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~~Confidential~~

Presentation to:

FPL GROUP

FPL Energy

Financing and Strategic Discussion Materials

July 3, 2001

LEHMAN BROTHERS

00201378

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Introduction

Overview

- Evaluation of financing alternatives available to FPL Group (**"FPL Group"**) with regard to financing generation development program at FPL Energy (**"FPLE"**) and Florida Power & Light (**"FP&L"**)
  - — Bank Financing
  - — Capital Markets (Debt and Equity)
- Decision on optimal approach will depend on a variety of factors
  - — Availability of financing
  - — Tenor / refinancing risk
  - — Ratings objectives within FPL Group
  - — Business strategy
  - — Longer term financing objectives and/or <u>option</u> to IPO FPLE in future

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Why Lehman Brothers? – The Qualifications

Leader in Wholesale Strategic Advisory

- Advisor to AEP in the formation of its standalone wholesale business which will include approximately 21,000 MW of generation currently located in 7 subsidiaries
- Advised UtiliCorp on its strategic separation of Aquila
- Advised Constellation Energy in determining the optimal structure for its wholesale energy business which includes over 14,000 MW generation assets and wholesale trading
- Advised Ameren in the formation and financing of its Illinois based wholesale business
- Buyside advisor in numerous generation auctions including Edison Mission Energy's acquisition of Homer City and U.S. Generating's financing of NEES portfolio
- Sellside generation advisor for Duquesne and SPS

McKinsey & Company JV

- Venture to assist companies in evaluating and developing wholesale strategy

Leader in Financing Competitive Generation

- #1 Book-runner in Utility / Power 1998, 1999, 2000 and 2001 YTD
- *1999 Project Finance International Bond House of the Year*

Leader in Equity Finance

- #3 Book-runner in Energy / Power equity YTD
- #4 Book-runner in equity and related new issues YTD across all sectors
- Lead equity underwriter for Aquila, Black Hills, Dominion, Dynegy, Foster Wheeler, International Power, Peabody Energy, Southern, and Williams
- Dan Ford and Brian Riddle entrance in Q1 2001

Wholesale Peer Comparisons

The Key Wholesale Paradigm

Financial Markets currently very receptive to wholesale players; this may not be the case in the near term as differentiation begins to develop amongst the players

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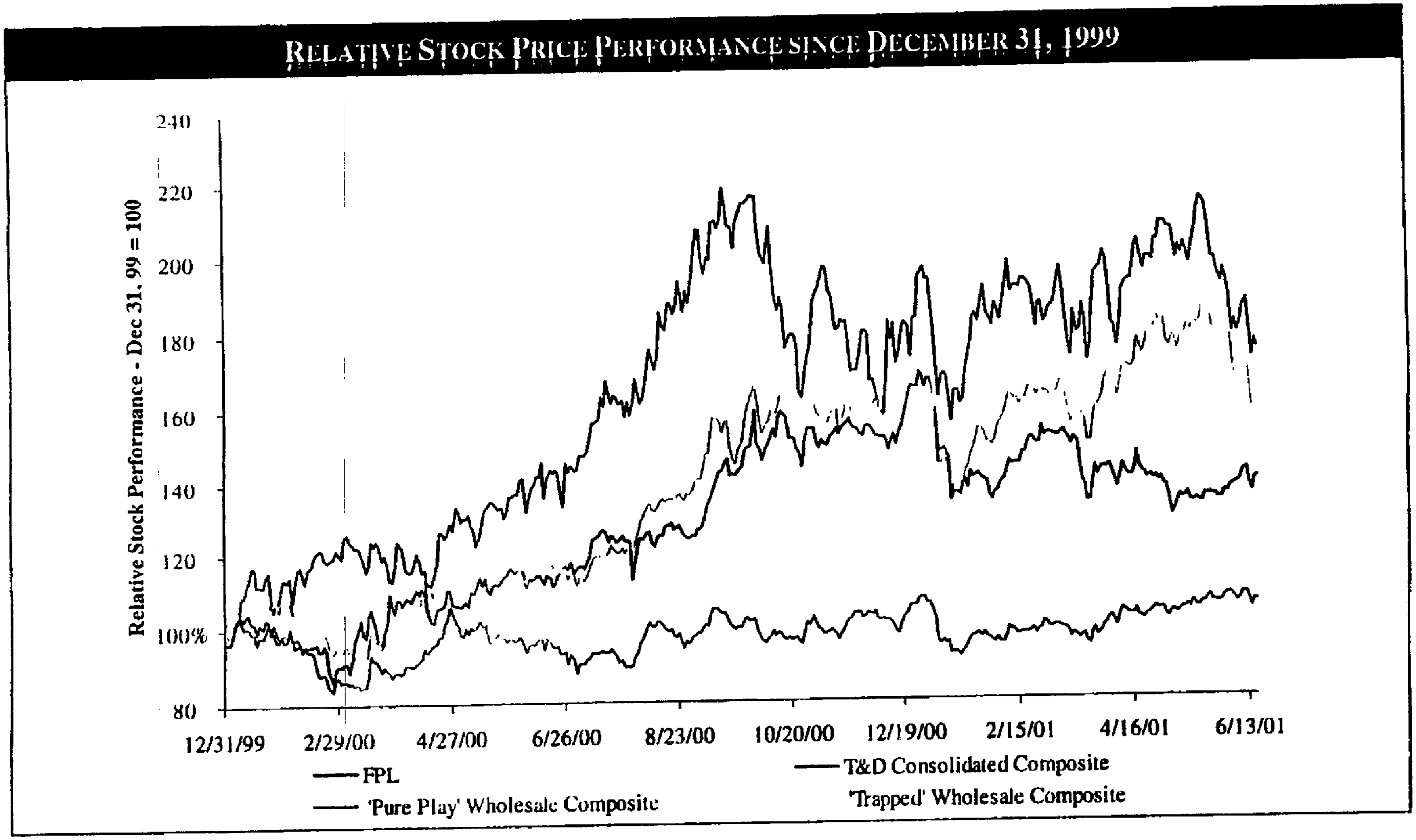
Wholesale Peer Comparisons

Stock Price Analysis[1]



(1) *"Trapped" Wholesale Composite is composed of CEG, DPL, PEG, PPL, REI, DUK, D, and AYE.*
T&D Consolidated Composite is composed of SRP, ED NST, and NEG.
"Pure Play" Wholesale Composite is composed of AES, MIR, NRG, DYN, CPN ,ORN, ILA, and RRI

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Wholesale Peer Comparisons

Comparable Recent IPO Stories

($ in millions)

	FPL Energy	AQUILA	NRG	MIRANT	ORION POWER HOLDINGS, INC.	Reliant Resources
Fossil MW in Operation	4,110	993	14,629	18,615	5,396	12,707
Nuclear MW in Operation	0	0	0	0	0	0
MW in Construction	1,743	1,475	3,180	1,735	1,208	2,770
MW in Advanced Development	3,994	1,640	12,671	6,340	2 – 4,000	0
Location / Diversity	◑	◔	●	●	◔	◑
M&T Capability	?	●	◔	●	○	◕
Greenfield Capability	◕	◔	◔	◑	◔	◔
2000 Earnings	N.A.	$98	$183	$359	$29	$209
P/E Ratio	N.A.	30.6x	34.4x	30.6x	96.5x	48.56x
2001 Earnings	N.A.	$143	$267	$650	$109	N.A.
P/E Ratio (1)	N.A.	21.0x	23.6x	16.9x	25.7x	N.A.
IBES Growth	-	25%	25%	23%	24%	N.A.
PEG Ratio	-	0.86	0.99	1.39	1.08	N.A.
Market Capitalization	N.A.	$3,000	$6,300	$11,000	$2,800	$10,150
Current Dividend per Share	N.A.	$0.00	$0.00	$0.00	$0.00	$0.00
Payout Ratio	N.A.	0.0x	0.0x	0.0x	0.0x	0.0x
Ratings	[BBB / Baa2]	BBB / Baa2	BBB- / Baa3	BBB- / Baa2	B+ / Ba3	BBB+ / Baa3

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Wholesale Peer Comparisons

Other Established Wholesale Competitors

($ in millions)

	FPL Energy	AES	CALPINE	DYNEGY
Fossil MW in Operation	4,110	28,229	4,999	9,517
Nuclear MW in Operation	0	0	0	0
MW in Construction	1,743	7,591	14,028	1,160
MW in Advanced Development	3,994	0	15,142	1,155
Location / Diversity	◑	◕	●	◑
M&T Capability	?	○ / ◕ (1)	○	●
Greenfield Capability	◕	◑	●	◑
2000 Earnings	N.A.	$641	$324	$501
P/E Ratio	N.A.	37.4x	47.5x	35.3x
2001 Earnings	N.A.	$917	$559	$648
P/E Ratio	N.A.	26.2x	27.6x	27.3x
IBES Growth	-	30%	35%	20%
PEG Ratio	-	0.87	0.83	1.37
Market Capitalization	N.A.	$24,000	$15,400	$17,700
Current Dividend per Share	N.A.	$0.00	$0.00	$0.00
Payout Ratio	N.A.	0.0x	0.0x	0.0x
Ratings	[BBB / Baa2]	BB / Ba1	BB+ / Ba1	BBB+ / Baa2

(1) Williams Companies through Tolling Agreements

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Wholesale Peer Comparisons

"Trapped" Wholesale Competitors

($ in millions)	FPL Group	Allegheny Energy, Inc.	Cinergy.	Duke Energy.	Dominion	PSEG
Fossil MW in Operation	16,428	13,004 [3]	11,250	16,328	9,211	8,073
Nuclear MW in Operation	2,939	0	0	5,409	3,467	3,417
MW in Construction	1,743	1,170	998	3,810	0	1,168
MW in Advanced Development	3,994	2,876	700	12,750	4,332	2,686
Location / Diversity	◑	◔	◔	◕	◔	◔
M&T Capability	?	◑ [1]	◔	●	◔	◔
Greenfield Capability	◕	○	○	●	◔	◔
2000 Earnings	$704	$314	$400	$1,757	$415	$764
P/E Ratio	14.9x	17.8x	13.8x	19.4x	39.5x	12.4x
2001 Earnings	$825	$484	$436	$1,868	$1,020	$770
P/E Ratio	12.7x	11.6x	12.6x	18.2x	16.1x	12.3x
IBES Growth	7.0%	10.0%	7.0%	11.0%	10.0%	6.0%
Market Capitalization	$10,500	$5,600	$5,500	$34,000	$16,400	$9,500
Current Dividend per Share	$2.24	$1.72	$1.80	$1.10	$2.58	$2.16
Payout Ratio	48%	44%	66%	45%	62%	58%
Ratings	A+ / A2	A / Baa1	BBB+ / Baa2	A+ / A1	BBB+ / Baa1	BBB / Baa2

(1) Merrill Lynch Trading Group Acquisition

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Wholesale Peer Comparisons

Is it the right time to IPO FPLE?

Transaction Rationale	Business Maturity
• Enhance overall value of FPL Group through crystallizing value of FPLE • Raise necessary equity proceeds for FPL Group and FPLE that are unavailable otherwise • Management incentives • Increased financing flexibility • Enhance strategic focus, speed and responsiveness • New targeted investor base	• Integrated wholesale business • Growth platform • Demonstrated successful business plan • Management team and depth
Other Considerations	**Recommendation**
• Business plan maturity — Is FPLE ready to go on detailed roadshow? • Integration of M&T, assets and people • Ability to live quarter-to-quarter immediately	• *Could FPLE go public now?* — Yes, given Aquila and Orion benchmarks and basics of current business profile — However, significant value remains to be harvested with generation development program and new management team • Recommend waiting until "critical mass" of construction program is in place or an acquisition or catalyst can "catapult" the business

Situational Analysis

Ratings Analysis

STRUCTURE

FPL Group
[A+][1] [Watch] / A2 [Negative]
Business Position: 5

Guarantee

Florida Power & Light
AA- [Watch] / A1 [Negative]
Business Position: 4

FPL Group Capital
[A+][1] [Watch] / A2 [Negative]
Business Position: 6-7

FPL Energy
Target BBB / Baa2
Business Position: 7-9

CONSIDERATIONS

- FP&L and FPL Energy capital program
- How to maintain FP&L ratings and/or minimize impact given consolidated S&P methodology?
- Agencies "watching" closely
- FPL Energy business position much higher than FPL Group and FP&L

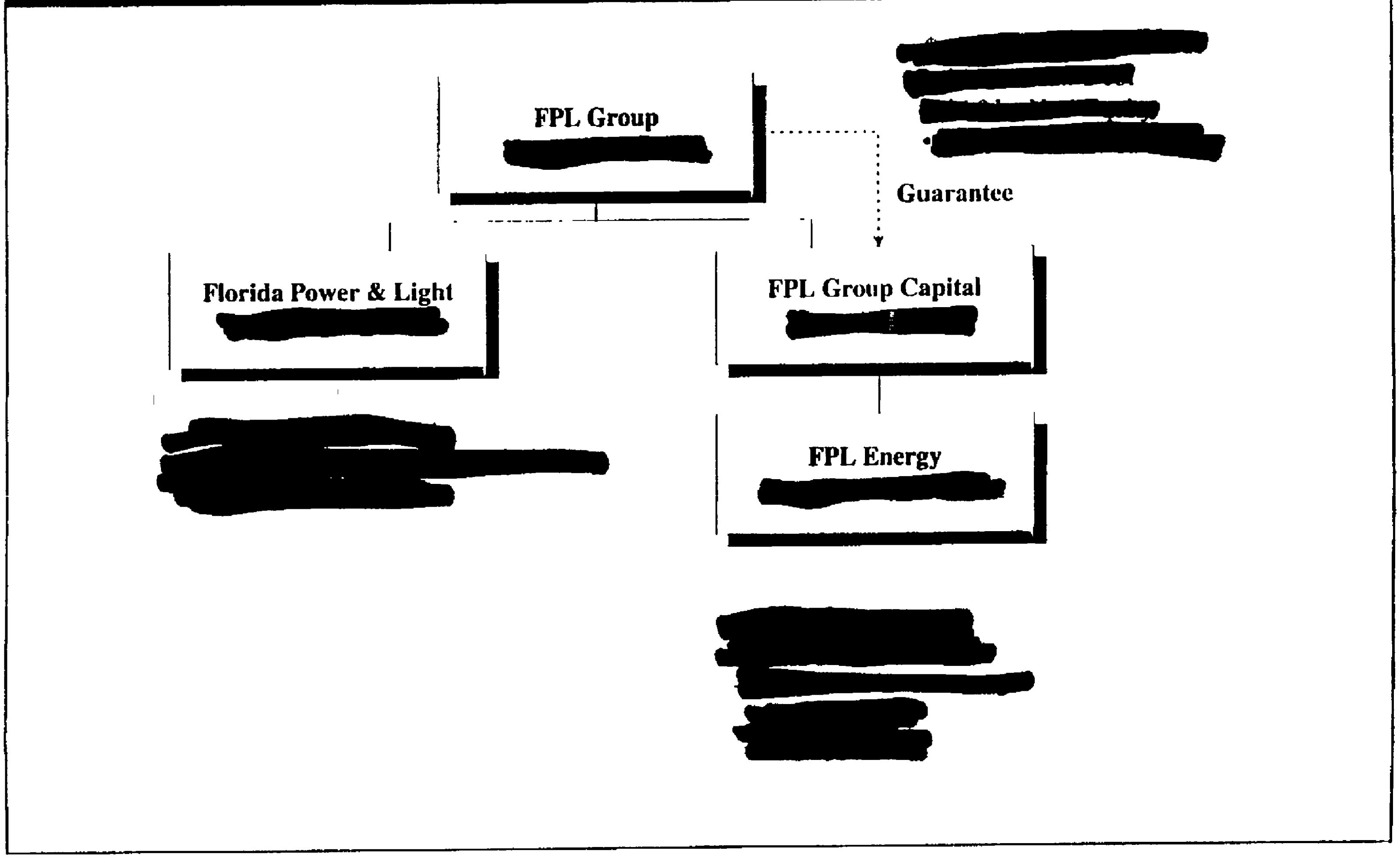
DISCUSSION POINTS

- Ring-fencing / structural separation
- Non-recourse philosophy
  - "Walk away"
- FPL Group equity commitments to maintain credit quality

(1) S&P indicated AA-, but offerings are rated A+

Funding Analysis

STRUCTURE AND FINANCING



Rating Agency Analysis at NewCo and FPLE

BACK LEVERAGE OF EXISTING PROJECTS TO TARGET BAA3 / BBB-
• Focus on dividend streams from existing portfolio of projects — Careful scrutiny of 7 largest assets which make up ~80% of EBITDA and cashflow ▪ Existing ratings at ESI Tractebel (BB/Ba1) — Predominately focused on PPA's with off-takers and tenors • Target 3.5x DSCR sized off existing projects' EBITDA (less Doswell EBITDA as it will be levered)

FINANCING DEVELOPMENT PROJECTS	
MOODY'S	**S&P**
• Continued use of structural separation of subsidiaries — Review on stand-alone credit • Merchant Analysis — "Discount to Breakeven" ▪ ~30% to achieve BBB level — Role of M&T — Corporate-style covenant package	• "Consolidated" ratings methodology — Review of impact to FPL "family" — Overall leverage and cashflow statistics ▪ "Consolidated leverage is high for current ratings" • Merchant Analysis — Net revenues analysis — Role of M&T and/or tolling contracts — Expect 50/50 leverage and 3.0x coverage for BBB level — Business profile of 8 – 9

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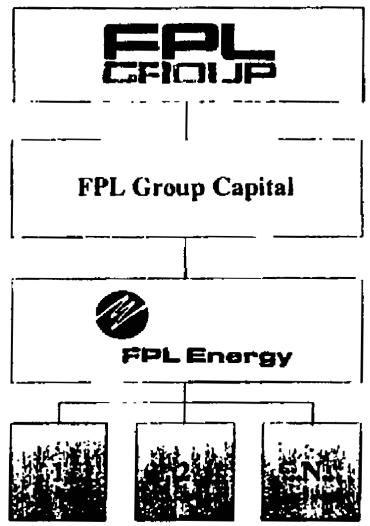
FPLE Funding Alternatives

Single Asset Financing

Structure



Considerations

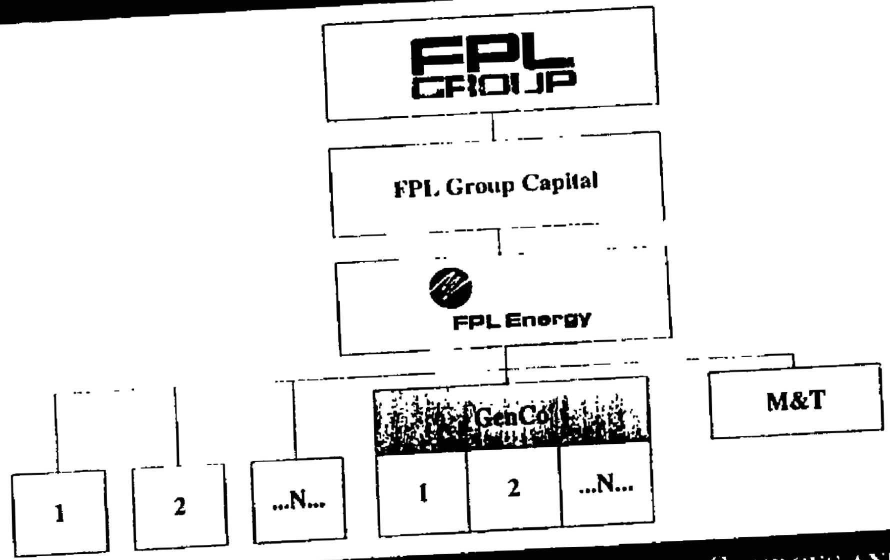
- Merchant versus Tolling
  - Peaker versus CCGT
- Leverage
  - Merchant: ~50%
  - Tolling: up to 80%
- M&T Philosophy
  - Limited optimization capability
- Construction Risk
  - Agencies very conservative
- Due diligence time / Labor intensive

Financing Sources and Considerations

- Bank Loans
  - Capacity
  - Refinancing risks
  - Significant cash traps / sweeps
- Capital Markets
  - Ratings
  - EPS/Negative Arbitrage

Merchant GenCo Financing

Structure



Considerations

- Merchant versus Tolling Breakdown
  - Peaker versus CCGT
- Leverage
  - Merchant: ~60%
  - Tolling: up to 80%
- M&T Philosophy
  - Transfer pricing
- Construction Risk
  - Agencies very conservative
- Non-recourse Philosophy

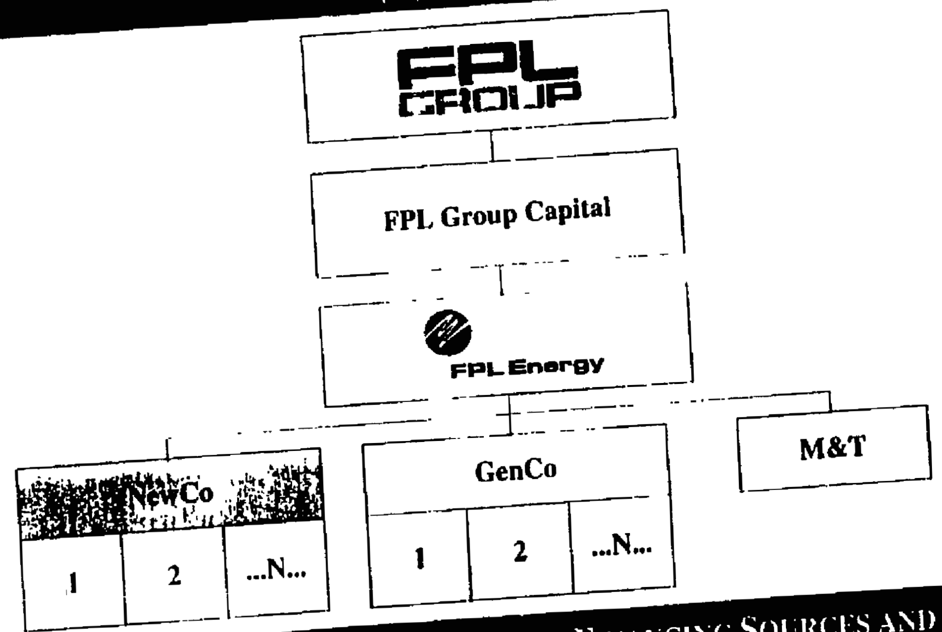
Financing Sources and Considerations

- Bank Loans
  - Capacity
  - Significant cash traps / sweeps

FPLE Funding Alternatives

Back-leverage Existing Asset Financing

STRUCTURE

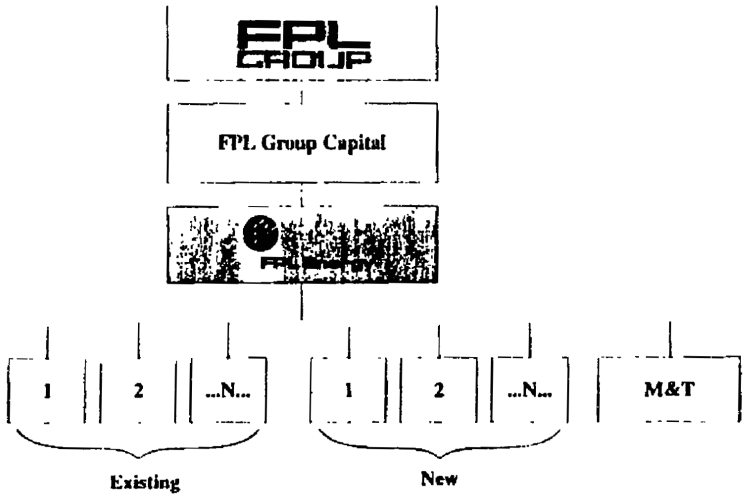


CONSIDERATIONS	FINANCING SOURCES AND CONSIDERATIONS
• Merchant versus Tolling Breakdown — Peaker versus CCGT • Leverage — Merchant: ~60% — Tolling: up to 80% • M&T Philosophy — Transfer pricing • Non-recourse Philosophy	• Capital Markets — Ratings

FPLE Funding Alternatives

Corporate Style Financing

STRUCTURE



CONSIDERATIONS	FINANCING SOURCES AND CONSIDERATIONS
• Merchant versus Tolling Breakdown — Peaker versus CCGT • M&T Philosophy — Transfer pricing — Ratings of M&T business • Construction Risk — Agencies very conservative • Non-recourse Philosophy	• Bank Loans — Capacity — Cash traps / sweeps • Capital Markets — Ratings — EPS/Negative Arbitrage • Comparables — MAGI, Reliant, PSEG Power, NRG, NEG, Allegheny

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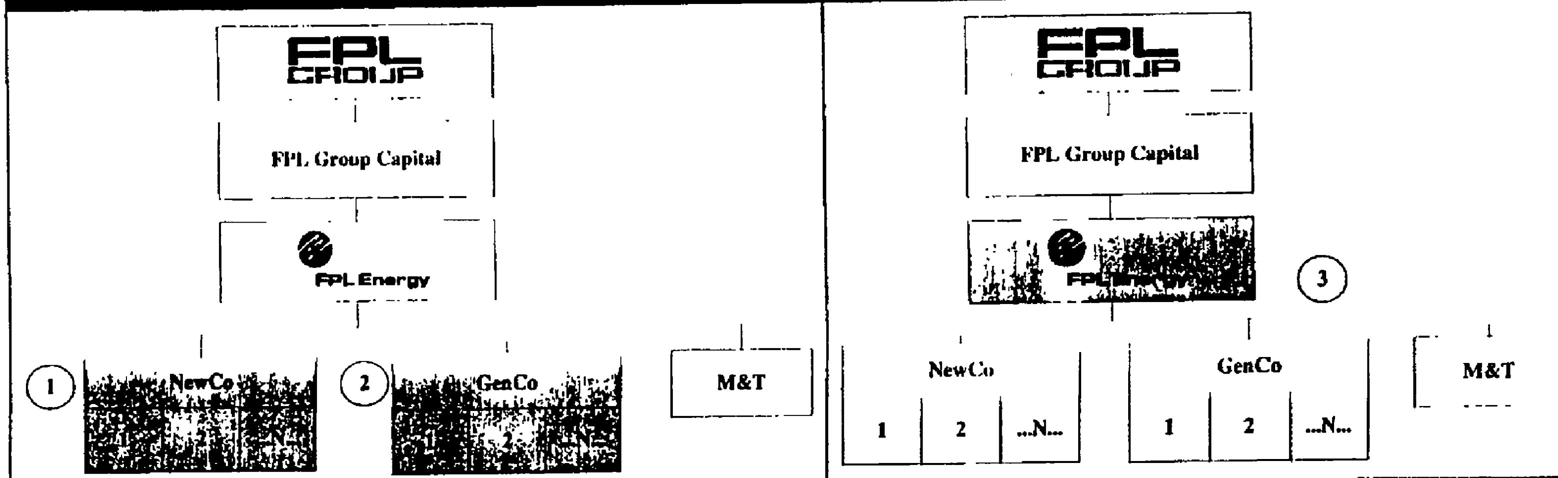
FPLE Funding Alternatives

Recommended Approach

Now	Future (2003 – 2005)



Financing Sources (Now)

① NewCo Capital Markets Offering

— Target BBB-/Baa3

— FPLE / NewCo Financials (3 years)

② GenCo Bank Offering

— Ratings?

Financing Sources (Future)

③ FPLE Capital Markets "Debt IPO"

— Target BBB / Baa2

— Inaugural financing; corporate style

— Refinance GenCo financing

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Analysis of Pro Formas

- Assumptions
  - Utilize summary financial data provided by FPL; a full flowing / integrated model will be an immediate necessity to make final decisions
  - Built model to review credit statistics at various funding entities
  - Interest rate of 8.0% for FPL Energy and 6.125% for FPL Group Capital
- Methodology
  - Maximize leverage at lowest levels (FPL Energy) and move up organization structure (to FPL Group)
- Steps
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]

FPLE Funding Alternatives

NewCo and GenCo and FPLE Debt Issuances

NEWCO BOND -- EXISTING PROJECTS	2001	2002	2003	2004	2005
BOY Outstanding Balance	[redacted]				
Debt Issuance	[redacted]				
Annual Principal Repayment	[redacted]				
Annual Interest	[redacted]				
Total Debt Service	[redacted]				
EOY Outstanding Balance	[redacted]				
EBITDA Available for Debt Service	[redacted]				
Debt Service Coverage Ratio	[redacted]				

GENCO BANK -- CONSTRUCTION FACILITY	2001	2002	2003	2004	2005
BOY Outstanding Balance	[redacted]				
Funds Needed	[redacted]				
Annual Principal Repayment	[redacted]				
Annual Interest	[redacted]				
Total Debt Service	$ [redacted]				
EOY Outstanding Balance	$ [redacted]				

FPLE TERM BOND	2001	2002	2003	2004	2005
BOY Outstanding Balance	[redacted]				
Debt Issuance	[redacted]				
Annual Principal Repayment	-	-	-	-	-
Annual Interest	[redacted]				
Total Debt Service	$ [redacted]				
EOY Outstanding Balance	[redacted]				
EBITDA Available for Debt Service	[redacted]				
Debt Service Coverage Ratio	[redacted]				

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FPLE Funding Alternatives

Capital Structure Analysis: [redacted]

Assumed Ratings: [redacted]					
($ in millions)	*2001*	*2002*	*2003*	*2004*	*2005*
Uses					
Capital Expenditures	[redacted]				
Capitalized Interest at FPL Group Capital	[redacted]				
Repayment of Construction Facility	[redacted]				
Total Uses	[redacted]				
Sources					
FPL Energy Cash Flow	[redacted]				
Doswell/Lamar Financing	[redacted]				
FPL Energy NewCo Debt (Existing Projects)	[redacted]				
FPL Energy GenCo Construction Facility	[redacted]				
FPL Energy Term Bond					
FPL Group Hybrid Securities[1]					
FPL Group Common Stock[1]					
Excess Funds from Previous Years					
Total Sources					

(1) Some blend of Hybrid / Common TBD in future to achieve ratings targets

FPLE Funding Alternatives

Pro Forma Credit Ratios

FPL GROUP [1]	2001	2002	2003	2004	2005	[redacted] S&P Target	S&P Target
Common Equity / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
Total Debt / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Recourse Debt / Recourse Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Preferred Stock / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
EBITDA Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
FFO Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FFO / Average Total Debt	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FFO / Average Recourse Debt	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Pretax Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Average Total Debt / EBITDA	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Average Recourse Debt / EBITDA	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		

FPL GROUP CAPITAL	2001	2002	2003	2004	2005	Business Position 6 S&P Target	Business Position 7 S&P Target
Common Equity / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Debt / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Recourse Debt / Recourse Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Preferred Stock / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EBITDA Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FFO Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FFO / Average Total Debt	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FFO / Average Recourse Debt	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
Pretax Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted] x
Average Total Debt / EBITDA	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
Average Recourse Debt / EBITDA	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		

FPL ENERGY	2001	2002	2003	2004	2005	Business Position 8 S&P Target	Business Position 9 S&P Target
Common Equity / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
Total Debt / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Recourse Debt / Recourse Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
Preferred Stock / Capitalization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
EBITDA Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
FFO Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FFO / Average Total Debt	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FFO / Average Recourse Debt	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
Pretax Interest Coverage	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Average Total Debt / EBITDA	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Average Recourse Debt / EBITDA	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		

(1) FPL Group total debt includes $1.24 billion of PPA obligations at FP&L; interest coverage calculations do not include PPA payments

(2) In general, Moody's includes capitalized interest when calculating coverage ratios, while S&P usually does not; the above coverages do not include capitalized interest

FP&L Funding Alternatives

FP&L Predominately Funds Capex with Operating Cash Flow (after Dividends)

ASSUMED RATINGS: [redacted]

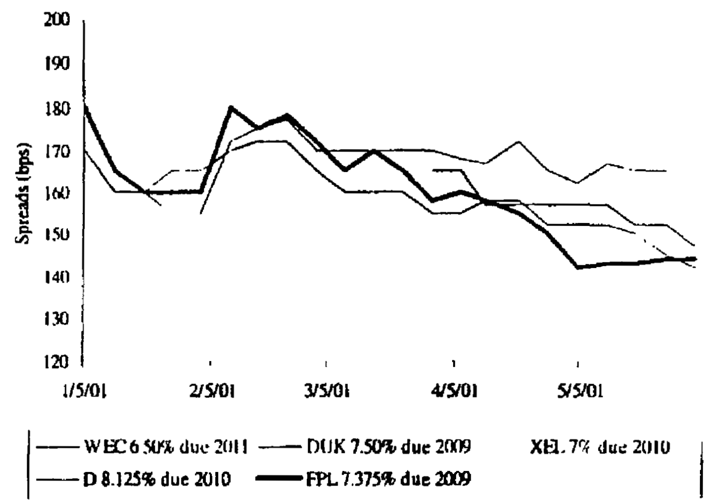
($ in millions)	*2001*	*2002*	*2003*	*2004*	*2005*
Uses					
Capital Expenditures	[redacted]				
Dividend to FPL Group	[redacted]				
Total Uses	[redacted]				
Sources					
FP&L Cash Flow	[redacted]				
FP&L Debt Issuances	[redacted]				
Excess Funds from Previous Years	[redacted]				
Total Sources	[redacted]				

FPL Group Funding Analysis

Overview

- The market perception of the FPL Group Capital credit remains very strong
- The comparison at right shows the FPLGC trades at a level comparable to mid-single A rated holding companies and better than BBB-rated holding companies
  - — This suggests that the market does not anticipate any substantial deterioration in the ratings or credit quality of Group Capital
  - — This also suggests that Group Capital is viewed as a proxy for the FPL Group credit, rather than a funding vehicle for FPL Energy

Secondary Trading Levels for Selected Utility Holding Companies



Issuer	Ratings	Coupon	Maturity	Spread
FPL Group Capital	A2/A+	6.125%	5/15/2007	+150/145
FPL Group Capital	A2/A+	7.375%	6/1/2009	+140/135
Wisconsin Energy	A2/A+	6.50%	4/1/11	+145/140
Duke Capital Corp.	A3/A	7.50%	10/1/09	+145/140
Xcel Energy	A3/BBB+	7.00%	12/1/2010	+167/162
Dominion Resources	Baa1/BBB+	8.125%	6/15/2010	+165/160

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Equity Alternatives

Overview

- [redacted]
  - Range of public market equity alternatives for FPL Group
    - Common
    - Mandatory Convertible securities (acronym PIES)
    - Trust Convertible securities (acronym PIERS)
  - Each of these securities have different features which will be discussed over the following pages
- Current market conditions are extremely favorable for utilities and energy companies
  - Numerous companies are taking advantage of the equity markets to reposition their balance sheet and/or to finance their future business plans now
  - Given FPL Group current stock price and uncertainty surrounding the PSC proceedings, a convertible security seems to have the better profile

Equity Alternatives

Summary of Lehman Brothers' Credentials

Transaction Experience

- #3 Bookrunner of Energy/Power equity YTD
- #3 bookrunner of Energy/Power equity since 1/1/00
- Lead managed 22 equity and equity related transactions in the Energy sector since 1/1/2000 including:
  - $483,000,000 IPO for **Peabody Energy**
  - $479,400,000 IPO for **Aquila Inc.**
  - $1,371,000,000 common stock follow-on for **The Williams Companies**
  - $412,500,000 Corporate PIES offering for **Dominion Resources**
  - $528,000,000 common stock follow-on for **Dynegy**

Superior Trading Capabilities & Aftermarket Support

- Recently acquired power/utility trader, Brian Riddle, from SSB. Since joining Lehman, Brian has become:
- **#2 trader of the Philadelphia Utilities Index**
- **#2 trader of the S&P Utilities Index**
- **#3 trader of the Dow Jones Utilities Index**
- Brian was the #3 trader of FPL in the 2nd Quarter of 2001

Enhanced Power Research Platform

- **Addition of #4 *II Ranked* Dan Ford significantly enhances Lehman Brothers' Power Equity Research platform**
- On March 13th, Dan initiated coverage on 35 Domestic Utilities, 5 Independent Power Producers and 6 Electro-Technology stocks
- Dan currently maintains a 2-buy on shares of FPL

Distribution Capabilities

- Educated and experienced salesforce having completed 22 Energy/Power transactions since the start of 2000
- Successfully completed Peabody Energy's $483.0 mm IPO, pricing $4.00 above the high end of the initial range
- Successfully completed Aquila Inc.'s $479.4 mm IPO, increasing the size by 1.0 mm shares and pricing $1 above the high end of the initial filing range
- Successfully completed Williams Companies' $1.37 billion follow-on -- the largest common stock energy follow-on of a U.S. based company this year. Transaction was upsized by 10%
- Successfully completed Anadarko Petroleum's $650mm ZYP-CODES℠, upsizing the transaction by 20%
- Successfully executed the Williams Energy Partner's $86.0mm IPO
- Completed eight convertible transactions in 2001 raising $4.7 billion in proceeds
- 400 person institutional sales force covering over 1,500 accounts worldwide
- 450 person high net worth retail sales force with over $50 billion under management
- Exclusive strategic alliance with Fidelity Investments (over $600 billion in total customer assets) drastically enhances our retail distribution capabilities

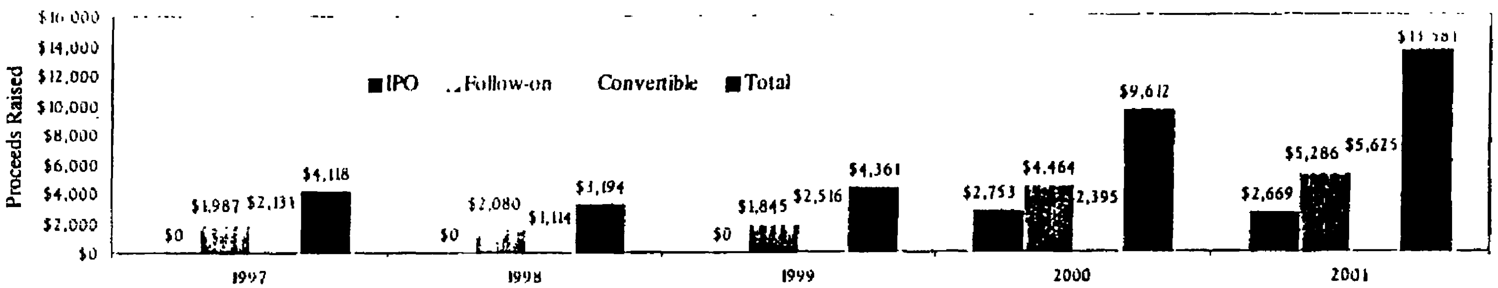
00201404

Equity Alternatives

Utility and Power Equity New Issuance

- Utility and Power equity issuance grew dramatically in 2000 (up 120% over 1999) and continues to grow in 2001, total sector equity issuance this year amounts to $13.6 billion; major trends in the sector include:
  - — Unregulated generation / wholesale marketing and trading initial public offerings
  - — Shift toward common stock follow-ons by utilities, integrated electrics and diversified energy companies as multiples expand
- Utility and Power issuance has not only increased in 2000 and 2001 on an absolute basis, but has also grown dramatically relative to the overall new issuance calendar; Utility and Power transactions now amount 11.3% of total equity and equity related issuance year to date

UTILITY AND POWER TRANSACTIONS SINCE 1997



POWER TRANSACTIONS VS. TOTAL ISSUANCE SINCE 1997

	1997	1998	1999	2000	2001
Total Issuance ($MM)	$141,911	$145,102	$184,787	$224,813	$119,315
Total Power/Utility Issuance ($MM)	$4,118	$3,194	$4,361	$9,612	$13,581
% of Total Issuance	2.9%	2.2%	2.4%	4.3%	11.3%

00201405

Equity Alternatives

Overview of Recent Power / Utility Equity Offerings

- Traditional utilities, integrated electrics and merchant energy / IPP's have all issued equity and equity related securities in the last 18 months.
  - Merchant energy and IPP's have issued both equity and equity linked securities to finance their growth platforms
  - Traditional utilities and integrated electrics have issued both equity linked securities and common stock strengthen balance sheet in unprecedented size to finance growth
  - An increase in common stock issuance in Q4 and YTD 2001 has resulted from expanding multiples that has made common stock less expensive
- Even as equity issuance has expanded, the market has become more receptive to new issues. Common Stock follow-ons across all sectors have traded down 6.9% YTD from filing to pricing while those in the power sector have traded down only 2.5%

POWER / UTILITY EQUITY RELATED OFFERINGS 1/1/2000 - PRESENT

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	% Change ... Comps Filing to Pricing	[illegible]	[illegible]
1/25/00	1/25/00	CVT	Calpine Corp	Wholesale Power	$360.0	8.80%	2.46%	6.40%	CSFB
1/26/00	1/27/00	CVT	Alliant Energy	Utility	$150.0				Merrill Lynch
4/4/00	4/17/00	SEC	Dynegy Inc.	Diversified Energy	$467.5	14.50%	8.60%	5.90%	Lehman Brothers
5/8/00	5/11/00	SEC	AES Corp	Wholesale Power	$795.5	13.95%	3.94%	17.89%	Morgan Stanley / Goldman Sachs
5/8/00	5/11/00	CVT	AES Corp	Wholesale Power	$600.0				Morgan Stanley / Goldman Sachs
3/13/00	5/30/00	IPO	NRG Energy	Wholesale Power	$321.8				Salomon Smith Barney
7/24/00	8/3/00	SEC	Calpine Corp	Wholesale Power	$695.0	4.64%	4.60%	9.24%	CSFB
7/24/00	8/3/00	CVT	Calpine Corp	Wholesale Power	$450.0				CSFB
8/10/00	8/17/00	CVT	CMS Energy	Utility	$220.0	1.19%	1.86%	-0.67%	Morgan Stanley / Banc of America
4/21/00	9/26/00	IPO	Mirant Corp	Wholesale Power	$1,236.0			-	Goldman Sachs / Morgan Stanley
4/21/00	9/26/00	CVT	Mirant Corp	Wholesale Power	$300.0			-	Goldman Sachs / Morgan Stanley
10/2/00	10/5/00	CVT	Dominion Resources	Utility	$412.5	-12.19%	-6.73%	-5.46%	Lehman Brothers
11/2/00	11/2/00	Spot Sec.	Dominion Resources	Utility	$159.1	6.06%		-4.77%	Merrill Lynch
11/2/00	11/2/00	Spot Sec.	AES Corp	Wholesale Power	$525.0	6.20%		5.30%	Morgan Stanley
8/1/00	11/30/00	IPO	Orion Power	Wholesale Power	$550.0			-	Goldman Sachs
11/20/00	11/30/00	SEC	NiSource Inc	Utility	$247.5	4.60%	0.45%	5.05%	CSFB
11/20/00	12/6/00	SEC	Southern Company	Wholesale Power	$712.5	8.06%	2.97%	5.09%	Goldman Sachs
12/1/00	12/13/00	SEC	Atmos Energy	Utility	$133.5	11.46%	4.49%	6.06%	Merrill Lynch
1/8/01	1/16/01	SEC	Williams Companies	Diversified Energy	$1,170.9	2.85%	3.09%	0.25%	Lehman Brothers / Merrill Lynch
1/29/01	1/30/01	CVT	Enron	Diversified Energy	$1,500.0	2.80%	0.20%	2.60%	Salomon Smith Barney
1/19/01	2/6/01	SEC	Vectren Corp	Utility	$117.0	7.52%	8.87%	16.39%	Merrill Lynch
2/21/01	2/22/01	CVT	El Paso Corp	Diversified Energy	$800.0	5.21%	0.81%	4.42%	CSFB
2/23/01	2/23/01	Spot Sec.	CMS Energy	Utility	$297.5	4.77%		4.16%	Bank of America
2/23/01	3/5/01	SEC	UtiliCorp United Corp	Utility	$297.6	1.49%	0.41%	-1.38%	Merrill Lynch
2/28/01	3/6/01	SEC	Teco Energy	Utility	$206.1	5.71%	1.19%	6.90%	CSFB
2/16/01	3/7/01	SEC	NRG Energy	Wholesale Power	$432.0	3.05%	2.97%	0.08%	CSFB / Merrill Lynch
2/16/01	3/7/01	CVT	NRG Energy	Wholesale Power	$250.0			-	CSFB / Merrill Lynch
3/7/01	3/13/01	SEC	Duke Energy Corp	Diversified Energy	$974.5	5.78%	1.69%	2.10%	Morgan Stanley / Merrill Lynch
3/7/01	3/13/01	CVT	Duke Energy Corp	Diversified Energy	$775.0				Morgan Stanley / Merrill Lynch
3/21/01	3/21/01	Spot Sec.	Constellation Energy Group	Utility	$476.8	6.50%		5.02%	Goldman Sachs
3/22/01	4/18/01	SEC	Black Hills Corp	Diversified Energy	$156.0	17.67%	13.24%	4.43%	CSFB / Lehman Brothers (Jt. Lead)
12/13/00	4/23/01	IPO	Aquila Inc	Merchant Energy	$479.6		-		Lehman Brothers / Merrill Lynch
4/23/01	4/24/01	CVT	Calpine Corp	Wholesale Power	$850.0			-	Goldman Sachs
4/9/01	4/26/01	SEC	Allegheny Energy Inc	Utility	$598.1	5.49%	7.31%	-1.83%	Goldman Sachs / Morgan Stanley
10/17/00	4/30/01	IPO	Reliant Resources	Wholesale Power	$1,560.0				Goldman Sachs
4/23/01	5/3/01	CVT	PPL Corp	Diversified Energy	$500.0	2.02%	2.61%	0.63%	Morgan Stanley
5/17/01	5/9/01	IPO	Global Power Equipment Group	Industrial	$147.0			-	CSFB / Salomon Smith Barney
2/12/01	5/21/01	IPO	Peabody Energy	Coal	$483.0			-	Lehman Brothers
5/11/01	5/31/01	SEC	Orion Power	Wholesale Power	$355.6	9.47%	5.45%	-4.02%	Goldman Sachs
5/11/01	5/31/01	CVT	Orion Power	Wholesale Power	$200.0	9.47%		-	Goldman Sachs
5/21/01	5/24/01	CVT	Mirant Corp	Wholesale Power	$750.0			-	Salomon Smith Barney
					1st 1/2 of 2000 Avg:	-12.41%		-10.06%	
					2nd 1/2 of 2000 Avg:	-6.50%		-5.46%	
					2001 Avg:	-2.49%		-3.12%	

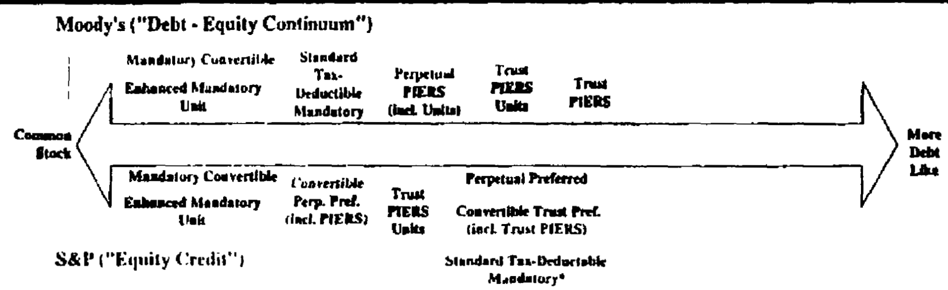
Rating Agency Considerations – Equity Credit Scale

- Through recent releases by both Moody's and S&P, Lehman Brothers understands that Rating Agencies consider the following characteristics when assessing equity content of hybrid securities:

CHARACTERISTIC	MOODY'S VIEW	S&P VIEW
Long Term Maturity	**Very Important**	**Very Important**
No Cash Callability	**Very Important**	**Not Important**
No Ongoing Payments	**Very Important**	**Important**
Ability to Defer Periodic Payments	**Less Important**	**Very Important**
Level of Fixed Charge	**Important**	**Important**
Loss Absorption	**Very Important**	**Very Important**
Deep Subordination Debt	**Less Helpful**	**Helpful**

- In determining a company's ratings, the agencies consider other factors in addition to "equity content" including an issuer's market position, competitive advantages and disadvantages, revenue growth potential, cost structure, relative sensitivity to the business cycle, and the quality of management; it is important to clearly lay out the proposed funding timetable and rationale to address agency concerns, as this provides a road map to achieving stated objectives

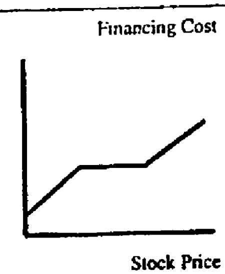
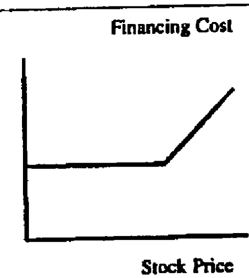
RATING AGENCY LEVERAGABILITY SCALE



* *S&P views the standard tax-deductible as two separately existing instruments that may not receive any analytical "netting" due to the mismatched maturities. Enhanced Mandatory Units, however, do receive "netting".*

00201407

Overview of High Equity Content Convertible Preferred Securities

	MANDATORY CONVERTIBLE (PIES^{SM})	CONVERTIBLE PREFERRED (PIERS^{SM})
Structure	• Shares delivered at maturity vary depending on stock price such that the issuer retains the first 100% of the first ~20% of stock price appreciation and ~17 % thereafter • Quarterly dividend payments are higher than that of common stock to compensate investor for giving up a portion of upside	• Long-dated preferred stock convertible into common at a pre-determined ratio • *Cash call option removed entirely* – issuer can only redeem the securities prior to maturity by forcing conversion if the stock has traded above a threshold price for a specified length of time
Rating Agency Treatment	• Mandatory receives high-level equity treatment from both S&P and Moody's	• Highest level of equity treatment short of issuing a mandatory or common stock
Advantages	• High level of equity credit • Assured forward sale of common stock • No cash redemption risk • Ability to sell stock at a premium	• Moderate/high level of equity credit • Long term increases likelihood of conversion and reduces risk of cash redemption upon maturity • Lower cost than PIES • Ability to issue under Rule 144A
Considerations	• High cash cost • Cannot issue under Rule 144A	• Moderate cash cost • No ability to cash call
Cost of Financing as a Function of Stock Price		
EPS Treatment:	• Basic structure – if-converted • Tax-deductible unit version – Treasury stock	• Basic structure – if-converted • Unit version – Treasury stock

Overview of High Equity Content Convertible Preferred Securities (Cont'd)

- Lehman Brothers' proprietary structures allow for the engineering of high equity content convertible securities to address additional issuer concerns
  - Tax-deductibility of distributions
  - Short-term EPS dilution
- Although these proprietary structures preserve most of the equity content while providing for additional benefits, Rating Agencies have typically indicated a preference for the basic securities

	MANDATORY CONVERTIBLE (PIES℠)	CONVERTIBLE PREFERRED (PIERS℠)
Structuring Alternatives	• No matter how PIES are structured, they guarantee forward sale of equity at issuance • Can be structured in a tax-deductible format (**Corporate PIES℠**) — Company issues unit consisting of a senior note and a purchase contract — Coupon payments on the senior note are tax-deductible — Receives treasury-stock treatment for EPS calculation – no dilutive effect from underlying shares until stock trades above conversion price	• Can be structured in tax-deductible format (**Trust PIERS℠**) — Coupon payments are tax-deductible • Can be structured as a convertible unit (Preferred + Warrants – **PIERS℠ Unit)** — Receives treasury-stock treatment for EPS calculation – no dilutive effect from underlying shares until stock trades above conversion price • Can be structured as tax-deductible convertible unit (**Trust PIERS℠ Unit)** — Receives both tax-deductibility on coupon payments and Treasury Stock Method of EPS accounting

00201409

Indicative Terms for Trust PIERS and Corporate PIES

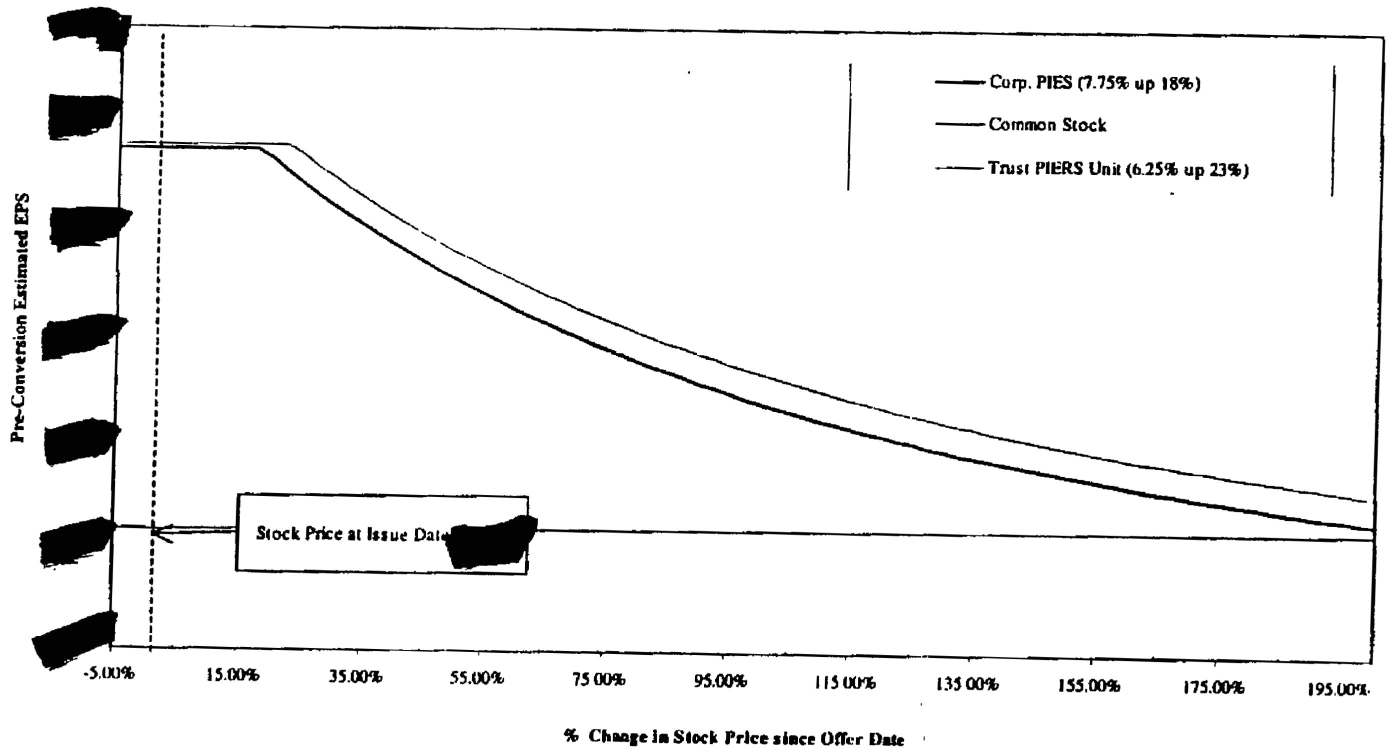
	4-Year Corporate PIES[SM]	49-Year Trust PIERS[SM] Units
Assumed Ratings:	A2/A+	"a1"/A
Face Amount ($ in millions):	$750.00	$750.00
Coupon / Dividend:	7.5% - 8.0%	6.00% - 6.50%
Yield to Maturity / Par Call:	7.5% - 8.0%	6.00% - 6.50%
Issue Price:	$60.21	$50.00
Gross Proceeds ($ in millions):	$750.00	$750.00
Conversion Feature:		
Common Stock Price (6/29/01)	$60.21	$60.21
Conversion Premium:	**16.00% - 20.00%**	**21.00% - 25.00%**
Conversion Price (mid-point):	$71.05	$74.06
Shares per Security:	Depends on the Stock Price: Stock > $71.05 then .847 shares; $60.21 < or = Stock < or = $71.05 then the holder receives $60.21 worth of stock; Stock < $60.21 then 1 share	0.675
Conversion Shares:	12,456,402 (maximum) 10,555,946 (minimum)	10,126,924
Effective Conversion Price:		
Initially:	NM	$74.06
At First Call:	NM	$74.06
At Maturity:	NM	$74.06
Put Feature:	NA	NA
Call Feature:	NC-Life	NC-5; PC-Thereafter at 20% Above Conversion Price

Dividend = $2.24 Dividend Yield = 3.80%

Equity Alternatives

EPS Impact of Conversion Shares[a]

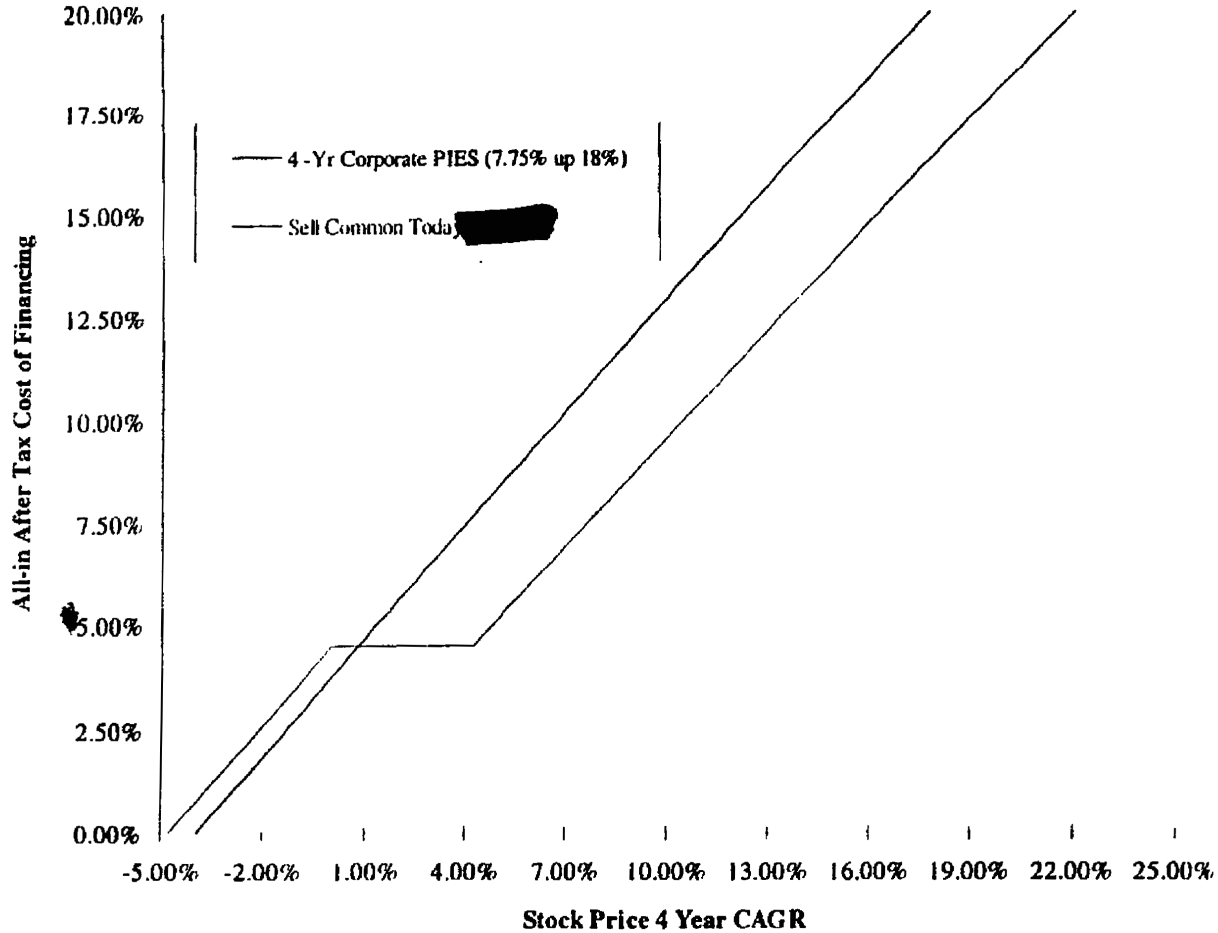
- Assuming a[redacted]e pro-forma 2002 EPS analysis for FPL with an assumed stock price of $60.21 per share highlights the relative advantage of the unit structure
  - The unit structure results in no immediate share-driven dilution and will be accounted for under treasury method of accounting
  - Only after the stock appreciates above the conversion price do the underlying shares impact dilution, and only gradually



[a] Assumes an issue size o[redacted]

00201411

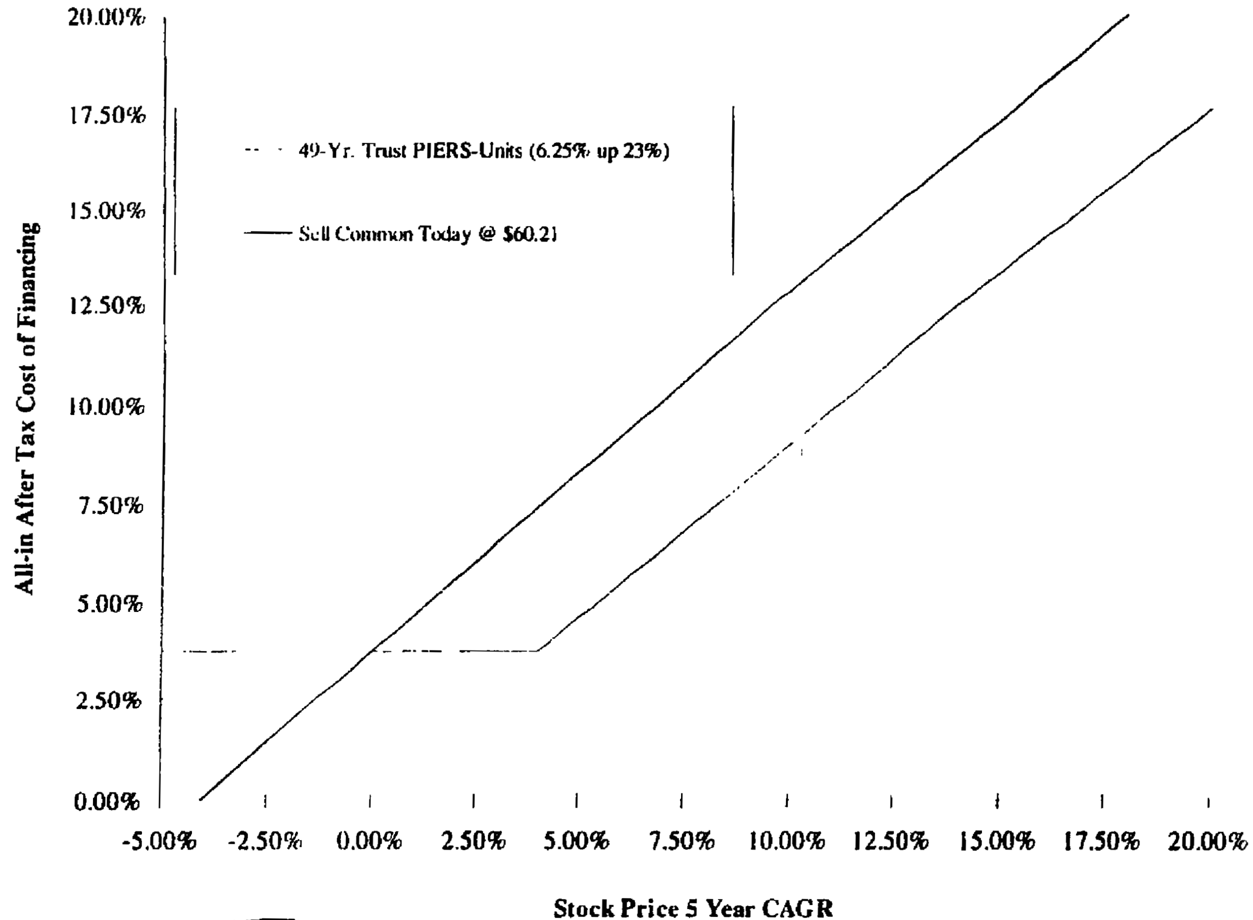
4-year Cost of Capital Analysis[a]



[a] *Assumes* [redacted]

Equity Alternatives

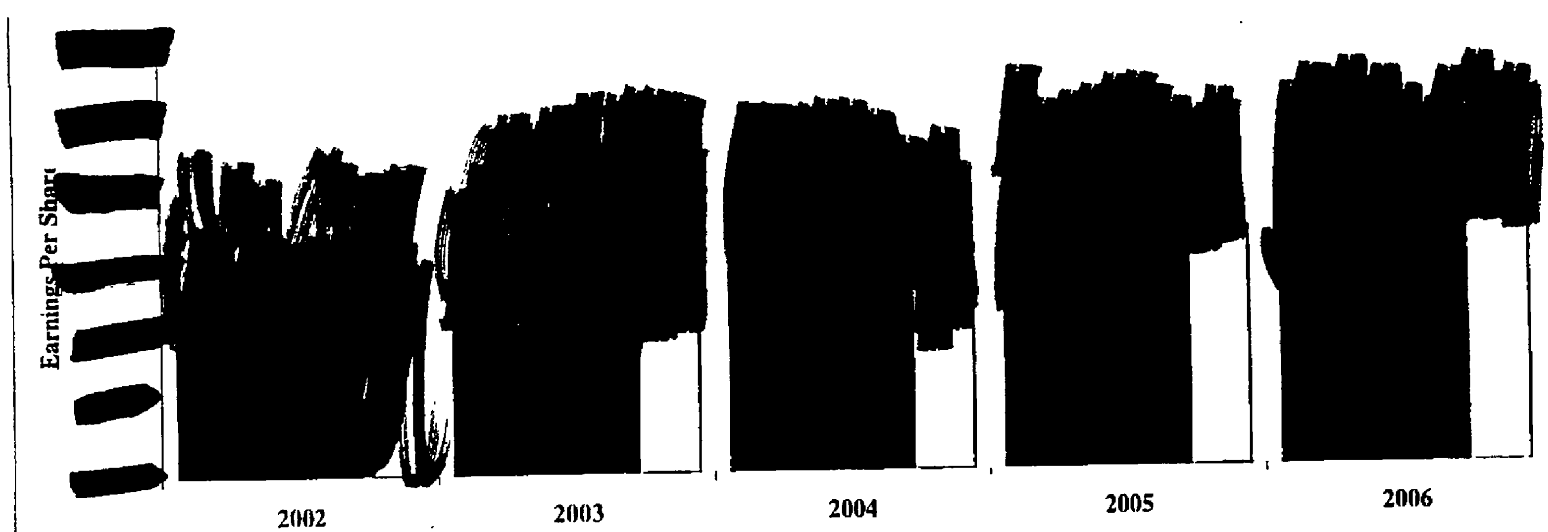
5-year Cost of Capital Analysis[a]



(a) [redacted]

00201413

5 Year Projected Proforma Impact – Assuming Constant P/E – 2002 through 2006



[redacted]

(1) FPL Base Case assumes consensus I/B/E/S estimates of $5.04 and $5.40 in 2002 and 2003 respectively as of June 29, 2001. EPS estimates beyond 2003 are estimated using the Zacks Long Term EPS [redacted]

(2) [redacted]

(3) [redacted]

(4) [redacted]

00201414

Equity Alternatives

5 Year Projected Proforma Impact – Assuming Constant Share Price – 2002 through 2006

■ FPL Base Case (1)
■ $750 MM 4 Yr. Corp. PIES NCL - 7.75% / 18% (3)
■ $750 MM 49 Yr. Trust PIERS NC-5; PC - Thereafter - 6.25% / 23% (2)
□ $750 MM Common Equity (4)

(1) FPL Base Case assumes consensus I/B/E/S estimates of $5.04 and $5.40 in 2002 and 2003 respectively as of June 29, 2001. EPS estimates beyond 2003 are estimated using the Zacks Long Term EPS growth rate of 5.09%.

(2) [redacted]

(3) [redacted]

(4) [redacted]

00201415

Equity Alternatives

Overview of Conventional Equity PIES

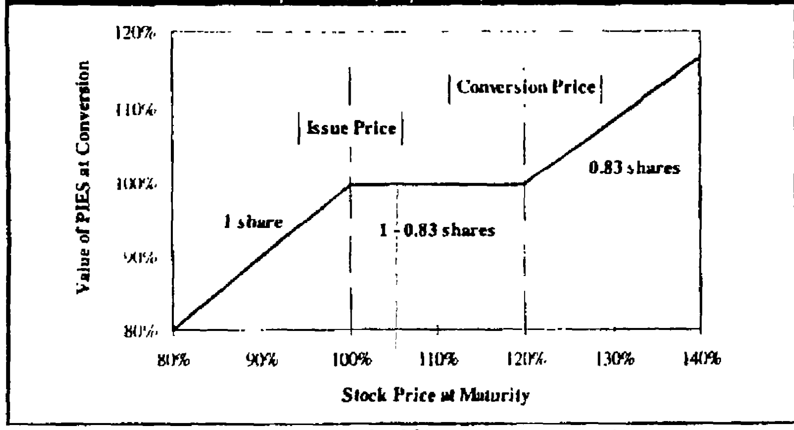
- Equity PIES ("Premium Income Equity Securities") are short-term (4 - 6 years) mandatory convertible securities which provide issuers with high equity content and an opportunity to sell stock at a premium

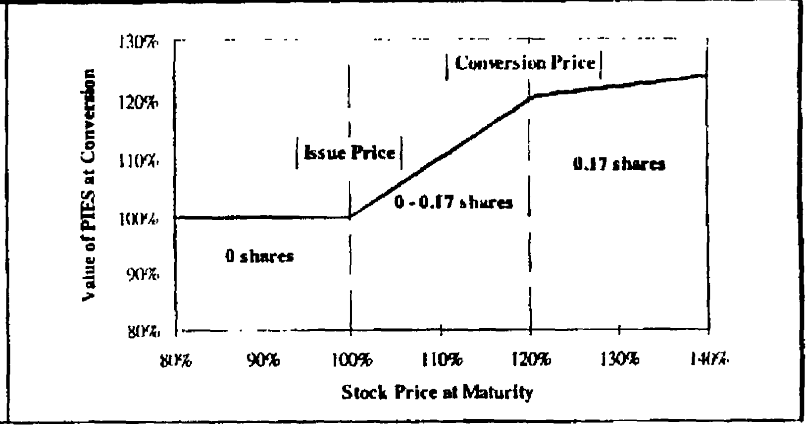
STRUCTURE
• Three to five year preferred stock which mandatorily converts into common stock at maturity
• Shares delivered at maturity varies depending on stock price such that the issuer retains 100% of the first ~20% of stock price appreciation and ~17% thereafter
• Quarterly dividend payments are higher than that of common stock to compensate investor for giving up a portion of upside
• At maturity, stock price used to determine number of shares delivered, calculated based upon 20-day average
• Can be structured in a tax-deductible format

ADVANTAGES
• Very high rating agency content
• No risk of "hung" convertible securities - investors assume downside risk
• Dilution declines as stock price rises
• Broadens the investor base by appealing to a new buyer universe
• Minimizes stock price impact

Value Received/Paid Varies Directly with the Stock Price Movement

Payoff to Investors	Payoff to Issuers





Assumes a 100% issue price and a 20% conversion premium.

Below Issue Price

- PIES mandatorily convert one-for-one into Issuer's common stock
- Dilutive impact to EPS no worse than dilutive impact in common stock offering
- Investor accepts all the downside risk of owning the underlying common stock

Between Issue and Conversion Price

- Conversion ratio equal to Issue Price divided by Common Price at Maturity
- Issuer receives 100% benefit of price appreciation
- Dilutive impact on EPS declines as share price increases
- Investors receive *constant* dollar value equal to their original investment, with the number of common shares received decreasing with increase in stock price

Above Conversion Price

- PIES convert into common stock at fixed conversion premium ratio (.83 in above example)
- Dilutive impact on EPS held constant, but less than dilutive impact of common stock issuance
- Investor participates in 83% of price appreciation
- Issuer delivers 17% less shares

Tax-Deductible PIES

- In the continuing evolution of PIES, issuers are now able to gain tax-deductibility by separating the:
  - — Mandatory Conversion Element, and the
  - — Dividend / Coupon Element
- Two basic structures exist which achieve this separation:

Corporate PIES (Corporate Debt + Purchase Contract)
Separable unit consisting of both a PIES Purchase Contract and a senior note issued by the Company: Note is a 6-year Senior obligation of issuer which is reset on the Purchase Contract Settlement Date. Senior Notes should remain outstanding for 2 years after Purchase Contract Settlement Date Issuer note is the collateral which secures investor's obligation to buy stock at maturity
Deduction comes from the note being treated for tax purposes as a free-standing instrument

Treasury PIES (US Treasuries + Purchase Contract)
Financing comprised of two parts: (1) Non-separable unit of PIES Purchase Contract and 4-year Treasury Notes Deal proceeds used to purchase 4-year Treasury Notes *Treasury Notes serve as collateral to secure investor's obligation to buy stock at maturity* (2) Separate borrowing arrangement to receive proceeds (tax-deductible)
Deduction comes from separate borrowing in debt market

The Corporate PIES Structure

Initial Issuance: Corporate PIES

- At issuance, Issuer would sell a unit which consists of a 6-year Note and a 4-year PIES Purchase Contract.
  - — The Note is the collateral which secures the Holder's obligations under the Purchase Contract.
  - — The Note will be remarketed by a Remarketing Agent in the days prior to the Purchase Contract Settlement Date for all Holders of the Corporate PIES that wish to completely unwind their holdings.
  - — The Holders, however, can elect to pay cash to fulfill their obligations under the Purchase Contract and continue holding the Note beyond the Purchase Contract Settlement Date.

In the Aftermarket: Creating Treasury PIES

- A Holder can choose to separate the Purchase Contract from the Note in the following manner:
  - — Holder posts specific Zero-Coupon Treasury Notes as collateral to the Purchase Contract Agent in lieu of the Note.
  - — This newly formed unit of Treasuries and Purchase Contracts will have its own Cusip Number and be traded as Treasury PIES.
  - — Holder can sell the separate Note to fixed income investors.

Summary Impact on Financial Statements

	Corporate PIES
Balance Sheet at Issuance	• Offering Proceeds from Corporate PIES issuance reported on Balance Sheet • Shareholders' Equity reduced by present value of Contract Fees and by amount of Underwriting Fees • Cash increased by amount of Notes proceeds
Balance Sheet at Purchase Contract Settlement Date	• Shareholders' Equity is issued • Notes remain outstanding • Increase in Cash as a result of equity issuance
Income Statement	• Coupon payment on Notes charged as interest expense related to outstanding debt • Interest portion of the Contract Fee is amortized as a deduction to income from continuing operations
Tax Treatment	• Coupon payments on Notes are intended to be tax deductible • Contract Fees are not tax deductible
Diluted EPS	• At each 10-Q/K filing, Company must add share equivalents using the Treasury Stock Method • Under the Treasury Stock Method, share equivalents equal: the number of shares that would be issued if conversion occurred on that date minus the number of shares that could be bought back with the conversion proceeds at the avg. market price during the reported period • Only dilutive impacts are reported • As a practical matter, no impact on reported Diluted EPS unless average market share price for the reported period exceeds Conversion Premium Price

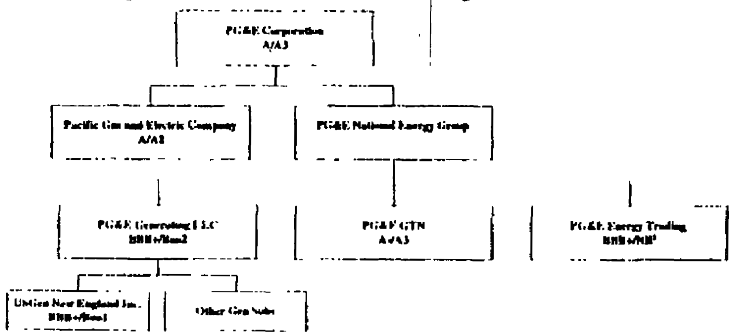
00201420

Recommendations / Next Steps

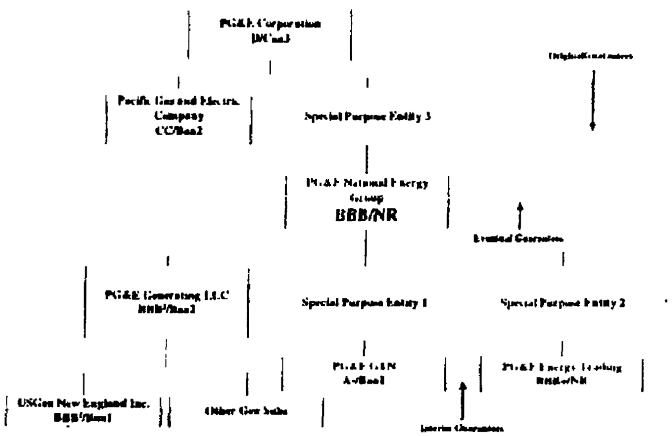
Steps	Time
1. Develop Integrated Model	[redacted]
— Finalize objectives (Ratings, Bond/Bank, Equity, Timing)	
— [redacted]	
2. Finalize Strategy	[redacted]
[redacted]	
3 [redacted]	[redacted]
[redacted]	
4. [redacted]	[redacted]
[redacted]	
5 [redacted]	Continuous

PG&E "Ring Fencing" Case Study

PG&E Corporation Prior to Restructuring:



PG&E Corporation with "Ring Fencing":



Situation Overview:

- As a result of the California energy crisis, the major rating agencies placed PG&E Corporation ("PCG"), its utility subsidiary Pacific Gas and Electric Company ("PG&E") and certain subsidiaries of PG&E National Energy Group ("NEG") on credit watch/negative outlook
- PG&E Energy Trading ("ET"), an NEG subsidiary, has structured numerous transactions based on PCG guarantees
  - Such guarantees are predicated on PCG maintaining investment grade credit ratings
- ET counterparties generally have the right to demand substitute collateral within 24 hours of a credit downgrade of PCG to below investment grade
  - Inability to post alternative security could result in forced liquidations with far-reaching implications for wholesale energy markets

Lehman Brother's Role:

- Lehman advised PCG to utilize a proven structuring techniqueknown as "ring fencing" which calls for the insertion of special purpose entities ("SPEs") in strategic locations within the PCG corporate structure
  - Ring fencing serves many purposes, most notably to secure bankruptcy remote treatment and insulate certain subsidiaries from the eroding creditworthiness of parent and sibling entities
- Lehman worked closely with the rating agencies to ensure their understanding of the structure and willingness to deviate from well-publicized "corporate family" ratings methodology (which typically operates in the reverse manner)
- The structure contemplates the retention of investment grade ratings at PG&E GTN, an NEG subsidiary, which will offer substitute guarantees to ET on an interim basis
  - Subsequently, the advantaged relationship between SPE 1 and SPE 2 is superceded by a similar relationship between SPE 2 and SPE 3 now that NEG enjoys a solid BBB investment grade rating from S&P

Successful Result:

- During the first half of January 2001, the CPUC, the California legislature, and the FERC failed to meaningfully address the California power crisis and the imminent potential bankruptcies of the state's major utilities
  - The rating agencies promptly downgraded PCG and PG&E to deeply speculative (below investment grade) ratings and have kept them on watch
  - S&P maintained ratings of PG&E GTN at A-
  - Moody's effected a minimal downgrade of PG&E GTN from A3 to Baa1
- Successful implementation of the ring fencing technique permitted the rating agencies to view PG&E GTN as strong investment grade, despite ongoing credit concerns at PCG and PG&E, thereby maintaining value integrity for NEG
- NEG, as an investment grade entity successfully ring fenced from PCG and PG&E, will continue to be a viable ongoing concern with crucial access to capital and the ability to offer essential guarantees to ET

(1) NR: Not Rated
(2) PG&E Generating LLC and USGen New England Inc was downgraded to BBB- from BBB+ on 1/4/01, but upgraded to BBB on 1/18/01, when the NEG "Ring Fencing" went into effect

00201422

Confidential

Presentation to:

FPL GROUP

FPL Energy

FINANCING STRATEGY DISCUSSION

July 3, 2001

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Presentation Overview

- Discuss FPL strategic considerations and objectives
- Review FPL financing requirements
- Discuss FPL financial policy to support FPL's growth
  - Optimal capital structure and credit ratings
  - Financial strategy of competitors
- Present Citigroup assessment of credit ratings per current business plan
- Evaluate financing alternatives and implications to FPL
- Discuss next steps and timing

Citigroup is pleased to meet with FPL Group to discuss capital structure and financing strategy. We will also introduce several of our financing product solutions to achieve FPL's objectives.

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Current Corporate Structure

Group Capital currently benefits from utility and Holding Company ratings

($ in millions)

FPL GROUP
A2 / A+
2001 FFO: $1,632
2001 Debt/Cap: 57%

unconditional guarantee of debt

FP&L (Utility)
A1 / A+ (1)
2001 FFO: [redacted]
2001 Debt/Cap [redacted]

FPL Group Capital
A2 / A+ (1)
2001 FFO: [redacted]
2001 Debt/Ca [redacted]

FPL FiberNet
Not Rated

FPL Energy
Not Rated
2001 FFO [redacted]
2001 Debt/Cap: [redacted]

Comments on Funding Node

- ▲ Lowest cost and most flexible
- ▲ Largest investor base
- ▼ Growth will strain parent ratings
- ▼ Increases difficulty of potential separation

- ▲ Non-recourse to parent(s)
- ▲ Potential to maximize total leverage
- ▲ Supports stand-alone entity
- ▼ Higher cost and smaller investor base

(1) Senior unsecured actual or implied.

Note: Corporate credit ratings of:
FPL Group and Group Capital: NR/AA-
FP&L: A1/AA-

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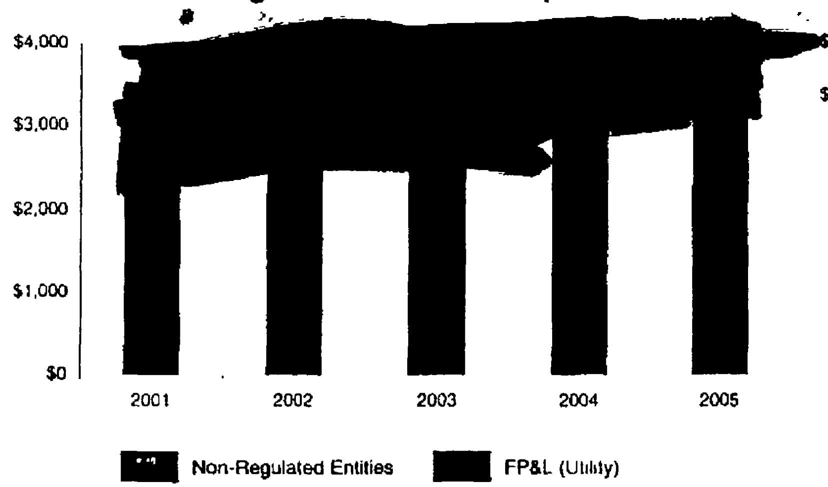
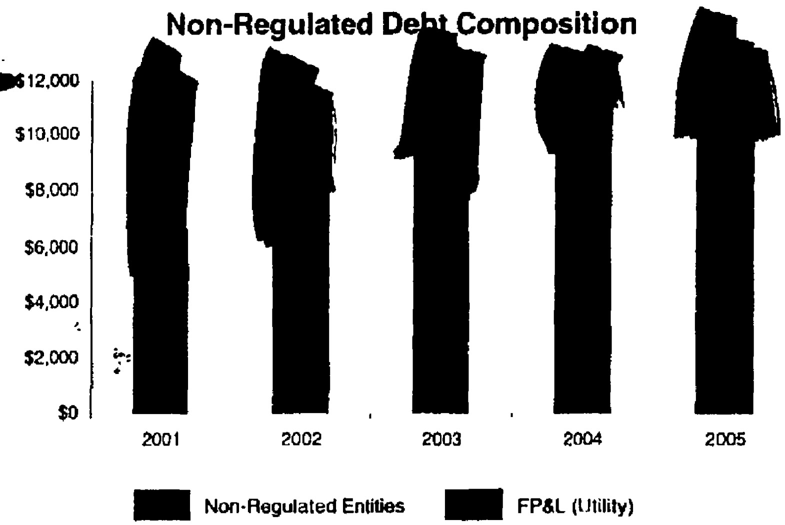
Situation Analysis

- FPL Group ratings benefit from solid utility and modest non-regulated activities to date
- Over planning horizon, FPL Group intends to continue as an integrated utility holding company
- Growth focus is FPL Energy where capital expenditures plan aggregates [redacted]
- To date, financing of non-regulated activities has benefited from strength of holding company and particularly, the strong financial performance and credit position of FPL
- Given significant non-regulated investment plan, can the Company continue its current financing strategy without adversely impacting credit ratings of FPL and holding company

Non-Regulated EBITDA Composition



Non-Regulated Debt Composition



Non-Regulated Growth Considerations

- Strategic Considerations
  - Fit with FPL Group growth strategy, including potential for IPO/spin
  - Risk tolerance
  - Utility financial profile sought to support continuous market access
  - Potential for disaggregation of regulated generation into Energy
  - Views on form of ownership of assets and potential for rationalization
- Financial Objectives
  - Earnings and leverage vs. market access and flexibility
  - Rating objectives at each entity, particularly utility
  - Impact of growth of Energy on Utility and Group ratings
- Asset Characteristics
  - Plant dispatch profile (base, intermediate, peak)
  - Geographical location/diversity
  - Construction technology, timetables and completion dates
  - Offtake arrangements (contract vs. pool)
- Financing Objectives
  - Regulatory requirements and structure, including credit support limitations
  - Energy trading business - capital and rating requirements
  - Funding requirements (CP, capital markets, banks) and capital access required
  - Comparison with other power project funding alternatives

The considerations reflected include some of the key issues that should be reviewed and analyzed as the Company develops and implements it financing strategy.

Citigroup Assessment and Recommendations

- Substantial growth plan of Energy will transform Group, but put pressure on Group and Utility ratings
  - S&P "business position" of Holding Company will increase relative to Utility as Energy grows, requiring stronger credit metrics
  - SSB analysis suggests that f[redacted],
  - S&P's combined rating methodology will likely impact Utility ratings as Energy grows

- Funding growth through an Energy debt offering can relieve pressure on Group ratings and provide other important strategic benefits
  - Non-recourse Energy genco debt may be at least partially off credit to Group
  - Provides potential to optimize leverage at multiple levels
  - Minimizes potential regulatory issues concerning utility support for non-regulated growth
  - Highlights contribution of growing generation business
  - Positions Energy for possible strategic separation in the future

- FPL should develop and implement a plan to fund growth at Energy level or its subsidiaries, including use of non-traditional funding structures to achieve specific accounting or ratings objectives.

Financing Energy's Growth Plans

A. Financial Policy Development
   - EPS and EBITDA growth objectives for Energy
   - Ratings and capital structure objectives
   - Goals and guidelines for use of non-traditional financing (e.g. EPS, balance sheet, rating impacts)
   - Consider asset rationalization potential and funding flexibility required

B. Debt Financing at Energy
   - Consider construction trust vehicle to fund investment
   - Develop term funding plan to access institutional capital markets
   - Could provide some "double leverage" of QF project dividend streams

C. Parent Funding of Energy equity requirements
   - Rating objectives of parent and utility
   - Impact of leveraging Energy equity needs on ratings and earnings goals

D. Energy IPO Potential Considerations
   - Equity valuations of generators vs. integrated utilities
   - Confidence in Energy's ability to access and realize valuation benefit as public company
     - Track record
     - Strategy and management
     - Competitive scale position and financial strength
     - Visible growth plan and opportunities
   - Capital requirements and strategic market opportunities requiring separate Energy equity currency
   - Potential impact of separate currency to retain and attract management/employees

Financing Alternatives

	Debt			Equity	
Objectives	**Project Financing**	**Portfolio Financing**	**Construction Trust**	**Hybrid Equity**	**Traditional Equity**
Leverage	50 to 55% Debt/Cap	55-60% Debt/Cap	100%	N/A	N/A
Parental Support	Limited to construction	None to the extent an adequate equity base is in place.	Limited to Completion guarantees	Dependent upon structure and financing source.	N/A
Balance Sheet	On consolidated B/S	On consolidated B/S	On consolidated B/S	Equity content is structure specific	Equity
Credit Ratings	Off credit for a portion of non-recourse financing	On credit for business position. Partially off credit for N/R portion.	Off credit during construction. On credit for under either project or portfolio financing	Off credit for equity content	Equity
Strategic Flexibility	Can limit ability of sponsor to pursue alternatives	Some ability to move in and out of asset positions	Ability to move in and out of asset positions	Structural limitation depending upon funding source	Total strategic control
Financial Flexibility	Access to both bank and bond markets project specific	Broader access to all capital markets	Primarily bank market Ability to reborrow.	Access to both bank and public capital markets depending upon structure	Increasingly deep market for merchant issuers.
Transaction Size	$250MM to $1.5 bln	$500MM to $2.0bln	$750MM to $2.0bln	$500MM - $1.5bln	$250MM to $2.0 billion
Execution	Six to ten weeks	Six to twelve weeks	Eight to twelve weeks	Eight to twelve weeks	

FPL Energy will have a variety of market test financing alternatives available to execute its financing plan.

The weight given each objective against FPL Group's overall corporate finance goals will determine which alternatives are optimal.

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FPL Energy

Proposed Financing Plan

($ in millions)	2001	2002	2003	2004	2005	Total 2001-05
FPL Energy Capital Spending*	[redacted]					
Internal Cash Flow	[redacted]					
External Funding	[redacted]					

Financing Plan						Outstanding at 2005
[redacted]						
[redacted]						$[redacted]
[redacted]	[redacted]					[redacted]
[redacted]		[redacted]		[redacted]		[redacted]
[redacted]			[redacted]			[redacted]
						[redacted]

* Excludes synthetic lease expenditures and funding.

** Construction financing is assumed to include non-recourse debt (50-60%) and contingent equity contribution from Group Capital.

*** Debt/Capital at Energy approximates 50% by 2005.

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Review of Utilities and Related Business Profiles

As integrated utility holding companies increase their investment concentration in non-regulated wholesale energy activities, a review of existing competitor ratings profiles suggests that holding company business positions would widen-out to 2-3 business position risk notches above the holding company's utility subsidiaries. Wholesale energy business profiles are generally in the 8-10 range.

	S&P Business Profile (1)			Non-Reg EBIT as % of Consolidated EBIT (3,4)		Recourse Debt	Ratings Differential
Company	Utility	Holding Company	Differential (2)	FYE 2000	FYE 2003E	Issuance	Holdco - Genco
Allegheny Energy	2	5	3	24%	53%	Genco	-/(2)
Ameren	3	5	2	18	20	Genco	(2)/(3)
AEP	4	4	--	NS	57	Subholdco	-/-
Dominion Resources	4	5	1	54	59	Genco	--
Duke	6	6	--	56	58	Parent/Subholdco	--
Dynegy	6	7	1	74	90	Subholdco	--
Exelon	4	6	2	13	30	Genco	--
FPL Group	**4**	**5**	**1**	**7**	**30**	**Subholdco**	**--**
PPL	5	7	2	67	75	**Subholdco**	--
PSEG	7	8	1	49	51	**Genco**	-/-
Reliant	3	3	--	29	67	**Genco**	(2)/1
TECO Energy	4	5	1	28	51	Parent(5)	**N/A**
Xcel Energy	5	5	--	36	48	Genco	(3)/(2)

(1) As assigned by Standard and Poor's ranging from 1 (strong) to 10 (weak)
(2) Ratings differential between holding company and utility.
(3) Based on financials as of 12/31/00. Ameren percentage is based on revenues due to limited segment disclosure.
(4) Source: SSB estimates.
(5) Parent equity infusion on leveraged basis at holding company.

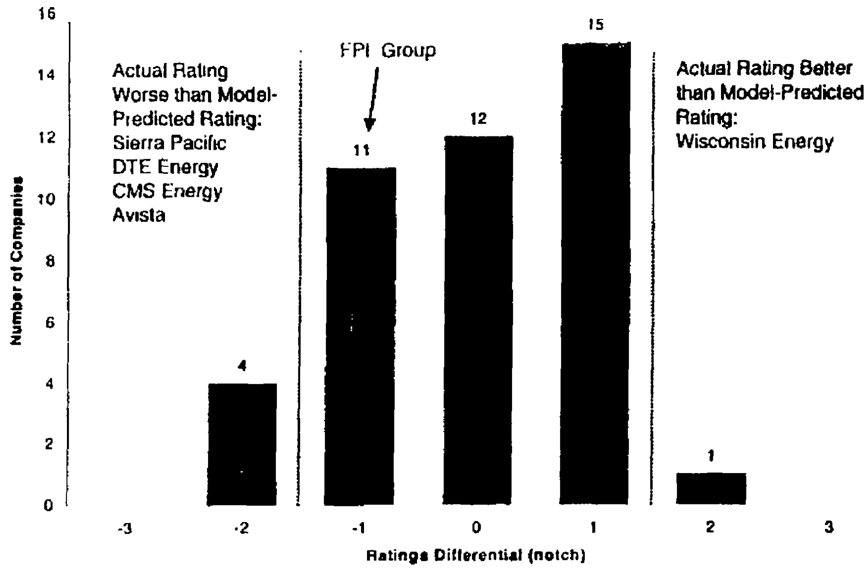
SSB Ratings Model Methodology

S&P Ratings Development

- According to S&P, corporate credit rating is determined using a combination of four key financial ratios and a single qualitative measure: Business Profile.

SSB Ratings Model

- SSB studied the relationship between credit ratings and measures of financial and business performance for 43 publicly-traded electric utility or utility parents.
- The SSB Utility Credit Model required only Business Profile and two complementary credit ratios: FFO/Total Debt and Total Debt/Total Cap to achieve an R^2 of 67%. The Model uses data calculated by S&P (including all adjustments) as of June 30, 1999.



- SSB analysis demonstrated that using the S&P benchmark tables and averaging the results is a poor estimator of the S&P rating. The SSB model tended to achieve results of one to two ratings notches higher, better matching actual ratings.

Current Financing Plan - Illustrative Ratings

(Dollars in millions, Except per Share Data)	2000	Projected Fiscal Year Ending December 31, 2001	2002	2003	2004	2005	CAGR 00-05
FPL Group (Corp. Credit Rating = NR / AA-)							
EBITDA	[redacted]						
Capital Expenditures							
Capitalization							
Debt							
FFO/ Debt (%)							
Debt/ Cap (%)							
FFO Interest Coverage							
Pretax Interest Coverage							
Illustrative corporate credit rating [redacted]							
Illustrative corporate credit rating [redacted]							
Illustrative corporate credit rating [redacted]							
FPL Utility (Corp. Credit Rating = A1 / AA-)							
EBITDA	[redacted]						
Capital Expenditures							
Capitalization							
Debt							
FFO/ Debt (%)							
Debt/ Cap (%)							
FFO Interest Coverage							
Pretax Interest Coverage							
Illustrative corporate credit rating (c[redacted]							
Illustrative corporate credit ratin[redacted]							
Illustrative corporate credit ratin[redacted]							
FPL Group Capital - As Standalone (Corp. Credit Rating = NR / AA-)							CAGR 01-05
EBITDA	[redacted]						
Capital Expenditures							
Capitalization							
Debt							
FFO/ Debt (%)							
Debt/ Cap (%)							
FFO Interest Coverage							
Pretax Interest Coverage							
Illustrative corporate credit rating (c[redacted]							

As FPL expands into higher risk non-regulated businesses, the ratings of the utility and the holding company may be impacted, particularly if the current funding strategy is employed. The illustrative corporate credit rating analysis herein is a standalone corporate credit rating (not issuer) analysis and does not reflect S&P's enterprise rating methodology to assessing utility holding companies and subsidiaries, and does not reflect any "haircut" to Company projections.

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Pro Forma for FPL Energy Funding

(Dollars in millions, Except per Share Data)	Projected Fiscal Year Ending December 31, 2001	2002	2003	2004	2005	CAGR 01-05
FPL Energy - Assuming maintenance o[redacted] Coverage						
EBITDA	[redacted]					
Capital Expenditures						
Capitalization						
External Equity Required						
Debt						
FFO/Debt (%)						
Debt/Cap (%)						
Illustrative corporate credit rating [redacted]						
FPL Energy - Assuming maintenance of 3.5x FFO Interest Coverage						
Capitalization	[redacted]					
External Equity Required						
Debt						
FFO / Debt						
Debt / Cap						
Illustrative Corporate credit rating [redacted]						

FPL Energy has significant debt capacity to protect the credit quality of the parent company, maximize corporate debt leverage potential and strategically position Energy to optimize its source of equity capital, FPL should consider funding through FPL Energy.

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Next Steps

- Establish timing, size and requirements for inaugural Energy debt issue
- Refine credit rating objectives for Energy
- Decide on balance between project vs. genco debt for new construction

APPENDIX

A. FINANCING APPROACHES OF GENERATORS

Review of Genco Competitors Financial Strategy

Data as of 12/31/00

	AES	Calpine	NRG	Dynegy
Strategy	World's largest power developer Focus on plant operations with little commodity risk	Pure-play U.S., developer of base-load, gas-fired plants Objective is to sell forward 2/3 of output	World's 5th largest power developer with 79% of capacity in four core U.S. regions	Top tier trader with physical asset support Goal is to own or control 70 GW across the U.S.
% Capacity Contracted	80%	67%	32%	45%
% Capacity in US	21%	100%	79%	100%
Trading & Marketing	Modest operations	Significant Commitment to Growth	Primarily marketing physical output	7th largest Gas Marketer
Usage of Non-Recourse Debt	High	Low	Medium	Low
Debt Rating	Ba1/BB	Ba1/BB+	Baa3/ BBB-	Baa3/BBB
Recourse Debt / Recourse Cap	37.8%	60.6%	49.5%	35.1%
Total Debt / Cap	70.3	65.0	66.7	37.2

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Review of Genco Competitors Financial Strategy

Data as of 12/31/00

	Cogentrix	Mirant	EME	NEG
Strategy	Targets 100% contractual projects in the U.S. Privately-owned concern	Significant generation player with lower risk, international distribution assets	World's 2nd largest power developer Recent move into power marketing	Expansion of generating and pipeline capacity to focus on marketing and trading
% Capacity Contracted	100%	14%	59%	9%
% Capacity in US	100%	71%	58%	100%
Trading & Marketing	Modest operations	6th largest Power Marketer	Acquired Citizens Power	3rd largest Power Marketer[a]
Usage of Non-Recourse Debt	High	High	High	Medium
Debt Rating	Baa3/BB+	Baa2/BBB-	Baa3/ BBB-	Baa2/BBB
Recourse Debt / Recourse Cap	65.0%	10.5%	32.4%	22.1%
Total Debt / Cap	88.4	54.2	70.9	48.4

(a) Ranking of PG&E Energy and affiliates

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Debt Funding Strategy

Data as of 12/31/00

($ in millions)	AES	Calpine	NRG	Dynegy	Cogentrix	Mirant	EME	NEG[a]
Debt Funding								
Recourse	$4,979	$5,465	$2,194	$2,683	$439	$700	$1,570	$675
Non-Recourse	14,706	1,132	2,293	261	1,358	6,386	6,416	1,560
Total Debt	19,597	6,597	4,487	2,944	1,797	7,086	7,986	2,235
Total Capitalization	27,890	10,146	6,726	7,906	2,033	13,071	11,261	4,614
Total Debt / Cap	70.3%	65.0%	66.7%	37.2%	88.4%	54.2%	70.9%	48.4%
Recourse Debt / Recourse Cap	37.8	60.6	49.5	35.1	65.0	10.5	32.4	22.1
Recourse Debt / Total Cap	17.9	53.9	32.6	33.9	21.6	5.4	13.9	14.6

Note: AES, Calpine, and NRG adjusted to reflect current offerings
(a) Latest publicly available NEG data as of 9/30/00.

Use of Hybrid Equity

Data as of 12/31/00

($ in millions)	AES	Calpine	NRG	Dynegy	Cogentrix	Mirant	EME	NEG(a)
Trust Preferred	$ --	$ --	$ --	$346	$ --	$1,537	$327	$57
Convertible Trust Preferred	1,228	1,123	283	--	--	--	--	--
Total Hybrid Equity	1,228	1,123	283	346	--	1,537	327	57
Total Capitalization	27,890	10,146	6,726	7,906	2,033	13,071	11,261	4,614
Total Hybrid Equity / Total Cap	4.4%	11.1%	4.2%	4.4%	--	12.1%	2.9%	1.2%
Convertible / Total Cap	4.4	11.1	4.2	--	--	--	--	--

Note: AES, Calpine, and NRG adjusted to reflect current offerings
(a) Latest publicly available NEG data as of 9/30/00.

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GROUP

FPL Energy

Non-Recourse Merchant Generating Bond Debt

SUMMARY OF OPERATING CHARACTERISTICS

	USGen NE	AES Eastern Energy	Edison Mission Holdings	NRG Northeast	NRG South Central	PPL Montana	Reliant Mid-Atlantic	Southern Energy Mid-Atlantic
Seller of Assets	New England Electric System	Energy East	GPU/ Energy East	ConEd/NIMO CL&P/EUA	Cajun Electric Cooperative	Montana Power	Sithe Energies (orig. GPU)	Potomac Electric Power
Power Pool(s)	NEPOOL	NYPP-West	PJM, NYPP	NEPOOL, NYPP, NYC	SERC, SPP	WSCC	PJM	PJM
MW of Assets	3,962	1,268	1,884	6,495	1,704	1,260	4,262	5,154
Number of Plants	19	4	1	11	2	14	21	4
Number of Units	26	7	3	53	5	16	79	29
Purchase Price	$1,590(a)	$950(b)	$1,800	$1,519	$1,026(c)	$760	$2,100	$2,650
Purchase Price/kW	$401	$749	$955	$234	$602	$609	$493	$514
Percentage Base-Load	49%	100%	100%	20%	87%	100%	41%	53%
Fuel (Coal/Gas-Oil/Hydro)	37/34/29	100/0/0	100/0/0	23/77/0	87/13/0	54/0/46	51/48/1	80/20/0
Transition Contracts	Through 2002-09 depending on state	Through 4/01	Through 5/01	Primarily 4 years	50% for 25 years 80% for 2-4 yrs	40% for 2 years	Through 5/02	4 years held at SOE
Indep. Market	PHB Hagler Bailly	London Economics	PHB Hagler Bailly	PHB Hagler Bailly	Pace Global Energy	PHB Hagler Bailly	PHB Hagler Bailly	PHB Hagler Bailly
Independent Engineer	Stone & Webster	Stone & Webster	Stone & Webster	Stone & Webster	Stone & Webster	R.W. Beck	Stone & Webster	R.W.Beck

(a) Note that the purchase price included the rights and obligations under 798 MW of power purchase agreements.

(b) Note that the purchase price included two additional generation assets (Hickling and Jennison with 156 MW of capacity) and the Somerset Railroad Corporation.

Note that the purchase price included: a 17.5-mile natural gas pipeline system, a 24-mile transmission line, a load control center, a headquarters building, a spare 540-MW generator and 848 railcars

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Non-Recourse Merchant Generating Bond Debt

SUMMARY OF DEBT TERMS

	USGen NE	AES Eastern Energy	Edison Mission Holdings	NRG Northeast	NRG South Central	PPL Montana	Reliant Mid-Atlantic
Type of Security	Pass Through Certificates	Pass Through Certificates	Senior Secured Bonds	Senior Secured Bonds	Pass Through Bonds	Pass Through Certificates	Pass Through Certificates
Ratings	Baa1/BBB+	Ba1/BBB-	Baa3/BBB-	Baa3/BBB-	Baa2/BBB-	Baa3/BBB	Baa3/BBB
Offer Date	11/23/98	5/11/99	5/21/99	2/15/00	3/24/00	7/13/00	8/17/00
Amount							
Tranche 1	$221.6	$285.0	$300.0	$320 0	$500.0	$338.0	$210.0
Tranche 2	195.0	265.0	530.0	130.0	300.0	--	421.0
Tranche 3	--	--	--	300.0	--	--	220.0
Total Amount	$416.6	$550.0	$830.0	$750.0	$800.0	$338.0	$851 0
Debt/Purch. Px	26.2%	57.9%	46.1%	49.4%	78.0%	44.1%	40.4%
Debt/kW	$105	$434	$441	$116	$469	$268	$199
Coupon/Final Maturity							
Tranche 1	7.459% 1/2/17	9.000% 1/2/17	8.137% 10/1/19	8.065% 12/15/04	8.962% 03/15/16	8.903% 7/2/20	8.554% 7/2/05
Tranche 2	8.270% 1/2/20	9.670% 1/2/29	8.734% 10/1/26	8.842% 06/15/15	9.479% 09/15/24	--	9.237% 7/2/17
Tranche 3	--	--	--	9.292% 12/15/24	--	--	9.681% 7/2/26
Pricing (bp)							
Tranche 1	+262.5	+345.0	+260.0	+145.0	+280.0	+290.0	+225.0
Tranche 2	+287.5	+375.0	+280.0	+220.0	+337.5	--	+320.0
Tranche 3	--	--	--	+265.0	--	--	+385.0
Average Life (yrs)	14.9	17.6	18.5	11.4	11.4	9.9	9.9
Tranche 1	11.9	13.1	13.9	2.4	10.2	9.9	2.3
Tranche 2	18.3	22.5	20.7	9.5	20.2	--	8 1
Tranche 3	--	--	--	21.7	--	--	20.7
Avg/Min DSCR Base Case	5.16x/3.63x	3.24x/2.13x	2.90x/2.00x	All: 2.01x/1.66x Last 25 yrs: 6.06x/2.94x	2.76x/1.49x	4.16x/2.50x	6.12x/2.15x
Moody's DTBE	NA	20%	29%	33%	53%	34%	31%

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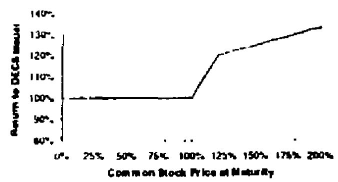
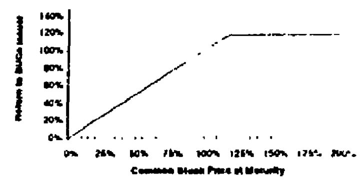
B. EQUITY FINANCING CONSIDERATIONS

High Equity Content Convertible Financing Alternatives

	Upper DECS	BUCS
Description	Mandatory convertible short-term preferred securities structured to allow for tax-deductible coupons. Structured as a 5 year trust preferred security and a 3 year mandatory purchase contract	Preferred stock of a wholly owned subsidiary convertible into common stock. Due to unique structure, coupons on security are tax-deductible
Initial Equity Content	High	Moderate
Advantages	▲ Very high rating agency equity content ▲ Favorable EPS impact ▲ Quarterly payments are tax-deductible ▲ 5-year payment deferral option ▲ Mandatory conversion ▲ Investors assume downside stock risk ▲ Potentially sell stock at a premium ▲ Broadens and diversifies investor base	▲ Moderate rating agency equity content ▲ Potentially sell stock at a premium ▲ Quarterly payments are tax-deductible ▲ 5 year payment deferral option ▲ Limited refinancing risk - 30-year maturity ▲ Broadens and diversifies investor base ▲ Rule 144A eligibility
Disadvantages	▼ Higher cash outflow than BUCS ▼ May require five years of payments ▼ Potential ownership/EPS dilution equal to common stock ▼ Cannot utilize Rule 144A	▼ Risk of "hung" convertible in low share price growth scenario
Issuer Payoff Profile		

00201449

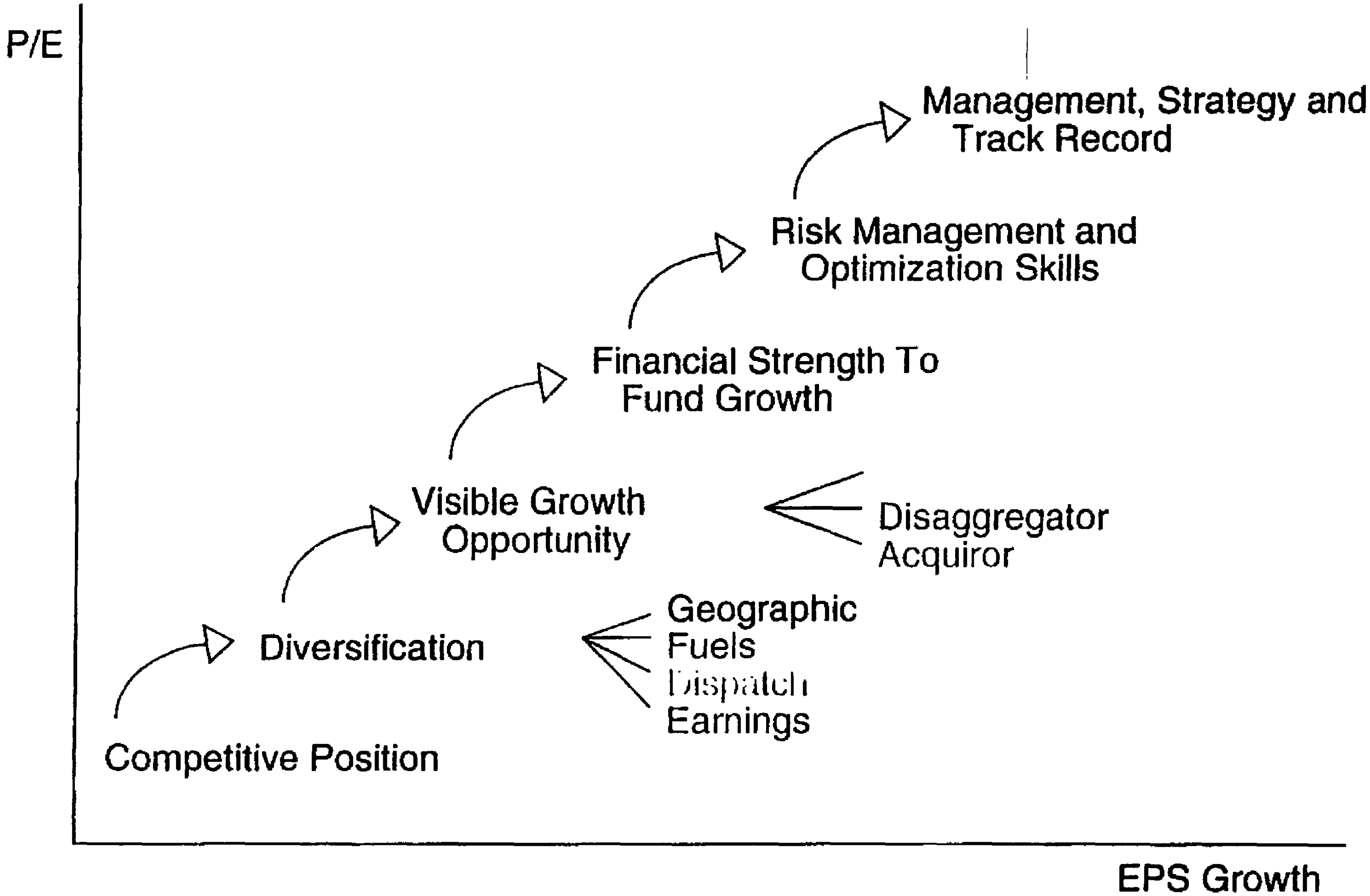
Recent Utility Issuer Convertible Offerings

At time of offering, mandatory convertibles are reported on balance sheet as debt.

Pricing Date	Issuer	Amount Issued ($ in millions)	'35 Act*	Offering Structure
5/3/01	PPL Corp.	$500	No	Mandatory Convert
3/13/01	Duke Energy	775	No	Mandatory Convert
3/7/01	NRG Energy	250	No	Mandatory Convert
10/5/00	Dominion Resources, Inc.	375	Yes	Mandatory Convert
8/16/00	CMS Energy Corporation	220	No	Mandatory Convert
1/27/00	Alliant Energy Corporation	350	Yes	Mandatory Exchangeable
9/23/99	UtiliCorp United, Inc.	225	No	Mandatory Convert
9/15/99	Reliant Energy Inc.	1,000	No	Mandatory Exchangeable
7/1/99	CMS Energy Corporation	301	No	Mandatory Convert
2/9/99	NIPSCO Industries, Inc.	300	No	Mandatory Convert

*At the time of the offering

Merchant Energy – Key Valuation Drivers



00201451

Preparing for Carve-Out IPO – Key Considerations

Management	▸ Select separate management and employee teams for Genco and T&D ▸ Consider Board of Directors composition ▸ Develop incentive compensation programs ▸ Develop proactive Investor Relations (IR) initiatives
Strategy/ Financial Considerations	▸ Refine strategy for each entity post-spin ▸ Parent investor message/rationale for carve-out ▸ Avoid financial support constraints at holding company ▸ Develop capitalization plans for each entity post-spin ▸ Develop independent credit rating for each entity ▸ Use of IPO proceeds – capital repayment to holding company (?) ▸ Evaluate tax impact of restructuring and plan appropriately (preservation of tax-free spin is important value consideration)
Other	▸ Corporate names ▸ Corporate headquarters location ▸ Transition services requirements

Genco IPO – Critical Success Factors

Success Factor	Comments
Strategic Differentiation and Plan	▸ Viable strategy with proven ability to execute ▸ Visible growth potential and track record ▸ Clear investment story ▸ Compelling investment differentiation ▸ Capable management team and competitive industry experience
Size and Scale	▸ Size to support viable stand-alone entity ▸ Financial strength to fund business growth ▸ Resources and talent to profitability grow business
Business Diversification	▸ Geographic regions ▸ Fuel mix ▸ Dispatch curve ▸ Regional asset position and operations ▸ Trading and risk management integrated within development and operations
Risk Management	▸ Talent and risk analysis tools ▸ Knowledge of regional energy markets and regional arbitrage ▸ Knowledge of fuels (and delivery), transmission and environmental emission markets
Management & Culture	▸ Independent management ▸ Competitive business experience and culture ▸ Competitive compensation program ▸ Goal-driven management

Selected Generators and Merchants: Vision and Strategy

Company/Vision	Strategy	Positioning
AES Corp. To be a global power company to serve the world's need for electricity in a socially responsible way	▶ Diversified global company--generation and distribution ▶ Strong preference for ownership control (> 50%) ▶ Risk management focus throughout ▶ Significant emerging market focus ▶ Maximize non-recourse project financing	▶ Premier global power company ▶ Proven track record with significant EPS growth ▶ Predictability of earnings through long-term contracts ▶ Diversified portfolio with 114 businesses in 25 countries
Calpine Corporation To be a leading and most profitable U.S. power company	▶ Focus on power generation in U.S. market ▶ Be the low-cost producer ▶ Base load gas-fired focus ▶ Asset owner with marketing capability -- contract base of 50% of output	▶ Demonstrated track record of expansion -- 141 MW in 1994 to 25,000 projected for 2004 ▶ EPS has tracked MW growth ▶ Clear strategy focused on greenfield gas-fired technology as a vehicle to be low-cost producer in U.S. market
Dynegy Inc. To be a U.S. energy merchant leading the energy convergence business	▶ Focused energy convergence strategy to pursue investments in power generation assets in the U.S. ▶ Capitalize on convergence opportunities ▶ Generation assets in diverse regions	▶ Top tier trader with physical asset support ▶ One of the largest marketers and suppliers of electricity and natural gas in the U.S. ▶ Strong track record and demonstrated success
NRG Energy To be a leading global generation company, with a top three position in selected core markets, that provides superior performance to all stakeholders	▶ Power generation only ▶ U.S. focus with four core US markets ▶ Diversification of markets, fuels and dispatch ▶ Aggressive acquisition program in core markets ▶ Accelerate greenfield/brownfield project development	▶ Strategy is focused on core regional markets focused primarily in the U.S. and low sovereign risk countries ▶ Competitive low-cost regional positions ▶ Diversified generation assets in terms of geography, fuel mix and dispatch
Mirant To be the largest producer of electricity in the United States and the best investment in the industry	▶ Focus on core business foundations of: cost, reliability, customer service and environmental stewards ▶ Significant focus on energy trading business ▶ Grow aggressively by acquisition and development	▶ Global player with generation and distribution assets in high expected return markets ▶ Established energy marketer with global aspirations ▶ Baseload asset mix provides significant brownfield opportunities

Comparable Company Overview

Generators ↑↓ Merchants

	Track Record	Visible Growth	Attractive Mkts	Generation: Scale	Generation: Acq	Generation: Development	Asset Diversity	T&M	Competitive Experience
AES	Top 5	Top 5	Top Quartile	Top 5	Top 10	Top Quartile	Top 5	No perception	Top 5
ORION	Top Quartile	Skills, but not top Quartile	Skills, but not top Quartile	Skills, but not top Quartile	Skills, but not top Quartile	No perception	Skills, but not top Quartile	No perception	Skills, but not top Quartile
Calpine	Top 5	Top 5	Top 5	Top 10	Top Quartile	Top 5	Top Quartile	Skills, but not top Quartile	Top 5
NRG	Top 10	Top 10	Top 10	Top Quartile	Top 10	Skills, but not top Quartile	Top 10	Skills, but not top Quartile	Top Quartile
Allegheny Energy	Skills, but not top Quartile	Top Quartile	Top Quartile	Top Quartile	Top Quartile	Skills, but not top Quartile	Top Quartile	Top Quartile	Skills, but not top Quartile
MIRANT	Top 10	Top 10	Top Quartile	Top 10	Top Quartile	Skills, but not top Quartile	Top Quartile	Top 10	Top Quartile
DYNEGY	Top 5	Top 10	Top 10	Top 5	Top Quartile	Top 10	Top 10	Top 5	Top 5

Top 5 | Top 10 | Top Quartile | Skills, but not top Quartile | No perception

00201455

Growth Energy Companies – Strategy and Position

			Non-regulated MW, Net Owned				Strategy					
	Equity Market Cap 5/30/01	2002 P/E	Operating	Construction/ Development	Total	% Domes.	Int'l	Domestic	Focus: Acq vs. Development	Trading & Marketing	Wires	Other
AES	$24 2B	18.8x	26,075	20,370[a]	46,445	21%	Yes	National	Acquisition	No	Yes	Unique Culture
Calpine	14 6B	20.6	5,849	30,156	36,005	100%	No	National	Greenfield	Asset Enabling	No	Gas Focus
DYNEGY	16.1B	20.7	11,871	4,240	16,111	100%	Low	Multi Reg.	Acquisition	Top Tier	Yes	Merchant Focus
NRG	5.8B	17.6	18,678[b]	6,183	24,861	79%	Yes	Multi Reg.	Acquisition	Asset Enabler	No	Diverse Asset Base
ORION	2.6B	18.1	5,396	5,593	10,989	100%	No	NE/ECAR	Acquisition	Asset Enabling	No	--
MIRANT	13.6B	17 3	16,354	9,688	26,042	71%	Yes	Multi Reg.	Acquisition	Focus	Yes	Significant Asian Assets
Reliant Energy	9 7B	NM	12,707	2,770	15,477	73%	Yes	Multi Reg.	Acquisition	[ ]	No	-

(a) Represents total MW; includes pending acquisitions and plants in advanced stages of development.
(b) Includes net MW under construction.

00201456

Valuation Comparables - Generators, Merchants and Utility Wholesalers

Valuation Multiples
(US Dollars in Millions Except Stock Price)

Company	Stock Price (a)	% of 52 Week High	% of 52 Week Low	Equity Market Value	Firm Value (b)	Price / Net Income (c) LTM	Price / Net Income (c) 2001E	Price / Net Income (c) 2002E	Price / Book Value	Firm Value / EBITDA LTM	Firm Value / EBIT LTM	ROE LTM	5-Year EPS Growth
Generators													
AES Corp (Proforma for IPL) (AES)	$44 56	(38 8%)	10 0%	$23,709	$42 370	32 0x	23 8x	18 5x	4 1x	15 5x	20 8x	14 5%	28 5%
Calpine Corp (CPN)	47 79	(17 7)	95 6	14,273	19,120	36 0	25 5	20 2	4 2	21.4	26.8	14 5	35 4
Reliant Resources, Inc. (RRI)	33.50	(10 7)	3 6	9,782	11,277	51 6	NM	NM	3 4	17.9	25 8	NA	NM
NRG Energy, Inc. (NRG)	29 30	(22 3)	82 4	5,816	9,708	27 8	21 8	17 6	2.8	15 9	20 7	14 8	25 5
Orion Power Holdings (ORN)	27 35	(19 6)	67 7	2,546	4,808	72 5	23 5	17 6	2 2	13 0	19.5	4 4	23.5
Median:		(19 6%)	67 7%	–	–	36.0x	23 6x	18 0x	3.4x	15.9x	20.8x	14 5%	27.0%
Merchants													
Enron Corp. (ENE)	$53 23	(41 3%)	9 9%	$39,715	$50,705	55 0x	30 1x	25 5x	4 4x	15 6x	21 5x	NA	17 2%
Duke Energy (DUK)	44 45	(6 9)	58 8	34,312	49,982	21 6	18 4	16 4	3 2	10 0	13 2	14 4	11 1
El Paso Energy (EPG)	59 88	(20 5)	29 8	30,489	48,619	25 0	18.0	15 3	4 4	11 0	15 5	15.1	15 5
Dynegy (DYN)	48 65	(18 7)	45 8	15,860	20,553	31 4	24 3	20 4	4 3	17 1	25 2	18 8	20 7
Mirant Corp (MIR)	36 92	(17 5)	89 3	13,213	18,127	32 2	20 3	16 8	3 1	16.3	22 9	10 6	22.4
Aquila Inc (ILA)	29 81	(14 8)	10 4	2,922	2,474	29 9	NM	NM	10 2	11.0	14 1	NA	NM
Median:		(18 1%)	37.8%	–	–	30.7x	20.3x	16.8x	4.3x	13.3x	18.5x	14.7%	17.2%
Utilities With a Wholesale Focus													
Dominion Resources (D)	$65 97	(5 7%)	55 5%	$16,321	$28,043	26 8x	15 9x	14 3x	2 4x	8 9x	14.5x	7 6%	10 3%
American Electric Power (AEP)	49.80	(2 7)	69.2	16,043	30,180	41 7	14 0	13.1	2 0	9.0	13.3	4 4	6 0
Reliant Energy (REI)	45 35	(10 1)	70.7	13,490	24,255	15 5	13 5	12.3	NA	8.3	12 1	14.6	10 6
Public Service Enterprise Group (PEG)	50 40	(1 6)	53.3	10,482	20,804	14 4	13 6	12 3	2 5	9 3	11 2	14 9	5 6
FPL Group (FPL)	57 44	(21 3)	22.1	10,101	15,587	13.4	12 3	11 4	1 7	6 6	11.6	13 1	6 8
PP&L Resources (PPL)	59.10	(5 2)	170 2	8,626	13,539	15 3	14 5	12 7	4.3	7 4	10.1	26 3	12 3
Constellation Energy (CEG)	46 49	(10 7)	45 3	7,613	10,860	20 5	15 0	13 1	1 9	8 2	12.2	10 6	9 8
Allegheny Energy (AYE)	52.43	(4 8)	92 0	6,440	10,519	19 9	13 5	12 3	3 3	10 5	14 0	18 2	10 0
UtiliCorp United (UCU)	35 78	(5 5)	82 3	4,065	6,665	17 0	14 5	13 2	1 8	10 4	16 5	10 2	10 0
Median:		(5 5%)	69.2%	–	–	17.0x	14 0x	12.7x	2.2x	8.9x	12.2x	13.1%	10.0%

Note: EBITDA, EBIT, Net Income to Common, and EPS adjusted for unusual and nonrecurring items.
LTM Latest Twelve Months as of 03/31/01.
(a) Stock price as of May 30, 2001.
(b) Firm Value equals equity value plus straight debt, minority interest straight preferred stock, all out-of-money convertibles, and cash.
(c) I/B/E/S EPS estimates as of May 30, 2001

C. RECENT GENERATION CAPITAL MARKETS FINANCING

FPL GROUP

FPL Energy

Merchant Energy Financing in 2001

Offer Date	Company	Issue	Type	Structure	Amt ($MM)	Moody/S&P Ratings	MW Call	Reoffer Spread
06/27	Mission Energy Holding	13.500% due 2008	Notes	7 NC/L	$800.0	Ba2/BB-	T+50	+889
06/11	Exelon Generation	6.950% due 2011	Senior Notes 144A w/RR	10 NC/L	$700.0	Baa1/A-	T+25	+168
06/07	Mirant TIERS	7.200% due 2004	144A Structured Notes	3 NC/L	$400.0	Baa2/BBB-	--	+265
05/31	The AES Corporation	7 375% due 2003	Notes	13 PC/ 3	$200.0	Ba1/BB	--	+325
05/31	The AES Corporation	8.750% due 2008	Notes	7 NC/L	$400.0	Ba1/BB	T+50	+350
05/17	PG&E National Energy Group	10.375% due 2011	144A Senior Notes	10 NC/L	$1,000.0	Baa2/BBB	--	+512 5
05/01	Dynegy-Roseton Danskammer	7.67% due 2016	Pass Through Trust Certs	12.9 WAL	$550.4	Baa2/BBB+	T+50	+240
05/01	Dynegy-Roseton Danskammer	7 67% due 2016	Pass Through Trust Certs 144A w/RR	7 9 WAL	$250.0	Baa2/BBB+	T+50	+200
04/26	Mirant Americas Generation	7 625% due 2006	Senior Notes (144A w/RR)	5 NC/L	$500.0	Baa3/BBB-	T+25	+290
04/26	Mirant Americas Generation	8.300% due 2011	Senior Notes (144A w/RR)	10 NC/L	$850.0	Baa3/BBB-	T+25	+315
04/26	Mirant Americas Generation	9.125% due 2031	Senior Notes (144A w/RR)	30 NC/L	$400.0	Baa3/BBB-	T+37.5	+340
04/20	Calpine Canada Energy Fin	8.500% due 2008	Senior Notes	7 NC/L	$1,500.0	Ba1/BB+	T+37.5	+340
04/09	PSEG Power	6.875% due 2006	Senior Notes (144A w/RR)	5 NC/L	$500.0	Baa1/BBB	T+30	+252
04/09	PSEG Power	7.750% due 2011	Senior Notes (144A w/RR)	10 NC/L	$800.0	Baa1/BBB	T+35	+287 5
04/09	PSEG Power	8.625% due 2031	Senior Notes (144A w/RR)	30 NC/L	$500.0	Baa1/BBB	T+40	+312.5
04/02	NRG Energy	8.625% due 2031	Senior Notes	30 NC/L	$340.0	Baa3/BBB-	T+25	+282
04/02	NRG Energy	7.750% due 2011	Senior Notes	10 NC/L	$350.0	Baa3/BBB-	T+25	+305
04/02	Edison Mission Energy	9.875% due 2011	Senior Notes	10 NC/L	$600.0	Baa3/BBB-	T+75	+489.5
03/15	Dynegy Holdings	6.875% due 2011	Senior Notes	10 NC/L	$500.0	Baa2/BBB+	T+25	+213
03/09	Allegheny Energy Supply	7.800% due 2011	Notes	10 NC/L	$400.0	Baa1/BBB+	T+35	+290
02/15	The AES Corporation	8.375% due 2011	Senior Notes	10 NC/L	£135	Ba1/BB	T+50	+343/Gilt 09
02/08	Calpine Corp.	8.500% due 2011	Senior Notes	10 NC/L	$1,150.0	Ba1/BB+	T+37.5	+345
02/06	The AES Corporation	8.875% due 2011	Senior Notes	10 NC/L	$600.0	Ba1/BB	T+50	+370
					$13,482.1			

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Merchant Energy Sector: Secondary Market Spreads

SELECTED MERCHANT ENERGY ISSUES

Company	Issue	Offer Date	Amt ($MM)	Moody/S&P Ratings	Reoffer Spread	Bid Spread 6/11	Bid Spread 6/27
Exelon Generation	6.950% due 06/15/11	06/11/01	$700	Baa1/A-	+168	+168	**+172**
Allegheny Energy Supply	7.800% due 03/15/11	03/09/01	400	Baa1/BBB+	+290	+210	**+218**
PSEG Power	7.750% due 04/15/11	04/09/01	800	Baa1/BBB	+287.5	+199	**+200**
Mirant Corp.	7.900% due 07/15/09	07/21/99	500	Baa2/BBB-	+225	+273	**+283**
NRG Energy	7.750% due 04/01/11	04/02/01	350	Baa3/BBB-	+282	+207	**+222**
Mirant Americas	8.300% due 05/01/11	04/26/01	850	Baa3/BBB-	+315	+265	**+283**
Calpine Corp.	8.500% due 02/15/11	02/08/01	1,150	Ba1/BB+	+345	+345	**+380**
The AES Corporation	8.875% due 02/15/11	02/06/01	600	Ba1/BB	+370	+400	**+410**

Spreads in the merchant energy sector vary from high-100s to low-400s.

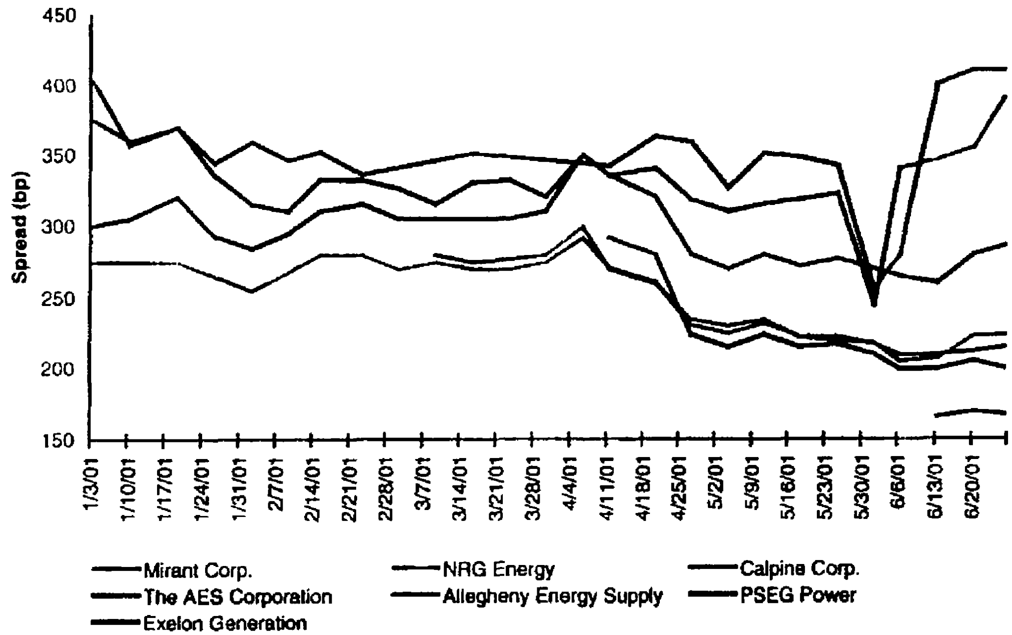
Spreads have widened recently in response to FERC price caps and regional electric price declines.

00201460

Recent Secondary Market Spread History

THE STRONG BBB-RATED COMPANIES IN THE MERCHANT ENERGY SECTOR ENJOYED SIGNIFICANT SPREAD COMPRESSION, ALMOST 100 BP, IN THE SECOND QUARTER

WEEKLY DATA: JANUARY 2001- JUNE 27, 2001



In contrast, the high-yield credits have widened from mid-300s to low-400s

Exelon Generation (rated Baa1/A-) established a new spread level for gencos – its ten-year notes priced at +168.

FPL GROUP

FPL Energy

NRG Energy's "Rapid-Fire" Senior Notes Offering

$690,000,000 SENIOR NOTES

* NRG Energy announced and priced this offering in a single day:
  - Took advantage of a positive market tone and investor familiarity with the credit
  - Priced at a narrow spread (about 7 bp) to its actively-quoted secondary market '10 benchmark
  - Sole marketing vehicle was an electronically disributed "red"
  - Rapid-fire approach created a "sense of urgency" among investors
* NRG also benefited from a recent equity issuance of $784 million, combining 18.4 million common shares with 11.5 million equity units – highlighting company's commitment to balance sheet strength
* By creating deal momentum, the transaction achieved spreads at the tight end of price guidance:
  - 10-yr: +282 bp vs guidance of +285 bp area
  - 30-yr: +305 bp vs guidance of +310 bp area
* The total order book was over $3.5 billion (5.0x) with solid interest in the long bond structure
* The deal was increased in size from $650 million

PROSPECTUS SUPPLEMENT

$690,000,000

NRG

NRG Energy, Inc.

$350,000,000 7.75% Senior Notes due 2011

$340,000,000 8.625% Senior Notes due 2031

Bane of America Securities LLC Salomon Smith Barney

ABN AMRO Incorporated Deutsche Banc Alex. Brown

BNP PARIBAS

CIBC World Markets

Scotia Capital (USA) Inc

Westdeutsche Landesbank Girozentrale

April 2, 2001

On April 2, 2001, NRG Energy successfully priced $690 million of Senior Notes, rated Baa3/BBB-, in two tranches: a 10-year and a 30-year maturity.

Tranche	Ratings	Structure	Amount	Yield	Spread	MW Call
7.750% due April 1, 2011	Baa3/BBB-	10 NC/L	$350	7.789%	+282 bp	T+35
8.625% due April 1, 2031	Baa3/BBB-	30 NC/L	$340	8.637%	+305 bp	T+40
Total/Average			$690	8.207%		

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00201462

Allegheny Energy Supply Inaugural Debt Offering

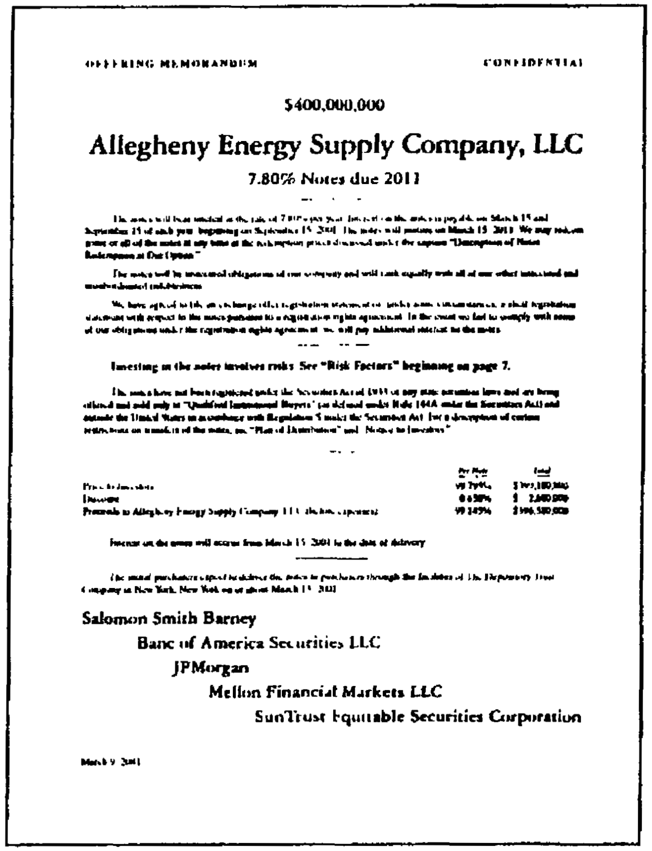
$400-MILLION OFFERING OF 10-YEAR NOTES: 7.80% NOTES DUE MARCH 15, 2011

TRANSACTION GOALS AND OBJECTIVES

- The proceeds of the offering will be used to fund a portion of the acquisition cost of Merrill Lynch's Global Energy Markets ("GEM")
- The size of the offering was limited by the amount authorized by the SEC under PUHCA
- The 10-year maturity established a liquid and durable benchmark for future AE Supply issuance

MARKETING PROCESS

- Company representatives were able to visit investors in New York, Boston, Minneapolis and Chicago in a focused 3-day roadshow
- Twenty-four investors who participated in the marketing process purchased over 72% of the notes. Fifty investors participated via:
  - Bloomberg presentation
  - Roadshow/One-on-one meetings
  - Investor conference call
- The book of orders grew to over $1 billion – representing oversubscription in excess of 2.5x
- Allegheny Energy Supply priced their offering at +290 bp, the tight end of revised price guidance of +290–295 bp


OFFERING MEMORANDUM CONFIDENTIAL

$400,000,000

Allegheny Energy Supply Company, LLC

7.80% Notes due 2011

Investing in the notes involves risks. See "Risk Factors" beginning on page 7.

Salomon Smith Barney

Banc of America Securities LLC

JPMorgan

Mellon Financial Markets LLC

SunTrust Equitable Securities Corporation

The Allegheny Energy Supply offering, rated Baa1/BBB+, was groundbreaking in that investors did not receive expert consultant reports.

In fact, no Independent Engineer's report was provided to the rating agencies.

00201463

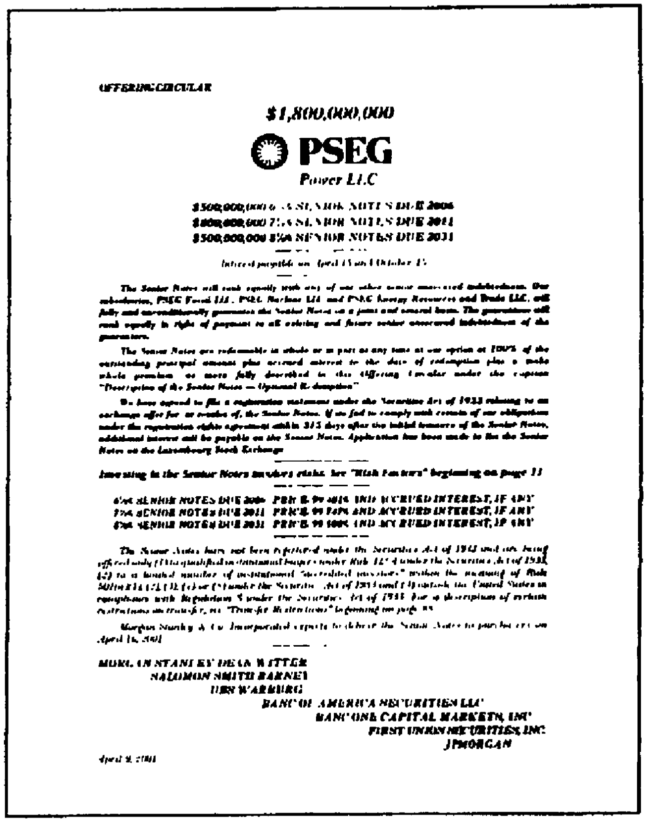
PSEG Power LLC

$400-MILLION OFFERING OF 10-YEAR NOTES: 7.80% NOTES DUE MARCH 15, 2011

- PSEG Power ("Power") was the *third* genco formed from disaggregated utility generation assets to tap the bond market (following Ameren and Allegheny)
- Power was the first genco with nuclear exposure: 30% by capacity and 60% by energy generated

KEY CREDIT POSITIVES

- Power has the #1 market position in the PJM market
- Diversity of fuel type and dispatch order
- Developed marketing and trading capabilities from bulk power activities
- Greenfield development in surrounding "Super Region"
- Targeting 75% contractual commitment to NJ utility load


OFFERING CIRCULAR

$1,800,000,000

PSEG
Power LLC

MORGAN STANLEY DEAN WITTER
SALOMON SMITH BARNEY
UBS WARBURG
BANC OF AMERICA SECURITIES LLC
BANC ONE CAPITAL MARKETS, INC.
FIRST UNION SECURITIES, INC.
JPMORGAN

The Senior Notes of PSEG Power, rated Baa1/BBB/BBB+, were priced on Monday, April 9th, delayed by Pacific G&E's bankruptcy filing on the prior Friday.

Exelon Generation Inaugural Debt Offering

EXELON GENERATION: INVESTMENT HIGHLIGHTS

* Largest unregulated generation portfolio in US (41 GW)
  * Nuclear fleet (15 GW) forms foundation of low-cost, base-load capacity
  * Critical mass of portfolio creates economies of scale
  * Sithe investment expands greenfield development capabilities and enhances diversity
  * Experienced management team ensures operational excellence
* The asset-based approach of Power Team (marketing & trading) focuses on optimizing revenue stream
  * Benefits from stable revenue stream from long-term contracts with affiliates PECO and ComEd
  * Manages additional capacity portfolio of 16 GW of long-term contracts
* Commitment to solid investment-grade ratings
  * Leverage starts initially at 30%
  * Debt service coverage ratios average almost 10x in the years 2001-2010

EXELON GENERATION: STRATEGIC GOALS

* Develop national generation portfolio with fuel and dispatch diversity
* Grow portfolio through.
  * mergers/acquisitions
  * innovative technology
  * long-term off-take contracts
  * development
  * joint ventures
* Drive cost and operational leadership through proven fleet management and economies of scale
* Optimize value of low-cost position through power marketing expertise

Salomon Smith Barney acted as joint book-runner on the inaugural debt offering for Exelon Generation Company, LLC:

Coupon:
6.95%
Maturity:
6/15/2011
Ratings:
Baa1/A-
MW Call:
T+25 bp
Spread:
+168 bp

Exelon Generation Inaugural Debt Offering *(continued)*

EXECUTION HIGHLIGHTS

MARKETING STRATEGY

- Compressed due to overwhelming investor demand
- Achieved maximum direct contact in 1 1/2 days
  - Bloomberg electronic presentation (19 investors)
  - Telephonic one-on-ones (7 investors)
  - National investor conference call (55 investors)

INVESTOR RESPONSE

- Massive oversubscription immediately following announcement
- Pricing strategy compressed spreads and reduced order book size

PRICING STRATEGY

- Initial price guidance of +170-175 bp
- Launched with price talk of +170 bp area
- Priced at +168 bp

The Notes were ultimately allocated to 157 institutional investors in the US and Europe.

CONFIDENTIAL

Discussion Materials for

FPL

Regarding Financing Strategies

July 2, 2001

Merrill Lynch

00201467

Table of Contents

Executive Summary

Executive Summary

- Merrill Lynch is pleased to continue our dialogue regarding financing strategies to fund growth initiatives within FPL Group ("FPL")
- We believe that it is important to consider four key issues with respect to establishing a new financing strategy
  - The target capital structure and ratings for each business
  - The potential use of off-balance sheet and off-credit financings
  - The potential leverage available at the FPL Energy ("FPLE") plant and portfolio level, on a recourse and non-resource basis
  - The extent to which FPL Group desires to establish FPLE as a stand-alone creditworthy, self-funding subsidiary
- The ultimate funding decisions will involve a prioritization of the following
  - Lowest cost financing
  - Impact on FPL Group earnings
  - Ratings impact of the financing on each FPL Group entity
  - Flexibility of the capital structure to accommodate future strategic options, including additional generation acquisitions and the on-going funding of the development portfolio
  - Ability for and timing of FPL Energy to self-finance as a stand-alone entity going forward

Executive Summary

Summary Recommendations

- Given the growth/financing plans and the associated capital structure/credit impacts, FPL should mobilize all available resources to ensure a "soft landing" with respect to investor and rating agency acceptance of the growth story
- Schedule discussions as soon as practicable with ratings agencies to discuss the growth strategy and financing, including the potential for establishing a stand-alone credit rating for FPLE
- Evaluate equity/equity hybrid issuance to achieve certainty of ratings and maximize flexibility for growth/acquisitions (although recent PSC action will delay market access for FPL)
- Design and structure credit facilities to meet financing objectives, including minimizing costs, maximizing tax efficiency and meeting ongoing liquidity and funding requirements
- Prepare financial statements, MD&A and accounting roll-up for FPLE
- Begin documentation process in support of capital market issuances, including:
  - Structured finance products applied to operational assets with proceeds used to finance development in 2001/2002
  - Equity and/or equity-linked financing in early 2002
  - Non-recourse portfolio-level and project-level financing on an on-going basis
  - Additional senior debt financing throughout the forecast with the inaugural FPLE issuance in mid 2002

FPL Situation Analysis

FPL Situation Analysis

Current Credit Ratings

(S&P/Moody's)

FPL Group

- Sr. Unsecured: A+/NR
- Industrial Rev. Bonds: NR/A2

FP&L

- Sr. Secured: AA-/Aa3
- Commercial Paper: A1+/P1

FPL Group Capital

- Issuer Rating: AA-/NR
- Sr. Unsecured: NR/A2
- Commercial Paper: A1/P1

FPL Energy

- Sr. Unsecured: NR
- Sr. Secured: NR

- Given the current "negative watch" on FPL's credit ratings, coupled with regulatory uncertainty and FPLE's growth plans, FPL should lay the groundwork for a "soft landing" to a BBB "high" rating
- S&P's view of subsidiary ratings will be based upon insulation from the parent company
- FPLE cannot conduct financings on a standalone basis for at least six months to a year due to the time and effort necessary to meet SEC and rating agency requirements/standards
  - SEC requires 3 years of standalone historical financials and MD&A for FPLE

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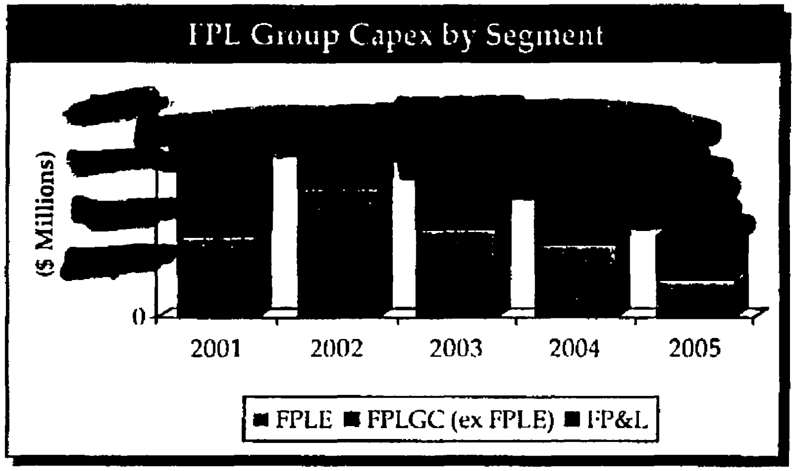
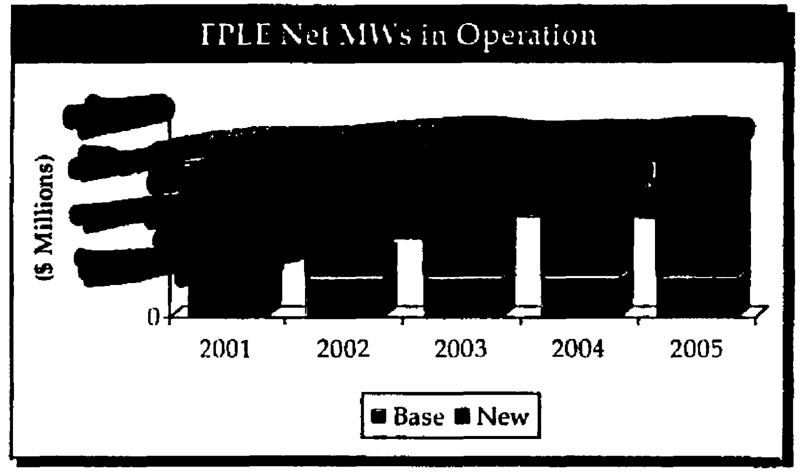
FPL Situation Analysis

Overview





- Other than operating cash flow at FP&L and amounts financed on a non-recourse project basis, FPL Group Capital provides the funding for FPL Group's unregulated operating subsidiaries
- FPL Group Capital is able to access the capital markets because of the FPL Group guarantee
- The current plan assumes that the lowest direct cost manner to finance the unregulated growth is to issue debt at the FPL Group Capital entity
- In the future (at least one year from now), it may be possible to fund growth directly at FPLE

FPL Situation Analysis

The Plan, as Forecasted, is Untenable

FPL GROUP (currently rated AA- at BP 5)

	2001	2002	2003	2004	2005
FFO / Total Debt					
Derived Rating for BP 6					
FFO / Interest (paid)					
Derived Rating for BP 6					
FFO / Interest					
Derived Rating for BP 6					
EBIT / Interest					
Derived Rating for BP 6					
Total Debt / Total Capitalization					
Derived Rating for BP 6					

FP&L (currently rated AA- at BP 4)

	2001	2002	2003	2004	2005
FFO / Total Debt					
Derived Rating for BP 5					
FFO / Interest (paid)					
Derived Rating for BP 5					
FFO / Interest					
Derived Rating for BP 5					
EBIT / Interest					
Derived Rating for BP 5					
Total Debt / Total Capitalization					
Derived Rating for BP 5					

FPL GROUP CAPITAL (currently rated AA- at BP 8)

	2001	2002	2003	2004	2005
FFO / Total Debt					
Derived Rating for BP 8					
FFO / Interest (paid)					
Derived Rating for BP 8					
FFO / Interest					
Derived Rating for BP 8					
EBIT / Interest					
Derived Rating for BP 8					
Total Debt / Total Capitalization					
Derived Rating for BP 8					

Note: Credit ratios for FP&L and FPL Group include debt in the amount of $1.24 billion (21% of FP&L's $5.92 billion in PPA exposure) and incorporates an additional 10% interest liability associated with the "debt", consistent with S&P's treatment of FP&L's PPAs.

FPL Situation Analysis

Rating Agency Considerations Will Be Critical

- The rating agencies have developed views regarding non-regulated generation companies which should be considered as FPL develops its financing and long-term capitalization plan
  - Ratings experience draws from the major public generation companies (AES, Calpine, Mirant, NRG, Orion, Reliant Resources) and utilities with significant non-regulated generation subsidiaries (Duke, AEP, PSEG, AYE, AEE)
  - Financial focus on volatility of cash flows and earnings, coverage ratios and margins, among other historical and projected financial performance measures
  - Qualitative focus on the relative strengths of the new entities' customer base and operating competitiveness
  - Although financial considerations are the primary ratings factors, the company's ability to react competitively to changes in its markets will be weighed heavily
- FPLE may be exposed to significant risks including
  - Intensity of competition in competitive markets
  - Significant exposure to electricity and fuel price volatility at merchant facilities
  - Capital-intensive core business
  - Potential market entry by new competitors
- Other considerations integral to an FPL Group Capital or FPL Energy credit evaluation include
  - Management stability, experience, capability and 'risk appetite'
  - Ability to implement strategy in regulated, unregulated, and trading businesses
  - Composition, diversification (geographic, fuel and dispatch) and quality of generation portfolio
  - Contracted revenues, risk-management and trading expertise
  - Fuel cost management
  - Total production/capacity cost vis-à-vis competitors

FPL Situation Analysis

Insulation Must be Understood to be Achievable – But with "Costs"

Structural Insulation	Regulatory Insulation
• Partial ownership of a subsidiary by an outside party • Separate boards of directors for each entity • Separate management • Separate country or jurisdiction • Separate name • Absence of cross-default covenants • Separate financing activities	• Restrictions on cash flow • Restrictions on debt as a percentage of capital • Restrictions on dividends • Debt rating targets established by a commission • Limitations on the amount of investment in non-utility businesses • Limitations on the types of investments that a utility or holding company can make

FPL Situation Analysis

Credit Ratings Outlook for FPL

- [redacted]

- [redacted]

- S&P's view of the subsidiary ratings will be predicated upon insulation — which is the exception and not the rule

- Moody's view of the subsidiary ratings is more "building block" oriented and, therefore, multiple notches between subsidiaries are defensible

- The guarantee from FPL Group or FPL Group Capital will not go away as long as debt is outstanding

- The agencies are becoming cautious and even suspicious when evaluating a company's restructuring/growth plans — no source goes unturned

FPL Situation Analysis

Merrill Lynch's View of [redacted] Targeted Rating

- FPL Group's ability to achieve and sustain [redacted] rating is highly desireable
  - Viewed by market as an attractive/high credit rating
  - Allows for continued access to commercial paper market
    - Likely Tier II borrower but still at attractive rates relative to FPLE level construction revolver/bank market
    - Although volatility of access and pricing must be considered given market conditions in the recent past
  - Allows for a utility rating in the [redacted] range, assuming a 2 notch difference, supported by insulation
    - In the absence of insulation, [redacted] utility is defensible to regulators given the new posture of the staff and PSC
  - Most likely achievable rating given FPL's capex and growth plan
  - Comparable rating to other integrated utilities that combine high growth and credit quality
    - AEP, Allegheny, Dominion, Duke, Exelon

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FPL Situation Analysis

Merrill Lynch's View of a BBB "High" Targeted Rating (cont'd)

- Additionally, FPL Group's ability to achieve and sustain a [redacted] rating is important for the success of FPL's non-regulated energy business
  - ▶ Solid investment grade rating is important for trading and marketing business going forward
  - ▶ [redacted]
    - – [redacted]
    - – [redacted]
- Public Generation Companies with BBB- or lower credit ratings (such as AES, Calpine, Mirant and Orion) are actively working to maintain or achieve investment grade ratings
- The desirability of a solid investment grade rating for non-regulated generation and trading and marketing businesses stems from:
  - ▶ Higher operating risk than regulated utilities
  - ▶ High capital requirements to grow the business
    - – Cannot risk limiting their access to capital
  - ▶ Counterparty credit standards
    - – Avoid cash collateral requirement

Recommended Financing Strategy

Recommended Financing Strategy

Summary

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

00201482

Recommended Financing Strategy

The Various Financial Engineering "Levers" Available

	Advantages	Disadvantages
Common Stock	• Market demand is high; preference is for larger deals • Concurrent equity/equity linked offerings have been executed successfully • Significantly enhances credit ratios	• Immediately dilutive • Common stock price is currently low relative to 52 week high
Equity Linked Issuance	• Pricing is attractive/demand is high • Concurrent equity/equity linked offerings have been executed successfully • Credit friendly with mitigated/delayed EPS impact	• Only 80% equity credit • Dilutive upon conversion • Higher coupon than straight debt • Partial forfeit of upside in stock price
Leasing/Structured Products	• Credit and EPS friendly • Can be done for size over multiple projects	• Rating agencies limit total amount which can be financed in this manner
Non-Recourse Debt	• Project debt can be utilized on a selective basis to bolster balance sheet	• Likely more expensive in coupon and/or covenants • May create limitations on dispatch/trading
Straight Term Debt	• Yields likely to remain attractive for foreseeable future	• Does not help credit situation
Construction Revolver	• Flexible maturities • May be non-recourse	• Stringent covenants • Technical committee • Likely secured by equity call at FPL Group
Commercial Paper	• Lower borrowing rate in short term	• Should ratings drop, A2/P2 market is not currently attractively priced • Limit as to how much can be financed in this manner

Recommended Financing Strategy

Potential Financing Plans (Dollars in Millions)

	FPL Group	FPL Group Capital	FPL Energy	Net Financing Need at FPL Group Capital
2001	--	[redacted]	--	[redacted]
2002	[redacted]	--	[redacted]	[redacted]
2003	--	--	[redacted]	[redacted]
2004	--	[redacted]	[redacted]	[redacted]
2005	--	--	[redacted]	[redacted]

Recommended Financing Strategy

Impact of the Merrill Lynch Potential Financing Plan(1) (2)

	Base Case					New Plan				
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005
FPL Group (BP 6)										
FFO/Interest	[redacted]					[redacted]				
FFO/Debt	[redacted]					[redacted]				
EBIT/Interest	[redacted]					[redacted]				
Debt/Total Capital	[redacted]					[redacted]				
EPS	[redacted]					[redacted]				
Accretion/(Dilution)						[redacted]				
Implied Rating	[redacted]					[redacted]				

	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005
FPL Group Capital (BP 8)										
FFO/Interest	[redacted]					[redacted]				
FFO/Debt	[redacted]					[redacted]				
EBIT/Interest	[redacted]					[redacted]				
Debt/Total Capital	[redacted]					[redacted]				
Implied Rating	[redacted]					[redacted]				

(1) *Assumes off-balance sheet/off-credit financing is viewed as 100% off-credit by the rating agencies.*

(2) *Credit ratios for FPL Group include debt in the amount of $1.21 billion (21% of FP&L's $5.92 billion in PPA exposure) and incorporates an additional 10% interest liability associated with the "debt", consistent with S&P's treatment of FP&L's PPAs.*

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Appendix

Instrument Specifics

Instrument Specifics

Unleveraged Partnership Overview

- The Unleveraged Partnership is a debt financing for economic and tax purposes, but is recorded as "minority interest" under U.S. accounting rules
- The Unleveraged Partnership would allow FPL to monetize existing on-balance sheet assets or fund potential investments and acquisitions
- A third party Merrill Lynch formed investor entity (the "Investor") will contribute cash to a newly formed partnership (the "Partnership") in exchange for a large economic interest with limited voting rights therein
- The Investor will fund its contribution to the Partnership with cash raised by the issuance of 97% debt and 3% equity
- FPL, the general partner (the "GP"), will contribute existing on-balance sheet assets (the "Assets") in exchange for its GP interest
- At closing, the Partnership will make a cash distribution to FPL equal to the Investor's contribution
- Lenders and equity investors funding the Investor's interest will rely on the cash flows generated by the Assets for payment of interest and equity yield
- As the GP with control over the Partnership, FPL will consolidate the Partnership for accounting purposes. Upon consolidation, FPL's balance sheet will show the assets of the Partnership and minority interest equal to the Investor's cash contribution
- Funding for the structure can be obtained in the bank market (rates may be fixed through swaps), or Merrill Lynch can incorporate privately placed securities

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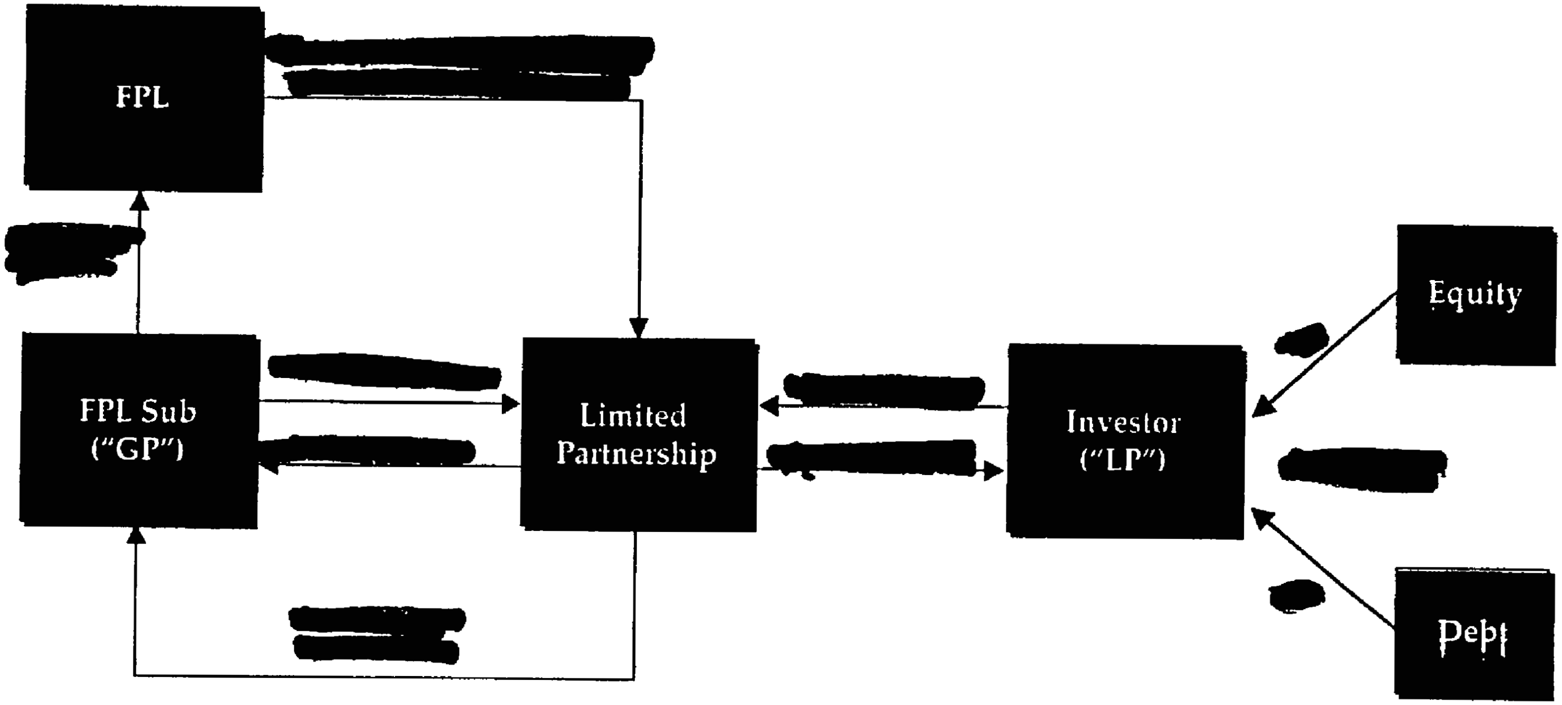
Instrument Specifics

Unleveraged Partnership Structure Diagram



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Instrument Specifics

Benefits of an Unleveraged Partnership

- As the GP in the structure, FPL retains full control and decision making over the assets of the Partnership
  - FPL retains all of the "upside" potential in the assets
- The Investor's cash investment in the Partnership is treated as minority interest on the Company's consolidated financial statements, leading to improved financial ratios (leverage, interest coverage)
- Transaction is considered a loan for tax purposes. Therefore, cash distributions paid from the Partnership to FPL upon closing are not taxable
- Minority interest raised in the Unleveraged Partnership has the following characteristics:
  - Tax deductible distributions
  - No imputed shares in diluted EPS
  - Cost of minority interest less expensive than cost of common equity
  - Significant equity credit from the rating agencies

Instrument Specifics

Thoughts on Interim Financing

- FPL has the option to implement or avoid non-recourse techniques during the heavy construction cycle associated with the growth plan
- Non-recourse financing requires managerial scale and a specific managerial discipline whether employed at the plant level or the portfolio/construction revolver level
- Limited investor/financing base does not respond well to one-off non-recourse financings - must be part of an integrated long-term financing plan
- Construction Revolver/Portfolio level non-recourse financings will require stringent technical committee tests, debt incurrence tests, and the maintenance of contingent equity calls at FPL Group given current FPL Group Capital and FPLE financials
- Merrill Lynch believes that the CP market [redacted] represents the best priced, most liquid, and least onerous funds available to FPL
- To the extent that the CP market is not accessible or desired, the bank market can be tapped at attractive prices, for size, and with manageable covenants

00201491

- There are several alternatives that can be used for additional liquidity and flexibility, as described below:

Product	Advantages	Disadvantages	Cost	Capacity	Execution Risk
Commercial Paper	Existing Program $87 billion A2/P2 Complete range of maturities	Requires 100% bank lines	Libor plus 25 to 40 bps	$1,000 mm +	Minimal
Bank Revolver	Maturity flexibility up to 364 days	Market has tightened Covenants may be limiting	Libor plus 50 to 100 bps	$1,000 mm+	Moderate
Construction Revolver	Maturity flexibility May be non-recourse	Limited investor base Strict covenants Technical committee	Libor plus 150+ bps	$2,000 mm	Moderate

Instrument Specifics

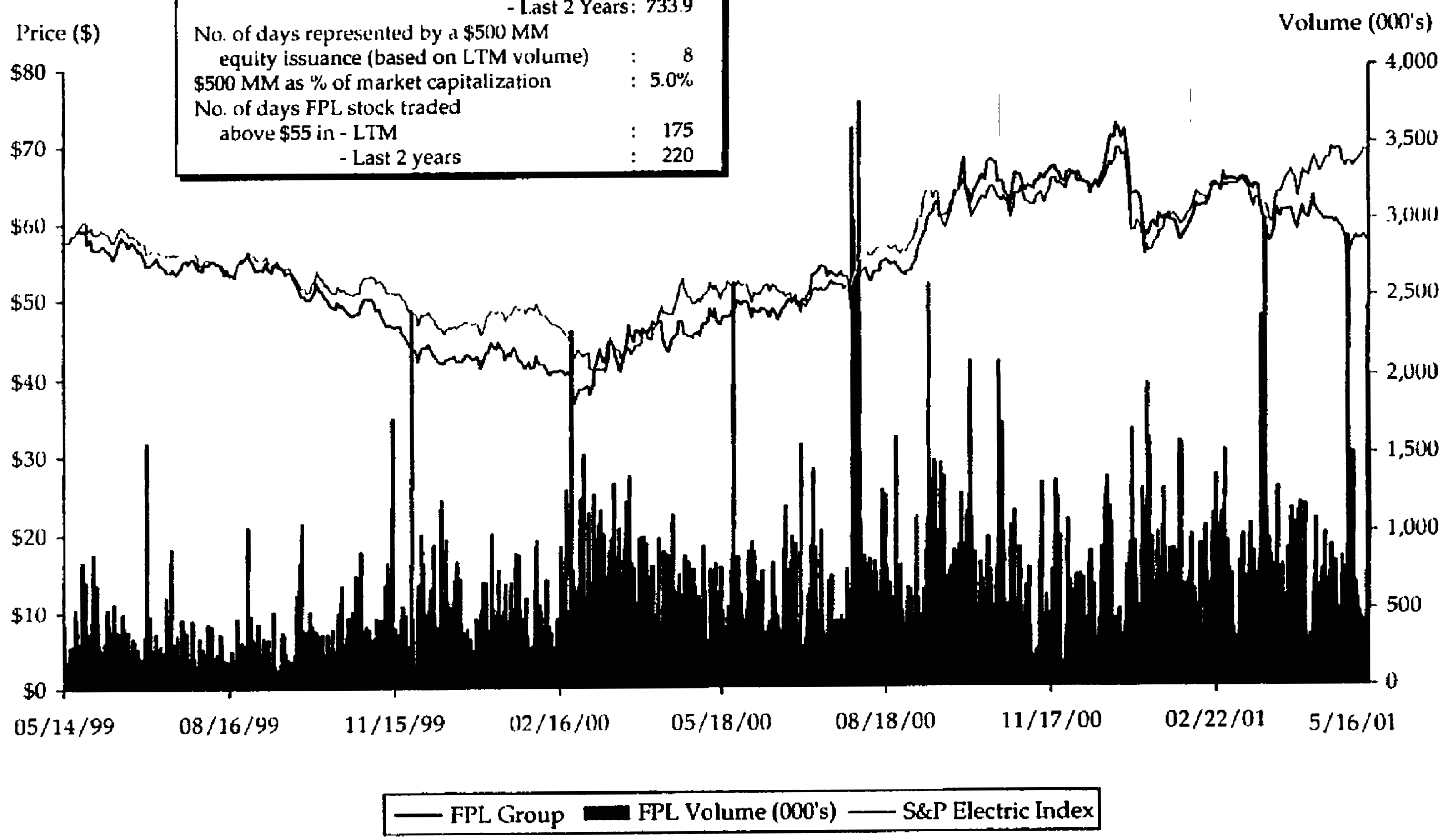
Equity and Equity-Linked Alternatives

- [redacted] (although FPL will be constrained from market access due to recent PSC rate review action)
  - Take advantage of strong investor interest in the utility sector
  - Utilize marketing period to sell a new story to institutional investors
    - Formally introduce the pro forma FPLE portfolio and growth strategy
- Further, we believe that the concurrent issuance of an equity-linked security has a number of distinct benefits for the Company
  - Maximize proceeds
  - Retain upside in the FPL common stock, especially to the extent that the full value of FPLE's growth potential is not currently reflected in the Company's stock price
  - Access a different investor base
  - Create "competition"/pricing tension between investor bases
  - Minimize downward pressure on the common stock price
- In addition, specific product structures can provide additional substantive benefits
  - Significant equity credit from the rating agencies
  - Tax deductibility
  - Minimal dilution prior to conversion

Instrument Specifics

Equity Issuance

Average Daily Volume (in 000's)	- LTM	: 906.4
	- Last 2 Years	: 733.9
No. of days represented by a $500 MM equity issuance (based on LTM volume)		: 8
$500 MM as % of market capitalization		: 5.0%
No. of days FPL stock traded above $55 in	- LTM	: 175
	- Last 2 years	: 220



Note. S&P Electric Index shown relative to FPL's stock price

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Instrument Specifics

FELINE PRIDES Overview

- FELINE PRIDES allow FPL to achieve several objectives
  - ▶ Economic
    - FPL can retain a portion of the upside in its share price performance
    - Tax deductible distributions
  - ▶ Accounting
    - "Treasury Stock" accounting
  - ▶ Ratings
    - High equity credit from both S&P and Moody's

An investor agrees to take all of the economic upside and downside of FPL's common stock -- Differs from common stock only in that the investor (i) receives an enhanced dividend for 3 years and (ii) forgoes a defined amount of capital appreciation opportunity

Instrument Specifics

Concept of FELINE Technology

PRIDES

- Commit to issue stock while retaining portion of upside
- Receive substantial equity credit from rating agencies

Fixed Income Financing

- Tax-deductible periodic payments
- No share dilution for EPS reporting purposes

FELINE PRIDES

- Unit comprised of Senior Unsecured Debt and Equity Forward Contract

Key Benefits to FPL:

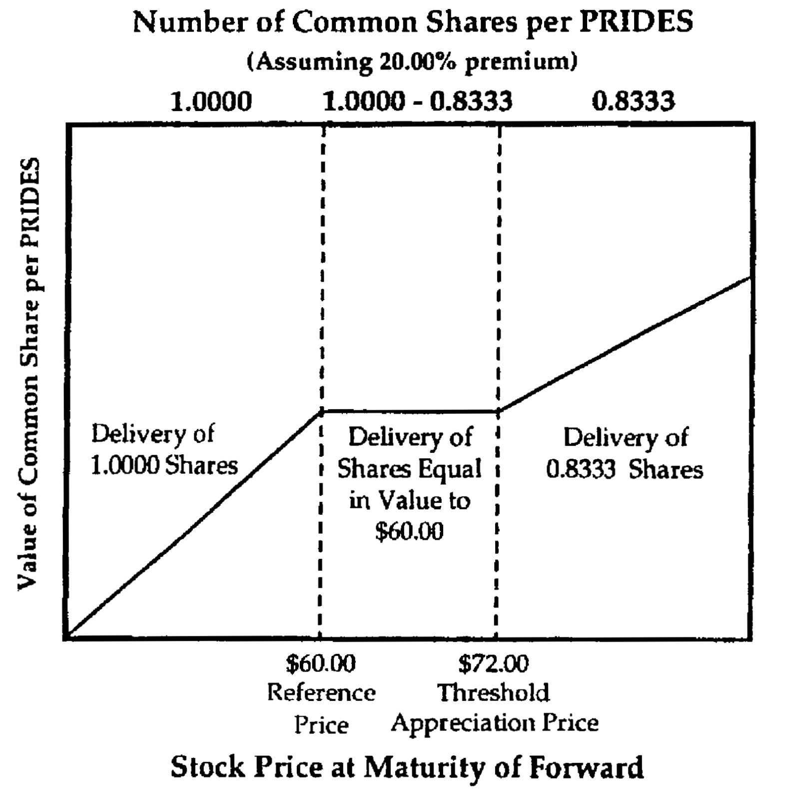
- Tax deductibility at full non-convertible debt rate
- Substantial (80% - 85%) equity credit from rating agencies
- No shares (or fractional shares) for EPS reporting purposes for 3 years under treasury stock method
- Broadens investor base

Instrument Specifics

FELINE PRIDES Terms — Sr. Unsecured Debt Underlying Security

FELINE PRIDES	
Issue Price (Recent FPL Common Price)	$60.00
Payment Rate	8.75% +/- .25%
Conversion Premium	20.00% +/- 2.00%
Sr. Unsecured Debt	
Issue Price	$60.00
Initial Rate	7.75%
Final Maturity [1]	5 Years
Forward Contract	
Face Value	$60.00
Maturity	3 Years
Reference Price	$60.00 (recent stock price)
Threshold Appreciation Price	$72.00 (20.00% premium)
Contract Adjustment Rate	1.00%
Pre-Tax Cash Flows (3 Years)	
Debt Coupon (tax deductible)	7.75%
Contract Adjustment Rate	1.00%
Total Pre-Tax Cash Payments	8.75%

Share Delivery at Maturity of Forward



Common Share Price at End of Year 3	Number of Shares to be Issued per PRIDES
Less than $60.00	1.0000
Between $60.00 and $72.00	Issue Price/Common Price at Maturity (Range 1.0 to 0.8333)
Greater than $72.00	0.8333

(1) *Debt remarketed to traditional debt investors prior to the end of the third year.*

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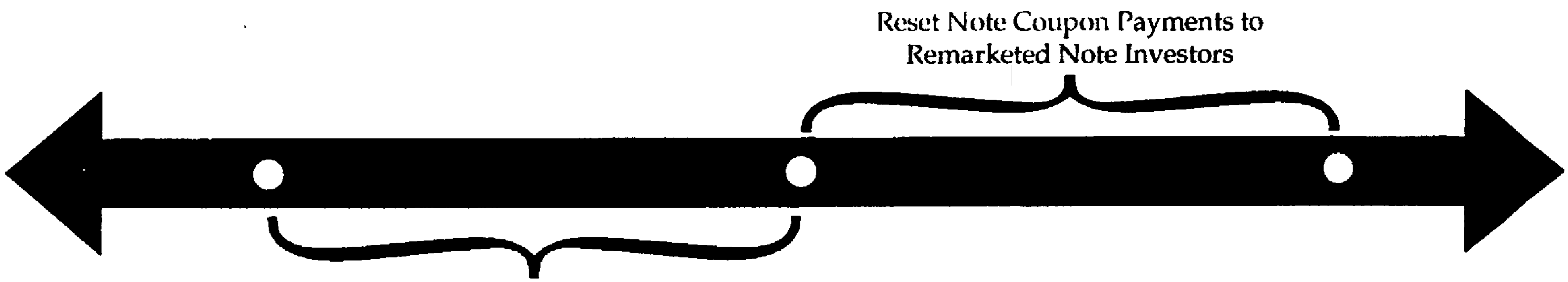
Instrument Specifics

FELINE PRIDES Timeline –[redacted]Million FELINE PRIDES Issuance



	Issuance Date [1]	Note Coupons and Contract Fees	Note Remarketing [2]	3-Year Purchase Date	Five-Year Note Maturity
Action	• FPL issue[redacted] million of FELINE PRIDES consisting o[redacted] PRIDES at [redacted]	–	• Remarketing Agent resets note coupon • Proceeds are held in Treasury Bills until applied to Forward Purchase Contract	• Investors deliver cash of [redacted] to FPL under Purchase Contract	• FPL repays Notes
Cash Flows	–	• 7.75% (pre-tax) Coupon Payments on Notes, plus • 1.00% Contract Payments	• Coupon Payment based on reset coupon • 1.00% Contract Payments continue	• [redacted]	[redacted]
Stock Flows	-	–	–	• Issuance o[redacted]illion shares under Purchase Contract	-

(1) *Assumes stock price of $60.00 per share.*
(2) *Note coupon reset to allow remarketing to traditional debt investors for remaining term. Remarketing occurs prior to the end of the third year.*

Instrument Specifics

FELINE PRIDES Tax and Accounting Considerations

Issuer Tax Treatment

Debt Security

- Debt Security is legally separate from Forward Contract
- Debt Security payments are deductible
- Debt Security can never be used to satisfy Forward Contract, except if remarketing fails

Forward Contract

- Forward Contract is an equity transaction in FPL stock
- Contract Adjustment Payments are not tax deductible

Issuer Accounting Treatment

Debt Security

- Debt Security is shown as debt on balance sheet
- Debt Security payments shown as Interest Expense on income statement (corresponding tax deductions as well, just as in any corporate borrowing)

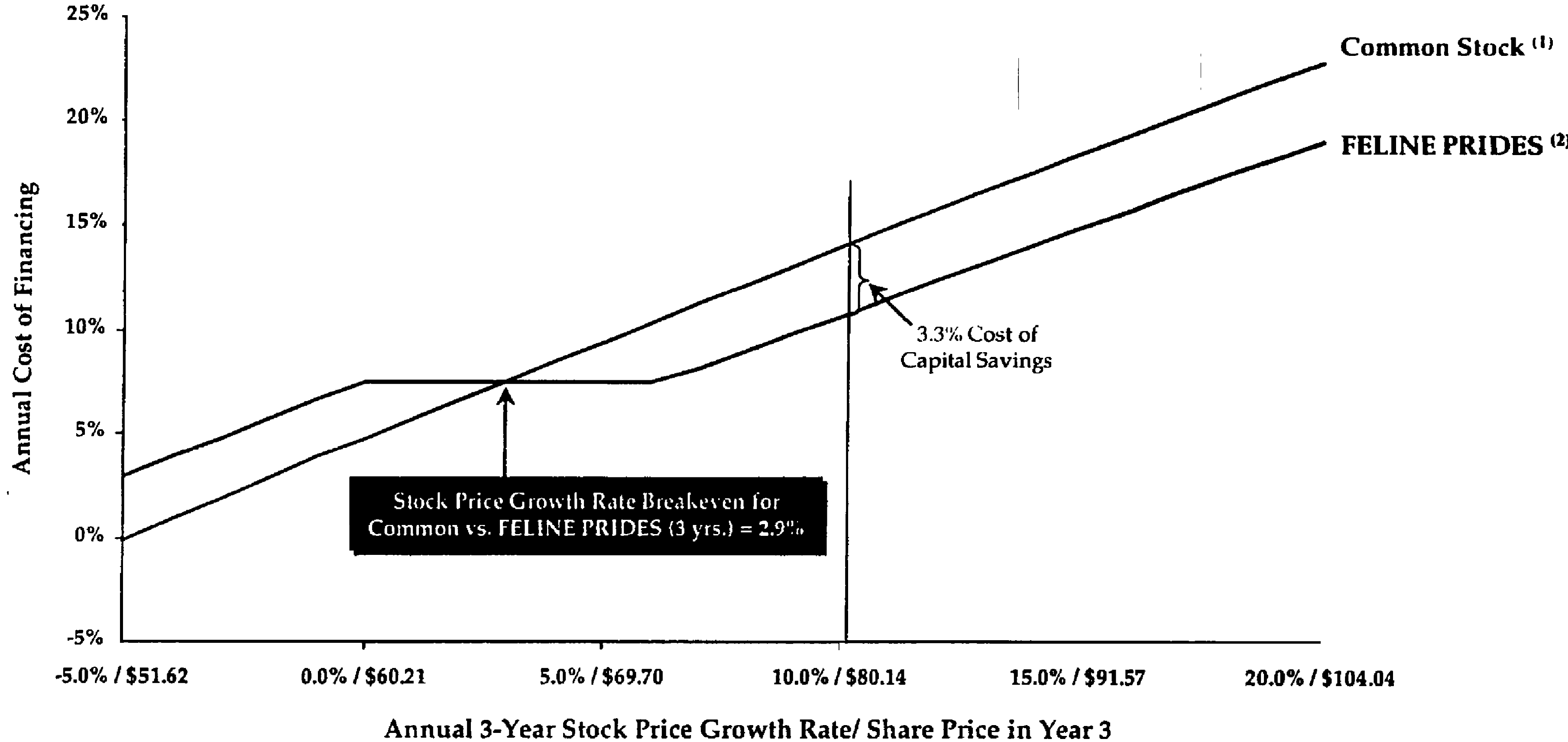
Forward Contract

- PV of Contract Adjustment Payments reduce equity and increase other liabilities at issuance
- Substantial majority of Contract Adjustment Payments run through balance sheet (reducing other liabilities), not the income statement
- Diluted EPS calculated using Treasury Stock method
  - No incremental shares in denominator of EPS until stock price exceeds conversion price and fractional shares thereafter
  - Fractional shares equals: number of underlying shares - (strike price on forward contract/average common stock price during the period)*(number of underlying shares)

Instrument Specifics

Cost of Capital Comparison - Three Year FELINE PRIDES

FELINE PRIDES are less costly than common stock at annual stock price growth rates above 2.9%



(1) *Common Stock issued at $60.21 (0.0% discount) per share with a 3.0% gross spread.*

(2) *FELINE PRIDES have a 8.75% payment rate and a 20% conversion premium; analysis assumes a 6.4% debt rate, a 3.0% gross spread, and a 35% tax rate.*

Instrument Specifics

FELINE PRIDES Comparative EPS Impact - $1 Billion Issuance to Retire Debt[a]

	Year Ending December 31,				
	2002	2003	2004	2005	2006
Status Quo [b]	[redacted]				
Common Stock [c]					
EPS	[redacted]				
Accretion/(Dilution)$	[redacted]				
Accretion/(Dilution)%	[redacted]				
FELINE PRIDES [d]					
EPS	[redacted]				
Accretion/(Dilution)$	[redacted]				
Accretion/(Dilution)%	[redacted]				

(a) Assumes [redacted]ssuance on 12/31/01. Assumes proceeds are used to retire existing debt with a pre-tax rate of 7.0%. Assumes a tax rate of 35.0% and a stock price CAGR of 10.0%.
(b) Source: I/B/E/S mean earnings estimate obtained 6/29/01. EPS estimates for years 2003-2006 are projected using growth rate from Merrill Lynch research of 10.0%.
(c) Common stock issued at $60.21 (0.0% discount) with a 3.0% gross spread. Assumes common stock pays and annual dividend of $2.24, growing at 4.5% annually.
(d) FELINE PRIDES issued with a payment rate of 8.75%, a debt rate of 6.40%, a conversion premium of 20%, and a gross spread of 3.0%.

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Instrument Specifics

Merrill Lynch's Leadership in Successfully Executing Concurrent Offerings

$875,000,000
PRIDES
Duke Energy
The Next Generation of Energy
March 2001

$1,120,675,000
Common Stock
Duke Energy
The Next Generation of Energy
March 2001

$287,500,000
PRIDES
NRG
March 2001

$496,800,000
Common Stock
NRG
March 2001

$500,000,000
Convertible Bonds
February 2001

$243,750,000
Common Stock
February 2001

$200,000,000
Convertible Bonds
AETHER SYSTEMS
March 2000

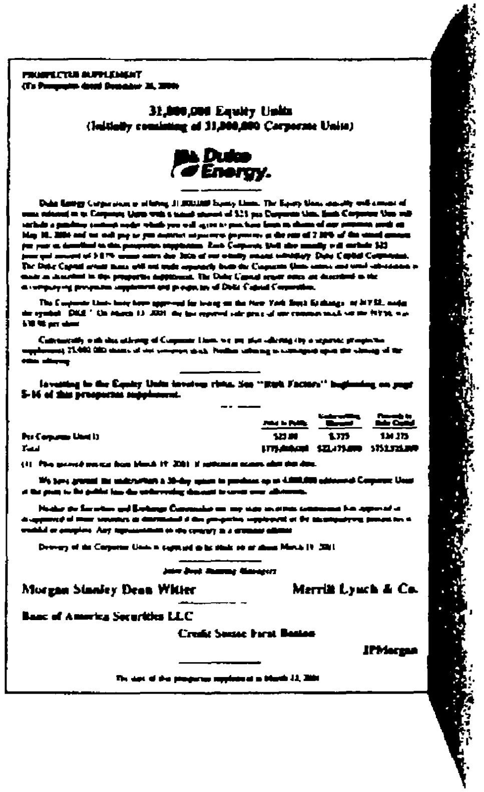
$1,127,500,000
Common Stock
AETHER SYSTEMS
March 2000

$1,521,860,000
LYONS
SOLECTRON
November 2000

$1,233,750,000
Common Stock
SOLECTRON
November 2000

Instrument Specifics

Duke Energy


31,000,000 Equity Units

Duke Energy

Morgan Stanley Dean Witter

Merrill Lynch & Co.

Banc of America Securities LLC

Credit Suisse First Boston

JPMorgan

Transaction Highlights

- Simultaneous offering of 28.75mm Common Shares and 35mm Equity Units generating (including the greenshoe) $1,995.7mm of proceeds
  - Largest add-on transaction in sector history and second largest sector equity deal of all time
  - Priced during a week in which the DJII had its largest percentage decline since 1959
- 2 week marketing period
- Equity Units offering upsized from $500mm to $775mm on strong demand
- Equity Units offering 4.0x oversubscribed
- Proceeds used to repay indebtedness and for general corporate purposes

Market Statistics for DUK (3/13/01)

Stock Price/Div Yield	$38.98/2.8%
52-Week High/Low	$45.22/$23.72
Market Cap (Pre-Offering)	$29,792
2001E P/E [(a)]	16.6x
2002E P/E [(a)]	14.8x
5-Year EPS Growth Rate	10.0%–15.0%

Terms

Common Shares ($ in millions)	$975
Equity Units ($ in millions)	$775
Maturity	5 Years
Ratings	A3/A
Cash Coupon	8.25%
Conversion Premium	22.0%

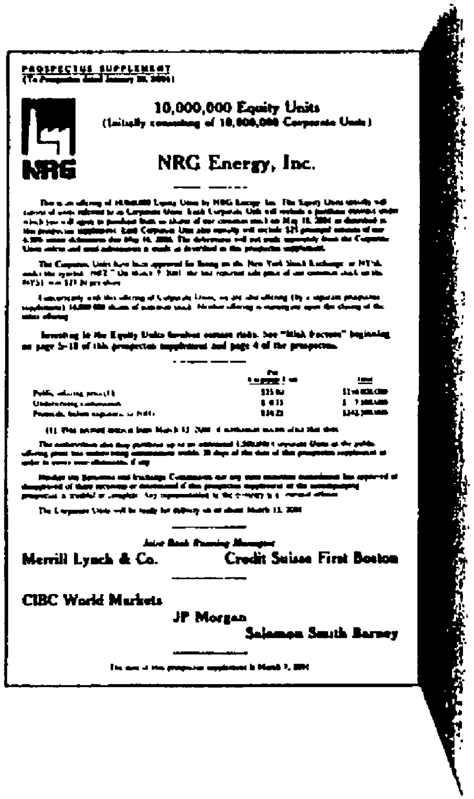
Features

- The Equity Units are similar to FELINE PRIDES consisting of
  - Equity Forward Contract that will settle on May 18, 2004
  - 5.87% senior debentures that will be remarketed on February 18, 2004 and mature on May 18, 2006

(a) Source: First Call estimates.

Instrument Specifics

NRG Energy



PROSPECTUS SUPPLEMENT

10,000,000 Equity Units

NRG Energy, Inc.

Merrill Lynch & Co. Credit Suisse First Boston

CIBC World Markets

JP Morgan

Salomon Smith Barney

Transaction Highlights

- Simultaneous offering of 18.4mm Common Shares and 11.5mm Equity Units generating (including the greenshoe) $784.3 mm of proceeds
- 2 week marketing period
- Equity Units offering upsized from $200mm to $250mm on strong demand
- Equity Units offering 5x oversubscribed
- Stock traded up 6.4% from announcement to pricing
- Proceeds used to repay acquisition related indebtedness and for general corporate purposes

Market Statistics for NRG (3/7/01)

Stock Price	$27.20
52-Week High/Low	$37.50/$15.00
Market Cap (Pre-Offering)	$5,332
2001E P/E [a]	20.8x
2002E P/E [a]	16.7x
5-Year EPS Growth Rate	25.0%

Terms

Common Shares ($ in millions)	$430
Equity Units ($ in millions)	$250
Maturity	5 Years
Ratings	Baa3/BBB-
Cash Coupon	6.5%
Conversion Premium	22.0%

Features

- The Equity Units are similar to FELINE PRIDES consisting of
  - Equity Forward Contract that will settle on May 15, 2004
  - 6.5% senior debentures that will be remarketed on February 17, 2004 and mature on May 15, 2006

(a) *Source: First Call estimates.*