qualified pension plan as reimbursement for eligible retiree medical expenses paid by FPL Group pursuant to the provisions of the IRC.

FPL Group's current investment policy for the pension plan recognizes the benefit of protecting the plan's funded status, thereby avoiding the necessity of future employer contributions. Its broad objectives are to achieve a high rate of total return with a prudent level of risk taking while maintaining sufficient liquidity and diversification to avoid large losses and preserve capital.

FPL Group's pension plan fund has a strategic asset allocation that currently targets a mix of 45% equity investments, 45% fixed income investments and 10% convertible bonds. The fund's investment strategy emphasizes traditional investments, broadly diversified across the global equity and fixed income markets, utilizing a combination of different investment styles and vehicles. The pension fund's equity investments include direct equity holdings and assets classified as equity commingled vehicles. Similarly, its fixed income investments include direct debt security holdings and assets classified as debt security commingled vehicles. These equity and debt security commingled vehicles include common and collective trusts, pooled separate accounts, registered investment companies or other forms of pooled investment arrangements.

With regard to its other benefits plans, FPL Group's policy is to fund claims as incurred during the year through FPL Group contributions, participant contributions and plan assets. The other benefits plans' assets are invested with a focus on assuring the availability of funds to pay benefits while maintaining sufficient diversification to avoid large losses and preserve capital. The other benefits plans' fund has a strategic asset allocation that currently targets a mix of 60% equity investments and 40% fixed income investments. The fund's investment strategy emphasizes traditional investments, diversified across the global equity and fixed income markets. The fund's equity investments are comprised of assets classified as equity commingled vehicles. Similarly, its fixed income investments are comprised of assets classified as debt security commingled vehicles. These equity and debt commingled vehicles include common and collective trusts, pooled separate accounts, registered investment companies or other forms of pooled investment arrangements.

At September 30, the asset allocation for FPL Group's pension and other benefits funds were as follows:

	Pension Fund		Other Benefits Fund	
Asset Category	2006	2005	2006	2005
Equity	12%	12%	-%	36%
Equity commingled vehicles	35	39	66	21
Debt securities	26	30	-	1
Debt security commingled vehicles	19	19	34	42
Convertible bonds	8	-	-	-
Total	100%	100%	100 %	100%

Funded Status – The following table reconciles the funded status of the plans to the amounts on the consolidated balance sheets:

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
	(millions)			
Fair value of plan assets	$ 3,243	$ 3,120	$ 48	$ 49
Benefit obligation	(1,621)	(1,599)	(425)	(435)
Funded status at September 30	1,622	1,521	(377)	(386)
Unrecognized prior service (benefit) cost	-	(14)	-	-
Unrecognized transition obligation	-	-	-	25
Unrecognized (gain) loss	-	(644)	-	43
Other	(26)	(23)	6	10
Prepaid (accrued) benefit cost at FPL Group at December 31	$ 1,596	$ 840	$ (371)	$ (308)
Prepaid (accrued) benefit cost at FPL at December 31	$ 851	$ 798	$ (286)	$ (282)

FPL Group's and FPL's prepaid (accrued) benefit cost shown above are included in the consolidated balance sheets as follows:

	FPL Group				FPL			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2006	2005	2006	2005	2006	2005	2006	2005
	(millions)							
Pension plan assets – net	$ 1,608	$ 849	$ -	$ -	$ 857	$ 802	$ -	$ -
Accrued benefit cost included in other liabilities	(12)	(14)	(371)	(308)	(6)	(5)	(286)	(282)
Intangible asset included in other assets	-	3	-	-	-	1	-	-
Accumulated other comprehensive income	-	2	-	-	-	-	-	-
Prepaid (accrued) benefit cost at December 31	$ 1,596	$ 840	$ (371)	$ (308)	$ 851	$ 798	$ (286)	$ (282)

FPL Group's unrecognized amounts included in accumulated other comprehensive income (loss) yet to be recognized as components of prepaid (accrued) benefit cost are as follows:

	December 31, 2006	
	Pension Benefits	Other Benefits
	(millions)	
Components of accumulated other comprehensive income:		
Unrecognized prior service benefit (cost) (net of $1 tax expense)	$ 1	$ -
Unrecognized transition obligation (net of $1 tax benefit)	-	(2)
Unrecognized gain (loss) (net of $63 tax expense and $4 tax benefit, respectively)	100	(1)
Total [(a)]	$ 101	$ (3)

(a) Approximately $4 million of gains will be reclassified into earnings within the next 12 months.

FPL Group's unrecognized amounts included in regulatory assets (liabilities) yet to be recognized as components of net prepaid (accrued) benefit cost are as follows:

	December 31, 2006	
	Regulatory Liabilities (Pension)	Regulatory Assets (SERP and Other)
	(millions)	
Unrecognized prior service (benefit) cost	$ (10)	$ 2
Unrecognized transition obligation	-	17
Unrecognized (gain) loss	(538)	27
Total	$ (548) [a]	$ 46 [b]

[a] Approximately $3 million of prior service benefits and $14 million of gains will be reclassified into earnings within the next 12 months.
[b] Approximately $3 million of transition obligations will be reclassified into earnings within the next 12 months.

Expected Cash Flows – In December 2006, $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 IRC. FPL Group anticipates paying approximately $29 million for eligible retiree medical expenses on behalf of the other benefits plan during 2007 with substantially all amounts being reimbursed through a transfer of assets from the qualified pension plan pursuant to the provisions of the IRC.

The following table provides information about gross benefit payments expected to be paid by the plans for each of the following calendar years:

	Pension Benefits	Other Benefits
	(millions)	
2007	$ 123	$ 37
2008	$ 129	$ 39
2009	$ 137	$ 40
2010	$ 140	$ 40
2011	$ 146	$ 39
2012–2016	$ 759	$ 176

Net Periodic Cost – The following table provides the components of net periodic benefit (income) cost for the plans:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2006	2005	2004	2006	2005	2004
	(millions)					
Service cost	$ 51	$ 52	$ 52	$ 6	$ 8	$ 8
Interest cost	86	87	84	23	25	27
Expected return on plan assets	(213)	(211)	(207)	(3)	(3)	(4)
Amortization of transition (asset) obligation	-	-	(23)	4	3	3
Amortization of prior service benefit	(5)	(5)	(5)	-	-	-
Amortization of (gains) losses	(16)	(15)	(21)	-	4	5
Other	-	3	-	2	-	-
Net periodic benefit (income) cost at FPL Group	$ (97)	$ (89)	$ (120)	$ 32	$ 37	$ 39
Net periodic benefit (income) cost at FPL	$ (80)	$ (71)	$ (97)	$ 28	$ 32	$ 35

The following table provides the weighted-average assumptions used to determine net periodic benefit (income) cost for the plans:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2006	2005	2004	2006	2005	2004
Discount rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Salary increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expected long-term rate of return [(a)]	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%

[(a)] In developing the expected long-term rate of return on assets assumption for its plans, FPL Group evaluated input from its actuaries as well as information available in the marketplace. FPL Group considered the 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. No specific adjustments were made to reflect expectations of future returns.

Assumed health care cost trend rates have an effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of one percentage point in assumed health care cost trend rates would have affected the total service and interest cost recognized at September 30, 2006 by less than $1 million.

Supplemental Retirement Plan – FPL Group has a SERP which includes a non-qualified supplemental defined pension benefit component that provides benefits to a select group of management and highly compensated employees. The cost of this SERP component is included in the determination of net periodic benefit income for pension benefits in the preceding tables and was not material to FPL Group's financial statements for the years ended December 31, 2006, 2005 and 2004. The projected benefit obligation is included in the pension benefits obligation in the preceding tables and amounted to $12 million and $21 million for FPL Group at December 31, 2006 and 2005, respectively. Further, the accumulated benefit obligation was $6 million and $13 million for FPL Group ($5 million and $6 million for FPL) at December 31, 2006 and 2005, respectively.

FPL Group established a trust to provide assets that may be used for the benefits payable under the non-qualified supplemental defined benefit pension component of the SERP. The trust is irrevocable and, although subject to creditors' claims, assets contributed to the trust can only be used to pay such benefits with certain exceptions. These assets are included in other investments on the consolidated balance sheets and amounted to $5 million for FPL Group ($3 million for FPL) at both December 31, 2006 and 2005.

Employee Contribution Plans – FPL Group offers employee retirement savings plans which allow eligible participants to contribute a percentage of qualified compensation through payroll deductions. FPL Group makes matching contributions to participants' accounts. Defined contribution expense pursuant to these plans was approximately $32 million, $27 million and $27 million for FPL Group ($26 million, $25 million and $23 million for FPL) for years ended December 31, 2006, 2005 and 2004, respectively. See Note 12 – Employee Stock Ownership Plan (ESOP).

4. Derivative Instruments

Derivative instruments, when required to be marked to market under FAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, are recorded on FPL Group's and FPL's consolidated balance sheets as either an asset or liability measured at fair value.

FPL Group's and FPL's mark-to-market derivative instrument assets (liabilities) are included in the consolidated balance sheets as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2006	2005	2006	2005
	(millions)			
Current derivative assets	$ 376	$ 1,074	$ 4	$ 828
Other assets	78	62	-	-
Current derivative liabilities	(1,144)	(463)	(780)	-
Other liabilities	(107)	(387)	(1)	-
Total mark-to-market derivative instrument assets (liabilities)	$ (797)	$ 286	$ (777)	$ 828

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 risk associated with long-term debt. In addition, FPL Group uses derivatives to optimize the value of power generation assets. 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 FPL Energy, 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. While substantially all of FPL Energy's derivative transactions are entered into for the purposes described above, hedge accounting is only applied where specific criteria are met and it is practicable to do so. In order to apply hedge accounting, the transaction must be designated as a hedge and it must be highly effective in offsetting the hedged risk. Additionally, for hedges of commodity price risk, physical delivery for forecasted commodity transactions must be probable. FPL Group believes that where offsetting positions exist at the same location for the same time, the transactions are considered to have been netted and therefore physical delivery has not occurred. Transactions for which physical delivery is deemed to have not occurred are presented on a net basis. Generally, the hedging instrument's effectiveness is assessed utilizing regression analysis at the inception of the hedge and on at least a quarterly basis throughout its life.

At December 31, 2006, FPL Group had cash flow hedges with expiration dates through December 2011 for energy contract derivative instruments, and interest rate cash flow hedges with expiration dates through November 2019. The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is reported as a component of OCI and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings. The ineffective portion of net unrealized losses on these hedges flows through earnings in the current period and amounted to $31 million, $33 million and $7 million for the years ended December 31, 2006, 2005 and 2004, respectively. Settlement gains and losses are included within the line items in the statements of income to which they relate.

Unrealized mark-to-market gains (losses) on derivative transactions for both consolidated subsidiaries and equity method investees are as follows:

	Years Ended December 31,		
	2006	2005	2004
		(millions)	
Consolidated subsidiaries	$ 173	$ (191)	$ (23)
Equity method investees	$ (24)	$ 1	$ 13

5. Restructuring and Impairment Charges

FPL Energy – During the fourth quarter of 2006, FPL Energy recorded an impairment charge of approximately $8 million ($4 million after-tax), related to a coal plant in California, the fair value of which was determined based on a discounted cash flow analysis. The impairment charge is related to unfavorable market pricing and accelerated equipment deterioration due to a design flaw in the steam boiler and fluctuations in output requirements.

During 2005, FPL Energy recorded a net gain of approximately $13 million ($8 million after-tax) related to the termination of a gas supply contract at one of its investments in joint ventures. The gain is included in equity in earnings of equity method investees in FPL Group's consolidated statements of income. This agreement was terminated in connection with an amended power purchase agreement that allows the investee to source power from the wholesale market.

Restructuring charges in 2004 reflect contract restructuring to take advantage of changed market conditions. FPL Energy recorded a net gain of approximately $52 million ($31 million after-tax) related to the termination of a gas supply contract and a steam agreement at one of its investments in joint ventures. These agreements were terminated in connection with an amended power purchase agreement that allows the investee to source power from the wholesale market. In addition, FPL Energy recorded an impairment loss of approximately $47 million ($29 million after-tax) to write down its investment in a combined-cycle power plant in Texas to its fair value as a result of agreeing to sell its interest in the project. The sale was completed in the second quarter of 2004. The results of the above transactions are reflected in equity in earnings of equity method investees in FPL Group's consolidated statements of income. Also in 2004, FPL Energy restructured a steam sales agreement on a natural gas-fired facility in Pennsylvania due to a downturn in market conditions where the plant is operating. The restructuring resulted in a loss of approximately $81 million ($48 million after-tax) which includes the write-off of an auxiliary boiler of approximately $33 million and a $48 million contract termination payment which was included in other current liabilities on FPL Group's consolidated balance sheet at December 31, 2004 and was paid in 2005.

Corporate and Other – In light of recent significant changes in the business climate, FPL FiberNet, LLC (FPL FiberNet) performed an impairment analysis in the fourth quarter of 2006 and concluded that an impairment charge related to its metropolitan (metro) market assets, primarily property, plant and equipment and inventory, was necessary. The business climate changes include 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 have a negative impact on the value of FPL FiberNet's metro market assets. While the metro market business is expected to continue to generate positive cash flows, management's expectation of the rate of future growth in cash flow has been reduced as a result of these business climate changes. Accordingly, FPL FiberNet recorded an impairment charge of $98 million ($60 million after-tax) based on a discounted cash flow analysis.

6. Income Taxes

The components of income taxes are as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2006	2005	2004	2006	2005	2004
	(millions)					
Federal:						
Current	$ 4	$ 26	$ (207)	$ 360	$ (80)	$ (125)
Deferred	376	234	469	12	445	490
ITC	(16)	(19)	(20)	(16)	(19)	(20)
Total federal	364	241	242	356	346	345
State:						
Current	15	(67)	66	53	(24)	-
Deferred	18	108	(36)	15	86	64
Total state	33	41	30	68	62	64
Total income taxes	$ 397	$ 282	$ 272	$ 424	$ 408	$ 409

A reconciliation between the effective income tax rates and the applicable statutory rates is as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2006	2005	2004	2006	2005	2004
Statutory federal income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increases (reductions) resulting from:						
State income taxes – net of federal income tax benefit	1.3	2.3	1.7	3.6	3.5	3.6
Allowance for other funds used during construction	(0.5)	(1.0)	(1.1)	(0.7)	(1.0)	(1.1)
Amortization of ITC	(0.9)	(1.6)	(1.7)	(1.3)	(1.7)	(1.7)
PTCs – FPL Energy	(9.9)	(10.5)	(9.1)	-	-	-
Manufacturers' deduction	(0.6)	-	-	(1.0)	-	-
Amortization of deferred regulatory credit – income taxes	(0.3)	(0.6)	(0.6)	(0.4)	(0.6)	(0.6)
Adjustments of prior years' tax matters	-	-	(0.9)	-	-	(0.2)
Other – net	(0.4)	0.3	-	(0.6)	0.1	0.3
Effective income tax rate	23.7%	23.9%	23.3%	34.6%	35.3%	35.3%

The income tax effects of temporary differences giving rise to consolidated deferred income tax liabilities and assets are as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2006	2005	2006	2005
	(millions)			
Deferred tax liabilities:				
Property-related	$ 4,663	$ 4,338	$ 3,293	$ 3,176
Investment-related	164	177	-	-
Pension	617	324	330	310
Deferred fuel costs	56	406	56	406
Storm reserve deficiency	311	417	311	417
Other	413	347	138	156
Total deferred tax liabilities	6,224	6,009	4,128	4,465
Deferred tax assets and valuation allowance:				
Decommissioning reserves	277	268	277	268
Postretirement benefits	383	130	125	120
Net operating loss carryforwards	80	679	-	381
Tax credit carryforwards	509	404	-	-
ARO and asset removal cost	815	803	725	725
Other	764	931	429	428
Valuation allowance	(36)	(35)	-	-
Net deferred tax assets	2,792	3,180	1,556	1,922
Net accumulated deferred income taxes	$ 3,432	$ 2,829	$ 2,572	$ 2,543

Deferred tax liabilities associated with property-related and investment-related assets reflect additional first year depreciation as allowed by tax legislation. During 2006, 2005 and 2004, FPL Group recognized net tax benefits of approximately $36 million, $25 million and $30 million, respectively, primarily related to certain state tax benefits resulting from the growth of FPL Energy throughout the United States and, in 2004, from the resolution of various tax issues. Valuation allowances for 2006 and 2005 relate to the deferral of PTCs and operating loss carryforwards.

Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2006	2005	2006	2005
	(millions)			
Other current assets	$ 1	$ 223	$ -	$ 104
Other current liabilities	1	-	11	-
Accumulated deferred income taxes	3,432	3,052	2,561	2,647
Net accumulated deferred income taxes	$ 3,432	$ 2,829	$ 2,572	$ 2,543

The components of FPL Group's deferred tax assets relating to net operating loss carryforwards and tax credit carryforwards at December 31, 2006 are as follows:

	Amount	Expiration Dates
	(millions)	
Net operating loss carryforwards – state	$ 80	2007–2026
Tax credit carryforwards:		
Federal	$ 481	2022–2026
State	28	2009–2014
Total tax credit carryforwards	$ 509	

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." The interpretation prescribes a more-likely-than-not recognition threshold and establishes measurement requirements for financial statement reporting of an entity's income tax position. The interpretation is effective for fiscal years beginning after December 15, 2006. FPL Group and FPL are currently evaluating the impact of FIN 48.

7. Comprehensive Income

The following table provides the components of comprehensive income and accumulated other comprehensive income (loss):

		Accumulated Other Comprehensive Income (Loss)				
	Net Income	Net Unrealized Gains (Losses) On Cash Flow Hedges	Pension and Other Benefits	Other	Total	Comprehensive Income
			(millions)			
Balances, December 31, 2003		$ (10)	$ -	$ 14	$ 4	
Net income of FPL Group	$ 896					$ 896
Net unrealized gains (losses) on commodity cash flow hedges:						
Effective portion of net unrealized losses (net of $40 tax benefit)		(61)	-	-	(61)	(61)
Net unrealized gains (losses) on interest rate cash flow hedges:						
Effective portion of net unrealized losses (net of $4 tax benefit)		(6)	-	-	(6)	(6)
Reclassification from OCI to net income (net of $6 tax expense)		10	-	-	10	10
Net unrealized gains on available for sale securities (net of $4 tax expense)		-	-	7	7	7
Balances, December 31, 2004		(67)	-	21	(46)	$ 846
Net income of FPL Group	$ 901					$ 901
Net unrealized gains (losses) on commodity cash flow hedges:						
Effective portion of net unrealized losses (net of $143 tax benefit)		(209)	-	-	(209)	(209)
Reclassification from OCI to net income (net of $37 tax expense)		55	-	-	55	55
Net unrealized gains (losses) on interest rate cash flow hedges:						
Effective portion of net unrealized gains (net of $3 tax expense)		4	-	-	4	4
Reclassification from OCI to net income (net of $1 tax expense)		2	-	-	2	2
Net unrealized losses on available for sale securities (net of $0.4 tax benefit)		-	-	(1)	(1)	(1)
SERP liability adjustment (net of $2 tax expense)		-	-	2	2	2
Balances, December 31, 2005		(215)	-	22	(193)	$ 754
Net income of FPL Group	$ 1,281					$ 1,281
Net unrealized gains (losses) on commodity cash flow hedges:						
Effective portion of net unrealized gain (net of $106 tax expense)		155	-	-	155	155
Reclassification from OCI to net income (net of $23 tax expense)		34	-	-	34	34
Net unrealized gains (losses) on interest rate cash flow hedges:						
Reclassification from OCI to net income (net of $0.6 tax expense)		1	-	-	1	1
Net unrealized gains on available for sale securities (net of $12 tax expense)		-	-	19	19	19
SERP liability adjustment (net of $1 tax expense)		-	-	1	1	1
Defined benefit pension and other benefit plans (net of $59 tax expense)		-	98	-	98	-
Balances, December 31, 2006		$ (25)[a]	$ 98[b]	$ 42	$ 115	$ 1,491

(a) Approximately $19 million of losses included in FPL Group's accumulated other comprehensive income at December 31, 2006 will be reclassified into earnings within the next 12 months as either the hedged fuel is consumed, electricity is sold or interest payments are made. Such amount assumes no change in fuel prices, power prices or interest rates.

(b) Approximately $4 million of gains included in FPL Group's accumulated other comprehensive income at December 31, 2006 will be reclassified into earnings within the next 12 months.

8. Jointly-Owned Electric Plants

Certain FPL Group subsidiaries own undivided interests in the jointly-owned facilities described below, and are entitled to a proportionate share of the output from those facilities. FPL and FPL Energy are responsible for their share of the operating costs, as well as providing their own financing. Accordingly, each subsidiary includes its proportionate share of the facilities and related revenues and expenses in the appropriate balance sheet and income statement captions. FPL Group's and FPL's share of direct expenses for these facilities are included in fuel, purchased power and interchange, other operations and maintenance, depreciation and amortization and taxes other than income taxes on FPL Group's and FPL's consolidated statements of income.

FPL Group's and FPL's proportionate ownership interest in jointly-owned facilities is as follows:

	December 31, 2006			
	Ownership Interest	Gross Investment	Accumulated Depreciation	Construction Work in Progress
			(millions)	
FPL:				
St. Lucie Unit No. 2	85%	$ 1,196	$ 766	$ 141
St. Johns River Power Park units and coal terminal	20%	$ 330	$ 202	$ 5
Scherer Unit No. 4	76%	$ 591	$ 373	$ -
Transmission substation assets located in Seabrook, New Hampshire	88.23%	$ 30	$ 11	$ -
FPL Energy:				
Duane Arnold [(a)]	70%	$ 344	$ 17	$ 16
Seabrook	88.23%	$ 948	$ 185	$ 23
Wyman Station Unit No. 4	65.10%	$ 78	$ 28	$ 1

(a) In January 2006, FPL Energy purchased a 70% interest in Duane Arnold, a nuclear power plant, for a net purchase price of approximately $350 million. The other significant assets acquired and liabilities assumed include nuclear fuel and inventory, as well as certain funds and obligations related to nuclear decommissioning of the plant.

9. Variable Interest Entities

FIN 46(R) requires the consolidation of entities which are determined to be VIEs when the reporting company determines that it will absorb a majority of the VIE's expected losses, receive a majority of the VIE's residual returns, or both. The company that is required to consolidate the VIE is called the primary beneficiary. Conversely, the reporting company would not consolidate VIEs in which it has a majority ownership interest when the company is not considered to be the primary beneficiary. Variable interests are contractual, ownership or other monetary interests in an entity that change as the fair value of the entity's net assets, excluding variable interests, change. An entity is considered to be a VIE when its capital is insufficient to permit it to finance its activities without additional subordinated financial support or its equity investors, as a group, lack the characteristics of having a controlling financial interest. FPL Group has two VIEs which it consolidates.

In April 2006, the FASB issued FSP FIN 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)," which states that the variability to be considered when applying FIN 46(R) to determine whether an entity is a variable interest entity should be based on an analysis of the design of the entity which entails analyzing the nature of the risks in the entity and determining the purpose for which the entity was created and determining the variability the entity is designed to create and pass along to its interest holders. The role of a contract or arrangement in the design of the entity, regardless of its legal form or accounting classification, shall dictate whether that interest should be treated as creating or absorbing variability for the entity. The effective date of FSP FIN 46(R)-6 was July 1, 2006 and was applied prospectively. The adoption of FSP FIN 46(R)-6 did not have a significant impact on the financial statements of FPL Group or FPL.

FPL – FPL consolidates a VIE from which it leases nuclear fuel for its nuclear units. For ratemaking purposes, these leases are treated as operating leases. For financial reporting, the cost of nuclear fuel is capitalized and amortized to fuel expense on a unit of production method except for the interest component, which is recorded as interest expense. These charges, as well as a charge for spent nuclear fuel, are recovered through the fuel clause. FPL makes quarterly payments to the lessor for the lease commitments. The lessor has issued commercial paper to fund the procurement of nuclear fuel and has established two revolving credit facilities to support its commercial paper program. FPL has provided an unconditional guarantee of the payment obligations of the lessor under the credit facilities. Under certain lease termination circumstances, the associated debt ($221 million at December 31, 2006), which was recorded in commercial paper on FPL Group's and FPL's consolidated balance sheets, would become due. The consolidated assets of the VIE consist primarily of nuclear fuel, which had a net carrying value of $204 million and $180 million at December 31, 2006 and 2005, respectively.

FPL identified two potential VIEs, both of which are considered qualifying facilities (QFs) as defined by the Public Utility Regulatory Policies Act of 1978, as amended (PURPA). PURPA requires FPL to purchase the electricity output of the projects. FPL entered into a power purchase agreement (PPA) with one of the projects in 1990 to purchase substantially all of the project's electrical output over a substantial portion of its estimated useful life. For each megawatt-hour (mwh) provided, FPL pays a per mwh price (energy payment) based upon FPL's avoided cost, which was determined at the time the PPA was executed, and was based on the cost of avoiding the construction and operation of a coal unit. The energy component is primarily based on the cost of coal at an FPL jointly-owned coal-fired facility. The avoided cost is the incremental cost to the utility of the electric energy or capacity, or both, which is avoided by neither generating the electricity nor purchasing it from another source. The project has a capacity of 250 mw. After making exhaustive efforts, FPL was unable to obtain the information from the project necessary to determine whether the project is a VIE or whether FPL is the primary beneficiary of the project. The PPA with the project contains no provision which legally obligates the project to release this information to FPL. The energy payments paid by FPL will fluctuate as coal prices change. This does not expose FPL to losses since the energy payments paid by FPL to the project are passed on to FPL's customers through the fuel clause as approved by the FPSC. Notwithstanding the fact that FPL's energy payments are recovered through the fuel clause, if the project was determined to be a VIE, the absorption of some of the project's fuel price variability might cause FPL to be considered the primary beneficiary. During the years ended December 31, 2006, 2005 and 2004, FPL purchased 1,672,106 mwh, 1,813,114 mwh and 1,802,467 mwh, respectively, from the project at a total cost of approximately $147 million, $144 million and $141 million, respectively. FPL will continue to make exhaustive efforts to obtain the necessary information from the project in order to determine if it is a VIE and, if so, whether FPL is the primary beneficiary. FPL also entered into a PPA with a 330 mw coal-fired cogeneration facility (the Facility) in 1995 to purchase substantially all of the Facility's electrical output through 2025. In November 2004, FPL and the Facility reached an agreement to change the index related to the energy payment, triggering a new analysis under FIN 46(R). FPL determined that (a) the Facility is a VIE and (b) the PPA represents a variable interest in the Facility. However, FPL determined that it is not the Facility's primary beneficiary. During the first quarter of 2005, a change in ownership of the Facility occurred, triggering the need to reevaluate whether the Facility is still a VIE and, if so, whether FPL is the Facility's primary beneficiary. After making exhaustive efforts, FPL was unable to obtain the information necessary to perform this reevaluation. The PPA with the Facility contains no provisions which legally obligate the Facility to release this information to FPL. During the years ended December 31, 2006, 2005 and 2004, FPL purchased 2,090,088 mwh, 2,332,000 mwh and 2,265,371 mwh, respectively, from the Facility at a total cost of approximately $200 million, $191 million and $186 million, respectively. Additionally, the PPA does not expose FPL to losses since the energy payments made by FPL to the Facility are passed on to FPL's customers through the fuel clause as approved by the FPSC. FPL will continue to make exhaustive efforts to obtain the necessary information from the Facility in order to determine if it is still a VIE and, if so, whether FPL is the Facility's primary beneficiary.

FPL Energy – FPL Energy consolidates a subsidiary that leases a 550 mw combined-cycle power generation plant through the end of 2007 from a special purpose entity (SPE). The FPL Energy subsidiary's quarterly lease payments are intended to cover the lessor's debt service, which includes a stated yield to equity holders and certain other costs. The FPL Energy subsidiary has the option to purchase the plant at any time during the remaining lease term for 100% of the outstanding principal balance of the loans and equity contributions made to the SPE, all accrued and unpaid interest and yield, and all other fees, costs and amounts then due and owing pursuant to the provisions of the related financing documents. However, under certain limited events of default, the FPL Energy subsidiary can be required to purchase the plant for the same cost. If the FPL Energy subsidiary does not elect to purchase the plant at the end of the lease term, a residual value guarantee must be paid, and the plant will be sold. Any sale proceeds received by the lessor in excess of the outstanding debt and equity will be given to the FPL Energy subsidiary. FPL Group Capital has guaranteed certain obligations of the FPL Energy subsidiary under the lease agreement. The assets of the lessor primarily consist of the power generation plant, which had a net carrying value of $317 million and $325 million at December 31, 2006 and 2005, respectively, and is reported in electric utility plant in service and other property in FPL Group's consolidated balance sheets. The liabilities of the lessor consist primarily of debt (which is secured by the power generation plant), which had a carrying value of $327 million and $333 million at December 31, 2006 and 2005, respectively, and is reported in current maturities of long-term debt and in long-term debt in FPL Group's consolidated balance sheets. The equity interests of the lessor not owned by the FPL Energy subsidiary are reported as minority interest. Pursuant to the terms of the lease, FPL Energy expects to purchase the 550 mw combined-cycle power generation plant from the SPE by repaying the existing debt when the lease expires on December 31, 2007.

FPL Group – In March 2004, a trust created by FPL Group sold 12 million 5 7/8% preferred trust securities to the public and common trust securities to FPL Group. The trust is considered a VIE because FPL Group's investment through the common trust securities is not considered equity at risk in accordance with FIN 46(R). The proceeds from the sale of the preferred and common trust securities were used to buy 5 7/8% junior subordinated debentures maturing in March 2044, from FPL Group Capital. The trust exists only to issue its preferred trust securities and common trust securities and to hold the junior subordinated debentures of FPL Group Capital as trust assets. Since FPL Group, as the common security holder, is not considered to have equity at risk and will therefore not absorb any variability of the trust, FPL Group is not the primary beneficiary and does not consolidate the trust in accordance with FIN 46(R). FPL Group includes the junior subordinated debentures issued by FPL Group Capital on its consolidated balance sheets. See Note 11 – FPL Group.

10. Financial Instruments

The carrying amounts of cash equivalents and commercial paper approximate fair values. At December 31, 2006 and 2005, other investments of FPL Group, not included in the table below, included financial instruments of approximately $50 million and $43 million, respectively, which primarily consist of notes receivable that are carried at estimated fair value or cost, which approximates fair value. See Note 11.

The following estimates of the fair value of financial instruments have been made using available market information. However, the use of different market assumptions or methods of valuation could result in different estimated fair values.

	December 31, 2006		December 31, 2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
FPL Group:				
Long-term debt, including current maturities	$ 11,236	$ 11,314[a]	$ 9,443	$ 9,540[a]
Nuclear decommissioning reserve funds	$ 2,824	$ 2,824[b]	$ 2,401	$ 2,401[b]
Other investments	$ 93	$ 93[b]	$ 80	$ 80[b]
Interest rate swaps – net unrealized gain (loss)	$ 6	$ 6[c]	$ (9)	$ (9)[c]
FPL:				
Long-term debt, including current maturities	$ 4,214	$ 4,208[a]	$ 3,406	$ 3,416[a]
Nuclear decommissioning reserve funds	$ 2,264	$ 2,264[b]	$ 2,083	$ 2,083[b]

(a) Based on market prices provided by external sources.
(b) Based on quoted market prices for these or similar issues.
(c) Based on market prices modeled internally.

Nuclear Decommissioning Reserve Funds and Other Investments – Securities held in the nuclear decommissioning reserve funds and other investments are carried at estimated fair value based on quoted market prices. FPL Group's nuclear decommissioning funds consist of approximately 49% equity securities and 51% municipal, government, corporate and mortgage- and other asset-backed debt securities (45% and 55% for FPL, respectively) with a weighted-average maturity of approximately 8 years at December 31, 2006 for both FPL Group and FPL. All of FPL Group's other investments consist of debt securities. The cost of securities sold is determined on the specific identification method.

The following tables provide the nuclear decommissioning and storm reserve funds and other investments approximate gains and losses and proceeds from the sale of securities:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2006	2005	2004	2006	2005	2004
	(millions)					
Realized gains	$ 51	$ 18	$ 11	$ 39	$ 14	$ 9
Realized losses	$ 38	$ 17	$ 13	$ 35	$ 16	$ 12
Proceeds from sale of securities	$ 3,231	$ 2,937	$ 2,341	$ 2,673	$ 2,767	$ 2,290

The following tables provide the unrealized gains and losses for the nuclear decommissioning reserve funds and other investments.

	FPL Group		FPL	
	December 31,		December 31,	
	2006	2005	2006	2005
	(millions)			
Unrealized gains				
Equity securities	$ 522	$ 382	$ 452	$ 342
Debt securities	$ 31	$ 27	$ 30	$ 26
Unrealized losses [a]				
Equity securities	$ -	$ 1	$ -	$ -
Debt securities	$ -	$ 4	$ -	$ 3

(a) At December 31, 2006, FPL Group and FPL considered all unrealized losses to be other than temporary. Such amounts were not material and, for subsidiaries other than FPL, amounts were recorded in other – net in the consolidated statements of income. For accounting treatment description, see Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs.

Regulations issued by the FERC and the NRC provide general risk management guidelines to protect nuclear decommissioning trust funds and to allow such funds to earn a reasonable return. The FERC regulations prohibit investments in any securities of FPL Group or its subsidiaries, affiliates or associates, excluding investments tied to market indices or other mutual funds. Similar restrictions applicable to the decommissioning trust fund for FPL Energy's nuclear plants are contained in the NRC operating licenses for those facilities. NRC regulations applicable to NRC licensees not in cost-of-service environments require similar investment restrictions. The NRC's regulations permit licensees with operating licenses containing conditions restricting the use of decommissioning trust funds to rely on those conditions in lieu of compliance with NRC regulations. FPL Energy's nuclear plants contain such restrictions in their NRC operating licenses. With respect to the decommissioning trust fund for FPL Energy's

Seabrook nuclear plant, decommissioning trust fund contributions and withdrawals are also regulated by the NDFC pursuant to New Hampshire law.

The nuclear decommissioning reserve funds are managed by investment managers who must comply with the guidelines and rules of the applicable regulatory authorities, FPL Group and FPL. The funds' assets are invested in order to optimize the after-tax earnings of these funds, giving consideration to liquidity, risk, diversification and other prudent investment objectives.

Interest Rate Swaps – 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, 2006, 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 hedges – FPL Group Capital:					
$ 300	November 2004	February 2007	variable[a]	4.086%	$ (2)
$ 275	December 2004	February 2007	variable[b]	4.086%	(2)
Total fair value hedges					(4)
Cash flow hedges – FPL Energy:					
$ 87	August 2002	December 2007	4.410%	variable[c]	1
$ 172	August 2003	November 2007	3.557%	variable[c]	2
$ 5	February 2005	June 2008	4.255%	variable[c]	1
$ 78	December 2003	December 2017	4.245%	variable[c]	3
$ 26	April 2004	December 2017	3.845%	variable[c]	1
$ 234	December 2005	November 2019	4.905%	variable[c]	2
Total cash flow hedges					10
Total interest rate hedges					$ 6

(a) Three-month LIBOR plus 0.50577%
(b) Three-month LIBOR plus 0.4025%
(c) Three-month LIBOR

In January 2007, an indirect wholly-owned subsidiary of FPL Energy entered into an interest rate swap agreement to pay a fixed rate of 5.39% on approximately $547 million of its variable rate limited recourse debt in order to limit cash flow exposure.

11. Investments in Partnerships and Joint Ventures

FPL Energy – FPL Energy has non-controlling non-majority owned interests in various partnerships and joint ventures, essentially all of which are electricity producers. At December 31, 2006 and 2005, FPL Energy's investment in partnerships and joint ventures totaled approximately $361 million and $320 million, respectively, which is included in other investments on FPL Group's consolidated balance sheets. FPL Energy's interest in these partnerships and joint ventures range from approximately 5.5% to 50%. At December 31, 2006, the principal operating entities included in FPL Energy's investments in partnerships and joint ventures were Northeast Energy, LP, Cherokee County Cogeneration Partners, LP, TPC Windfarms LLC, Mojave 16/17/18 LLC and Luz Solar Partners LTD., and in 2005 included Green Ridge Power, LLC and Windpower Partners 1993, L.P. FPL Energy acquired an additional ownership interest in Green Ridge Power, LLC and Windpower Partners 1993, L.P. in 2006 and now accounts for their operations in the consolidated financial statements.

Summarized combined information for these principal entities is as follows:

	2006	2005
	(millions)	
Net income	$ 136	$ 180
Total assets	$ 1,177	$ 1,367
Total liabilities	$ 638	$ 729
Partners'/members' equity	$ 539	$ 638
FPL Energy's share of underlying equity in the principal entities	$ 269	$ 318
Difference between investment carrying amount and underlying equity in net assets [a]	(23)	(32)
FPL Energy's investment carrying amount for the principal entities	$ 246	$ 286

(a) The majority of the difference between the investment carrying amount and the underlying equity in net assets is being amortized over the remaining life of the investee's assets.

Certain subsidiaries of FPL Energy provide services to the partnerships and joint ventures, including O&M expenses and business management services. FPL Group's operating revenues for the years ended December 31, 2006, 2005 and 2004 include approximately $20 million, $19 million and $16 million, respectively, related to such services. The net receivables at December 31, 2006 and 2005, for these services, as well as for affiliate energy commodity transactions, payroll and other payments made on behalf of these investees, were approximately $21 million and $65 million, respectively, and are included in other current assets on FPL Group's consolidated balance sheets.

Notes receivable (long- and short-term) include approximately $24 million and $21 million at December 31, 2006 and 2005, respectively, due from partnerships and joint ventures in which FPL Energy has an ownership interest. The notes receivable balance at December 31, 2006 and 2005 mature in 2008 through 2011 and the majority bear interest at a fixed rate of 8.5%. Interest income related to notes receivable totaled approximately $2 million, $7 million and $7 million for the years ended December 31, 2006, 2005 and 2004, respectively, and is included in interest income in FPL Group's consolidated statements of income. Interest receivable associated with these notes as of December 31, 2006 and 2005 was not material.

In addition, FPL Energy owns an equity interest in Karaha Bodas Company, LLC (KBC) which totals approximately $90 million at December 31, 2006 and is included in the $361 million of investment in partnerships and joint ventures discussed above. During 2006, KBC received approximately $290 million as a result of a court judgment against Indonesia's state-owned oil/energy company to recover KBC's investment in a project suspended indefinitely by the Indonesian government in 1998 and for lost profits. All appeals with respect to the judgment have been exhausted. FPL Energy's portion of the final judgment, or approximately $97 million pretax, is included in equity in earnings of equity method investees in FPL Group's consolidated statements of income for 2006. During 2006, KBC distributed approximately $7 million of the judgment funds to FPL Energy, and in mid-February 2007, KBC distributed the remaining amount of approximately $90 million to FPL Energy. See Note 16 – Litigation for a discussion of KBC litigation.

FPL Group – In March 2004, a trust created by FPL Group sold $300 million of preferred trust securities to the public and $9 million of common trust securities to FPL Group. The trust is an unconsolidated 100%-owned finance subsidiary. The trust used the proceeds to purchase $309 million of 5 7/8% junior subordinated debentures maturing in March 2044 from FPL Group Capital. FPL Group has fully and unconditionally guaranteed the preferred trust securities and the junior subordinated debentures.

12. Common Stock

Earnings Per Share – The reconciliation of FPL Group's basic and diluted earnings per share of common stock is shown below:

	Years Ended December 31,		
	2006	2005	2004
	(millions, except per share amounts)		
Numerator – net income	$ 1,281	$ 901	$ 896
Denominator:			
Weighted-average number of common shares outstanding – basic	393.5	380.1	358.6
Restricted stock, performance share awards, options, warrants and equity units [(a)]	3.0	5.6	3.1
Weighted-average number of common shares outstanding – assuming dilution	396.5	385.7	361.7
Earnings per share of common stock:			
Basic	$ 3.25	$ 2.37	$ 2.50
Assuming dilution	$ 3.23	$ 2.34	$ 2.48

(a) Performance share awards are included in diluted weighted-average number of shares outstanding based upon what would be issued if the end of the reporting period were the end of the term of the award. Restricted stock, performance share awards, options, warrants and equity units (known as Corporate Units, see Note 14) are included in diluted weighted-average number of common shares outstanding by applying the treasury stock method.

In 2006, 2005 and 2004, there were no securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been antidilutive.

In February 2005, FPL Group's board of directors approved a two-for-one stock split of FPL Group's common stock effective March 15, 2005 (2005 stock split). FPL Group's authorized common stock increased from 400 million to 800 million shares. All share or per share information included in FPL Group's consolidated financial statements reflect the effect of the 2005 stock split.

Common Stock Dividend Restrictions – FPL Group's charter does not limit the dividends that may be paid on its common stock. FPL's mortgage securing FPL's first mortgage bonds contains provisions that, under certain conditions, restrict the payment of dividends and other distributions to FPL Group. These restrictions do not currently limit FPL's ability to pay dividends to FPL Group.

Employee Stock Ownership Plan (ESOP) – The employee thrift plans of FPL Group include a leveraged ESOP feature. Shares of common stock held by the trust for the thrift plans (Trust) are used to provide all or a portion of the employers' matching contributions. Dividends received on all shares, along with cash contributions from the employers, are used to pay principal and interest on an ESOP loan held by a subsidiary of FPL Group Capital. Dividends on shares allocated to employee accounts and used by the Trust for debt service are replaced with an equivalent amount of shares of common stock at prevailing market prices. For purposes of computing basic and fully diluted earnings per share, ESOP shares that have been committed to be released are considered outstanding.

ESOP-related compensation expense of approximately $32 million, $27 million and $27 million in 2006, 2005 and 2004, respectively, was recognized based on the fair value of shares allocated to employee accounts during the period. Interest income on the ESOP loan is eliminated in consolidation. ESOP-related unearned compensation included as a reduction of common shareholders' equity at December 31, 2006 was approximately $125 million, representing unallocated shares at the original issue price. The fair value of the ESOP-related unearned compensation account using the closing price of FPL Group common stock at December 31, 2006 was approximately $470 million.

Stock-Based Compensation – Effective January 1, 2006, FPL Group adopted FAS 123(R) using the modified prospective application transition method. Accordingly, the consolidated balance sheet as of December 31, 2005, the consolidated statements of income for the years ended December 31, 2005 and 2004 and the consolidated statements of cash flows for the years ended December 31, 2005 and 2004 do not reflect any restated amounts. Because FPL Group adopted the fair value recognition provisions of FAS 123 in 2004, the adoption of FAS 123(R) did not have a significant effect on FPL Group's financial statements.

Net income for the years ended December 31, 2006, 2005 and 2004 includes approximately $34 million, $30 million and $27 million, respectively, of compensation costs and $13 million, $12 million and $10 million, respectively, of income tax benefits related to stock-based compensation arrangements. As of December 31, 2006, there were approximately $41 million of unrecognized compensation costs related to nonvested/nonexercisable share-based compensation arrangements. These costs are expected to be recognized over a weighted-average period of 1.7 years. For awards granted subsequent to December 31, 2005, compensation costs for awards with graded vesting are recognized on a straight-line basis over the requisite service period for the entire award. For awards granted prior to that date, compensation costs for awards with graded vesting are recognized using the graded vesting attribution method.

At December 31, 2006, approximately 26.6 million shares of common stock were authorized and 17.8 million were available for awards (including outstanding awards) to officers, employees and non-employee directors of FPL Group and its subsidiaries under FPL Group's amended and restated long-term incentive plan (LTIP) and amended and restated non-employee directors stock plan. FPL Group satisfies restricted stock and performance share awards by issuing new shares of its common stock or by purchasing shares of its common stock in the open market. FPL Group satisfies stock option exercises by issuing new shares of its common stock.

Restricted Stock and Performance Share Awards – Restricted stock typically vests within three years after the date of grant and is subject to, among other things, restrictions on transferability prior to vesting. The fair value of restricted stock is measured based upon the closing market price of FPL Group common stock as of the date of grant. Performance share awards are typically payable at the end of a three-year performance period if the specified performance criteria are met. The fair value of performance share awards is estimated based upon the closing market price of FPL Group common stock as of the date of grant less the present value of expected dividends, multiplied by an estimated performance multiple determined on the basis of historical experience, which is subsequently trued up at vesting based on actual performance.

The activity in restricted stock and performance share awards for the year ended December 31, 2006 was as follows:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Restricted Stock:		
Nonvested balance, January 1, 2006	1,022,545	$ 35.54
Granted	401,389	$ 41.98
Vested	(365,232)	$ 33.18
Forfeited	(26,966)	$ 41.47
Nonvested balance, December 31, 2006	1,031,736	$ 38.71
Performance Share Awards:		
Nonvested balance, January 1, 2006	1,145,502	$ 29.88
Granted	581,978	$ 34.08
Vested	(574,947)	$ 26.73
Forfeited	(19,150)	$ 34.04
Nonvested balance, December 31, 2006	1,133,383	$ 33.55

The weighted-average grant date fair value per share of restricted stock granted for the years ended December 31, 2005 and 2004 was $39.93 and $32.58, respectively. The weighted-average grant date fair value per share of performance share awards granted for the years ended December 31, 2005 and 2004 was $34.75 and $29.18, respectively.

The total fair value of restricted stock and performance share awards vested was $40 million, $23 million and $13 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Options – Options typically vest within three years after the date of grant and have a maximum term of ten years. The exercise price of each option granted equals the closing market price of FPL Group common stock on the date of grant. The fair value of the options is estimated on the date of the grant using the Black-Scholes option-pricing model and based on the following assumptions:

	2006	2005	2004
Expected volatility [(a)]	19.56%	20.00%	20.11%
Expected dividends	3.40%	3.68%	3.93%
Expected term (years) [(b)]	6	7	7
Risk-free rate	4.60%	4.08%	3.78%

(a) Based on historical experience.
(b) In 2006, FPL Group elected to use the "simplified" method to calculate the expected term. In 2005, the expected term was derived from historical experience.

Option activity for the year ended December 31, 2006 was as follows:

	Shares Underlying Options	Weighted-Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Balances, January 1, 2006	7,228,617	$ 29.42		
Granted	334,500	$ 41.76		
Exercised	(1,178,321)	$ 28.69		
Forfeited	(10,995)	$ 28.38		
Expired	(29,000)	$ 27.87		
Balance, December 31, 2006	6,344,801	$ 30.22	5.8	$ 154
Exercisable, December 31, 2006	5,572,969	$ 29.15	5.4	$ 141

The weighted-average grant date fair value of options granted was $7.46, $6.30 and $5.10 per share for the years ended December 31, 2006, 2005 and 2004, respectively.

The total intrinsic value of stock options exercised was approximately $21 million, $27 million and $6 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Cash received from option exercises was approximately $34 million, $60 million and $29 million for the years ended December 31, 2006, 2005 and 2004, respectively. The tax benefits realized from options exercised were approximately $6 million, $10 million and $2 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Other – In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., a retail electric provider in Texas. Each share of Gexa Corp.'s outstanding common stock was converted into 0.1682 of a share of FPL Group common stock. Assuming the exercise of Gexa Corp.'s options and warrants net of cash to be received upon exercise, the aggregate value of the consideration for the acquisition of Gexa Corp. was approximately $73 million, payable in shares of FPL Group common stock. At December 31, 2006, there were Gexa Corp. options and warrants outstanding for a total of 123,134 shares of FPL Group common stock.

As a result of certain employees voluntarily electing to convert a cash bonus, net of taxes, into fully-vested shares of FPL Group common stock, approximately 36 thousand common shares were issued under the LTIP during 2004.

13. Preferred Stock

FPL Group's charter authorizes the issuance of 100 million shares of serial preferred stock, $0.01 par value. None of FPL Group's preferred shares were outstanding as of December 31, 2006 or 2005. FPL's charter authorizes the issuance of 10,414,100 shares of preferred stock, $100 par value; 5 million shares of subordinated preferred stock, no par value and 5 million shares of cumulative preferred stock, no par value. None of FPL's preferred shares were outstanding as of December 31, 2006 or 2005. In January 2004, FPL sold 200,000 shares of 4 1/2% Series V preferred stock with an aggregate par value of $20 million to FPL Group. In January 2005, FPL redeemed all 250,000 shares of its $100 Par Value 4 1/2% (Series A and Series V) preferred stock outstanding at December 31, 2004.

14. Debt

Long-term debt consists of the following:

	December 31, 2006	December 31, 2005
	(millions)	
FPL:		
First mortgage bonds:		
Maturing 2008 through 2013 – 4.85% to 6.00%	$ 825	$ 825
Maturing 2033 through 2037 – 4.95% to 6.20%	2,540	1,840
Medium-term note – maturing 2006 – 2.34%	-	135
Pollution control, solid waste disposal and industrial development revenue bonds – maturing 2020 through 2029 – variable, 4.0% and 3.5% weighted-average annual interest rates, respectively	633	633
Term loan – maturing 2008 – variable, 5.6% weighted-average annual interest rate	250	-
Unamortized discount	(34)	(27)
Total long-term debt of FPL	4,214	3,406
Less current maturities of long-term debt	-	135
Long-term debt of FPL, excluding current maturities	4,214	3,271
FPL Group Capital:		
Debentures – maturing 2006 through 2011 – 3 1/4% to 7 5/8%	2,300	2,800
Debentures, related to FPL Group's equity units – maturing 2008 – 5.551% [(a)]	506	506
Junior Subordinated Debentures – maturing 2044 through 2066 – 5 7/8% to 6.60%	1,009	309
Term loan – maturing 2008 – variable, 5.6% weighted-average annual interest rate	150	-
Fair value swaps (see Note 10)	(2)	(15)
Unamortized discount	(3)	(3)
Total long-term debt of FPL Group Capital	3,960	3,597
Less current maturities of long-term debt	1,075	1,100
Less fair value swap on current maturities of long-term debt (see Note 10)	(2)	(7)
Long-term debt of FPL Group Capital, excluding current maturities	2,887	2,504
FPL Energy:		
Senior secured limited recourse bonds – maturing 2017 through 2024 – 5.608% to 7.52%	1,091	1,189
Senior secured limited recourse notes – maturing 2020 through 2031 – 6.665% to 7.11%	310	107
Other long-term debt – maturing 2007 through 2022 – primarily limited recourse and variable, 6.8% and 5.8% weighted-average annual interest rates, respectively	1,661	1,144
Total long-term debt of FPL Energy	3,062	2,440
Less current maturities of long-term debt	572	176
Long-term debt of FPL Energy, excluding current maturities	2,490	2,264
Total long-term debt	$ 9,591	$ 8,039

(a) During 2005, these debentures were remarketed. See discussion below.

Minimum annual maturities of long-term debt for FPL Group are approximately $1,647 million, $1,615 million, $1,041 million, $190 million and $787 million for 2007, 2008, 2009, 2010 and 2011, respectively. The amounts for FPL are $450 million and $225 million for 2008 and 2009, respectively.

At December 31, 2006, commercial paper borrowings had a weighted-average interest rate of 5.32% for FPL Group (5.33% for FPL). Available lines of credit aggregated approximately $4.8 billion ($2.5 billion for FPL Group Capital and $2.3 billion for FPL) at December 31, 2006, all of which were based on firm commitments. These facilities provide for the issuance of letters of credit of up to $4.5 billion. The issuance of letters of credit is subject to the aggregate commitment under the applicable facility. While no direct borrowings were outstanding at December 31, 2006, letters of credit totaling $189 million and $156 million were outstanding under the FPL Group Capital and FPL credit facilities, respectively.

FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most of those under FPL Group Capital's debt, including all of its debentures and commercial paper issuances, as well as most of its guarantees. FPL Group Capital has guaranteed certain debt and other obligations of FPL Energy and its subsidiaries.

In June 2002, FPL Group sold 10.12 million 8% Corporate Units. In connection with the 8% Corporate Units financing, FPL Group Capital issued $506 million principal amount of 5% debentures due February 16, 2008, which were absolutely, irrevocably and unconditionally guaranteed by FPL Group. During 2005, FPL Group Capital remarketed these debentures and the annual interest rate was reset to 5.551%. Each 8% Corporate Unit initially consisted of a $50 FPL Group Capital debenture and a purchase contract pursuant to which the holder was required to purchase $50 of FPL Group common shares on or before February 16, 2006, and FPL Group made payments of 3% of the unit's $50 stated value until the shares were purchased. In February 2006, FPL Group paid approximately $48 million net to cancel approximately 4.2 million of its 8% Corporate Units. Also in February 2006, FPL Group issued approximately 8.7 million shares of common stock in return for approximately $296 million in proceeds upon settlement of the stock purchase contracts issued in connection with the remainder of the 8% Corporate Units.

Prior to the issuance of FPL Group's common stock, the purchase contracts were reflected in FPL Group's diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of FPL Group common stock used in calculating diluted earnings per share was deemed to be increased by the excess, if any, of the number of shares that would be issued upon settlement of the purchase contracts over the number of shares that could be purchased by FPL Group in the market, at the average market price during the period, using the proceeds receivable upon settlement.

15. Asset Retirement Obligations

FPL Group and FPL each account for asset retirement obligations and conditional asset retirement obligations under FAS 143 and FIN 47. 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 if it can be reasonably estimated, with the offsetting associated asset retirement costs capitalized as part of the carrying amount of the long-lived assets. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over its useful life. Changes in the ARO resulting from the passage of time are recognized as an increase in the carrying amount of the liability and as accretion expense, which is included in depreciation and amortization expense in the consolidated statements of income. Changes resulting from revisions to the timing or amount of the original estimate of cash flows are recognized as an increase or a decrease in the asset retirement cost and ARO.

FPL Group and FPL have identified but not recognized ARO liabilities related to electric transmission and distribution and telecommunications assets resulting from easements over property not owned by FPL Group or FPL. In addition, FPL Group has identified but not recognized ARO liabilities related to the majority of FPL Energy's hydro facilities. These easements are generally perpetual and, along with the hydro facilities, only require retirement action upon abandonment or cessation of use of the property or facility for its specified purpose. The ARO liability is not estimable for such easements and hydro facilities as FPL Group and FPL intend to utilize these properties and facilities indefinitely. In the event FPL Group and FPL decide to abandon or cease the use of a particular easement and/or hydro facility, an ARO liability would be recorded at that time.

FPL – FPL's ARO relates primarily to the nuclear decommissioning obligation of its nuclear units. FPL's AROs other than nuclear decommissioning are not significant. The provisions of FAS 143 and FIN 47 result in timing differences in the recognition of legal asset retirement costs for financial reporting purposes and the method the FPSC allows FPL to recover in rates. Accordingly, any differences between the ongoing expense recognized under FAS 143 and FIN 47 and the amount recoverable through rates are deferred in accordance with FAS 71. See Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs.

At December 31, 2006 and 2005, FPL's ARO was approximately $1,572 million and $1,474 million, respectively. During 2006, FPL recognized accretion expense of approximately $81 million and increased the ARO approximately $17 million primarily as a result of increasing the estimates for asbestos abatement at several fossil plants. During 2005, FPL recognized accretion expense of approximately $112 million, reduced the ARO by approximately $665 million, primarily as a result of changing the useful lives of the nuclear units to reflect their extended license terms, and increased the ARO approximately $12 million as a result of implementing FIN 47. Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in nuclear decommissioning reserve funds of FPL and approximated $2,264 million and $2,083 million at December 31, 2006 and 2005, respectively. See Note 10.

FPL Energy – FPL Energy's ARO relates primarily to the nuclear decommissioning obligation of Seabrook and Duane Arnold, and also includes the current estimated fair value of obligations for the dismantlement of its wind facilities located on leased property, the dismantlement of certain hydro facilities expected to be eventually abandoned, and the removal of asbestos and lead paint from certain of its generating facilities. See Note 1 – Decommissioning of Nuclear Plants, Dismantlements of Plants and Other Accrued Asset Removal Costs.

At December 31, 2006 and 2005, FPL Energy's ARO was approximately $248 million and $211 million, respectively. During 2006, FPL Energy recognized accretion expense of approximately $23 million, increased the ARO approximately $119 million, primarily as a result of the acquisition of Duane Arnold, and decreased the ARO approximately $105 million, primarily as a result of decreasing the escalation rate used to determine the ultimate projected costs of decommissioning Seabrook and Duane Arnold. During 2005, FPL Energy recorded accretion expense of approximately $15 million, increased the ARO approximately $3 million for new wind assets and increased the ARO approximately $1 million as a result of implementing FIN 47. Restricted trust funds for the payment of future expenditures to decommission Seabrook and Duane Arnold are included in FPL Group's nuclear decommissioning reserve funds and totaled approximated $560 million and $318 million (Seabrook only) at December 31, 2006 and 2005, respectively. See Note 10.

16. Commitments and Contingencies

Commitments – FPL Group and its subsidiaries have made commitments in connection with a portion of their projected 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. At FPL Energy, capital expenditures include, among other things, the cost, including capitalized interest, for construction of wind projects and the procurement of nuclear fuel, as well as announced acquisitions. FPL FiberNet's capital expenditures primarily include costs to meet customer specific requirements and sustain its fiber-optic network. Planned capital expenditures for 2007 through 2011 were estimated as follows:

	2007	2008	2009	2010	2011	Total
			(millions)			
FPL:						
Generation: [a]						
New [b] [c]	$ 420	$ 720	$ 210	$ 10	$ -	$ 1,360
Existing	630	600	485	565	425	2,705
Transmission and distribution [d]	885	985	1,105	1,055	1,080	5,110
Nuclear fuel	105	130	140	170	110	655
General and other	145	160	170	205	205	885
Total	$ 2,185	$ 2,595	$ 2,110	$ 2,005	$ 1,820	$ 10,715
FPL Energy:						
Wind [e]	$ 1,565	$ 1,300	$ 10	$ 5	$ 5	$ 2,885
Nuclear [f]	1,140	155	120	165	110	1,690
Gas	105	30	15	15	20	185
Other	65	40	5	10	10	130
Total	$ 2,875	$ 1,525	$ 150	$ 195	$ 145	$ 4,890
FPL FiberNet	$ 13	$ 11	$ 11	$ 11	$ 11	$ 57

(a) Includes AFUDC of approximately $37 million, $52 million, $53 million and $6 million in 2007, 2008, 2009 and 2010, respectively.
(b) Includes land, generating structures, transmission interconnection and integration, licensing and AFUDC.
(c) Excludes capital expenditures of approximately $3.4 billion (approximately $310 million in 2008) for the two ultra super critical pulverized coal generating units for the period from early 2008 (expected Siting Board approval) through 2011.
(d) Includes estimated capital costs associated with FPL's Storm Secure Plan. These capital costs are subject to change over time based on, among other things, productivity enhancements and prioritization.
(e) Capital expenditures for new wind projects are estimated through 2008, when eligibility for PTC's for new wind projects is scheduled to expire.
(f) Includes nuclear fuel for Seabrook and Duane Arnold and, in 2007, the pending acquisition of Point Beach Nuclear Power Plant (Point Beach).

In addition to estimated capital expenditures listed above, FPL and FPL Energy have long-term contracts related to purchased power and/or fuel (see Contracts below). FPL Energy had approximately $4.3 billion in firm commitments, primarily for the purchase of wind turbines and towers, natural gas transportation, purchase and storage, firm transmission service, nuclear fuel for Seabrook and Duane Arnold and a portion of its projected capital expenditures, including the pending acquisition of Point Beach for approximately $1.0 billion. The Point Beach transaction is subject to, among other things, the receipt of approvals from various federal and state regulatory agencies. FPL Energy expects to close the transaction in the third quarter of 2007. In addition, FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most payment obligations under FPL Group Capital's debt.

FPL Group and FPL each account for payment guarantees and related contracts, for which it or a subsidiary is the guarantor, under FIN 45, which requires that the fair value of guarantees provided to unconsolidated entities entered into after December 31, 2002 be recorded on the balance sheet. At December 31, 2006, subsidiaries of FPL Group, other than FPL, have guaranteed debt service payments relating to agreements that existed at December 31, 2002. The term of the guarantees is equal to the term of the related debt, with remaining terms ranging from 1 year to 12 years. The maximum potential amount of future payments that could be required under these guarantees at December 31, 2006 was approximately $16 million. At December 31, 2006, FPL Group did not have any liabilities recorded for these guarantees. In certain instances, FPL Group can seek recourse from third parties for 50% of any amount paid under the guarantees. Guarantees provided to unconsolidated entities entered into subsequent to December 31, 2002, and the related fair value, were not material as of December 31, 2006.

FPL Energy has guaranteed certain performance obligations of a power plant owned by a wholly-owned subsidiary as part of a power purchase agreement that expires in 2027. Under this agreement, the subsidiary could incur market-based liquidated damages for failure to meet contractual minimum outputs. In addition, certain subsidiaries of FPL Energy have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the FPL Energy subsidiary becoming liable for specified liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that the exposure associated with these guarantees is not material.

Contracts – FPL Group has entered into a long-term agreement for the purchase of wind, combustion and steam turbines, as well as parts, repairs and on-site services through 2021. The related commitments are included in FPL Energy's and Corporate and Other's minimum payments shown in the table below and in FPL Energy's estimated capital expenditures shown in the table above.

FPL has entered into long-term purchased power and fuel contracts. FPL is obligated under take-or-pay purchased power contracts with JEA and with subsidiaries of The Southern Company (Southern subsidiaries) to pay for approximately 1,300 mw of power annually through mid-2015 and 381 mw annually thereafter through 2021, and one of the Southern subsidiaries' contracts is subject to minimum quantities. FPL also has various firm pay-for-performance contracts to purchase approximately 700 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2009 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. FPL has various agreements with several electricity suppliers to purchase an aggregate of up to approximately 1,700 mw of power with expiration dates ranging from 2007 through 2012. In general, the agreements require FPL to make capacity payments and supply the fuel consumed by the plants under the contracts. FPL has contracts with expiration dates through 2028 for the purchase of natural gas, coal and oil, transportation of natural gas and coal, and storage of natural gas.

FPL Energy has entered into several contracts for the purchase of wind turbines and towers in support of a portion of its planned new wind generation. In addition, FPL Energy has contracts primarily for the purchase, transportation and storage of natural gas and firm transmission service with expiration dates ranging from 2007 through 2017. FPL Energy also has several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from 2007 to 2014.

The required capacity and minimum payments under these contracts are estimated as follows:

	2007	2008	2009	2010	2011	Thereafter
				(millions)		
FPL:						
Capacity payments: [a]						
JEA and Southern subsidiaries [b]	$ 200	$ 200	$ 210	$ 200	$ 200	$ 980
Qualifying facilities [b]	$ 320	$ 320	$ 320	$ 290	$ 270	$ 3,200
Other electricity suppliers [b]	$ 60	$ 50	$ 50	$ 10	$ 10	$ 5
Minimum payments, at projected prices:						
Southern subsidiaries – energy [b]	$ 80	$ 80	$ 90	$ 40	$ -	$ -
Natural gas, including transportation and storage [c]	$ 1,820	$ 480	$ 260	$ 260	$ 260	$ 2,150
Coal [c]	$ 60	$ 35	$ 10	$ 5	$ 5	$ -
Oil [c]	$ 190	$ -	$ -	$ -	$ -	$ -
FPL Energy	$ 1,215	$ 835	$ 55	$ 55	$ 55	$ 630
Corporate and Other	$ 15	$ -	$ -	$ -	$ -	$ -

[a] Capacity payments under these contracts, the majority of which are recoverable through the capacity clause, totaled approximately $610 million, $616 million and $656 million for the years ended December 31, 2006, 2005 and 2004, respectively.

[b] Energy payments under these contracts, which are recoverable through the fuel clause, totaled approximately $421 million, $363 million and $376 million for the years ended December 31, 2006, 2005 and 2004, respectively.

[c] Recoverable through the fuel clause.

In addition, FPL has entered into several long-term agreements for storage capacity and transportation of natural gas from facilities that have not yet begun construction. These agreements range from 12 to 23 years in length and contain firm commitments totaling approximately $131 million annually or $2.4 billion over the terms of the agreements. These firm commitments are contingent upon certain events, including approval by the FERC and completion of construction of the facilities in 2008 and 2009.

Insurance – Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with this Act, FPL Group maintains $300 million of private liability insurance per site, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to $604 million ($402 million for FPL), plus any applicable taxes, per incident at any nuclear reactor in the United States, payable at a rate not to exceed $90 million ($60 million for FPL) per incident per year. FPL Group and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook, Duane Arnold and St. Lucie Unit No. 2, which approximates $12 million, $30 million and $15 million, plus any applicable taxes, per incident, respectively.

FPL Group participates in nuclear insurance mutual companies that provide $2.75 billion of limited insurance coverage per occurrence per site for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL Group also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service for an extended period of time because of an accident. In the event of an accident at one of FPL Group's or another participating insured's nuclear plants, FPL Group could be assessed up to $132 million ($88 million for FPL), plus any applicable taxes, in retrospective premiums. FPL Group and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook, Duane Arnold and St. Lucie Unit No. 2, which approximates $2 million, $5 million and $3 million, plus any applicable taxes, respectively.

Due to the high cost and limited coverage available from third-party insurers, FPL has essentially no insurance coverage on its transmission and distribution property and FPL Group has no insurance coverage for FPL FiberNet's fiber-optic cable located throughout Florida. Under the terms of the 2005 rate agreement, FPL may recover prudently incurred storm restoration costs either through securitization pursuant to Section 366.8260 of the Florida Statutes or through surcharges. See Note 1 – Storm Reserve Deficiency.

In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered from customers in the case of FPL, would be borne by FPL Group and FPL and could have a material adverse effect on FPL Group's and FPL's financial condition and results of operations.

Litigation – In 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA), brought an action against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged violations of the Clean Air Act. In May 2001, the EPA amended its complaint. The amended complaint alleges, among other things, that Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining proper permitting, and without complying with performance and technology standards as required by the Clean Air Act. It also alleges that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions. The EPA seeks injunctive relief requiring the installation of best available control technology and civil penalties of up to $25,000 per day for each violation from an unspecified date after June 1, 1975 through January 30, 1997 and $27,500 per day for each violation thereafter. The EPA further revised its civil penalty rule in February 2004, such that the maximum penalty is $32,500 per day for each violation after March 15, 2004. Georgia Power Company has answered the amended complaint, asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. In June 2001, a federal district court stayed discovery and administratively closed the case pending resolution of the EPA's motion for consolidation of discovery in several Clean Air Act cases that was filed with a Multi-District Litigation (MDL) panel. In August 2001, the MDL panel denied the motion for consolidation. In September 2001, the EPA moved that the federal district court reopen this case for purposes of discovery. Georgia Power Company opposed that motion asking that the case remain closed until the Eleventh Circuit Court of Appeals ruled on the Tennessee Valley Authority's (TVA) appeal of an EPA administrative compliance order relating to legal issues that are also central to this case. In August 2002, the federal district court denied without prejudice the EPA's motion to reopen. In June 2003, the Eleventh Circuit issued its order dismissing the TVA's appeal because it found the provision of the Clean Air Act allowing the EPA to issue binding administrative compliance orders was unconstitutional, and hence found that the TVA order was a non-final order that courts of appeal do not have jurisdiction to review. In September 2003, the Eleventh Circuit denied the EPA's motion for rehearing. In May 2004, the U.S. Supreme Court denied the EPA's petition for review of the Eleventh Circuit order. The EPA has not yet moved to reopen the Georgia Power Company case.

In 2001, Florida Municipal Power Agency (FMPA) filed with the U.S. Court of Appeals for the District of Columbia (DC Circuit) a petition for review asking the DC Circuit to reverse and remand orders of the FERC denying FMPA's request for credits for transmission facilities owned by FMPA members. In 1993, FPL filed a comprehensive restructuring of its then-existing tariff structure. All issues in that case were settled in September 2000 except for three issues reserved by FMPA: (i) FMPA's request for transmission credits related to the costs of its transmission facilities (the crediting issue), (ii) treatment of behind-the-meter generation and load ratio pricing for network integration transmission service (the behind-the-meter issue), and (iii) exclusions from FPL's transmission rates of the costs of FPL's facilities that fail to meet the same integration test that was applied to FMPA's facilities with respect to the crediting issue (the rate base issue). The FERC and the DC Circuit have rejected FMPA's claim for transmission credits, which would have reduced FMPA's payment obligation to FPL for network integration transmission service.

With regard to the behind-the-meter issue, the FERC rejected FMPA's argument that its obligation to pay for network integration transmission service should be reduced to the extent that FPL allegedly cannot provide transmission service because of "physical transmission limitations." In June 2005, the DC Circuit remanded the case to the FERC for further consideration. In December 2005, the FERC issued an order on remand finding that load ratio share pricing is appropriate notwithstanding constraints on a third-party's system. In January 2006, FMPA filed a rehearing request of this order with the FERC, which the FERC denied in July 2006. FMPA submitted a petition for review of the FERC's December 2005 and July 2006 orders at the DC Circuit. A briefing schedule has not yet been established in that proceeding.

With regard to the rate base issue, in May 2004 FPL made a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test that was applied to the FMPA facilities. Pursuant to that filing, FPL's current network transmission rate would have been reduced by $0.02 per kilowatt (kw) per month. In June 2004, FMPA filed a protest to FPL's compliance filing, arguing that FPL's current network transmission rate should be reduced by approximately $0.41 per kw per month. In January 2005, the FERC issued an order on FPL's compliance filing. In the order, the FERC accepted FPL's standards for analyzing the transmission system and agreed that FPL's "Georgia Ties" and "Turkey Point Lines" are part of FPL's integrated grid. The FERC required FPL to make an additional compliance filing removing the cost of all radial transmission lines from transmission rates, analyzing the FPL transmission system to remove the cost of any transmission facilities that provide only "unneeded redundancy," and calculating rate adjustments using 1993 data rather than 1998 data. FPL made this compliance filing in April 2005, which would reduce FPL's current rate by $0.04 per kw per month. In May 2005, FMPA protested FPL's compliance filing and argued that FPL's rates should be reduced by an additional $0.20 per kw per month, potentially resulting in a refund obligation to FMPA of approximately $22 million at December 31, 2006. Any reduction in FPL's network service rate also would apply effective January 1, 2004 to Seminole Electric Cooperative Inc. (Seminole), FPL's other network customer. The potential refund obligation to Seminole based on FMPA's position is approximately $9 million at December 31, 2006.

In December 2005, the FERC issued an order accepting FPL's April 2005 compliance filing in part, rejecting it in part, and directing the submission of a further compliance filing. The FERC concluded that it is not clear whether FPL failed to test its non-radial facilities in a manner comparable to the way it tested FMPA's facilities. FPL filed a rehearing request in January 2006, which the FERC denied in July 2006. FPL filed a request for rehearing of the FERC's July 2006 order. In September 2006, FPL made the required compliance filing, removing additional transmission facilities from rates, which resulted in a refund liability of approximately $4 million to FMPA and approximately $1 million to Seminole at December 31, 2006. FMPA has protested FPL's filing, claiming again that FPL's rates should be reduced by an additional $0.20 per kw per month.

In 1995 and 1996, FPL Group, through an indirect subsidiary, purchased from Adelphia Communications Corporation (Adelphia) 1,091,524 shares of Adelphia common stock and 20,000 shares of Adelphia preferred stock (convertible into 2,358,490 shares of Adelphia common stock) for an aggregate price of approximately $35,900,000. On January 29, 1999, Adelphia repurchased all of these shares for $149,213,130 in cash. On June 24, 2004, Adelphia, Adelphia Cablevision, L.L.C. and the Official Committee of Unsecured Creditors of Adelphia filed a complaint against FPL Group and its indirect subsidiary in the U.S. Bankruptcy Court, Southern District of New York. The complaint alleges that the repurchase of these shares by Adelphia was a fraudulent transfer, in that at the time of the transaction Adelphia (i) was insolvent or was rendered insolvent, (ii) did not receive reasonably equivalent value in exchange for the cash it paid, and (iii) was engaged or about to engage in a business or transaction for which any property remaining with Adelphia had unreasonably small capital. The complaint seeks the recovery for the benefit of Adelphia's bankruptcy estate of the cash paid for the repurchased shares, plus interest. FPL Group has filed an answer to the complaint. FPL Group believes that the complaint is without merit because, among other reasons, Adelphia will be unable to demonstrate that (i) Adelphia's repurchase of shares from FPL Group, which repurchase was at the market value for those shares, was not for reasonably equivalent value, (ii) Adelphia was insolvent at the time of the repurchase, or (iii) the repurchase left Adelphia with unreasonably small capital. The case is in discovery and has been reset for trial in March 2008.

In 2003, Scott and Rebecca Finestone brought an action on behalf of themselves and their son Zachary Finestone in the U.S. District Court for the Southern District of Florida alleging that their son has developed cancer (neuroblastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The complaint, as subsequently amended, includes counts against FPL for strict liability for allegedly engaging in an ultra-hazardous activity and for alleged negligence in operating the plant in a manner that allowed emissions of the foregoing materials and failing to limit its release of nuclear fission products as prescribed by federal and state laws and regulations. The plaintiffs seek damages in excess of $1 million. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. On February 8, 2006, the plaintiffs filed a notice of appeal of the court's decision granting final summary judgment for FPL. The appeal is pending before the U.S. Court of Appeals for the Eleventh Circuit.

In 2003, Tish Blake and John Lowe, as personal representatives of the Estate of Ashton Lowe, on behalf of the estate and themselves, as surviving parents, brought an action in the U.S. District Court for the Southern District of Florida alleging that their son developed cancer (medulo-blastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The allegations, counts and damages demanded in the complaint, as subsequently amended, are virtually identical to those contained in the Finestone lawsuit described above. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. On February 8, 2006, the plaintiffs filed a notice of appeal of the court's decision granting final summary judgment for FPL. The appeal is pending before the U.S. Court of Appeals for the Eleventh Circuit.

In 2003, Pedro C. and Emilia Roig brought an action on behalf of themselves and their son, Pedro Anthony Roig, in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida (the state court), which was removed in October 2003 to the U.S. District Court for the Southern District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies and FPL, alleging that their son has suffered toxic neurological effects from mercury poisoning. The sources of mercury exposure are alleged to be vaccines containing a preservative called thimerosal that were allegedly manufactured and distributed by the drug companies, mercury amalgam dental fillings, and emissions from FPL power plants in southeast Florida. The complaint includes counts against all defendants for civil battery and against FPL for alleged negligence in operating the plants such that the son was exposed to mercury and other heavy metals emissions. The damages demanded from FPL are for injuries and losses allegedly suffered by the son as a result of his exposure to the plants' mercury emissions and the parents' alleged pain and suffering, medical expenses, loss of wages, and loss of their son's services and companionship. No amount of damages is specified. The U.S. District Court remanded the action back to the state court. The drug manufacturing and distribution companies have moved to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until requested by the plaintiffs.

In 2003, Edward and Janis Shiflett brought an action on behalf of themselves and their son, Phillip Benjamin Shiflett, in the Circuit Court of the Eighteenth Judicial Circuit in and for Brevard County, Florida (the state court), which was removed in January 2004 to the U.S. District Court for the Middle District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, FPL and the Orlando Utilities Commission, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Roig lawsuit described above. FPL's motion to dismiss the complaint was denied. The U.S. District Court subsequently remanded the action back to the state court. The state court subsequently dismissed the drug manufacturing and distribution companies from the action. Plaintiffs' appeal of that order is pending before the Florida Fifth District Court of Appeal. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until requested by the plaintiffs.

In October 2004, TXU Portfolio Management Company (TXU) served FPL Energy Pecos Wind I, LP, FPL Energy Pecos Wind I GP, LLC, FPL Energy Pecos Wind II, LP, FPL Energy Pecos Wind II GP, LLC and Indian Mesa Wind Farm, LP (FPL Energy Affiliates) as defendants in a civil action filed in the District Court in Dallas County, Texas. The petition alleges that the FPL Energy Affiliates had a contractual obligation to produce and sell to TXU a minimum quantity of energy each year and that the FPL Energy Affiliates failed to meet this obligation. The plaintiff has asserted claims for breach of contract and declaratory judgment and seeks damages of approximately $34 million. The FPL Energy Affiliates filed their answer and counterclaim in November 2004, denying the allegations. The counterclaim, as now amended, asserts claims for conversion, breach of fiduciary duty, breach of warranty, conspiracy, breach of contract and fraud and seeks termination of the contract and damages. At the end of 2005, TXU amended its complaint to add FPL Group, FPL Energy, FPL Group Capital and ESI Energy, LLC (ESI Energy), as defendants. Motions to dismiss those entities as defendants were filed, and FPL Group, FPL Group Capital and ESI Energy have been dismissed. The case is in discovery and has been reset for trial in April 2007.

In September 2006, PT Pertamina, Indonesia's state-owned oil/energy company, filed an action against KBC, an entity in which FPL Energy owns an equity interest, in the Grand Court of the Cayman Islands for fraud and for an injunction prohibiting KBC from disposing of, dealing with or diminishing the value of any of KBC's assets up to the value of PT Pertamina's funds KBC received as a result of the court judgment (approximately $320 million) pending resolution of the fraud claim. FPL Energy's portion of the damages being sought is approximately $145 million. KBC sought and in December 2006 received from the U.S. District Court for the Southern District of New York an anti-suit injunction against the plaintiff, prohibiting the plaintiff from pursuing the fraud action, or any similar action, and the request for injunctive relief in the Cayman court or any other court worldwide. The plaintiff's appeal of that order to the U.S. Court of Appeals for the Second Circuit is pending.

In addition to those legal proceedings discussed above, FPL Group and its subsidiaries, including FPL, are involved in a number of other legal proceedings and claims in the ordinary course of their businesses. Generating plants in which FPL Group or FPL have an ownership interest are also involved in legal proceedings and claims, the liabilities from which, if any, would be shared by FPL Group or FPL.

FPL Group and FPL believe that they, or their affiliates, have meritorious defenses to all the pending litigation and proceedings discussed above under the heading Litigation and are vigorously defending the lawsuits. While management is unable to predict with certainty the outcome of the legal proceedings and claims discussed or described herein, based on current knowledge it is not expected that their ultimate resolution, individually or collectively, will have a material adverse effect on the financial statements of FPL Group or FPL.

17. Segment Information

FPL Group's reportable segments include FPL, a rate-regulated utility, and FPL Energy, a competitive energy business. Corporate and Other represents other business activities, other segments that are not separately reportable and eliminating entries. FPL Group's operating revenues derived from the sale of electricity represented approximately 97% of FPL Group's operating revenues for each of the three years ended December 31, 2006, 2005 and 2004. Less than 1% of operating revenues were from foreign sources for each of the three years ended December 31, 2006, 2005 and 2004. At December 31, 2006 and 2005, less than 1% of long-lived assets were located in foreign countries.

FPL Group's segment information is as follows:

	2006				2005				2004			
	FPL	FPL Energy [a]	Corp. and Other	Total	FPL	FPL Energy [a]	Corp. and Other	Total	FPL	FPL Energy [a]	Corp. and Other	Total
	(millions)											
Operating revenues	$ 11,988	$ 3,558	$ 164	$ 15,710	$ 9,528	$ 2,221	$ 97	$ 11,846	$ 8,734	$ 1,705	$ 83	$ 10,522
Operating expenses	$ 10,525	$ 2,803	$ 285 [b]	$ 13,613	$ 8,181	$ 2,067	$ 108	$ 10,356	$ 7,419	$ 1,528	$ 90	$ 9,037
Interest charges	$ 278	$ 269	$ 159	$ 706	$ 224	$ 223	$ 146	$ 593	$ 183	$ 180	$ 126	$ 489
Depreciation and amortization	$ 787	$ 375	$ 23	$ 1,185	$ 951	$ 311	$ 23	$ 1,285	$ 915	$ 264	$ 19	$ 1,198
Equity in earnings of equity method investees	$ -	$ 181 [c]	$ -	$ 181	$ -	$ 124	$ -	$ 124	$ -	$ 96	$ -	$ 96
Income tax expense (benefit) [d]	$ 424	$ 110	$ (137)	$ 397	$ 408	$ (55)	$ (71)	$ 282	$ 409	$ (60)	$ (77)	$ 272
Net income (loss)	$ 802	$ 610 [e]	$ (131) [f]	$ 1,281	$ 748	$ 203	$ (50)	$ 901	$ 749	$ 181 [g]	$ (34)	$ 896
Capital expenditures, independent power investments and nuclear fuel purchases	$ 1,868	$ 1,809	$ 62	$ 3,739	$ 1,711	$ 822	$ 13	$ 2,546	$ 1,484	$ 527	$ 6	$ 2,017
Property, plant and equipment	$ 25,686	$ 10,224	$ 242	$ 36,152	$ 24,407	$ 8,568	$ 334	$ 33,309	$ 23,516	$ 7,855	$ 316	$ 31,687
Accumulated depreciation and amortization	$ 9,848	$ 1,679	$ 126	$ 11,653	$ 9,530	$ 1,253	$ 105	$ 10,888	$ 9,467	$ 940	$ 87	$ 10,494
Total assets	$ 23,073	$ 11,371	$ 1,547	$ 35,991	$ 22,726	$ 9,394	$ 870	$ 32,990	$ 19,114	$ 8,488	$ 722	$ 28,324
Investment in equity method investees	$ -	$ 361	$ 9	$ 370	$ -	$ 320	$ 9	$ 329	$ -	$ 294	$ 9	$ 303

(a) FPL Energy's interest charges are based on a deemed capital structure of 50% debt for operating projects and 100% debt for projects under construction. Residual non-utility interest charges are included in Corporate and Other.
(b) Includes a $98 million impairment charge recorded at FPL FiberNet. See Note 5 – Corporate and Other.
(c) Includes an Indonesian project gain of $97 million. See Note 11 – FPL Energy.
(d) FPL Energy's tax expense (benefit) include production tax credits that were recognized based on its tax sharing agreement with FPL Group. See Note 1 – Income Taxes.
(e) Includes the Indonesian project gain of $63 million after-tax.
(f) Includes the FPL FiberNet impairment charge of $60 million after-tax.
(g) Includes net contract restructuring and impairment charges of $46 million after-tax. See Note 5 – FPL Energy.

18. Summarized Financial Information of FPL Group Capital

FPL Group Capital, a 100% owned subsidiary of FPL Group, provides funding for and holds ownership interest in FPL Group's operating subsidiaries other than FPL. Most of FPL Group Capital's debt, including its debentures, and payment guarantees are fully and unconditionally guaranteed by FPL Group. Condensed consolidating financial information is as follows:

Condensed Consolidating Statements of Income

	Year Ended December 31, 2006				Year Ended December 31, 2005				Year Ended December 31, 2004			
	FPL Group (Guarantor)	FPL Group Capital	Other[(a)]	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other[(a)]	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other[(a)]	FPL Group Consolidated
	(millions)											
Operating revenues	$ -	$ 3,728	$ 11,982	$ 15,710	$ -	$ 2,323	$ 9,523	$ 11,846	$ -	$ 1,789	$ 8,733	$ 10,522
Operating expenses	(23)	(3,070)	(10,520)	(13,613)	-	(2,180)	(8,176)	(10,356)	-	(1,620)	(7,417)	(9,037)
Interest charges	(21)	(428)	(257)	(706)	(25)	(366)	(202)	(593)	(28)	(303)	(158)	(489)
Other income (deductions) – net	1,292	263	(1,268)	287	909	275	(898)	286	914	166	(908)	172
Income (loss) before income taxes	1,248	493	(63)	1,678	884	52	247	1,183	886	32	250	1,168
Income tax expense (benefit)	(33)	7	423	397	(17)	(109)	408	282	(10)	(126)	408	272
Net income (loss)	$ 1,281	$ 486	$ (486)	$ 1,281	$ 901	$ 161	$ (161)	$ 901	$ 896	$ 158	$ (158)	$ 896

(a) Represents FPL and consolidating adjustments.

Condensed Consolidating Balance Sheets

	December 31, 2006				December 31, 2005			
	FPL Group (Guarantor)	FPL Group Capital	Other[(a)]	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other[(a)]	FPL Group Consolidated
	(millions)							
PROPERTY, PLANT AND EQUIPMENT								
Electric utility plant in service and other property	$ -	$ 10,466	$ 25,686	$ 36,152	$ -	$ 8,902	$ 24,407	$ 33,309
Less accumulated depreciation and amortization	-	(1,805)	(9,848)	(11,653)	-	(1,359)	(9,529)	(10,888)
Total property, plant and equipment – net	-	8,661	15,838	24,499	-	7,543	14,878	22,421
CURRENT ASSETS								
Cash and cash equivalents	-	556	64	620	7	467	56	530
Receivables	170	683	803	1,656	5	584	841	1,430
Other	10	767	1,946	2,723	63	518	2,446	3,027
Total current assets	180	2,006	2,813	4,999	75	1,569	3,343	4,987
OTHER ASSETS								
Investment in subsidiaries	9,892	-	(9,892)	-	8,710	-	(8,710)	-
Other	1,166	1,747	3,580	6,493	140	1,368	4,074	5,582
Total other assets	11,058	1,747	(6,312)	6,493	8,850	1,368	(4,636)	5,582
TOTAL ASSETS	$ 11,238	$ 12,414	$ 12,339	$ 35,991	$ 8,925	$ 10,480	$ 13,585	$ 32,990
CAPITALIZATION								
Common shareholders' equity	$ 9,930	$ 2,354	$ (2,354)	$ 9,930	$ 8,561	$ 1,973	$ (1,973)	$ 8,561
Long-term debt	-	5,377	4,214	9,591	-	4,768	3,271	8,039
Total capitalization	9,930	7,731	1,860	19,521	8,561	6,741	1,298	16,600
CURRENT LIABILITIES								
Debt due within one year	-	2,112	630	2,742	-	1,269	1,294	2,563
Accounts payable	-	325	735	1,060	17	365	863	1,245
Other	222	749	1,720	2,691	85	803	2,571	3,459
Total current liabilities	222	3,186	3,085	6,493	102	2,437	4,728	7,267
OTHER LIABILITIES AND DEFERRED CREDITS								
Asset retirement obligations	-	248	1,572	1,820	-	211	1,474	1,685
Accumulated deferred income taxes	269	945	2,218	3,432	(5)	502	2,555	3,052
Regulatory liabilities	531	-	3,121	3,652	-	-	3,075	3,075
Other	286	304	483	1,073	267	589	455	1,311
Total other liabilities and deferred credits	1,086	1,497	7,394	9,977	262	1,302	7,559	9,123
COMMITMENTS AND CONTINGENCIES								
TOTAL CAPITALIZATION AND LIABILITIES	$ 11,238	$ 12,414	$ 12,339	$ 35,991	$ 8,925	$ 10,480	$ 13,585	$ 32,990

(a) Represents FPL and consolidating adjustments.

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2006				Year Ended December 31, 2005				Year Ended December 31, 2004			
	FPL Group (Guar-antor)	FPL Group Capital	Other[(a)]	FPL Group Consoli-dated	FPL Group (Guar-antor)	FPL Group Capital	Other[(a)]	FPL Group Consoli-dated	FPL Group (Guar-antor)	FPL Group Capital	Other[(a)]	FPL Group Consoli-dated
						(millions)						
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 353	$ 791	$ 1,354	$ 2,498	$ 191	$ 278	$ 1,078	$ 1,547	$ 437	$ 868	$ 1,345	$ 2,650
CASH FLOWS FROM INVESTING ACTIVITIES												
Capital expenditures, independent power investments and nuclear fuel purchases	(40)	(1,833)	(1,866)	(3,739)	-	(834)	(1,712)	(2,546)	-	(533)	(1,484)	(2,017)
Sale of independent power investments	-	20	-	20	-	69	-	69	-	93	-	93
Loan repayments and capital distributions from equity method investees	-	-	-	-	-	199	-	199	-	9	-	9
Funding of secured loan	-	-	-	-	-	(43)	-	(43)	-	(128)	-	(128)
Proceeds from termination of leveraged leases	-	-	-	-	-	58	-	58	-	-	-	-
Other – net	-	(7)	(81)	(88)	(299)	195	202	98	(29)	115	85	171
Net cash used in investing activities	(40)	(1,820)	(1,947)	(3,807)	(299)	(356)	(1,510)	(2,165)	(29)	(444)	(1,399)	(1,872)
CASH FLOWS FROM FINANCING ACTIVITIES												
Issuances of long-term debt	-	2,470	938	3,408	-	803	588	1,391	-	334	235	569
Retirements of long-term debt	-	(1,530)	(135)	(1,665)	-	(715)	(505)	(1,220)	-	(432)	-	(432)
Proceeds from purchased Corporate Units	210	-	-	210	-	-	-	-	-	-	-	-
Payments to terminate Corporate Units	(258)	-	-	(258)	-	-	-	-	-	-	-	-
Net change in short-term debt	-	467	(529)	(62)	-	-	667	667	-	(284)	(139)	(423)
Issuances of common stock	333	-	-	333	639	-	-	639	110	-	-	110
Dividends on common stock	(593)	-	-	(593)	(544)	-	-	(544)	(467)	-	-	(467)
Other – net	(12)	(289)	327	26	(6)	323	(327)	(10)	(52)	(6)	19	(39)
Net cash provided by (used in) financing activities	(320)	1,118	601	1,399	89	411	423	923	(409)	(388)	115	(682)
Net increase (decrease) in cash and cash equivalents	(7)	89	8	90	(19)	333	(9)	305	(1)	36	61	96
Cash and cash equivalents at beginning of period	7	467	56	530	26	134	65	225	27	98	4	129
Cash and cash equivalents at end of year	$ -	$ 556	$ 64	$ 620	$ 7	$ 467	$ 56	$ 530	$ 26	$ 134	$ 65	$ 225

(a) Represents FPL and consolidating adjustments.

19. Quarterly Data (Unaudited)

Condensed consolidated quarterly financial information is as follows:

	March 31 [a]	June 30 [a]	September 30 [a]	December 31 [a]
	(millions, except per share amounts)			
FPL GROUP:				
2006				
Operating revenues [b]	$3,584	$3,809	$ 4,694	$3,623
Operating income [b]	$ 473	$ 435	$ 872	$ 317[c]
Net income [b]	$ 251	$ 236	$ 527	$ 268[d]
Earnings per share [e]	$ 0.64	$ 0.60	$ 1.33	$ 0.68[d]
Earnings per share – assuming dilution [e]	$ 0.64	$ 0.60	$ 1.32	$ 0.67[d]
Dividends per share	$0.375	$0.375	$ 0.375	$0.375
High-low common stock sales prices	$43.42-38.85	$41.97-37.81	$ 45.87-40.59	$55.57-44.97
2005				
Operating revenues [b]	$2,437	$2,741	$ 3,504	$3,164
Operating income [b]	$ 236	$ 327	$ 570	$ 356
Net income [b]	$ 139	$ 207	$ 346	$ 209
Earnings per share [e]	$ 0.37	$ 0.54	$ 0.90	$ 0.54
Earnings per share – assuming dilution [e]	$ 0.37	$ 0.54	$ 0.89	$ 0.54
Dividends per share	$0.355	$0.355	$ 0.355	$0.355
High-low common stock sales prices	$41.38-35.90	$42.72-39.16	$ 48.11-40.30	$48.05-40.75
FPL:				
2006				
Operating revenues [b]	$2,584	$2,999	$ 3,513	$2,892
Operating income [b]	$ 246	$ 339	$ 565	$ 313
Net income [b]	$ 122	$ 182	$ 328	$ 170
2005				
Operating revenues [b]	$2,041	$2,298	$ 2,891	$2,298
Operating income [b]	$ 201	$ 343	$ 551	$ 252
Net income [b]	$ 111	$ 201	$ 311	$ 124

(a) In the opinion of FPL Group and FPL, all adjustments, which consist of normal recurring accruals necessary to present a fair statement of the amounts shown for such periods, have been made. Results of operations for an interim period generally will not give a true indication of results for the year. Amounts have been adjusted to reflect the retrospective application of a FASB Staff Position related to planned major maintenance activities. Such adjustments were not material for the quarters presented.

(b) The sum of the quarterly amounts may not equal the total for the year due to rounding.

(c) Includes impairment charges. See Note 5.

(d) Includes impairment charges and an Indonesian project gain. See Note 5 and Note 11 – FPL Energy.

(e) The sum of the quarterly amounts may not equal the total for the year due to rounding and changes in weighted-average number of common shares outstanding.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of December 31, 2006, each of FPL Group and FPL had performed an evaluation, under the supervision and with the participation of its management, including FPL Group's and FPL's chief executive officer and chief financial officer, of the effectiveness of the design and operation of each company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) or 15d-15(e)). Based upon that evaluation, the chief executive officer and chief financial officer of each of FPL Group and FPL concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company and its consolidated subsidiaries required to be included in the company's reports filed or submitted under the Exchange Act and ensuring that information required to be disclosed in the company's reports filed or submitted under the Exchange Act is accumulated and communicated to management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure. FPL Group and FPL each have a Disclosure Committee, which is made up of several key management employees and reports directly to the chief executive officer and chief financial officer of each company, to monitor and evaluate these disclosure controls and procedures. Due to the inherent limitations of the effectiveness of any established disclosure controls and procedures, management of FPL Group and FPL cannot provide absolute assurance that the objectives of their respective disclosure controls and procedures will be met.

Internal Control Over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

See Item 8. Financial Statements and Supplementary Data.

(b) Attestation Report of the Independent Registered Public Accounting Firm

See Item 8. Financial Statements and Supplementary Data.

(c) Changes in Internal Control Over Financial Reporting

FPL Group and FPL are continuously seeking to improve the efficiency and effectiveness of their operations and of their internal controls. This results in refinements to processes throughout FPL Group and FPL. However, there has been no change in FPL Group's or FPL's internal control over financial reporting that occurred during FPL Group's and FPL's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, FPL Group's or FPL's internal control over financial reporting.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in FPL Group's Proxy Statement which will be filed with the SEC in connection with the 2007 Annual Meeting of Shareholders (FPL Group's Proxy Statement) and is incorporated herein by reference, or is included in Item 1. Business – Executive Officers of FPL Group.

Item 11. Executive Compensation

The information required by this item will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

FPL Group's equity compensation plan information as of December 31, 2006 is as follows:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	6,344,801	$30.22	11,488,408
Equity compensation plans not approved by security holders [(a)]	38,589	$14.96	-

(a) Represents options granted by Gexa Corp. under its Amended and Restated 2004 Incentive Plan and pursuant to various individual grants, all of which were made prior to the acquisition of Gexa Corp. All such options were assumed by FPL Group in connection with the acquisition of Gexa Corp. and are fully vested and exercisable for shares of FPL Group common stock. No further grants of stock options will be made under this plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in FPL Group's Proxy Statement under the subheadings Policy Regarding Transactions with Related Persons, if applicable and Director Independence in the section entitled Corporate Governance and Board Matters and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

FPL Group – The information required by this item will be included in FPL Group's Proxy Statement under the subheadings Fees Paid to Deloitte & Touche LLP and Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Registered Public Accounting Firm in the section entitled Audit-Related Matters and is incorporated herein by reference.

FPL – The following table presents fees billed for professional services rendered by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche) for the fiscal years ended December 31, 2006 and 2005. The amounts presented below reflect allocations from FPL Group for FPL's portion of the fees, as well as amounts billed directly to FPL.

	2006	2005
Audit fees [(a)]	$ 2,571,000	$ 2,410,000
Audit-related fees [(b)]	252,000	237,000
Tax fees [(c)]	37,000	101,000
All other fees [(d)]	-	-
Total	$ 2,860,000	$ 2,748,000

(a) Audit fees consist of fees billed for professional services rendered for the audit of FPL's and FPL Group's annual consolidated financial statements for the fiscal year, the reviews of the financial statements included in FPL's and FPL Group's Quarterly Reports on Form 10-Q for the fiscal year, attestation of management's assessment of internal control over financial reporting and the audit of the effectiveness of internal control over financial reporting, comfort letters, consents, and other services related to SEC matters, services in connection with annual and semi-annual filings of FPL Group's financial statements with the Japanese Ministry of Finance and accounting consultations to the extent necessary for Deloitte & Touche to fulfill its responsibility under Public Company Accounting Oversight Board standards.

(b) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of FPL's and FPL Group's consolidated financial statements and are not reported under Audit Fees. These fees primarily related to audits of subsidiary financial statements, comfort letters, consents and other services related to subsidiary (non-SEC registrant) financing activities, audits of employee benefit plans and consultation on accounting standards and on transactions.

(c) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. In 2006, all tax fees paid related to tax compliance services. In 2005, approximately $21,000 was paid related to tax advice and planning services. All other tax fees paid in 2005 related to tax compliance services.

(d) All other fees consist of fees for products and services other than the services reported under the other named categories. In 2006 and 2005, there were no other fees incurred in this category.

In accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), FPL Group's Audit Committee's pre-approval policy for services provided by the independent auditor and the Charter of the Audit Committee, all services performed by Deloitte & Touche are approved in advance by the Audit Committee. Audit and audit-related services specifically identified in an appendix to the pre-approval policy are pre-approved by the Audit Committee each year. This pre-approval allows management to request the specified audit and audit-related services on an as-needed basis during the year, provided any such services are reviewed with the Audit Committee at its next regularly scheduled meeting. Any audit or audit-related service for which the fee is expected to exceed $250,000, or that involves a service not listed on the pre-approval list, must be specifically approved by the Audit Committee prior to commencement of such work. In addition, the Audit Committee approves all services other than audit and audit-related services performed by Deloitte & Touche in advance of the commencement of such work or, in cases which meet the de minimus pre-approval exception established by Sarbanes-Oxley, prior to completion of the audit. The Audit Committee has delegated to the chairman of the committee the right to approve audit, audit-related, tax and other services, within certain limitations, between meetings of the Audit Committee, provided any such decision is presented to the Audit Committee at its next regularly scheduled meeting. The Audit Committee reviews on a quarterly basis a schedule of all services for which Deloitte & Touche has been engaged and the estimated fees for those services. In 2006, approximately $5,800 (16% of total tax fees and 0.2% of total fees paid to Deloitte & Touche during 2006) of services included in the Tax Fees category described above were approved by the Audit Committee after the services were rendered, pursuant to the de minimus exception established by Sarbanes-Oxley. In 2005, no services provided by Deloitte & Touche to FPL or allocated to FPL under the categories Audit-related Fees, Tax Fees and All Other Fees described above were approved by the Audit Committee after services were rendered pursuant to the de minimus exception.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

2. Financial Statement Schedules – Schedules are omitted as not applicable or not required.

3. Exhibits (including those incorporated by reference)

Exhibit Number	Description	FPL Group	FPL
*2	Termination and Release Agreement dated as of October 24, 2006, among FPL Group, Constellation Energy Group, Inc. and CF Merger Corporation (filed as Exhibit 2.1 to Form 8-K dated October 24, 2006, File No. 1-8841)	x	x
*3(i)a	Restated Articles of Incorporation of FPL Group dated December 31, 1984, as amended through March 10, 2005 (filed as Exhibit 3(i) to Form S-4, File No. 333-124438)	x	
*3(i)b	Amendment to FPL Group's Restated Articles of Incorporation dated July 3, 2006 (filed as Exhibit 3(i) to Form 8-K dated June 30, 2006, File No. 1-8841)	x	
*3(i)c	Restated Articles of Incorporation of FPL dated March 23, 1992 (filed as Exhibit 3(i)a to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)d	Amendment to FPL's Restated Articles of Incorporation dated March 23, 1992 (filed as Exhibit 3(i)b to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x

Exhibit Number	Description	FPL Group	FPL
*3(i)e	Amendment to FPL's Restated Articles of Incorporation dated May 11, 1992 (filed as Exhibit 3(i)c to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)f	Amendment to FPL's Restated Articles of Incorporation dated March 12, 1993 (filed as Exhibit 3(i)d to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)g	Amendment to FPL's Restated Articles of Incorporation dated June 16, 1993 (filed as Exhibit 3(i)e to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)h	Amendment to FPL's Restated Articles of Incorporation dated August 31, 1993 (filed as Exhibit 3(i)f to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)i	Amendment to FPL's Restated Articles of Incorporation dated November 30, 1993 (filed as Exhibit 3(i)g to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)j	Amendment to FPL's Restated Articles of Incorporation dated January 20, 2004 (filed as Exhibit 3(i)j to Form 10-K dated December 31, 2003, File No. 2-27612)		x
*3(i)k	Amendment to FPL's Restated Articles of Incorporation dated January 20, 2004 (filed as Exhibit 3(i)k to Form 10-K dated December 31, 2003, File No. 2-27612)		x
*3(i)l	Amendment to FPL's Restated Articles of Incorporation dated February 11, 2005 (filed as Exhibit 3(i)m to Form 10-K for the year ended December 31, 2004, File No. 2-27612)		x
*3(ii)a	Amended and Restated Bylaws of FPL Group, as amended through May 26, 2006 (filed as Exhibit 3(ii)a to Form 10-Q for the quarter ended June 30, 2006, File No. 1-8841)	x	
*3(ii)b	Bylaws of FPL dated May 11, 1992 (filed as Exhibit 3 to Form 8-K dated May 1, 1992, File No. 1-3545)		x
*4(a)	Mortgage and Deed of Trust dated as of January 1, 1944, and One hundred and ten Supplements thereto, between FPL and Deutsche Bank Trust Company Americas, Trustee (filed as Exhibit B-3, File No. 2-4845; Exhibit 7(a), File No. 2-7126; Exhibit 7(a), File No. 2-7523; Exhibit 7(a), File No. 2-7990; Exhibit 7(a), File No. 2-9217; Exhibit 4(a)-5, File No. 2-10093; Exhibit 4(c), File No. 2-11491; Exhibit 4(b)-1, File No. 2-12900; Exhibit 4(b)-1, File No. 2-13255; Exhibit 4(b)-1, File No. 2-13705; Exhibit 4(b)-1, File No. 2-13925; Exhibit 4(b)-1, File No. 2-15088; Exhibit 4(b)-1, File No. 2-15677; Exhibit 4(b)-1, File No. 2-20501; Exhibit 4(b)-1, File No. 2-22104; Exhibit 2(c), File No. 2-23142; Exhibit 2(c), File No. 2-24195; Exhibit 4(b)-1, File No. 2-25677; Exhibit 2(c), File No. 2-27612; Exhibit 2(c), File No. 2-29001; Exhibit 2(c), File No. 2-30542; Exhibit 2(c), File No. 2-33038; Exhibit 2(c), File No. 2-37679; Exhibit 2(c), File No. 2-39006; Exhibit 2(c), File No. 2-41312; Exhibit 2(c), File No. 2-44234; Exhibit 2(c), File No. 2-46502; Exhibit 2(c), File No. 2-48679; Exhibit 2(c), File No. 2-49726; Exhibit 2(c), File No. 2-50712; Exhibit 2(c), File No. 2-52826; Exhibit 2(c), File No. 2-53272; Exhibit 2(c), File No. 2-54242; Exhibit 2(c), File No. 2-56228; Exhibits 2(c) and 2(d), File No. 2-60413; Exhibits 2(c) and 2(d), File No. 2-65701; Exhibit 2(c), File No. 2-66524; Exhibit 2(c), File No. 2-67239; Exhibit 4(c), File No. 2-69716; Exhibit 4(c), File No. 2-70767; Exhibit 4(b), File No. 2-71542; Exhibit 4(b), File No. 2-73799; Exhibits 4(c), 4(d) and 4(e), File No. 2-75762; Exhibit 4(c), File No. 2-77629; Exhibit 4(c), File No. 2-79557; Exhibit 99(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669; Exhibit 99(a) to Post-Effective Amendment No. 1 to Form S-3, File No. 33-46076; Exhibit 4(b) to Form 10-K for the year ended December 31, 1993, File No. 1-3545; Exhibit 4(i) to Form 10-Q	x	x

Exhibit Number	Description	FPL Group	FPL
	for the quarter ended June 30, 1994, File No. 1-3545; Exhibit 4(b) to Form 10-Q for the quarter ended June 30, 1995, File No. 1-3545; Exhibit 4(a) to Form 10-Q for the quarter ended March 31,1996, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended June 30, 1998, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended March 31, 1999, File No. 1-3545; Exhibit 4(f) to Form 10-K for the year ended December 31, 2000, File No. 1-3545; Exhibit 4(g) to Form 10-K for the year ended December 31, 2000, File No. 1-3545; Exhibit 4(o), File No. 333-102169; Exhibit 4(k) to Post-Effective Amendment No. 1 to Form S-3, File No. 333-102172; Exhibit 4(l) to Post-Effective Amendment No. 2 to Form S-3, File No. 333-102172; Exhibit 4(m) to Post-Effective Amendment No. 3 to Form S-3, File No. 333-102172; Exhibit 4(a) to Form 10-Q for the quarter ended September 30, 2004, File No. 2-27612; Exhibit 4(f) to Amendment No. 1 to Form S-3, File No. 333-125275; Exhibit 4(y) to Post-Effective Amendment No. 2 to Form S-3, File Nos. 333-116300, 333-116300-01 and 333-116300-02; Exhibit 4(z) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-116300, 333-116300-01 and 333-116300-02; and Exhibit 4(b) to Form 10-Q for the quarter ended March 31, 2006, File No. 2-27612)		
*4(b)	Indenture, dated as of June 1, 1999, between FPL Group Capital and The Bank of New York, as Trustee (filed as Exhibit 4(a) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(c)	Guarantee Agreement between FPL Group (as Guarantor) and The Bank of New York (as Guarantee Trustee) dated as of June 1, 1999 (filed as Exhibit 4(b) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(d)	Officer's Certificate of FPL Group Capital, dated June 29, 1999, creating the 7 3/8% Debentures, Series due June 1, 2009 (filed as Exhibit 4(d) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(e)	Officer's Certificate of FPL Group Capital, dated May 11, 2001, creating the 6 1/8% Debentures, Series due May 15, 2007 (filed as Exhibit 4 to Form 10-Q for the quarter ended June 30, 2001, File No. 1-8841)	x	
*4(f)	Officer's Certificate of FPL Group Capital, dated June 12, 2002, creating the Series B Debentures due February 16, 2008 (filed as Exhibit 4(a) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	
*4(g)	Officer's Certificate of FPL Group Capital, dated August 18, 2006, creating the 5 5/8% Debentures, Series due September 1, 2011 (filed as Exhibit 4 to Form 8-K dated August 18, 2006, File No. 1-8841)	x	
*4(h)	Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities) dated as of March 1, 2004 among FPL Group Capital, FPL Group (as Guarantor) and the Bank of New York (as Trustee) (filed as Exhibit 4(au) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(i)	Preferred Trust Securities Guarantee Agreement between FPL Group (as Guarantor) and The Bank of New York (as Guarantee Trustee), dated as of March 15, 2004 (filed as Exhibit 4(aw) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(j)	Amended and Restated Trust Agreement relating to FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(at) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(k)	Agreement as to Expenses and Liabilities of FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(ax) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	

Exhibit Number	Description	FPL Group	FPL
*4(l)	Officer's Certificate of FPL Group Capital and FPL Group, dated March 15, 2004, creating the 5 7/8% Junior Subordinated Debentures, Series due March 15, 2044 (filed as Exhibit 4(av) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(m)	Indenture (For Unsecured Subordinated Debt Securities) dated as of September 1, 2006, among FPL Group Capital, FPL Group (as Guarantor) and The Bank of New York (as Trustee) (filed as Exhibit 4(a) to Form 8-K dated September 19, 2006, File No. 1-8841)	x	
*4(n)	Officer's Certificate of FPL Group Capital and FPL Group dated September 19, 2006, creating the Series A Enhanced Junior Subordinated Debentures due 2066 (filed as Exhibit 4(b) to Form 8-K dated September 19, 2006, File No. 1-8841)	x	
*4(o)	Officer's Certificate of FPL Group Capital and FPL Group dated September 19, 2006, creating the Series B Enhanced Junior Subordinated Debentures due 2066 (filed as Exhibit 4(c) to Form 8-K dated September 19, 2006, File No. 1-8841)	x	
*4(p)	Replacement Capital Covenant dated September 19, 2006 by FPL Group Capital and FPL Group (filed as Exhibit 4(d) to Form 8-K dated September 19, 2006, File No. 1-8841)	x	
*4(q)	Warrant Agreement by and between Gexa Corp. and Highbridge/Zwirn Special Opportunities Fund, L.P., dated as of July 8, 2004, assumed by FPL Group effective June 17, 2005 (filed by Gexa Corp. as Exhibit 4.1 to Form 8-K dated July 8, 2004, File No. 1-31435)	x	
*4(r)	Warrant Agreement by and between Gexa Corp. and Prospect Street Ventures Ltd., dated as of July 19, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(d) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*4(s)	Warrant Agreement by and between Gexa Corp. and Prospect Street Ventures I LLC, dated as of September 9, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(e) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*4(t)	Form of Warrant Agreement to Purchase Shares of Common Stock of Gexa Corp., dated as of November 23, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(f) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*10(a)	FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(b)	Amendments #1 and 2 effective January 1, 1998 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(b) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(c)	Amendment #3 effective January 1, 1999 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(c) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
10(d)	Amendment #4 adopted October 13, 2005 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997	x	x
10(e)	Appendix C1 (revised as of February 15, 2007) to Amendment #4 adopted October 13, 2005 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997	x	x

Exhibit Number	Description	FPL Group	FPL
10(f)	Amendment #5 adopted February 15, 2007 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997	x	x
*10(g)	Supplement to the FPL Group Supplemental Executive Retirement Plan as it applies to Lewis Hay, III effective March 22, 2002 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	x
*10(h)	FPL Group Amended and Restated Long Term Incentive Plan, as amended and restated October 13, 2006 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2006, File No. 1-8841)	x	x
10(i)	Form of FPL Group Amended and Restated Long Term Incentive Plan Performance Share Award Agreement	x	x
*10(j)	Form of FPL Group Amended and Restated Long Term Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10(b) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(k)	Form of FPL Group Amended and Restated Long Term Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10 to Form 8-K dated January 28, 2005, File No. 1-8841)	x	x
10(l)	Form of FPL Group Amended and Restated Long Term Incentive Plan Restricted Stock Award Agreement	x	x
*10(m)	Form of FPL Group Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement (filed as Exhibit 10(c) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(n)	Form of FPL Group Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement (filed as Exhibit 10(d) to to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(o)	Form of FPL Group Amended and Restated Long Term Incentive Plan Deferred Stock Award Agreement (filed as Exhibit 10(dd) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(p)	Form of FPL Group Annual Incentive Plan (filed as Exhibit 10(n) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
10(q)	2007 FPL Group Annual Incentive Plan	x	x
*10(r)	FPL Group Deferred Compensation Plan, amended and restated effective January 1, 2003 (filed as Exhibit 10(k) to Form 10-K for the year ended December 31, 2002, File No. 1-8841)	x	x
*10(s)	FPL Group Executive Long Term Disability Plan effective January 1, 1995 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	x
*10(t)	FPL Group Amended and Restated Non-Employee Directors Stock Plan, as amended and restated October 13, 2006 (filed as Exhibit 10(b) to Form 10-Q for the quarter ended September 30, 2006, File No. 1-8841)	x	
10(u)	Non-Employee Director Compensation Summary	x	
*10(v)	Form of Split Dollar Agreement between FPL Group and each of its executive officers who elect to participate, including provisions relating to Certain Officers (as of February 26, 2007 all executive officers participate except Moray P. Dewhurst, and "Certain Officers" include Armando J. Olivera and Antonio Rodriguez) (filed as Exhibit 10(s) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x

Exhibit Number	Description	FPL Group	FPL
*10(w)	Form of Executive Retention Employment Agreement between FPL Group and each of Lewis Hay, III, Armando J. Olivera and Antonio Rodriguez (filed as Exhibit 10(a) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	x
*10(x)	Form of Executive Retention Employment Agreement between FPL Group and each of Moray P. Dewhurst, John A. Stall and James L. Robo (filed as Exhibit 10(b) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	x
*10(y)	Amendment to Executive Retention Employment Agreement between FPL Group and Armando J. Olivera, dated as of October 17, 2003 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2003, File No. 1-8841)	x	x
*10(z)	Form of Executive Retention Employment Agreement between FPL Group and each of Robert H. Escoto, Robert L. McGrath, Edward F. Tancer and F. Mitchell Davidson (filed as Exhibit 10(x) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
*10(aa)	Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement dated as of June 17, 2002 by and between FPL Group and Lewis Hay, III (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(bb)	Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement dated as of June 10, 2002 by and between FPL Group and Moray P. Dewhurst (filed as Exhibit 10(z) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(cc)	Form of Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement between FPL Group and each of Robert H. Escoto, Robert L. McGrath, Armando J. Olivera, James L. Robo, Antonio Rodriguez, John A. Stall and Edward F. Tancer (filed as Exhibit 10(aa) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(dd)	Employment Agreement between FPL Group and Lewis Hay, III dated February 25, 2005 (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
*10(ee)	Amendment dated as of December 15, 2005 to the Employment Agreement dated as of February 25, 2005 between FPL Group and Lewis Hay, III (filed as Exhibit 10(cc) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
10(ff)	Amendment dated December 15, 2006 to the Employment Agreement dated as of February 25, 2005 between FPL Group and Lewis Hay, III	x	x
*10(gg)	Guarantee Agreement between FPL Group and FPL Group Capital, dated as of October 14, 1998 (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	
12(a)	Computation of Ratios	x	
12(b)	Computation of Ratios		x
21	Subsidiaries of FPL Group	x	
23	Consent of Independent Registered Public Accounting Firm	x	x
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of FPL Group	x	
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of FPL Group	x	
31(c)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of FPL		x

Exhibit Number	Description	FPL Group	FPL
31(d)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of FPL		x
32(a)	Section 1350 Certification of FPL Group	x	
32(b)	Section 1350 Certification of FPL		x

*Incorporated herein by reference

FPL Group and FPL agree to furnish to the SEC upon request any instrument with respect to long-term debt that FPL Group and FPL have not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

FPL GROUP, INC. SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FPL Group, Inc.

JAMES L. ROBO
James L. Robo
President and Chief Operating Officer

Date: February 26, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title as of February 26, 2007:

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board,
Chief Executive Officer and Director
(Principal Executive Officer)

K. MICHAEL DAVIS
K. Michael Davis
Controller and Chief Accounting Officer
(Principal Accounting Officer)

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)

Directors:

SHERRY S. BARRAT
Sherry S. Barrat

Toni Jennings

ROBERT M. BEALL, II
Robert M. Beall, II

RUDY E. SCHUPP
Rudy E. Schupp

J. HYATT BROWN
J. Hyatt Brown

MICHAEL H. THAMAN
Michael H. Thaman

JAMES L. CAMAREN
James L. Camaren

HANSEL E. TOOKES, II
Hansel E. Tookes, II

J. BRIAN FERGUSON
J. Brian Ferguson

PAUL R. TREGURTHA
Paul R. Tregurtha

FLORIDA POWER & LIGHT COMPANY SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Florida Power & Light Company

ARMANDO J. OLIVERA
Armando J. Olivera
President and Director

Date: February 26, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title as of February 26, 2007:

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board, Chief Executive Officer
and Director (Principal Executive Officer)

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance
and Chief Financial Officer and Director
(Principal Financial Officer)

K. MICHAEL DAVIS
K. Michael Davis
Vice President, Accounting,
Controller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

ANTONIO RODRIGUEZ
Antonio Rodriguez

JOHN A. STALL
John A. Stall

EDWARD F. TANCER
Edward F. Tancer

Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Securities Exchange Act of 1934 Which Have Not Registered Securities Pursuant to Section 12 of the Securities Exchange Act of 1934

No annual report, proxy statement, form of proxy or other proxy soliciting material has been sent to securities holders of FPL during the period covered by this Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Exhibit 12(a)

FPL GROUP, INC. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS[a]

	Years Ended December 31,				
	2006	2005[b]	2004[b]	2003[b]	2002[b]
	(millions of dollars)				
Earnings, as defined:					
Income before cumulative effect of changes in accounting principles	$ 1,281	$ 901	$ 896	$ 906	$ 701
Preferred stock dividends of a consolidated subsidiary	-	-[c]	-[c]	13	15
Income taxes	397	282	272	376	247
Fixed charges included in the determination of net income, as below	721	609	505	397	328
Amortization of capitalized interest	11	11	8	4	2
Distributed income of equity method investees	104	86	83	68	96
Less: Equity in earnings of equity method investees	181	124	96	89	76
Total earnings, as defined	$ 2,333	$ 1,765	$ 1,668	$ 1,675	$ 1,313
Fixed charges, as defined:					
Interest charges	$ 706	$ 593	$ 489	$ 379	$ 311
Rental interest factor	15	16	16	17	14
Fixed charges included in nuclear fuel cost	-	-	-	1	3
Fixed charges included in the determination of net income	721	609	505	397	328
Capitalized interest	29	21	54	88	91
Dividend requirements on preferred stock of a consolidated subsidiary before income taxes	-	-[c]	-[c]	20	23
Total fixed charges, as defined	$ 750	$ 630	$ 559	$ 505	$ 442
Ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends [a]	3.11	2.80	2.98	3.32	2.97

[a] FPL Group, Inc. has no preference equity securities outstanding; therefore, the ratio of earnings to fixed charges is the same as the ratio of earnings to combined fixed charges and preferred stock dividends.

[b] Amounts have been adjusted to reflect the retrospective application of FASB Staff Position AUG AIR-1, "Accounting for Planned Major Maintenance Activities."

[c] A portion of Florida Power & Light Company's preferred stock was owned by FPL Group, Inc. and was eliminated in consolidation. Accordingly, those dividends are not included herein.

Exhibit 12(b)

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS [a]

	Years Ended December 31,				
	2006	2005	2004	2003	2002
	(millions of dollars)				
RATIO OF EARNINGS TO FIXED CHARGES					
Earnings, as defined:					
Net income	$ 802	$ 748	$ 750	$ 755	$ 732
Income taxes	424	408	409	403	413
Fixed charges, as below	296	244	202	186	177
Total earnings, as defined	$ 1,522	$ 1,400	$ 1,361	$ 1,344	$ 1,322
Fixed charged, as defined:					
Interest charges	$ 278	$ 224	$ 183	$ 173	$ 166
Rental interest factor	7	7	8	8	8
Fixed charges included in nuclear fuel cost	-	-	-	1	3
Capitalized interest	11	13	11	4	-
Total fixed charges, as defined	$ 296	$ 244	$ 202	$ 186	$ 177
Ratio of earnings to fixed charges	5.14	5.74	6.74	7.23	7.47
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS					
Earnings, as defined:					
Net income	$ 802	$ 748	$ 750	$ 755	$ 732
Income taxes	424	408	409	403	413
Fixed charges, as below	296	244	202	186	177
Total earnings, as defined	$ 1,522	$ 1,400	$ 1,361	$ 1,344	$ 1,322
Fixed charged, as defined:					
Interest charges	$ 278	$ 224	$ 183	$ 173	$ 166
Rental interest factor	7	7	8	8	8
Fixed charges included in nuclear fuel cost	-	-	-	1	3
Capitalized interest	11	13	11	4	-
Total fixed charges, as defined	296	244	202	186	177
Non-tax deductible preferred stock dividends	-	-	1	13	15
Ratio of income before income taxes to net income	1.53	1.55	1.55	1.53	1.56
Preferred stock dividends before income taxes	-	-	2	20	23
Combined fixed charges and preferred stock dividends	$ 296	$ 244	$ 204	$ 206	$ 200
Ratio of earnings to combined fixed charges and preferred stock dividends	5.14	5.74	6.67	6.52	6.61

[a] Florida Power & Light Company's preference equity securities were redeemed in January 2005. For the year ended December 31, 2005, preferred stock dividends were less than $1 million. Therefore, for the years ended December 31, 2006 and 2005, the ratio of earnings to fixed charges is the same as the ratio of earnings to combined fixed charges and preferred stock dividends.

Exhibit 21

SUBSIDIARIES OF FPL GROUP, INC.

FPL Group, Inc.'s principal subsidiaries as of December 31, 2006 are listed below. All other subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

	Subsidiary	State or Jurisdiction of Incorporation
1.	Florida Power & Light Company (100%-owned)	Florida
2.	FPL Group Capital Inc (100%-owned)	Florida
3.	FPL Energy, LLC [(a)] [(b)]	Delaware
4.	Bay Loan and Investment Bank [(b)]	Rhode Island
5.	Palms Insurance Company, Limited [(b)]	Cayman Islands

(a) Includes 358 subsidiaries that operate in the United States in the same line of business as FPL Energy, LLC

(b) 100%-owned subsidiary of FPL Group Capital Inc

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report dated February 26, 2007, (which report expresses an unqualified opinion and includes an explanatory paragraph relating to FPL Group, Inc.'s and Florida Power & Light Company's accounting changes resulting from the adoption of new accounting standards) relating to the financial statements of FPL Group, Inc. and Florida Power & Light Company and our report dated February 26, 2007 relating to management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of FPL Group, Inc. and Florida Power & Light Company for the year ended December 31, 2006:

FPL Group, Inc.

Form S-8	No. 33-11631
Form S-3	No. 33-57470
Form S-8	No. 33-57673
Form S-8	No. 333-27079
Form S-8	No. 333-88067
Form S-8	No. 333-114911
Form S-8	No. 333-116501
Form S-3	No. 333-125275
Form S-8	No. 333-125954
Form S-3	No. 333-129482
Form S-8	No. 333-130479
Form S-3	No. 333-137120

FPL Group Trust I

Form S-3	No. 333-137120-04

FPL Group Trust II

Form S-3	No. 333-137120-03

Florida Power & Light Company

Form S-3	No. 33-40123
Form S-3	No. 333-137120-07
Form S-4	No. 333-138818

Florida Power & Light Company Trust I

Form S-3	No. 333-137120-02

Florida Power & Light Company Trust II

Form S-3	No. 333-137120-01

FPL Group Capital Inc

Form S-3	No. 333-137120-08

FPL Group Capital Trust II

Form S-3	No. 333-137120-06

FPL Group Capital Trust III

Form S-3	No. 333-137120-05

DELOITTE & TOUCHE LLP

Miami, Florida
February 26, 2007

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification

I, Lewis Hay, III, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2006 of FPL Group, Inc. (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2007

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer
of FPL Group, Inc.

Exhibit 31(b)

Rule 13a-14(a)/15d-14(a) Certification

I, Moray P. Dewhurst, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2006 of FPL Group, Inc. (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2007

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance
and Chief Financial Officer
of FPL Group, Inc.

Exhibit 31(c)

Rule 13a-14(a)/15d-14(a) Certification

I, Lewis Hay, III, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2006 of Florida Power & Light Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2007

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer
of Florida Power & Light Company

Exhibit 31(d)

Rule 13a-14(a)/15d-14(a) Certification

I, Moray P. Dewhurst, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2006 of Florida Power & Light Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2007

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance
and Chief Financial Officer
of Florida Power & Light Company

Exhibit 32(a)

Section 1350 Certification

We, Lewis Hay, III and Moray P. Dewhurst, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of FPL Group, Inc. (FPL Group) for the year ended December 31, 2006 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FPL Group.

Dated: February 26, 2007

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer of FPL Group, Inc.

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance
and Chief Financial Officer of FPL Group, Inc.

A signed original of this written statement required by Section 906 has been provided to FPL Group and will be retained by FPL Group and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of FPL Group under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Exhibit 32(b)

Section 1350 Certification

We, Lewis Hay, III and Moray P. Dewhurst, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of Florida Power & Light Company (FPL) for the year ended December 31, 2006 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FPL.

Dated: February 26, 2007

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer of
Florida Power & Light Company

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance
and Chief Financial Officer of
Florida Power & Light Company

A signed original of this written statement required by Section 906 has been provided to FPL and will be retained by FPL and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of FPL under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

FPL ENERGY – RECONCILIATION OF GAAP TO ADJUSTED EARNINGS

(millions)	2001	2002	2003	2004	2005	2006
Net Income (Loss)	$124	$(163)	$207	$181	$203	$610
Adjustments, net of income taxes:						
Cumulative effect of change in accounting principle (FAS 142)		222				
Restructuring and other charges		73				
Cumulative effect of change in accounting principle (FIN 46)			3			
Net unrealized mark-to-market losses (gains) associated with non-qualifying hedges	(8)		(22)	3	112	(92)
Adjusted Earnings	$116	$132	$188	$184	$315	$518

FPL GROUP'S NET INCOME (LOSS) BY SEGMENT

(millions)	2001	2002	2003	2004	2005	2006
Florida Power & Light	$679	$717	$733	$749	$748	$802
FPL Energy	124	(163)	207	181	203	610
Corporate and Other	(11)	(75)	(37)	(34)	(50)	(131)
FPL Group, Inc. Consolidated	$792	$479	$903	$896	$901	$1,281

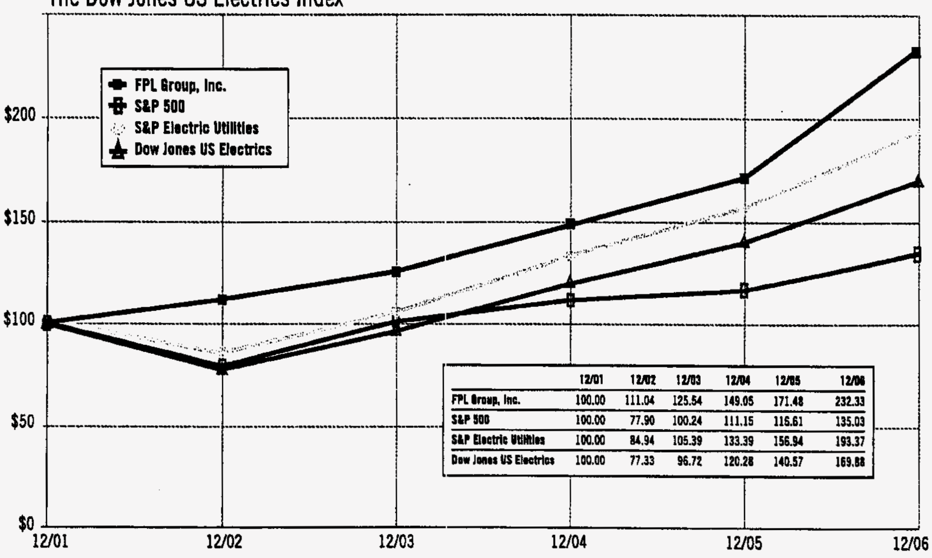
Note: Amounts have been adjusted to reflect the retrospective application of an accounting change.

PERFORMANCE GRAPH

The graph below compares the cumulative total returns, assuming reinvestment of dividends, of FPL Group common stock with the companies in the Standard & Poor's 500 Index (S&P 500), the Standard & Poor's Electric Utilities Index (S&P Electrics) and the Dow Jones US Electric Utilities Index (Dow Jones Electrics). The comparison covers the five years ended December 31, 2006, and is based on an assumed $100 investment on December 31, 2001, in each of the S&P 500, the S&P Electrics, the Dow Jones Electrics and FPL Group common stock. The S&P Electrics is based on the performance of 11 companies, and the Dow Jones Electrics is based on the performance of 44 companies. The S&P Electrics is more heavily weighted toward companies engaged, to a significant extent, in the traditional state-regulated electric utility business. The Dow Jones Electrics, which includes all of the companies included in the S&P Electrics, also includes a number of companies that are exclusively or primarily engaged in the competitive energy business. FPL Group is primarily engaged in the traditional electric utility business, but is increasingly engaged in the competitive energy business as well. Therefore, both indexes have been selected for comparison purposes. FPL Group is included in all three indexes.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among FPL Group, Inc., The S&P 500 Index, The S&P Electric Utilities Index and The Dow Jones US Electrics Index



	12/01	12/02	12/03	12/04	12/05	12/06
FPL Group, Inc.	100.00	111.04	125.54	149.05	171.48	232.33
S&P 500	100.00	77.90	100.24	111.15	116.61	135.03
S&P Electric Utilities	100.00	84.94	105.39	133.39	156.94	193.37
Dow Jones US Electrics	100.00	77.33	96.72	120.28	140.57	169.88

*$100 invested on 12/31/01 in stock or index including reinvestment of dividends. Fiscal year ending December 31.

Officers

FPL GROUP, INC.

LEWIS HAY, III
Chairman and Chief Executive Officer

JAMES L. ROBO
President and Chief Operating Officer

MORAY P. DEWHURST
Vice President, Finance and
Chief Financial Officer

EDWARD F. TANCER
Vice President & General Counsel

ROBERT H. ESCOTO
Vice President, Human Resources

ROBERT L. MCGRATH
Vice President, Engineering,
Construction & Corporate Services

ANTONIO RODRIGUEZ
Vice President,
Power Generation Division

JOHN A. STALL
Vice President, Nuclear Division

ALISSA E. BALLOT
Vice President & Corporate Secretary

PAUL I. CUTLER
Treasurer

K. MICHAEL DAVIS
Controller and
Chief Accounting Officer

JAMES P. HIGGINS
Vice President, Tax

MARY LOU KROMER
Vice President,
Marketing & Communication

MICHAEL M. WILSON
Vice President,
Governmental Affairs – Federal

FLORIDA POWER & LIGHT COMPANY

ARMANDO J. OLIVERA
President

JEFFREY S. BARTEL
Vice President,
Corporate & External Affairs

PAUL W. HAMILTON
Vice President,
Governmental Affairs – State

JAMES A. KEENER
Vice President,
Transmission & Substation

DENNIS M. KLINGER
Vice President,
Information Management

RANDALL R. LABAUVE
Vice President,
Environmental Services

MICHAEL L. LEIGHTON
Vice President &
Chief Development Officer

MARLENE M. SANTOS
Vice President, Customer Service

WILLIAM G. WALKER
Vice President, Regulatory Affairs

GEISHA J. WILLIAMS
Vice President, Distribution

FPL ENERGY, LLC

F. MITCHELL DAVIDSON
President

MARK MAISTO
President, Commodities & Retail Markets

SCOTT D. COUSINS
Vice President & General Counsel

MARK IANNI
President, GEXA Energy GP, LLC

MICHAEL O'SULLIVAN
Senior Vice President, Development

MARK R. SORENSEN
Vice President, Finance
and Chief Financial Officer

T. J. TUSCAI
Senior Vice President,
Business Management

FPL FIBERNET, LLC

CARMEN PEREZ
President

Board of Directors

SHERRY S. BARRAT
President, Personal Financial Services,
The Northern Trust Company
(banking corporation)
Director since 1998.
Chairman Compensation Committee.
Member Finance & Investment
Committee, Executive Committee.

ROBERT M. BEALL, II
Chairman, Beall's, Inc.
(department stores)
Director since 1989. Member
Audit Committee, Governance &
Nominating Committee.

J. HYATT BROWN
Chairman and Chief Executive Officer,
Brown & Brown, Inc.
(insurance broker)
Director since 1989. Member
Audit Committee, Governance &
Nominating Committee.

JAMES L. CAMAREN
Private Investor. Formerly Chairman
& Chief Executive Officer, Utilities, Inc.
(water utilities)
Director since 2002.
Member Compensation Committee,
Finance & Investment Committee.

J. BRIAN FERGUSON
Chairman and Chief Executive
Officer, Eastman Chemical Company
(chemical company)
Director since 2005.
Member Compensation Committee,
Governance & Nominating
Committee.

TONI JENNINGS
Former Lt. Governor, State of Florida
Director since February 2007.
Member Audit Committee.

LEWIS HAY, III
Chairman and Chief Executive
Officer, FPL Group, Inc.
Director since 2001.
Chairman Executive Committee.

RUDY E. SCHUPP
President and Chief Executive
Officer, 1st United Bank, and
Chief Executive Officer,
1st United Bancorp, Inc.
(commercial bank)
Director since 2005. Chairman
Finance & Investment Committee.
Member Audit Committee,
Executive Committee.

MICHAEL H. THAMAN
Chairman and Chief Financial
Officer, Owens Corning
(manufacturer)
Director since 2003.
Chairman Audit Committee.
Member Compensation Committee,
Executive Committee.

HANSEL E. TOOKES, II
Retired. Formerly President,
Raytheon International
(defense and aerospace systems)
Director since 2005.
Member Finance & Investment
Committee, Governance &
Nominating Committee.

PAUL R. TREGURTHA
Chairman and Chief Executive
Officer, Mormac Marine Group, Inc.
(maritime shipping company)
Director since 1989.
Chairman Governance & Nominating
Committee. Member Compensation
Committee, Finance & Investment
Committee, Executive Committee.

COMMUNICATIONS WITH THE BOARD: Shareholders may communicate directly with any of the company's directors, including the presiding director, by writing to them c/o FPL Group, Inc., P.O. Box 14000, Juno Beach, FL 33408-0420. Communications intended for the non-management directors should be directed to the presiding director. Employees and others who wish to contact the board or any member of the audit committee to report complaints or concerns with respect to accounting, internal accounting controls or auditing matters, may do so anonymously using this address.

Investor Information

CORPORATE OFFICES
FPL Group, Inc.
700 Universe Blvd.
Juno Beach, FL 33408-0420

EXCHANGE LISTING
Common Stock
New York Stock Exchange
Ticker Symbol: FPL

5 7/8% Preferred Trust Securities
New York Stock Exchange
Ticker Symbol: FPL PRC

FPL Group Capital Inc. Series A Enhanced Junior Subordinated Debentures
NYSE Ticker Symbol: FGC

NEWSPAPER LISTING
Common Stock: FPL Gp

5 7/8% Preferred Trust Securities:
FPL Gp Trups

Series A Enhanced Junior Subordinated Debentures
FPL Gp Deb A

REGISTRAR, TRANSFER AND PAYING AGENTS
FPL Group Common Stock
FPL Group, Inc.
c/o Computershare Investor Services
2 N. LaSalle Street
Chicago, IL 60602
(888) 218-4392

Florida Power & Light Company First Mortgage Bonds
Deutsche Bank Trust Co. America
Corporate Trust & Agency Group
648 Grassmere Park Road
Nashville, TN 37211
(800) 735-7777

FPL Group Capital Trust I Preferred Trust Securities
FPL Group Capital Debentures
FPL Group Capital Enhanced Junior Subordinated Debentures
Bank of New York
Corporate Trust Operations
111 Sanders Creek Parkway
East Syracuse, NY 13057
(800) 254-2826

CERTIFICATIONS
FPL Group has included as Exhibits 31(a) and (b) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2006 filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of FPL Group certifying the quality of FPL Group's public disclosure, and FPL Group has submitted to the New York Stock Exchange a certificate of the chief executive officer of FPL Group certifying that he is not aware of any violation by FPL Group of New York Stock Exchange corporate governance listing standards.

SHAREHOLDER INQUIRIES
Communications concerning transfer requirements, lost certificates, dividend checks, address changes, stock accounts and the dividend reinvestment plan should be directed to Computershare: (888) 218-4392 or **www.computershare.com**

Other shareholder communications to:
Shareholder Services (800) 222-4511
or (561) 694-4694, (561) 694-4718 (fax)

ANNUAL MEETING
May 25, 2007, 10:00 a.m.
FPL Group, Inc. Corporate Headquarters
700 Universe Blvd.
Juno Beach, Florida

ELECTRONIC PROXY MATERIAL
Registered shareholders may receive proxy materials electronically by accessing **www.computershare.com/us/sc/fpl**. Beneficial shareholders should contact their brokerage firm to determine the availability of electronic proxy material distribution.

DUPLICATE MAILINGS
Financial reports must be mailed to each account unless you instruct us otherwise. If you wish to discontinue multiple mailings to your address, please call Computershare.

DIRECT DEPOSIT OF DIVIDENDS
Cash dividends may be deposited directly to personal accounts at financial institutions. Call Computershare for authorization forms.

DIVIDEND REINVESTMENT PLAN
FPL Group offers a plan for holders of common stock to reinvest their dividends or make optional cash payments for the purchase of additional common stock. Enrollment materials may be obtained by calling Computershare or by accessing **www.computershare.com.** The table below shows the dates during which optional cash payments can be made.

ONLINE INVESTOR INFORMATION
Visit our investor information site at **www.fplgroup.com/investors** to get stock quotes, earnings reports, financial releases, SEC filings and other news. You can also request and receive information via e-mail. Shareholders of record can receive secure online account access through a link to our transfer agent, Computershare.

SEC FILINGS
All Securities and Exchange Commission filings appear on our Web site at **www.fplgroup.com/investors.** Copies of SEC filings also are available without charge by writing to FPL Group, Shareholder Services.

NEWS AND FINANCIAL INFORMATION
Get the latest news and financial information about FPL Group by calling (866) FPL-NEWS. Besides hearing recorded announcements, you can request information to be sent via fax or mail.

ANALYST INQUIRIES
Investor Relations
(561) 694-4697
(561) 691-7815 (fax)

NEWS MEDIA INQUIRIES
Media Relations
(305) 552-3888
(305) 552-2144 (fax)

CERTIFIED PUBLIC ACCOUNTANTS
Deloitte & Touche LLP
200 S. Biscayne Boulevard, Suite 400
Miami, FL 33131-2310

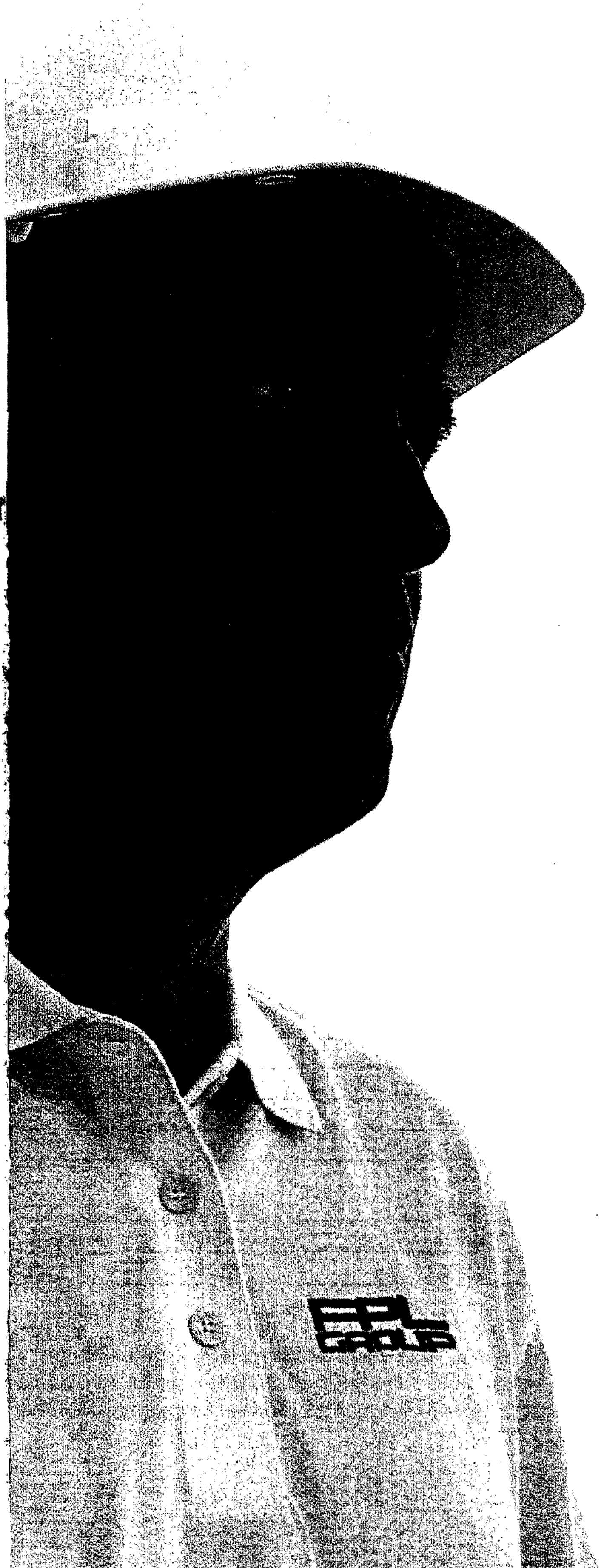
PROPOSED 2007 COMMON STOCK DIVIDEND DATES*

Declaration	Ex-Dividend	Record	Payment
February 16	February 28	March 2	March 15
May 25	June 6	June 8	June 15
August 3	August 29	August 31	September 17
October 19	November 28	November 30	December 17

OPTIONAL CASH PAYMENT DATES*

Qtr./Yr.	Acceptance begins	Must be received by
2nd/07	May 16	June 8
3rd/07	August 20	September 10
4th/07	November 19	December 10

*Declaration of dividends and dates shown are subject to the discretion of the board of directors of FPL Group. Dates shown are based on the assumption that past patterns will prevail.



Lewis Hay, III
Chairman and Chief Executive Officer

Years Ended December 31,	2007	2006	% change
FINANCIAL RESULTS			
(millions, except per share amounts)			
Net Income	$ 1,312	$ 1,281	2.4
Adjustments, net of income taxes:			
Net unrealized mark-to-market (gains) losses associated with non-qualifying hedges – FPL Energy	86	(92)	
Merger-related costs	—	14	
Adjusted Earnings	$ 1,398	$ 1,203	16.2
Earnings Per Share (assuming dilution)	$ 3.27	$ 3.23	1.2
Adjustments:			
Net unrealized mark-to-market (gains) losses associated with non-qualifying hedges – FPL Energy	0.21	(0.23)	
Merger-related costs	—	0.04	
Adjusted Earnings Per Share	$ 3.48	$ 3.04	14.5
Operating Revenues	$ 15,263	$ 15,710	(2.8)
Operating Income	$ 2,283	$ 2,097	8.9
Cash Flows from Operating Activities	$ 3,593	$ 2,498	43.8
Total Assets	$ 40,123	$ 35,822*	12.0
COMMON STOCK DATA			
Weighted-Average Shares Outstanding (assuming dilution–millions)	401	397	1.0
Dividends Per Share	$ 1.64	$ 1.50	9.3
Book Value Per Share	$ 26.93	$ 25.07	7.4
Market Price Per Share (high-low)	$ 72.77-$53.72	$ 55.57-$37.81	
OPERATING DATA			
Utility Energy Sales (kwh - millions)	108,636	107,513	1.0
FPL Customer Accounts (year end - thousands)	4,509	4,457	1.2
Employees (year end)	14,602	13,344	9.4

* Amount has been adjusted to reflect the retrospective application of an accounting change.

Any statements made herein about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ substantially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in Item 1A. Risk Factors in the enclosed FPL Group Annual Report on Form 10-K.

To Our Shareholders

FPL Group, Inc. is one of the nation's largest providers of electricity-related services and is nationally known as a high-quality, efficient and customer-driven organization. Its rate-regulated subsidiary, Florida Power & Light Company, serves more than 8.7 million people along the eastern seaboard and southern portion of Florida. FPL Energy, LLC, FPL Group's competitive energy subsidiary, is a leader in producing electricity from clean and renewable fuels. Together, FPL's and FPL Energy's generating assets represent more than 37,500 megawatts of capacity. FPL FiberNet, LLC provides fiberoptic services to FPL and other customers, primarily telecommunications companies in Florida.

In 2007, FPL Group generated outstanding performance; the year's results were driven again by excellent growth at FPL Energy as well as solid financial performance at Florida Power & Light Company (FPL). FPL Group continued to execute its plans in a manner that has earned it a position as one of the most successful and respected companies in the electric sector.

In my letter to you last year, I said we would focus intensely on achieving our 2007 business objectives, which would culminate in adjusted earnings per share growth for FPL Group of approximately 10 to 13 percent, translating into adjusted earnings per share in the range of $3.35 to $3.45. As announced earlier this year in January, we exceeded expectations. FPL Group's adjusted earnings per share for 2007 reached $3.48, a 14.5 percent increase over 2006. Adjusted earnings exclude the mark-to-market effect of non-qualifying hedges (*see page AR-2 for reconciliation of net income to adjusted earnings and earnings per share to adjusted earnings per share*).

Our total shareholder return for the year was impressive, too. For 2007, FPL Group provided a total shareholder return of 28 percent, outpacing both the S&P 500 Electric Utilities Index (23 percent) and the S&P 500 Index (5.5 percent).

Of note, 2007 was a year in which we not only continued to execute successfully the clean energy strategy FPL Group has been pursuing for many years, but we also took on a more significant leadership role regarding public policy on climate change, as we advocated a workable, equitable carbon fee for the U.S. economy to help move our nation toward permanent, long-term reductions in greenhouse gas emissions. For more information on FPL Group actions on clean energy, climate change and other environmental matters, please refer to the accompanying article on page AR-8.

Business review and 2007 performance

FPL Energy, our competitive energy business operating in 26 states and the leading renewable energy provider in America, had another banner year:

- As the U.S. leader in both wind power and solar power generation, FPL Energy achieved a 21-percent increase in year-over-year adjusted earnings in 2007. Over the past five years, FPL Energy has grown adjusted earnings at a compounded annual rate of 37 percent. *(See FPL Energy Reconciliation of GAAP to Adjusted Earnings on page AR-9)*
- Net income on a GAAP basis at FPL Energy was $540 million or a contribution of $1.35 per share in 2007, compared to $610 million or $1.54 per share in 2006. FPL Energy's 2007 results included a net unrealized after-tax loss of $86 million associated with the mark-to-market effect of non-qualifying hedges. Results in 2006 included a net after-tax gain of $92 million associated with the mark-to-market effect of non-qualifying hedges.
- We began 2007 as the #1 wind energy company in the United States, and we continued to invest heavily to profitably grow this business and maintain our leadership position. We now own and operate nearly 5,100 megawatts of wind generation and more than 7,500 turbines throughout the U.S. For the sixth year in the last seven, we added more megawatts (1,064) to our wind portfolio in the U.S. than any other wind energy provider, primarily through the development of new projects in Texas, Colorado, Iowa and North Dakota.
- FPL Energy's nuclear power plant fleet continued to grow with the completion of the acquisition of the two-unit, 1,023-megawatt Point Beach Nuclear Power Plant in Wisconsin. In completing this transaction, we not only added an attractive asset to our portfolio in the Midwest, we also expanded our relationship with We Energies, which is now FPL Energy's largest customer. Of note, since entering the competitive nuclear generation business with the purchase of a controlling interest in Seabrook Station in 2002, we have built this business to be the fourth largest of its kind in the U.S.
- We are the nation's leading operator of solar power generation with 310 megawatts, or enough capacity to power 230,000 homes. In 2007, we improved the productivity and efficiency of our solar fields in California with the completion of a retubing project. In all, 44,000 heat collection tubes, the equivalent of 110 miles of tubing, were replaced.
- Also contributing to FPL Energy's strong adjusted results in 2007 were contributions from new investments as well as the roll-off of below-market hedges in the existing fleet. The merchant portfolio and our wholesale marketing operations also took advantage of market opportunities and delivered results at the high end of our expectations. FPL Energy Power Marketing, Inc. (PMI) had its best year ever and, for the first time since its formation, was ranked as one of the Top 10 power marketers by *Platts,* a leading industry publication.

Florida Power & Light Company, one of the largest, fastest-growing and top-performing electric utilities in the nation, achieved solid results and met key milestones last year.

- FPL's net income grew to $836 million, or a contribution of $2.09 per share, compared to $802 million, or $2.02 per share, in 2006. These were good results overall. We had expected 2007 to be a challenging year for FPL on the cost front, and we had indicated some uncertainty about revenue growth. During the year, we were able to find offsetting productivity improvements for some of the cost pressures, but revenue performance fell short of our expectations.
- FPL serves 4.5 million customer accounts. In 2007, the average number of customer accounts grew by 87,000 or 2 percent, consistent with our historical averages. Usage per customer fell slightly, however, resulting in a 1.6-percent increase in retail kilowatt-hour sales.
- Our outstanding operating performance places FPL among the best electric utilities in the U.S. The percentage of time our fossil-fueled power plants are available to generate power is among the best in our industry, and the reliability of our power delivery system is also among the very best.
- We continued to invest heavily – $1.9 billion in 2007 – to expand and enhance our generating facilities and related infrastructure to ensure continued reliable service and meet the growing power needs of present and future customers. Toward that end, we brought into commercial operation – ahead of schedule and under budget – a 1,144-megawatt, natural gas-fired power plant at our Turkey Point site, south of Miami. We are building a large, natural gas-fired power plant in western Palm Beach County that is expected to enter commercial operation in 2009; these units will be among the cleanest and most efficient fossil-fueled units anywhere in the world. We received approval from the Florida Public Service Commission (FPSC) to add 400 megawatts of capacity at our existing nuclear power plant sites — a $1.8-billion capital project. These investments will improve our overall fuel efficiency, thus saving our customers money while lowering emissions. Beyond our generation activities, we continued to invest in strengthening our transmission and distribution infrastructure to better withstand hurricanes, and our advanced metering initiative yielded good early results.
- We are strong supporters of Governor Crist's clean energy agenda, which includes pursuing more nuclear and solar power and other renewable energy to help combat global warming. We will continue to urge state officials and the FPSC to enact policies and a regulatory framework to encourage new investments in renewable energy and nuclear power that will help reduce Florida's carbon intensity.
- In January 2007, a residential FPL customer using 1,000 kilowatt-hours (kWh) of electricity saw a 4.7-percent decrease on his or her bill, primarily due to lower-than-expected fuel costs as well as more fuel efficient operations at FPL power plants. As of January 2008, that same residential customer saw an additional $0.89 reduction in his or her bill, due again to more efficient FPL power plant operations.
- Thanks to our leading energy management programs and other efforts, we're helping customers save energy and keep their electric bills lower than they might otherwise be. FPL ranks #1 among electric utilities nationwide in energy efficiency programs, according to the latest U.S. Department of Energy report (using 2006 data). Since 1981, these and other demand programs have curtailed demand sufficiently to allow us to avoid building 12 medium-size power plants.

2008 and beyond

FPL Group is well positioned for the future with many visible drivers of earnings growth in place. We continue to expect very strong growth from FPL Energy, driven both by contributions from new investment and the roll over of existing hedges to new values more closely approximating current market conditions. While there is greater uncertainty at Florida Power & Light in the near term due to the slowdown in customer and revenue growth, we remain confident in the long-term prospects of this business. For 2008, we expect adjusted earnings per share to be in the range of $3.83 to $3.93.

The strategy we have put in place should allow us to continue to produce average adjusted earnings per share growth of at least 10 percent through 2012 from our 2006 base.

All adjusted earnings expectations are as of the date of this letter, reflect continued customer growth at FPL and assume normal weather at both FPL and FPL Energy. In addition, they exclude the effects of adopting new accounting standards, as well as the mark-to-market effect of non-qualifying hedges, neither of which can be determined at this time.

At FPL Energy, we're continuing our profitable, disciplined growth in selected competitive energy markets across the U.S.

- We're working toward the aggressive goal we announced in 2007 to add 8,000 to 10,000 megawatts of new wind capacity to our portfolio by the end of 2012. The foundation for the wind growth plan is a strong pipeline of wind projects in various stages of development and more than 1.8 million acres of land under FPL Energy's control across the U.S. Wind is far from our only growth vehicle, however.
- We'll be pursuing new opportunities in solar and fossil generation, and we hope to develop new transmission infrastructure in targeted areas across the country to support the growth of renewable energy. Given that solar power is becoming increasingly competitive with conventional generation and that many states in the Southwest are establishing specific goals for solar power as part of their renewable portfolio standards, this sector may prove especially attractive in the years to come.
- PMI continues to expand its activities in several areas; in addition, one of its goals is to become the #1 marketer of green energy products in the U.S.

At Florida Power & Light Company, we'll continue to invest in providing clean, reliable and affordable electricity to meet growing demand.

- We're focusing every day on enhancing the reliability of our electric system assets. Our multifaceted plan includes hardening our infrastructure and using state-of-the-art technology to detect problems and minimize the amount of time customers are without power.
- To meet continued growth in demand for electricity in our service territory, we're pursuing a range of generation projects using clean and renewable fuel sources. We're moving forward on the capacity additions to our nuclear power plant sites that I mentioned earlier in my letter, and we're continuing to take the steps necessary to potentially build two new nuclear units at our existing Turkey Point generating complex in Florida. In February 2008, we officially opened the state's largest photovoltaic solar power facility in Sarasota County and we're working with technology companies to pursue new solar power generation options in Florida. We're pursuing a wind project on Florida's east coast and reviewing other options for additional wind power in the state.
- Building on our #1 U.S. position in customer energy efficiency programs, we're projecting that existing and new programs that we're making available for both residential and business customers through 2014 will meet 25 percent of our growth in peak demand.

A STRONG TEAM, A BRIGHT FUTURE

Continuing to seize opportunities, manage risks, invest in the future, work smarter and be better tomorrow than we are today requires that everyone involved in the enterprise be committed to the same goals and pull in the same direction.

We have an outstanding Board of Directors, men and women whose diversity of backgrounds and experience provide valuable counsel as we navigate today's business realities and chart a course for our future. As I had indicated in last year's letter, Toni Jennings was elected to our board in February 2007. Our newest director, Oliver D. Kingsley, Jr., was elected in March, and we are pleased to have the benefit of his many years of experience as an executive in the electric industry, including the nuclear power sector. On February 15, 2008, directors again increased the quarterly common stock dividend, this time by 14 cents per share annually, or 8.5 percent, to an annual rate of $1.78 per share.

We strengthened an already strong senior executive team by making several key new hires and promoting others from within the company. Of note:

- Chief Financial Officer Moray Dewhurst will step down following the end of the first quarter 2008 to undertake an extended ocean sailing venture and spend more time with his family. His position will be filled by Armando Pimentel, Jr., who was until recently a senior partner at Deloitte & Touche LLP and who had previously served as senior engagement partner for FPL Group. Moray has played an important role in helping us to achieve the great success we have enjoyed over the past several years, and he has been a trusted and valued counselor to me personally. While we will miss him, I am optimistic that in due course he may rejoin us in a different role. However, I know Armando will pick up where Moray leaves off, bringing to the CFO role outstanding technical skills, a wealth of experience in supporting a variety of complex situations, and a solid background in FPL Group's position and goals.

As always, I'm tremendously proud of all of our employees for doing their best to satisfy customers and meet other business goals. As in past years, the efforts of our talented and dedicated team were recognized in 2007 and early 2008 by a number of key industry organizations and publications.

- In 2007 and 2008, FPL Group has been ranked first among electric and gas utilities in *Fortune* magazine's "America's Most Admired Companies List" and both years scored #1 in each of the categories listed: innovation, people management, use of corporate assets, social responsibility, quality of management, financial soundness, long-term investments, and quality of products/services.
- *Electric Light & Power* magazine named us 2007 Utility of the Year.
- *Forbes* magazine in 2008 named FPL Group to its "400 Best Big Companies in America" list.
- *Ethisphere* magazine named FPL Group one of the World's 100 Most Ethical Companies.
- the U.S. Department of Health and Human Services awarded FPL Group its Innovation in Prevention Award for our FPL WELL employee health program.
- The National Business Group on Health saluted FPL Group as among its Best Employers for Healthy Lifestyles.
- PA Consulting awarded us its Service One customer service award for the fourth straight year.
- The global Athena Award® was presented to FPL Group in 2007 for promoting and implementing innovative programs for women and for demonstrating the promotion of women into leadership roles.

As always, I appreciate the support of you, our shareholders, as we continue our ongoing pursuit of increasing shareholder value. I hope you share my optimism for the future of this great company. In an often challenging but always dynamic and exciting industry, I believe we are very well positioned to achieve outstanding earnings growth going forward. We have the strategies, the financial discipline, and a great team with the skills to succeed. Together, we can continue to build a clean energy future for coming generations, while delivering outstanding value to you, our shareholders.

Lewis Hay, III

Lewis Hay, III
Chairman and Chief Executive Officer
March 17, 2008

Decades of Sensitivity to Our Environment

Today, everybody seems to be talking about the environment, clean energy and climate change — and what can be done to make things better for this and future generations. Many organizations and individuals are, in fact, taking actions. One of the early pioneers of environmental concern in the electric power industry was FPL Group, which can trace its interest in sound environmental management to the earliest days of Florida Power & Light Company many decades ago. The company's long heritage of sensitivity to the environment has grown over the years such that, today, the company is routinely recognized for its clean energy leadership and environmental excellence.

FPL GROUP TODAY IS:

- the largest renewable energy company in the U.S.;
- the #1 wind energy generator in the country;
- investing in a clean energy future with an estimated $20 billion commitment to new wind energy facilities from 2007 through 2012;
- the #1 solar power operator in the nation;
- investing $2.4 billion in renewable energy and the energy efficiency technologies of tomorrow, including solar power, consumer renewable energy programs and an advanced metering initiative to give more control over energy efficiency to its utility customers;
- taking a major national leadership role in proposing a carbon fee as a real, workable solution to reducing greenhouse gases in the U.S.;
- represented on Florida Governor Charlie Crist's climate change advisory team (FPL President Armando Olivera is a member) and is a strong supporter of Governor Crist in his efforts to address climate change and ensure that clean and renewable energy is given a priority as the future of Florida energy policy is charted;
- growing its industry-leading customer energy efficiency programs that thus far have succeeded in reducing demand growth such that FPL has avoided building 12 new power plants (going forward, we expect to avoid 25 percent of projected electric demand by way of these innovative energy efficiency programs).

Long a leader in environmental excellence and clean energy operations, FPL Group applauds today's growing interest in these issues around the state, across the nation and around the world. With continued attention and action on these matters by businesses, consumers and government agencies in the U.S. as well as similar sectors outside the U.S., FPL Group believes real progress can be made toward addressing climate change and making the world a cleaner and better place for this generation and generations to come.

FPL GROUP.

FPL.

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, 2007**

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	New York Stock Exchange
Florida Power & Light Company: None	

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 _X_ No ___ Florida Power & Light Company Yes _X_ No ___

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 _X_ Florida Power & Light Company Yes ___ No _X_

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 requirements for the past 90 days.
FPL Group, Inc. Yes _X_ No ___ Florida Power & Light Company Yes _X_ 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. [X]

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 _X_ Accelerated Filer ___ Non-Accelerated Filer ___ Smaller Reporting Company ___
Florida Power & Light Company Large Accelerated Filer ___ Accelerated Filer ___ Non-Accelerated Filer _X_ Smaller Reporting Company ___
(Do not check if a 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 _X_

Aggregate market value of the voting and non-voting common equity of FPL Group, Inc. held by non-affiliates as of June 30, 2007 (based on the closing market price on the Composite Tape on June 30, 2007) was $23,019,093,277.

There was no voting or non-voting common equity of Florida Power & Light Company held by non-affiliates as of June 30, 2007.

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, 2008: 407,370,071 shares.

As of January 31, 2008, 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 2008 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 under General Instruction (I)(1)(a) and (b) of Form 10-K and is therefore filing this form with reduced disclosure format.

DEFINITIONS

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

Term	Meaning
AFUDC	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
CO_2	carbon dioxide
DOE	U.S. Department of Energy
Duane Arnold	Duane Arnold Energy Center
EMF	electric and magnetic field(s)
EMT	Energy Marketing & Trading
2005 Energy Act	Energy Policy Act of 2005
environmental clause	environmental compliance cost recovery clause, as established by the FPSC
EPA	U.S. Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
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 Energy	FPL Energy, LLC
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
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
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, Inc.
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
SO_2	sulfur dioxide
VIE	variable interest entity

FPL Group, FPL, FPL Group Capital and FPL Energy each have subsidiaries and affiliates with names that include FPL, FPL Energy, FPLE and similar references. For convenience and simplicity, in this report the terms FPL Group, FPL, FPL Group Capital and FPL Energy 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 likely result, are expected to, will continue, is anticipated, aim, believe, could, estimated, may, plan, potential, projection, target, outlook, predict, intend) 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 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. 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 in any forward-looking statement.

PART I

Item 1. Business

FPL GROUP

FPL Group has two principal operating subsidiaries, FPL and FPL Energy. FPL is a rate-regulated utility engaged primarily in the generation, transmission, distribution and sale of electric energy. FPL Energy 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 FPL Energy. FPL Group was incorporated in 1984 under the laws of Florida. At December 31, 2007, FPL Group and its subsidiaries employed approximately 14,600 people. For financial information regarding FPL Group's business segments, see Note 17.

Environmental. 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. See FPL Operations – Environmental and FPL Energy Operations – Environmental for a discussion of potential impacts specific to those entities.

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 the most current reference data available from government sources, FPL Group is among the lowest emitters of greenhouse gases in the U.S. 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 FPL Energy's 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 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 and the FPSC in addressing executive orders issued in 2007 by the Governor of Florida (see FPL Operations – Environmental 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 early 2007 issued a set of 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); and
- participation in the EPA's Climate Leaders Program to reduce greenhouse gas intensity in the United States by 18% by 2012, including reporting of emissions data annually. FPL Group has committed to a 2008 target emissions rate reduction of 18% below a 2001 baseline emission rate measured in pounds per megawatt-hour, which it expects to achieve by the end of 2008.

At the September 2007 Clinton Global Initiative session, FPL Group announced three initiatives aimed at increasing U.S. solar energy output and reducing greenhouse gas emissions that contribute to global warming: (i) plans to invest up to $1.5 billion in new solar generating facilities in Florida and California from 2008 to 2014, (ii) plans by FPL to provide enhanced energy management capabilities to its customers and (iii) the launch by FPL Energy of a new renewable energy program. See FPL Operations – Environmental and FPL Energy Operations – Environmental for additional information regarding these initiatives.

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. The EPA may appeal the decision to the U.S. Supreme Court, proceed with the MACT regulation or pursue a delisting of mercury and nickel under Section 112.

Clean Air Interstate Rule (CAIR) – In 2005, the EPA published a final rule that requires SO_2 and NOx 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. The final rule requires phased reductions in SO_2 emissions by 2010 and by 2015, and reductions in NOx emissions by 2009 and by 2015, eventually reaching a nationwide reduction of 65% below a 2002 baseline emission rate for each. In the final rule, through the use of modeling data, the states in which FPL facilities are located were determined to be contributors of PM 2.5 and/or ozone production in downwind states. However, FPL Group believes that the emissions from most of its Florida generating facilities are not affecting the non-attainment status of downwind areas. In 2005, FPL Group filed a petition for reconsideration with the EPA and a lawsuit in the U.S. Court of Appeals for the District of Columbia challenging the inclusion of all Florida plants in the ozone compliance provisions of the rule and South Florida plants in the fine particulate compliance requirements of the rule; and challenging the SO_2 and NOx allowance allocation provisions in CAIR. In a separate lawsuit, FPL joined other Florida electric generating companies as the Florida Association of Electric Utilities to challenge the inclusion of all Florida plants in the ozone compliance provisions of the rule and South Florida plants in the fine particulate compliance requirements of the rule. In 2006, the EPA denied FPL Group's and other petitioners' requests to revise the final rule. Oral argument is scheduled for March 25, 2008 with a final decision by the appeals court expected later in 2008.

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 by 2008 and allows for a five-year period to implement pollution controls.

Clean Water Act Section 316(b) – In 2004, the EPA issued a rule under Section 316(b) of the Clean Water Act to address 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. FPL Group has been conducting the necessary studies/analyses and planned to submit solutions for regulatory approval in early 2008. However, 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 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. During the period the rule is suspended, the EPA has directed its permitting agencies to address Section 316(b) compliance based on best professional judgment when issuing permits. The EPA is expected to initiate new Section 316(b) rulemaking in 2008 to rewrite the rule consistent with the court's decision.

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 contained on FPL Group's website (or any of its subsidiaries' websites) is not incorporated by reference in this annual report on Form 10-K.

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 2007, 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,		
	2007	2006	2005
Residential	54%	54%	55%
Commercial	39	39	37
Industrial	3	3	3
Other, including deferred or recovered clause revenues, the net change in unbilled revenues, gas, transmission and wholesale sales and customer-related fees	4	4	5
	100%	100%	100%

Regulation. FPL's retail operations provided approximately 99% of FPL's 2007 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.

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.

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 replaced a rate agreement that was effective April 15, 2002 through December 31, 2005 (2002 rate agreement).

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. The 2005 rate agreement also continues the revenue sharing mechanism in FPL's 2002 rate agreement, 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 2008 are estimated to be $4,349 million and $4,524 million, respectively. For the year ended December 31, 2007, revenues from retail base operations did not exceed the 2007 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 which was also permitted under the 2002 rate agreement, (ii) FPL suspended contributions of approximately $79 million per year to its nuclear decommissioning fund beginning in September 2005, (iii) FPL suspended contributions of $20.3 million per year to its storm and property insurance reserve beginning in 2006 and has the ability to recover prudently incurred storm restoration costs, either through securitization provisions pursuant to the Florida Statutes or through surcharges, and (iv) 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.

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 2007, approximately $6.0 billion of costs were recovered through the fuel clause. FPL utilizes 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 reduce the risk of unexpected 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 4.

Capacity payments to other utilities and generating companies for purchased power are recovered from customers through the capacity clause and base rates. In 2007, approximately $526 million of costs were recovered through the capacity clause. Costs associated with implementing energy conservation programs totaled approximately $206 million in 2007 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 totaled $24 million in 2007 and were recovered through the environmental clause to the extent not included in base rates.

In 2007, the FPSC approved a nuclear cost recovery rule that 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 and for the recovery of construction costs, once the new capacity goes into service, through a base rate increase. As part of the FPSC's approval of the addition of approximately 400 mw of baseload capacity to FPL's existing nuclear units, FPL received approval to recover costs associated with the project through the nuclear cost recovery rule. See Nuclear Operations below.

FPL maintains a funded storm and property insurance reserve. FPL was affected by four hurricanes in 2005 and three hurricanes in 2004 which 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 1 – Securitization.

During 2006, FPL introduced an initiative to enhance its electrical grid as a result of heightened hurricane activity and in response to concerns expressed by the community, state leaders and regulators. The estimated capital expenditures associated with this initiative, as well as the FPSC's approved storm preparedness plan (collectively, Storm Secure®) for 2008 through 2012 are included in FPL's projected capital expenditures. See Capital Expenditures below and Note 16 – Commitments. The estimated costs associated with Storm Secure, both capital expenditures and O&M expenses, are subject to change over time based on, among other things, productivity enhancements and prioritization.

In June 2007, the FPSC denied FPL's need petition for two ultra super critical pulverized coal generating units in Glades County, Florida. In July 2007, FPL filed a petition with the FPSC requesting authorization to defer, until the next retail base rate proceeding, approximately $35 million of preconstruction costs associated with the coal units, with amortization over a five-year period beginning when new base rates are implemented. These costs are currently reflected in other assets on FPL Group's and FPL's consolidated balance sheets. Any portion of these costs not approved for recovery would be expensed. A decision is expected in April 2008.

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 2037. Of the 176 franchise agreements, five expire in 2008, eight expire in 2009 and 163 expire during the period 2010 through 2037. Negotiations are ongoing to renew franchises with upcoming expirations. 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 2007, operating revenues from wholesale and industrial customers combined represented approximately 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 generation 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 generation capacity. See Fossil Operations below regarding an RFP for additional power resources. Effective February 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 a need petition FPL filed with the FPSC for two additional nuclear units.

Environmental. FPL is subject to environmental laws and regulations and is affected by emerging issues included in the discussion of FPL Group's business (see FPL Group – Environmental). Below is a discussion of the potential impact of these issues on FPL's business.

- *Clean Air Act Mercury/Nickel Rule* – Depending on the EPA's response to the U.S. Court of Appeals for the District of Columbia's February 2008 decision, it is possible that certain FPL oil-fired units, Scherer Unit No. 4, St. Johns River Power Park (SJRPP) Units Nos. 1 and 2 and certain coal-fired units from which FPL purchases power will be required to add additional pollution control equipment. FPL cannot predict what the EPA's response to the court ruling may be, or the outcome of future pending regulation that may result from this court ruling.

- *CAIR* – While the final CAIR requirements are uncertain, it is possible that the FPL generating facilities in Florida and Georgia may be required to add additional SO_2 and/or NOx controls or purchase emissions allowances to meet the compliance requirements of the final rule.

- *Clean Air Visibility Rule* – Based on FPL's initial BART evaluation, Turkey Point Fossil Units Nos. 1 and 2 would be affected, and, while the impact of the final BART requirements of the Clean Air Visibility Rule are uncertain, these units 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 population of units covered under the "Reasonable Further Progress" provision of the Clear Air Visibility Rule in an effort to reduce emissions of SO_2 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)* – As a result of a decision by the U.S. Court of Appeals for the Second Circuit eliminating several compliance alternatives contained in the EPA rule under Section 316(b) of the Clean Water Act, 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).

FPL expects to seek recovery through the environmental clause for compliance costs associated with any new environmental laws and regulations.

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 percent of 1990 levels by 2050, and that the FPSC should begin the process of adopting a renewable portfolio standard that would require utilities to produce at least 20 percent of their generation from renewable sources, with an emphasis on wind and solar energy. The executive orders are expected to be implemented through rulemaking and/or legislation. The final requirements and their impact on FPL and FPL Group cannot be determined at this time.

In an effort to increase solar energy output and reduce greenhouse gas emissions in Florida, FPL has announced plans to build approximately 300 mw of solar generating facilities in Florida. FPL is evaluating a new solar technology, and intends to initially construct a 10 mw facility, with expansion of the project to a 300 mw facility subject to the receipt of regulatory and other approvals as well as the technology meeting agreed-upon cost and technical specifications. FPL has also announced plans to invest up to $500 million from 2008 to 2013 for an advanced metering initiative that will provide enhanced energy management capabilities to its customers and enable it to develop better energy management programs. If the advanced metering initiative is proven successful in small geographic areas, it is expected to be broadened to cover FPL's service territory.

During 2007, FPL spent approximately $80 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 $619 million for 2008 through 2010, including approximately $189 million in 2008, and are included in estimated capital expenditures set forth in Capital Expenditures below.

System Capability and Load. At December 31, 2007, FPL's resources for serving load consisted of 25,100 mw, of which 22,135 mw were from FPL-owned facilities (see Item 2 – Generating Facilities) and 2,965 mw were available through purchased power contracts (see Note 16 – Contracts). FPL's projected reserve margin for the summer of 2008 is approximately 20.5%. This reserve margin is expected to be achieved through the combination of output from FPL's 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 1,668 mw at December 31, 2007. 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 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 and Nuclear 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 2007 fuel mix based on kwh produced was as follows:

Fuel Source	Percentage of kwh Produced
Natural gas	52%
Nuclear	19%
Purchased power	15%
Oil	8%
Coal	6%

Fossil Operations. FPL owns and operates 83 units that utilize 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 mild weather. FPL is currently constructing two natural gas-fired combined-cycle units of approximately 1,220 mw each at its West County Energy Center in western Palm Beach County, Florida, which are expected to be in service by mid-2009 and 2010 at an estimated total cost of approximately $1.3 billion (including AFUDC). The costs of the two new units yet to be incurred as of December 31, 2007 are included in estimated capital expenditures set forth in Capital Expenditures below. See Note 16 – Commitments. In December 2007, FPL issued an RFP for additional power resources beginning in 2011. FPL's self-build approach calls for adding a third natural gas-fired combined-cycle generating unit of approximately 1,220 mw to its West County Energy Center that would be operational in 2011. Responses to the RFP are being evaluated against FPL's self-build approach. By mid-March 2008, FPL will select the alternative determined to be the best and most cost-effective way to meet customers' needs.

Since June 2006, FPL has experienced different types of compressor blade failures in three combustion turbine compressors (CTCs) at two of its fossil generating plants, resulting in significant damage to the combustion turbines. FPL has 32 of this type of CTCs in its generating fleet, which were all made by the same manufacturer. Other companies in the electric industry have reported similar failures. The manufacturer of the CTCs has determined the root cause of the first failure experienced by FPL involving a rotating blade and a remedy is expected to be available by 2009. In the interim, FPL is conducting inspections of all rotating compressor blades in its generating fleet and replacing any blade sets found to have cracks. FPL Group is currently working with the manufacturer of the CTCs to determine the root cause of the other two failures in the stationary section of the compressor and how to remediate the issue. In the interim, FPL proactively replaced a portion of the stationary compressor blades it considers to be at higher risk of failure. Repairs to all three CTCs affected have been completed and the CTCs returned to service.

FPL has four firm transportation contracts in place with FGT and one firm transportation contract with Gulfstream 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 2015 and 2022, while the Gulfstream contract expires in 2028. The two contracts expiring in 2015 may be extended by FPL until 2030. To the extent desirable, FPL can also purchase interruptible 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 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 begun, or if begun have not yet completed, construction. These agreements range from 12 to 25 years in length and contain firm commitments by FPL totaling up to approximately $289 million annually or $6.3 billion over the terms of the agreements. These firm commitments are contingent upon the occurrence of certain events, including approval by the FERC and completion of construction of the facilities in mid-2008 and 2011. See Note 16 – Contracts. FPL's oil requirements are obtained under short-term contracts and in the spot market.

FPL has, through its joint ownership interest in SJRPP Units Nos. 1 and 2, a coal supply and transportation contract for all of the 2008 fuel needs and a portion of the 2009 and 2010 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 16 – 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 the extended operating license expiration dates and next scheduled refueling outage dates for FPL's nuclear units:

Facility	Unit	Net Capability (mw)	Extended Operating License Expiration Dates	Next Scheduled Refueling Outage
St. Lucie	1	839	2036	October 2008
St. Lucie	2	714	2043	April 2009
Turkey Point	3	693	2032	March 2009
Turkey Point	4	693	2033	March 2008

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 in service by the end of 2012 at an estimated total cost of approximately $1.8 billion. The construction costs of the 400 mw of baseload capacity yet to be incurred as of December 31, 2007 are included in estimated capital expenditures set forth in Capital Expenditures below. See Note 16 – Commitments. In October 2007, FPL filed a need petition with the FPSC for two additional nuclear units totaling between 2,200 mw and 3,040 mw of baseload capacity at its Turkey Point site, with projected in-service dates between 2018 and 2020. An FPSC decision is expected in March 2008. Additional approvals from other regulatory agencies will be required later in the process. In 2004, FPL joined NuStart Energy Development LLC (NuStart), a consortium of ten energy companies that was formed for the purpose of developing a construction and operating license to build a new nuclear facility under the DOE's Nuclear Power 2010 initiative. As of December 31, 2007, FPL's investment in NuStart was not significant.

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 will begin 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 spring 2009 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 FPL's estimated capital expenditures below. See Note 16 – Commitments. All pressurizer penetrations and welds at Turkey Point Units Nos. 3 and 4 utilize 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 2008 through 2016. Under the Nuclear Waste Policy Act of 1982 (NWPA), 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 NWPA, 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 2007, FPL has paid approximately $584 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 NWPA. In 1997, a federal 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 court ruled in another utility's case that the 1997 court decision regarding DOE's unavoidable delay defense was not binding on this federal court. An appeal is pending in that case. The DOE has indicated it is planning to file a license application for a permanent disposal facility for spent nuclear fuel with the NRC by mid-2008. 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 currently stores all spent nuclear fuel generated by its nuclear generating facilities in on site storage pools. These spent nuclear fuel storage pools do not have sufficient storage capacity for the life of the respective units. FPL plans to begin using dry storage casks before loss of full core reserve at each of its nuclear units to store spent nuclear fuel, which would extend their capability to store spent fuel indefinitely. The following table summarizes the current status of FPL's on site spent fuel storage:

Facility	Unit	Date for Loss of Full Core Reserve [(a)]	Date Dry Storage Casks are Expected to be in Use [(b)]
St. Lucie	1	2008	2008
St. Lucie	2	2010	2009
Turkey Point	3	2010[(c)]	2011
Turkey Point	4	2012[(c)]	2011

(a) Represents when the on site storage pool will no longer have sufficient space to receive a full complement of fuel from the reactor core.
(b) Cost for the dry storage casks is included in FPL's estimated capital expenditures set forth in Capital Expenditures below.
(c) Degradation in a material used in the spent fuel pools could result in implementation of alternative spent fuel storage options sooner than projected. FPL expects to extend the storage capacity of Turkey Point Unit No. 3 to early 2012 by recovering storage cells in the spent fuel pools that are currently damaged or otherwise unusable.

The NRC's regulations require FPL to submit a plan for decontamination and decommissioning five years prior to the projected end of plant operation. FPL's current plans, under the extended 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.

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 gas, oil and electricity. EMT also uses derivative instruments, such as swaps, options and forwards, to manage the commodity price risk inherent in fuel and electricity sales and purchases. 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 4.

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 $1.9 billion in 2007 (including AFUDC of approximately $36 million), $1.7 billion in 2006 (including AFUDC of approximately $32 million) and $1.8 billion in 2005 (including AFUDC of approximately $41 million). At December 31, 2007, planned capital expenditures for 2008 through 2012 were estimated as follows:

	2008	2009	2010	2011	2012	Total
			(millions)			
Generation: [a]						
New [b] [c]	$ 865	$ 340	$ 5	$ -	$ -	$ 1,210
Existing	780	1,015	1,115	895	710	4,515
Transmission and distribution [d]	915	1,080	1,120	1,160	1,130	5,405
Nuclear fuel	125	165	200	175	195	860
General and other	150	150	175	165	165	805
Total	$ 2,835	$ 2,750	$ 2,615	$ 2,395	$ 2,200	$ 12,795

(a) Includes AFUDC of approximately $54 million and $55 million in 2008 and 2009, respectively.
(b) Includes land, generating structures, transmission interconnection and integration, licensing and AFUDC.
(c) Excludes essentially all estimated capital costs associated with FPL's announced plan to invest in solar generating facilities (see FPL Operations – Environmental). Also excludes capital expenditures for two proposed nuclear units at FPL's Turkey Point site (see FPL Operations – Nuclear Operations). These costs are not included in the table above because they are subject to, among other things, various regulatory and other approvals, as well as the solar generating facilities meeting certain performance standards on a smaller scale.
(d) Includes estimated capital costs associated with Storm Secure. These capital costs are subject to change over time based on, among other things, productivity enhancements and prioritization.

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 16 – 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 10,500 employees at December 31, 2007. Approximately 32% of the employees are represented by the International Brotherhood of Electrical Workers (IBEW) under a collective bargaining agreement with FPL that expires October 31, 2008.

FPL ENERGY OPERATIONS

General. FPL Energy, 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, FPL Energy currently owns, develops, constructs, manages and operates domestic electric-generating facilities in wholesale energy markets. FPL Energy also provides full energy and capacity requirements services primarily to distribution utilities in certain markets and owns a retail electric provider based in Texas.

FPL Energy manages or participates in the management of approximately 95% of its projects, which represent approximately 99% of the net generating capacity in which FPL Energy has an ownership interest. At December 31, 2007, FPL Energy had ownership interests in operating independent power projects with a net generating capability totaling 15,543 mw (see Item 2 – Generating Facilities). Generation capacity spans various regions and is produced utilizing a variety of fuel sources, thereby reducing overall volatility related to varying market conditions and seasonality on a portfolio basis. At December 31, 2007, the percentage of capacity by geographic region was:

Geographic Region	Percentage of Generation Capacity
Central	47%
Northeast	19%
Mid-Atlantic	18%
West	16%

Fuel sources for these projects were as follows:

Fuel Source	Percentage of Generation Capacity
Natural Gas	42%
Wind	33%
Nuclear	16%
Oil	5%
Hydro	2%
Other	2%

FPL Energy seeks to expand its portfolio through project development and acquisitions where economic prospects are attractive. FPL Energy expects its future portfolio capacity growth to come primarily from wind and solar development and from asset acquisitions. FPL Energy plans to add a total of 8,000 mw – 10,000 mw of new wind generation over the 2007 – 2012 period, of which 1,064 mw were added in 2007. FPL Energy expects to add at least 1,100 mw in 2008, of which approximately 700 mw are under construction. In addition, FPL Energy intends to pursue opportunities for new solar generating facilities. The wind and solar expansions are subject to, among other things, continued public policy support.

FPL Energy's capital expenditures and investments totaled approximately \$3.1 billion, \$1.8 billion and \$0.9 billion in 2007, 2006 and 2005, respectively. At December 31, 2007, planned capital expenditures for 2008 through 2012 were estimated as follows:

	2008	2009	2010	2011	2012	Total
			(millions)			
Wind [(a)]	\$ 2,085	\$ 5	\$ 5	\$ 5	\$ 5	\$ 2,105
Nuclear [(b)]	280	345	375	305	250	1,555
Gas	80	95	115	35	25	350
Other	45	40	25	20	20	150
Total	\$ 2,490	\$ 485	\$ 520	\$ 365	\$ 300	\$ 4,160

(a) Capital expenditures for new wind projects are estimated through 2008, when eligibility for PTCs for new wind projects is scheduled to expire. FPL Energy expects to add approximately 1,500 to 2,000 mw of new wind generation per year from 2009 to 2012, subject to, among other things, continued public policy support, the cost of which is estimated to be approximately \$3 billion for 2009 and \$4 billion to \$5 billion in each of 2010, 2011 and 2012.

(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 16 – Commitments.

Additionally, FPL Energy through its wholly-owned subsidiary, Lone Star Transmission, LLC, has proposed to build, own and operate a 180 to 200 mile, high voltage, direct current, open access transmission line located between west Texas and the Dallas/Fort Worth area with a capacity of 2,000 mw. The construction of the transmission line is contingent upon, among other things, receipt of all applicable regulatory approvals. The estimated cost of the transmission line is expected to range from \$635 million to \$655 million. Due to the contingencies discussed above (including their impact on the timing of construction), these estimated costs are not included in the capital expenditures table above.

During 2006, other companies in the electric industry, including FPL, experienced different types of compressor blade failures in certain CTCs made by a single manufacturer. FPL Energy has 19 of these CTCs in its generating fleet. FPL Energy is conducting inspections of its rotating compressor blades in its generating fleet and replacing any blade sets found to have cracks. FPL Energy proactively replaced a portion of the stationary compressor blades it considered to be at higher risk of failure. See the discussion at FPL Operations – Fossil Operations.

Regulation. At December 31, 2007, FPL Energy 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 96% of FPL Energy's 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. FPL Energy's exempt wholesale generators produce electricity from wind, hydropower, fossil fuels and nuclear facilities. In addition, approximately 4% of FPL Energy's net generating capacity has qualifying facility status under PURPA. FPL Energy's 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 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 FPL Energy operates is subject to regulation and specific rules. FPL Energy continues to evaluate regional market redesigns of existing operating rules for the purchase and sale of energy commodities. During 2006, revised market rules for capacity were approved in the NEPOOL and PJM regions. California is scheduled to implement a locational marginal price (LMP) market design in mid- to late 2008. ERCOT is also implementing an LMP market design currently scheduled to be implemented in December 2008. In the California and ERCOT markets, the final market design is not fully known at this time and FPL Energy 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 FPL Energy. 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. FPL Energy 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 major markets in which FPL Energy operates have shown signs of continued improvement since 2004, such as improved spark spreads and energy prices in the ERCOT and NEPOOL regions. The combination of new wind projects, expected increase in contribution from merchant assets and asset acquisitions are expected to be the key drivers supporting FPL Energy's growth over the next few years.

Environmental. FPL Energy is subject to environmental laws and regulations and is affected by emerging issues included in the discussion of FPL Group's business (see FPL Group – Environmental). Below is a discussion of the potential impact of these issues on FPL Energy's business.

- *Clean Air Act Mercury/Nickel Rule* – Depending on the EPA's response to the U.S. Court of Appeals for the District of Columbia's February 2008 decision, it is possible that three of FPL Energy's oil-fired units in Maine will be required to add additional pollution control equipment.

- *Clean Air Visibility Rule* – While the impact of final BART requirements of the Clean Air Visibility Rule are uncertain, it is possible that one of FPL Energy's BART eligible units located in Maine may be required to add additional emissions controls or switch fuels to meet the BART compliance requirements.

- *Clean Water Act Section 316(b)* – As a result of a decision by the U.S. Court of Appeals for the Second Circuit eliminating several compliance alternatives contained in the EPA rule under Section 316(b) of the Clean Water Act, additional rulemaking by the EPA could impact three FPL Energy plants (Seabrook, Point Beach and an oil-fired plant in Maine).

FPL Energy's 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 (a system by which affected generators buy and trade allowances under a set cap) 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 CO_2 emissions at 2005 levels by 2015 and to further reduce the sector's emissions another 10% by 2019. The RGGI greenhouse gas reduction requirements will affect 12 FPL Energy fossil electric generating units, requiring those electric generating units to reduce emissions or to acquire CO_2 allowances for emissions of CO_2 beginning in 2009. Though most states in RGGI have not completed enacting their legislation or rulemaking, it is anticipated that FPL Energy will need to participate in CO_2 emissions allowance auctions beginning in mid-2008.

- The Western Climate Initiative is a greenhouse gas reduction initiative with a goal of reducing CO_2 emissions by 15% below 2005 levels by 2020 for participants (Arizona, California, Oregon, New Mexico, Washington and Utah, as well as British Colombia and Manitoba, Canada).

- 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 system. Participants in MGGRA are Illinois, Iowa, Kansas, Michigan, Minnesota, Wisconsin and Manitoba.

- 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 must implement multi-sector greenhouse gas reduction measures by January 1, 2012.

The final requirements to be enacted in connection with these initiatives are uncertain and the financial and operational impacts cannot be determined at this time. However, FPL Energy's portfolio in these regions is heavily weighted toward non-CO_2 emitting and low CO_2 emitting generation sources (wind, hydro, solar, nuclear and natural gas).

To support the U.S. effort to increase solar energy output and reduce CO_2 emissions, FPL Energy plans to invest in new solar generating facilities. In addition, FPL Energy has announced plans to launch a new renewable energy program in 2008 including a new consumer education program and new products that could increase renewable resources. The revenue generated from this program will be used to develop renewable energy sources.

During 2007, FPL Energy spent approximately $8 million on capital additions to comply with existing environmental laws and regulations. FPL Energy's capital additions to comply with existing environmental laws and regulations are estimated to be $7 million for 2008 through 2010, including approximately $5 million in 2008, and are included in estimated capital expenditures set forth in General above.

Portfolio by Category. FPL Energy's assets can be categorized into the following three groups: wind, non-wind contracted and merchant.

Wind Assets – At December 31, 2007, FPL Energy had ownership interests in wind plants with a combined capacity of approximately 5,077 mw (net ownership), of which approximately 74% have long-term contracts with utilities and power marketers predominantly under fixed-price agreements with expiration dates ranging from 2011 to 2032. The expected output of the remaining 26% is substantially hedged against changes in commodity prices for at least five years. FPL Energy operates substantially all of these wind facilities. Approximately 93% of FPL Energy's net ownership in wind facilities has received exempt wholesale generator status as defined under the Holding Company Act. The remaining facilities have qualifying facility status under PURPA. FPL Energy's wind facilities are located in 16 states. FPL Energy expects to add at least 1,100 mw of new wind generation in 2008, of which approximately 700 mw are under construction.

Contracted Assets – At December 31, 2007, FPL Energy had 3,542 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 2008 to 2033 and have firm fuel and transportation agreements with expiration dates ranging from 2008 to 2017. Approximately 1,825 mw of this capacity is gas-fired generation. The remaining 1,717 mw uses a variety of fuels and technologies such as nuclear, waste-to-energy, oil, solar, coal and petroleum coke. As of December 31, 2007, approximately 92% of FPL Energy's 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, 2007, FPL Energy's portfolio of merchant assets includes 6,924 mw of owned nuclear, natural gas, oil and hydro generation, of which 2,700 mw is located in the ERCOT region, 2,752 mw in the NEPOOL region and 1,472 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 62% (based on net mw capability) of the natural gas fueled merchant assets have gas supply agreements or a combination of gas supply and transportation agreements to provide for on-peak gas requirements. 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. FPL Energy wholly owns, or has undivided interests in, three nuclear power plants with a total net generating capability of 2,545 mw. FPL Energy 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. See estimated decommissioning cost data in Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs – FPL Energy. The nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications. The following table summarizes information related to FPL Energy's nuclear units.

Facility	Location	Net Capability (mw)	Portfolio Category	Current Operating License Expiration Dates	Next Scheduled Refueling Outage
Seabrook	New Hampshire	1,098	Merchant	2030[a]	April 2008
Duane Arnold	Iowa	424	Contracted [b]	2014[c]	January 2009
Point Beach Unit 1	Wisconsin	509	Contracted [d]	2030	October 2008
Point Beach Unit 2	Wisconsin	514	Contracted [d]	2033	April 2008

[a] FPL Energy intends to seek approval from the NRC to renew Seabrook's operating license for an additional 20 years.

[b] FPL Energy sells substantially all of its share of the output of Duane Arnold under a long-term contract expiring in 2014.

[c] In 2009, FPL Energy intends to seek approval from the NRC to renew Duane Arnold's operating license for an additional 20 years.

[d] FPL Energy sells 100% of the output of Point Beach Unit 1 and Unit 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, FPL Energy is planning to modify Seabrook's pressurizer penetrations that have alloy 600 weld materials during its April 2008 outage and begin inspections of the reactor vessel alloy 600 penetrations during the fall 2009 outage. The estimated cost of modifications is included in FPL Energy's estimated capital expenditures set forth in General above. All pressurizer penetrations at Point Beach Units 1 and 2 utilize a different material except for the Point Beach Unit 2 steam generator nozzles, which have already been modified to address the degradation concern. Additionally, Duane Arnold is not affected by this issue as it is a boiling water reactor.

FPL Energy's nuclear facilities have several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from 2008 to 2018. See Note 16 – Contracts. Under the NWPA, 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 NWPA, subsidiaries of FPL Energy 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 2007, is approximately $468 million, of which FPL Energy has paid approximately $46 million since the date of the plants' acquisition. FPL Energy, 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 has indicated it is planning to file a license application for a permanent disposal facility for spent nuclear fuel with the NRC by mid-2008. 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. Based on current projections, FPL Energy will lose its ability to store spent fuel as early as 2009 at Seabrook, 2014 at Duane Arnold and 2024 at Point Beach. FPL Energy is proceeding with a dry cask storage system at Seabrook which will be placed into commercial operation in 2008, the cost of which is included in FPL Energy's estimated capital expenditures set forth in General above. This would allow for all of Seabrook's spent fuel to be stored on site, including spent fuel storage through its license extension period of 2050, if granted. Duane Arnold currently is using both a spent fuel pool and a dry cask storage system and is making plans for additional dry cask storage modules to increase on site storage capability beginning in 2009, the estimated cost of which is included in FPL Energy's estimated capital expenditures set forth in General above. Point Beach currently is using both a spent fuel pool and a dry cask storage system.

Energy Marketing and Trading. PMI, a subsidiary of FPL Energy, buys and sells wholesale energy commodities, such as natural gas, oil and electricity. Its primary role is to manage the commodity risk of FPL Energy's portfolio and to sell the output from FPL Energy's plants that has not been sold under long-term contracts. PMI procures natural gas and oil for FPL Energy's use in power generation, as well as substantially all of the electricity needs for FPL Energy's retail operations conducted primarily in Texas, which at December 31, 2007 served approximately 1,000 mw of peak load to approximately 158,600 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 FPL Energy's 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, 2007, PMI provided full energy and capacity requirements services totaling approximately 3,500 mw of peak load in the NEPOOL, PJM and ERCOT markets. The results of PMI's activities are included in FPL Energy's operating results. See Management's Discussion – Energy Marketing and Trading and Market Risk Sensitivity, Note 1 – Energy Trading and Note 4.

Employees. FPL Energy had approximately 3,860 employees at December 31, 2007. Subsidiaries of FPL Energy have collective bargaining agreements with various unions which are summarized in the table below.

Union	Location	Contract Expiration Date	% of FPL Energy Employees Covered
IBEW	Wisconsin	June 2009 – August 2010 [a]	12%
Utility Workers Union of America	New Hampshire	December 2008	6
IBEW	Iowa	May 2011	4
IBEW	Maine	February 2013	2
Security Police and Fire Professionals of America	Iowa	May 2012	2
Total			26%

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

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 17.

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, 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, 2007, FPL FiberNet's network consisted of approximately 2,660 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.

At December 31, 2007, FPL Group's remaining investment in FPL FiberNet totaled approximately $121 million. FPL FiberNet invested approximately $17 million during 2007 and plans to invest a total of $101 million over the next five years to meet customers' specific requirements and sustain its fiber-optic network.

EXECUTIVE OFFICERS OF FPL GROUP [(a)]

Name	Age	Position	Effective Date
Christopher A. Bennett	49	Vice President & Chief Strategy, Policy and Business Process Improvement Officer	February 15, 2008
Paul I. Cutler	48	Treasurer of FPL Group	February 19, 2003
		Assistant Secretary of FPL Group	December 10, 1997
		Treasurer of FPL	February 18, 2003
		Assistant Secretary of FPL	December 10, 1997
F. Mitchell Davidson	45	President of FPL Energy	December 15, 2006
K. Michael Davis	61	Controller and Chief Accounting Officer of FPL Group	May 13, 1991
		Vice President, Accounting and Chief Accounting Officer of FPL	July 1, 1991
Moray P. Dewhurst [(b)]	52	Vice President and Chief Financial Officer of FPL Group	July 17, 2001
		Senior Vice President and Chief Financial Officer of FPL	July 19, 2001
Robert H. Escoto	54	Vice President, Human Resources of FPL Group	January 25, 2005
		Assistant Secretary of FPL Group	November 9, 2004
		Senior Vice President, Human Resources of FPL	February 21, 2005
		Assistant Secretary of FPL	January 25, 2005
Lewis Hay, III	52	Chief Executive Officer of FPL Group	June 11, 2001
		Chairman of the Board of FPL Group	January 1, 2002
		Chairman of the Board and Chief Executive Officer of FPL	January 1, 2002
Robert L. McGrath	54	Vice President, Engineering, Construction & Corporate Services of FPL Group	February 21, 2005
		Senior Vice President, Engineering, Construction & Corporate Services of FPL	February 21, 2005
Armando J. Olivera	58	President of FPL	June 24, 2003
Armando Pimentel, Jr. [(b)]	45	Vice President, Finance of FPL Group	February 15, 2008
		Senior Vice President, Finance of FPL	February 15, 2008
James L. Robo	45	President and Chief Operating Officer of FPL Group	December 15, 2006
Antonio Rodriguez	65	Vice President, Power Generation Division of FPL Group	January 1, 2007
		Senior Vice President, Power Generation Division of FPL	July 1, 1999
John A. Stall	53	Vice President, Nuclear Division of FPL Group	January 1, 2007
		Senior Vice President, Nuclear Division of FPL	June 4, 2001
Edward F. Tancer	46	Vice President & General Counsel of FPL Group	February 21, 2005
		Assistant Secretary of FPL Group	January 1, 1997
		Senior Vice President & General Counsel of FPL	February 21, 2005
		Assistant Secretary of FPL	January 1, 1997

(a) Information is as of February 27, 2008. 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 FPL Energy from March 2005 to December 2006. He was vice president of business management of FPL Energy from June 2004 to March 2005. From March 2001 to September 2003, Mr. Davidson was senior vice president, energy management of Duke Energy North America (Duke) where his primary responsibility was for the overall direction, profitability, growth and risk mitigation for Duke's trading business. Mr. Davis was also controller of FPL from July 1991 to September 2007. Mr. Dewhurst was also vice president, finance of FPL Group and senior vice president, finance of FPL from July 2001 to February 15, 2008. Mr. Escoto was vice president, human resources of FPL from March 2004 to February 2005. Mr. Escoto was vice president, human resources of FPL Energy from April 2002 to November 2006. 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. Olivera was senior vice president, power systems of FPL from July 1999 to June 2003. Mr. Pimentel was a partner of Deloitte & Touche LLP, an independent registered public accounting firm, from June 1998 to February 9, 2008. Mr. Robo was president of FPL Energy 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. Tancer was associate general counsel of FPL Group from April 2003 to February 2005. He was also vice president and general counsel of FPL Energy from February 2001 to February 2005.

(b) Mr. Dewhurst will relinquish, and Mr. Pimentel will assume, the title of chief financial officer of FPL Group and FPL on the day after the date on which FPL Group and FPL file their Quarterly Report on Form 10-Q for the quarter ended March 31, 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, including, but not limited to, initiatives regarding deregulation and restructuring of the energy industry and environmental matters, including, but not limited to, matters related to the effects of climate change. 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, including, but not limited to, the PURPA, the Holding Company Act, the Federal Power Act, the Atomic Energy Act of 1954, as amended, the 2005 Energy Act and certain sections of the Florida statutes relating to public utilities, changing governmental policies and regulatory actions, including, but not limited to, those of the FERC, the FPSC and the legislatures and utility commissions of other states in which FPL Group has operations, and the NRC, with respect to, among other things, allowed rates of return, industry and rate structure, operation of nuclear power facilities, construction and operation of plant 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, and present or prospective wholesale and retail competition (including, but not limited to, retail wheeling and transmission costs). 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 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 relating to air quality, water quality, climate change, waste management, marine and wildlife mortality, natural resources and health and safety 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 deregulation, regulation or restructuring of the energy industry, including, but not limited to, deregulation or restructuring of the production and sale of electricity, as well as increased focus on renewable energy sources. FPL Group and its subsidiaries will need to adapt to these changes and may face increasing competitive pressure.

- FPL Group's and FPL's results of operations could be affected by FPL's ability to renegotiate franchise agreements with municipalities and counties in Florida.

The operation and maintenance of transmission, distribution and power generation facilities, including nuclear 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 transmission, distribution and power generation facilities involve many risks, including, but not limited to, 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 unless and until such defects are remediated, use of new technology, the dependence on a specific fuel source, including the supply and transportation of fuel, or the impact of unusual or adverse weather conditions (including, but not limited to, natural disasters such as hurricanes and droughts), as well as the risk of performance below expected or contracted levels of output or efficiency. This could result in lost revenues and/or increased expenses, including, but not limited to, the requirement to purchase power in the market 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, including, but not limited to, the cost of replacement power. In addition to these risks, FPL Group's and FPL's nuclear units face certain risks that are unique to the nuclear industry including, but not limited to, the ability to store and/or dispose of spent nuclear fuel and the potential payment of significant retrospective insurance premiums, as well as additional regulatory actions up to and including shutdown of the units stemming from public safety concerns, whether at FPL Group's and FPL's plants, or at the plants of other nuclear operators. Breakdown or failure of an operating facility of FPL Energy may prevent the facility from performing under applicable power sales agreements which, in certain situations, could result in termination of the agreement or incurring a liability for liquidated damages.

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

- FPL Group's and FPL's ability to successfully and timely complete their power generation facilities currently under construction, those projects yet to begin construction or capital improvements to existing facilities within established budgets is contingent upon many variables, including, but not limited to, transmission interconnection issues and escalating costs for materials, labor and environmental compliance, and subject to substantial risks. Should any such efforts be unsuccessful, FPL Group and FPL could be subject to additional costs, termination payments under committed contracts, 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 that negatively impact the results of operations of FPL Group and FPL.

- FPL Group and FPL use derivative instruments, such as swaps, options and forwards to manage their commodity and financial market risks. FPL Group provides full energy and capacity requirements services primarily to distribution utilities and engages in energy trading 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. 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 prudency challenges and if found imprudent, cost recovery could be disallowed by the FPSC.

FPL Group's competitive energy business is subject to risks, many of which are beyond the control of FPL Group, that may reduce the revenues and adversely impact the results of operations and financial condition of FPL Group.

- There are other risks associated with FPL Group's competitive energy business. In addition to risks discussed elsewhere, risk factors specifically affecting FPL Energy's success in competitive wholesale markets include, but are not limited to, 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), transmission constraints, competition from new sources of generation, excess generation capacity and demand for power. There can be significant volatility in market prices for fuel and electricity, and there are other financial, counterparty and market risks that are beyond the control of FPL Energy. FPL Energy's 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 FPL Energy's 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 affect the volatility of FPL Group's financial results. In addition, FPL Energy's business depends upon transmission facilities owned and operated by others; if transmission is disrupted or capacity is inadequate or unavailable, FPL Energy's ability to sell and deliver its wholesale power 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, as well as the passage of the 2005 Energy Act. 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.

Because FPL Group and FPL rely on access to capital markets, the inability to maintain current credit ratings and to access capital markets on favorable terms may 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 markets as a significant source 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, as well as significant volatility in the financial markets, could affect their ability to raise capital 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.

Customer growth in FPL's service area affects 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. Customer growth can be affected by population growth as well as economic factors in Florida, including, but not limited, to job and income growth, housing starts and new home prices. Customer growth directly influences 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.

- 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.

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

- FPL Group and FPL are subject to costs and other effects of legal and administrative proceedings, settlements, investigations and claims, as well as the effect of new, or changes in, tax laws, rates or policies, rates of inflation, accounting standards, securities laws and corporate governance requirements.

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, but not limited to, 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 U.S., 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 affected by 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 affected by national, state or local events as well as company-specific events.

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

- FPL Group and FPL are subject to employee workforce factors, including, but not limited to, loss or retirement of key executives, availability of qualified personnel, inflationary pressures on payroll and benefits costs, collective bargaining agreements with union employees and work stoppage that could 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 not currently known to FPL Group or FPL, or that are currently deemed to be immaterial, 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

Item 2. Properties

FPL Group and its subsidiaries maintain properties which are adequate for their operations. At December 31, 2007, the electric generating, transmission, distribution and general facilities of FPL represented approximately 45%, 12%, 38% and 5%, respectively, of FPL's gross investment in electric utility plant in service.

Generating Facilities. At December 31, 2007, 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	1,638
Martin	Indiantown, FL	2	Oil/Gas	1,678
Port Everglades	Port Everglades, FL	4	Oil/Gas	1,219
Riviera	Riviera Beach, FL	2	Oil/Gas	565
St. Johns River Power Park	Jacksonville, FL	2	Coal/Petroleum Coke	250 [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	872
Manatee	Parrish, FL	1	Gas	1,104
Martin	Indiantown, FL	1	Gas/Oil	1,104
Martin	Indiantown, FL	2	Gas	956
Putnam	Palatka, FL	2	Gas/Oil	498
Sanford	Lake Monroe, FL	2	Gas	1,916
Turkey Point	Florida City, FL	1	Gas/Oil	1,144
Simple-cycle combustion turbines				
Fort Myers	Fort Myers, FL	1	Gas/Oil	324
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				22,135 [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.

FPL Energy Facilities	Location	No. of Units	Fuel	Net Capability (mw) [(a)]
Wind				
Cabazon	Riverside County, CA	53	Wind	40
Callahan Divide [(b)]	Taylor County, TX	76	Wind	114
Capricorn Ridge	Sterling & Coke Counties, TX	208	Wind	364
Cerro Gordo [(b)]	Cerro Gordo County, IA	55	Wind	41
Delaware Mountain	Culberson County, TX	38	Wind	28
Diablo Wind	Alameda County, CA	31	Wind	21
Endeavor Wind	Osceola County, IA	10	Wind	25
Gray County	Gray County, KS	170	Wind	112
Green Mountain	Somerset County, PA	8	Wind	10
Green Power	Riverside County, CA	22	Wind	17
Green Ridge Power	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	Upton County, TX	125	Wind	83
King Mountain	Upton County, TX	214	Wind	278
Lake Benton II [(b)]	Pipestone County, MN	138	Wind	104
Langdon Wind	Cavalier County, ND	79	Wind	118
Logan Wind [(c)]	Logan County, CO	134	Wind	201
Meyersdale [(b)]	Somerset County, PA	20	Wind	30
Mill Run	Fayette County, PA	10	Wind	15
Montfort [(b)]	Iowa County, WI	20	Wind	30
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
Red Canyon Wind Energy [(b)]	Borden, Garza & Scurry Counties, TX	56	Wind	84
Sky River	Kern County, CA	342	Wind	77
Somerset Wind Power	Somerset County, PA	6	Wind	9
South Dakota Wind [(b)]	Hyde County, SD	27	Wind	41
Southwest Mesa [(b)]	Upton & Crockett Counties, TX	107	Wind	75
Stateline [(b)]	Umatilla County, OR and Walla Walla County, WA	454	Wind	300
Vansycle [(b)]	Umatilla County, OR	38	Wind	25
Victory Garden	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
Windpower Partners 1992	Alameda & Contra Costa Counties, 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	109	Wind	39
Woodward Mountain	Upton & Pecos Counties, TX	242	Wind	160
Wyoming Wind [(b)]	Uinta County, WY	80	Wind	144
Investments in joint ventures	Various	969	[(d)]	98
Total Wind				5,077
Contracted				
Bayswater [(b)]	Far Rockaway, NY	2	Gas	56
Calhoun [(b)]	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)]	319
Total Contracted				3,542

FPL Energy Facilities	Location	No. of Units	Fuel	Net Capability (mw) [a]
Merchant				
Blythe Energy	Blythe, CA	3	Gas	507
Doswell – Expansion [b]	Ashland, VA	1	Gas/Oil	171
Forney	Forney, TX	8	Gas	1,700
Lamar Power Partners	Paris, TX	6	Gas	1,000
Maine – Cape, Wyman	Various – ME	6	Oil	743 [g]
Maine [b]	Various – ME	83	Hydro	361
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]
Total Merchant				6,924
TOTAL				15,543

(a) Represents FPL Energy's net ownership interest in plant capacity.
(b) These consolidated generating facilities are encumbered by liens against their assets securing various financings.
(c) FPL Energy 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.
(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 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, 2007, 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	2,943	25
138kv	1,609	50
115kv	730	-
69kv	164	14
Less than 69 kv	41,690	25,053
Total	48,242	25,142

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

In addition, at December 31, 2007, FPL owned and operated 573 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 FPL Energy's 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 FPL Energy's 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 lawsuits in the ordinary course of their respective businesses. For information regarding material lawsuits, see Note 16 – Litigation. 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 for each quarter during the past two years are as follows:

	2007		2006	
Quarter	High	Low	High	Low
First	$ 63.07	$ 53.72	$ 43.42	$ 38.85
Second	$ 66.52	$ 56.18	$ 41.97	$ 37.81
Third	$ 64.20	$ 54.61	$ 45.87	$ 40.59
Fourth	$ 72.77	$ 60.26	$ 55.57	$ 44.97

Approximate Number of Shareholders. As of the close of business on January 31, 2008, there were 29,765 holders of record of FPL Group's common stock.

Dividends. Quarterly dividends have been paid on common stock of FPL Group during the past two years in the following amounts per share:

Quarter	2007	2006
First	$ 0.41	$ 0.375
Second	$ 0.41	$ 0.375
Third	$ 0.41	$ 0.375
Fourth	$ 0.41	$ 0.375

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 2008, FPL Group announced that it would increase its quarterly dividend on its common stock from $0.41 to $0.445 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.

Issuer Purchases of Equity Securities. The following table presents information regarding purchases made by FPL Group of its common stock:

Period	Total Number of Shares Purchased [a]	Average Price Paid Per Share [a]	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program [b]
10/1/07 – 10/31/07	782	$ 62.03	-	20,000,000
11/1/07 – 11/30/07	1,316	$ 68.73	-	20,000,000
12/1/07 – 12/31/07	-	$ -	-	20,000,000
Total	2,098		-	

[a] Shares of common stock purchased 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 FPL Group's Board of Directors in December 2005.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2007	2006	2005	2004	2003
SELECTED DATA OF FPL GROUP (millions, except per share amounts):					
Operating revenues	$ 15,263	$ 15,710	$ 11,846	$ 10,522	$ 9,630
Income before cumulative effect of changes in accounting principles	$ 1,312[a]	$ 1,281[b]	$ 901[a]	$ 896[c]	$ 906[a]
Cumulative effect of adopting FIN 46, net of income taxes of $2	$ -	$ -	$ -	$ -	$ (3)
Net income	$ 1,312[a]	$ 1,281[b]	$ 901[a]	$ 896[c]	$ 903[d]
Earnings per share of common stock – basic:					
Earnings per share before cumulative effect of changes in accounting principles	$ 3.30[a]	$ 3.25[b]	$ 2.37[a]	$ 2.50[c]	$ 2.55[a]
Cumulative effect of changes in accounting principles	$ -	$ -	$ -	$ -	$ (0.01)
Earnings per share	$ 3.30[a]	$ 3.25[b]	$ 2.37	$ 2.50[c]	$ 2.54[d]
Earnings per share of common stock – assuming dilution:					
Earnings per share before cumulative effect of changes in accounting principles	$ 3.27[a]	$ 3.23[b]	$ 2.34[a]	$ 2.48[c]	$ 2.54[a]
Cumulative effect of changes in accounting principles	$ -	$ -	$ -	$ -	$ (0.01)
Earnings per share	$ 3.27[a]	$ 3.23[b]	$ 2.34[a]	$ 2.48[c]	$ 2.53[d]
Dividends paid per share of common stock	$ 1.64	$ 1.50	$ 1.42	$ 1.30	$ 1.20
Total assets	$ 40,123	$ 35,822[e]	$ 32,599[e]	$ 28,324	$ 26,955
Long-term debt, excluding current maturities	$ 11,280	$ 9,591	$ 8,039	$ 8,027	$ 8,723
SELECTED DATA OF FPL (millions):					
Operating revenues	$ 11,622	$ 11,988	$ 9,528	$ 8,734	$ 8,293
Net income available to FPL Group	$ 836	$ 802	$ 748	$ 749	$ 733
Total assets	$ 24,044	$ 22,970[e]	$ 22,347[e]	$ 19,114	$ 17,817
Long-term debt, excluding current maturities	$ 4,976	$ 4,214	$ 3,271	$ 2,813	$ 3,074
Energy sales (kwh)	108,636	107,513	105,648	103,635	103,202
Energy sales:					
Residential	50.8%	50.8%	51.4%	50.7%	51.8%
Commercial	42.3	41.4	41.1	40.6	40.1
Industrial	3.5	3.8	3.7	3.8	3.9
Interchange power sales	1.8	2.1	2.0	2.9	2.3
Other[f]	1.6	1.9	1.8	2.0	1.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute peak load (mw):[g]					
Summer season	21,962	21,819	22,361	20,545	19,668
Winter season	18,055	17,260	19,683	18,108	15,989
Average number of customer accounts (thousands):					
Residential	3,981	3,906	3,828	3,745	3,653
Commercial	493	479	470	458	445
Industrial	19	21	20	19	17
Other	4	4	4	3	2
Total	4,497	4,410	4,322	4,225	4,117
Average price billed to customers (cents per kwh)	10.63	11.14	8.88	8.36	7.95

(a) Includes net unrealized mark-to-market gains or losses associated with non-qualifying hedges.
(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 impairment and restructuring charges and net unrealized mark-to-market losses associated with non-qualifying hedges.
(d) Includes the cumulative effect of an accounting change and net unrealized mark-to-market gains associated with non-qualifying hedges.
(e) Amounts have been adjusted to reflect the retrospective application of FASB Staff Position (FSP) FIN 39-1, "Amendment of FASB Interpretation No. 39." See Note 4.
(f) Includes the net change in unbilled sales.
(g) Winter season includes November and December of the current year and January to March of the following year (for 2007, through February 27, 2008).

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 FPL Energy. FPL serves more than 8.7 million people throughout most of the east and lower west coasts of Florida. FPL Energy, FPL Group's competitive energy subsidiary, produces electricity primarily utilizing natural gas, wind and nuclear resources. Together, FPL's and FPL Energy's generating assets represented approximately 37,700 mw of capacity at December 31, 2007. FPL FiberNet provides fiber-optic services to FPL, telecommunications companies and other customers throughout Florida.

FPL obtains its operating revenues primarily from the retail sale of electricity. FPL expects the 2005 rate agreement to be in effect through December 31, 2009. See Note 1 – Revenues and Rates. Over the last ten years, FPL's average annual customer growth has been 2.2% while usage growth per customer has been 0.6%. FPL has observed a decline in non-weather related usage per customer and, in the latter part of 2007, began to experience a slowdown in customer growth in its service territory. FPL suspects that weakness in the housing markets in both Florida and the rest of the United States has contributed to a slowdown in customer growth and, to a lesser extent, may have also contributed to the decline in non-weather related usage per customer. FPL's business strategy is to continue meeting the increased demands of customers in a safe, reliable, cost-effective manner while focusing on operating performance.

FPL Energy 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. FPL Energy plans to add a total of 8,000 mw to 10,000 mw of new wind generation over the 2007 – 2012 period, of which 1,064 mw were added in 2007 and at least 1,100 mw are expected to be added in 2008. In addition, FPL Energy intends to pursue opportunities for new solar generating facilities. The wind and solar expansions are subject to, among other things, continued public policy support.

FPL Energy's market is diversified by region as well as by fuel source. FPL Energy sells a large percentage of its expected output to hedge against price volatility. Therefore, if FPL Energy's plants do not perform as expected, FPL Energy could be required to purchase power at potentially higher market prices to meet its contractual obligations. FPL Energy's 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 unrealized mark-to-market gains and losses on derivative transactions into two categories. 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. FPL Group uses derivative instruments to manage its commodity price and interest rate risk.

FPL Group's management uses earnings excluding certain items (adjusted earnings), which in 2007, 2006 and 2005 were the unrealized mark-to-market effect of non-qualifying hedges and, in 2006 also included merger-related costs, 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. 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.

FPL Group and FPL adopted FSP FIN 39-1 effective December 31, 2007, which amended certain provisions of FIN 39, "Offsetting of Amounts Related to Certain Contracts," and required the offsetting of amounts recognized for the right to reclaim and obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement when such offsetting derivative positions are presented on a net basis. FSP FIN 39-1 required retrospective application and, accordingly, all prior period consolidated balance sheets of FPL Group and FPL have been adjusted to reflect this change. See Note 4.

Results of Operations

Summary – Presented below is a summary of net income (loss) by reportable segment (see Note 17):

	Years Ended December 31,		
	2007	2006	2005
		(millions)	
FPL	$ 836	$ 802	$ 748
FPL Energy	540	610	203
Corporate and Other	(64)	(131)	(50)
FPL Group Consolidated	$ 1,312	$ 1,281	$ 901

FPL's 2007 improved results benefited from a retail base rate increase associated with Turkey Point Unit No. 5 and continued 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. In addition, disallowed storm costs, net of certain interest, reduced 2006 net income by approximately $27 million. FPL's 2006 improved results reflect lower depreciation and amortization expense and customer growth partly offset by the expensing of disallowed 2005 storm costs, higher O&M expenses and a slight decline in usage per retail customer.

FPL Energy's 2007 results reflect additional earnings from the existing portfolio, from new investments and from full energy and capacity requirements services and trading. These benefits were partially offset by higher interest, general and administrative expenses to support the growth in the business. FPL Energy's 2006 results reflect an approximately $97 million gain ($63 million after-tax) resulting from a court judgment relating to an Indonesian project that was suspended in 1998, additional earnings from new investments and improved results from the existing portfolio. In addition, FPL Group's and FPL Energy's net income for 2007 and 2005 reflect net unrealized after-tax losses from non-qualifying hedges of $86 million and $112 million, respectively, while 2006 net income reflects net unrealized after-tax gains from such hedges of $92 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.

Results for Corporate and Other in 2007 reflect lower interest costs and higher interest income, partly offset by lower federal and state tax benefits. In addition, 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. In addition, Corporate and Other's 2006 results reflect approximately $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 17 for segment information.

FPL Group's effective tax rate for all periods presented reflects PTCs for wind projects at FPL Energy. PTCs can significantly affect FPL Group's effective 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 2007, 2006 and 2005 was $836 million, $802 million and $748 million, respectively, an increase in 2007 of $34 million and an increase in 2006 of $54 million. FPL's 2007 results benefited from a retail base rate increase associated with Turkey Point Unit No. 5 commencing commercial operation on May 1, 2007 and continued 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. In addition, 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 2006 net income benefited from lower depreciation and amortization expense, continued customer growth and certain federal income tax deductions and credits. These factors were partially offset by higher O&M and property tax expenses, the storm cost disallowance and a slight decline in usage per retail customer.

FPL's current retail base rates were approved by the FPSC in 2005 and are effective through December 31, 2009. The 2005 rate agreement replaced the 2002 rate agreement which was in effect from April 15, 2002 through December 31, 2005. 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. The 2005 rate agreement also continues the revenue sharing mechanism in the 2002 rate agreement, 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, 2007, 2006 and 2005, revenues from retail base operations did not exceed the thresholds for those years and FPL does not expect 2008 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.

The 2005 rate agreement, among other things, requires FPL to use electric property depreciation rates based upon comprehensive depreciation studies filed with the FPSC in March 2005 and permits FPL to continue to reduce annual depreciation by up to $125 million, which FPL has been doing since 2002. The 2005 rate agreement suspended contributions of approximately $79 million per year to the nuclear decommissioning fund beginning in September 2005. The 2005 rate agreement also suspended, beginning in 2006, contributions of $20.3 million per year to the storm and property insurance reserve but allows FPL to recover prudently incurred storm restoration costs, either through securitization provisions pursuant to a state financing statute or surcharges. See Note 1 – Securitization.

FPL's operating revenues consisted of the following:

	Years Ended December 31, 2007	2006 (millions)	2005
Retail base	$ 3,796	$ 3,657	$ 3,658
Fuel cost recovery	6,162	6,573	4,283
Other cost recovery clauses and pass-through costs	1,490	1,588	1,368
Other, primarily gas, transmission and wholesale sales and customer-related fees	174	170	219
Total	$ 11,622	$ 11,988	$ 9,528

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, a base rate increase resulting from Turkey Point Unit No. 5 commencing commercial operation on May 1, 2007 increased retail base revenues by approximately $86 million. Although the 2007 increase in the average number of customers was the same as the 2006 increase, the pattern of growth was considerably different. Much of the 2007 growth occurred early in the year and there was very little customer growth in the latter part of 2007. FPL suspects the weakness in the housing markets in both Florida and the rest of the United States has contributed to this slowdown in FPL's customer growth and, to a lesser extent, may have also contributed to a decline in non-weather related usage per customer.

For the year ended December 31, 2006, an increase in the average number of customers of 2.0% increased retail base revenues by approximately $74 million. During this period, usage per retail customer decreased 0.4% primarily due to warmer weather experienced in 2005 and the elasticity effect on customers of higher electricity prices in 2006 reflecting the increase in FPL's retail fuel clause recovery factor as discussed below. This decrease in usage per retail customer was partly offset by the absence of hurricane activity in 2006 compared to the 2005 activity that caused customer service interruptions throughout FPL's service territory. This usage decrease, as well as other factors, decreased retail base revenues by approximately $23 million. In addition, under the 2005 rate agreement, FPL was authorized by the FPSC to collect, through a separate charge on a customer bill, the portion (approximately 1.5%) of gross receipts taxes that was previously embedded in base rates. This resulted in an approximately $52 million reduction in retail base revenues with a corresponding increase in revenues from other cost recovery clauses and pass-through costs.

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, 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.

Ordinarily, the fuel charge is set annually based on estimated fuel costs and estimated customer usage, plus or minus a true-up for prior period estimates. FPL utilizes 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 reduce the risk of unexpected fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. In response to higher fuel prices, as well as the recovery of a portion of underrecovered fuel costs from 2005, in January 2006 the retail fuel clause recovery factor was increased approximately 46%, which was the primary contributor to the increase in fuel cost recovery revenues in 2006. The retail fuel clause recovery factor for 2007 was reduced approximately 7.2% in January 2007 primarily in response to expected fuel price changes. This factor declined again by another 2.3% during the second quarter of 2007 when Turkey Point Unit No. 5 was placed in service, although a typical 1,000 kwh residential bill remained the same because the previously discussed base rate increase for this unit offset the fuel clause recovery factor decline.

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 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 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 $94 million, $151 million and $155 million for the years ended December 31, 2007, 2006 and 2005, respectively. 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 further discussion, see Note 1 – Securitization and see discussion below of depreciation and amortization expense.

The decrease in other revenues in 2006 is primarily due to the transfer, effective January 1, 2006, of FPL's retail gas contracts to a subsidiary of FPL Group Capital, which also reduced FPL's fuel expense by approximately $64 million for the year ended December 31, 2006.

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

	Years Ended December 31,		
	2007	2006	2005
		(millions)	
Fuel and energy charges during the period	$ 6,259	$ 5,662	$ 5,213
Recovery of costs incurred in a prior period	91	743	140
Net over (under) recovery of costs during the period	(142)	194	(1,027)
Other, primarily capacity charges net of any capacity deferral	518	517	584
Total	$ 6,726	$ 7,116	$ 4,910

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. The increase in fuel and energy charges in 2006 reflects higher fuel and energy prices of approximately $415 million and approximately $98 million attributable to higher energy sales, partly offset by approximately $64 million related to the transfer of FPL's retail gas contracts. The recovery of costs incurred in a prior period represents the collection of underrecovered fuel costs the FPSC permitted FPL to start collecting at the beginning of the respective year. The net overrecovery (underrecovery) of costs during the period represents fuel clause collections from customers which were higher (lower) than fuel and energy costs incurred.

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 at Turkey Point Unit Nos. 3 and 4 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 Secure 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. Management expects O&M expenses in 2008 to continue trending upward reflecting higher nuclear, fossil generation, customer service and employee benefit costs.

FPL's O&M expenses increased $67 million in 2006 primarily due to higher transmission and distribution costs and costs associated with Storm Secure totaling approximately $39 million, higher employee benefit costs, primarily medical, of approximately $10 million and higher customer service costs of approximately $19 million reflecting additional staffing needs and higher uncollectible accounts as a result of higher customer bills. These factors were partially offset by the suspension in 2006 of approximately $20 million of contributions to the storm and property insurance reserve in accordance with the 2005 rate agreement. Other changes in O&M expenses were primarily driven by pass-through costs which did not significantly affect net income.

Depreciation and amortization expense for the year ended December 31, 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 depreciation on software that has been fully depreciated. Depreciation and amortization expense for the year ended December 31, 2006 decreased $164 million primarily benefiting from lower depreciation rates and the elimination of the decommissioning accrual approved as part of the 2005 rate agreement (a collective benefit of approximately $242 million). This reduction in depreciation rates applied to substantially all power plant assets including Turkey Point Units Nos. 3 and 4 and St. Lucie Units Nos. 1 and 2, which have received 20-year license extensions. This was partially offset by FPL's continued investment in transmission and distribution facilities to support customer growth and demand (approximately $31 million), depreciation from the addition of two new generating units at FPL's existing Martin and Manatee power plant sites which became operational on June 30, 2005 (approximately $23 million) and increased nuclear depreciation related to plant additions (approximately $24 million).

Taxes other than income taxes decreased $13 million in 2007 but increased $187 million in 2006 primarily due to changes in franchise fees and revenue taxes, which are pass-through costs. Franchise fees and revenue taxes vary as a result of fluctuations in fuel and other cost recovery clause revenues, which is discussed above under the operating revenue table. In addition, taxes other than income taxes in 2007 reflect lower property taxes 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. In 2006, taxes other than income taxes include higher property taxes reflecting growth in plant in service balances.

Interest charges for 2007 reflect additional borrowings, including the $652 million of storm-recovery bonds issued in May 2007. Interest charges for 2006 increased primarily due to higher average debt balances used to fund increased investment in generation, transmission and distribution expansion, and to pay for unrecovered fuel and storm restoration costs. Average interest rates in 2007 were approximately the same as the prior year while 2006 rates increased approximately 20 basis points. The increase in AFUDC in 2007 is primarily attributable to additional AFUDC on two 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, the steam generator replacement project at St. Lucie Unit No. 2 and nuclear spent fuel storage projects, partially offset by lower AFUDC on Turkey Point Unit No. 5, which was placed in service in 2007. The decline in AFUDC in 2006 is primarily attributable to the placement of the additional Martin and Manatee units in service on June 30, 2005, partially offset by increased AFUDC on Turkey Point Unit No. 5. Interest income in 2007 declined reflecting the cessation of interest on FPL's unrecovered balance of the storm reserve deficiency, which was collected with the issuance of the storm-recovery bonds in May 2007. Interest income increased in 2006 reflecting higher interest accrued on the unrecovered balance of the storm reserve deficiency.

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 2007, operating revenues from wholesale and industrial customers combined represented approximately 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. FPL subsequently filed a petition with the FPSC requesting authorization to defer, until the next retail base rate proceeding, approximately $35 million of preconstruction costs associated with the coal units, with amortization over a five-year period beginning when new base rates are implemented. These costs are currently reflected in other assets on FPL Group's and FPL's consolidated balance sheets. Any portion of these costs not approved for recovery would be expensed. A decision is expected in April 2008. FPL is currently constructing two natural gas-fired combined-cycle units of approximately 1,220 mw each at its West County Energy Center which are expected to be in service by mid-2009 and 2010. FPL is proposing to build a third natural gas-fired combined-cycle unit of approximately 1,220 mw at the same site that would be operational in 2011. 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 is projected to be in service by the end of 2012. In addition, FPL is seeking FPSC approval for two additional nuclear units totaling between 2,200 mw and 3,040 mw of baseload capacity at its Turkey Point site with projected in-service dates between 2018 and 2020; an FPSC decision is expected in March 2008. Additional approvals from other regulatory agencies will also be required later in the process. In 2007, the FPSC approved a nuclear cost recovery rule that 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 and for the recovery of construction costs, once the new capacity goes into service, through a base rate increase. As part of the FPSC's approval of the addition of approximately 400 mw of baseload capacity to FPL's existing nuclear units, FPL received approval to recover costs associated with the project through the nuclear cost recovery rule. The estimated costs of the new nuclear units are not included in the capital expenditures table in Note 16 – Commitments because the new units are subject to, among other things, various regulatory and other approvals.

FPL Energy – FPL Energy's net income for 2007, 2006 and 2005 was $540 million, $610 million and $203 million, respectively, a decrease in 2007 of $70 million and an increase in 2006 of $407 million. The primary drivers, on an after-tax basis, of these changes were as follows:

	Years Ended December 31, 2007	Years Ended December 31, 2006
	(millions)	
New investments [a]	$ 78	$ 112
Existing assets [a]	112	54
Full energy and capacity requirements services and trading	56	26
Restructuring activities and asset sales	(14)	(20)
Indonesian project gain	(63)	63
Interest expense and other	(61)	(32)
Change in unrealized mark-to-market non-qualifying hedge activity [b]	(178)	204
Net income increase (decrease)	$ (70)	$ 407

[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 4 and Overview.

The increase in FPL Energy's 2007 results from new investment reflects the addition of over 3,400 mw of wind and nuclear generation during or after 2006. The 2006 increase reflects over 1,800 mw of wind, nuclear and solar generation during or after 2005.

In 2007, FPL Energy's 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. In 2006, the existing portfolio benefited from improved market conditions in the NEPOOL, ERCOT and PJM regions and a higher wind resource. This was partially offset by the unfavorable impact of a longer refueling outage in 2006 as compared to 2005 at the Seabrook nuclear facility. In addition, included in the existing assets line item was a $4 million after-tax ($8 million pretax) impairment charge recorded by FPL Energy in 2006 related to a California coal plant as well as the favorable effect of prior contract restructurings. See Note 5 – FPL Energy.

FPL Energy's 2007 and 2006 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 decrease in 2007 of restructuring activities and asset sales is primarily due to the absence of a $12 million after-tax gain recorded in 2006 on the sale of wind development rights. The 2006 amounts were lower than 2005 reflecting the absence of gains recorded in 2005 from asset sales and from a contract restructuring, partly offset by the 2006 gain on the sale of wind development rights. The Indonesian project gain reflects a $63 million after-tax gain ($97 million pretax) recorded by FPL Energy in 2006 as the result of a court judgment.

In both 2007 and 2006, interest expense and other reflects higher interest expense primarily due to higher debt balances as a result of growth in the business as well as an increase in average interest rates of approximately 9 basis points and 38 basis points for 2007 and 2006, respectively. In addition, interest and other in both 2007 and 2006 includes higher corporate general and administrative expenses to support the growth in the business.

In 2007 and 2005, FPL Energy recorded after-tax net unrealized mark-to-market losses on non-qualifying hedges of approximately $86 million and $112 million, respectively. During 2006, FPL Energy recorded after-tax net unrealized mark-to-market gains of approximately $92 million. 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. The change in unrealized mark-to-market activity for 2006 compared to 2005 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 2006.

FPL Energy's 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 the 2006 period. 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. Operating revenues for the year ended December 31, 2006 increased $1,337 million primarily due to gains of $496 million on unrealized mark-to-market non-qualifying hedge activity in 2006 compared to losses on such hedges of $249 million in the 2005 period. Excluding this mark-to-market activity, revenues benefited from project additions, favorable market conditions in the NEPOOL, ERCOT and PJM regions, and a higher wind resource, partially offset by the impact of the longer refueling outage in 2006 as compared to 2005 for the Seabrook nuclear facility. Also, operating revenues in 2006 include approximately $12 million related to the settlement of certain operational performance issues with wind turbine equipment suppliers.

FPL Energy's 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 the 2006 period. 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. FPL Energy's operating expenses for the year ended December 31, 2006 increased $736 million reflecting $318 million of unrealized mark-to-market losses from non-qualifying hedges compared to $63 million of gains on such hedges in the 2005 period. Excluding these mark-to-market changes, operating expenses increased primarily due to project additions and increased fuel costs as a result of market conditions.

Equity in earnings of equity method investees decreased $113 million for the year ended December 31, 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. In 2006, equity in earnings of equity method investees increased $57 million primarily due to the $97 million Indonesian project gain discussed above and the favorable effect on operating results from a prior contract restructuring. These factors were partially offset by unrealized mark-to-market losses of approximately $26 million from non-qualifying hedge activity in 2006 compared to an approximately $2 million gain on such hedges in 2005 and the absence of an approximately $13 million pretax gain on a contract restructuring recorded in 2005.

FPL Energy's interest expense for the year ended December 31, 2007 and 2006 increased $43 million and $46 million, respectively, reflecting higher average debt balances to support growth in the business and an increase in average interest rates. Gains (losses) on disposal of assets in FPL Group's consolidated statements of income for 2006 reflect an approximately $20 million pretax gain for the sale of wind development rights. In 2005, this line item included approximately $44 million of pretax gains on the sale of FPL Energy joint venture projects.

PTCs from FPL Energy's wind projects are reflected in FPL Energy's 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 $219 million, $167 million and $129 million for the years ended December 31, 2007, 2006 and 2005, respectively.

In September 2007, FPL Energy 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). FPL Energy 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 1 and 2033 for Unit 2. FPL Energy 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. See Note 2.

FPL Energy expects its future portfolio capacity growth to come primarily from wind and solar development and from asset acquisitions. FPL Energy plans to add a total of 8,000 mw – 10,000 mw of new wind generation over the 2007 – 2012 period, of which 1,064 mw were added in 2007. FPL Energy expects to add at least 1,100 mw in 2008, of which approximately 700 mw are under construction. In addition, FPL Energy intends to pursue opportunities for new solar generating facilities. The wind and solar expansions are subject to, among other things, continued public policy support.

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 FPL Energy. 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. FPL Energy 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 major markets in which FPL Energy operates have shown signs of continued improvement since 2004, such as improved spark spreads and energy prices in the ERCOT and NEPOOL regions. The combination of new wind projects, expected increase in contribution from merchant assets and asset acquisitions are expected to be the key drivers supporting FPL Energy's growth over the next few years.

FPL Energy's earnings are subject to variability due to, among other things, operational performance, commodity price exposure, counterparty performance, weather conditions and project restructuring activities. FPL Energy's exposure to commodity price risk is reduced by the degree of contract coverage obtained for 2008 and 2009. Therefore, if FPL Energy's plants do not perform as expected, FPL Energy could be required to purchase power at potentially higher market prices to meet its contractual obligations.

FPL Energy's 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. In managing its exposure to commodity prices, FPL Energy is dependent upon its counterparties to perform under their contractual obligations. FPL Energy 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 FPL Energy's 2008 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 charges to FPL Energy based on a deemed capital structure at FPL Energy of 50% debt for operating projects and 100% debt for projects under construction. Each subsidiary's income taxes are calculated based on the "separate return method," except that tax benefits that could not be utilized on a separate return basis, but are utilized 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 results, on an after-tax basis, are as follows:

	Years Ended December 31,		
	2007	2006	2005
		(millions)	
Interest expense	$ (90)	$ (97)	$ (90)
Interest income	22	6	18
FPL FiberNet impairment charges	(2)	(60)	-
Merger costs	-	(14)	-
Federal and state tax benefits	3	30	23
Gains on sale and termination of leveraged lease agreements	-	-	6
Other	3	4	(7)
Net loss	$ (64)	$ (131)	$ (50)

Interest expense decreased in 2007 reflecting lower average debt balances but increased in 2006 due to higher average debt balances and slightly higher rates. In 2007, interest income reflects earnings on temporary investments which had been accumulated to purchase Point Beach as well as net interest recorded on unrecognized tax benefits in accordance with FIN 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109." The decline in interest income in 2006 reflects the repayment of a loan by a third party in the fourth quarter of 2005. 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 FPL Energy's growth throughout the United States and other consolidating tax adjustments. The 2005 gains on sale and termination of leveraged lease agreements ($10 million on a pretax basis) are included in gains on disposal of assets in FPL Group's consolidated statements of income. Other includes all other corporate income and expenses as well as other business activities.

Corporate and Other's operating revenues increased in 2006 primarily due to the transfer, effective January 1, 2006, of FPL's retail gas contracts to a subsidiary of FPL Group Capital. The increase in operating expenses in 2006 is primarily due to the $98 million pretax impairment charge at FPL FiberNet as well as the transfer of FPL's retail gas contracts.

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 and investments in or acquisitions of assets and businesses, to pay maturing debt obligations and, from time to time, to redeem outstanding debt and/or repurchase common stock. It is anticipated that these requirements will be satisfied through a combination of internally generated funds 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. Credit ratings and significant volatility in the financial markets can affect FPL Group's, FPL's and FPL Group Capital's ability to obtain short- and long-term financing, the cost of such financing and the execution of their respective financing strategies.

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

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2007	2006	2005	2007	2006	2005
	(millions)					
Net cash provided by operating activities	$ 3,593	$ 2,498	$ 1,547	$ 2,163	$ 1,668	$ 1,238
Net cash used in investing activities	(4,578)	(3,807)	(2,165)	(2,214)	(1,933)	(1,816)
Net cash provided by financing activities	655	1,399	923	50	273	569
Net increase (decrease) in cash and cash equivalents	$ (330)	$ 90	$ 305	$ (1)	$ 8	$ (9)

FPL Group's cash and cash equivalents decreased for the year ended December 31, 2007 reflecting capital investments by FPL and FPL Energy, 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 net income, 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 from Karaha Bodas Company, LLC (KBC).

FPL Group's cash flows from operating activities for the year ended December 31, 2007 reflect cash generated by net income, the receipt of distributions from equity method investees, including a distribution from KBC as a result of a court judgment and the return of margin cash collateral from counterparties, partially offset by an increase in customer receivables at FPL Energy. Fluctuations in recoveries under FPL's cost recovery clauses, which do not significantly affect net income, can have a significant effect on cash flow from operations and make year-to-year comparisons difficult.

FPL Group's cash flows from investing activities for the year ended December 31, 2007 reflect capital investments of approximately $1.8 billion by FPL to expand and enhance its electric system and generating facilities to ensure continued reliable service to meet the power needs of present and future customers and independent power investments at FPL Energy of approximately $2.9 billion, including the purchase of Point Beach. See Note 2. FPL Group's cash flows from investing activities also includes approximately $700 million of cash generated from the sale of differential membership interests (see Note 11 – Sale of Differential Membership Interests) and 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, as well as other investment activity.

During the year ended December 31, 2007, FPL Group generated proceeds from financing activities, net of related issuance costs, of approximately $3.3 billion, including the following debt issuances:

Company	Debt Issued	Interest Rate(s)	Principal Amount (millions)	Maturity Date(s)
FPL	first mortgage bonds	5.55% and 5.85%	$ 600	2017 and 2037
FPL subsidiary	storm-recovery bonds	5.0440% – 5.2555%	652	2013 – 2021 [(a)]
FPL Group Capital	term loan facility	variable	50	2009
FPL Group Capital	junior subordinated debentures (Series C–E)	6.65% – 7.45%	1,000	2067
FPL Energy subsidiaries	limited-recourse senior secured notes	6.31% – 7.26%	700	2015 – 2037
FPL Energy subsidiaries	term loan	variable	250	2012
			$ 3,252	

(a) Although principal on the storm-recovery bonds is due on the final maturity date (the date by which the principal must be repaid to prevent a default) for each tranche, it is expected to be paid semiannually and sequentially beginning February 1, 2008, when the first semiannual interest payment became due.

During the year ended December 31, 2007, FPL Group paid out approximately $2.6 billion for financing activities, including $1.075 billion for maturing FPL Group Capital debentures, $250 million for the early repayment of an FPL revolving term loan facility, $541 million for debt maturities and principal repayment of FPL Energy subsidiary debt, a net decrease in short-term debt of $80 million (net of a $212 million increase at FPL) and $654 million for the payment of dividends on FPL Group's common stock. In January 2008, FPL issued $600 million principal amount of 5.95% first mortgage bonds maturing in 2038. Also, in January 2008, an indirect wholly-owned subsidiary of FPL Energy entered into an interest rate swap agreement to pay a fixed rate of 3.2050% on $195 million of its variable rate limited recourse debt in order to limit cash flow exposure.

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 and payment of margin cash collateral to counterparties. The funds generated were used to pay for capital expenditures at FPL, additional investments at FPL Energy, common stock dividends, storm-related costs at FPL and to carry an increase in fossil fuel inventory.

FPL Group's cash flows for the year ended December 31, 2005 reflect the benefit of net issuances of debt, the issuance of common stock, the receipt of payment of a secured third party loan, the receipt of margin cash collateral primarily from FPL's counterparties related to energy contracts and the recovery from customers of a portion of the 2004 storm restoration costs at FPL. The funds generated were used to pay for common stock dividends, capital expenditures at FPL, additional investments at FPL Energy, FPL storm restoration costs and to fund underrecovered fuel costs at FPL caused primarily by higher than anticipated fuel prices.

The following provides various metrics regarding FPL Group's (including FPL's) and FPL's outstanding debt:

	FPL Group		FPL	
	December 31,		December 31,	
	2007	2006	2007	2006
Weighted-average annual interest rate [(a)]	6.2%	6.1%	5.4%	5.4%
Weighted-average life (years)	17.4	13.1	16.2	17.9
Annual average of floating rate debt to total debt [(a)]	20%	31%	25%	33%

(a) Calculations include interest rate swaps.

Contractual Obligations and Planned Capital Expenditures – FPL Group's and FPL's commitments at December 31, 2007 were as follows:

	2008	2009	2010	2011	2012	Thereafter	Total
				(millions)			
Long-term debt, including interest: [(a)]							
FPL	$ 521	$ 521	$ 291	$ 292	$ 293	$ 8,773	$ 10,691
FPL Energy	870	431	414	392	417	2,768	5,292
Corporate and Other	736	1,021	168	768	134	8,898	11,725
Purchase obligations:							
FPL [(b)]	6,395	5,095	3,480	3,145	2,945	5,565	26,625
FPL Energy [(c)]	1,572	107	94	57	57	730	2,617
Asset retirement activities: [(d)]							
FPL [(e)]	-	-	-	-	-	11,610	11,610
FPL Energy [(f)]	1	-	-	-	2	7,168	7,171
Other Commitments:							
FPL Energy [(g)]	-	-	-	-	-	351	351
Total	$ 10,095	$ 7,175	$ 4,447	$ 4,654	$ 3,848	$ 45,863	$ 76,082

(a) Includes principal, interest and interest rate swaps. Variable rate interest was computed using December 31, 2007 rates.

(b) 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 16 – Contracts), and projected capital expenditures through 2012 to meet, among other things, increased electricity usage and customer growth, capital improvements to and maintenance of existing facilities and estimated capital costs associated with Storm Secure. Estimated capital costs associated with Storm Secure are subject to change over time based on, among other things, productivity enhancements and prioritization. See Note 16 – Commitments.

(c) 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 16 – Commitments and Contracts.

(d) Represents expected cash payments adjusted for inflation for estimated costs to perform asset retirement activities.

(e) At December 31, 2007, FPL had approximately $2,371 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.

(f) At December 31, 2007, FPL Energy's 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 $982 million and are included in FPL Group's special use funds.

(g) Represents estimated cash distributions related to certain membership interests. See Note 11 – Sale of Differential Membership Interests.

In February 2008, a wholly-owned subsidiary of FPL Group Capital committed to lend to a third party up to $500 million under a construction and term loan. The loan provides for a single $500 million draw, which is expected to occur in late 2009. The loan will initially bear interest at a variable rate and will be converted to a 20-year, fixed rate term loan upon completion of construction.

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, 2007, FPL Group had standby letters of credit of approximately $733 million ($63 million for FPL) and approximately $7,947 million notional amount of guarantees ($648 million for FPL), of which approximately $5,511 million ($63 million for FPL) have expirations within the next five years. An aggregate of approximately $404 million of the standby letters of credit at December 31, 2007 were issued under FPL's and FPL Group Capital's credit facilities. See Available Liquidity below. These letters of credit and guarantees support the buying and selling of wholesale energy commodities, debt-related reserves, nuclear activities, 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, 2007, 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 FPL Energy and its subsidiaries. See Note 16 – Commitments.

Certain subsidiaries of FPL Energy have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the FPL Energy subsidiary becoming liable for liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that the exposure associated with these liquidated damages provisions is not material.

Available Liquidity – At December 31, 2007, FPL Group's total available net liquidity was approximately $6.6 billion, of which FPL's was approximately $2.8 billion. The components of each company's net available liquidity at December 31, 2007 were as follows:

	FPL	FPL Group Capital	FPL Group Consolidated	Maturity Date FPL	Maturity Date FPL Group Capital
		(millions)			
Bank revolving lines of credit [(a)]	$ 2,500	$ 4,000	$ 6,500	2012	2012
Less letters of credit	46	358	404		
	2,454	3,642	6,096		
Revolving term loan facility	250	-	250	2011	
Less borrowings	-	-	-		
	250	-	250		
Cash and cash equivalents	63	227	290		
Net available liquidity	$ 2,767	$ 3,869	$ 6,636		

(a) Provide for the issuance of letters of credit up to $6.5 billion and are available to support the companies' commercial paper programs 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 Group (which guarantees the payment of FPL Group Capital's credit facilities pursuant to a 1998 guarantee agreement) is required to maintain a minimum ratio of funded debt to total capitalization under the terms of FPL Group Capital's credit facility. FPL is required to maintain a minimum ratio of funded debt to total capitalization under the terms of FPL's credit facility and revolving term loan facility. At December 31, 2007, each of FPL Group and FPL was in compliance with its respective ratio.

In addition to the amounts in the table above, FPL Group Capital and FPL have each established an uncommitted credit facility with a bank to be used for general corporate purposes. The bank may, at its discretion upon the request of FPL Group Capital or FPL, make a short-term loan or loans to FPL Group Capital or FPL in an aggregate amount determined by the bank, which is subject to change at any time. The terms of the specific borrowings under the uncommitted credit facilities, including maturity, are set at the time borrowing requests are made by FPL Group Capital or FPL. At December 31, 2007, there were no amounts outstanding for either FPL Group Capital or FPL under the uncommitted credit facilities.

In addition, at December 31, 2007, FPL had restricted funds set aside (included in special use funds on FPL Group's and FPL's consolidated balance sheets) that provide FPL the capacity to absorb up to approximately $213 million in future prudently incurred storm restoration costs without seeking recovery through a rate adjustment from the FPSC. See Note 1 – Securitization. Also, an indirect wholly-owned subsidiary of FPL Energy 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.

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 27, 2008, 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. As of February 27, 2008, FPL Group and FPL Group Capital had $2.5 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.

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 2007, FPL Group increased its quarterly dividend on its common stock from $0.375 to $0.41 per share. In February 2008, FPL Group announced that it would increase its quarterly dividend on its common stock from $0.41 to $0.445 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, 2007, 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, 2007, after giving effect to the January 2008 issuance of $600 million of 5.95% first mortgage bonds maturing in 2038, coverage for the 12 months ended December 31, 2007 would have been approximately 5.5 times the annual interest requirements and approximately 3.2 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, 2007, after giving effect to the January 2008 issuance of $600 million of 5.95% first mortgage bonds maturing in 2038, FPL could have issued in excess of $5.5 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, 2007, 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.

Credit Ratings – Securities of FPL Group and its subsidiaries are currently rated by Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch). At February 27, 2008, Moody's, S&P and 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	F-1
FPL Group Capital: [b]			
Corporate credit rating	N/A	A	A
Debentures	A2	A-	A
Junior subordinated debentures	A3	BBB+	A-
Commercial paper	P-1	A-1	F-1

[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 debt outstanding. 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 Group Capital and FPL, the maintenance of a specific minimum level of credit rating is not a condition to drawing upon those credit facilities. However, commitment fees and interest rates on loans under the credit facilities agreements are tied to credit ratings and increase or decrease when ratings change. A ratings downgrade also could reduce the accessibility and increase the cost of commercial paper issuances and additional or replacement credit facilities, and could result in the requirement that FPL Group subsidiaries, including FPL, post collateral under certain power purchase and other agreements. FPL Group subsidiaries, including FPL, may be required to post collateral in excess of collateral threshold amounts when FPL Group's exposure to the counterparty under the applicable trading agreement exceeds such threshold.

Other – In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., a retail electric provider in Texas. Each share of Gexa Corp.'s outstanding common stock was converted into 0.1682 of a share of FPL Group common stock. Assuming the exercise of Gexa Corp.'s options and warrants net of cash to be received upon exercise, the aggregate value of the consideration for the acquisition of Gexa Corp. was approximately $73 million, payable in shares of FPL Group common stock.

New Accounting Rules and Interpretations

Fair Value Measurements – In September 2006, the FASB issued FAS 157, "Fair Value Measurements." See Note 1 – Fair Value Measurements.

Accounting for Pensions and Other Postretirement Plans – In September 2006, the FASB issued FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." See Note 3.

The Fair Value Option for Financial Assets and Financial Liabilities – In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities." See Note 1 – The Fair Value Option for Financial Assets and Financial Liabilities.

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 will be 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. FPL Group and FPL will be required to adopt FAS 160 on January 1, 2009. 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.

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 polices 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 risk associated with long-term debt. In addition, FPL Group, through FPL Energy, uses derivatives to optimize the value of power generation assets. FPL Energy 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 FPL Energy, 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 FPL Energy 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 FPL Energy's 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 4 and also see Management's Discussion – 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 effective December 31, 2006. The measurement date provisions of FAS 158 require that FPL Group measure plan assets and liabilities as of its year end no later than December 31, 2008 with any resulting adjustments to plan assets, benefit obligations, and accumulated other comprehensive income recorded to retained earnings. 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 accumulated other comprehensive income were classified as regulatory assets and liabilities at FPL Group in accordance with regulatory treatment. In addition, adjustments to accumulated other comprehensive income as a result of implementing the measurement date provisions of FAS 158 that are estimated to be allocable to FPL will be recorded as an adjustment to the previously established regulatory assets and liabilities.

FPL Group currently uses a measurement date of September 30 for its pension and other benefits plans. In lieu of remeasuring plan assets and obligations as of January 1, 2008, FPL Group has 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 will record 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 and approximately $3 million related to the reduction in net regulatory liabilities.

FPL Group's income from its pension plan, net of the cost of the other benefits plan, was approximately $69 million, $65 million and $52 million for the years ended December 31, 2007, 2006 and 2005, respectively. The corresponding amounts allocated to FPL were $51 million, $52 million and $39 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%, 7.75% and 7.75% for the other benefits plan for the years ended December 31, 2007, 2006, and 2005, respectively, assumed increases in future compensation levels of 4% for all years, and weighted-average discount rates of 5.85%, 5.50% and 5.50% for the pension plan and 5.90%, 5.50% and 5.50% for the other benefits plan for the years ended December 31, 2007, 2006 and 2005, respectively. Based on current health care costs (as related to other benefits), the projected 2008 trend assumption used to measure the expected cost of health care benefits covered by the plans for all age groups are 7.5% for medical benefits and 9.5% for prescription drug benefits. These rates are assumed to decrease over the next nine 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 2012 for medical costs and 2016 for 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 cost of changing the critical actuarial assumptions discussed above, while holding all other assumptions constant:

	Change in Assumption	Increase in 2007 Net Periodic Cost	
		FPL Group	FPL
		(millions)	
Expected long-term rate of return	(0.5)%	$ 16	$ 13
Discount rate	(0.5)%	$ 5	$ 4
Salary increase	0.5%	$ 7	$ 5
Health care cost trend rate [(a)]	1.0%	$ -	$ -

(a) Assumed healthcare 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 increased from $3.2 billion at September 30, 2006 to $3.6 billion at September 30, 2007 for the pension plan and increased from $48 million at September 30, 2006 to $49 million at September 30, 2007 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 2007, $28 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 $30 million for eligible retiree medical expenses on behalf of the other benefits plan during 2008 with substantially all of that amount being reimbursed through a transfer of assets from the qualified pension plan. See Note 3.

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 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 asset retirement obligation (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 15.

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 $10.9 billion, or $2.2 billion in 2007 dollars. The studies reflect, among other things, the 20-year license extensions of FPL's nuclear units and support the suspension, effective September 2005, of the $79 million annual decommissioning accrual. At December 31, 2007, $2,658 million was accrued for nuclear decommissioning, of which $1,624 million was recorded as an ARO, $54 million was recorded as a capitalized net asset related to the ARO, $887 million was recorded as a regulatory liability and $201 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, 2007, $335 million was accrued for fossil dismantlement costs, of which $24 million was recorded as an ARO, $8 million was recorded as a capitalized net asset related to the ARO, $34 million was recorded as a regulatory liability and $285 million was included in accrued asset removal costs (a regulatory liability) on the consolidated balance sheets.

FPL Energy 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. FPL Energy's 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 2007 dollars. The liability is being accreted using the interest method through the date decommissioning activities are expected to be complete. At December 31, 2007, the ARO for nuclear decommissioning of FPL Energy's nuclear plants totaled approximately $456 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, 2007 by $212 million and $166 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		FPL	
	December 31,		December 31,	
	2007	2006	2007	2006
		(millions)		
Regulatory assets:				
Current:				
Deferred clause and franchise expenses	$ 103	$ 167	$ 103	$ 167
Securitized storm-recovery costs/storm reserve deficiency	$ 59	$ 106	$ 59	$ 106
Derivatives	$ 117	$ 921	$ 117	$ 921
Other	$ 2	$ 3	$ -	$ -
Noncurrent:				
Securitized storm-recovery costs/storm reserve deficiency	$ 756	$ 762	$ 756	$ 762
Deferred clause expenses	$ 121	$ -	$ 121	$ -
Unamortized loss on reacquired debt	$ 36	$ 39	$ 36	$ 39
Other	$ 95	$ 80	$ 72	$ 37
Regulatory liabilities:				
Current:				
Deferred clause and franchise revenues	$ 18	$ 37	$ 18	$ 37
Pension	$ 24	$ 17	$ -	$ -
Noncurrent:				
Accrued asset removal costs	$ 2,098	$ 2,044	$ 2,098	$ 2,044
Asset retirement obligation regulatory expense difference	$ 921	$ 868	$ 921	$ 868
Pension	$ 696	$ 531	$ -	$ -
Other	$ 236	$ 209	$ 235	$ 209

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 FPL Energy, 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 FPL Energy, uses derivatives to optimize the value of power generation assets. FPL Energy 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 FPL Energy, 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 net 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 4.

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

	Trading	Hedges on Owned Assets: Non-Qualifying	Hedges on Owned Assets: OCI	Hedges on Owned Assets: FPL Cost Recovery Clauses	FPL Group Total
			(millions)		
Fair value of contracts outstanding at December 31, 2005	$ 2	$ (176)	$ (373)	$ 757	$ 210
Reclassification to realized at settlement of contracts	26	107	56	325	514
Effective portion of changes in fair value recorded in OCI	-	-	261	-	261
Ineffective portion of changes in fair value recorded in earnings	-	31	-	-	31
Changes in fair value excluding reclassification to realized	(23)	46	-	(2,003)	(1,980)
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)
Net option premium payments (receipts)	(27)	22	-	-	(5)
Net cash collateral paid	9	13	2	15	39
Total mark-to-market energy contract net liabilities at December 31, 2007	$ (16)	$ (103)	$ (107)	$ (104)	$ (330)

FPL Group's total mark-to-market energy contract net assets (liabilities) at December 31, 2007 shown above are included in the consolidated balance sheets as follows:

	December 31, 2007
	(millions)
Current derivative assets	$ 182
Noncurrent other assets	98
Current derivative liabilities	(280)
Noncurrent derivative liabilities	(330)
FPL Group's total mark-to-market energy contract net liabilities	$ (330)

The sources of fair value estimates and maturity of energy contract derivative instruments at December 31, 2007 were as follows:

	Maturity 2008	2009	2010	2011	2012	Thereafter	Total
				(millions)			
Trading:							
Actively quoted (i.e., exchange traded) prices	$ 3	$ 18	$ -	$ 2	$ 2	$ 1	$ 26
Prices provided by other external sources	(8)	3	-	-	-	-	(5)
Modeled	8	(20)	(7)	-	-	-	(19)
Total	3	1	(7)	2	2	1	2
Owned Assets – Non-Qualifying:							
Actively quoted (i.e., exchange traded) prices	(34)	-	(28)	(32)	(26)	(25)	(145)
Prices provided by other external sources	37	6	-	1	-	(52)	(8)
Modeled	32	(1)	(7)	(1)	(2)	(6)	15
Total	35	5	(35)	(32)	(28)	(83)	(138)
Owned Assets – OCI:							
Actively quoted (i.e., exchange traded) prices	(31)	(37)	(24)	(11)	-	-	(103)
Prices provided by other external sources	-	-	-	-	-	-	-
Modeled	(6)	-	-	-	-	-	(6)
Total	(37)	(37)	(24)	(11)	-	-	(109)
Owned Assets – FPL Cost Recovery Clauses:							
Actively quoted (i.e., exchange traded) prices	(111)	-	-	-	-	-	(111)
Prices provided by other external sources	-	-	-	-	-	-	-
Modeled	(3)	(5)	-	-	-	-	(8)
Total	(114)	(5)	-	-	-	-	(119)
Total sources of fair value	$ (113)	$ (36)	$ (66)	$ (41)	$ (26)	$ (82)	$ (364)

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. 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, 2007 and 2006, the VaR figures are as follows:

	Trading			Non-Qualifying Hedges and Hedges in OCI and FPL Cost Recovery Clauses [a]			Total		
	FPL	FPL Energy	FPL Group	FPL	FPL Energy	FPL Group	FPL	FPL Energy	FPL Group
					(millions)				
December 31, 2006	$ -	$ 2	$ 2	$ 89	$ 57	$ 54	$ 89	$ 60	$ 56
December 31, 2007	$ -	$ 6	$ 6	$ 51	$ 31	$ 37	$ 51	$ 28	$ 39
Average for the period ended December 31, 2007	$ -	$ 3	$ 3	$ 69	$ 35	$ 45	$ 69	$ 34	$ 46

[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 interest rate swaps. 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.

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

	December 31, 2007		December 31, 2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(millions)		
FPL Group:				
Long-term debt, including current maturities	$ 12,681	$ 12,642[a]	$ 11,236	$ 11,314[a]
Fixed income securities:				
Special use funds	$ 2,025	$ 2,025[b]	$ 1,430	$ 1,430[b]
Other investments	$ 111	$ 111[b]	$ 93	$ 93[b]
Interest rate swaps – net unrealized gain (loss)	$ (28)	$ (28)[c]	$ 6	$ 6[c]
FPL:				
Long-term debt, including current maturities	$ 5,217	$ 5,185[a]	$ 4,214	$ 4,208[a]
Fixed income securities:				
Special use funds	$ 1,436	$ 1,436[b]	$ 1,235	$ 1,235[b]

[a] Based on market prices provided by external sources.
[b] Based on quoted market prices for these or similar issues.
[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, 2007, the estimated fair value for FPL Group interest rate swaps was as follows:

Notional Amount	Effective Date	Maturity Date	Rate Paid	Rate Received	Estimated Fair Value
(millions)					(millions)
Cash flow hedges – FPL Energy:					
$ 164	February 2005	June 2008	4.255%	Variable[a]	$ -
$ 70	December 2003	December 2017	4.245%	Variable[a]	-
$ 23	April 2004	December 2017	3.845%	Variable[a]	-
$ 207	December 2005	November 2019	4.905%	Variable[a]	(5)
$ 527	January 2007	January 2022	5.390%	Variable[b]	(23)
Total cash flow hedges					$ (28)

[a] Three-month LIBOR
[b] 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 $622 million ($240 million for FPL) at December 31, 2007.

Equity price risk – Included in the nuclear decommissioning reserve funds of FPL Group are marketable equity securities carried at their market value of approximately $1,456 million and $1,395 million ($1,063 million and $1,029 million for FPL) at December 31, 2007 and 2006, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges, which is a reasonable near-term market change, would result in a $146 million ($106 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, 2007.

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, 2007, approximately 98% 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.

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, 2007 and 2006, 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, 2007. 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 audit 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, 2007 and 2006, and the respective results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, 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, 2007, 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 27, 2008 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 27, 2008

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

	Years Ended December 31, 2007	2006	2005
OPERATING REVENUES	$ 15,263	$ 15,710	$ 11,846
OPERATING EXPENSES			
Fuel, purchased power and interchange	8,192	8,943	6,171
Other operations and maintenance	2,314	2,022	1,814
Impairment charges	4	105	-
Disallowed storm costs	-	52	-
Storm cost amortization	74	151	155
Merger-related	-	23	-
Depreciation and amortization	1,261	1,185	1,285
Taxes other than income taxes	1,135	1,132	931
Total operating expenses	12,980	13,613	10,356
OPERATING INCOME	2,283	2,097	1,490
OTHER INCOME (DEDUCTIONS)			
Interest charges	(762)	(706)	(593)
Equity in earnings of equity method investees	68	181	124
Gains on disposal of assets	2	29	52
Allowance for equity funds used during construction	23	21	28
Interest income	89	62	69
Other – net	(23)	(6)	13
Total other deductions – net	(603)	(419)	(307)
INCOME BEFORE INCOME TAXES	1,680	1,678	1,183
INCOME TAXES	368	397	282
NET INCOME	$ 1,312	$ 1,281	$ 901
Earnings per share of common stock:			
Basic	$ 3.30	$ 3.25	$ 2.37
Assuming dilution	$ 3.27	$ 3.23	$ 2.34
Dividends per share of common stock	$ 1.64	$ 1.50	$ 1.42
Weighted-average number of common shares outstanding:			
Basic	397.7	393.5	380.1
Assuming dilution	400.6	396.5	385.7

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

FPL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31, 2007	December 31, 2006
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	$ 38,231	$ 34,071
Nuclear fuel	1,096	688
Construction work in progress	1,713	1,393
Less accumulated depreciation and amortization	(12,388)	(11,653)
Total property, plant and equipment – net	28,652	24,499
CURRENT ASSETS		
Cash and cash equivalents	290	620
Customer receivables, net of allowances of $24 and $32, respectively	1,496	1,279
Other receivables, net of allowances of $8 and $8, respectively	225	377
Materials, supplies and fossil fuel inventory – at average cost	857	785
Regulatory assets:		
Deferred clause and franchise expenses	103	167
Securitized storm-recovery costs/storm reserve deficiency	59	106
Derivatives	117	921
Other	2	3
Derivatives	182	358
Other	448	214
Total current assets	3,779	4,830
OTHER ASSETS		
Special use funds	3,482	2,824
Prepaid benefit costs	1,911	1,608
Other investments	391	533
Regulatory assets:		
Securitized storm-recovery costs/storm reserve deficiency	756	762
Deferred clause expenses	121	-
Unamortized loss on reacquired debt	36	39
Other	95	80
Other	900	647
Total other assets	7,692	6,493
TOTAL ASSETS	$ 40,123	$ 35,822
CAPITALIZATION		
Common shareholders' equity	$ 10,735	$ 9,930
Long-term debt	11,280	9,591
Total capitalization	22,015	19,521
CURRENT LIABILITIES		
Commercial paper	1,017	1,097
Current maturities of long-term debt	1,401	1,645
Accounts payable	1,204	1,060
Customer deposits	539	510
Accrued interest and taxes	351	302
Regulatory liabilities:		
Deferred clause and franchise revenues	18	37
Pension	24	17
Derivatives	289	995
Other	915	663
Total current liabilities	5,758	6,326
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	2,157	1,820
Accumulated deferred income taxes	3,821	3,432
Regulatory liabilities:		
Accrued asset removal costs	2,098	2,044
Asset retirement obligation regulatory expense difference	921	868
Pension	696	531
Other	236	209
Derivatives	351	105
Other	2,070	966
Total other liabilities and deferred credits	12,350	9,975
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 40,123	$ 35,822

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,		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,312	$ 1,281	$ 901
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,261	1,143	1,242
Nuclear fuel amortization	144	127	99
Impairment charges	4	105	-
Recoverable storm-related costs of FPL	(3)	(364)	(659)
Amortization of storm reserve deficiency	74	151	155
Unrealized (gains) losses on marked to market energy contracts	134	(173)	191
Deferred income taxes	402	393	343
Cost recovery clauses and franchise fees	(75)	940	(825)
Change in prepaid option premiums	159	(66)	(57)
Equity in earnings of equity method investees	(68)	(181)	(124)
Distributions of earnings from equity method investees	175	104	86
Changes in operating assets and liabilities:			
Customer receivables	(216)	(215)	(225)
Other receivables	(14)	62	(64)
Material, supplies and fossil fuel inventory	(14)	(203)	(173)
Other current assets	(14)	8	(9)
Other assets	(100)	(142)	(47)
Accounts payable	63	(202)	346
Customer deposits	29	76	32
Margin cash collateral	86	(546)	387
Income taxes	(75)	(46)	(51)
Interest and other taxes	49	49	29
Other current liabilities	113	50	(95)
Other liabilities	(52)	32	(53)
Other – net	219	115	118
Net cash provided by operating activities	3,593	2,498	1,547
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures of FPL	(1,826)	(1,763)	(1,616)
Independent power investments	(2,852)	(1,701)	(815)
Nuclear fuel purchases	(310)	(212)	(102)
Other capital expenditures	(31)	(63)	(13)
Sale of independent power investments	700	20	69
Loan repayments and capital distributions from equity method investees	11	-	199
Proceeds from sale of securities in special use funds	2,211	3,135	2,837
Purchases of securities in special use funds	(2,440)	(3,217)	(2,956)
Proceeds from sale of other securities	138	96	100
Purchases of other securities	(156)	(109)	(112)
Funding of secured loan	-	-	(43)
Repayment of secured loan	-	-	218
Proceeds from termination and sale of leveraged leases	-	-	58
Other – net	(23)	7	11
Net cash used in investing activities	(4,578)	(3,807)	(2,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	3,199	3,408	1,391
Retirements of long-term debt and FPL preferred stock	(1,866)	(1,665)	(1,220)
Proceeds from purchased Corporate Units	-	210	-
Payments to terminate Corporate Units	-	(258)	-
Net change in short-term debt	(80)	(62)	667
Issuances of common stock	46	333	639
Dividends on common stock	(654)	(593)	(544)
Funds held for storm-recovery bond payments	(42)	-	-
Other – net	52	26	(10)
Net cash provided by financing activities	655	1,399	923
Net increase (decrease) in cash and cash equivalents	(330)	90	305
Cash and cash equivalents at beginning of year	620	530	225
Cash and cash equivalents at end of year	$ 290	$ 620	$ 530
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	$ 686	$ 648	$ 543
Cash paid for income taxes – net	$ 46	$ 30	$ 6
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Issuance of common stock and conversion of options and warrants in connection with the acquisition of Gexa Corp.	$ -	$ -	$ 74
Assumption of debt in connection with the purchase of independent power project	$ 55	$ -	$ -

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

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

	Common Stock [b] Shares	Common Stock [b] Aggregate Par Value	Additional Paid-In Capital	Unearned ESOP Compensation	Accumulated Other Comprehensive Income (Loss) [c]	Retained Earnings	Common Shareholders' Equity
Balances, December 31, 2004	372 [d]	$ 4	$ 3,568	$ (154)	$ (46)	$ 4,211	
Net income	-	-	-	-	-	901	
Issuances of common stock, net of issuance cost of less than $1	20	-	645	-	-	-	
Exercise of stock options and other incentive plan activity	3	-	89	-	-	-	
Dividends on common stock	-	-	-	-	-	(544)	
Earned compensation under ESOP	-	-	19	14	-	-	
Other comprehensive loss	-	-	-	-	(147)	-	
Other	-	-	1	-	-	-	
Balances, December 31, 2005	395 [d]	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	-	-	-	
Exercise of stock options and other incentive plan activity	1	-	64	-	-	-	
Dividends on common stock	-	-	-	-	-	(593)	
Earned compensation under ESOP	-	-	21	15	-	-	
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 [d]	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	-	-	-	
Exercise of stock options and other incentive plan activity	1	-	59	-	-	-	
Dividends on common stock	-	-	-	-	-	(654)	
Earned compensation under ESOP	-	-	27	11	-	-	
Other comprehensive loss	-	-	-	-	(44)	-	
Defined benefit pension and other benefits plans	-	-	-	-	45	-	
Implementation of FIN 48	-	-	(15)	-	-	31	
Balances, December 31, 2007	407 [d]	$ 4	$ 4,784	$ (114)	$ 116	$ 5,945	$10,735

(a) Information pertaining to shares, aggregate par value and additional paid-in capital have been restated to reflect the two-for-one stock split effective March 15, 2005. See Note 12 – Earnings Per Share.

(b) $0.01 par value, authorized – 800,000,000 shares; outstanding shares 407,344,972, 405,404,438 and 394,854,416 at December 31, 2007, 2006 and 2005, respectively.

(c) Comprehensive income, which includes net income and other comprehensive income (loss), totaled approximately $1,313 million, $1,491 million and $754 million for 2007, 2006 and 2005, respectively.

(d) Outstanding and unallocated shares held by the Employee Stock Ownership (ESOP) Plan Trust totaled approximately 8 million, 9 million and 10 million at December 31, 2007, 2006 and 2005, respectively.

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, 2007	2006	2005
OPERATING REVENUES	$ 11,622	$ 11,988	$ 9,528
OPERATING EXPENSES			
Fuel, purchased power and interchange	6,726	7,116	4,910
Other operations and maintenance	1,454	1,374	1,307
Disallowed storm costs	-	52	-
Storm cost amortization	74	151	155
Depreciation and amortization	773	787	951
Taxes other than income taxes	1,032	1,045	858
Total operating expenses	10,059	10,525	8,181
OPERATING INCOME	1,563	1,463	1,347
OTHER INCOME (DEDUCTIONS)			
Interest charges	(304)	(278)	(224)
Allowance for equity funds used during construction	23	21	28
Interest income	17	30	14
Other – net	(12)	(10)	(9)
Total other deductions – net	(276)	(237)	(191)
INCOME BEFORE INCOME TAXES	1,287	1,226	1,156
INCOME TAXES	451	424	408
NET INCOME	$ 836	$ 802	$ 748

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

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31, 2007	December 31, 2006
ELECTRIC UTILITY PLANT		
Plant in service	$ 25,585	$ 24,150
Nuclear fuel	565	423
Construction work in progress	1,101	1,113
Less accumulated depreciation and amortization	(10,081)	(9,848)
Electric utility plant – net	17,170	15,838
CURRENT ASSETS		
Cash and cash equivalents	63	64
Customer receivables, net of allowances of $13 and $15, respectively	807	872
Other receivables, net of allowances of $1 and $1, respectively	178	221
Materials, supplies and fossil fuel inventory – at average cost	583	558
Regulatory assets:		
Deferred clause and franchise expenses	103	167
Securitized storm-recovery costs/storm reserve deficiency	59	106
Derivatives	117	921
Derivatives	83	4
Other	260	99
Total current assets	2,253	3,012
OTHER ASSETS		
Special use funds	2,499	2,264
Prepaid benefit costs	907	857
Regulatory assets:		
Securitized storm-recovery costs/storm reserve deficiency	756	762
Deferred clause expenses	121	-
Unamortized loss on reacquired debt	36	39
Other	72	37
Other	230	161
Total other assets	4,621	4,120
TOTAL ASSETS	$ 24,044	$ 22,970
CAPITALIZATION		
Common shareholder's equity	$ 7,275	$ 7,539
Long-term debt	4,976	4,214
Total capitalization	12,251	11,753
CURRENT LIABILITIES		
Commercial paper	842	630
Current maturities of long-term debt	241	-
Accounts payable	706	735
Customer deposits	531	500
Accrued interest and taxes	225	281
Regulatory liabilities – deferred clause and franchise revenues	18	37
Derivatives	182	677
Other	531	423
Total current liabilities	3,276	3,283
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	1,653	1,572
Accumulated deferred income taxes	2,716	2,561
Regulatory liabilities:		
Accrued asset removal costs	2,098	2,044
Asset retirement obligation regulatory expense difference	921	868
Other	235	209
Other	894	680
Total other liabilities and deferred credits	8,517	7,934
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 24,044	$ 22,970

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,		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 836	$ 802	$ 748
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	773	745	909
Nuclear fuel amortization	83	89	72
Recoverable storm-related costs	(3)	(364)	(659)
Amortization of storm reserve deficiency	74	151	155
Deferred income taxes	346	27	531
Cost recovery clauses and franchise fees	(75)	940	(825)
Change in prepaid option premiums	142	(73)	(43)
Changes in operating assets and liabilities:			
Customer receivables	65	(219)	(68)
Other receivables	(32)	40	(26)
Material, supplies and fossil fuel inventory	(25)	(110)	(133)
Other current assets	(12)	9	(9)
Other assets	(50)	(83)	(43)
Accounts payable	(80)	(124)	221
Customer deposits	31	77	35
Margin cash collateral	75	(485)	382
Income taxes	(138)	157	(71)
Interest and other taxes	26	24	17
Other current liabilities	41	16	(44)
Other liabilities	(2)	10	31
Other – net	88	39	58
Net cash provided by operating activities	2,163	1,668	1,238
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,826)	(1,763)	(1,616)
Nuclear fuel purchases	(181)	(105)	(95)
Proceeds from sale of securities in special use funds	1,978	2,673	2,767
Purchases of securities in special use funds	(2,186)	(2,738)	(2,870)
Other – net	1	-	(2)
Net cash used in investing activities	(2,214)	(1,933)	(1,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	1,230	937	588
Retirements of long-term debt	(250)	(135)	(500)
Retirements of preferred stock	-	-	(25)
Net change in short-term debt	212	(529)	667
Dividends	(1,100)	-	(161)
Funds held for storm-recovery bond payments	(42)	-	-
Net cash provided by financing activities	50	273	569
Net increase (decrease) in cash and cash equivalents	(1)	8	(9)
Cash and cash equivalents at beginning of year	64	56	65
Cash and cash equivalents at end of year	$ 63	$ 64	$ 56
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	$ 267	$ 257	$ 217
Cash paid (received) for income taxes – net	$ 246	$ 339	$ (46)

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, 2004	$ 1,373	$ 4,318	$ 459	
Net income	-	-	748	
Dividends to FPL Group	-	-	(161)	
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

[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, 2007, 2006 and 2005

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 FPL Energy, LLC (FPL Energy). 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. FPL Energy 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. All significant intercompany balances and transactions have been eliminated in consolidation. Amounts included in the consolidated financial statements and the accompanying notes have been adjusted to reflect the retrospective application of a Financial Accounting Standards Board (FASB) Staff Position (FSP) regarding the accounting for offsetting amounts related to certain contracts. See Note 4. In addition, 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. 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 deferred 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 June 2007, the FPSC denied FPL's need petition for two ultra super critical pulverized coal generating units in Glades County, Florida. In July 2007, FPL filed a petition with the FPSC requesting authorization to defer, until the next retail base rate proceeding, approximately $35 million of preconstruction costs associated with the coal units, with amortization over a five-year period beginning when new base rates are implemented. These costs are currently reflected in other assets on FPL Group's and FPL's consolidated balance sheets. FPL management believes the recovery of these costs is probable. However, any portion of these costs not approved for recovery would be expensed. A decision is expected in April 2008.

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 $119 million and $122 million at December 31, 2007 and 2006, 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 Securitization). 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 $755 million, $773 million and $604 million in 2007, 2006 and 2005, 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 replaced a rate agreement that was effective April 15, 2002 through December 31, 2005 (2002 rate agreement).

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 megawatt (mw) natural gas-fired plant at FPL's Turkey Point site (Turkey Point Unit No. 5) was placed in service on May 1, 2007. The 2005 rate agreement also continues the revenue sharing mechanism in FPL's 2002 rate agreement, 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 2008 are estimated to be $4,349 million and $4,524 million, respectively.

Under both the 2005 and 2002 rate agreements, 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 both the 2005 and 2002 rate agreements, 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, 2007, 2006 and 2005, 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 which was also permitted under the 2002 rate agreement, (ii) FPL suspended contributions of approximately $79 million per year to its nuclear decommissioning fund beginning in September 2005, (iii) FPL suspended contributions of $20.3 million per year to its storm and property insurance reserve beginning in January 2006 and has the ability to recover prudently incurred storm restoration costs, either through securitization provisions pursuant to the Florida Statutes or through surcharges, and (iv) 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.

FPL Energy's revenue is recorded as electricity is delivered, which is when revenue is earned. FPL Energy's 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 $26 million and $28 million at December 31, 2007 and 2006, respectively.

Electric Plant, Depreciation and Amortization – The cost of additions to units of utility property of FPL and FPL Energy 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, 2007, the electric generating, transmission, distribution and general facilities of FPL represented approximately 45%, 12%, 38% and 5%, 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 FPL Energy's generating facilities are encumbered by liens against their assets securing various financings. The net book value of FPL Energy's assets serving as collateral was approximately $5.3 billion at December 31, 2007.

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 2002 and 2005 rate agreements (see Revenues and Rates), FPL reduced depreciation by $125 million annually since 2002. 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%, 3.7% and 4.3% for 2007, 2006 and 2005, respectively. FPL Energy's electric plants in service less salvage value, if any, are depreciated primarily using the straight-line method over their estimated useful lives. FPL Energy's effective depreciation rates, excluding decommissioning, were 4.4%, 4.1% and 3.9% for 2007, 2006 and 2005, 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 FASB Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities," as revised (FIN 46(R)). See Note 9 – FPL.

FPL Energy's nuclear units have several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel. See Note 16 – Contracts. FPL Energy's 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 2007, 2006 and 2005, AFUDC was capitalized at a rate of 7.42% in each year and amounted to approximately $36 million, $32 million and $41 million, respectively. See Note 16 – Commitments.

FPL's construction work in progress includes construction materials, progress payments on major equipment contracts, third party engineering costs 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, 2007 and 2006, FPL recorded approximately $188 million and $152 million, respectively, of construction accruals, which are included in other current liabilities on FPL Group's and FPL's consolidated balance sheets.

FPL Energy 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, 2007 and 2006, FPL Energy's capitalized development costs totaled approximately $26 million and $22 million, respectively, which are included in other assets on FPL Group's consolidated balance sheets. These costs include emission reduction credits, 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 the development of a project is no longer probable.

FPL Energy's 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 $39 million, $17 million and $8 million during 2007, 2006 and 2005, respectively. FPL Energy's interest charges are 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, 2007 and 2006, FPL Energy recorded approximately $106 million and $38 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 under FAS 143, "Accounting for Asset Retirement Obligations" and FIN 47, "Accounting for Conditional Asset Retirement Obligations." See Note 15.

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

	FPL									
	Nuclear Decommissioning		Fossil Dismantlement		Interim Removal Costs and Other		FPL Energy		FPL Group	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(millions)									
Asset retirement obligations (ARO)	$ 1,624	$ 1,540	$ 24	$ 27	$ 5	$ 5	$ 504	$ 248	$ 2,157	$ 1,820
Less capitalized ARO asset net of accumulated depreciation	54	55	8	5	-	-	-	-	62	60
Accrued asset removal costs [(a)]	201	192	285	281	1,612	1,571	-	-	2,098	2,044
Asset retirement obligation regulatory expense difference [(a)]	887	864	34	4	-	-	-	-	921	868
Accrued decommissioning, dismantlement and other accrued asset removal costs	$ 2,658[(b)]	$ 2,541[(b)]	$ 335[(b)]	$ 307[(b)]	$ 1,617[(b)]	$ 1,576[(b)]	$ 504	$ 248	$ 5,114	$ 4,672

(a) Regulatory liability on FPL Group's and FPL's consolidated balance sheets.
(b) Represents total amount accrued for ratemaking purposes.

FPL – For ratemaking purposes, FPL accrues for the cost of end of life retirement and disposal of its nuclear and fossil plants over the expected service life of each unit based on nuclear decommissioning and fossil dismantlement studies periodically filed with the FPSC. In addition, FPL accrues for interim removal costs over the life of the related assets based on depreciation studies approved by the FPSC. For financial reporting purposes, FPL recognizes decommissioning and dismantlement liabilities in accordance with FAS 143 and FIN 47. Any differences between expense recognized under FAS 143 and FIN 47 and the amount recoverable through rates are reported as a regulatory liability in accordance with FAS 71. See Electric Plant, Depreciation and Amortization and Note 15.

Nuclear decommissioning studies are performed at least every five years and are submitted to the FPSC for approval. FPL filed updated nuclear decommissioning studies with the FPSC in December 2005. The studies filed in December 2005 support the suspension, effective September 2005, of the $79 million annual decommissioning accrual as provided for in the 2005 rate agreement. These studies reflect FPL's current plans, under the extended operating licenses, for prompt dismantlement of Turkey Point Units Nos. 3 and 4 following the end of plant operation with decommissioning activities commencing in 2032 and 2033, respectively, and 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. These studies also assume that FPL will be storing spent fuel on site pending removal to a U.S. government facility. The studies indicate FPL's portion of the ultimate costs of decommissioning its four nuclear units, including costs associated with spent fuel storage, to be approximately $10.9 billion. FPL's portion of the ultimate cost of decommissioning its four units, expressed in 2007 dollars, is estimated by the studies to aggregate $2.2 billion.

During 2007, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $84 million related to ARO accretion expense, approximately $2 million related to depreciation of the capitalized ARO asset and approximately $86 million to adjust the total accrual to reflect the suspension of the accrual by the FPSC effective September 1, 2005. During 2006, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $80 million related to ARO accretion expense, approximately $2 million related to depreciation of the capitalized ARO asset and approximately $82 million to adjust the total accrual to reflect the suspension of the accrual by the FPSC effective September 1, 2005. During 2005, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $112 million related to ARO accretion expense, approximately $7 million related to depreciation of the capitalized ARO asset, approximately $4 million related to the non-legal obligation included in accrued asset removal costs and approximately $70 million to adjust the total accrual to the $53 million approved by the FPSC for decommissioning expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income).

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in nuclear decommissioning reserve funds, which are included in special use funds on FPL Group's and FPL's consolidated balance sheets. Consistent with regulatory treatment, marketable securities held in the decommissioning funds are classified as available for sale and are carried at market value with market adjustments, including any other-than-temporary impairment losses, resulting in a corresponding adjustment to the related regulatory liability accounts. See Note 10. Contributions to the funds were based on current period decommissioning expense and were suspended beginning September 2005. Additionally, fund earnings, net of taxes, are reinvested in the funds. Earnings are recognized as income and an offsetting expense is recorded to reflect a corresponding increase in the related regulatory liability accounts. As a result, there is no effect on net income. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

FPL's latest fossil fuel plant dismantlement studies became effective January 1, 2007 and indicate that FPL's portion of the ultimate cost to dismantle its fossil units is $707 million. FPL's next fossil fuel plant dismantlement study is required to be filed with the FPSC concurrently with its next depreciation study in March 2009. During 2007, with respect to costs associated with fossil dismantlement, FPL recognized approximately $2 million related to ARO accretion expense and depreciation of the capitalized ARO asset, approximately $14 million related to the non-legal obligation included in accrued asset removal costs and approximately $1 million credit to adjust the total accrual to the $15 million approved by the FPSC for dismantlement expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income). During 2006, with respect to costs associated with fossil dismantlement, FPL recognized approximately $1 million related to ARO accretion expense and depreciation of the capitalized ARO asset, approximately $17 million related to the non-legal obligation included in accrued asset removal costs and approximately $1 million to adjust the total accrual to the $19 million approved by the FPSC for dismantlement expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income). FPL recognized fossil dismantlement expense of approximately $19 million in 2005, which is included in depreciation and amortization expense.

FPL Energy – FPL Energy records nuclear decommissioning liabilities for Seabrook Station (Seabrook), Duane Arnold Energy Center (Duane Arnold) and Point Beach Nuclear Power Plant (Point Beach) in accordance with FAS 143 and FIN 47. See Note 15. At December 31, 2007 and 2006, FPL Energy's ARO related to nuclear decommissioning totaled approximately $456 million and $213 million, respectively, and was determined using various internal and external data. FPL Energy's 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 2007 dollars. The liability is being accreted using the interest method through the date decommissioning activities are expected to be complete.

Seabrook's decommissioning funding plan is based on a comprehensive nuclear decommissioning study filed with the New Hampshire Nuclear Decommissioning Financing Committee (NDFC) in 2007 and is effective for four years. Currently, there are no ongoing decommissioning funding requirements for Duane Arnold and Point Beach, however, the U.S. Nuclear Regulatory Commission (NRC) has the authority to require additional funding in the future. FPL Energy's portion of Seabrook's, Duane Arnold's and Point Beach's restricted trust funds for the payment of future expenditures to decommission these plants is included in nuclear decommissioning reserve funds, which are included in special use funds on FPL Group's consolidated balance sheets. Marketable securities held in the decommissioning funds are classified as available for sale and are carried at market value with market adjustments resulting in a corresponding adjustment to other comprehensive income (OCI). All unrealized losses associated with marketable securities are considered to be other-than-temporary and are recognized as an expense in other – net in FPL Group's consolidated statements of income. Fund earnings are recognized in income and are reinvested in the funds either on a pretax or after-tax basis. See Note 10. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

Major Maintenance Costs – FPL utilizes the accrue-in-advance method for recognizing costs associated with planned major maintenance, in accordance with regulatory treatment, and records the related accrual as a regulatory liability. FPL Energy utilizes the deferral method to account for certain planned major maintenance costs.

FPL's estimated nuclear maintenance costs for each nuclear unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. Any difference between the estimated and actual costs is included in O&M expenses when known. The accrued liability for nuclear maintenance costs at December 31, 2007 and 2006 totaled approximately $39 million and $47 million, respectively, and is included in regulatory liabilities – other. For the years ended December 31, 2007, 2006 and 2005, FPL recognized approximately $77 million, $72 million and $89 million, respectively, in nuclear maintenance costs which are included in O&M expenses in FPL Group's and FPL's consolidated statements of income.

FPL Energy's major maintenance costs for its combustion turbines are capitalized and amortized on a unit of production method over the period from the end of the last outage to the beginning of the next planned outage. FPL Energy's major maintenance costs for its nuclear generating units are capitalized and amortized on a straight-line basis over the period from the end of the last outage to the beginning of the next planned outage. FPL Energy's deferred major maintenance costs net of accumulated depreciation totaled approximately $47 million and $51 million at December 31, 2007 and 2006, respectively, and are included in other assets. For the years ended December 31, 2007, 2006 and 2005, FPL Energy recognized approximately $43 million, $49 million and $38 million in major maintenance costs which are included in O&M expenses in FPL Group's consolidated statements of income.

Cash Equivalents – Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Restricted Cash – At December 31, 2007 and 2006, FPL Group had approximately $146 million ($58 million for FPL) and $67 million (none for FPL), respectively, of restricted cash included in other current assets on FPL Group's and FPL's consolidated balance sheets, essentially all of which is restricted for margin cash collateral, escrow and debt service payments. Where offsetting positions exist, restricted cash related to margin cash collateral is netted against derivative instruments. See Note 4.

Allowance for Doubtful Accounts – FPL maintains an accumulated provision for uncollectible customer accounts receivable that is determined by multiplying the previous five months of revenues by the prior year's bad debt percentage, which represents the relationship of last year's revenues to the actual write-offs. Additional amounts are included in the provision to address specific items that are not considered in the calculation described above. FPL Energy regularly reviews collectibility of its receivables and establishes a provision for losses estimated as a percentage of revenue based on the historical bad debt write-off trends for its retail energy business and, when necessary, using the specific identification method for all other receivables.

Inventory – FPL values materials, supplies and fossil fuel inventory using a weighted-average cost method. FPL Energy's materials, supplies and fossil fuel inventories are carried at the lower of weighted-average cost or market, unless evidence indicates that the weighted-average cost (even if in excess of market) will be recovered with a normal profit upon sale in the ordinary course of business.

Energy Trading – FPL Group 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 optimize the value of electricity and fuel contracts and generating facilities, as well as to take advantage of expected favorable commodity price movements. Trading contracts that meet the definition of a derivative are accounted for at market value and realized gains and losses from all trading contracts, including those where physical delivery is required, are recorded net for all periods presented. See Note 4.

Fair Value Measurements – In September 2006, the FASB issued FAS 157, "Fair Value Measurements," which clarifies how to measure fair value and requires expanded fair value measurement disclosures. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy, intended to disclose information about the relative reliability of fair value measurements with the highest priority being quoted prices in active markets for identical assets or liabilities. FAS 157 is effective January 1, 2008 for financial assets and liabilities, and for any other fair value measurements made on a recurring basis. For all other fair value measurements, FAS 157 will be effective January 1, 2009. While the implementation of the first phase of FAS 157 is not complete, the impact of adopting the standard is not expected to be material to FPL Group and FPL. FPL Group and FPL are continuing to evaluate the impact of FAS 157 as it applies to non-financial assets and liabilities that are not remeasured at fair value on a recurring basis.

The Fair Value Option for Financial Assets and Financial Liabilities – In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits, but does not require, entities to account for financial assets and liabilities at fair value, effective January 1, 2008. The standard does not extend to non-financial assets and liabilities. The impact of adopting FAS 159 for existing financial assets and liabilities was not material to FPL Group and FPL. FPL Group and FPL may elect to account for new financial assets and liabilities at fair value in the future.

Securitization – FPL maintains a funded storm and property insurance reserve. FPL was affected by four hurricanes in 2005 and three hurricanes in 2004 which 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 were issued in four tranches with interest rates ranging from 5.0440% to 5.2555% and final maturity dates ranging from 2013 to 2021. Although principal on the storm-recovery bonds is due on the final maturity date (the date by which the principal must be repaid to prevent a default) for each tranche, it is expected to be paid semiannually and sequentially beginning February 1, 2008, when the first semiannual interest payment becomes due.

In connection with this financing, net proceeds, after debt issuance costs, to the FPL subsidiary (approximately $644 million) were used to acquire the storm-recovery property, which includes the right to impose, collect and receive a storm-recovery charge from all customers receiving electric transmission or distribution service from FPL under rate schedules approved by the FPSC or under special contracts, certain other rights and interests that arise under the financing order issued by the FPSC and certain other collateral pledged by the FPL subsidiary that issued the bonds. The storm-recovery bonds are payable only from and secured by the storm-recovery property. FPL, as the servicer, collects storm-recovery charges on behalf of the subsidiary through a surcharge to retail customers and remits them to the trustee under the indenture pursuant to which the storm-recovery bonds were issued for payment of fees and expenses and payment of principal and interest on the storm-recovery bonds. The revenues from the storm-recovery bonds surcharge and a 2004 storm damage surcharge through which FPL had been recovering underrecovered 2004 storm restoration costs prior to the issuance of these storm-recovery bonds are included in operating revenues on FPL Group's and FPL's consolidated statements of income. For the years ended December 31, 2007, 2006 and 2005, both the amount billed to retail customers related to the 2004 storm damage surcharge and the storm-recovery bonds surcharge amounted to approximately $94 million, $151 million and $155 million, respectively. The FPL subsidiary is consolidated for financial reporting purposes; however, the storm-recovery bonds do not constitute a debt, liability or other legal obligation of, or interest in, FPL or any of its affiliates other than the FPL subsidiary that issued the storm-recovery bonds. The assets of the FPL subsidiary that issued the storm-recovery bonds, including the storm-recovery property, are not available to pay creditors of FPL or any of its affiliates other than the subsidiary that issued the storm-recovery bonds.

In connection with this financing, the net proceeds to FPL from the sale of the storm-recovery property were used primarily to reimburse FPL for its estimated net of tax storm reserve deficiency as of May 31, 2007 (approximately $517 million) and provide for a storm and property insurance reserve fund of approximately $127 million net of tax. Securities held in the storm and property insurance reserve fund are carried at market value with market adjustments resulting in a corresponding adjustment to the storm and property insurance reserve. Fund earnings, net of taxes, are reinvested in the fund. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes. The storm and property insurance reserve fund is included in special use funds on FPL Group's and FPL's consolidated balance sheets and was approximately $129 million at December 31, 2007. Upon the issuance of the storm-recovery bonds, the storm reserve deficiency was reclassified to securitized storm-recovery costs on FPL Group's and FPL's consolidated balance sheets. As storm-recovery charges are billed to customers, the securitized storm-recovery costs are amortized, the amount of which is included in storm cost amortization on FPL Group's and FPL's consolidated statements of income.

The storm and property insurance reserve of approximately $200 million that was reestablished in the FPSC financing order is not reflected in FPL Group's and FPL's consolidated balance sheets as of December 31, 2007 because the associated regulatory asset does not meet the specific recognition criteria under FAS 71. As a result, the storm and property insurance reserve will be recognized as a regulatory liability as the storm-recovery charges are billed to customers and charged to storm cost amortization on FPL Group's and FPL's consolidated statements of income. Although FPL Group's and FPL's consolidated balance sheets as of December 31, 2007 reflect a storm and property insurance reserve of approximately $16 million (included in regulatory liabilities – other on FPL Group's and FPL's consolidated balance sheets), FPL has the capacity to absorb up to approximately $213 million in future prudently incurred storm restoration costs without seeking recovery through a rate adjustment from the FPSC.

In 2006, the FPSC applied a different standard for recovery of 2005 storm costs than was used for the 2004 storm costs. Accordingly, the FPSC made certain adjustments and disallowances to amounts sought to be recovered by FPL. In addition, the FPSC allowed FPL to recover interest on 2005 storm restoration costs. These adjustments and disallowances reduced FPL Group's and FPL's net income for the year ended December 31, 2006 by approximately $27 million.

Impairment 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." See Note 5.

Goodwill and Other Intangible Assets – FPL Group's goodwill and other intangible assets are as follows:

	Weighted Average Useful Lives (Years)	December 31, 2007	December 31, 2006
		(millions)	
Goodwill:			
Merchant reporting unit		$ 72	$ 72
Wind reporting unit		17	17
Total goodwill		$ 89	$ 89
Other intangible assets:			
Purchase power agreements	18	$ 68	$ 59
Customer lists	8	28	29
Other, primarily transmission and land rights, permits and licenses	28	87	58
Total		183	146
Less accumulated amortization		51	39
Total other intangible assets – net		$ 132	$ 107

FPL Energy has recorded goodwill in its merchant reporting unit related to the acquisition of Gexa Corp. in 2005 and in its wind reporting unit related to the acquisition of a wind modeling and analysis business in 2006. The acquisitions were accounted for using the purchase method of accounting. FPL Energy's other intangible assets are amortized, primarily on a straight-line basis, over their estimated useful lives. For the years ended December 31, 2007, 2006 and 2005, amortization expense was approximately $12 million, $12 million and $8 million, respectively, and is expected to be approximately $12 million, $11 million, $11 million, $11 million and $11 million for 2008, 2009, 2010, 2011 and 2012, respectively.

FPL Energy's goodwill and other intangible assets are included in other assets on FPL Group's consolidated balance sheets. In accordance with FAS 142, "Goodwill and Other Intangible Assets," goodwill is assessed for impairment at least annually by applying a fair value-based test. Other intangible assets are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted future cash flows in accordance with FAS 144.

Stock-Based Compensation – On January 1, 2006, FPL Group adopted FAS 123(R), "Share-Based Payment." The statement requires costs related to share-based payment transactions to be recognized in the financial statements based on grant-date fair value. Because FPL Group adopted the fair value recognition provisions of FAS 123, "Accounting for Stock-Based Compensation," on January 1, 2004, the adoption of FAS 123(R) did not have a significant effect on FPL Group's financial statements. See Note 12 – Stock-Based Compensation.

Retirement of Long-Term Debt – Gains and losses that result from differences in FPL's reacquisition cost and the book value of long-term debt which is retired are deferred and amortized to interest expense ratably over the remaining life of the original issue, which is consistent with its treatment in the ratemaking process. FPL Group Capital Inc (FPL Group Capital) recognizes as expense any such excess at time of retirement.

Income Taxes – Deferred income taxes are provided on all significant temporary differences between the financial statement and tax bases of assets and liabilities. In connection with the tax sharing agreement between FPL Group and its subsidiaries, the income tax provision at each subsidiary reflects the use of the "separate return method," except that tax benefits that could not be utilized on a separate return basis, but are utilized 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 the corporate level. Included in other regulatory assets on FPL Group's and FPL's consolidated balance sheets is the revenue equivalent of the difference in accumulated deferred income taxes computed under FAS 109, "Accounting for Income Taxes," as compared to regulatory accounting rules. This amount totaled $61 million and $26 million at December 31, 2007 and 2006, respectively, and is being amortized in accordance with the regulatory treatment over the estimated lives of the assets or liabilities for which the deferred tax amount was initially recognized. Investment tax credits (ITCs) for FPL are deferred and amortized to income over the approximate lives of the related property in accordance with the regulatory treatment. At December 31, 2007 and 2006, deferred ITCs were approximately $31 million and $46 million, respectively, and are included in other regulatory liabilities on FPL Group's and FPL's consolidated balance sheets. FPL Energy recognizes ITCs as a reduction to income tax expense when the related energy property is placed into service. Production tax credits (PTCs) are recognized as wind energy is generated and sold based on a per kwh rate prescribed in applicable federal and state statutes. PTCs generated by certain wind operations of FPL Energy are recorded as a reduction of current income taxes payable, unless limited by tax law in which instance they are recorded as deferred tax assets. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. All tax positions taken by FPL Group in its income tax returns that are recognized in the financial statements must satisfy a more-likely-than-not threshold established under FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." See Note 6.

Guarantees – FPL Group and FPL each account for payment guarantees and related contracts, for which it or a subsidiary is the guarantor, under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others," which requires that the fair value of guarantees provided to unconsolidated entities entered into after December 31, 2002 be recorded on the balance sheet. See Note 16 – Commitments.

Variable Interest Entities (VIEs) – FIN 46(R) requires FPL Group and FPL to assess the variable interests they hold and determine if those entities are VIEs. See Note 9.

2. Point Beach Nuclear Power Plant

In September 2007, FPL Energy acquired Point Beach, a two-unit, 1,023 mw nuclear facility located in Wisconsin. The acquisition of Point Beach supports FPL Energy's business strategy to build its portfolio in part through asset acquisitions and provides additional diversity to FPL Group's generating fleet. The transaction was financed using general funds of FPL Group Capital. Since September 2007, Point Beach's results have been included in FPL Group's consolidated financial statements. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (millions). The purchase price allocations are preliminary and subject to revision.

Property, plant and equipment	$ 961
Nuclear fuel	137
Current assets	48
Special use funds	390
Other noncurrent assets	42
Total assets acquired	1,578
Current liabilities	10
Asset retirement obligation	225
Other noncurrent liabilities	410
Total liabilities assumed	645
Net assets acquired	$ 933

3. Employee Retirement Benefits

Employee Benefit Plans and Other Postretirement Plan – FPL Group sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of FPL Group and its subsidiaries, including Duane Arnold since January 2006 and Point Beach since September 2007. FPL Group allocates net periodic pension benefit income to its subsidiaries based on the pensionable earnings of the subsidiaries' employees. FPL Group also has a supplemental executive retirement plan (SERP), which includes a non-qualified supplemental defined benefit pension component that provides benefits to a select group of management and highly compensated employees. FPL Group allocates net periodic SERP benefit costs to its subsidiaries based upon actuarial calculations by participant. The impact of this SERP component is included within pension benefits in the following tables, and was not material to FPL Group's financial statements for the years ended December 31, 2007, 2006 and 2005. In addition to pension benefits, FPL Group sponsors a contributory postretirement plan for health care and life insurance benefits (other benefits) for retirees of FPL Group and its subsidiaries meeting certain eligibility requirements. FPL Group allocates other benefits net periodic benefit costs to its subsidiaries based upon the number of eligible employees at each subsidiary.

Implementation of FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" – FPL Group adopted the recognition and disclosure provisions of FAS 158 effective December 31, 2006. The measurement date provisions of FAS 158 require that FPL Group measure plan assets and liabilities as of its year end no later than December 31, 2008 with any resulting adjustments to plan assets, benefit obligations, and accumulated other comprehensive income recorded to retained earnings. 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 accumulated other comprehensive income were classified as regulatory assets and liabilities at FPL Group in accordance with regulatory treatment. In addition, adjustments to accumulated other comprehensive income as a result of implementing the measurement date provisions of FAS 158 that are estimated to be allocable to FPL will be recorded as an adjustment to the previously established regulatory assets and liabilities.

FPL Group currently uses a measurement date of September 30 for its pension and other benefits plans. In lieu of remeasuring plan assets and obligations as of January 1, 2008, FPL Group has 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 will record 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 and approximately $3 million related to the reduction in net regulatory liabilities.

Plan Assets, Benefit Obligations and Funded Status – The following table summarizes the changes in assets and benefit obligations of the plans and a reconciliation of the plans' funded status to the amounts on the consolidated balance sheets:

	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
	(millions)			
Change in plan assets:				
Fair value of plan assets at October 1 of prior year	$ 3,243	$ 3,120	$ 48	$ 49
Actual return on plan assets	445	250	6	1
Employer contributions [a]	-	1	27	30
Transfers for retiree medical expenses [b]	(26)	(24)	-	-
Acquisitions	33	13	-	-
Participant contributions	-	-	5	5
Benefit payments [a]	(118)	(117)	(37)	(37)
Fair value of plan assets at September 30	$ 3,577	$ 3,243	$ 49	$ 48
Change in benefit obligation:				
Obligation at October 1 of prior year	$ 1,621	$ 1,599	$ 425	$ 435
Service cost	50	51	5	6
Interest cost	94	87	24	23
Participant contributions	-	-	5	4
Plan amendments [c]	(1)	(1)	-	-
Acquisitions	42	38	5	6
Actuarial gains – net	(36)	(36)	(21)	(12)
Benefit payments	(118)	(117)	(37)	(37)
Obligation at September 30 [d]	$ 1,652	$ 1,621	$ 406	$ 425
Funded status at September 30	$ 1,925	$ 1,622	$ (357)	$ (377)
Other	(28)	(26)	8	6
Prepaid (accrued) benefit cost at FPL Group at December 31	$ 1,897	$ 1,596	$ (349)	$ (371)
Prepaid (accrued) benefit cost at FPL at December 31	$ 901	$ 851	$ (286)	$ (286)

[a] Employer contributions and benefits paid include only those amounts contributed directly to, or paid directly from, plan assets. FPL's portion of contributions related to other benefits was $25 million and $27 million for the 2007 and 2006 plan years presented, respectively.

[b] Represents amounts that were transferred from the qualified pension plan as reimbursement for eligible retiree medical expenses paid by FPL Group pursuant to the provisions of the Internal Revenue Code (IRC).

[c] Primarily relates to union negotiated credits, IRC transfers and various SERP amendments.

[d] FPL Group's accumulated benefit obligation, which includes no assumption about future compensation levels, for its pension plans at September 30, 2007 and 2006 was $1,601 million and $1,573 million, respectively.

FPL Group's and FPL's prepaid (accrued) benefit cost shown above are included in the consolidated balance sheets as follows:

	FPL Group				FPL			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2007	2006	2007	2006	2007	2006	2007	2006
	(millions)							
Prepaid benefit costs	$ 1,911	$ 1,608	$ -	$ -	$ 907	$ 857	$ -	$ -
Accrued benefit cost included in other current liabilities	(1)	(1)	(30)	(29)	(1)	-	(25)	-
Accrued benefit cost included in other liabilities	(13)	(11)	(319)	(342)	(5)	(6)	(261)	(286)
Prepaid (accrued) benefit cost at December 31	$ 1,897	$ 1,596	$ (349)	$ (371)	$ 901	$ 851	$ (286)	$ (286)

FPL Group's unrecognized amounts included in accumulated other comprehensive income (loss) yet to be recognized as components of prepaid (accrued) benefit cost are as follows:

	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
	(millions)			
Components of accumulated other comprehensive income:				
Unrecognized prior service benefit (net of $1 tax expense in 2006)	$ 1	$ 1	$ -	$ -
Unrecognized transition obligation (net of $1 and $1 tax benefit, respectively)	-	-	(2)	(2)
Unrecognized gain (loss) (net of $90 and $63 tax expense and $2 and $4 tax benefit, respectively)	142	100	2	(1)
Total	$ 143[a]	$ 101	$ -	$ (3)

[a] Approximately $8 million of gains and $1 million of prior service benefits will be reclassified into earnings within the next 12 months.

FPL Group's unrecognized amounts included in regulatory assets (liabilities) yet to be recognized as components of net prepaid (accrued) benefit cost are as follows:

	Regulatory Liabilities (Pension)		Regulatory Assets (SERP and Other)	
	2007	2006	2007	2006
	(millions)			
Unrecognized prior service (benefit) cost	$ (7)	$ (10)	$ 2	$ 2
Unrecognized transition obligation	-	-	14	17
Unrecognized (gain) loss	(714)	(538)	10	27
Total	$ (721)[a]	$ (548)	$ 26[b]	$ 46

[a] Approximately $3 million of prior service benefits and $21 million of gains will be reclassified into earnings within the next 12 months.
[b] Approximately $3 million of transition obligations will be reclassified into earnings within the next 12 months.

The following table provides the weighted-average assumptions used to determine benefit obligations for the plans. These rates are used in determining net periodic benefit cost in the following year.

	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Discount rate	6.25%	5.85%	6.35%	5.90%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%

A 7.5% annual rate of increase in the per capita cost of covered medical benefits and a 9.5% annual rate of increase in the per capita cost of covered prescription drug benefits was assumed for 2008. The rates are assumed to decrease gradually to 5.5% by 2012 and 2016 for medical and prescription drug benefits, respectively, and remain at that level thereafter. Assumed health care cost trend rates have an effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of one percentage point in assumed health care cost trend rates would have a corresponding effect on the other benefits accumulated obligation of approximately $6 million and $5 million, respectively, at September 30, 2007.

FPL Group's current investment policy for the pension plan recognizes the benefit of protecting the plan's funded status, thereby avoiding the necessity of future employer contributions. Its broad objectives are to achieve a high rate of total return with a prudent level of risk taking while maintaining sufficient liquidity and diversification to avoid large losses and preserve capital.

FPL Group's pension plan fund has a strategic asset allocation that currently targets a mix of 45% equity investments, 45% fixed income investments and 10% convertible bonds. The fund's investment strategy emphasizes traditional investments, broadly diversified across the global equity and fixed income markets, utilizing a combination of different investment styles and vehicles. The pension fund's equity investments include direct equity holdings and assets classified as equity commingled vehicles. Similarly, its fixed income investments include direct debt security holdings and assets classified as debt security commingled vehicles. These equity and debt security commingled vehicles include common and collective trusts, pooled separate accounts, registered investment companies or other forms of pooled investment arrangements.

With regard to its other benefits plans, FPL Group's policy is to fund claims as incurred during the year through FPL Group contributions, participant contributions and plan assets. The other benefits plans' assets are invested with a focus on assuring the availability of funds to pay benefits while maintaining sufficient diversification to avoid large losses and preserve capital. The other benefits plans' fund has a strategic asset allocation that currently targets a mix of 60% equity investments and 40% fixed income investments. The fund's investment strategy emphasizes traditional investments, diversified across the global equity and fixed income markets. The fund's equity investments are comprised of assets classified as equity commingled vehicles. Similarly, its fixed income investments are comprised of assets classified as debt security commingled vehicles. These equity and debt commingled vehicles include common and collective trusts, pooled separate accounts, registered investment companies or other forms of pooled investment arrangements.

At September 30, the asset allocation for FPL Group's pension and other benefits funds were as follows:

	Pension Fund		Other Benefits Fund	
	2007	2006	2007	2006
Asset Category				
Equity	11%	12%	-%	-%
Equity commingled vehicles	34	35	62	66
Debt securities	27	26	-	-
Debt security commingled vehicles	18	19	38	34
Convertible bonds	10	8	-	-
Total	100%	100%	100%	100%

Expected Cash Flows – In December 2007, $28 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 IRC. FPL Group anticipates paying approximately $30 million for eligible retiree medical expenses on behalf of the other benefits plan during 2008 with substantially all amounts being reimbursed through a transfer of assets from the qualified pension plan.

The following table provides information about benefit payments expected to be paid by the plans, net of government drug subsidy, for each of the following calendar years:

	Pension Benefits	Other Benefits
	(millions)	
2008	$ 138	$ 35
2009	$ 136	$ 36
2010	$ 144	$ 36
2011	$ 148	$ 36
2012	$ 154	$ 35
2013–2017	$ 798	$ 154

Net Periodic Cost – The following table provides the components of net periodic benefit (income) cost for the plans:

	Pension Benefits			Other Benefits		
	2007	2006	2005	2007	2006	2005
			(millions)			
Service cost	$ 50	$ 51	$ 52	$ 5	$ 6	$ 8
Interest cost	94	86	87	24	23	25
Expected return on plan assets	(221)	(213)	(211)	(3)	(3)	(3)
Amortization of transition obligation	-	-	-	4	4	3
Amortization of prior service benefit	(4)	(5)	(5)	-	-	-
Amortization of (gains) losses	(18)	(16)	(15)	-	-	4
Other	-	-	3	-	2	-
Net periodic benefit (income) cost at FPL Group	$ (99)	$ (97)	$ (89)	$ 30	$ 32	$ 37
Net periodic benefit (income) cost at FPL	$ (76)	$ (80)	$ (71)	$ 25	$ 28	$ 32

Other Comprehensive Income – The following table provides the components of net periodic benefit (income) cost recognized in other comprehensive income for the plans:

	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
		(millions)		
Prior service benefit (net of $1 tax expense for 2006)	$ -	$ 1	$ -	$ -
Transition obligation (net of $1 tax benefit for 2006)	-	-	-	(2)
Net gains (losses) (net of $28 and $63 tax expense and $2 tax expense and $4 tax benefit, respectively)	45	100	3	(1)
Amortization of prior service benefit	(1)	-	-	-
Amortization of net gains (net of $2 tax benefit for 2007)	(2)	-	-	-
Total	$ 42	$ 101	$ 3	$ (3)

Regulatory Assets (Liabilities) – The following table provides the components of net periodic benefit (income) cost recognized during the year in regulatory assets (liabilities) for the plans:

	Regulatory Liabilities (Pension)		Regulatory Assets (SERP and Other)	
	2007	2006	2007	2006
		(millions)		
Prior service (benefit) cost	$ -	$ (10)	$ -	$ 2
Transition obligation	-	-	-	17
Unrecognized (gains) losses	(190)	(538)	(17)	27
Amortization of prior service benefit	3	-	-	-
Amortization of gains	14	-	-	-
Amortization of transition obligation	-	-	(3)	-
Total	$ (173)	$ (548)	$ (20)	$ 46

The following table provides the weighted-average assumptions used to determine net periodic benefit (income) cost for the plans:

	Pension Benefits			Other Benefits		
	2007	2006	2005	2007	2006	2005
Discount rate	5.85%	5.50%	5.50%	5.90%	5.50%	5.50%
Salary increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expected long-term rate of return [a]	7.75%	7.75%	7.75%	8.00%	7.75%	7.75%

[a] In developing the expected long-term rate of return on assets assumption for its plans, FPL Group evaluated input from its actuaries as well as information available in the marketplace. FPL Group considered the 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. No specific adjustments were made to reflect expectations of future returns.

Assumed health care cost trend rates have an effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of one percentage point in assumed health care cost trend rates would have affected the total service and interest cost recognized at September 30, 2007 by less than $1 million.

Employee Contribution Plans – FPL Group offers employee retirement savings plans which allow eligible participants to contribute a percentage of qualified compensation through payroll deductions. FPL Group makes matching contributions to participants' accounts. Defined contribution expense pursuant to these plans was approximately $35 million, $32 million and $27 million for FPL Group ($27 million, $26 million and $25 million for FPL) for the years ended December 31, 2007, 2006 and 2005, respectively. See Note 12 – Employee Stock Ownership Plan.

4. Derivative Instruments

Derivative instruments, when required to be marked to market under FAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, are recorded on FPL Group's and FPL's consolidated balance sheets as either an asset or liability measured at fair value.

FPL Group and FPL adopted FSP FIN 39-1, "Amendment of FASB Interpretation No. 39," effective December 31, 2007, which amended certain provisions of FIN 39, "Offsetting of Amounts Related to Certain Contracts," and required the offsetting of amounts recognized for the right to reclaim and obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement when such offsetting derivative positions are presented on a net basis. FSP FIN 39-1 required retrospective application for all prior periods presented and, accordingly, FPL Group and FPL's consolidated balance sheet line items decreased by the following amounts:

	December 31, 2006	
	FPL Group	FPL
	(millions)	
Other current assets	$ 151	$ 103
Current derivative assets	$ 18	$ -
Other current liabilities	$ 18	$ -
Current derivative liabilities	$ 149	$ 103
Other liabilities	$ 2	$ -

FPL Group's and FPL's mark-to-market derivative instrument assets (liabilities) are included in the consolidated balance sheets as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2007	2006	2007	2006
	(millions)			
Current derivative assets [a]	$ 182	$ 358	$ 83	$ 4
Noncurrent other assets	99	78	-	-
Current derivative liabilities [b]	(289)	(995)	(182)	(677)
Noncurrent derivative liabilities [c]	(351)	(105)	(5) [d]	(1) [d]
Total mark-to-market derivative instrument assets (liabilities)	$ (359)	$ (664)	$ (104)	$ (674)

[a] At December 31, 2007 and 2006, FPL Group balances reflect the netting of $4 million and $18 million (none at FPL), respectively, in obligations to return margin cash collateral.
[b] At December 31, 2007 and 2006, FPL Group balances reflect the netting of $43 million and $149 million ($16 million and $103 million at FPL), respectively, in rights to reclaim margin cash collateral.
[c] At December 31, 2007 and 2006, FPL Group balances reflect the netting of $1 million and $2 million (none at FPL), respectively, in rights to reclaim margin cash collateral.
[d] Included in other liabilities on FPL's consolidated balance sheets.

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 risk associated with long-term debt. In addition, FPL Group, through FPL Energy, uses derivatives to optimize the value of power generation assets. FPL Energy 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. At FPL, substantially all changes in fair value 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 and purchased power cost recovery clause (fuel clause) or the capacity cost recovery clause (capacity clause). For FPL Group's non-rate regulated operations, predominantly FPL Energy, 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. While most of FPL Energy's derivative transactions are entered into for the purpose of managing commodity price risk, hedge accounting is only applied where specific criteria are met and it is practicable to do so. In order to apply hedge accounting, the transaction must be designated as a hedge and it must be highly effective in offsetting the hedged risk. Additionally, for hedges of commodity price risk, physical delivery for forecasted commodity transactions must be probable. FPL Group believes that where offsetting positions exist at the same location for the same time, the transactions are considered to have been netted and therefore physical delivery has been deemed not to have occurred for financial reporting purposes. Transactions for which physical delivery is deemed to have not occurred are presented on a net basis. Generally, the hedging instrument's effectiveness is assessed utilizing regression analysis at the inception of the hedge and on at least a quarterly basis throughout its life.

At December 31, 2007, FPL Group had cash flow hedges with expiration dates through December 2012 for energy contract derivative instruments, and interest rate cash flow hedges with expiration dates through January 2022. The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is reported as a component of OCI and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings. The ineffective portion of net unrealized gains (losses) on these hedges is reported in earnings in the current period and amounted to $3 million, $31 million and ($33) million for the years ended December 31, 2007, 2006 and 2005, respectively. Settlement gains and losses are included within the line items in the statements of income to which they relate.

Unrealized mark-to-market gains (losses) on derivative transactions reflected in the consolidated statements of income for both consolidated subsidiaries and equity method investees are as follows:

	Years Ended December 31,		
	2007	2006	2005
		(millions)	
Consolidated subsidiaries	$ (134)	$ 173	$ (191)
Equity method investees	$ 1	$ (24)	$ 1

5. Restructuring and Impairment Charges

FPL Energy – During the fourth quarter of 2006, FPL Energy recorded an impairment charge of approximately $8 million ($4 million after-tax), related to a coal plant in California, the fair value of which was determined based on a discounted cash flow analysis. The impairment charge is related to unfavorable market pricing and accelerated equipment deterioration due to a design flaw in the steam boiler and fluctuations in output requirements.

During 2005, FPL Energy recorded a net gain of approximately $13 million ($8 million after-tax) related to the termination of a gas supply contract at one of its investments in joint ventures. The gain is included in equity in earnings of equity method investees in FPL Group's consolidated statements of income. This agreement was terminated in connection with an amended power purchase agreement that allows the investee to source power from the wholesale market.

Corporate and Other – In 2007, as a result of an impending migration to a more efficient form of networking technology for FPL, FPL FiberNet, LLC (FPL FiberNet) performed an impairment analysis of existing assets used to provide long-haul services to FPL. Due to the reduction in revenue associated with the significant change in the expected useful life of these assets, FPL FiberNet recorded an impairment charge of approximately $4 million ($2 million after-tax).

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 metropolitan (metro) market assets, primarily property, plant and equipment and inventory, 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) based on a discounted cash flow analysis.

6. Income Taxes

The components of income taxes are as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2007	2006	2005	2007	2006	2005
			(millions)			
Federal:						
Current	$ (35)[a]	$ 4	$ 26	$ 98	$ 360	$ (80)
Deferred	356	376	234	302	12	445
Amortization of ITCs – FPL	(15)	(16)	(19)	(15)	(16)	(19)
Total federal	306	364	241	385	356	346
State:						
Current	16[a]	15	(67)	22	53	(24)
Deferred	46	18	108	44	15	86
Total state	62	33	41	66	68	62
Total income taxes	$ 368	$ 397	$ 282	$ 451	$ 424	$ 408

[a] Includes FIN 48 income taxes.

A reconciliation between the effective income tax rates and the applicable statutory rates is as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2007	2006	2005	2007	2006	2005
Statutory federal income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increases (reductions) resulting from:						
State income taxes – net of federal income tax benefit	2.4	1.3	2.3	3.4	3.6	3.5
Allowance for other funds used during construction	(0.6)	(0.5)	(1.0)	(0.8)	(0.7)	(1.0)
Amortization of ITCs – FPL	(0.9)	(0.9)	(1.6)	(1.2)	(1.3)	(1.7)
PTCs and ITCs – FPL Energy	(13.7)	(9.9)	(10.5)	-	-	-
Manufacturers' deduction	-	(0.6)	-	(0.1)	(1.0)	-
Amortization of deferred regulatory credit – income taxes	(0.2)	(0.3)	(0.6)	(0.3)	(0.4)	(0.6)
Other – net	(0.1)	(0.4)	0.3	(0.9)	(0.6)	0.1
Effective income tax rate	21.9%	23.7%	23.9%	35.1%	34.6%	35.3%

The income tax effects of temporary differences giving rise to consolidated deferred income tax liabilities and assets are as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2007	2006	2007	2006
	(millions)			
Deferred tax liabilities:				
Property-related	$ 4,833	$ 4,663	$ 3,295	$ 3,293
Investment-related	156	164	-	-
Pension	737	617	350	330
Deferred fuel costs	77	56	77	56
Storm reserve deficiency	321	311	321	311
Other	344	413	162	138
Total deferred tax liabilities	6,468	6,224	4,205	4,128
Deferred tax assets and valuation allowance:				
Decommissioning reserves	289	277	289	277
Regulatory liability – pension	278	211	-	-
Postretirement benefits	151	172	132	125
Net operating loss carryforwards	68	80	-	-
Tax credit carryforwards	509[a]	541	-	-
ARO and asset removal cost	837	815	752	725
Other	650	732	353	429
Valuation allowance [b]	(48)	(36)	-	-
Net deferred tax assets	2,734	2,792	1,526	1,556
Net accumulated deferred income taxes	$ 3,734	$ 3,432	$ 2,679	$ 2,572

[a] Amount is presented net of $149 million of tax carryforwards that are available to offset the FPL Group FIN 48 liability.
[b] Amount relates to the deferral of state tax credits and state operating loss carryforwards.

Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2007	2006	2007	2006
	(millions)			
Other current assets	$ 87	$ 1	$ 37	$ -
Other current liabilities	-	1	-	11
Accumulated deferred income taxes	3,821	3,432	2,716	2,561
Net accumulated deferred income taxes	$ 3,734	$ 3,432	$ 2,679	$ 2,572

The components of FPL Group's deferred tax assets relating to net operating loss carryforwards and tax credit carryforwards at December 31, 2007 are as follows:

	Amount	Expiration Dates
	(millions)	
Net operating loss carryforwards – state	$ 68	2020–2027
Tax credit carryforwards:		
Federal	$ 460[a]	2024–2027
State	49	2009–2014
Net tax credit carryforwards	$ 509	

[a] Amount is presented net of $149 million of tax carryforwards that are available to offset the FIN 48 liability.

On January 1, 2007, FPL Group and FPL adopted FIN 48. The interpretation prescribes a more-likely-than-not recognition threshold and establishes new measurement requirements for financial statement reporting of an entity's income tax positions. The adoption of FIN 48 on January 1, 2007 did not have a significant cumulative effect on FPL Group's and FPL's beginning retained earnings or other components of common shareholders' equity. Upon adoption, FPL Group recognized, primarily by reclassification from accumulated deferred income taxes, approximately $316 million ($274 million for FPL) of liabilities for unrecognized tax benefits which are included in the consolidated balance sheets as other liabilities. As of December 31, 2007, approximately $249 million of tax carryforwards and deposits that are available to offset tax adjustments have been netted against the FPL Group FIN 48 liability. Prior to the netting against unrecognized tax benefits, these tax carryforwards and deposits were reported as a component of accumulated deferred income taxes and other assets. The majority of the liabilities for unrecognized tax benefits represent tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A disallowance of the shorter deductibility period for these tax positions would not affect the annual effective income tax rate. Included in the liabilities for unrecognized tax benefits at December 31, 2007 is approximately $9 million at FPL Group ($7 million at FPL) that, if disallowed, could impact the annual effective income tax rate.

FPL Group recognizes interest income (expense) related to unrecognized tax benefits (liabilities) in interest income and interest charges, respectively, net of the amount deferred at FPL. At FPL, the offset to accrued interest receivable (payable) on income taxes is classified as a regulatory liability (regulatory asset) which will be amortized to income (expense) over a five-year period upon settlement in accordance with regulatory treatment. At December 31, 2007, FPL Group accrued approximately $91 million for net interest receivable ($28 million for FPL). For the year ended December 31, 2007, FPL Group recorded $24 million of interest, $13 million of which was recognized as interest income in FPL Group's consolidated statement of income and $11 million in regulatory liabilities on FPL Group's and FPL's consolidated balance sheets.

A reconciliation of unrecognized tax benefits is as follows:

	FPL Group	FPL
	(millions)	
Balance at January 1, 2007	$ 316	$ 274
Additions based on tax positions related to the current year	71	71
Additions for tax positions of prior years	13	13
Reductions for tax positions of prior years	(80)	(77)
Balance before tax carryforwards and deposits	320	281
Tax carryforwards and deposits	(249)	-
Balance at December 31, 2007	$ 71	$ 281

FPL Group and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states, the most significant of which is Florida. FPL Group and FPL are no longer subject to U.S. federal, state and local examinations by taxing authorities for years before 1988. FPL Group is disputing certain adjustments proposed by the Internal Revenue Service (IRS) to its U.S. income tax returns for 1988 through 2002. These IRS proposed adjustments primarily relate to FPL Group's and FPL's method for capitalizing indirect service costs and certain deductions for repairs. Additionally, income tax returns for 2003 through 2006 are still subject to examination. As such, the amount of unrecognized tax benefits and related interest accruals may change within the next twelve months. FPL Group and FPL do not expect these changes to have a significant impact on FPL Group's or FPL's financial statements.

7. Comprehensive Income

The following table provides the components of FPL Group's comprehensive income and accumulated other comprehensive income (loss):

	Net Income	Accumulated Other Comprehensive Income (Loss): Net Unrealized Gains (Losses) On Cash Flow Hedges	Pension and Other Benefits	Other	Total	Comprehensive Income
		(millions)				
Balances, December 31, 2004		$ (67)	$ -	$ 21	$ (46)	
Net income of FPL Group	$ 901					$ 901
Net unrealized gains (losses) on commodity cash flow hedges:						
Effective portion of net unrealized losses (net of $143 tax benefit)		(209)	-	-	(209)	(209)
Reclassification from OCI to net income (net of $37 tax expense)		55	-	-	55	55
Net unrealized gains (losses) on interest rate cash flow hedges:						
Effective portion of net unrealized gains (net of $3 tax expense)		4	-	-	4	4
Reclassification from OCI to net income (net of $1 tax expense)		2	-	-	2	2
Net unrealized losses on available for sale securities (net of $0.4 tax benefit)		-	-	(1)	(1)	(1)
SERP liability adjustment (net of $2 tax expense)		-	-	2	2	2
Balances, December 31, 2005		(215)	-	22	(193)	$ 754
Net income of FPL Group	$ 1,281					$ 1,281
Net unrealized gains (losses) on commodity cash flow hedges:						
Effective portion of net unrealized gains (net of $106 tax expense)		155	-	-	155	155
Reclassification from OCI to net income (net of $23 tax expense)		34	-	-	34	34
Net unrealized gains (losses) on interest rate cash flow hedges:						
Reclassification from OCI to net income (net of $0.6 tax expense)		1	-	-	1	1
Net unrealized gains on available for sale securities (net of $12 tax expense)		-	-	19	19	19
SERP liability adjustment (net of $1 tax expense)		-	-	1	1	1
Defined benefit pension and other benefit plans (net of $59 tax expense)		-	98	-	98	-
Balances, December 31, 2006		(25)	98	42	115	$ 1,491
Net income of FPL Group	$ 1,312					$ 1,312
Net unrealized gains (losses) on commodity cash flow hedges:						
Effective portion of net unrealized losses (net of $37 tax benefit)		(55)	-	-	(55)	(55)
Reclassification from OCI to net income (net of $16 tax expense)		23	-	-	23	23
Net unrealized gains (losses) on interest rate cash flow hedges:						
Effective portion of net unrealized losses (net of $13 tax benefit)		(19)	-	-	(19)	(19)
Reclassification from OCI to net income (net of $2 tax benefit)		(5)	-	-	(5)	(5)
Net unrealized gains on available for sale securities (net of $8 tax expense)		-	-	12	12	12
Defined benefit pension and other benefit plans (net of $28 tax expense)		-	45	-	45	45
Balances, December 31, 2007		$ (81)[a]	$ 143[b]	$ 54	$ 116	$ 1,313

[a] Approximately $27 million of losses will be reclassified into earnings within the next 12 months as either the hedged fuel is consumed, electricity is sold or interest payments are made. Such amount assumes no change in fuel prices, power prices or interest rates.
[b] Approximately $30 million of gains will be reclassified into earnings within the next 12 months.

8. Jointly-Owned Electric Plants

Certain FPL Group subsidiaries own undivided interests in the jointly-owned facilities described below, and are entitled to a proportionate share of the output from those facilities. FPL and FPL Energy are responsible for their share of the operating costs, as well as providing their own financing. Accordingly, each subsidiary includes its proportionate share of the facilities and related revenues and expenses in the appropriate balance sheet and statement of income captions. FPL Group's and FPL's respective shares of direct expenses for these facilities are included in fuel, purchased power and interchange, O&M expenses, depreciation and amortization expense and taxes other than income taxes on FPL Group's and FPL's consolidated statements of income.

FPL Group's and FPL's proportionate ownership interest in jointly-owned facilities is as follows:

	December 31, 2007			
	Ownership Interest	Gross Investment [a]	Accumulated Depreciation [a]	Construction Work in Progress
			(millions)	
FPL:				
St. Lucie Unit No. 2	85%	$1,203	$ 758	$ 269
St. Johns River Power Park units and coal terminal	20%	$ 332	$ 207	$ 26
Scherer Unit No. 4	76%	$ 593	$ 383	$ 10
Transmission substation assets located in Seabrook, New Hampshire	88.23%	$ 31	$ 12	$ -
FPL Energy:				
Duane Arnold	70%	$ 318	$ 22	$ 19
Seabrook	88.23%	$ 740	$ 87	$ 51
Wyman Station Unit No. 4	76%	$ 86	$ 32	$ 1

(a) Excludes nuclear fuel.

9. Variable Interest Entities

FIN 46(R) requires the consolidation of entities which are determined to be VIEs when the reporting company determines that it will absorb a majority of the VIE's expected losses, receive a majority of the VIE's residual returns, or both. The company that is required to consolidate the VIE is called the primary beneficiary. Conversely, the reporting company would not consolidate VIEs in which it has a majority ownership interest when the company is not considered to be the primary beneficiary. Variable interests are contractual, ownership or other monetary interests in an entity that change as the fair value of the entity's net assets, excluding variable interests, change. An entity is considered to be a VIE when its capital is insufficient to permit it to finance its activities without additional subordinated financial support or its equity investors, as a group, lack the characteristics of having a controlling financial interest. As of December 31, 2007, FPL Group has one VIE which it consolidates.

FPL – FPL consolidates a VIE from which it leases nuclear fuel for its nuclear units. For ratemaking purposes, these leases are treated as operating leases. For financial reporting, the cost of nuclear fuel is capitalized and amortized to fuel expense on a unit of production method except for the interest component, which is recorded as interest expense. These charges, as well as a charge for spent nuclear fuel, are recovered through the fuel clause. FPL makes quarterly payments to the lessor for the lease commitments. The lessor has issued commercial paper to fund the procurement of nuclear fuel and FPL has provided a $600 million guarantee to support the commercial paper program. Under certain lease termination circumstances, the associated debt ($313 million at December 31, 2007), which was recorded in commercial paper on FPL Group's and FPL's consolidated balance sheets, would become due. The consolidated assets of the VIE consist primarily of nuclear fuel, which had a net carrying value of $314 million and $204 million at December 31, 2007 and 2006, respectively.

FPL identified two potential VIEs, both of which are considered qualifying facilities as defined by the Public Utility Regulatory Policies Act of 1978, as amended (PURPA). PURPA requires FPL to purchase the electricity output of the projects. FPL entered into a power purchase agreement (PPA) with one of the projects in 1990 to purchase substantially all of the project's electrical output over a substantial portion of its estimated useful life. For each megawatt-hour (mwh) provided, FPL pays a per mwh price (energy payment) based upon FPL's avoided cost, which was determined at the time the PPA was executed, and was based on the cost of avoiding the construction and operation of a coal unit. The energy component is primarily based on the cost of coal at an FPL jointly-owned coal-fired facility. The avoided cost is the incremental cost to the utility of the electric energy or capacity, or both, which is avoided by neither generating the electricity nor purchasing it from another source. The project has a capacity of 250 mw. After making exhaustive efforts, FPL was unable to obtain the information from the project necessary to determine whether the project is a VIE or whether FPL is the primary beneficiary of the project. The PPA with the project contains no provision which legally obligates the project to release this information to FPL. The energy payments paid by FPL will fluctuate as coal prices change. This does not expose FPL to losses since the energy payments paid by FPL to the project are passed on to FPL's customers through the fuel clause as approved by the FPSC. Notwithstanding the fact that FPL's energy payments are recovered through the fuel clause, if the project was determined to be a VIE, the absorption of some of the project's fuel price variability might cause FPL to be considered the primary beneficiary. During the years ended December 31, 2007, 2006 and 2005, FPL purchased 1,694,810 mwh, 1,672,106 mwh and 1,813,114 mwh, respectively, from the project at a total cost of approximately $153 million, $147 million and $144 million, respectively. FPL will continue to make exhaustive efforts to obtain the necessary information from the project in order to determine if it is a VIE and, if so, whether FPL is the primary beneficiary. FPL also entered into a PPA with a 330 mw coal-fired cogeneration facility (the Facility) in 1995 to purchase substantially all of the Facility's electrical output through 2025. During the fourth quarter of 2007, a change in ownership of the Facility occurred, triggering the need to reevaluate whether the Facility is still a VIE and, if so, whether FPL is the Facility's primary beneficiary. After making exhaustive efforts, FPL was unable to obtain the information necessary to perform this reevaluation. The PPA with the Facility contains no provisions which legally obligate the Facility to release this information to FPL. During the years ended December 31, 2007, 2006 and 2005, FPL purchased 2,320,991 mwh, 2,090,088 mwh and 2,332,000 mwh, respectively, from the Facility at a total cost of approximately $220 million, $200 million and $191 million, respectively. Additionally, the PPA does not expose FPL to losses since the energy payments made by FPL to the Facility are passed on to FPL's customers through the fuel clause as approved by the FPSC. FPL will continue to make exhaustive efforts to obtain the necessary information from the Facility in order to determine if it is still a VIE and, if so, whether FPL is the Facility's primary beneficiary.

FPL Energy – In December 2007, a wholly-owned FPL Energy subsidiary purchased a 550 mw combined-cycle power generation plant from a special purpose entity (SPE) from which it had leased the generating plant since 2002. The FPL Energy subsidiary purchased the generating plant for approximately $345 million, which represented the lessor's outstanding principal balance on the related loans, equity contributions made to the SPE, all accrued and unpaid interest and yield, and all other fees, costs and amounts then due and owing pursuant to the provisions of the related financing documents. Prior to the purchase of the plant, FPL Energy consolidated the SPE and reported the equity interests of the SPE not owned by the FPL Energy subsidiary as minority interest. At December 31, 2006, the assets of the SPE primarily consisted of the power generation plant, which had a net carrying value of $317 million and is reported in electric utility plant in service and other property on FPL Group's 2006 consolidated balance sheet. At December 31, 2006, the liabilities of the SPE consisted primarily of debt (which was secured by the power generation plant), which had a net carrying value of $327 million and is reported in current maturities of long-term debt on FPL Group's 2006 consolidated balance sheet.

FPL Group – In 2004, a trust created by FPL Group sold 12 million 5 7/8% preferred trust securities to the public and common trust securities to FPL Group. The trust is considered a VIE because FPL Group's investment through the common trust securities is not considered equity at risk in accordance with FIN 46(R). The proceeds from the sale of the preferred and common trust securities were used to buy 5 7/8% junior subordinated debentures maturing in March 2044 from FPL Group Capital. The trust exists only to issue its preferred trust securities and common trust securities and to hold the junior subordinated debentures of FPL Group Capital as trust assets. Since FPL Group, as the common security holder, is not considered to have equity at risk and will therefore not absorb any variability of the trust, FPL Group is not the primary beneficiary and does not consolidate the trust in accordance with FIN 46(R). FPL Group includes the junior subordinated debentures issued by FPL Group Capital on its consolidated balance sheets. See Note 11 – FPL Group.

10. Financial Instruments

The carrying amounts of cash equivalents and commercial paper approximate their fair values. At December 31, 2007 and 2006, other investments of FPL Group, not included in the table below, included financial instruments of approximately $30 million and $50 million, respectively, which primarily consist of notes receivable that are carried at estimated fair value or cost, which approximates fair value. See Note 11.

The following estimates of the fair value of financial instruments have been made using available market information. However, the use of different market assumptions or methods of valuation could result in different estimated fair values.

	December 31, 2007		December 31, 2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
FPL Group:				
Long-term debt, including current maturities	$ 12,681	$ 12,642[a]	$ 11,236	$ 11,314[a]
Special use funds	$ 3,482	$ 3,482[b]	$ 2,824	$ 2,824[b]
Other investments	$ 111	$ 111[b]	$ 93	$ 93[b]
Interest rate swaps – net unrealized gain (loss)	$ (28)	$ (28)[c]	$ 6	$ 6[c]
FPL:				
Long-term debt, including current maturities	$ 5,217	$ 5,185[a]	$ 4,214	$ 4,208[a]
Special use funds	$ 2,499	$ 2,499[b]	$ 2,264	$ 2,264[b]

(a) Based on market prices provided by external sources.
(b) Based on quoted market prices for these or similar issues.
(c) Based on market prices modeled internally.

Special Use Funds and Other Investments – The special use funds consist of FPL's storm fund assets and FPL Group's and FPL's nuclear decommissioning fund assets. Securities held in the special use funds and other investments are carried at estimated fair value based on quoted market prices. FPL Group's nuclear decommissioning funds consist of approximately 43% equity securities and 57% municipal, government, corporate and mortgage- and other asset-backed debt securities (45% and 55% for FPL, respectively) with a weighted-average maturity at December 31, 2007 of approximately six years at FPL Group and seven years at FPL. FPL's storm fund primarily consists of municipal debt securities with a weighted-average maturity of approximately three years. All of FPL Group's other investments consist of debt securities. The cost of securities sold is determined on the specific identification method.

The following tables provide the approximate realized gains and losses and proceeds from the sale of securities for special use funds and other investments.

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2007	2006	2005	2007	2006	2005
	(millions)					
Realized gains	$ 59	$ 51	$ 18	$ 52	$ 39	$ 14
Realized losses	$ 40	$ 38	$ 17	$ 37	$ 35	$ 16
Proceeds from sale of securities	$ 2,349	$ 3,231	$ 2,937	$ 1,978	$ 2,673	$2,767

The following table provides the unrealized gains for the special use funds and other investments.

	FPL Group		FPL	
	December 31,		December 31,	
	2007	2006	2007	2006
	(millions)			
Unrealized gains				
Equity securities	$ 577	$ 522	$ 491	$ 452
Debt securities	$ 25	$ 31	$ 18	$ 30

Regulations issued by the FERC and the NRC provide general risk management guidelines to protect nuclear decommissioning trust funds and to allow such funds to earn a reasonable return. The FERC regulations prohibit investments in any securities of FPL Group or its subsidiaries, affiliates or associates, excluding investments tied to market indices or other mutual funds. Similar restrictions applicable to the decommissioning trust fund for FPL Energy's nuclear plants are contained in the NRC operating licenses for those facilities. NRC regulations applicable to NRC licensees not in cost-of-service environments require similar investment restrictions. The NRC's regulations permit licensees with operating licenses containing conditions restricting the use of decommissioning trust funds to rely on those conditions in lieu of compliance with NRC regulations. FPL Energy's nuclear plants contain such restrictions in their NRC operating licenses. With respect to the decommissioning trust fund for FPL Energy's Seabrook nuclear plant, decommissioning trust fund contributions and withdrawals are also regulated by the NDFC pursuant to New Hampshire law.

The nuclear decommissioning reserve funds are managed by investment managers who must comply with the guidelines and rules of the applicable regulatory authorities, FPL Group and FPL. The funds' assets are invested in order to optimize the after-tax earnings of these funds, giving consideration to liquidity, risk, diversification and other prudent investment objectives.

Interest Rate Swaps – 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, 2007, 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)
Cash flow hedges – FPL Energy:					
$ 164	February 2005	June 2008	4.255%	Variable[a]	$ -
$ 70	December 2003	December 2017	4.245%	Variable[a]	-
$ 23	April 2004	December 2017	3.845%	Variable[a]	-
$ 207	December 2005	November 2019	4.905%	Variable[a]	(5)
$ 527	January 2007	January 2022	5.390%	Variable[b]	(23)
Total cash flow hedges					$ (28)

[a] Three-month London InterBank Offered Rate (LIBOR)
[b] Six-month LIBOR

In January 2008, an indirect wholly-owned subsidiary of FPL Energy entered into an interest rate swap agreement to pay a fixed rate of 3.2050% on $195 million of its variable rate limited recourse debt in order to limit cash flow exposure.

11. Investments in Partnerships and Joint Ventures

FPL Energy – FPL Energy has non-controlling non-majority owned interests in various partnerships and joint ventures, essentially all of which are electricity producers. At December 31, 2007 and 2006, FPL Energy's investment in partnerships and joint ventures totaled approximately $216 million and $361 million, respectively, which is included in other investments on FPL Group's consolidated balance sheets. FPL Energy's interest in these partnerships and joint ventures range from approximately 5.5% to 50%. At December 31, 2007, the principal operating entities included in FPL Energy's investments in partnerships and joint ventures were Northeast Energy, LP, TPC Windfarms LLC, Mojave 16/17/18 LLC, Luz Solar Partners LTD., V and Luz Solar Partners LTD., IX, and in 2006 also included Cherokee County Cogeneration Partners, LP. FPL Energy acquired an additional ownership interest in Cherokee County Cogeneration Partners, LP in 2007 and now accounts for its operations in the consolidated financial statements.

Summarized combined information for these principal entities is as follows:

	2007	2006
	(millions)	
Net income	$ 108	$ 144
Total assets	$ 957	$ 1,237
Total liabilities	$ 514	$ 687
Partners'/members' equity	$ 443	$ 550
FPL Energy's share of underlying equity in the principal entities	$ 221	$ 274
Difference between investment carrying amount and underlying equity in net assets [a]	(23)	(24)
FPL Energy's investment carrying amount for the principal entities	$ 198	$ 250

[a] The majority of the difference between the investment carrying amount and the underlying equity in net assets is being amortized over the remaining life of the investee's assets.

Certain subsidiaries of FPL Energy provide services to the partnerships and joint ventures, including O&M expenses and business management services. FPL Group's operating revenues for the years ended December 31, 2007, 2006 and 2005 include approximately $20 million, $20 million and $19 million, respectively, related to such services. The net receivables at December 31, 2007 and 2006, for these services, as well as for affiliate energy commodity transactions, payroll and other payments made on behalf of these investees, were approximately $31 million and $21 million, respectively, and are included in other current assets on FPL Group's consolidated balance sheets.

Notes receivable (long- and short-term) include approximately $33 million and $24 million at December 31, 2007 and 2006, respectively, due from partnerships and joint ventures in which FPL Energy has an ownership interest. Approximately $19 million of the notes receivable balance at December 31, 2007 mature in 2008 and bear interest at variable rates which averaged approximately 15.3% in 2007. The remaining $14 million mature in 2011 and bear interest at a fixed rate of 8.5%. The notes receivable balance at December 31, 2006 mature in 2008 through 2011 and the majority bear interest at a fixed rate of 8.5%. Interest income related to notes receivable totaled approximately $4 million, $2 million and $7 million for the years ended December 31, 2007, 2006 and 2005, respectively, and is included in interest income in FPL Group's consolidated statements of income. Interest receivable associated with these notes as of December 31, 2007 and 2006 was not material.

In addition, FPL Energy owns an equity interest in Karaha Bodas Company, LLC (KBC) which totaled approximately $90 million at December 31, 2006 and is included in the $361 million of investment in partnerships and joint ventures discussed above. During 2006, KBC received approximately $290 million as a result of a court judgment against Indonesia's state-owned oil/energy company to recover KBC's investment in a project suspended indefinitely by the Indonesian government in 1998 and for lost profits. All appeals with respect to the judgment have been exhausted. FPL Energy's portion of the final judgment, or approximately $97 million pretax, is included in equity in earnings of equity method investees in FPL Group's consolidated statements of income for 2006. During 2006, KBC distributed approximately $7 million of the judgment funds to FPL Energy, and in February 2007, KBC distributed the remaining amount of approximately $90 million to FPL Energy.

Sale of Differential Membership Interests – In December 2007, an indirect wholly-owned subsidiary of FPL Energy sold its Class B membership interests in a subsidiary that owns five wind facilities totaling 598 mw of wind generation for approximately $705 million. In exchange for the cash received, the holders of the Class B membership interests will receive a portion of the economic attributes of the facilities, including tax attributes, for a variable period. Recognition of the proceeds from the sale of the differential membership interests was deferred and is recorded in other liabilities on FPL Group's consolidated balance sheet. FPL Group continues to operate and manage the wind facilities, and consolidates the entity that owns the wind facilities.

FPL Group – In 2004, a trust created by FPL Group sold $300 million of preferred trust securities to the public and $9 million of common trust securities to FPL Group. The trust is an unconsolidated 100%-owned finance subsidiary. The trust used the proceeds to purchase $309 million of 5 7/8% junior subordinated debentures maturing in March 2044 from FPL Group Capital. FPL Group has fully and unconditionally guaranteed the preferred trust securities and the junior subordinated debentures.

12. Common Stock

Earnings Per Share – The reconciliation of FPL Group's basic and diluted earnings per share of common stock is shown below:

	Years Ended December 31,		
	2007	2006	2005
	(millions, except per share amounts)		
Numerator – net income	$ 1,312	$ 1,281	$ 901
Denominator:			
Weighted-average number of common shares outstanding – basic	397.7	393.5	380.1
Restricted stock, performance share awards, options, warrants and equity units [(a)]	2.9	3.0	5.6
Weighted-average number of common shares outstanding – assuming dilution	400.6	396.5	385.7
Earnings per share of common stock:			
Basic	$ 3.30	$ 3.25	$ 2.37
Assuming dilution	$ 3.27	$ 3.23	$ 2.34

(a) Performance share awards are included in diluted weighted-average number of shares outstanding based upon what would be issued if the end of the reporting period was the end of the term of the award. Restricted stock, performance share awards, options, warrants and equity units (known as Corporate Units, see Note 14) are included in diluted weighted-average number of common shares outstanding by applying the treasury stock method.

In 2007, 2006 and 2005, there were no securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been antidilutive.

In February 2005, FPL Group's Board of Directors approved a two-for-one stock split of FPL Group's common stock effective March 15, 2005 (2005 stock split). FPL Group's authorized common stock increased from 400 million to 800 million shares. All share or per share information included in FPL Group's consolidated financial statements reflect the effect of the 2005 stock split.

Common Stock Dividend Restrictions – FPL Group's charter does not limit the dividends that may be paid on its common stock. FPL's mortgage securing FPL's first mortgage bonds contains provisions which, under certain conditions, restrict the payment of dividends and other distributions to FPL Group. These restrictions do not currently limit FPL's ability to pay dividends to FPL Group.

Employee Stock Ownership Plan – The employee retirement savings plans of FPL Group include a leveraged ESOP feature. Shares of common stock held by the trust for the employee retirement savings plans (Trust) are used to provide all or a portion of the employers' matching contributions. Dividends received on all shares, along with cash contributions from the employers, are used to pay principal and interest on an ESOP loan held by a subsidiary of FPL Group Capital. Dividends on shares allocated to employee accounts and used by the Trust for debt service are replaced with shares of common stock, at prevailing market prices, in an equivalent amount. For purposes of computing basic and fully diluted earnings per share, ESOP shares that have been committed to be released are considered outstanding.

ESOP-related compensation expense of approximately $35 million, $32 million and $27 million in 2007, 2006 and 2005, respectively, was recognized based on the fair value of shares allocated to employee accounts during the period. Interest income on the ESOP loan is eliminated in consolidation. ESOP-related unearned compensation included as a reduction of common shareholders' equity at December 31, 2007 was approximately $114 million, representing unallocated shares at the original issue price. The fair value of the ESOP-related unearned compensation account using the closing price of FPL Group common stock at December 31, 2007 was approximately $533 million.

Stock-Based Compensation – Effective January 1, 2006, FPL Group adopted FAS 123(R) using the modified prospective application transition method. Accordingly, the consolidated statement of income and consolidated statement of cash flows for the year ended December 31, 2005 do not reflect any restated amounts. Because FPL Group adopted the fair value recognition provisions of FAS 123 in 2004, the adoption of FAS 123(R) did not have a significant effect on FPL Group's financial statements.

Net income for the years ended December 31, 2007, 2006 and 2005 includes approximately $39 million, $34 million and $30 million, respectively, of compensation costs and $15 million, $13 million and $12 million, respectively, of income tax benefits related to stock-based compensation arrangements. As of December 31, 2007, there were approximately $56 million of unrecognized compensation costs related to nonvested/nonexercisable share-based compensation arrangements. These costs are expected to be recognized over a weighted-average period of 1.6 years. For awards granted subsequent to December 31, 2005, compensation costs for awards with graded vesting are recognized on a straight-line basis over the requisite service period for the entire award. For awards granted prior to that date, compensation costs for awards with graded vesting are recognized using the graded vesting attribution method.

At December 31, 2007, approximately 26.5 million shares of common stock were authorized and 15.9 million were available for awards (including outstanding awards) to officers, employees and non-employee directors of FPL Group and its subsidiaries under FPL Group's amended and restated long-term incentive plan and non-employee directors stock plans. FPL Group satisfies restricted stock and performance share awards by issuing new shares of its common stock or by purchasing shares of its common stock in the open market. FPL Group satisfies stock option exercises by issuing new shares of its common stock and grants most of its stock options in the first quarter of each year.

Restricted Stock and Performance Share Awards – Restricted stock typically vests within three years after the date of grant and is subject to, among other things, restrictions on transferability prior to vesting. The fair value of restricted stock is measured based upon the closing market price of FPL Group common stock as of the date of grant. Performance share awards are typically payable at the end of a three-year performance period if the specified performance criteria are met. The fair value of performance share awards is estimated based upon the closing market price of FPL Group common stock as of the date of grant less the present value of expected dividends, multiplied by an estimated performance multiple determined on the basis of historical experience, which is subsequently trued up at vesting based on actual performance.

The activity in restricted stock and performance share awards for the year ended December 31, 2007 was as follows:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Restricted Stock:		
Nonvested balance, January 1, 2007	1,031,736	$ 38.71
Granted	508,186	$ 61.08
Vested	(303,602)	$ 36.95
Forfeited	(54,508)	$ 45.26
Nonvested balance, December 31, 2007	1,181,812	$ 48.50
Performance Share Awards:		
Nonvested balance, January 1, 2007	1,133,383	$ 33.55
Granted	517,652	$ 45.04
Vested	(559,223)	$ 27.97
Forfeited	(40,889)	$ 41.42
Nonvested balance, December 31, 2007	1,050,923	$ 41.66

The weighted-average grant date fair value per share of restricted stock granted for the years ended December 31, 2006 and 2005 was $41.98 and $39.93, respectively. The weighted-average grant date fair value per share of performance share awards granted for the years ended December 31, 2006 and 2005 was $34.08 and $34.75, respectively.

The total fair value of restricted stock and performance share awards vested was $51 million, $40 million and $23 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Options – Options typically vest within three years after the date of grant and have a maximum term of ten years. The exercise price of each option granted equals the closing market price of FPL Group common stock on the date of grant. The fair value of the options is estimated on the date of the grant using the Black-Scholes option-pricing model and based on the following assumptions:

	2007	2006	2005
Expected volatility [(a)]	16.60%	19.56%	20.00%
Expected dividends	2.54%	3.40%	3.68%
Expected term (years) [(b)]	6	6	7
Risk-free rate	4.64%	4.60%	4.08%

(a) Based on historical experience.
(b) In 2007 and 2006, FPL Group used the "simplified" method to calculate the expected term. In 2005, the expected term was derived from historical experience.

Option activity for the year ended December 31, 2007 was as follows:

	Shares Underlying Options	Weighted-Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Balance, January 1, 2007	6,344,801	$ 30.22		
Granted	264,868	$ 59.05		
Exercised	(808,333)	$ 28.99		
Expired	(23,712)	$ 27.44		
Balance, December 31, 2007	5,777,624	$ 31.72	5.1	$ 208
Exercisable, December 31, 2007	5,169,428	$ 29.77	4.7	$ 197

The weighted-average grant date fair value of options granted was $10.96, $7.46 and $6.30 per share for the years ended December 31, 2007, 2006 and 2005, respectively. The total intrinsic value of stock options exercised was approximately $26 million, $21 million and $27 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Cash received from option exercises was approximately $23 million, $34 million and $60 million for the years ended December 31, 2007, 2006 and 2005, respectively. The tax benefits realized from options exercised were approximately $6 million, $6 million and $10 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Other – In June 2005, a wholly-owned subsidiary of FPL Group completed the acquisition of Gexa Corp., a retail electric provider in Texas. Each share of Gexa Corp.'s outstanding common stock was converted into 0.1682 of a share of FPL Group common stock. Assuming the exercise of Gexa Corp.'s options and warrants net of cash to be received upon exercise, the aggregate value of the consideration for the acquisition of Gexa Corp. was approximately $73 million, payable in shares of FPL Group common stock. At December 31, 2007, there were Gexa Corp. options and warrants outstanding for a total of 58,276 shares of FPL Group common stock.

13. Preferred Stock

FPL Group's charter authorizes the issuance of 100 million shares of serial preferred stock, $0.01 par value. None of FPL Group's preferred shares were outstanding as of December 31, 2007 or 2006. FPL's charter authorizes the issuance of 10,414,100 shares of preferred stock, $100 par value; 5 million shares of subordinated preferred stock, no par value and 5 million shares of cumulative preferred stock, no par value. There were no FPL preferred shares outstanding as of December 31, 2007 or 2006. In January 2005, FPL redeemed all 250,000 shares of its $100 Par Value 4 1/2% (Series A and Series V) preferred stock outstanding at December 31, 2004.

14. Debt

Long-term debt consists of the following:

	December 31, 2007	December 31, 2006
	(millions)	
FPL:		
First mortgage bonds:		
Maturing 2008 through 2017 – 4.85% to 6.00%	$ 1,125	$ 825
Maturing 2033 through 2037 – 4.95% to 6.20%	2,840	2,540
Storm-recovery bonds:		
Maturing 2013 through 2021 – 5.0440% to 5.2555% [a]	652	-
Pollution control, solid waste disposal and industrial development revenue bonds – maturing 2020 through 2029 – variable, 3.7% and 4.0% weighted-average annual interest rates, respectively	633	633
Term loan – variable, 5.6% weighted-average annual interest rate	-	250
Unamortized discount	(33)	(34)
Total long-term debt of FPL	5,217	4,214
Less current maturities of long-term debt	241	-
Long-term debt of FPL, excluding current maturities	4,976	4,214
FPL Group Capital:		
Debentures – maturing 2009 through 2011 – 5.625% to 7.375%	1,225	2,300
Debentures, related to FPL Group's equity units – maturing 2008 – 5.551%	506	506
Junior Subordinated Debentures – maturing 2044 through 2067 – 5 7/8% to 7.45%	2,009	1,009
Term loan – maturing 2009 – variable, 5.4% and 5.6% weighted-average annual interest rate	200	150
Fair value swaps	-	(2)
Unamortized discount	(3)	(3)
Total long-term debt of FPL Group Capital	3,937	3,960
Less current maturities of long-term debt	506	1,075
Less fair value swaps on current maturities of long-term debt	-	(2)
Long-term debt of FPL Group Capital, excluding current maturities	3,431	2,887
FPL Energy:		
Senior secured limited recourse bonds – maturing 2017 through 2024 – 5.608% to 7.52%	988	1,091
Senior secured limited recourse notes – maturing 2015 through 2037 – 6.31% to 7.51%	992	310
Other long-term debt – maturing 2008 through 2022 – primarily limited recourse and variable, 6.0% and 6.8% weighted-average annual interest rates, respectively	1,546	1,661
Unamortized premium	1	-
Total long-term debt of FPL Energy	3,527	3,062
Less current maturities of long-term debt	654	572
Long-term debt of FPL Energy, excluding current maturities	2,873	2,490
Total long-term debt	$ 11,280	$ 9,591

[a] Although principal on the storm-recovery bonds is due on the final maturity date (the date by which the principal must be repaid to prevent a default) for each tranche, it is expected to be paid semiannually and sequentially beginning February 1, 2008, when the first semiannual interest payment became due.

Minimum annual maturities of long-term debt for FPL Group are approximately $1,401 million, $1,333 million, $286 million, $892 million and $320 million for 2008, 2009, 2010, 2011 and 2012, respectively. The amounts for FPL are approximately $241 million, $263 million, $42 million, $45 million and $48 million for 2008, 2009, 2010, 2011 and 2012, respectively.

At December 31, 2007, commercial paper borrowings had a weighted-average interest rate of 4.39% for FPL Group (4.41% for FPL). Available lines of credit aggregated approximately $6.5 billion ($4.0 billion for FPL Group Capital and $2.5 billion for FPL) at December 31, 2007, all of which were based on firm commitments. These facilities provide for the issuance of letters of credit of up to $6.5 billion. The issuance of letters of credit is subject to the aggregate commitment under the applicable facility. While no direct borrowings were outstanding at December 31, 2007, letters of credit totaling $358 million and $46 million were outstanding under the FPL Group Capital and FPL credit facilities, respectively.

FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most of those under FPL Group Capital's debt, including all of its debentures and commercial paper issuances, as well as most of its guarantees. FPL Group Capital has guaranteed certain debt and other obligations of FPL Energy and its subsidiaries.

In June 2002, FPL Group sold 10.12 million 8% Corporate Units. In connection with the 8% Corporate Units financing, FPL Group Capital issued $506 million principal amount of 5% debentures due February 16, 2008, which were absolutely, irrevocably and unconditionally guaranteed by FPL Group. During 2005, FPL Group Capital remarketed these debentures and the annual interest rate was reset to 5.551%. Each 8% Corporate Unit initially consisted of a $50 FPL Group Capital debenture and a purchase contract pursuant to which the holder was required to purchase $50 of FPL Group common shares on or before February 16, 2006, and FPL Group made payments of 3% of each unit's $50 stated value until the shares were purchased. In February 2006, FPL Group paid approximately $48 million net to cancel approximately 4.2 million of its 8% Corporate Units. Also in February 2006, FPL Group issued approximately 8.7 million shares of common stock in return for approximately $296 million in proceeds upon settlement of the stock purchase contracts issued in connection with the remainder of the 8% Corporate Units.

Prior to the issuance of FPL Group's common stock, the purchase contracts were reflected in FPL Group's diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of FPL Group common stock used in calculating diluted earnings per share was deemed to be increased by the excess, if any, of the number of shares that would be issued upon settlement of the purchase contracts over the number of shares that could be purchased by FPL Group in the market, at the average market price during the period, using the proceeds receivable upon settlement.

In January 2008, FPL issued $600 million principal amount of 5.95% first mortgage bonds maturing in 2038. The proceeds were used to repay FPL's short-term borrowings and for other corporate purposes.

15. Asset Retirement Obligations

FPL Group and FPL each account for asset retirement obligations and conditional asset retirement obligations under FAS 143 and FIN 47. 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 if it can be reasonably estimated, with the offsetting associated asset retirement costs capitalized as part of the carrying amount of the long-lived assets. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over its useful life. Changes in the ARO resulting from the passage of time are recognized as an increase in the carrying amount of the liability and as accretion expense, which is included in depreciation and amortization expense in the consolidated statements of income. Changes resulting from revisions to the timing or amount of the original estimate of cash flows are recognized as an increase or a decrease in the asset retirement cost and ARO.

FPL Group and FPL have identified but not recognized ARO liabilities related to electric transmission and distribution and telecommunications assets resulting from easements over property not owned by FPL Group or FPL. In addition, FPL Group has identified but not recognized ARO liabilities related to the majority of FPL Energy's hydro facilities. These easements are generally perpetual and, along with the hydro facilities, only require retirement action upon abandonment or cessation of use of the property or facility for its specified purpose. The ARO liability is not estimable for such easements and hydro facilities as FPL Group and FPL intend to utilize these properties and facilities indefinitely. In the event FPL Group and FPL decide to abandon or cease the use of a particular easement and/or hydro facility, an ARO liability would be recorded at that time.

FPL's ARO relates primarily to the nuclear decommissioning obligation of its nuclear units. FPL's AROs other than nuclear decommissioning are not significant. The provisions of FAS 143 and FIN 47 result in timing differences in the recognition of legal asset retirement costs for financial reporting purposes and the method the FPSC allows FPL to recover in rates. Accordingly, any differences between the ongoing expense recognized under FAS 143 and FIN 47 and the amount recoverable through rates are deferred in accordance with FAS 71. See Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs.

FPL Energy's ARO relates primarily to the nuclear decommissioning obligation of its nuclear plants and obligations for the dismantlement of its wind facilities located on leased property. See Note 1 – Decommissioning of Nuclear Plants, Dismantlements of Plants and Other Accrued Asset Removal Costs.

The following table provides a rollforward of FPL Group's and FPL's ARO from December 31, 2005 to December 31, 2007:

	FPL	FPL Energy	FPL Group
		(millions)	
Balance, December 31, 2005	$ 1,474	$ 211	$ 1,685
Liabilities incurred:			
Duane Arnold acquisition	-	118	118
Other	1	1	2
Accretion expense	81	23	104
Revision in estimated cash flows – net	16	(105)[a]	(89)
Balance, December 31, 2006	1,572	248	1,820
Liabilities incurred:			
Point Beach acquisition	-	225	225
Other	-	9	9
Accretion expense	86	21	107
Revision in estimated cash flows – net	(5)	1	(4)
Balance, December 31, 2007	$ 1,653	$ 504	$ 2,157

[a] Primarily reflects the effect of decreasing the escalation rate used to determine the ultimate projected costs of decommissioning Seabrook and Duane Arnold.

Restricted trust funds for the payment of future expenditures to decommission FPL Group's and FPL's nuclear units included in special use funds on FPL Group's and FPL's consolidated balance sheets are as follows (see Note 10):

	FPL	FPL Energy	FPL Group
		(millions)	
Balance, December 31, 2007	$ 2,371	$ 982	$ 3,353
Balance, December 31, 2006	$ 2,264	$ 560[a]	$ 2,824

[a] Seabrook and Duane Arnold only.

16. Commitments and Contingencies

Commitments – FPL Group and its subsidiaries have made commitments in connection with a portion of their projected 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. At FPL Energy, capital expenditures include, among other things, the cost, including capitalized interest, for construction of wind projects and the procurement of nuclear fuel. FPL FiberNet's capital expenditures primarily include costs to meet customer specific requirements and sustain its fiber-optic network.

At December 31, 2007, planned capital expenditures for 2008 through 2012 were estimated as follows:

	2008	2009	2010	2011	2012	Total
			(millions)			
FPL:						
Generation: [a]						
New [b] [c]	$ 865	$ 340	$ 5	$ -	$ -	$ 1,210
Existing	780	1,015	1,115	895	710	4,515
Transmission and distribution [d]	915	1,080	1,120	1,160	1,130	5,405
Nuclear fuel	125	165	200	175	195	860
General and other	150	150	175	165	165	805
Total	$ 2,835	$ 2,750	$ 2,615	$ 2,395	$ 2,200	$ 12,795
FPL Energy:						
Wind [e]	$ 2,085	$ 5	$ 5	$ 5	$ 5	$ 2,105
Nuclear [f]	280	345	375	305	250	1,555
Gas	80	95	115	35	25	350
Other	45	40	25	20	20	150
Total	$ 2,490	$ 485	$ 520	$ 365	$ 300	$ 4,160
FPL FiberNet	$ 23	$ 23	$ 23	$ 16	$ 16	$ 101

(a) Includes AFUDC of approximately $54 million and $55 million in 2008 and 2009, respectively.
(b) Includes land, generating structures, transmission interconnection and integration, licensing and AFUDC.
(c) Excludes essentially all estimated capital costs associated with FPL's announced plan to invest in solar generating facilities. Also excludes capital expenditures for two proposed nuclear units at FPL's Turkey Point site. These costs are not included in the table above because they are subject to, among other things, various regulatory and other approvals, as well as the solar generating facilities meeting certain performance standards on a smaller scale.
(d) Includes estimated capital costs associated with Storm Secure®. These capital costs are subject to change over time based on, among other things, productivity enhancements and prioritization.
(e) Capital expenditures for new wind projects are estimated through 2008, when eligibility for PTCs for new wind projects is scheduled to expire. FPL Energy expects to add approximately 1,500 mw to 2,000 mw of new wind generation per year from 2009 through 2012, subject to, among other things, continued public policy support, the cost of which is estimated to be approximately $3 billion for 2009 and $4 billion to $5 billion in each of 2010, 2011 and 2012.
(f) Includes nuclear fuel.

In addition to the estimated capital expenditures listed above, FPL and FPL Energy have long-term contracts related to purchased power and/or fuel (see Contracts below). At December 31, 2007, FPL Energy had approximately $2.6 billion in firm commitments, primarily for 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. In addition, FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most payment obligations under FPL Group Capital's debt.

Additionally, FPL Group has announced plans to invest up to $1.5 billion in new solar generating facilities in Florida and California from 2008 to 2014, including plans by FPL to build approximately 300 mw in Florida. FPL is evaluating new solar technology, and intends to initially construct a 10 mw facility, with expansion of the project to a 300 mw facility subject to the receipt of regulatory and other approvals as well as the technology meeting agreed-upon cost and technical specifications. FPL has also announced plans to invest up to $500 million from 2008 to 2013 for an advanced metering initiative that will provide enhanced energy management capabilities to FPL customers and enable FPL to develop better energy management programs. If the advanced metering initiative is proven successful in small geographic areas, it is expected to be broadened to cover FPL's service territory. FPL Energy has announced plans to launch a renewable energy program in 2008, with the revenue generated from this program to be used to develop renewable energy sources. Because these projected investments are subject to, among other things, various regulatory and other approvals as well as meeting certain performance standards on a smaller scale, essentially all the costs associated with these projected investments are not included in the capital expenditures table above.

Also, FPL Energy through its wholly-owned subsidiary, Lone Star Transmission, LLC, has proposed to build, own and operate a 180 to 200 mile, high voltage, direct current, open access transmission line located between west Texas and the Dallas/Fort Worth area with a capacity of 2,000 mw. The construction of the transmission line is contingent upon, among other things, receipt of all applicable regulatory approvals. The estimated cost of the transmission line is expected to range from $635 million to $655 million. Due to the contingencies discussed above (including their impact on the timing of construction), these estimated costs are not included in the capital expenditures table above.

In February 2008, a wholly-owned subsidiary of FPL Group Capital committed to lend to a third party up to $500 million under a construction and term loan. The loan provides for a single $500 million draw, which is expected to occur in late 2009. The loan will initially bear interest at a variable rate and will be converted to a 20-year, fixed rate term loan upon completion of construction.

FPL Group and FPL each account for payment guarantees and related contracts, for which it or a subsidiary is the guarantor, under FIN 45, which requires that the fair value of guarantees provided to unconsolidated entities entered into after December 31, 2002 be recorded on the balance sheet. At December 31, 2007, subsidiaries of FPL Group, other than FPL, have guaranteed debt service payments relating to agreements that existed at December 31, 2002. The terms of the guarantees are equal to the terms of the related debt, with remaining terms ranging from 1 year to 11 years. The maximum potential amount of future payments that could be required under these guarantees at December 31, 2007 was approximately $16 million. At December 31, 2007, FPL Group did not have any liabilities recorded for these guarantees. In certain instances, FPL Group can seek recourse from third parties for 50% of any amount paid under the guarantees. Guarantees provided to unconsolidated entities entered into subsequent to December 31, 2002, and the related fair value, were not material as of December 31, 2007.

Certain subsidiaries of FPL Energy have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the FPL Energy subsidiary becoming liable for liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that the exposure associated with these liquidated damages provisions is not material.

Contracts – FPL has entered into long-term purchased power and fuel contracts. FPL is obligated under take-or-pay purchased power contracts with JEA and with subsidiaries of The Southern Company (Southern subsidiaries) to pay for approximately 1,300 mw of power annually through mid-2015 and 375 mw annually thereafter through 2021, and one of the Southern subsidiaries' contracts is subject to minimum quantities. FPL also has various firm pay-for-performance contracts to purchase approximately 740 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2009 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. FPL has various agreements with several electricity suppliers to purchase an aggregate of up to approximately 920 mw of power with expiration dates ranging from 2009 through 2012. In general, the agreements require FPL to make capacity payments and supply the fuel consumed by the plants under the contracts. FPL has contracts with expiration dates through 2028 for the purchase and transportation of natural gas and coal, and storage of natural gas.

FPL Energy has entered into several contracts for the purchase of wind turbines and towers in support of a portion of its planned new wind generation. In addition, FPL Energy has contracts primarily for the purchase, transportation and storage of natural gas and firm transmission service with expiration dates ranging from 2008 through 2036. FPL Energy also has several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from 2008 to 2018.

The required capacity and minimum payments under these contracts as of December 31, 2007 were estimated as follows:

	2008	2009	2010	2011	2012	Thereafter
FPL:			(millions)			
Capacity payments: [a]						
JEA and Southern subsidiaries [b]	$ 210	$ 220	$ 220	$ 210	$ 210	$ 750
Qualifying facilities [b]	$ 320	$ 320	$ 290	$ 260	$ 270	$ 2,920
Other electricity suppliers [b]	$ 55	$ 50	$ 10	$ 10	$ 5	$ -
Minimum payments, at projected prices:						
Southern subsidiaries – energy [b]	$ 80	$ 90	$ 40	$ -	$ -	$ -
Natural gas, including transportation and storage [c]	$ 2,830	$ 1,610	$ 260	$ 260	$ 260	$ 1,895
Coal [c]	$ 65	$ 55	$ 45	$ 10	$ -	$ -
FPL Energy	$ 1,460	$ 100	$ 90	$ 50	$ 50	$ 665

[a] Capacity payments under these contracts, the majority of which are recoverable through the capacity clause, totaled approximately $578 million, $610 million and $616 million for the years ended December 31, 2007, 2006 and 2005, respectively.

[b] Energy payments under these contracts, which are recoverable through the fuel clause, totaled approximately $447 million, $421 million and $363 million for the years ended December 31, 2007, 2006 and 2005, respectively.

[c] Recoverable through the fuel clause.

In addition, FPL has entered into several long-term agreements for storage capacity and transportation of natural gas from facilities that have not yet begun, or if begun have not yet completed, construction. These agreements range from 12 to 25 years in length and contain firm commitments by FPL totaling up to approximately $289 million annually or $6.3 billion over the terms of the agreements. These firm commitments are contingent upon the occurrence of certain events, including approval by the FERC and completion of construction of the facilities in mid-2008 and 2011.

Insurance – Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with this Act, FPL Group maintains $300 million of private liability insurance per site, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to $805 million ($402 million for FPL), plus any applicable taxes, per incident at any nuclear reactor in the United States, payable at a rate not to exceed $120 million ($60 million for FPL) per incident per year. FPL Group and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook, Duane Arnold and St. Lucie Unit No. 2, which approximates $12 million, $30 million and $15 million, plus any applicable taxes, per incident, respectively.

FPL Group participates in nuclear insurance mutual companies that provide $2.75 billion of limited insurance coverage per occurrence per site for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL Group also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service for an extended period of time because of an accident. In the event of an accident at one of FPL Group's or another participating insured's nuclear plants, FPL Group could be assessed up to $169 million ($97 million for FPL), plus any applicable taxes, in retrospective premiums. FPL Group and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook, Duane Arnold and St. Lucie Unit No. 2, which approximates $2 million, $5 million and $4 million, plus any applicable taxes, respectively.

Due to the high cost and limited coverage available from third-party insurers, FPL does not have insurance coverage for a substantial portion of its transmission and distribution property and FPL Group has no insurance coverage for FPL FiberNet's fiber-optic cable located throughout Florida. Should FPL's future storm restoration costs exceed the reserve amount (see Note 1 – Securitization), FPL may recover prudently incurred storm restoration costs either through securitization provisions pursuant to the Florida Statutes or through surcharges approved by the FPSC.

In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered from customers in the case of FPL, would be borne by FPL Group and FPL and could have a material adverse effect on FPL Group's and FPL's financial condition and results of operations.

Litigation – In November 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA), brought an action in the U.S. District Court for the Northern District of Georgia against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged violations of the Prevention of Significant Deterioration (PSD) provisions and the New Source Performance Standards (NSPS) of the Clean Air Act. In May 2001, the EPA amended its complaint to allege, among other things, that Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining a PSD permit, without complying with NSPS requirements, and without applying best available control technology for nitrogen oxides, sulfur dioxides and particulate matter as required by the Clean Air Act. It also alleges that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions. The EPA seeks injunctive relief requiring the installation of best available control technology and civil penalties of up to $25,000 per day for each violation from an unspecified date after June 1, 1975 through January 30, 1997 and $27,500 per day thereafter for each violation. The EPA further revised its civil penalty rule in February 2004, such that the maximum penalty is $32,500 per day for each violation after March 15, 2004. Georgia Power Company has answered the amended complaint, asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. In June 2001, a federal district court stayed discovery and administratively closed the case and the EPA has not yet moved to reopen the case. In April 2007, the U.S. Supreme Court in a separate unrelated case rejected an argument that a "major modification" occurs at a plant only when there is a resulting increase in the hourly rate of air emissions. Georgia Power Company has made a similar argument in defense of its case, but has other factual and legal defenses that are unaffected by the Supreme Court's decision.

In August 2001, Florida Municipal Power Agency (FMPA) filed with the U.S. Court of Appeals for the District of Columbia (DC Circuit) a petition for review asking the DC Circuit to reverse and remand orders of the FERC denying FMPA's request for credits for transmission facilities owned by FMPA members. This matter arose from a 1993 FPL filing of a comprehensive restructuring of its then-existing tariff structure. All issues related to that filing were settled in September 2000 except for three issues reserved by FMPA: (i) FMPA's request for transmission credits related to the costs of its transmission facilities (the crediting issue), (ii) treatment of behind-the-meter generation and load ratio pricing for network integration transmission service (the behind-the-meter issue), and (iii) exclusions from FPL's transmission rates of the costs of FPL's facilities that fail to meet the same integration test that was applied to FMPA's facilities with respect to the crediting issue (the rate base issue). The FERC and the DC Circuit have rejected FMPA's claim for transmission credits, which would have reduced FMPA's payment obligation to FPL for network integration transmission service.

With regard to the behind-the-meter issue, the FERC rejected FMPA's argument that its obligation to pay for network integration transmission service should be reduced to the extent that FPL allegedly cannot provide transmission service because of "physical transmission limitations." In June 2005, the DC Circuit remanded the case to the FERC for further consideration. In December 2005, the FERC issued an order on remand finding that load ratio share pricing is appropriate notwithstanding constraints on a third-party's system. In January 2006, FMPA filed a rehearing request of this order with the FERC, which the FERC denied in July 2006. FMPA submitted a petition for review of the FERC's December 2005 and July 2006 orders at the DC Circuit. In January 2008, the DC Circuit denied FMPA's petition for review.

With regard to the rate base issue, in May 2004 FPL made a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test that was applied to the FMPA facilities. Pursuant to that filing, FPL's current network transmission rate would have been reduced by $0.02 per kilowatt (kw) per month. In June 2004, FMPA filed a protest to FPL's compliance filing, arguing that FPL's current network transmission rate should be reduced by approximately $0.41 per kw per month. In January 2005, the FERC issued an order on FPL's compliance filing. In the order, the FERC accepted FPL's standards for analyzing the transmission system and agreed that FPL's "Georgia Ties" and "Turkey Point Lines" are part of FPL's integrated grid. The FERC required FPL to make an additional compliance filing removing the cost of all radial transmission lines from transmission rates, analyzing the FPL transmission system to remove the cost of any transmission facilities that provide only "unneeded redundancy," and calculating rate adjustments using 1993 data rather than 1998 data. FPL made this compliance filing in April 2005, under which FPL's current rate would be reduced by $0.04 per kw per month. In May 2005, FMPA protested FPL's compliance filing and argued that FPL's rates should be reduced by an additional $0.20 per kw per month, potentially resulting in a refund obligation to FMPA of approximately $26 million at December 31, 2007. Any reduction in FPL's network service rate also would apply effective January 1, 2004 to Seminole Electric Cooperative Inc. (Seminole), FPL's other network customer. The potential refund obligation to Seminole based on FMPA's position is approximately $13 million at December 31, 2007.

In December 2005, the FERC issued an order accepting FPL's April 2005 compliance filing in part, rejecting it in part, and directing the submission of a further compliance filing. The FERC concluded that it is not clear whether FPL failed to test its non-radial facilities in a manner comparable to the way it tested FMPA's facilities. FPL filed a rehearing request in January 2006, which the FERC denied in July 2006. FPL filed a request for rehearing of the FERC's July 2006 order. In September 2006, FPL made the required compliance filing, removing additional transmission facilities from rates. In February 2008, the FERC granted FPL's request for rehearing of the July 2006 order and reconsidered the December 2005 order. Upon reconsideration, the FERC accepted FPL's April 2005 compliance filing in full and dismissed as moot FPL's September 2006 compliance filing. The refund liability under the April 2005 compliance filing is approximately $4 million to FMPA and approximately $2 million to Seminole at December 31, 2007.

In 1995 and 1996, FPL Group, through an indirect subsidiary, purchased from Adelphia Communications Corporation (Adelphia) 1,091,524 shares of Adelphia common stock and 20,000 shares of Adelphia preferred stock (convertible into 2,358,490 shares of Adelphia common stock) for an aggregate price of approximately $35,900,000. On January 29, 1999, Adelphia repurchased all of these shares for $149,213,130 in cash. On June 24, 2004, Adelphia, Adelphia Cablevision, L.L.C. and the Official Committee of Unsecured Creditors of Adelphia filed a complaint against FPL Group and its indirect subsidiary in the U.S. Bankruptcy Court, Southern District of New York. The complaint alleges that the repurchase of these shares by Adelphia was a fraudulent transfer, in that at the time of the transaction Adelphia (i) was insolvent or was rendered insolvent, (ii) did not receive reasonably equivalent value in exchange for the cash it paid, and (iii) was engaged or about to engage in a business or transaction for which any property remaining with Adelphia had unreasonably small capital. The complaint seeks the recovery for the benefit of Adelphia's bankruptcy estate of the cash paid for the repurchased shares, plus interest. FPL Group has filed an answer to the complaint. FPL Group believes that the complaint is without merit because, among other reasons, Adelphia will be unable to demonstrate that (i) Adelphia's repurchase of shares from FPL Group, which repurchase was at the market value for those shares, was not for reasonably equivalent value, (ii) Adelphia was insolvent at the time of the repurchase, or (iii) the repurchase left Adelphia with unreasonably small capital. The case is in discovery and has been scheduled for trial in March 2009.

In February 2003, Scott and Rebecca Finestone brought an action on behalf of themselves and their son Zachary Finestone in the U.S. District Court for the Southern District of Florida alleging that their son has developed cancer (neuroblastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The complaint, as subsequently amended, includes counts against FPL for strict liability for allegedly engaging in an ultra-hazardous activity and for alleged negligence in operating the plant in a manner that allowed emissions of the foregoing materials and failing to limit its release of nuclear fission products as prescribed by federal and state laws and regulations. The plaintiffs seek damages in excess of $1 million. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. In February 2006, the plaintiffs filed a notice of appeal of the court's decision, which appeal is pending before the U.S. Court of Appeals for the Eleventh Circuit. Oral argument was held in November 2007.

In May 2003, Tish Blake and John Lowe, as personal representatives of the Estate of Ashton Lowe, on behalf of the estate and themselves, as surviving parents, brought an action in the U.S. District Court for the Southern District of Florida alleging that their son developed cancer (medulo-blastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The allegations, counts and damages demanded in the complaint, as subsequently amended, are virtually identical to those contained in the Finestone lawsuit described above. In January 2006, the court granted FPL's motion for final summary judgment and dismissed the case. In February 2006, the plaintiffs filed a notice of appeal of the court's decision, which appeal is pending before the U.S. Court of Appeals for the Eleventh Circuit. Oral argument was held in November 2007.

In August 2003, Pedro C. and Emilia Roig brought an action on behalf of themselves and their son, Pedro Anthony Roig, in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida (the state court), which was removed in October 2003 to the U.S. District Court for the Southern District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies and FPL, alleging that their son has suffered toxic neurological effects from mercury poisoning. The sources of mercury exposure are alleged to be vaccines containing a preservative called thimerosal that were allegedly manufactured and distributed by the drug companies, mercury amalgam dental fillings, and emissions from FPL power plants in southeast Florida. The complaint includes counts against all defendants for civil battery and against FPL for alleged negligence in operating the plants such that the son was exposed to mercury and other heavy metals emissions. The damages demanded from FPL are for injuries and losses allegedly suffered by the son as a result of his exposure to the plants' mercury emissions and the parents' alleged pain and suffering, medical expenses, loss of wages, and loss of their son's services and companionship. No amount of damages is specified. The U.S. District Court remanded the action back to the state court. The drug manufacturing and distribution companies have moved to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until requested by the plaintiffs.

In December 2003, Edward and Janis Shiflett brought an action on behalf of themselves and their son, Phillip Benjamin Shiflett, in the Circuit Court of the Eighteenth Judicial Circuit in and for Brevard County, Florida (the state court), which was removed in January 2004 to the U.S. District Court for the Middle District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, FPL and the Orlando Utilities Commission, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Roig lawsuit described above. FPL's motion to dismiss the complaint was denied. The U.S. District Court subsequently remanded the action back to the state court. The state court subsequently dismissed the drug manufacturing and distribution companies from the action. Plaintiffs' appeal of that order is pending before the Florida Fifth District Court of Appeal. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until requested by the plaintiffs.

In October 2004, TXU Portfolio Management Company (TXU) served FPL Energy Pecos Wind I, LP, FPL Energy Pecos Wind I GP, LLC, FPL Energy Pecos Wind II, LP, FPL Energy Pecos Wind II GP, LLC and Indian Mesa Wind Farm, LP (FPL Energy Affiliates) as defendants in a civil action filed in the District Court in Dallas County, Texas. FPL Energy was added as a defendant in 2005. The petition alleged that the FPL Energy Affiliates had a contractual obligation to produce and sell to TXU a minimum quantity of energy each year and that the FPL Energy Affiliates failed to meet this obligation. The plaintiff asserted claims for breach of contract and declaratory judgment and sought damages of approximately $34 million. The FPL Energy Affiliates filed their answer and counterclaim in November 2004, denying the allegations. The counterclaim, as amended, asserted claims for conversion, breach of fiduciary duty, breach of warranty, conspiracy, breach of contract and fraud and sought termination of the contract and damages. Following a jury trial in June 2007, among other findings, both TXU and the FPL Energy Affiliates were found to have breached the contract. In January 2008, the judge entered a ruling pursuant to which the contract is not terminated and neither party will recover any damages.

In addition to those legal proceedings discussed above, FPL Group and its subsidiaries, including FPL, are involved in a number of other legal proceedings and claims in the ordinary course of their businesses. Generating plants in which FPL Group or FPL have an ownership interest are also involved in legal proceedings and claims, the liabilities from which, if any, would be shared by FPL Group or FPL.

In the event that FPL Group and FPL, or their affiliates, do not prevail in these lawsuits, there may be a material adverse effect on their financial statements. However, FPL Group and FPL believe that they, or their affiliates, have meritorious defenses to all the pending litigation and proceedings discussed above under the heading Litigation and are vigorously defending the lawsuits. While management is unable to predict with certainty the outcome of the legal proceedings and claims discussed or described herein, based on current knowledge it is not expected that their ultimate resolution, individually or collectively, will have a material adverse effect on the financial statements of FPL Group or FPL.

17. Segment Information

FPL Group's reportable segments include FPL, a rate-regulated utility, and FPL Energy, a competitive energy business. Corporate and Other represents other business activities, other segments that are not separately reportable and eliminating entries. FPL Group's operating revenues derived from the sale of electricity represented approximately 98%, 97% and 96% of FPL Group's operating revenues for the years ended December 31, 2007, 2006 and 2005. Less than 1% of operating revenues were from foreign sources for each of the three years ended December 31, 2007, 2006 and 2005. At December 31, 2007 and 2006, less than 1% of long-lived assets were located in foreign countries.

FPL Group's segment information is as follows:

	2007				2006				2005			
	FPL	FPL Energy [a]	Corp. and Other	Total	FPL	FPL Energy [a]	Corp. and Other	Total	FPL	FPL Energy [a]	Corp. and Other	Total
	(millions)											
Operating revenues	$ 11,622	$ 3,474	$ 167	$ 15,263	$ 11,988	$ 3,558	$ 164	$ 15,710	$ 9,528	$ 2,221	$ 97	$ 11,846
Operating expenses	$ 10,059	$ 2,753	$ 168	$ 12,980	$ 10,525	$ 2,803	$ 285 [b]	$ 13,613	$ 8,181	$ 2,067	$ 108	$ 10,356
Interest charges	$ 304	$ 312	$ 146	$ 762	$ 278	$ 269	$ 159	$ 706	$ 224	$ 223	$ 146	$ 593
Interest income	$ 17	$ 40	$ 32	$ 89	$ 30	$ 25	$ 7	$ 62	$ 14	$ 28	$ 27	$ 69
Depreciation and amortization	$ 773	$ 473	$ 15	$ 1,261	$ 787	$ 375	$ 23	$ 1,185	$ 951	$ 311	$ 23	$ 1,285
Equity in earnings of equity method investees	$ -	$ 68	$ -	$ 68	$ -	$ 181 [c]	$ -	$ 181	$ -	$ 124	$ -	$ 124
Income tax expense (benefit) [d]	$ 451	$ (35)	$ (48)	$ 368	$ 424	$ 110	$ (137)	$ 397	$ 408	$ (55)	$ (71)	$ 282
Net income (loss)	$ 836	$ 540	$ (64)	$ 1,312	$ 802	$ 610 [c]	$ (131) [b]	$ 1,281	$ 748	$ 203	$ (50)	$ 901
Capital expenditures, independent power investments and nuclear fuel purchases	$ 2,007	$ 2,981	$ 31	$ 5,019	$ 1,868	$ 1,809	$ 62	$ 3,739	$ 1,711	$ 822	$ 13	$ 2,546
Property, plant and equipment	$ 27,251	$ 13,534	$ 255	$ 41,040	$ 25,686	$ 10,224	$ 242	$ 36,152	$ 24,407	$ 8,568	$ 334	$ 33,309
Accumulated depreciation and amortization	$ 10,081	$ 2,167	$ 140	$ 12,388	$ 9,848	$ 1,679	$ 126	$ 11,653	$ 9,530	$ 1,253	$ 105	$ 10,888
Total assets	$ 24,044	$ 14,505	$ 1,574	$ 40,123	$ 22,970	$ 11,305	$ 1,547	$ 35,822	$ 22,347	$ 9,383	$ 869	$ 32,599
Investment in equity method investees	$ -	$ 216	$ 9	$ 225	$ -	$ 361	$ 9	$ 370	$ -	$ 320	$ 9	$ 329

(a) FPL Energy's interest charges are based on a deemed capital structure of 50% debt for operating projects and 100% debt for projects under construction. Residual non-utility interest charges are included in Corporate and Other.
(b) Includes a $98 million ($60 million after-tax) impairment charge recorded at FPL FiberNet. See Note 5 – Corporate and Other.
(c) Includes an Indonesian project gain of $97 million ($63 million after-tax). See Note 11 – FPL Energy.
(d) FPL Energy's tax expense (benefit) includes production tax credits that were recognized based on its tax sharing agreement with FPL Group. See Note 1 – Income Taxes.

18. Summarized Financial Information of FPL Group Capital

FPL Group Capital, a 100% owned subsidiary of FPL Group, provides funding for and holds ownership interest in FPL Group's operating subsidiaries other than FPL. Most of FPL Group Capital's debt, including its debentures, and payment guarantees are fully and unconditionally guaranteed by FPL Group. Condensed consolidating financial information is as follows:

Condensed Consolidating Statements of Income

	Year Ended December 31, 2007				Year Ended December 31, 2006				Year Ended December 31, 2005			
	FPL Group (Guarantor)	FPL Group Capital	Other [a]	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other [a]	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other [a]	FPL Group Consolidated
	(millions)											
Operating revenues	$ -	$ 3,646	$ 11,617	$ 15,263	$ -	$ 3,728	$ 11,982	$ 15,710	$ -	$ 2,323	$ 9,523	$ 11,846
Operating expenses	-	(2,926)	(10,054)	(12,980)	(23)	(3,070)	(10,520)	(13,613)	-	(2,180)	(8,176)	(10,356)
Interest charges	(19)	(458)	(285)	(762)	(21)	(428)	(257)	(706)	(25)	(366)	(202)	(593)
Other income (deductions) – net	1,322	133	(1,296)	159	1,292	263	(1,268)	287	909	275	(898)	286
Income (loss) before income taxes	1,303	395	(18)	1,680	1,248	493	(63)	1,678	884	52	247	1,183
Income tax expense (benefit)	(9)	(75)	452	368	(33)	7	423	397	(17)	(109)	408	282
Net income (loss)	$ 1,312	$ 470	$ (470)	$ 1,312	$ 1,281	$ 486	$ (486)	$ 1,281	$ 901	$ 161	$ (161)	$ 901

(a) Represents FPL and consolidating adjustments.

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Balance Sheets

	December 31, 2007				December 31, 2006			
	FPL Group (Guarantor)	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other[a]	FPL Group Consolidated
	(millions)							
PROPERTY, PLANT AND EQUIPMENT								
Electric utility plant in service and other property	$ -	$13,790	$ 27,250	$ 41,040	$ -	$ 10,466	$25,686	$ 36,152
Less accumulated depreciation and amortization	-	(2,308)	(10,080)	(12,388)	-	(1,805)	(9,848)	(11,653)
Total property, plant and equipment – net	-	11,482	17,170	28,652	-	8,661	15,838	24,499
CURRENT ASSETS								
Cash and cash equivalents	-	227	63	290	-	556	64	620
Receivables	39	816	866	1,721	170	683	803	1,656
Other	12	529	1,227	1,768	10	700	1,844	2,554
Total current assets	51	1,572	2,156	3,779	180	1,939	2,711	4,830
OTHER ASSETS								
Investment in subsidiaries	10,474	-	(10,474)	-	9,892	-	(9,892)	-
Other	1,632	2,121	3,939	7,692	1,166	1,748	3,579	6,493
Total other assets	12,106	2,121	(6,535)	7,692	11,058	1,748	(6,313)	6,493
TOTAL ASSETS	$ 12,157	$15,175	$ 12,791	$ 40,123	$ 11,238	$ 12,348	$12,236	$ 35,822
CAPITALIZATION								
Common shareholders' equity	$ 10,735	$ 3,198	$ (3,198)	$ 10,735	$ 9,930	$ 2,354	$ (2,354)	$ 9,930
Long-term debt	-	6,305	4,975	11,280	-	5,377	4,214	9,591
Total capitalization	10,735	9,503	1,777	22,015	9,930	7,731	1,860	19,521
CURRENT LIABILITIES								
Debt due within one year	-	1,335	1,083	2,418	-	2,112	630	2,742
Accounts payable	3	495	706	1,204	-	325	735	1,060
Other	68	700	1,368	2,136	222	685	1,617	2,524
Total current liabilities	71	2,530	3,157	5,758	222	3,122	2,982	6,326
OTHER LIABILITIES AND DEFERRED CREDITS								
Asset retirement obligations	-	504	1,653	2,157	-	248	1,572	1,820
Accumulated deferred income taxes	367	970	2,484	3,821	269	945	2,218	3,432
Regulatory liabilities	696	-	3,255	3,951	531	-	3,121	3,652
Other	288	1,668	465	2,421	286	302	483	1,071
Total other liabilities and deferred credits	1,351	3,142	7,857	12,350	1,086	1,495	7,394	9,975
COMMITMENTS AND CONTINGENCIES								
TOTAL CAPITALIZATION AND LIABILITIES	$ 12,157	$15,175	$ 12,791	$ 40,123	$ 11,238	$ 12,348	$12,236	$ 35,822

[a] Represents FPL and consolidating adjustments.

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2007				Year Ended December 31, 2006				Year Ended December 31, 2005			
	FPL Group (Guarantor)	FPL Group Capital	Other[(a)]	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other[(a)]	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other[(a)]	FPL Group Consolidated
	(millions)											
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,031	$ 1,499	$ 1,063	$ 3,593	$ 353	$ 791	$ 1,354	$ 2,498	$ 191	$ 278	$ 1,078	$ 1,547
CASH FLOWS FROM INVESTING ACTIVITIES												
Capital expenditures, independent power investments and nuclear fuel purchases	(12)	(3,000)	(2,007)	(5,019)	(40)	(1,833)	(1,866)	(3,739)	-	(834)	(1,712)	(2,546)
Sale of independent power investments	-	700	-	700	-	20	-	20	-	69	-	69
Loan repayments and capital distributions from equity method investees	-	11	-	11	-	-	-	-	-	199	-	199
Funding of secured loan	-	-	-	-	-	-	-	-	-	(43)	-	(43)
Proceeds from termination and sale of leveraged leases	-	-	-	-	-	-	-	-	-	58	-	58
Other – net	(405)	(58)	193	(270)	-	(7)	(81)	(88)	(299)	195	202	98
Net cash used in investing activities	(417)	(2,347)	(1,814)	(4,578)	(40)	(1,820)	(1,947)	(3,807)	(299)	(356)	(1,510)	(2,165)
CASH FLOWS FROM FINANCING ACTIVITIES												
Issuances of long-term debt	-	1,969	1,230	3,199	-	2,470	938	3,408	-	803	588	1,391
Retirements of long-term debt and FPL preferred stock	-	(1,616)	(250)	(1,866)	-	(1,530)	(135)	(1,665)	-	(715)	(505)	(1,220)
Proceeds from purchased Corporate Units	-	-	-	-	210	-	-	210	-	-	-	-
Payments to terminate Corporate Units	-	-	-	-	(258)	-	-	(258)	-	-	-	-
Net change in short-term debt	-	(292)	212	(80)	-	467	(529)	(62)	-	-	667	667
Issuances of common stock	46	-	-	46	333	-	-	333	639	-	-	639
Dividends on common stock	(654)	-	-	(654)	(593)	-	-	(593)	(544)	-	-	(544)
Other – net	(6)	458	(442)	10	(12)	(289)	327	26	(6)	323	(327)	(10)
Net cash provided by (used in) financing activities	(614)	519	750	655	(320)	1,118	601	1,399	89	411	423	923
Net increase (decrease) in cash and cash equivalents	-	(329)	(1)	(330)	(7)	89	8	90	(19)	333	(9)	305
Cash and cash equivalents at beginning of year	-	556	64	620	7	467	56	530	26	134	65	225
Cash and cash equivalents at end of year	$ -	$ 227	$ 63	$ 290	$ -	$ 556	$ 64	$ 620	$ 7	$ 467	$ 56	$ 530

(a) Represents FPL and consolidating adjustments.

19. Quarterly Data (Unaudited)

Condensed consolidated quarterly financial information is as follows:

	March 31 [(a)]	June 30 [(a)]	September 30 [(a)]	December 31 [(a)]
		(millions, except per share amounts)		
FPL GROUP:				
2007				
Operating revenues [(b)]	$3,075	$3,929	$4,575	$3,683
Operating income [(b)]	$ 298	$ 664	$ 900	$ 421
Net income [(b)]	$ 150	$ 405	$ 533	$ 224
Earnings per share [(c)]	$ 0.38	$ 1.02	$ 1.34	$ 0.56
Earnings per share – assuming dilution [(c)]	$ 0.38	$ 1.01	$ 1.33	$ 0.56
Dividends per share	$ 0.41	$ 0.41	$ 0.41	$ 0.41
High-low common stock sales prices	$63.07-53.72	$66.52-56.18	$64.20-54.61	$72.77-60.26
2006				
Operating revenues [(b)]	$3,584	$3,809	$4,694	$3,623
Operating income [(b)]	$ 473	$ 435	$ 872	$ 317[(d)]
Net income [(b)]	$ 251	$ 236	$ 527	$ 268[(e)]
Earnings per share [(c)]	$ 0.64	$ 0.60	$ 1.33	$ 0.68[(e)]
Earnings per share – assuming dilution [(c)]	$ 0.64	$ 0.60	$ 1.32	$ 0.67[(e)]
Dividends per share	$0.375	$0.375	$0.375	$0.375
High-low common stock sales prices	$43.42-38.85	$41.97-37.81	$45.87-40.59	$55.57-44.97
FPL:				
2007				
Operating revenues [(b)]	$2,448	$2,905	$3,445	$2,824
Operating income [(b)]	$ 247	$ 383	$ 591	$ 342
Net income [(b)]	$ 126	$ 211	$ 326	$ 173
2006				
Operating revenues [(b)]	$2,584	$2,999	$3,513	$2,892
Operating income [(b)]	$ 246	$ 339	$ 565	$ 313
Net income [(b)]	$ 122	$ 182	$ 328	$ 170

(a) In the opinion of FPL Group and FPL, all adjustments, which consist of normal recurring accruals necessary to present a fair statement of the amounts shown for such periods, have been made. Results of operations for an interim period generally will not give a true indication of results for the year.
(b) The sum of the quarterly amounts may not equal the total for the year due to rounding.
(c) The sum of the quarterly amounts may not equal the total for the year due to rounding and changes in weighted-average number of common shares outstanding.
(d) Includes impairment charges. See Note 5.
(e) Includes impairment charges and an Indonesian project gain. See Note 5 and Note 11 – FPL Energy.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of December 31, 2007, each of FPL Group and FPL had performed an evaluation, under the supervision and with the participation of its management, including FPL Group's and FPL's chief executive officer and chief financial officer, of the effectiveness of the design and operation of each company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) or 15d-15(e)). Based upon that evaluation, the chief executive officer and chief financial officer of each of FPL Group and FPL concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company and its consolidated subsidiaries required to be included in the company's reports filed or submitted under the Exchange Act and ensuring that information required to be disclosed in the company's reports filed or submitted under the Exchange Act is accumulated and communicated to management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure. FPL Group and FPL each have a Disclosure Committee, which is made up of several key management employees and reports directly to the chief executive officer and chief financial officer of each company, to monitor and evaluate these disclosure controls and procedures. Due to the inherent limitations of the effectiveness of any established disclosure controls and procedures, management of FPL Group and FPL cannot provide absolute assurance that the objectives of their respective disclosure controls and procedures will be met.

Internal Control Over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

See Item 8. Financial Statements and Supplementary Data.

(b) Attestation Report of the Independent Registered Public Accounting Firm

See Item 8. Financial Statements and Supplementary Data.

(c) Changes in Internal Control Over Financial Reporting

FPL Group and FPL are continuously seeking to improve the efficiency and effectiveness of their operations and of their internal controls. This results in refinements to processes throughout FPL Group and FPL. However, there has been no change in FPL Group's or FPL's internal control over financial reporting that occurred during FPL Group's and FPL's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, FPL Group's or FPL's internal control over financial reporting.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in FPL Group's Proxy Statement which will be filed with the SEC in connection with the 2008 Annual Meeting of Shareholders (FPL Group's Proxy Statement) and is incorporated herein by reference, or is included in Item 1. Business – Executive Officers of FPL Group.

Item 11. Executive Compensation

The information required by this item will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

FPL Group's equity compensation plan information as of December 31, 2007 is as follows:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	5,777,624	$31.72	10,075,551
Equity compensation plans not approved by security holders [a]	11,769	$16.32	-

[a] Represents options granted by Gexa Corp. under its Amended and Restated 2004 Incentive Plan and pursuant to various individual grants, all of which were made prior to the acquisition of Gexa Corp. All such options were assumed by FPL Group in connection with the acquisition of Gexa Corp. and are fully vested and exercisable for shares of FPL Group common stock. No further grants of stock options will be made under this plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item, to the extent applicable, will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

FPL Group – The information required by this item will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

FPL – The following table presents fees billed for professional services rendered by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche) for the fiscal years ended December 31, 2007 and 2006. The amounts presented below reflect allocations from FPL Group for FPL's portion of the fees, as well as amounts billed directly to FPL.

	2007	2006
Audit fees [a]	$ 2,426,000	$ 2,571,000
Audit-related fees [b]	169,000	252,000
Tax fees [c]	38,000	37,000
All other fees [d]	-	-
Total	$ 2,633,000	$ 2,860,000

[a] Audit fees consist of fees billed for professional services rendered for the audit of FPL's and FPL Group's annual consolidated financial statements for the fiscal year, the reviews of the financial statements included in FPL's and FPL Group's Quarterly Reports on Form 10-Q for the fiscal year, attestation of management's assessment of internal control over financial reporting (2006 only) and the audit of the effectiveness of internal control over financial reporting, comfort letters, consents, and other services related to SEC matters, services in connection with annual and semi-annual filings of FPL Group's financial statements with the Japanese Ministry of Finance and accounting consultations to the extent necessary for Deloitte & Touche to fulfill its responsibility under Public Company Accounting Oversight Board standards.

[b] Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of FPL's and FPL Group's consolidated financial statements and are not reported under audit fees. These fees primarily related to audits of subsidiary financial statements, comfort letters, consents and other services related to subsidiary (non-SEC registrant) financing activities, audits of employee benefit plans and consultation on accounting standards and on transactions.

[c] Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. In 2007 and 2006, all tax fees paid related to tax compliance services.

[d] All other fees consist of fees for products and services other than the services reported under the other named categories. In 2007 and 2006, there were no other fees incurred in this category.

In accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), FPL Group's Audit Committee's pre-approval policy for services provided by the independent auditor and the Charter of the Audit Committee, all services performed by Deloitte & Touche are approved in advance by the Audit Committee. Audit and audit-related services specifically identified in an appendix to the pre-approval policy are pre-approved by the Audit Committee each year. This pre-approval allows management to request the specified audit and audit-related services on an as-needed basis during the year, provided any such services are reviewed with the Audit Committee at its next regularly scheduled meeting. Any audit or audit-related service for which the fee is expected to exceed $250,000, or that involves a service not listed on the pre-approval list, must be specifically approved by the Audit Committee prior to commencement of such work. In addition, the Audit Committee approves all services other than audit and audit-related services performed by Deloitte & Touche in advance of the commencement of such work or, in cases which meet the de minimus pre-approval exception established by Sarbanes-Oxley, prior to completion of the audit. The Audit Committee has delegated to the chairman of the committee the right to approve audit, audit-related, tax and other services, within certain limitations, between meetings of the Audit Committee, provided any such decision is presented to the Audit Committee at its next regularly scheduled meeting. The Audit Committee reviews on a quarterly basis a schedule of all services for which Deloitte & Touche has been engaged and the estimated fees for those services. In 2007, no services provided by Deloitte & Touche to FPL or allocated to FPL were approved by the Audit Committee after services were rendered pursuant to the de minimus exception established by Sarbanes-Oxley. In 2006, approximately $5,800 (16% of total tax fees and 0.2% of total fees paid to Deloitte & Touche during 2006) of services included in the tax fees category described above were approved by the Audit Committee after the services were rendered, pursuant to the de minimus exception established by Sarbanes-Oxley.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

2. Financial Statement Schedules – Schedules are omitted as not applicable or not required.

3. Exhibits (including those incorporated by reference)

Exhibit Number	Description	FPL Group	FPL
*3(i)a	Restated Articles of Incorporation of FPL Group dated December 31, 1984, as amended through March 10, 2005 (filed as Exhibit 3(i) to Form S-4, File No. 333-124438)	x	
*3(i)b	Amendment to FPL Group's Restated Articles of Incorporation dated July 3, 2006 (filed as Exhibit 3(i) to Form 8-K dated June 30, 2006, File No. 1-8841)	x	
*3(i)c	Restated Articles of Incorporation of FPL dated March 23, 1992 (filed as Exhibit 3(i)a to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)d	Amendment to FPL's Restated Articles of Incorporation dated March 23, 1992 (filed as Exhibit 3(i)b to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)e	Amendment to FPL's Restated Articles of Incorporation dated May 11, 1992 (filed as Exhibit 3(i)c to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)f	Amendment to FPL's Restated Articles of Incorporation dated March 12, 1993 (filed as Exhibit 3(i)d to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)g	Amendment to FPL's Restated Articles of Incorporation dated June 16, 1993 (filed as Exhibit 3(i)e to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)h	Amendment to FPL's Restated Articles of Incorporation dated August 31, 1993 (filed as Exhibit 3(i)f to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)i	Amendment to FPL's Restated Articles of Incorporation dated November 30, 1993 (filed as Exhibit 3(i)g to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x

Exhibit Number	Description	FPL Group	FPL
*3(i)j	Amendment to FPL's Restated Articles of Incorporation dated January 20, 2004 (filed as Exhibit 3(i)j to Form 10-K dated December 31, 2003, File No. 2-27612)		x
*3(i)k	Amendment to FPL's Restated Articles of Incorporation dated January 20, 2004 (filed as Exhibit 3(i)k to Form 10-K dated December 31, 2003, File No. 2-27612)		x
*3(i)l	Amendment to FPL's Restated Articles of Incorporation dated February 11, 2005 (filed as Exhibit 3(i)m to Form 10-K for the year ended December 31, 2004, File No. 2-27612)		x
3(ii)a	Amended and Restated Bylaws of FPL Group, as amended through February 15, 2008	x	
*3(ii)b	Bylaws of FPL dated May 11, 1992 (filed as Exhibit 3 to Form 8-K dated May 1, 1992, File No. 1-3545)		x
*4(a)	Mortgage and Deed of Trust dated as of January 1, 1944, and One hundred and thirteen Supplements thereto, between FPL and Deutsche Bank Trust Company Americas, Trustee (filed as Exhibit B-3, File No. 2-4845; Exhibit 7(a), File No. 2-7126; Exhibit 7(a), File No. 2-7523; Exhibit 7(a), File No. 2-7990; Exhibit 7(a), File No. 2-9217; Exhibit 4(a)-5, File No. 2-10093; Exhibit 4(c), File No. 2-11491; Exhibit 4(b)-1, File No. 2-12900; Exhibit 4(b)-1, File No. 2-13255; Exhibit 4(b)-1, File No. 2-13705; Exhibit 4(b)-1, File No. 2-13925; Exhibit 4(b)-1, File No. 2-15088; Exhibit 4(b)-1, File No. 2-15677; Exhibit 4(b)-1, File No. 2-20501; Exhibit 4(b)-1, File No. 2-22104; Exhibit 2(c), File No. 2-23142; Exhibit 2(c), File No. 2-24195; Exhibit 4(b)-1, File No. 2-25677; Exhibit 2(c), File No. 2-27612; Exhibit 2(c), File No. 2-29001; Exhibit 2(c), File No. 2-30542; Exhibit 2(c), File No. 2-33038; Exhibit 2(c), File No. 2-37679; Exhibit 2(c), File No. 2-39006; Exhibit 2(c), File No. 2-41312; Exhibit 2(c), File No. 2-44234; Exhibit 2(c), File No. 2-46502; Exhibit 2(c), File No. 2-48679; Exhibit 2(c), File No. 2-49726; Exhibit 2(c), File No. 2-50712; Exhibit 2(c), File No. 2-52826; Exhibit 2(c), File No. 2-53272; Exhibit 2(c), File No. 2-54242; Exhibit 2(c), File No. 2-56228; Exhibits 2(c) and 2(d), File No. 2-60413; Exhibits 2(c) and 2(d), File No. 2-65701; Exhibit 2(c), File No. 2-66524; Exhibit 2(c), File No. 2-67239; Exhibit 4(c), File No. 2-69716; Exhibit 4(c), File No. 2-70767; Exhibit 4(b), File No. 2-71542; Exhibit 4(b), File No. 2-73799; Exhibits 4(c), 4(d) and 4(e), File No. 2-75762; Exhibit 4(c), File No. 2-77629; Exhibit 4(c), File No. 2-79557; Exhibit 99(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669; Exhibit 99(a) to Post-Effective Amendment No. 1 to Form S-3, File No. 33-46076; Exhibit 4(b) to Form 10-K for the year ended December 31, 1993, File No. 1-3545; Exhibit 4(i) to Form 10-Q for the quarter ended June 30, 1994, File No. 1-3545; Exhibit 4(b) to Form 10-Q for the quarter ended June 30, 1995, File No. 1-3545; Exhibit 4(a) to Form 10-Q for the quarter ended March 31,1996, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended June 30, 1998, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended March 31, 1999, File No. 1-3545; Exhibit 4(f) to Form 10-K for the year ended December 31, 2000, File No. 1-3545; Exhibit 4(g) to Form 10-K for the year ended December 31, 2000, File No. 1-3545; Exhibit 4(o), File No. 333-102169; Exhibit 4(k) to Post-Effective Amendment No. 1 to Form S-3, File No. 333-102172; Exhibit 4(l) to Post-Effective Amendment No. 2 to Form S-3, File No. 333-102172; Exhibit 4(m) to Post-Effective Amendment No. 3 to Form S-3, File No. 333-102172; Exhibit 4(a) to Form 10-Q for the quarter ended September 30, 2004, File No. 2-27612; Exhibit 4(f) to Amendment No. 1 to Form S-3, File No. 333-125275; Exhibit 4(y) to Post-Effective Amendment No. 2 to Form S-3, File Nos. 333-116300, 333-116300-01 and 333-116300-02; Exhibit 4(z) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-116300, 333-116300-01 and 333-116300-02; Exhibit 4(b) to Form 10-Q for the quarter ended March 31, 2006, File No. 2-27612; Exhibit 4(a) to Form 8-K dated April 17, 2007, File No. 2-27612; Exhibit 4 to Form 8-K dated October 10, 2007, File No. 2-27612 and Exhibit 4 to Form 8-K dated January 16, 2008, File No. 2-27612)	x	x
*4(b)	Indenture, dated as of June 1, 1999, between FPL Group Capital and The Bank of New York, as Trustee (filed as Exhibit 4(a) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	

Exhibit Number	Description	FPL Group	FPL
*4(c)	Guarantee Agreement between FPL Group (as Guarantor) and The Bank of New York (as Guarantee Trustee) dated as of June 1, 1999 (filed as Exhibit 4(b) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(d)	Officer's Certificate of FPL Group Capital, dated June 29, 1999, creating the 7 3/8% Debentures, Series due June 1, 2009 (filed as Exhibit 4(d) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(e)	Officer's Certificate of FPL Group Capital, dated August 18, 2006, creating the 5 5/8% Debentures, Series due September 1, 2011 (filed as Exhibit 4 to Form 8-K dated August 18, 2006, File No. 1-8841)	x	
*4(f)	Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities) dated as of March 1, 2004 among FPL Group Capital, FPL Group (as Guarantor) and the Bank of New York (as Trustee) (filed as Exhibit 4(au) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(g)	Preferred Trust Securities Guarantee Agreement between FPL Group (as Guarantor) and The Bank of New York (as Guarantee Trustee) relating to FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(aw) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(h)	Amended and Restated Trust Agreement relating to FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(at) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(i)	Agreement as to Expenses and Liabilities of FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(ax) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(j)	Officer's Certificate of FPL Group Capital and FPL Group, dated March 15, 2004, creating the 5 7/8% Junior Subordinated Debentures, Series due March 15, 2044 (filed as Exhibit 4(av) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(k)	Indenture (For Unsecured Subordinated Debt Securities) dated as of September 1, 2006, among FPL Group Capital, FPL Group (as Guarantor) and The Bank of New York (as Trustee) (filed as Exhibit 4(a) to Form 8-K dated September 19, 2006, File No. 1-8841)	x	
*4(l)	Officer's Certificate of FPL Group Capital and FPL Group dated September 19, 2006, creating the Series A Enhanced Junior Subordinated Debentures due 2066 (filed as Exhibit 4(b) to Form 8-K dated September 19, 2006, File No. 1-8841)	x	
*4(m)	Officer's Certificate of FPL Group Capital and FPL Group dated September 19, 2006, creating the Series B Enhanced Junior Subordinated Debentures due 2066 (filed as Exhibit 4(c) to Form 8-K dated September 19, 2006, File No. 1-8841)	x	
*4(n)	Replacement Capital Covenant dated September 19, 2006 by FPL Group Capital and FPL Group relating to FPL Group Capital's Series A and Series B Enhanced Junior Subordinated Debentures due 2066 (filed as Exhibit 4(d) to Form 8-K dated September 19, 2006, File No. 1-8841)	x	
*4(o)	Officer's Certificate of FPL Group Capital and FPL Group dated June 12, 2007, creating the Series C Junior Subordinated Debentures due 2067 (filed as Exhibit 4(a) to Form 8-K dated June 12, 2007, File No. 1-8841)	x	
*4(p)	Replacement Capital Covenant, dated June 12, 2007, by FPL Group Capital and FPL Group relating to FPL Group Capital's Series C Junior Subordinated Debentures due 2067 (filed as Exhibit 4(b) to Form 8-K dated June 12, 2007, File No. 1-8841)	x	

Exhibit Number	Description	FPL Group	FPL
*4(q)	Officer's Certificate of FPL Group Capital and FPL Group dated September 17, 2007, creating the Series D Junior Subordinated Debentures due 2067 (filed as Exhibit 4(a) to Form 8-K dated September 17, 2007, File No. 1-8841)	x	
*4(r)	Officer's Certificate of FPL Group Capital and FPL Group dated September 18, 2007, creating the Series E Junior Subordinated Debentures due 2067 (filed as Exhibit 4(b) to Form 8-K dated September 17, 2007, File No. 1-8841)	x	
*4(s)	Replacement Capital Covenant, dated September 18, 2007, by FPL Group Capital and FPL Group relating to FPL Group Capital's Series D and Series E Junior Subordinated Debentures due 2067 (filed as Exhibit 4(c) to Form 8-K dated September 17, 2007, File No. 1-8841)	x	
*4(t)	Indenture (for Securing Senior Secured Bonds, Series A), dated May 22, 2007, among FPL Recovery Funding LLC (as Issuer) and The Bank of New York (as Trustee and Securities Intermediary) (filed as Exhibit 4.1 to Form 8-K dated May 22, 2007 and filed June 1, 2007, File No. 333-141357)		x
*4(u)	Warrant Agreement by and between Gexa Corp. and Highbridge/Zwirn Special Opportunities Fund, L.P., dated as of July 8, 2004, assumed by FPL Group effective June 17, 2005 (filed by Gexa Corp. as Exhibit 4.1 to Form 8-K dated July 8, 2004, File No. 1-31435)	x	
*4(v)	Warrant Agreement by and between Gexa Corp. and Prospect Street Ventures Ltd., dated as of July 19, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(d) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*4(w)	Warrant Agreement by and between Gexa Corp. and Prospect Street Ventures I LLC, dated as of September 9, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(e) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*4(x)	Form of Warrant Agreement to Purchase Shares of Common Stock of Gexa Corp., dated as of November 23, 2004, assumed by FPL Group effective June 17, 2005 (filed as Exhibit 4(f) to Form 10-Q for the quarter ended June 30, 2005, File No. 1-8841)	x	
*10(a)	FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (SERP) (filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(b)	Amendments #1 and 2 effective January 1, 1998 to the SERP (filed as Exhibit 10(b) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(c)	Amendment #3 effective January 1, 1999 to the SERP (filed as Exhibit 10(c) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(d)	Amendment #4 adopted October 13, 2005 to the SERP (filed as Exhibit 10(d) to Form 10-K for the year ended December 31, 2006, File No. 1-8841)	x	x
*10(e)	Amendment #5 adopted February 15, 2007 to the SERP (filed as Exhibit 10(f) to Form 10-K for the year ended December 31, 2006, File No. 1-8841)	x	x
*10(f)	Supplement to the SERP as it applies to Lewis Hay, III effective March 22, 2002 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	x
10(g)	Supplement to the SERP relating to a special credit to certain executive officers and other officers effective February 15, 2008	x	x
10(h)	Appendix C1 (revised as of February 15, 2008) to the SERP	x	x
10(i)	Supplement to the SERP effective February 15, 2008 as it applies to Armando Pimentel, Jr.	x	x

Exhibit Number	Description	FPL Group	FPL
*10(j)	FPL Group Amended and Restated Long Term Incentive Plan, as amended and restated October 13, 2006 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2006, File No. 1-8841)	x	x
*10(k)	Form of FPL Group Amended and Restated Long-Term Incentive Plan Performance Share Award Agreement (filed as exhibit 10(a) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(l)	Form of FPL Group Amended and Restated Long Term Incentive Plan Performance Share Award Agreement effective February 15, 2007 (filed as Exhibit 10(i) to Form 10-K for the year ended December 31, 2006, File No. 1-8841)	x	x
*10(m)	Form of FPL Group Amended and Restated Long Term Incentive Plan Performance Share Award Agreement effective February 15, 2008 (filed as Exhibit 10(c) to Form 8-K dated February 15, 2008, File No. 1-8841)	x	x
*10(n)	Form of FPL Group Amended and Restated Long Term Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10(b) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(o)	Form of FPL Group Amended and Restated Long Term Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10 to Form 8-K dated January 28, 2005, File No. 1-8841)	x	x
*10(p)	Form of FPL Group Amended and Restated Long Term Incentive Plan Restricted Stock Award Agreement effective February 15, 2007 (filed as Exhibit 10(l) to Form 10-K for the year ended December 31, 2006, File No. 1-8841)	x	x
*10(q)	Form of FPL Group Amended and Restated Long Term Incentive Plan Restricted Stock Award Agreement effective February 15, 2008 (filed as Exhibit 10(a) to Form 8-K dated February 15, 2008, File No. 1-8841)	x	x
*10(r)	Form of FPL Group Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement (filed as Exhibit 10(c) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(s)	Form of FPL Group Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement (filed as Exhibit 10(d) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(t)	Form of FPL Group Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement effective February 15, 2008 (filed as Exhibit 10(b) to Form 8-K dated February 15, 2008, File No. 1-8841)	x	x
*10(u)	Form of FPL Group Amended and Restated Long Term Incentive Plan Deferred Stock Award Agreement (filed as Exhibit 10(dd) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(v)	Form of FPL Group Annual Incentive Plan (filed as Exhibit 10(n) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
*10(w)	2007 FPL Group Annual Incentive Plan (filed as Exhibit 10(q) to Form 10-K for the year ended December 31, 2006, File No. 1-8841)	x	x
*10(x)	FPL Group Deferred Compensation Plan, amended and restated effective January 1, 2003 (filed as Exhibit 10(k) to Form 10-K for the year ended December 31, 2002, File No. 1-8841)	x	x
*10(y)	Amendment One to the FPL Group Deferred Compensation Plan effective January 1, 2007 (filed as Exhibit 10(b) to Form 10-Q for the quarter ended September 30, 2007, File No. 1-8841)	x	x

Exhibit Number	Description	FPL Group	FPL
*10(z)	FPL Group Executive Long Term Disability Plan effective January 1, 1995 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	x
*10(aa)	FPL Group Amended and Restated Non-Employee Directors Stock Plan, as amended and restated October 13, 2006 (filed as Exhibit 10(b) to Form 10-Q for the quarter ended September 30, 2006, File No. 1-8841)	x	
*10(bb)	FPL Group 2007 Non-Employee Directors Stock Plan (filed as Exhibit 99 to Form S-8 dated June 14, 2007, File No. 333-143739)	x	
*10(cc)	Non-Employee Director Compensation Summary effective January 1, 2008 (filed as Exhibit 10(c) to Form 10-Q for the quarter ended September 30, 2007, File No. 1-8841)	x	
*10(dd)	Form of Split Dollar Agreement between FPL Group and each of its executive officers who elect to participate, including provisions relating to Certain Officers (as of February 27, 2008 all executive officers participate except Moray P. Dewhurst, and "Certain Officers" include Armando J. Olivera and Antonio Rodriguez) (filed as Exhibit 10(s) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
10(ee)	Amendment to FPL Group Split Dollar Agreements	x	x
*10(ff)	Form of Executive Retention Employment Agreement between FPL Group and each of Lewis Hay, III, Armando J. Olivera and Antonio Rodriguez (filed as Exhibit 10(a) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	x
*10(gg)	Form of Executive Retention Employment Agreement between FPL Group and each of Moray P. Dewhurst, John A. Stall and James L. Robo (filed as Exhibit 10(b) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	x
*10(hh)	Amendment to Executive Retention Employment Agreement between FPL Group and Armando J. Olivera, dated as of October 17, 2003 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2003, File No. 1-8841)	x	x
*10(ii)	Form of Executive Retention Employment Agreement between FPL Group and each of Robert H. Escoto, Robert L. McGrath, Edward F. Tancer and F. Mitchell Davidson (filed as Exhibit 10(x) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x
10(jj)	Form of Executive Retention Employment Agreement between FPL Group and each of Armando Pimentel, Jr. and Christopher A. Bennett	x	x
*10(kk)	Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement dated as of June 17, 2002 by and between FPL Group and Lewis Hay, III (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(ll)	Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement dated as of June 10, 2002 by and between FPL Group and Moray P. Dewhurst (filed as Exhibit 10(z) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(mm)	Form of Amendment dated as of December 18, 2005 to the Executive Retention Employment Agreement between FPL Group and each of Robert H. Escoto, Robert L. McGrath, Armando J. Olivera, James L. Robo, Antonio Rodriguez, John A. Stall and Edward F. Tancer (filed as Exhibit 10(aa) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(nn)	Employment Agreement between FPL Group and Lewis Hay, III dated February 25, 2005 (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2004, File No. 1-8841)	x	x

Exhibit Number	Description	FPL Group	FPL
*10(oo)	Amendment dated as of December 15, 2005 to the Employment Agreement dated as of February 25, 2005 between FPL Group and Lewis Hay, III (filed as Exhibit 10(cc) to Form 10-K for the year ended December 31, 2005, File No. 1-8841)	x	x
*10(pp)	Amendment dated December 15, 2006 to the Employment Agreement dated as of February 25, 2005 between FPL Group and Lewis Hay, III (filed as Exhibit 10(ff) to Form 10-K for the year ended December 31, 2006, File No. 1-8841)	x	x
*10(qq)	Guarantee Agreement between FPL Group and FPL Group Capital, dated as of October 14, 1998 (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	
12(a)	Computation of Ratios	x	
12(b)	Computation of Ratios		x
21	Subsidiaries of FPL Group	x	
23	Consent of Independent Registered Public Accounting Firm	x	x
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of FPL Group	x	
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of FPL Group	x	
31(c)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of FPL		x
31(d)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of FPL		x
32(a)	Section 1350 Certification of FPL Group	x	
32(b)	Section 1350 Certification of FPL		x

*Incorporated herein by reference

FPL Group and FPL agree to furnish to the SEC upon request any instrument with respect to long-term debt that FPL Group and FPL have not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

FPL GROUP, INC. SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FPL Group, Inc.

JAMES L. ROBO
James L. Robo
President and Chief Operating Officer

Date: February 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title as of February 27, 2008:

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board,
Chief Executive Officer and Director
(Principal Executive Officer)

K. MICHAEL DAVIS
K. Michael Davis
Controller and Chief Accounting Officer
(Principal Accounting Officer)

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President and
Chief Financial Officer
(Principal Financial Officer)

Directors:

SHERRY S. BARRAT
Sherry S. Barrat

OLIVER D. KINGSLEY, JR.
Oliver D. Kingsley, Jr.

ROBERT M. BEALL, II
Robert M. Beall, II

RUDY E. SCHUPP
Rudy E. Schupp

J. HYATT BROWN
J. Hyatt Brown

MICHAEL H. THAMAN
Michael H. Thaman

JAMES L. CAMAREN
James L. Camaren

HANSEL E. TOOKES, II
Hansel E. Tookes, II

J. BRIAN FERGUSON
J. Brian Ferguson

PAUL R. TREGURTHA
Paul R. Tregurtha

TONI JENNINGS
Toni Jennings

FLORIDA POWER & LIGHT COMPANY SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Florida Power & Light Company

ARMANDO J. OLIVERA
Armando J. Olivera
President and Director

Date: February 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title as of February 27, 2008:

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President and Chief Financial Officer and Director (Principal Financial Officer)

K. MICHAEL DAVIS
K. Michael Davis
Vice President, Accounting and Chief Accounting Officer (Principal Accounting Officer)

Directors:

JAMES L. ROBO
James L. Robo

ANTONIO RODRIGUEZ
Antonio Rodriguez

JOHN A. STALL
John A. Stall

EDWARD F. TANCER
Edward F. Tancer

Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Securities Exchange Act of 1934 Which Have Not Registered Securities Pursuant to Section 12 of the Securities Exchange Act of 1934

No annual report, proxy statement, form of proxy or other proxy soliciting material has been sent to securities holders of FPL during the period covered by this Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Exhibit 12(a)

FPL GROUP, INC. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS[a]

	Years Ended December 31,				
	2007	2006	2005	2004	2003
	(millions of dollars)				
Earnings, as defined:					
Income before cumulative effect of changes in accounting principles	$1,312	$1,281	$ 901	$ 896	$ 906
Preferred stock dividends of a consolidated subsidiary	-	-	-[b]	-[b]	13
Income taxes	368	397	282	272	376
Fixed charges included in the determination of net income, as below	799	732	622	516	401
Amortization of capitalized interest	12	11	11	8	4
Distributed income of equity method investees	175	104	86	83	68
Less: Equity in earnings of equity method investees	68	181	124	96	89
Total earnings, as defined	$2,598	$2,344	$1,778	$1,679	$1,679
Fixed charges, as defined:					
Interest charges	$ 762	$ 706	$ 593	$ 489	$ 379
Rental interest factor	23	15	16	16	17
Fixed charges included in nuclear fuel cost	-	-	-	-	1
Allowance for borrowed funds used during construction	14	11	13	11	4
Fixed charges included in the determination of net income	799	732	622	516	401
Capitalized interest	40	18	8	43	84
Dividend requirements on preferred stock of a consolidated subsidiary before income taxes	-	-	-[b]	-[b]	20
Total fixed charges, as defined	$ 839	$ 750	$ 630	$ 559	$ 505
Ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends[a]	3.10	3.13	2.82	3.00	3.32

[a] FPL Group, Inc. has no preference equity securities outstanding; therefore, the ratio of earnings to fixed charges is the same as the ratio of earnings to combined fixed charges and preferred stock dividends.

[b] A portion of Florida Power & Light Company's preferred stock was owned by FPL Group, Inc. and was eliminated in consolidation. Accordingly, those dividends are not included herein.

Exhibit 12(b)

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS [a]

	Years Ended December 31,				
	2007	2006	2005	2004	2003
	(millions of dollars)				
RATIO OF EARNINGS TO FIXED CHARGES					
Earnings, as defined:					
Net income	$ 836	$ 802	$ 748	$ 750	$ 755
Income taxes	451	424	408	409	403
Fixed charges, as below	325	296	244	202	186
Total earnings, as defined	$ 1,612	$ 1,522	$ 1,400	$ 1,361	$ 1,344
Fixed charges, as defined:					
Interest charges	$ 304	$ 278	$ 224	$ 183	$ 173
Rental interest factor	7	7	7	8	8
Fixed charges included in nuclear fuel cost	-	-	-	-	1
Allowance for borrowed funds used during construction	14	11	13	11	4
Total fixed charges, as defined	$ 325	$ 296	$ 244	$ 202	$ 186
Ratio of earnings to fixed charges	4.96	5.14	5.74	6.74	7.23
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS					
Earnings, as defined:					
Net income	$ 836	$ 802	$ 748	$ 750	$ 755
Income taxes	451	424	408	409	403
Fixed charges, as below	325	296	244	202	186
Total earnings, as defined	$ 1,612	$ 1,522	$ 1,400	$ 1,361	$ 1,344
Fixed charges, as defined:					
Interest charges	$ 304	$ 278	$ 224	$ 183	$ 173
Rental interest factor	7	7	7	8	8
Fixed charges included in nuclear fuel cost	-	-	-	-	1
Allowance for borrowed funds used during construction	14	11	13	11	4
Total fixed charges, as defined	325	296	244	202	186
Non-tax deductible preferred stock dividends	-	-	-	1	13
Ratio of income before income taxes to net income	1.54	1.53	1.55	1.55	1.53
Preferred stock dividends before income taxes	-	-	-	2	20
Combined fixed charges and preferred stock dividends	$ 325	$ 296	$ 244	$ 204	$ 206
Ratio of earnings to combined fixed charges and preferred stock dividends	4.96	5.14	5.74	6.67	6.52

[a] Florida Power & Light Company's preference equity securities were redeemed in January 2005. For the year ended December 31, 2005, preferred stock dividends were less than $1 million. Therefore, for the years ended December 31, 2007, 2006 and 2005, the ratio of earnings to fixed charges is the same as the ratio of earnings to combined fixed charges and preferred stock dividends.

Exhibit 21

SUBSIDIARIES OF FPL GROUP, INC.

FPL Group, Inc.'s principal subsidiaries as of December 31, 2007 are listed below. All other subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Subsidiary	State or Jurisdiction of Incorporation
1. Florida Power & Light Company (100%-owned)	Florida
2. FPL Group Capital Inc (100%-owned)	Florida
3. FPL Energy, LLC [(a)(b)]	Delaware
4. Bay Loan and Investment Bank [(b)]	Rhode Island
5. Palms Insurance Company, Limited [(b)]	Cayman Islands

(a) Includes 362 subsidiaries that operate in the United States in the same line of business as FPL Energy, LLC
(b) 100%-owned subsidiary of FPL Group Capital Inc

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our reports dated February 27, 2008, relating to the financial statements of FPL Group, Inc. and subsidiaries (FPL Group) and Florida Power & Light Company and subsidiaries (FPL) and the effectiveness of FPL Group's and FPL's internal control over financial reporting, appearing in this Annual Report on Form 10-K of FPL Group and FPL for the year ended December 31, 2007:

FPL Group, Inc.

Form S-8	No. 33-11631
Form S-8	No. 33-57673
Form S-8	No. 333-27079
Form S-8	No. 333-88067
Form S-8	No. 333-114911
Form S-8	No. 333-116501
Form S-3	No. 333-125275
Form S-8	No. 333-125954
Form S-3	No. 333-129482
Form S-8	No. 333-130479
Form S-3	No. 333-137120
Form S-8	No. 333-143739

FPL Group Trust I

Form S-3	No. 333-137120-04

FPL Group Trust II

Form S-3	No. 333-137120-03

Florida Power & Light Company

Form S-3	No. 333-137120-07

Florida Power & Light Company Trust I

Form S-3	No. 333-137120-02

Florida Power & Light Company Trust II

Form S-3	No. 333-137120-01

FPL Group Capital Inc

Form S-3	No. 333-137120-08

FPL Group Capital Trust II

Form S-3	No. 333-137120-06

FPL Group Capital Trust III

Form S-3	No. 333-137120-05

DELOITTE & TOUCHE LLP

Miami, Florida
February 27, 2008

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification

I, Lewis Hay, III, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2007 of FPL Group, Inc. (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer
of FPL Group, Inc.

Exhibit 31(b)

Rule 13a-14(a)/15d-14(a) Certification

I, Moray P. Dewhurst, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2007 of FPL Group, Inc. (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President
and Chief Financial Officer
of FPL Group, Inc.

Exhibit 31(c)

Rule 13a-14(a)/15d-14(a) Certification

I, Lewis Hay, III, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2007 of Florida Power & Light Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer
of Florida Power & Light Company

Exhibit 31(d)

Rule 13a-14(a)/15d-14(a) Certification

I, Moray P. Dewhurst, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2007 of Florida Power & Light Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President
and Chief Financial Officer
of Florida Power & Light Company

Exhibit 32(a)

Section 1350 Certification

We, Lewis Hay, III and Moray P. Dewhurst, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of FPL Group, Inc. (FPL Group) for the year ended December 31, 2007 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FPL Group.

Dated: February 27, 2008

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer of FPL Group, Inc.

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President
and Chief Financial Officer of FPL Group, Inc.

A signed original of this written statement required by Section 906 has been provided to FPL Group and will be retained by FPL Group and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of FPL Group under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Exhibit 32(b)

Section 1350 Certification

We, Lewis Hay, III and Moray P. Dewhurst, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of Florida Power & Light Company (FPL) for the year ended December 31, 2007 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FPL.

Dated: February 27, 2008

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer of
Florida Power & Light Company

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President
and Chief Financial Officer of
Florida Power & Light Company

A signed original of this written statement required by Section 906 has been provided to FPL and will be retained by FPL and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of FPL under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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FPL ENERGY – RECONCILIATION OF GAAP TO ADJUSTED EARNINGS

(millions)	2002	2003	2004	2005	2006	2007
Net Income (Loss)	$(163)	$207	$181	$203	$610	$540
Adjustments, net of income taxes:						
Cumulative effect of change in accounting principle (FAS 142)	222					
Restructuring and other charges	73					
Cumulative effect of change in accounting principle (FIN 46)		3				
Net unrealized mark-to-market losses (gains) associated with non-qualifying hedges		(22)	3	112	(92)	86
Adjusted Earnings	$132	$188	$184	$315	$518	$626

FPL GROUP'S NET INCOME (LOSS) BY SEGMENT

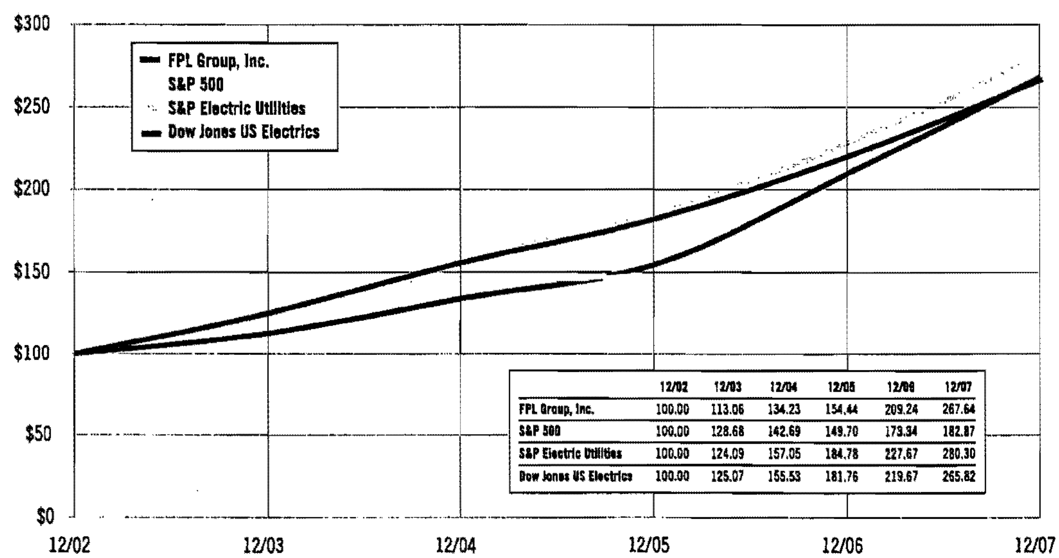
(millions)	2002	2003	2004	2005	2006	2007
Florida Power & Light	$717	$733	$749	$748	$802	$836
FPL Energy	(163)	207	181	203	610	540
Corporate and Other	(75)	(37)	(34)	(50)	(131)	(64)
FPL Group, Inc. Consolidated	$479	$903	$896	$901	$1,281	$1,312

PERFORMANCE GRAPH

The graph below compares the cumulative total returns, assuming reinvestment of dividends, of FPL Group common stock with the companies in the Standard & Poor's 500 Index (S&P 500), the Standard & Poor's Electric Utilities Index (S&P Electrics) and the Dow Jones US Electric Utilities Index (Dow Jones Electrics). The comparison covers the five years ended December 31, 2007, and is based on an assumed $100 investment on December 31, 2002, in each of the S&P 500, the S&P Electrics, the Dow Jones Electrics and FPL Group common stock. The S&P Electrics is based on the performance of 13 companies, and the Dow Jones Electrics is based on the performance of 43 companies. The S&P Electrics is more heavily weighted toward companies engaged, to a significant extent, in the traditional state-regulated electric utility business. The Dow Jones Electrics, which includes all of the companies included in the S&P Electrics, also includes a number of companies that are exclusively or primarily engaged in the competitive energy business. FPL Group is engaged in both the traditional electric utility business and in the competitive energy business. Therefore, both indexes have been selected for comparison purposes. FPL Group is included in all three indexes.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among FPL Group, Inc., The S&P 500 Index, The S&P Electric Utilities Index and The Dow Jones US Electrics Index



	12/02	12/03	12/04	12/05	12/06	12/07
FPL Group, Inc.	100.00	113.06	134.23	154.44	209.24	267.64
S&P 500	100.00	128.68	142.69	149.70	173.34	182.87
S&P Electric Utilities	100.00	124.09	157.05	184.78	227.67	280.30
Dow Jones US Electrics	100.00	125.07	155.53	181.76	219.67	265.82

*$100 invested on 12/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

Officers

FPL GROUP, INC.

LEWIS HAY, III
Chairman and Chief Executive Officer

JAMES L. ROBO
President and Chief Operating Officer

MORAY P. DEWHURST
Vice President and
Chief Financial Officer

ARMANDO PIMENTEL, JR.
Vice President, Finance

EDWARD F. TANCER
Vice President & General Counsel

CHRISTOPHER A. BENNETT
Vice President & Chief Strategy,
Policy & Business Process
Improvement Officer

ROBERT H. ESCOTO
Vice President, Human Resources

ROBERT L. MCGRATH
Vice President, Engineering,
Construction & Corporate Services

ANTONIO RODRIGUEZ
Vice President,
Power Generation Division

JOHN A. STALL
Vice President, Nuclear Division

ALISSA E. BALLOT
Vice President & Corporate Secretary

PAUL I. CUTLER
Treasurer

K. MICHAEL DAVIS
Controller and
Chief Accounting Officer

JAMES P. HIGGINS
Vice President, Tax

MICHAEL M. WILSON
Vice President,
Governmental Affairs – Federal

FLORIDA POWER & LIGHT COMPANY

ARMANDO J. OLIVERA
President

ADALBERTO ALFONSO
Vice President, Distribution

ROBERT E. BARRETT
Vice President, Finance

JEFFREY S. BARTEL
Vice President, Regulatory Affairs

TIMOTHY FITZPATRICK
Vice President,
Marketing & Communication

PAUL W. HAMILTON
Vice President,
Governmental Affairs – State

JAMES A. KEENER
Vice President,
Transmission & Substation

DENNIS M. KLINGER
Vice President,
Information Management

RANDALL R. LABAUVE
Vice President,
Environmental Services

PAMELA M. RAUCH
Vice President,
Corporate & External Affairs

MARLENE M. SANTOS
Vice President, Customer Service

ERIC E. SILAGY
Vice President, Development

FPL ENERGY, LLC

F. MITCHELL DAVIDSON
President

MARK MAISTO
President, Commodities & Retail Markets

SCOTT D. COUSINS
Vice President & General Counsel

MARK IANNI
President, Gexa Energy GP, LLC

MICHAEL O'SULLIVAN
Senior Vice President, Development

MARK R. SORENSEN
Vice President, Finance
and Chief Financial Officer

T. J. TUSCAI
Senior Vice President,
Business Management

FPL FIBERNET, LLC

CARMEN PEREZ
President

Board of Directors

SHERRY S. BARRAT
President, Personal Financial Services,
The Northern Trust Company
(banking corporation)
Director since 1998.
Chair Compensation Committee.
Member Finance & Investment
Committee, Executive Committee.

ROBERT M. BEALL, II
Chairman, Beall's, Inc.
(department stores)
Director since 1989. Member
Audit Committee, Governance &
Nominating Committee.

J. HYATT BROWN
Chairman and Chief Executive Officer,
Brown & Brown, Inc.
(insurance broker)
Director since 1989. Member
Audit Committee, Governance &
Nominating Committee.

JAMES L. CAMAREN
Private Investor. Formerly Chairman
& Chief Executive Officer, Utilities, Inc.
(water utilities)
Director since 2002.
Member Compensation Committee,
Finance & Investment Committee.

J. BRIAN FERGUSON
Chairman and Chief Executive
Officer, Eastman Chemical Company
(chemical company)
Director since 2005.
Member Compensation Committee,
Governance & Nominating
Committee.

LEWIS HAY, III
Chairman and Chief Executive
Officer, FPL Group, Inc.
Director since 2001.
Chair Executive Committee.

TONI JENNINGS
Chairman, Jack Jennings & Sons, Inc.
(construction)
Former Lt. Governor, State of Florida
Director since 2007.
Member Audit Committee.

OLIVER D. KINGSLEY, JR.
Retired. Former President and Chief
Operating Officer, Exelon Corporation
(integrated utility company)
Director since 2007.
Member Nuclear Committee.

RUDY E. SCHUPP
President and Chief Executive
Officer, 1st United Bank, and
Chief Executive Officer,
1st United Bancorp, Inc.
(commercial bank)
Director since 2005. Chair Finance
& Investment Committee.
Member Audit Committee,
Executive Committee.

MICHAEL H. THAMAN
Chairman and Chief Executive
Officer, Owens Corning
(manufacturer)
Director since 2003.
Chair Audit Committee.
Member Executive Committee.

HANSEL E. TOOKES, II
Retired. Formerly President,
Raytheon International
(defense and aerospace systems)
Director since 2005.
Member Finance & Investment
Committee, Governance &
Nominating Committee.

PAUL R. TREGURTHA
Chairman and Chief Executive
Officer, Moran Transportation Company
(marine transportation services)
Director since 1989.
Chair Governance & Nominating
Committee. Member Compensation
Committee, Finance & Investment
Committee, Executive Committee.

COMMUNICATIONS WITH THE BOARD: Shareholders may communicate with any of the company's directors, including the presiding director, by writing to them c/o FPL Group, Inc., P.O. Box 14000, Juno Beach, FL 33408-0420. Communications intended for the non-management directors should be directed to the presiding director. Employees and others who wish to contact the board or any member of the audit committee to report complaints or concerns with respect to accounting, internal accounting controls or auditing matters, may do so anonymously using this address.

Investor Information

CORPORATE OFFICES
FPL Group, Inc.
700 Universe Blvd.
Juno Beach, FL 33408-0420

EXCHANGE LISTING
Common Stock
New York Stock Exchange
Ticker Symbol: FPL

5 ⅞ % Preferred Trust Securities
New York Stock Exchange
Ticker Symbol: FPL PRC

FPL Group Capital Inc Series A Enhanced Junior Subordinated Debentures
New York Stock Exchange
Ticker Symbol: FGC

FPL Group Capital Inc Series E Junior Subordinated Debentures
New York Stock Exchange
Ticker Symbol: FGE

NEWSPAPER LISTING
Common Stock: FPL Gp

REGISTRAR, TRANSFER AND PAYING AGENTS
FPL Group Common Stock
FPL Group, Inc.
c/o Computershare
Investor Services, LLC
250 Royall Street
Canton, MA 02021
(888) 218-4392

Florida Power & Light Company First Mortgage Bonds
DB Services Tennessee, Inc.
As Agent for Deutsche Bank Trust Company Americas
648 Grassmere Park Road
Nashville, TN 37211
(800) 735-7777

FPL Group Capital Trust I Preferred Trust Securities
FPL Group Capital Debentures
FPL Group Capital Enhanced Junior Subordinated Debentures
FPL Group Capital Junior Subordinated Debentures

The Bank of New York Mellon
Corporate Trust Operations
111 Sanders Creek Parkway
East Syracuse, NY 13057
(800) 254-2826

CERTIFICATIONS
FPL Group has included as Exhibits 31(a) and 31(b) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of FPL Group certifying the quality of FPL Group's public disclosure, and FPL Group has submitted to the New York Stock Exchange a certificate of the chief executive officer of FPL Group certifying that he is not aware of any violation by FPL Group of New York Stock Exchange corporate governance listing standards.

SHAREHOLDER INQUIRIES
Communications concerning transfer requirements, lost certificates, dividend checks, address changes, stock accounts and the dividend reinvestment plan should be directed to Computershare: (888) 218-4392 or www.computershare.com
Other shareholder communications to: Shareholder Services (800) 222-4511 or (561) 694-4694, (561) 694-3707 (fax)

ANNUAL MEETING
May 23, 2008, 10:00 a.m.
FPL Group, Inc. Corporate Headquarters
700 Universe Blvd.
Juno Beach, Florida

ELECTRONIC PROXY MATERIAL
Shareholders may elect to receive proxy materials electronically by accessing **http://enroll.icsdelivery.com/fpl.**

DIRECT DEPOSIT OF DIVIDENDS
Cash dividends may be deposited directly to personal accounts at financial institutions. Call Computershare for authorization forms.

DIVIDEND REINVESTMENT PLAN
FPL Group offers a plan for holders of common stock to reinvest their dividends or make optional cash payments for the purchase of additional common stock. Enrollment materials may be obtained by calling Computershare or by accessing **www.computershare.com.** The table below shows the periods during which optional cash payments can be made.

DIRECT REGISTRATION SERVICES
FPL Group common stock can be issued in direct registration (book entry or uncertificated) form. The common stock is DRS (Direct Registration System) eligible.

ONLINE INVESTOR INFORMATION
Visit our investor information site at **www.fplgroup.com/investors** to get stock quotes, earnings reports, financial releases, SEC filings and other news. You can also request and receive information via e-mail. Shareholders of record can receive secure online account access through a link to our transfer agent, Computershare.

SEC FILINGS
All Securities and Exchange Commission filings appear on our Web site at **www.fplgroup.com/investors.** Copies of SEC filings also are available without charge by writing to FPL Group, Shareholder Services.

NEWS AND FINANCIAL INFORMATION
Get the latest news and financial information about FPL Group by calling (866) FPL-NEWS. Besides hearing recorded announcements, you can request information to be sent via fax or mail.

ANALYST INQUIRIES
Investor Relations
(561) 694-4697
(561) 694-3707 (fax)
investors@FPL.com

NEWS MEDIA INQUIRIES
Media Relations
(305) 552-3888
(305) 552-2144 (fax)

CERTIFIED PUBLIC ACCOUNTANTS
Deloitte & Touche LLP
200 S. Biscayne Boulevard, Suite 400
Miami, FL 33131-2310

PROPOSED 2008 COMMON STOCK DIVIDEND DATES*

Declaration	Ex-Dividend	Record	Payment
February 15	February 27	February 29	March 17
May 23	June 4	June 6	June 16
July 25	August 27	August 29	September 15
October 17	November 25	November 28	December 15

OPTIONAL CASH PAYMENT DATES*

Qtr./Yr.	Acceptance begins	Must be received by
2nd/08	May 19	June 11
3rd/08	August 18	September 10
4th/08	November 17	December 10

*Declaration of dividends and dates shown are subject to the discretion of the board of directors of FPL Group. Dates shown are based on the assumption that past patterns will prevail.