

ORIGINAL

Steel Hector & Davis LLP
215 South Monroe, Suite 601
Tallahassee, Florida 32301-1804
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October 5, 2001

Charles A. Guyton
850.222.3423

COMMISSION
CLERK

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RECEIVED FPSC

By Hand Delivery

011340-EI

Blanca S. Bayó, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, Florida 32399-0850

**Re: Application of Florida Power & Light Company For Authority
To Issue And Sell Securities During the Calendar Year 2002
Pursuant To Section 366.04, Florida Statutes, And Chapter 25-8,
Florida Administrative Code**

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company are the original and five (5) copies of the Application of Florida Power & Light Company For Authority to Issue and Sell Securities. A separate copy of the filing has been sent to the Office of Public Counsel.

Also enclosed to assist in processing this Application are five (5) copies of a proposed Notice for the Florida Administrative Weekly. The date for final Commission action has been left blank in the proposed Notice; it is the hope of Florida Power & Light Company that the Application can be addressed at the November 6, 2001 Agenda Conference.

If you or your Staff have any questions regarding this filing, please contact me.

Very truly yours,

Charles A. Guyton
Charles A. Guyton

Enclosure
cc: Jack Shreve, Esq.

40244-1

RECEIVED & FILED

Mes
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

12696 OCT-5 01

DOCKET No.

FLORIDA PUBLIC SERVICE COMMISSION
Tallahassee, Florida

APPLICATION OF
FLORIDA POWER & LIGHT COMPANY
FOR AUTHORITY TO ISSUE AND SELL SECURITIES
PURSUANT TO SECTION 366.04, FLORIDA STATUTES,
AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE

Address communications in connection with this Application to:

Paul I. Cutler
Assistant Treasurer and Assistant Secretary
Florida Power & Light Company
700 Universe Boulevard
P.O. Box 14000
Juno Beach, Florida 33408
Telephone (561) 694-6204

Dennis P. Coyle
General Counsel and Secretary
Florida Power & Light Company
700 Universe Boulevard
P.O. Box 14000
Juno Beach, Florida 33408
Telephone (561) 694-4644

William G. Walker, III
Vice President, Regulatory Affairs
Florida Power & Light Company
215 S. Monroe Street, Suite 810
Tallahassee, Florida 32301
Telephone (850) 521-3910

The date of this Application is October 5, 2001

DOCUMENT NUMBER-DATE

12696 OCT-5 01

FPSC-COMMISSION CLERK

**APPLICATION OF
FLORIDA POWER & LIGHT COMPANY
FOR AUTHORITY TO ISSUE AND SELL SECURITIES
PURSUANT TO SECTION 366.04, FLORIDA STATUTES,
AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE**

A. Applicability.

This Application is filed in accordance with Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code.

B. Contents of Application.

1. Name and Principal Business Office Address.

Florida Power & Light Company (FPL)
700 Universe Boulevard
P.O. Box 14000
Juno Beach, Florida 33408

2. State and Date Incorporated.

- State of Florida – December 28, 1925
- Also qualified to do business in the State of Georgia

3. Persons Authorized to Receive Notices and Communications.

Paul I. Cutler
Assistant Treasurer and Assistant Secretary
Florida Power & Light Company
700 Universe Boulevard
P.O. Box 14000
Juno Beach, Florida 33408
Telephone (561) 694-6204

Dennis P. Coyle
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William G. Walker, III
Vice President, Regulatory Affairs
Florida Power & Light Company
215 S. Monroe Street, Suite 810
Tallahassee, Florida 32301
Telephone (850) 521-3910

4. Capital Stock and Funded Debt.

4(a)(b)(c) Information responsive to description, amount authorized and amount outstanding: These items are contained in Exhibit C "Statement of Capital Stock and Debt – June 30, 2001."

4(d) The amount held as reacquired securities: At June 30, 2001, FPL held 120,000 shares of its 6.84% Preferred Stock, Series Q, \$100 par value; 500,000 shares of its 8.625% Preferred Stock, Series R, \$100 par value; 600,000 shares of its 7.28% Preferred Stock, Series F, \$100 par value; 400,000 shares of its 7.40% Preferred Stock, Series G, \$100 par value; and 5,000,000 shares of its \$2.00 No Par Preferred Stock, Series A, as reacquired securities resulting from the redemption or reacquisition without cancellation of such

shares. The Restated Articles of Incorporation of FPL, as amended, prohibit the re-issuance of shares of Preferred Stock after their redemption.

4(e) The amount pledged by applicant: The pollution control, solid waste disposal, and industrial development first mortgage bonds, in aggregate principal amount of \$24,315,000 as of June 30, 2001, have been pledged as security for the payment of principal and interest on private activity bonds issued by political subdivisions of the State of Florida on behalf of FPL.

As of June 30, 2001, FPL is the obligor on \$608,955,000 aggregate principal amount of outstanding unsecured variable rate pollution control revenue bonds, solid waste disposal revenue bonds, and industrial development revenue bonds issued by certain political subdivisions of the State of Florida which presently pay interest at a variable rate. The cumulative proceeds from the issuance of \$634,140,000 aggregate principal amount of variable rate bonds have been used to redeem an equal amount of fixed rate pollution control revenue bonds, solid waste disposal revenue bonds, and industrial development revenue bonds, and FPL's first mortgage bonds pledged as security for the redeemed fixed rate bonds were released. FPL has the option to cause the interest on the variable rate bonds to be paid at a fixed rate. If FPL exercises this option, FPL will be required to pledge an equal aggregate principal amount of its first mortgage bonds as security for the payment of principal and interest on such fixed rate bonds.

4(f) The amount owned by affiliated corporations: All of the common stock of FPL is owned by FPL Group, Inc.

4(g) The amount held in any fund: None.

5. Proposed Transactions. FPL seeks authority to issue and sell and/or exchange any combination of the long-term debt and equity securities described below and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed \$3.3 billion during calendar year 2002. FPL also seeks permission to enter into forward refunding or forward swap contracts during calendar year 2002. In conjunction with these forward contracts, FPL seeks permission to issue and sell up to \$5.4 million of securities through December 31, 2002, which FPL would commit to deliver under these forward contracts. In addition, FPL seeks permission to issue and sell short-term securities during the calendar years 2002 and 2003 in an amount or amounts such that the aggregate principal amount of short-term securities outstanding

at the time of any such sale will not exceed 25% of FPL's gross revenues during the preceding twelve months of operation.

The long-term debt securities may include first mortgage bonds, medium-term notes, extendible commercial notes, debentures, convertible or exchangeable debentures, notes, convertible or exchangeable notes, or other straight debt or hybrid debt securities, whether secured or unsecured, including renewals and extensions thereof, with maturities ranging from one to one-hundred years. FPL may enter into options, rights, interest rate swaps or other derivative instruments. FPL may also enter into installment purchase and security agreements, loan agreements, or other arrangements with political subdivisions of the States of Florida or Georgia or pledge debt securities or issue guarantees in connection with such political subdivisions' issuance, for the ultimate benefit of FPL, of pollution control revenue bonds, solid waste disposal revenue bonds, industrial development revenue bonds, variable rate demand notes or other "private activity bonds" with maturities ranging from one to forty years, bond anticipation notes or commercial paper. Such obligations may or may not bear interest exempt from federal tax.

Contemplated to be included as long-term or short-term debt securities, as appropriate are borrowings from banks and other lenders under the Company's credit facilities, as those may be entered into and amended from time to time. The Company is currently negotiating a new 3-year revolving credit facility and a new 364-day revolving credit facility with banks and other lenders. The aggregate principal amount at any one time outstanding under each facility will not exceed \$500 million. Borrowings under both facilities will be available for general corporate purposes, including support of the Company's commercial paper program and to provide support for the Company's self-insurance program covering its transmission and distribution facilities. The 364-day revolving credit facility will be renewable annually at the discretion of the lenders and will permit the Company, under certain conditions, to repay any balance outstanding under such facility one year following the expiration of such 364-day period (or any renewal).

The equity securities may include common stock, preferred stock, preference stock, convertible preferred or preference stock, or warrants, options or rights to acquire such securities, or other equity securities, with such par values, terms and conditions and relative rights and preferences as deemed

appropriate by FPL and as are permitted by its Restated Articles of Incorporation, as amended and as they may be amended from time to time.

FPL may also enter into preferred securities financings, whereby FPL would establish and make an equity investment in a special purpose limited partnership, limited liability company, or other entity. FPL, or a wholly-owned subsidiary of FPL, would act as the general partner or managing member of the entity. The entity would offer preferred securities to the public and lend the proceeds to FPL. FPL would issue debt securities to the entity equal to the aggregate of its equity investment and the amount of preferred securities borrowed. FPL may also guarantee, among other things, the distributions to be paid by the affiliated entity to the preferred securities holders.

The exchange of FPL's securities may be by way of an exchange of a security of FPL for another security or securities of FPL or of one of its subsidiaries or affiliates, or the exchange of a security of FPL or of one of its subsidiaries or affiliates for the security or securities of another entity.

The manner of issuance and sale and/or exchange of securities will be dependent upon the type of security being offered, the type of transaction in which the securities are being issued and sold and/or exchanged and market conditions at the time of the issuance and sale and/or exchange.

The short-term securities will have maturities of not more than twelve months and may be secured or unsecured. The Securities and Exchange Commission has heretofore indicated through a "no-action" letter that FPL may issue and sell commercial paper without compliance with the registration requirements of the Securities Act of 1933, as amended, subject to certain conditions, including that FPL may have commercial paper borrowings outstanding up to an amount not to exceed 25% of FPL's gross revenues during the preceding twelve months of operation. For the twelve months ended June 30, 2001, 25% of FPL's gross revenues was \$1.8 billion.

The interest rate that FPL could pay on debt securities will vary depending on the type of debt instruments and the terms thereof, including specifically the length of maturity as well as market conditions. On October 2, 2001 a new issue of 30-year first mortgage bonds of FPL would have carried a yield to maturity of about 7.10%. The dividend rate for preferred or preference stock is similarly affected by the terms

of the offering. On October 2, 2001 a new issue of tax deductible preferred stock of FPL would have carried a dividend yield of about 7.90%.

In addition, FPL may from time to time enter into nuclear fuel leases, issue instruments of guaranty, collateralize debt and other obligations, issue other securities, and arrange for the issuance of letters of credit and guaranties, in any such case to be issued (i) by FPL or by one or more of its subsidiaries or affiliates for the benefit of FPL's utility operations, (ii) by non-affiliates (including employees) in connection with FPL's utility operations, (iii) by FPL or by or on behalf of one or more of its subsidiaries or affiliates in connection with FPL customers' installations of energy efficiency measures, and/or (iv) in connection with other financings by FPL or on its behalf. To the extent that FPL enters into nuclear fuel leases, issues instruments of guaranty, collateralizes debt or other obligations, issues other securities or arranges for the issuance of letters of credit or guaranties by FPL or by or on behalf of one or more of its subsidiaries, affiliates or non-affiliates to benefit its utility operations, FPL will clearly demonstrate such benefits.

FPL will file a consummation report with the Florida Public Service Commission (the Commission) in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the end of any fiscal year in which it issues securities.

6. Purposes of Issues. The net proceeds to be received from the issuance and sale and/or exchange of the additional long-term debt and equity securities (with the exception of the proceeds of the issuance and sale of any pollution control revenue bonds, solid waste disposal revenue bonds, industrial development revenue bonds, variable rate demand notes or other "private activity bonds" or similar securities which will be used for specific purposes) will be added to FPL's general funds and will be used to provide additional electric facilities; to reacquire, by redemption, purchase, exchange or otherwise, any of its outstanding debt securities or equity securities; to repay all or a portion of any maturing long-term debt obligations; to satisfy FPL's obligations under the nuclear fuel leases; to repay all or a portion of short-term bank borrowings and commercial paper outstanding at the time of such transactions; and/or for other corporate purposes. Excess proceeds, if any, will be temporarily invested in short-term instruments pending their application to the foregoing purposes. During the period 2002-2003, \$170 million of FPL's long-term debt will mature.

FPL maintains a continuous construction program, principally for electric generation, transmission and distribution facilities. FPL estimates that construction expenditures under its 2002-2003 construction program will approximate \$2.1 billion (see Exhibit B). There is no Allowance for Funds Used During Construction (AFUDC) assumed in the construction expenditures forecast for the 2002-2003 period. Construction expenditures in the 2002-2003 period (see Exhibit B) include projects that may require a determination of need. The most recent Ten Year Site Plan filed with the Florida Public Service Commission shows the addition of new generating units at the Martin plant and at the Midway substation. The proposed new units, Martin 5, Martin 6, and Midway, are each 547 megawatt gas fired steam generating units. A more detailed description of these projects can be found in the Ten Year Site plan on file with the Commission. Construction expenditures for Martin Unit 5 and Midway are anticipated to begin in 2002. The estimated construction cost is \$259 million for each unit. Construction expenditures for Martin Unit 6 are anticipated to begin in 2003. The estimated construction cost is \$271 million. These planned projects are subject to requests for proposal and may not actually be constructed.

Under future market conditions, the interest rate on new issue long-term debt or the dividend rate on new issue preferred or preference stock of FPL may be such that it becomes economically attractive to reacquire a portion or all of certain of its long-term debt securities or equity securities, providing an opportunity for FPL to reduce interest or dividend expense even after accounting for such other considerations as the (i) reacquisition premium, (ii) other associated reacquisition expenses and (iii) related income tax effects. This reduction would be beneficial to FPL's customers and, with proper regulatory treatment, would not be detrimental to FPL's shareholder. Other important considerations in making such a decision would include an assessment of anticipated future interest and dividend rates and FPL's ability to raise enough new capital to finance its construction program while concurrently pursuing any refinancing opportunities.

The forward refunding contracts would be for the purpose of refunding up to \$5.4 million of pollution control revenue bonds which were issued on FPL's behalf and which become callable in May 2002. These 6.7% pollution control revenue bonds due May 2027 are collateralized by FPL first mortgage bonds which are more fully described in Exhibit C under the category of First Mortgage Bonds - Pollution Control,

Solid Waste Disposal, and Industrial Development Revenue Bonds. Under federal tax law, pollution control revenue bonds cannot be refunded with tax-exempt bonds issued more than 90 days prior to the redemption or retirement of the outstanding issue. However, through a forward refunding contract, FPL could lock-in prevailing tax-exempt fixed rates for refunding pollution control revenue bonds which would be issued 90 days prior to the first call date of the outstanding issue. Alternatively, FPL could enter into a forward swap contract, to become effective on the first call date of the outstanding issue, to lock-in prevailing tax-exempt fixed rates. Under future market conditions, it may be economical to enter into forward refunding or forward swap contracts, and any anticipated savings generated by such forward transactions would be spread over the combined life of the outstanding bonds and the refunding bonds starting with the execution of the forward contract.

FPL's nuclear fuel leases obligate FPL to purchase portions of the nuclear fuel from the non-affiliated lessor company (the Fuel Company) at the net investment value of such fuel, if required to enable the Fuel Company to pay maturing notes or other borrowings. Also, upon the occurrence of certain events which constitute a default by FPL under such nuclear fuel leases or give rise to termination of such fuel leases, FPL may be required to purchase all of the Fuel Company's interest in such leased nuclear fuel at a purchase price equal to (i) the net investment value of such fuel, plus (ii) such additional amounts as are sufficient to enable the Fuel Company to retire all of its debt obligations and any other charges or fees under the appropriate financing agreements which correspond to such fuel leases and to which the Fuel Company is a party. As of June 30, 2001, the net investment value of the nuclear fuel outstanding under both nuclear fuel leases was approximately \$136 million, and FPL estimates that if it had been required to repurchase all of the outstanding nuclear fuel on such date, the cumulative lease termination payment would have been approximately \$118 million.

FPL presently has an affiliate which promotes the installation of energy efficiency measures by contracting with customers to guarantee the anticipated energy savings. To facilitate FPL's customers' installations of energy efficiency measures, FPL may issue instruments of guaranty, collateralize debt or other obligations, issue other securities, or arrange for the issuance of letters of credit or guaranties to

promote energy efficiency savings contracted for by FPL or FPL subsidiaries or affiliates with FPL customers.

The short-term securities are to provide funds to temporarily finance portions of FPL's construction program and capital commitments and for other corporate purposes. Significant parts of FPL's construction program may temporarily be financed through the sale of short-term securities from time to time. Also, during the 2002-2003 period, FPL may need short-term financing capabilities for seasonal fuel requirements, for contingency financing such as fuel adjustment underrecoveries or storm restoration costs, and for the temporary funding of maturing or called long-term debt securities.

7. Facts Supporting Legality, Necessity or Appropriateness. In addition to the reasons shown under "Purposes of Issues", the proposed issues are consistent with the proper performance by FPL of service as a public utility, will enable and permit FPL to perform that service, and are necessary and appropriate for such purpose and other corporate purposes.

8. Name and Address of Counsel Passing upon the Legality of the Proposed Issues:

Steel Hector & Davis LLP
1900 Phillips Point West
777 South Flagler Drive
West Palm Beach, Florida 33401-6198
Attention: Jeffrey I. Mullens, P.A.

9. Other State or Federal Regulatory Body. If required, a Registration Statement with respect to each public sale of securities hereunder subject to the Securities Act of 1933, as amended, will be filed with the Securities and Exchange Commission, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, certain state securities or "blue sky" laws may require the filing of consents to service of process or other documents with applicable state securities commissions.

10. Control or Ownership. There is no measure of control or ownership exercised by or over FPL by any other public utility. FPL is a wholly-owned subsidiary of FPL Group, Inc., a holding company which is exempt from regulation under the Public Utility Holding Company Act of 1935, as amended, except for that section which regulates the acquisition of securities of public utility companies.

11. Exhibits.

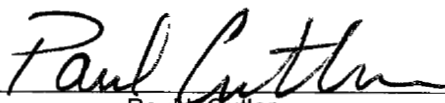
Exhibit Number

- * A(6) Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000 and Form 10-Q for the quarter ended June 30, 2001.
 - B 2002 and 2003 Sources and Uses of Funds Forecast and Construction Budget for Gross Property Additions.
 - C Statement of Capital Stock and Debt as of June 30, 2001.
-
- * As permitted by Rule 25-8.003(1)(a)(6), Florida Administrative Code, FPL is satisfying the requirements for Schedules A(1) through A(5) by submitting its Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000 and Form 10-Q for the quarter ended June 30, 2001 in conjunction with this Application.

SIGNATURE

Pursuant to the provisions of Section 366.04, Florida Statutes and Chapter 25-8, Florida Administrative Code, Florida Power & Light Company has caused its duly authorized officer to execute this Application on this 5th day of October, 2001.


Florida Power & Light Company

By: 
Paul T. Cutler

Assistant Treasurer and Assistant Secretary
700 Universe Boulevard
P.O. Box 14000
Juno Beach, Florida 33408

ATTORNEYS FOR APPLICANT:

Steel Hector & Davis LLP

By: 
Charles A. Guyton
Suite 601
215 South Monroe Street
Tallahassee, Florida 32301
(850) 222-2300

STATE OF FLORIDA

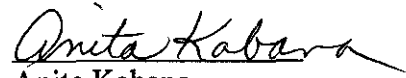
COUNTY OF PALM BEACH

I, Paul I. Cutler, Assistant Treasurer and Assistant Secretary of Florida Power & Light Company, hereby certify that Exhibits A, B and C attached to the Application of Florida Power & Light Company For Authority To Issue And Sell Securities Pursuant To Section 366.04, Florida Statutes, And Chapter 25-8, Florida Administrative Code are true and correct copies.


Paul I. Cutler

Sworn to and subscribed before me this 3rd day of October, 2001, by Paul I. Cutler.

 Anita Kabana
My Commission CC896435
Expires March 29, 2004


Anita Kabana
Notary Public – State of Florida

Personally know x or Produced Identification ___
Type of Identification Produced _____

Exhibit A(6)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

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

For the fiscal year ended **December 31, 2000**

OR

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

Commission File Number	Exact name of Registrants as specified in their charters, address of principal executive offices and Registrants' telephone number	IRS Employer Identification Number
1-8841	FPL GROUP, INC.	59-2449419
1-3545	FLORIDA POWER & LIGHT COMPANY 700 Universe Boulevard Juno Beach, Florida 33408 (561) 694-4000	59-0247775

State or other jurisdiction of incorporation or organization: Florida

Name of exchange
on which registered

Securities registered pursuant to Section 12(b) of the Act:

FPL Group, Inc.: Common Stock, \$0.01 Par Value and Preferred Share Purchase Rights New York Stock Exchange
Florida Power & Light Company: None

Securities registered pursuant to Section 12(g) of the Act:

FPL Group, Inc.: None
Florida Power & Light Company: Preferred Stock, \$100 Par Value

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) have been subject to such filing requirements for the past 90 days Yes No

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

Aggregate market value of the voting stock of FPL Group, Inc. held by non-affiliates as of January 31, 2001 (based on the closing market price on the Composite Tape on January 31, 2001) was \$10,180,979,540 (determined by subtracting from the number of shares outstanding on that date the number of shares held by directors and officers of FPL Group, Inc.)

There was no voting stock of Florida Power & Light Company held by non-affiliates as of January 31, 2001

The number of shares outstanding of each class of FPL Group, Inc. common stock, as of the latest practicable date: Common Stock, \$0.01 Par Value, outstanding at January 31, 2001 175,819,435 shares

As of January 31, 2001, there were issued and outstanding 1,000 shares of Florida Power & Light Company's common stock, without par value, all of which were held, beneficially and of record, by FPL Group, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of FPL Group, Inc.'s Proxy Statement for the 2001 Annual Meeting of Shareholders are incorporated by reference in Part III hereof

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

DEFINITIONS

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

Term	Meaning
capacity clause	Capacity cost recovery clause
CMP	Central Maine Power Company
charter	Restated Articles of Incorporation, as amended, of FPL Group or FPL, as the case may be
Coalition	The Coalition for Equitable Rates
conservation clause	Energy conservation cost recovery clause
DOE	U.S. Department of Energy
EMF	Electric and magnetic fields
EMT	Energy Marketing & Trading
Entergy	Entergy Corporation
environmental clause	Environmental compliance cost recovery clause
FAS	Financial Accounting Standards No.
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FIPUG	The Florida Industrial Power Users Group
FGT	Florida Gas Transmission Company
FMPA	Florida Municipal Power Agency
FPL	Florida Power & Light Company
FPL Energy	FPL Energy, LLC
FPL FiberNet	FPL FiberNet, LLC
FPL Group	FPL Group, Inc.
FPL Group Capital	FPL Group Capital Inc
FPSC	Florida Public Service Commission
fuel clause	Fuel and purchased power cost recovery clause
GridFlorida	GridFlorida LLC
Holding Company Act	Public Utility Holding Company Act of 1935, as amended
IBEW	International Brotherhood of Electrical workers
JEA	Jacksonville Electric Authority
kv	kilovolt
kwh	kilowatt-hour
Management's Discussion	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
mortgage	FPL's Mortgage and Deed of Trust dated as of January 1, 1944, as supplemented and amended
mw	Megawatt(s)
Note ____	Note ____ to Consolidated Financial Statements
NRC	U.S. Nuclear Regulatory Commission
Nuclear Waste Policy Act	Nuclear Waste Policy Act of 1982
O&M expenses	Other operations and maintenance expenses in the Consolidated Statements of Income
PMI	FPL Energy Power Marketing, Inc.
Public Counsel	State of Florida Office of Public Counsel
PURPA	Public Utility Regulatory Policies Act of 1978, as amended
qualifying facilities	Non-utility power production facilities meeting the requirements of a qualifying facility under the PURPA
Reform Act	Private Securities Litigation Reform Act of 1995
ROE	Return on common equity
RTOS	Regional transmission organizations
SJRPP	St. Johns River Power Park

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Reform Act, FPL Group and FPL (collectively, the Company) are hereby filing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) made by or on behalf of the Company which are made in this combined Form 10-K/A, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projection, outlook) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause the Company's actual results to differ materially from those contained in forward-looking statements made by or on behalf of the Company.

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

Some important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements include changes in laws or regulations, changing governmental policies and regulatory actions, including those of the FERC, the FPSC, the PURPA, the Holding Company Act and the NRC, with respect to allowed rates of return including but not limited to ROE and equity ratio limits, industry and rate structure, operation of nuclear power facilities, acquisition, disposal, depreciation and amortization of assets and facilities, operation and construction of plant facilities, recovery of fuel and purchased power costs, decommissioning costs, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs).

The business and profitability of the Company are also influenced by economic and geographic factors including political and economic risks, changes in and compliance with environmental and safety laws and policies, weather conditions (including natural disasters such as hurricanes), population growth rates and demographic patterns, competition for retail and wholesale customers, availability, pricing and transportation of fuel and other energy commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation or in accounting standards, unanticipated delays or changes in costs for capital projects, unanticipated changes in operating expenses and capital expenditures, capital market conditions, competition for new energy development opportunities and legal and administrative proceedings (whether civil, such as environmental, or criminal) and settlements.

All such factors are difficult to predict, contain uncertainties which may materially affect actual results, and are beyond the control of the Company.

PART I

Item 1. Business

FPL GROUP

FPL Group is a public utility holding company, as defined in the Holding Company Act. It was incorporated in 1984 under the laws of Florida. FPL Group's principal subsidiary, FPL, is engaged in the generation, transmission, distribution and sale of electric energy. FPL Group Capital, a wholly-owned subsidiary of FPL Group, holds the capital stock and provides funding for the operating subsidiaries other than FPL. The business activities of these operating subsidiaries primarily consist of FPL Energy's independent power projects. For financial information regarding segments, see Note 14. At December 31, 2000, FPL Group and its subsidiaries employed 10,852 persons.

FPL Group is exempt from substantially all of the provisions of the Holding Company Act on the basis that FPL Group's and FPL's businesses are predominantly intrastate in character and carried on substantially in a single state in which both are incorporated.

In July 2000, FPL Group and Entergy announced a proposed merger, which was approved by the shareholders of the respective companies in December 2000. Subsequently, a number of factors led FPL Group to conclude the merger would not achieve the synergies or create the shareholder value originally contemplated when the merger was announced. As a result, on April 1, 2001, FPL Group and Entergy mutually terminated the merger agreement. For additional information concerning the merger, see Note 2.

FPL OPERATIONS

General. FPL was incorporated under the laws of Florida in 1925 and is a wholly-owned subsidiary of FPL Group. FPL supplies electric service throughout most of the east and lower west coasts of Florida with a population of more than seven million. During 2000, FPL served approximately 3.8 million customer accounts. Operating revenues were as follows:

	<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(millions)		
Residential	\$3,504	\$3,357	\$3,580
Commercial	2,299	2,226	2,239
Industrial	181	190	197
Other, including the provision for retail rate refund and the net change in unbilled revenues	377	284	350
	<u>\$6,361</u>	<u>\$6,057</u>	<u>\$6,366</u>

Regulation. The retail operations of FPL provided approximately 99% of FPL's operating revenues for 2000. Such operations are regulated by the FPSC which has jurisdiction over retail rates, service territory, issuances of securities, planning, siting and construction of facilities and other matters. FPL is also subject to regulation by the FERC in various respects, including the acquisition and disposition of facilities, interchange and transmission services and wholesale purchases and sales of electric energy.

FPL's nuclear power plants are subject to the jurisdiction of the NRC. NRC regulations govern the granting of licenses for the construction and operation of nuclear power plants and subject such power plants to continuing review and regulation.

Federal, state and local environmental laws and regulations cover air and water quality, land use, power plant and transmission line siting, EMF from power lines and substations, noise and aesthetics, solid waste and other environmental matters. Compliance with these laws and regulations increases the cost of electric service by requiring, among other things, changes in the design and operation of existing facilities and changes or delays in the location, design, construction and operation of new facilities. See Item 3. Legal Proceedings. Capital expenditures required to comply with environmental laws and regulations for 2001-03 are included in FPL's projected capital expenditures set forth in Item 1. Business - FPL Operations - Capital Expenditures and are not material.

FPL currently holds 172 franchise agreements with varying expiration dates to provide electric service in various municipalities and counties in Florida. FPL considers its franchises to be adequate for the conduct of its business.

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

The basic costs of providing electric service, other than fuel and certain other costs, are recovered through base rates, which are designed to recover the costs of constructing, operating and maintaining the utility system. These basic costs include O&M expenses, depreciation and taxes, as well as a return on FPL's investment in assets used and useful in providing electric service (rate base). The rate of return on rate base approximates FPL's weighted cost of capital, which includes its

costs for debt and preferred stock and an allowed ROE. The FPSC monitors FPL's ROE through a surveillance report that is filed monthly by FPL with the FPSC. The FPSC does not provide assurance that the allowed ROE will be achieved. Base rates are determined in rate proceedings which occur at irregular intervals at the initiative of FPL, the FPSC, Public Counsel or a substantially affected party.

FPL's last full rate proceeding was in 1984. In 1999, the FPSC approved a three-year agreement among FPL, Public Counsel, FIPUG and Coalition regarding FPL's retail base rates, authorized regulatory ROE, capital structure and other matters. The agreement, which became effective April 15, 1999, provides for a \$350 million reduction in annual revenues from retail base operations allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the twelve month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold are required to be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold are required to be refunded 100% to retail customers.

The refund thresholds are as follows:

	Twelve Months Ended		
	April 14,		
	2000	2001	2002
	(millions)		
66 2/3% to customers	\$3,400	\$3,450	\$3,500
100% to customers	\$3,556	\$3,606	\$3,656

The agreement allows for special depreciation of up to \$100 million, at FPL's discretion, in each year of the three-year agreement period to be applied to nuclear and/or fossil generating assets. This new depreciation program replaced a revenue-based special amortization program. See Note 1 – Revenue and Rates and Electric Plant, Depreciation and Amortization.

The agreement also lowered FPL's authorized regulatory ROE range to 10% - 12%. During the term of the agreement, the achieved ROE may from time to time be outside the authorized range, and the revenue sharing mechanism described above is specified to be the appropriate and exclusive mechanism to address that circumstance. For purposes of calculating ROE, the agreement establishes a cap on FPL's adjusted equity ratio of 55.83%. The adjusted equity ratio reflects a discounted amount for off-balance sheet obligations under certain long-term purchased power contracts. Finally, included in the agreement are provisions which limit depreciation rates and accruals for nuclear decommissioning and fossil dismantlement costs to currently approved levels and limit amounts recoverable under the environmental clause during the term of the agreement.

The agreement states that Public Counsel, FIPUG and Coalition will neither seek nor support any additional base rate reductions during the three-year term of the agreement unless such reduction is initiated by FPL. Further, FPL agreed to not petition for any base rate increases that would take effect during the term of the agreement.

Fuel costs are recovered through levelized charges per kwh established pursuant to the fuel clause and totaled \$2.0 billion in 2000. These charges are calculated annually based on estimated fuel costs and estimated customer usage for the following year, plus or minus a true-up adjustment to reflect the variance of actual costs and usage from the estimates used in setting the fuel adjustment charges for prior periods. An adjustment to the levelized charges may be approved during the course of a year to reflect a projected variance based on actual costs and usage. Due to higher than projected oil and natural gas prices in 2000, the FPSC approved higher per kwh charges effective June 15, 2000. Later in the year, the FPSC approved FPL's annual fuel filing for 2001, which included an estimate of under-recovered fuel costs in 2000 of \$518 million. FPL will recover the \$518 million over a two-year period beginning January 2001, rather than the typical one-year time frame. FPL has also agreed that instead of receiving a return at the commercial paper rate on this unrecovered portion through the fuel clause, the under-recovery will be included as a rate base regulatory asset over the two-year recovery period. Actual under-recovered fuel costs through December 31, 2000 exceeded the estimates made earlier in the year by \$78 million, and in February 2001, FPL requested the FPSC to approve a fuel adjustment increase effective April 2001 to recover the additional \$78 million of under-recovered fuel costs. See Note 1 – Regulation.

Capacity payments to other utilities and generating companies for purchased power are recovered through the capacity clause and base rates. In 2000, \$455 million was recovered through the capacity clause. Costs associated with implementing energy conservation programs totaled \$80 million in 2000 and are recovered through the conservation clause. Costs of complying with federal, state and local environmental regulations enacted after April 1993 totaled \$12 million in 2000 and are recovered through the environmental clause to the extent not included in base rates. The new rate agreement limits recovery under this clause to \$12.8 million in 2000 and \$6.4 million in 2001, with no further amounts recoverable during the remaining term of the agreement.

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

Competition. The electric utility industry is facing increasing competitive pressure. FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. In 2000, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. A number of potential merchant plants have been announced in Florida over the past several years. Five of these announced merchant plants totaling 3,700 mw have presented submissions to seek a determination of need to the FPSC. In March 1999, the FPSC approved one of the petitions for a power plant to be constructed within FPL's service territory. FPL, along with other Florida utilities, appealed the decision to the Florida Supreme Court. In April 2000, the Florida Supreme Court upheld arguments by FPL and other Florida utilities and ruled that under current Florida law the FPSC is not authorized to grant a determination of need for a proposed power plant, the output of which is not fully committed to use by Florida retail customers. In March 2001, the United States Supreme Court denied a petition for certiorari review by one of the petitioners.

Over half of the states, other than Florida, have enacted legislation or have state commissions that issued orders designed to deregulate the production and sale of electricity. By allowing customers to choose their electricity supplier, deregulation is expected to result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Similar initiatives are also being pursued on the federal level. Although the legislation and initiatives vary substantially, common areas of focus include when market-based pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generation assets should be separated from transmission, distribution and other assets. It is generally believed transmission and distribution activities would remain regulated.

In 2000, the Governor of Florida signed an executive order creating the Energy 2020 Study Commission to propose an energy plan and strategy for Florida. The order required that recommendations be made to the legislature and Governor by December 1, 2001. The commission chose to split the energy study between wholesale and retail competition. In January 2001, the commission issued an interim report containing a proposal for restructuring Florida's wholesale market for electricity. The proposal recommends the removal of statutory barriers to entry for merchant plants and, according to the report, provides a transition to a "level playing field" for all generating assets. Under the commission's proposal, investor-owned utilities such as FPL would establish, and transfer their generating assets to, affiliated exempt wholesale generators, which would also construct and operate new generating assets. The investor-owned load-serving utilities, such as FPL, would acquire energy resources through competitive bidding, negotiated contracts or from the short-term (spot) market. Purchases from affiliated exempt wholesale generators would be pursuant to a competitive bidding process. The proposal includes a number of features, including a three-year retail base rate freeze. The proposal may be addressed in the next legislative session which takes place in March through May 2001. In addition, the FERC has jurisdiction over potential changes which could affect competition in wholesale transactions. The commission will now consider recommendations for the retail market.

In 1999, the FERC issued its final order on RTOs. RTOs, under a variety of structures, provide for the independent operation of transmission systems for a given geographic area. The final order establishes guidelines for public utilities to use in considering and/or developing plans to initiate operations of RTOs by December 15, 2001. In October 2000, FPL, together with Florida Power Corporation and Tampa Electric Company, filed a joint proposal to form a fully independent for-profit transmission company that would be responsible for the transmission lines that carry electricity from power plants primarily within the state to substations in Florida. The October filing was supplemented by a December 2000 filing that provided certain operational details of the proposed RTO.

Under the proposed form of RTO, FPL would contribute its transmission assets to an independent transmission company, GridFlorida, that would own and operate the system. A separate corporation would be formed to own the voting interest in and manage GridFlorida. In return for its transmission assets, FPL would receive a non-voting ownership interest in GridFlorida, which could be exchanged for non-voting stock of the managing corporation. FPL would account for its interest in GridFlorida using the equity method.

In the event the basis of regulation for some or all of FPL's business changes from cost-based regulation, existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. See Management's Discussion - Results of Operations and Note 1 - Regulation.

System Capability and Load. FPL's resources for serving summer load as of December 31, 2000 consisted of 19,069 mw, of which 16,864 mw are from FPL-owned facilities (see Item 2. Properties - Generating Facilities) and 2,205 mw are obtained through purchased power contracts. See Note 13 - Contracts. FPL's reserve margin target is currently 15%. However, with the FPSC's approval, FPL and two other Florida utilities voluntarily adopted a 20% reserve margin target to be achieved by the summer of 2004.

The compounded annual growth rate of retail kwh sales and number of retail customers was 3.4% and 2.1%, respectively, for the three years ended December 31, 2000. It is anticipated that retail kwh sales will grow at a compounded annual rate of approximately 3.7% for the next three years.

Occasionally, unusually cold temperatures during the winter months result in significant increases in electricity usage for short periods of time. However, customer usage and operating revenues are typically higher during the summer months largely due to the prevalent use of air conditioning in FPL's service territory. On January 5, 2001, FPL set an all-time record for energy peak demand of 18,219 mw. Adequate resources were available at the time of the peak to meet customer demand.

FPL has begun construction to repower its two existing Fort Myers steam units and two of its three existing steam units at the Sanford site. The repowering work at these sites is scheduled to be completed by the end of 2002. FPL will also add two new gas-fired combustion turbines at each of its Martin site in 2001 and its Fort Myers site in 2003, and add new combustion turbines and/or gas-fired combined cycle units from 2005-10. These actions, plus other changes to FPL's existing units and purchased power contracts, are expected to increase FPL's net generating capability by approximately 7,000 mw.

Capital Expenditures. FPL's capital expenditures totaled approximately \$1.3 billion in 2000, \$924 million in 1999 and \$617 million in 1998. Capital expenditures for the 2001-03 period are expected to be \$3.3 billion, including \$1.1 billion in 2001. This estimate is subject to continuing review and adjustment, and actual capital expenditures may vary from this estimate. See Management's Discussion - Liquidity and Capital Resources.

Nuclear Operations. FPL owns and operates four nuclear units, two at Turkey Point and two at St. Lucie. The operating licenses for Turkey Point Units Nos. 3 and 4 expire in 2012 and 2013, respectively. The operating licenses for St. Lucie Units Nos. 1 and 2 expire in 2016 and 2023, respectively. FPL has informed the NRC of its intent to apply for a 20-year license renewal for each of its four nuclear units. FPL filed the license extension application with the NRC for the Turkey Point units in 2000 and expects to file in 2002 for the St. Lucie units. The nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications. A condition of the operating license for each unit requires an approved plan for decontamination and decommissioning. FPL's current plans provide for prompt dismantlement of the Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2012 and 2013, respectively. Current plans call for St. Lucie Unit No. 1 to be mothballed beginning in 2016 with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 beginning in 2023. See estimated cost data in Note 1 - Decommissioning and Dismantlement of Generating Plant.

Fuel. FPL's generating plants use a variety of fuels. See Item 2. Properties - Generating Facilities and Note 13 - Contracts. The diverse fuel options, along with purchased power, enable FPL to shift between sources of generation to achieve an economical fuel mix.

FPL has four firm transportation contracts in place with FGT that together will satisfy substantially all of the anticipated needs for natural gas transportation. The four existing contracts expire in 2005, 2015, 2021 and 2022, respectively, but each can be extended at FPL's option. To the extent desirable, FPL can also purchase interruptible gas transportation service from FGT based on pipeline availability. FPL has a long-term natural gas supply contract at market rates to provide a portion of FPL's anticipated needs for natural gas. The remainder of FPL's gas requirements are purchased under other contracts and in the spot market.

FPL has, through its joint ownership interest in SJRPP Units Nos. 1 and 2, long-term coal supply and transportation contracts for a portion of the fuel needs for those units. All of the transportation requirements and a portion of the fuel supply needs for Scherer Unit No. 4 are covered by a series of annual and long-term contracts. The remaining fuel requirements will be obtained in the spot market. FPL's oil requirements are obtained under short- and long-term contracts and in the spot market.

FPL leases nuclear fuel for all four of its nuclear units. Currently, FPL is storing spent fuel on site pending its removal by the DOE. See Note 1 - Nuclear Fuel. Under the Nuclear Waste Policy Act, the DOE was required to construct permanent disposal facilities and take title to and provide transportation and disposal for spent nuclear fuel by January 31, 1998 for a specified fee based on current generation from nuclear power plants. Through December 2000, FPL has paid approximately \$425 million in such fees to the DOE's Nuclear Waste Fund. The DOE did not meet its statutory obligation for disposal of spent nuclear fuel under the Nuclear Waste Policy Act. In 1997, a court ruled, in response to petitions filed by utilities, state governments and utility commissions, that the DOE could not assert a claim that its delay was unavoidable in any defense against lawsuits by utilities seeking money damages arising out of the DOE's failure to perform its obligations. In 1998, FPL filed a lawsuit against the DOE seeking damages caused by the DOE's failure to dispose of spent nuclear fuel from FPL's nuclear power plants. The matter is pending. In the interim, FPL is investigating other alternatives to provide adequate storage capacity for all of its spent nuclear fuel. Based on current projections, FPL will lose its ability to store spent fuel on site for St. Lucie Unit No. 1 in 2005 and for St. Lucie Unit No. 2 in 2007. FPL is pursuing two approaches to expanding spent fuel storage at St. Lucie: increase rack space in its existing spent fuel pools and/or develop the capability to store spent fuel in dry storage containers. The dry storage containers would be either located at the St. Lucie plant or at a facility operated by Private Fuel Storage, LLC (PFS) in Utah. PFS is a consortium of eight utilities seeking to license, construct and operate an independent spent fuel storage facility. FPL joined the consortium in May 2000. PFS has filed a license application with the NRC and hearings on the application are ongoing.

Energy Marketing and Trading. EMT, a division of FPL, buys and sells wholesale energy commodities, such as natural gas, oil and electric power. EMT procures natural gas and oil for FPL's use in power generation and sells excess gas and electric power. EMT also uses financial instruments, such as futures and swaps, to manage the risk associated with fluctuating

commodity prices and increase the value of FPL's power generation assets. Substantially all of the results of EMT's activities are passed through to customers in the fuel or capacity clauses.

Electric and Magnetic Fields. In recent years, public, scientific and regulatory attention has been focused on possible adverse health effects of EMF. These fields are created whenever electricity flows through a power line or an appliance. Several epidemiological (i.e., statistical) studies have suggested a linkage between EMF and certain types of cancer, including childhood leukemia and adult lymphoma associated with occupational exposure; other studies have been inconclusive, contradicted earlier studies or have shown no such linkage. Neither these epidemiological studies nor clinical studies have produced any conclusive evidence that EMF does or does not cause adverse health effects. In 1999, the National Institute of Environmental Health Sciences, as the culmination of a five-year federally supported research effort, pronounced that the scientific support for an EMF-cancer link is marginal and concluded that the probability that EMF exposure is truly a health hazard is small but cannot be completely discounted.

FPL is in compliance with the FDEP regulations regarding EMF levels within and at the edge of the rights of way for transmission lines. Future changes in the FDEP regulations could require additional capital expenditures by FPL for such things as increasing the right of way corridors or relocating or reconfiguring transmission facilities. It is not presently known whether any such expenditures will be required.

Employees. FPL had 9,838 employees at December 31, 2000. Approximately 34% of the employees are represented by the IBEW under a collective bargaining agreement with FPL that will expire October 31, 2004.

FPL ENERGY OPERATIONS

FPL Energy. FPL Energy, a wholly-owned subsidiary of FPL Group Capital, was formed in 1998 to aggregate FPL Group's existing unregulated energy-related operations. FPL Energy's participation in the domestic energy market has evolved in recent years from non-controlling equity investments to a more active role that includes ownership, development, construction, management and operation of many projects. FPL Energy is actively involved in managing more than 82% of its projects, which represents approximately 98% of the net generating capacity in which FPL Energy has an ownership interest. This active role is expected to continue as opportunities in the unregulated generation market are pursued. As of December 31, 2000, FPL Energy had ownership interests in operating independent power projects with a net generating capacity of 4,110 mw. Generation capacity spans various regions thereby reducing seasonal volatility on a portfolio basis. The percentage of capacity by region is 35% Northeast, 30% Central, 21% Mid-Atlantic and 14% West. Fuel sources for these projects are 52% natural gas, 18% oil, 15% wind, 9% hydro and 6% other.

PMI, a subsidiary of FPL Energy, buys and sells wholesale energy commodities, such as natural gas, oil and electric power. PMI procures natural gas and oil for FPL Energy's use in power generation and sells excess gas and electric power. PMI also uses financial instruments, such as futures and swaps, to manage the risk associated with fluctuating commodity prices and increase the value of FPL Energy's power generation assets. The results of PMI's activities are recognized in FPL Energy's operating results.

Currently, approximately 25% of FPL Energy's net generating capacity has qualifying facility status under the PURPA. Qualifying facility electricity may be generated from hydropower, wind, solar, geothermal, fossil fuels, biomass or waste-product combustion. Utilities pay for qualifying facility electricity on the basis of each utility's avoided cost of power. Qualifying facility status exempts the projects from the application of the Holding Company Act, many provisions of the Federal Power Act, and state laws and regulations respecting rates and financial or organizational regulation of electric utilities. FPL Energy also has ownership interest in operating independent power projects that have received exempt wholesale generator status as defined in the Holding Company Act. These projects represent approximately 75% of FPL Energy's net generating capacity. Exempt wholesale generators own or operate a facility exclusively to sell electric energy at wholesale. They are barred from selling electricity directly to retail customers. While projects with qualifying facility and exempt wholesale generator status are exempt from various restrictions, each project must still comply with other federal, state and local laws, including those regarding siting, construction, operation, licensing and pollution abatement.

FPL Energy's capital expenditures and investments totaled approximately \$507 million, \$1.540 billion and \$521 million in 2000, 1999 and 1998, respectively. During 2000, FPL Energy completed the construction of a 1,000 mw combined-cycle natural gas-fired plant in Texas, of which FPL Energy owns 99%, and purchased net ownership interests in two windfarms totaling 118 mw. As of March 31, 2001, FPL Energy has announced or is currently constructing eight plants that would add approximately 2,700 mw to its generating capacity by 2003. In 1999, FPL Energy completed the purchase of CMP's non-nuclear generating assets, primarily fossil and hydro power plants, for \$866 million. See Note 10 and Management's Discussion - Liquidity and Capital Resources.

Deregulation of the electric utility market presents both opportunities and risks for FPL Energy. Opportunities exist for the selective acquisition of generation assets that are being divested under deregulation plans and for the construction and operation of efficient plants that can sell power in competitive markets. Substantially all of the energy produced in 2000 by FPL Energy's independent power projects was sold through power sales agreements with utilities that expire in 2001-28. As competitive wholesale markets become more accessible to other generators, obtaining power sales agreements will become a progressively more competitive process. FPL Energy expects that as its existing power sales agreements expire, more of

the energy produced will be sold through shorter-term contracts and into competitive wholesale markets.

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

FPL Energy has approximately 540 net mw in California, most of which are wind, solar and geothermal qualifying facilities. The output of these projects is sold predominantly under long-term contracts with California utilities. Increases in natural gas prices and an imbalance between power supply and demand, as well as other factors, have contributed to significant increases in wholesale electricity prices in California. Utilities in California had previously agreed to fixed tariffs to their retail customers, which resulted in significant under-recoveries of wholesale electricity purchase costs. FPL Energy's projects have not received the majority of payments due from California utilities since November 2000. On April 6, 2001, Pacific Gas and Electric Company (PG&E) filed for protection under the U.S. Bankruptcy laws. Earnings from projects that sell to PG&E represent approximately 15% of FPL Energy's earnings from California projects. At December 31, 2000, FPL Energy's net investment in California projects was approximately \$250 million. It is impossible to predict what the outcome of the situation in California will be.

FPL Energy had 867 employees at December 31, 2000. Approximately 16% of the employees are represented by the IBEW under a collective bargaining agreement with FPL Energy that expires on February 28, 2003.

OTHER FPL GROUP OPERATIONS

FPL FiberNet. FPL FiberNet sells wholesale fiber-optic network capacity to FPL and other new and existing customers, primarily telephone, cable television, internet and other telecommunications companies. FPL FiberNet was formed in January 2000 to enhance the value of FPL Group's fiber-optic network assets that were originally built to support FPL operations. Accordingly, FPL's existing 1,600 miles of fiber-optic lines were transferred to FPL FiberNet in January 2000. FPL FiberNet's network interconnects major cities in Florida. During 2000, FPL FiberNet invested approximately \$90 million to expand the network within major cities throughout Florida. Over the next three years, FPL FiberNet plans to continue this expansion by investing a total of approximately \$240 million.

EXECUTIVE OFFICERS OF THE REGISTRANTS ^{(a)(b)}

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Effective Date</u>
James L. Broadhead	65	Chairman of the Board and Chief Executive Officer of FPL Group	May 8, 1990
Dennis P. Coyle	62	Chairman of the Board and Chief Executive Officer of FPL	January 15, 1990
K. Michael Davis	54	General Counsel and Secretary of FPL Group	June 1, 1991
		General Counsel and Secretary of FPL	July 1, 1991
		Controller and Chief Accounting Officer of FPL Group	May 13, 1991
		Vice President, Accounting, Controller and Chief Accounting Officer of FPL	July 1, 1991
Paul J. Evanson	59	President of FPL	January 9, 1995
Lewis Hay, III	45	President of FPL Energy	March 13, 2000
Lawrence J. Kelleher	53	Vice President, Human Resources of FPL Group	May 13, 1991
		Senior Vice President, Human Resources and Corporate Services of FPL	July 1, 1999
Robert L. McGrath	47	Treasurer of FPL Group and FPL	January 11, 2000
		Vice President Finance and Chief Financial Officer of FPL Energy	June 6, 2000
Armando J. Olivera	51	Senior Vice President, Power Systems of FPL	July 1, 1999
Thomas F. Plunkett	61	President, Nuclear Division of FPL	March 1, 1996
Antonio Rodriguez	58	Senior Vice President, Power Generation Division of FPL	July 1, 1999

- (a) Executive officers are elected annually by, and serve at the pleasure of, their respective boards of directors. Except as noted below, each officer has held his present position for five years or more and his employment history is continuous.
- (b) The business experience of the executive officers is as follows: Mr. Hay was senior vice president and chief financial officer of US Foodservice, a food service distributor, from 1991 to 1997. From 1997 to 1999 he was executive vice president and chief financial officer of US Foodservice. From August 1999 to March 2000, Mr. Hay was vice president, finance and chief financial officer of FPL Group and senior vice president, finance and chief financial officer of FPL. Mr. Kelleher was senior vice president, human resources of FPL from July 1991 to July 1999. Mr. McGrath was assistant treasurer of FPL Group and FPL from February 1998 to January 2000. Prior to that, Mr. McGrath was vice president and chief financial officer of ESI Energy, Inc. Mr. Olivera was vice president, distribution of FPL from February 1997 to July 1999. Prior to that, Mr. Olivera was vice president, power delivery of FPL. Mr. Rodriguez was vice president, power delivery of FPL from February 1997 to July 1999. Prior to that, Mr. Rodriguez was vice president, operations of FPL's power generation division.

Item 2. Properties

FPL Group and its subsidiaries maintain properties which are adequate for their operations. At December 31, 2000, the electric generating, transmission, distribution and general facilities of FPL represent 45%, 13%, 36% and 6%, respectively, of FPL's gross investment in electric utility plant in service.

Generating Facilities. As of December 31, 2000, FPL Group had the following generating facilities:

Facility	Location	No. of Units	Fuel	Net Capacity (mw)(a)
FPL:				
STEAM TURBINES				
Cape Canaveral	Cocoa, FL	2	Oil/Gas	806
Cutler	Miami, FL	2	Gas	215
Fort Myers	Fort Myers, FL	2	Oil	990(b)
Manatee	Parrish, FL	2	Oil	1,625
Martin	Indiantown, FL	2	Oil/Gas	1,640
Port Everglades	Port Everglades, FL	4	Oil/Gas	1,242
Riviera	Riviera Beach, FL	2	Oil/Gas	563
St. Johns River Power Park	Jacksonville, FL	2	Coal/Petroleum Coke	254(c)
St. Lucie	Hutchinson Island, FL	2	Nuclear	1,553(d)
Sanford	Lake Monroe, FL	3	Oil/Gas	914
Scherer	Monroe County, GA	1	Coal	658(e)
Turkey Point	Florida City, FL	2	Oil/Gas	810
			Nuclear	1,386
COMBINED-CYCLE				
Lauderdale	Dania, FL	2	Gas/Oil	854
Martin	Indiantown, FL	2	Gas	948
Putnam	Palatka, FL	2	Gas/Oil	498
COMBUSTION TURBINES				
Fort Myers	Fort Myers, FL	12	oil	636
Lauderdale	Dania, FL	24	Oil/Gas	840
Port Everglades	Port Everglades, FL	12	Oil/Gas	420
DIESEL UNITS				
Turkey Point	Florida City, FL	5	oil	12
TOTAL				<u>16,864</u>
FPL Energy:				
Cerro Gordo	Ventura, IA	55	Wind	42
Doswell	Ashland, VA	4	Gas	708
Lake Benton II	Ruthton, MN	138	Wind	104
Lamar Power Partners	Paris, TX	2	Gas	990
Maine	Various - ME	9	Oil	755
Maine	Various - ME	89	Hydro	373
Maine	Ft. Fairfield, ME	1	Wastewood	31
Marcus Hook 50	Marcus Hook, PA	1	Gas	50
West Texas wind	McCamey, TX	107	Wind	75
Vansycle	Helix, OR	38	Wind	25
Investments in joint ventures	Various	(f)	Various	957
TOTAL				<u>4,110</u>

(a) Represents FPL's net warm weather peaking capability and FPL Energy's net ownership interest in plant capacity

(b) Includes three gas-combustion turbines in simple cycle operation as part of a repowering project

(c) Represents FPL's 20% ownership interest in each of SJRPP Units Nos. 1 and 2, which are jointly owned with the JEA

(d) Excludes Orlando Utilities Commission's and the FMPA's combined share of approximately 15% of St. Lucie Unit No. 2

(e) Represents FPL's approximately 76% ownership of Scherer Unit No. 4, which is jointly owned with the JEA

(f) Includes two natural gas-fired units in the Northeast (295 mw) and 1,448 units at a wind project in the West (83 mw). The remaining 579 mw are provided by plants with less than 50 mw each

Transmission and Distribution. As of December 31, 2000, FPL owned and operated 497 substations and the following electric transmission and distribution lines:

Nominal Voltage	Overhead Lines Pole Miles	Trench and Submarine Cable Miles
500 kv	1,107(a)	-
230 kv	2,258	31
138 kv	1,440	49
115 kv	671	-
69 kv	166	14
Less than 69 kv	40,201	22,106
Total	<u>45,843</u>	<u>22,200</u>

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

Character of Ownership. Substantially all of FPL's properties are subject to the lien of FPL's mortgage, which secures most debt securities issued by FPL. The principal properties of FPL Group are held by FPL in fee and are free from other encumbrances, subject to minor exceptions, none of which is of such a nature as to substantially impair the usefulness to FPL of such properties. Some of FPL's electric lines are located on land not owned in fee but are covered by necessary consents of governmental authorities or rights obtained from owners of private property.

Item 3. Legal Proceedings

In November 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA) brought an action in the U.S. District Court for the Northern District of Georgia against Georgia Power Company and other subsidiaries of The Southern Company for injunctive relief and the assessment of civil penalties for violations of the Prevention of Significant Deterioration (PSD) provisions and the New Source Performance Standards (NSPS) of the Clean Air Act. Among other things, the EPA alleges Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining a PSD permit, without complying with NSPS requirements, and without applying best available control technology for nitrogen oxides, sulfur dioxides and particulate matter as required by the Clean Air Act. The suit seeks injunctive relief requiring the installation of such technology and civil penalties of up to \$25,000 per day for each violation from an unspecified date after August 7, 1977 through January 30, 1997, and \$27,500 per day for each violation thereafter. Georgia Power Company has filed an answer to the complaint asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. The EPA subsequently moved for leave to file an amended complaint that would extend the suit to other Southern Company subsidiaries and plants and would add an allegation that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions (comparable allegations were made in the original complaint as to other plants but not Scherer Unit No. 4). The Court has not yet ruled on whether to permit the amendment. If amended as proposed, the EPA's demand for civil penalties with respect to Scherer Unit No. 4 would apply to the period commencing on an unspecified date after June 1, 1975.

In June 2000, Southern California Edison Company (SCE) filed with the FERC a Petition for Declaratory Order (petition) asking the FERC to apply the November 1999 decision of the U.S. Court of Appeals for the District of Columbia Circuit in *Southern California Edison Co. v. FERC*, to all qualifying small power production facilities, including the SEGS VIII and SEGS IX facilities owned by Luz Solar Partners Ltd., VIII and Luz Solar Partners Ltd., IX (collectively, the partnerships), indirectly owned in part by FPL Energy. The federal circuit court of appeals' decision invalidated the FERC's so-called essential fixed assets standard, which permitted secondary uses of fossil fuels by qualifying small power production facilities beyond those expressly set forth in PURPA. The petition requests that the FERC declare that qualifying small power production facilities may not continue to use fossil fuel under the essential fixed assets standard and that they may be required to make refunds with respect to past usage. The partnerships intend to file a Motion to Intervene and Protest before the FERC, vigorously objecting to the position taken by SCE in its petition. The partnerships have always operated the SEGS VIII and SEGS IX facilities in accordance with orders issued by the FERC. Such orders were neither challenged nor appealed at the time they were granted, and it is the position of the partnerships that the orders remain in effect.

In September 2000, Karen and Bruce Alexander filed suit against FPL Group, FPL, FPL FiberNet, FPL Group Capital and FPL Investments, Inc. in the Circuit Court for Palm Beach County, Florida, purportedly on behalf of all property owners in Florida whose property is encumbered by defendants' easements and on whose property the defendants have installed or intend to install fiber-optic cable which defendants lease, license or convey for non-electric transmission or distribution purposes, or intend to do so. The lawsuit alleged that FPL's easements did not permit the installation and use of fiber-optic cable for general communication purposes. The plaintiffs sought injunctive relief, compensatory damages, interest and attorneys' fees. The defendants served an offer of judgment for ten dollars on the named plaintiffs, reflecting the defendants' conclusion that, based on an analysis of the claims and circumstances of these individual plaintiffs, they had not sustained the injuries for which they claimed a right to relief. In January 2001, the plaintiffs accepted this offer of judgment, pursuant to which the suit has been dismissed with prejudice.

In the event that FPL Group and FPL do not prevail in these suits, there may be a material adverse effect on their financial statements. However, FPL Group and FPL believe that they have meritorious defenses to the pending litigation discussed above and are vigorously defending these suits. Accordingly, the liabilities, if any, arising from these proceedings are not anticipated to have a material adverse effect on their financial statements.

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

A Special Meeting of FPL Group's shareholders was held on December 15, 2000 to approve a merger between FPL Group and Entergy. Of the 176,171,034 shares of common stock outstanding on the record date of November 6, 2000, a total of 140,418,246 shares were represented in person or by proxy, of which 136,123,939 voted for the merger, 3,042,680 against and 1,251,627 abstained. Subsequently, a number of factors led FPL Group to conclude the merger would not achieve the synergies or create the shareholder value originally contemplated when the merger was announced. As a result, on April 1, 2001, FPL Group and Entergy mutually terminated the merger agreement. For additional information concerning the merger, see Note 2.

PART II

Item 5. Market for the Registrants' Common Equity and Related Stockholder Matters

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

quarter	2000		1999	
	High	Low	High	Low
First	\$48 1/4	\$36 3/8	\$61 15/16	\$50 1/8
Second	\$50 13/16	\$41 13/16	\$60 1/2	\$52 7/8
Third	\$67 1/8	\$47 1/8	\$56 11/16	\$49 1/8
Fourth	\$73	\$59 3/8	\$52 1/2	\$41 1/8

Approximate Number of Stockholders. As of the close of business on January 31, 2001, there were 44,645 holders of record of FPL Group's common stock.

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

quarter	2000	1999
First	\$0.54	\$0.52
Second	\$0.54	\$0.52
Third	\$0.54	\$0.52
Fourth	\$0.54	\$0.52

The amount and timing of dividends payable on FPL Group's common stock are within the sole discretion of FPL Group's board of directors. The board of directors reviews the dividend rate at least annually (in February) to determine its appropriateness in light of FPL Group's financial position and results of operations, legislative and regulatory developments affecting the electric utility industry in general and FPL in particular, competitive conditions and any other factors the board deems relevant. The ability of FPL Group to pay dividends on its common stock is dependent upon dividends paid to it by its subsidiaries, primarily FPL. There are no restrictions in effect that currently limit FPL's ability to pay dividends to FPL Group. See Management's Discussion - Liquidity and Capital Resources and Note 5 - Common Stock Dividend Restrictions regarding dividends paid by FPL to FPL Group.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2000	1999	1998	1997	1996
SELECTED DATA OF FPL GROUP					
(millions, except per share amounts):					
Operating revenues	\$ 7,082	\$ 6,438	\$ 6,661	\$ 6,369	\$ 6,037
Net income	\$ 704(b)	\$ 697(c)	\$ 664	\$ 618	\$ 579
Earnings per share of common stock(a)	\$ 4.14(b)	\$ 4.07(c)	\$ 3.85	\$ 3.57	\$ 3.33
Dividends paid per share of common stock	\$ 2.16	\$ 2.08	\$ 2.00	\$ 1.92	\$ 1.84
Total assets	\$ 15,300	\$ 13,441	\$ 12,029	\$ 12,449	\$ 12,219
Long-term debt, excluding current maturities	\$ 3,976	\$ 3,478	\$ 2,347	\$ 2,949	\$ 3,144
Obligations of FPL under capital lease, excluding current maturities	\$ 127	\$ 157	\$ 146	\$ 186	\$ 182
Preferred stock of FPL with sinking fund requirements, excluding current maturities	\$ -	\$ -	\$ -	\$ -	\$ 42
Energy sales (kwh)	100,777	92,446	91,041	84,642	80,889
SELECTED DATA OF FPL (millions):					
Operating revenues	\$ 6,361	\$ 6,057	\$ 6,366	\$ 6,132	\$ 5,986
Net income available to FPL Group	\$ 607(b)	\$ 576(c)	\$ 616	\$ 608	\$ 591
Total assets	\$ 12,020	\$ 10,608	\$ 10,748	\$ 11,172	\$ 11,531
Long-term debt, excluding current maturities	\$ 2,577	\$ 2,079	\$ 2,191	\$ 2,420	\$ 2,981
Energy sales (kwh)	91,969	88,067	89,362	82,734	80,889
Energy sales:					
Residential	50.4%	50.2%	50.9%	50.6%	51.1%
Commercial	40.2	40.3	38.8	39.8	38.6
Industrial	4.1	4.5	4.4	4.7	4.7
Interchange power sales	3.1	3.0	3.2	2.1	2.6
Other(d)	2.2	2.0	2.7	2.8	3.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute net peak served (mw)(e):					
Summer season	17,808	17,615	17,897	16,613	16,064
Winter season	18,219	17,057	16,802	13,047	16,490
Average number of customer accounts (thousands):					
Residential	3,414	3,332	3,266	3,209	3,153
Commercial	415	405	397	389	381
Industrial	16	16	15	15	15
Other	3	3	2	3	2
Total	3,848	3,756	3,680	3,616	3,551
Average price per kwh (cents)(f)	6.86	6.87	7.13	7.37	7.39

(a) Basic and assuming dilution.

(b) Includes merger-related expenses. Excluding these expenses, FPL Group's net income and earnings per share would have been \$745 million and \$4.38, respectively and FPL's net income available to FPL Group would have been \$645 million.

(c) Includes effects of a gain on sale of Adelpia Communications Corporation stock, impairment loss on Maine assets, settlement of litigation between FPL and FMPA and a gain on the redemption of a one-third ownership interest in a cable limited partnership. Excluding these items, FPL Group's net income and earnings per share would have been \$681 million and \$3.98, respectively. Excluding the settlement of litigation between FPL and FMPA, FPL's net income available to FPL Group would have been \$618 million.

(d) Includes the net change in unbilled sales.

(e) Winter season includes November and December of the current year and January to March of the following year.

(f) Excludes interchange power sales, net change in unbilled revenues, deferrals/recoveries under cost recovery clauses and the provision for retail rate refund.

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

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

Merger

In July 2000, FPL Group and Entergy announced a proposed merger, which was approved by the shareholders of the respective companies in December 2000. Subsequently, a number of factors led FPL Group to conclude the merger would not achieve the synergies or create the shareholder value originally contemplated when the merger was announced. As a result, on April 1, 2001, FPL Group and Entergy mutually terminated the merger agreement.

In 2000, FPL Group recorded \$67 million in merger-related expenses, of which FPL recorded \$62 million (\$38 million after-tax), FPL Energy recorded \$2 million (\$1 million after-tax) and Corporate and Other recorded \$3 million (\$2 million after-tax). Merger-related expenses will continue in 2001, although to a lesser degree. For additional information concerning the merger, see Note 2.

Results of Operations

FPL Group's net income and earnings per share in 2000 increased despite a charge for merger-related expenses. This charge reduced net income and earnings per share by \$41 million and \$0.24, respectively. Net income and earnings per share in 1999 included the net effect of several nonrecurring transactions that resulted in additional net income of \$16 million, or \$0.09 per share. Excluding the merger-related expenses in 2000 and the nonrecurring items in 1999, FPL Group's net income in 2000 increased 9.4% to \$745 million, and earnings per share increased 10.1% to \$4.38. The comparable growth rates for 1999 were 2.6% and 3.4%, respectively, excluding the effects of the nonrecurring items in 1999. In 2000, both FPL and FPL Energy contributed to the growth, while in 1999 the growth was primarily attributable to FPL Energy.

FPL – FPL’s results for 2000 continued to benefit from customer growth, increased electricity usage per retail customer and lower O&M expenses. The effect of the rate reduction and higher interest charges partly offset these positives. FPL’s portion of the merger-related expenses in 2000 reduced net income by \$38 million. Results for 1999 also include a nonrecurring charge related to the settlement of litigation that reduced net income by \$42 million. FPL’s net income, excluding these items in both periods, was \$645 million in 2000, up \$27 million from 1999. Excluding the litigation settlement in 1999, FPL’s slight net income growth in 1999 reflected lower depreciation, customer growth and lower O&M expenses partly offset by the effect of the rate reduction and a decline in electricity usage per retail customer.

FPL’s operating revenues consist primarily of revenues from retail base operations, cost recovery clauses and franchise fees. Revenues from retail base operations were \$3.5 billion, \$3.5 billion and \$3.8 billion in 2000, 1999 and 1998, respectively. Revenues from cost recovery clauses and franchise fees represent a pass-through of costs and do not significantly affect net income. Fluctuations in these revenues are primarily driven by changes in energy sales, fuel prices and capacity charges. Due to higher than projected oil and natural gas prices in 2000, the FPSC approved higher per kwh charges effective June 15, 2000. These additional clause revenues resulted in higher operating revenues. Later in the year, the FPSC approved FPL’s annual fuel filing for 2001, which included an estimate of under-recovered fuel costs in 2000 of \$518 million. FPL will recover the \$518 million over a two-year period beginning January 2001, rather than the typical one-year time frame. FPL has also agreed that instead of receiving a return at the commercial paper rate on this unrecovered portion through the fuel clause, the under-recovery will be included as a rate base regulatory asset over the two-year recovery period. Actual under-recovered fuel costs through December 31, 2000 exceeded the estimates made earlier in the year by \$78 million, and in February 2001, FPL requested the FPSC to approve a fuel adjustment increase effective April 2001 to recover the additional \$78 million of under-recovered fuel costs. See Note 1 – Regulation.

In 1999, the FPSC approved a three-year agreement among FPL, Public Counsel, FIPUG and Coalition regarding FPL’s retail base rates, authorized regulatory ROE, capital structure and other matters. The agreement, which became effective April 15, 1999, provides for a \$350 million reduction in annual revenues from retail base operations allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the twelve month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold are required to be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold are required to be refunded 100% to retail customers.

The refund thresholds are as follows:

	Twelve Months Ended		
	2000	April 14, 2001 (millions)	2002
66 2/3% to customers	\$3,400	\$3,450	\$3,500
100% to customers	\$3,556	\$3,606	\$3,656

During 2000, FPL accrued approximately \$60 million relating to refunds to retail customers compared to \$20 million in 1999. Furthermore, FPL refunded in 2000 approximately \$23 million, including interest, to retail customers for the first twelve-month period under the rate agreement. At December 31, 2000 and 1999, the accrual for the revenue refund was approximately \$57 million and \$20 million, respectively.

The earnings effect of the annual revenue reduction was offset by lower special depreciation. The agreement allows for special depreciation of up to \$100 million, at FPL’s discretion, in each year of the three-year agreement period to be applied to nuclear and/or fossil generating assets. Under this new depreciation program, FPL recorded \$100 million of special depreciation in the first twelve-month period and \$71 million through December 31, 2000 of the second twelve-month period. On a fiscal year basis, FPL recorded approximately \$101 million and \$70 million of special depreciation in 2000 and 1999, respectively. The new depreciation program replaced a revenue-based special amortization program whereby special amortization in the amount of \$63 million and \$378 million was recorded in 1999 and 1998, respectively. See Note 1 - Electric Plant, Depreciation and Amortization.

The agreement also lowered FPL’s authorized regulatory ROE range to 10% - 12%. During the term of the agreement, the achieved ROE may from time to time be outside the authorized range, and the revenue sharing mechanism described above is specified to be the appropriate and exclusive mechanism to address that circumstance. FPL reported an ROE of 12.2%, 12.1% and 12.6% in 2000, 1999 and 1998, respectively. See Note 1 - Revenues and Rates.

Revenues from retail base operations were flat during 2000. Customer growth of 2.5% and a 1.9% increase in electricity usage per retail customer was almost entirely offset by the effect of the rate reduction.

The decline in retail base revenues in 1999 was largely due to the rate reduction. A 2.8% decline in electricity usage per retail customer, mainly due to milder weather conditions, was almost entirely offset by the 2.0% increase in the number of customer accounts.

FPL's O&M expenses continued to decline in 2000 due to improved productivity. O&M expenses in 1999 also declined as a result of continued cost control efforts partially offset by higher overhaul costs at fossil plants.

Interest charges increased in 2000 reflecting increased debt activity to fund FPL's capital expansion program and under-recovered fuel costs. Lower interest charges in 1999 and 1998 reflect lower average debt balances and the full amortization in 1998 of deferred costs associated with debt reacquired through 1998.

The electric utility industry is facing increasing competitive pressure. FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. In 2000, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. A number of potential merchant plants have been announced in Florida over the past several years. Five of these announced merchant plants totaling 3,700 mw have presented submissions to seek a determination of need to the FPSC. In March 1999, the FPSC approved one of the petitions for a power plant to be constructed within FPL's service territory. FPL, along with other Florida utilities, appealed the decision to the Florida Supreme Court. In April 2000, the Florida Supreme Court upheld arguments by FPL and other Florida utilities and ruled that under current Florida law the FPSC is not authorized to grant a determination of need for a proposed power plant, the output of which is not fully committed to use by Florida retail customers. In March 2001, the United States Supreme Court denied a petition for certiorari review by one of the petitioners. See Note 1 - Regulation.

In 2000, the Governor of Florida signed an executive order creating the Energy 2020 Study Commission to propose an energy plan and strategy for Florida. The order required that recommendations be made to the legislature and Governor by December 1, 2001. The commission chose to split the energy study between wholesale and retail competition. In January 2001, the commission issued an interim report containing a proposal for restructuring Florida's wholesale market for electricity. The proposal recommends the removal of statutory barriers to entry for merchant plants and, according to the report, provides a transition to a "level playing field" for all generating assets. Under the commission's proposal, investor-owned utilities such as FPL would establish, and transfer their generating assets to, affiliated exempt wholesale generators, which would also construct and operate new generating assets. The investor-owned load-serving utilities, such as FPL, would acquire energy resources through competitive bidding, negotiated contracts or from the short-term (spot) market. Purchases from affiliated exempt wholesale generators would be pursuant to a competitive bidding process. The proposal includes a number of features, including a three-year retail base rate freeze. The proposal may be addressed in the next legislative session which takes place in March through May 2001. In addition, the FERC has jurisdiction over potential changes which could affect competition in wholesale transactions. The commission will now consider recommendations for the retail market.

In 1999, the FERC issued its final order on RTOs. RTOs, under a variety of structures, provide for the independent operation of transmission systems for a given geographic area. The final order establishes guidelines for public utilities to use in considering and/or developing plans to initiate operations of RTOs by December 15, 2001. In October 2000, FPL, together with Florida Power Corporation and Tampa Electric Company, filed a joint proposal to form a fully independent for-profit transmission company that would be responsible for the transmission lines that carry electricity from power plants primarily within the state to substations in Florida. The October filing was supplemented by a December 2000 filing that provided certain operational details of the proposed RTO.

Under the proposed form of RTO, FPL would contribute its transmission assets to an independent transmission company, GridFlorida, that would own and operate the system. A separate corporation would be formed to own the voting interest in and manage GridFlorida. In return for its transmission assets, FPL would receive a non-voting ownership interest in GridFlorida, which could be exchanged for non-voting stock of the managing corporation. FPL would account for its interest in GridFlorida using the equity method.

FPL Energy – FPL Energy's earnings continue to benefit from the significant expansion of its independent power generation portfolio, which has more than tripled since 1997 to over 4,100 mw at December 31, 2000. In 2000, Lamar Power Partners, a natural gas-fired plant in the Central region became operational and added approximately 1,000 mw to FPL Energy's operating portfolio. In 1999, FPL Energy acquired the Maine assets, which totaled 1,159 mw and in 1998, FPL Energy invested in two natural gas-fired plants in the Northeast, adding 295 mw. In addition, approximately 400 mw of wind projects have been added in the West and Central regions since 1997.

In 2000, FPL Energy's net income also benefited from increased revenues generated by the Maine assets as a result of warmer weather and higher prices in the Northeast during May 2000, and lower O&M expenses at Doswell. In 1999, the effect of a \$176 million (\$104 million after-tax) impairment loss (see Note 10) and higher administrative expenses to accommodate future growth more than offset the benefits of the growing generation portfolio and improved results from Doswell. FPL Energy's 1998 net income includes the effect of a \$35 million (\$21 million after-tax) charge for the termination of an interest rate swap agreement, which was partly offset by the receipt of a \$31 million (\$19 million after-tax) settlement relating to a contract dispute.

Deregulation of the electric utility market presents both opportunities and risks for FPL Energy. Opportunities exist for the selective acquisition of generation assets that are being divested under deregulation plans and for the construction and operation of efficient plants that can sell power in competitive markets. Substantially all of the energy produced in 2000 by FPL Energy's independent power projects was sold through power sales agreements with utilities that expire in 2001-28. As competitive wholesale markets become more accessible to other generators, obtaining power sales agreements will become a progressively more competitive process. FPL Energy expects that as its existing power sales agreements expire, more of the energy produced will be sold through shorter-term contracts and into competitive wholesale markets.

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

FPL Energy has approximately 540 net mw in California, most of which are wind, solar and geothermal qualifying facilities. The output of these projects is sold predominantly under long-term contracts with California utilities. Increases in natural gas prices and an imbalance between power supply and demand, as well as other factors, have contributed to significant increases in wholesale electricity prices in California. Utilities in California had previously agreed to fixed tariffs to their retail customers, which resulted in significant under-recoveries of wholesale electricity purchase costs. FPL Energy's projects have not received the majority of payments due from California utilities since November 2000. On April 6, 2001, Pacific Gas and Electric Company (PG&E) filed for protection under the U.S. Bankruptcy laws. Earnings from projects that sell to PG&E represent approximately 15% of FPL Energy's earnings from California projects. At December 31, 2000, FPL Energy's net investment in California projects was approximately \$250 million. It is impossible to predict what the outcome of the situation in California will be.

Corporate and Other - Beginning in 2000, the corporate and other segment includes FPL FiberNet's operating results. FPL FiberNet was formed in January 2000 to enhance the value of FPL Group's fiber-optic network assets that were originally built to support FPL operations. Accordingly, FPL's existing 1,600 miles of fiber-optic lines were transferred to FPL FiberNet in January 2000. In 1999, net income for the corporate and other segment reflects a \$149 million (\$96 million after-tax) gain on the sale of an investment in Adelphia Communications Corporation common stock, a \$108 million (\$66 million after-tax) gain recorded by FPL Group Capital on the redemption of its one-third interest in a cable limited partnership, costs associated with closing a retail marketing business of \$11 million (\$7 million after-tax) and the favorable resolution of a prior year state tax matter of \$10 million (\$7 million after-tax). In 1998, net income for the corporate and other segment reflects a \$36 million (\$25 million after-tax) loss from the sale of Turner Foods Corporation's assets, the cost of terminating an agreement designed to fix interest rates of \$26 million (\$16 million after-tax) and adjustments relating to prior years' tax matters, including the resolution of a \$30 million audit issue with the Internal Revenue Service.

Liquidity and Capital Resources

FPL Group's capital requirements consist of expenditures to meet increased electricity usage and customer growth of FPL, investment opportunities at FPL Energy and expansion of FPL FiberNet. Capital expenditures of FPL for the 2001-03 period are expected to be approximately \$3.3 billion, including \$1.1 billion in 2001. As of December 31, 2000, FPL Energy has commitments totaling approximately \$380 million, primarily in connection with the development and expansion of independent power projects. Subsidiaries of FPL Group, other than FPL, have guaranteed approximately \$810 million of prompt performance payments, lease obligations, purchase and sale of power and fuel agreement obligations, debt service payments and other payments subject to certain contingencies. See Note 13 - Commitments.

Debt maturities of FPL Group's subsidiaries will require cash outflows of approximately \$1.0 billion (\$860 million for FPL) through 2005, including \$65 million for FPL in 2001. It is anticipated that cash requirements for capital expenditures, energy-related investments and debt maturities in 2001 will be satisfied with internally generated funds and debt issuances. Any internally generated funds not required for capital expenditures and current maturities may be used to reduce outstanding debt or repurchase common stock, or for investment. Any temporary cash needs will be met by short-term bank borrowings. In 2000, FPL had \$125 million of first mortgage bonds mature and issued \$452 million of variable-rate bonds and \$500 million of first mortgage bonds. The proceeds from these issuances were used in 2000 to redeem \$278 million of variable-rate bonds, \$109 million of first mortgage bonds and to repay FPL's short-term borrowings. In 2001, \$65 million was used to redeem \$49 million of variable-rate bonds and \$16 million of first mortgage bonds. Bank lines of credit currently available to FPL Group and its subsidiaries aggregate \$3.0 billion (\$853 million for FPL).

During 2000, FPL Group repurchased 2.6 million shares of common stock under its share repurchase programs. Under the \$570 million share repurchase program authorized in connection with the merger agreement with Entergy, 1,876,500 shares totaling \$116 million have been repurchased through January 31, 2001. See Note 2.

FPL self-insures for damage to certain transmission and distribution properties and maintains a funded storm reserve to reduce the financial impact of storm losses. The balance of the storm fund reserve at December 31, 2000 and 1999 was \$229 million and \$216 million, respectively. Bank lines of credit of \$300 million, included in the \$853 million above, are also available if needed to provide cash for storm restoration costs. The FPSC has indicated that it would consider future storm losses in excess of the funded reserve for possible recovery from customers.

FPL's charter and mortgage contain provisions which, under certain conditions, restrict the payment of dividends and the issuance of additional unsecured debt, first mortgage bonds and preferred stock. Given FPL's current financial condition and level of earnings, expected financing activities and dividends are not affected by these limitations.

New Accounting Rule

Effective January 1, 2001, FPL Group and FPL adopted Financial Accounting Standards No. (FAS) 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by FAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." For information concerning the adoption of FAS 133/138, see Note 1 -- Accounting for Derivative Instruments and Hedging Activities.

Market Risk Sensitivity

Substantially all financial instruments and positions held by FPL Group and FPL described below are held for purposes other than trading. Market risk is measured as the potential loss in fair value resulting from hypothetical reasonably possible changes in interest rates, equity prices or commodity prices over the next year.

Interest rate risk - The special use funds of FPL include restricted funds set aside to cover the cost of storm damage and for the decommissioning of FPL's nuclear power plants. A portion of these funds is invested in fixed income debt securities carried at their market value of approximately \$1.002 billion and \$847 million at December 31, 2000 and 1999, respectively. Adjustments to market value result in a corresponding adjustment to the related liability accounts based on current regulatory treatment. Because the funds set aside for storm damage could be needed at any time, the related investments are generally more liquid and, therefore, are less sensitive to changes in interest rates. The nuclear decommissioning funds, in contrast, are generally invested in longer-term securities, as decommissioning activities are not expected to begin until at least 2012. At December 31, 2000 and 1999, other investments of FPL Group include \$300 million and \$291 million, respectively, of investments that are carried at estimated fair value or cost, which approximates fair value.

The following are estimates of the fair value of FPL's and FPL Group's long-term debt:

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(millions)			
Long-term debt of FPL (a)	\$2,642	\$2,621(b)	\$2,204	\$2,123(b)
Long-term debt of FPL Group (a)	\$4,041	\$4,080(b)	\$3,603	\$3,518(b)

(a) Includes current maturities

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

Based upon a hypothetical 10% decrease in interest rates, the net fair value of the net liabilities would increase by approximately \$84 million (\$43 million for FPL) at December 31, 2000.

Equity price risk - Included in the special use funds of FPL are marketable equity securities carried at their market value of approximately \$511 million and \$573 million at December 31, 2000 and 1999, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges would result in a \$51 million reduction in fair value and corresponding adjustment to the related liability accounts based on current regulatory treatment at December 31, 2000.

Commodity price risk - EMT, a division of FPL, and PMI, a subsidiary of FPL Energy, purchase natural gas and oil to be delivered in the future for use as fuel in the generation of electric power. Generation, to the extent not required for FPL's native load customers or under contract by FPL Energy, is also sold for future delivery by EMT and PMI. To manage the risk inherent in fluctuating commodity prices compared to the committed prices, EMT and PMI enter into commodity-based derivative instruments (primarily swaps and futures) to mitigate this risk. The fair value of the net position in commodity-based derivative instruments at December 31, 2000 was a negative \$11 million for FPL Group and a negative \$5 million for FPL. At December 31, 1999, the fair value of these instruments was insignificant. The effect of a hypothetical 40% decrease in the price of natural gas and a hypothetical 25% decrease in the price of oil would be to change the fair value at December 31, 2000 of these instruments to a negative \$32 million for FPL Group and a negative \$23 million for FPL.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See Management's Discussion - Market Risk Sensitivity

Item 8. Financial Statements and Supplementary Data

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS,
FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY:

We have audited the consolidated financial statements of FPL Group, Inc. and of Florida Power & Light Company, listed in the accompanying index at Item 14(a)1 of this Annual Report (Form 10-K/A) to the Securities and Exchange Commission for the year ended December 31, 2000. These financial statements are the responsibility of the respective company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of FPL Group, Inc. and Florida Power & Light Company at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 9, 2001, except for the first paragraph
of Note 2, as to which the date is April 2, 2001

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

	Years Ended December 31,		
	2000	1999	1998
OPERATING REVENUES	\$7,082	\$6,438	\$6,661
OPERATING EXPENSES:			
Fuel, purchased power and interchange	2,868	2,365	2,244
Other operations and maintenance	1,257	1,253	1,284
Litigation settlement	-	69	-
Merger-related	67	-	-
Depreciation and amortization	1,032	1,040	1,284
Impairment loss on Maine assets	-	176	-
Taxes other than income taxes	618	615	597
Total operating expenses	5,842	5,518	5,409
OPERATING INCOME	1,240	920	1,252
OTHER INCOME (DEDUCTIONS):			
Interest charges	(278)	(222)	(322)
Preferred stock dividends - FPL	(15)	(15)	(15)
Divestiture of cable investments	-	257	-
Other - net	93	80	28
Total other income (deductions) - net	(200)	100	(309)
INCOME BEFORE INCOME TAXES	1,040	1,020	943
INCOME TAXES	336	323	279
NET INCOME	\$ 704	\$ 697	\$ 664
Earnings per share of common stock (basic and assuming dilution)	\$4.14	\$4.07	\$3.85
Dividends per share of common stock	\$2.16	\$2.08	\$2.00
Average number of common shares outstanding	170	171	173

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

FPL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31,	
	2000	1999
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and other property	\$19,642	\$18,474
Nuclear fuel under capital lease - net.....	127	157
Construction work in progress	1,253	923
Less accumulated depreciation and amortization	(11,088)	(10,290)
Total property, plant and equipment - net	9,934	9,264
CURRENT ASSETS:		
Cash and cash equivalents	129	361
Customer receivables, net of allowances of \$7 each	637	482
Other receivables	246	61
Materials, supplies and fossil fuel inventory - at average cost	370	343
Deferred clause expenses	337	54
Other	62	72
Total current assets	1,781	1,373
OTHER ASSETS:		
Special use funds of FPL	1,497	1,352
Other investments	651	611
Other	1,437	841
Total other assets	3,585	2,804
TOTAL ASSETS	\$15,300	\$13,441
CAPITALIZATION:		
Common shareholders' equity	\$ 5,593	\$ 5,370
Preferred stock of FPL without sinking fund requirements	226	226
Long-term debt	3,976	3,478
Total capitalization	9,795	9,074
CURRENT LIABILITIES:		
Commercial paper	1,158	339
Current maturities of long-term debt	65	125
Accounts payable	564	407
Customers' deposits	254	284
Accrued interest and taxes	146	182
Deferred clause revenues	70	116
Other	506	417
Total current liabilities	2,763	1,870
OTHER LIABILITIES AND DEFERRED CREDITS:		
Accumulated deferred income taxes	1,378	1,079
Deferred regulatory credit - income taxes	107	126
Unamortized investment tax credits	162	184
Storm and property insurance reserve	229	216
Other	866	892
Total other liabilities and deferred credits	2,742	2,497
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	\$15,300	\$13,441

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

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

	Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 704	\$ 697	\$ 664
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,032	1,040	1,284
Increase (decrease) in deferred income taxes and related regulatory credit ...	283	(198)	(237)
Deferrals under cost recovery clauses	(810)	55	68
Gain on sale of cable investments	-	(257)	-
Impairment loss on Maine assets	-	176	-
Other - net	(233)	50	(36)
Net cash provided by operating activities	976	1,563	1,743
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures of FPL	(1,299)	(861)	(617)
Independent power investments	(507)	(1,540)	(521)
Return of investment and loan repayments - partnerships and joint ventures	24	57	220
Proceeds from the sale of assets	22	198	135
Other - net	(183)	(26)	(12)
Net cash used in investing activities	(1,943)	(2,172)	(795)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of long-term debt	947	1,609	343
Retirement of long-term debt	(515)	(584)	(727)
Increase (decrease) in short-term debt	819	229	(24)
Repurchases of common stock	(150)	(116)	(62)
Dividends on common stock	(366)	(355)	(345)
Net cash provided by (used in) financing activities	735	783	(815)
Net increase (decrease) in cash and cash equivalents	(232)	174	133
Cash and cash equivalents at beginning of year	361	187	54
Cash and cash equivalents at end of year	\$ 129	\$ 361	\$ 187
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest (net of amount capitalized)	\$ 301	\$ 221	\$ 308
Cash paid for income taxes	\$ 160	\$ 573	\$ 463
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Additions to capital lease obligations	\$ 43	\$ 86	\$ 34

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

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

	Common Stock (a) Aggregate Shares	Par Value	Additional Paid-In Capital	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Common Shareholders' Equity
Balances, December 31, 1997.....	182	\$2	\$3,302	\$(264)	\$ 1	\$1,804	
Net income	-	-	-	-	-	664	
Repurchases of common stock ..	(1)	-	(62)	-	-	-	
Dividends on common stock	-	-	-	-	-	(345)	
Earned compensation under ESOP	-	-	13	12	-	-	
Other	-	-	(1)	-	-	-	
Balances, December 31, 1998	<u>181(b)</u>	<u>2</u>	<u>3,252</u>	<u>(252)</u>	<u>1</u>	<u>2,123</u>	
Net income	-	-	-	-	-	697	
Repurchases of common stock ..	(2)	-	(116)	-	-	-	
Dividends on common stock	-	-	-	-	-	(355)	
Earned compensation under ESOP	-	-	12	14	-	-	
Other comprehensive loss	-	-	-	-	(2)	-	
Other	-	-	-	(6)	-	-	
Balances, December 31, 1999	<u>179(b)</u>	<u>2</u>	<u>3,148</u>	<u>(244)</u>	<u>(1)</u>	<u>2,465</u>	<u>\$5,370</u>
Net income	-	-	-	-	-	704	
Repurchases of common stock ..	(3)	-	(150)	-	-	-	
Dividends on common stock	-	-	-	-	-	(366)	
Earned compensation under ESOP	-	-	12	15	-	-	
Other comprehensive income ...	-	-	-	-	1	-	
Other	-	-	(2)	9	-	-	
Balances, December 31, 2000	<u>176(b)</u>	<u>2</u>	<u>\$3,008</u>	<u>\$(220)</u>	<u>1</u>	<u>\$2,803</u>	<u>\$5,593</u>

(a) \$0.01 par value, authorized - 300,000,000 shares, outstanding 175,766,215 and 178,554,735 at December 31, 2000 and 1999, respectively.

(b) Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled 7 million, 8 million and 9 million at December 31, 2000, 1999 and 1998, respectively.

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

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

	<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
OPERATING REVENUES	<u>\$6,361</u>	<u>\$6,057</u>	<u>\$6,366</u>
OPERATING EXPENSES:			
Fuel, purchased power and interchange	2,511	2,232	2,175
Other operations and maintenance	1,062	1,089	1,163
Litigation settlement	-	69	-
Merger-related	62	-	-
Depreciation and amortization	975	989	1,249
Income taxes	351	327	356
Taxes other than income taxes	600	605	596
Total operating expenses	<u>5,561</u>	<u>5,311</u>	<u>5,539</u>
OPERATING INCOME	<u>800</u>	<u>746</u>	<u>827</u>
OTHER INCOME (DEDUCTIONS):			
Interest charges	(176)	(163)	(196)
Other - net	(2)	8	-
Total other deductions - net	<u>(178)</u>	<u>(155)</u>	<u>(196)</u>
NET INCOME	622	591	631
PREFERRED STOCK DIVIDENDS	<u>15</u>	<u>15</u>	<u>15</u>
NET INCOME AVAILABLE TO FPL GROUP, INC.	<u>\$ 607</u>	<u>\$ 576</u>	<u>\$ 616</u>

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

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31,	
	2000	1999
ELECTRIC UTILITY PLANT:		
Plant in service	\$18,073	\$17,556
Less accumulated depreciation	(10,919)	(10,184)
Net	7,154	7,372
Nuclear fuel under capital lease - net.....	127	157
Construction work in progress	833	449
Electric utility plant - net	8,114	7,978
CURRENT ASSETS:		
Cash and cash equivalents	66	-
Customer receivables, net of allowances of \$7 each	489	433
Other receivables	157	36
Materials, supplies and fossil fuel inventory - at average cost	313	299
Deferred clause expenses	337	54
Other	54	71
Total current assets	1,416	893
OTHER ASSETS:		
Special use funds	1,497	1,352
Other	993	385
Total other assets	2,490	1,737
TOTAL ASSETS	\$12,020	\$10,608
CAPITALIZATION:		
Common shareholder's equity	\$ 5,032	\$ 4,793
Preferred stock without sinking fund requirements	226	226
Long-term debt	2,577	2,079
Total capitalization	7,835	7,098
CURRENT LIABILITIES:		
Commercial paper	560	94
Current maturities of long-term debt	65	125
Accounts payable	458	379
Customers' deposits	254	284
Accrued interest and taxes	127	137
Deferred clause revenues	70	116
Other	408	298
Total current liabilities	1,942	1,433
OTHER LIABILITIES AND DEFERRED CREDITS:		
Accumulated deferred income taxes	1,084	802
Deferred regulatory credit - income taxes	107	126
Unamortized investment tax credits	162	184
Storm and property insurance reserve	229	216
Other	661	749
Total other liabilities and deferred credits	2,243	2,077
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	\$12,020	\$10,608

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

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

	<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 622	\$ 591	\$ 631
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	975	989	1,249
Increase (decrease) in deferred income taxes and related regulatory credit	262	(105)	(202)
Deferrals under cost recovery clauses	(810)	55	68
Other - net	(200)	(31)	(28)
Net cash provided by operating activities	<u>849</u>	<u>1,499</u>	<u>1,718</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(1,299)	(861)	(617)
Other - net	(100)	(52)	(80)
Net cash used in investing activities	<u>(1,399)</u>	<u>(913)</u>	<u>(697)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of long-term debt	947	224	197
Retirement of long-term debt	(515)	(455)	(389)
Increase (decrease) in commercial paper	466	94	(40)
Capital contributions from FPL Group, Inc.	400	-	-
Dividends	(682)	(601)	(640)
Net cash provided by (used in) financing activities	<u>616</u>	<u>(738)</u>	<u>(872)</u>
Net increase (decrease) in cash and cash equivalents	66	(152)	149
Cash and cash equivalents at beginning of year	-	152	3
Cash and cash equivalents at end of year	<u>\$ 66</u>	<u>\$ -</u>	<u>\$ 152</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ 175	\$ 171	\$ 181
Cash paid for income taxes	\$ 131	\$ 503	\$ 510
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Additions to capital lease obligations	\$ 43	\$ 86	\$ 34
Transfer of net assets to FPL FiberNet, LLC	\$ 100	\$ -	\$ -

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

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

	Common Stock (a)	Additional Paid-In Capital	Retained Earnings	Common Shareholder's Equity
Balances, December 31, 1997	\$1,373	\$2,566	\$ 875	
Net income available to FPL Group, Inc.	-	-	616	
Dividends to FPL Group, Inc.	-	-	(626)	
Other	-	-	(1)	
Balances, December 31, 1998	<u>1,373</u>	<u>2,566</u>	<u>864</u>	
Net income available to FPL Group, Inc.	-	-	576	
Dividends to FPL Group, Inc.	-	-	(586)	
Balances, December 31, 1999	<u>1,373</u>	<u>2,566</u>	<u>854</u>	<u>\$4,793</u>
Net income available to FPL Group, Inc.	-	-	607	
Capital contributions from FPL Group, Inc.	-	400	-	
Dividends to FPL Group, Inc. (b)	-	-	(768)	
Balances, December 31, 2000	<u>\$1,373</u>	<u>\$2,966</u>	<u>\$ 693</u>	<u>\$5,032</u>

- (a) Common stock, no par value, 1,000 shares authorized, issued and outstanding
(b) Includes transfer of net assets to FPL FiberNet, LLC totaling approximately \$100 million

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

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2000, 1999 and 1998

1. Summary of Significant Accounting and Reporting Policies

Basis of Presentation - FPL Group, Inc.'s (FPL Group) operations are conducted primarily through Florida Power & Light Company (FPL) and FPL Energy, LLC (FPL Energy). FPL, a rate-regulated public utility, supplies electric service to approximately 3.8 million customers throughout most of the east and lower west coasts of Florida. FPL Energy invests in independent power projects through both controlled and consolidated entities and non-controlling ownership interests in joint ventures accounted for under the equity method.

The consolidated financial statements of FPL Group and FPL include the accounts of their respective majority-owned and controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts included in prior years' consolidated financial statements have been reclassified to conform to the current year's presentation. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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

In the event that FPL's generating operations are no longer subject to the provisions of FAS 71, portions of the existing regulatory assets and liabilities that relate to generation would be written off unless regulators specify an alternative means of recovery or refund. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. The principal regulatory assets and liabilities are as follows:

	December 31,	
	2000	1999
	(millions)	
Assets (included in other assets):		
Unamortized debt reacquisition costs	\$ 18	\$ 12
Deferred department of Energy assessment	\$ 35	\$ 39
Under-recovered fuel costs (noncurrent portion)	\$259	\$ -
Litigation settlement (see Note 12)	\$223	\$ -
Liabilities:		
Deferred regulatory credit - income taxes	\$107	\$126
Unamortized investment tax credits	\$162	\$184
Storm and property insurance reserve (see Note 13 - Insurance).....	\$229	\$216

The amounts presented above exclude clause-related regulatory assets and liabilities that are recovered or refunded over the next twelve-month period. These amounts are included in deferred clause expenses and deferred clause revenues in the consolidated balance sheets. At December 31, 2000, under-recovered fuel costs totaled \$596 million, \$337 million of which is included in deferred clause expenses and \$259 million, the noncurrent portion, is included in other assets. At December 31, 1999, under-recovered fuel costs totaled \$54 million and are included in deferred clause expenses. As part of the annual fuel filing for 2001, the FPSC approved FPL's request to recover \$518 million of the under-recovered fuel costs over a two-year period beginning January 2001, rather than the typical one-year time frame. FPL has also agreed that instead of receiving a return at the commercial paper rate on this unrecovered portion through the fuel and purchased power cost recovery clause (fuel clause), the under-recovery will be included as a rate base regulatory asset over the two-year recovery period. Actual under-recovered fuel costs through December 31, 2000 exceeded the estimates made earlier in the year by \$78 million, and in February 2001, FPL requested the FPSC to approve a fuel adjustment increase effective April 2001 to recover the additional \$78 million of under-recovered fuel costs.

Over half of the states, other than Florida, have enacted legislation or have state commissions that issued orders designed to deregulate the production and sale of electricity. By allowing customers to choose their electricity supplier, deregulation is expected to result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Similar initiatives are also being pursued on the federal level. Although the legislation and initiatives vary

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

substantially, common areas of focus include when market-based pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generation assets should be separated from transmission, distribution and other assets. It is generally believed transmission and distribution activities would remain regulated.

In 2000, the Governor of Florida signed an executive order creating the Energy 2020 Study Commission to propose an energy plan and strategy for Florida. The order required that recommendations be made to the legislature and Governor by December 1, 2001. The commission chose to split the energy study between wholesale and retail competition. In January 2001, the commission issued an interim report containing a proposal for restructuring Florida's wholesale market for electricity. The proposal recommends the removal of statutory barriers to entry for merchant plants and, according to the report, provides a transition to a "level playing field" for all generating assets. Under the commission's proposal, investor-owned utilities such as FPL would establish, and transfer their generating assets to, affiliated exempt wholesale generators, which would also construct and operate new generating assets. The investor-owned load-serving utilities, such as FPL, would acquire energy resources through competitive bidding, negotiated contracts or from the short-term (spot) market. Purchases from affiliated exempt wholesale generators would be pursuant to a competitive bidding process. The proposal includes a number of features, including a three-year retail base rate freeze. The proposal may be addressed in the next legislative session which takes place in March through May 2001. In addition, the FERC has jurisdiction over potential changes which could affect competition in wholesale transactions. The commission will now consider recommendations for the retail market.

In 1999, the FERC issued its final order on regional transmission organizations (RTOs). RTOs, under a variety of structures, provide for the independent operation of transmission systems for a given geographic area. The final order establishes guidelines for public utilities to use in considering and/or developing plans to initiate operations of RTOs by December 15, 2001. In October 2000, FPL, together with Florida Power Corporation and Tampa Electric Company, filed a joint proposal to form a fully independent for-profit transmission company that would be responsible for the transmission lines that carry electricity from power plants primarily within the state to substations in Florida. The October filing was supplemented by a December 2000 filing that provided certain operational details of the proposed RTO.

Under the proposed form of RTO, FPL would contribute its transmission assets to an independent transmission company, GridFlorida LLC (GridFlorida), that would own and operate the system. A separate corporation would be formed to own the voting interest in and manage GridFlorida. In return for its transmission assets, FPL would receive a non-voting ownership interest in GridFlorida, which could be exchanged for non-voting stock of the managing corporation. FPL would account for its interest in GridFlorida using the equity method.

Revenues and Rates - FPL's retail and wholesale utility rate schedules are approved by the FPSC and the FERC, respectively. FPL records unbilled base revenues for the estimated amount of energy delivered to customers but not yet billed. Unbilled base revenues are included in customer receivables and amounted to \$137 million and \$130 million at December 31, 2000 and 1999, respectively. Substantially all of the energy produced by FPL Energy's independent power projects is sold through power sales agreements with utilities and revenue is recorded on a delivered basis.

In 1999, the FPSC approved a three-year agreement among FPL, the State of Florida Office of Public Counsel (Public Counsel), The Florida Industrial Power Users Group (FIPUG) and The Coalition for Equitable Rates (Coalition) regarding FPL's retail base rates, authorized regulatory return on common equity (ROE), capital structure and other matters. The agreement, which became effective April 15, 1999, provides for a \$350 million reduction in annual revenues from retail base operations allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the twelve month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold are required to be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold are required to be refunded 100% to retail customers.

The refund thresholds are as follows:

	Twelve Months Ended		
	April 14,		
	2000	2001	2002
	(millions)		
66 2/3% to customers	\$3,400	\$3,450	\$3,500
100% to customers	\$3,556	\$3,606	\$3,656

The accrual for the refund associated with the revenue sharing mechanism is computed monthly for each twelve-month period of the rate agreement. At the beginning of each twelve-month period, planned revenues are reviewed to determine if it is probable that the threshold will be exceeded. If so, an accrual is recorded each month for a portion of the anticipated refund based on the relative percentage of year-to-date planned revenues to the total estimated revenues for the twelve-

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

month period, plus accrued interest. In addition, if in any month actual revenues are above or below planned revenues, the accrual is increased or decreased as necessary to recognize the effect of this variance on the expected refund amount. The annual refund (including interest) is paid to customers as a credit to their June electric bill. As of December 31, 2000 and 1999, the accrual for the revenue refund was approximately \$57 million and \$20 million, respectively.

The agreement also lowered FPL's authorized regulatory ROE range to 10% - 12%. During the term of the agreement, the achieved ROE may from time to time be outside the authorized range, and the revenue sharing mechanism described above is specified to be the appropriate and exclusive mechanism to address that circumstance. For purposes of calculating ROE, the agreement establishes a cap on FPL's adjusted equity ratio of 55.83%. The adjusted equity ratio reflects a discounted amount for off-balance sheet obligations under certain long-term purchased power contracts. Finally, the agreement established a new special depreciation program (see Electric Plant, Depreciation and Amortization) and includes provisions which limit depreciation rates and accruals for nuclear decommissioning and fossil dismantlement costs to currently approved levels and limit amounts recoverable under the environmental compliance cost recovery clause during the term of the agreement.

The agreement states that Public Counsel, FIPUG and Coalition will neither seek nor support any additional base rate reductions during the three-year term of the agreement unless such reduction is initiated by FPL. Further, FPL agreed to not petition for any base rate increases that would take effect during the term of the agreement.

FPL's revenues include amounts resulting from cost recovery clauses, certain revenue taxes and franchise fees. Cost recovery clauses, which are designed to permit full recovery of certain costs and provide a return on certain assets utilized by these programs, include substantially all fuel, purchased power and interchange expenses, conservation- and environmental-related expenses and certain revenue taxes. Revenues from cost recovery clauses are recorded when billed; FPL achieves matching of costs and related revenues by deferring the net under- or over-recovery. Any under-recovered costs or over-recovered revenues are collected from or returned to customers in subsequent periods. See Regulation.

Electric Plant, Depreciation and Amortization – The cost of additions to units of utility property of FPL and FPL Energy is added to electric utility plant. In accordance with regulatory accounting, the cost of FPL's units of utility property retired, less net salvage, is charged to accumulated depreciation. Maintenance and repairs of property as well as replacements and renewals of items determined to be less than units of utility property are charged to other operations and maintenance (O&M) expenses. At December 31, 2000, the generating, transmission, distribution and general facilities of FPL represented approximately 45%, 13%, 36% and 6%, respectively, of FPL's gross investment in electric utility plant in service. Substantially all electric utility plant of FPL is subject to the lien of a mortgage securing FPL's first mortgage bonds.

Depreciation of electric property is primarily provided on a straight-line average remaining life basis. FPL includes in depreciation expense a provision for fossil plant dismantlement and nuclear plant decommissioning (see Decommissioning and Dismantlement of Generating Plant). For substantially all of FPL's property, depreciation studies are performed and filed with the FPSC at least every four years. In April 1999, the FPSC granted final approval of FPL's most recent depreciation studies, which were effective January 1, 1998. The weighted annual composite depreciation rate for FPL's electric plant in service was approximately 4.2% for 2000, 4.3% for 1999 and 4.4% for 1998, excluding the effects of decommissioning and dismantlement. Further, these rates exclude the special and plant-related deferred cost amortization discussed below.

The agreement that reduced FPL's base rates (see Revenues and Rates) also allows for special depreciation of up to \$100 million, at FPL's discretion, in each year of the three-year agreement period to be applied to nuclear and/or fossil generating assets. Under this new depreciation program, FPL recorded \$100 million of special depreciation in the first twelve-month period and \$71 million through December 31, 2000 of the second twelve-month period. On a fiscal year basis, FPL recorded approximately \$101 million and \$70 million of special depreciation in 2000 and 1999, respectively. The new depreciation program replaced a revenue-based special amortization program whereby FPL recorded as depreciation and amortization expense a fixed amount of \$9 million in 1999 and \$30 million in 1998 for nuclear assets. FPL also recorded under the revenue-based special amortization program variable amortization based on the actual level of retail base revenues compared to a fixed amount. The variable amounts recorded in 1999 and 1998 were \$54 million and \$348 million, respectively. The 1998 variable amount includes, as depreciation and amortization expense, \$161 million for amortization of regulatory assets. The remaining variable amounts were applied against nuclear and fossil production assets. Additionally, FPL completed amortization of certain plant-related deferred costs by recording \$24 million in 1998. These costs are considered recoverable costs and are monitored through the monthly reporting process with the FPSC.

Nuclear Fuel – FPL leases nuclear fuel for all four of its nuclear units. Nuclear fuel lease expense was \$82 million, \$83 million and \$83 million in 2000, 1999 and 1998, respectively. Included in this expense was an interest component of \$9 million, \$8 million and \$9 million in 2000, 1999 and 1998, respectively. Nuclear fuel lease payments and a charge for spent nuclear fuel disposal are charged to fuel expense on a unit of production method. These costs are recovered through the fuel clause. Under certain circumstances of lease termination, FPL is required to purchase all nuclear fuel in whatever form at a

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

purchase price designed to allow the lessor to recover its net investment cost in the fuel, which totaled \$127 million at December 31, 2000. For ratemaking, these leases are classified as operating leases. For financial reporting, the capital lease obligation is recorded at the amount due in the event of lease termination.

Decommissioning and Dismantlement of Generating Plant – FPL accrues nuclear decommissioning costs over the expected service life of each unit. Nuclear decommissioning studies are performed at least every five years and are submitted to the FPSC for approval. In January 2001, FPL filed updated nuclear decommissioning studies with the FPSC. These studies assume prompt dismantlement for the Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2012 and 2013, respectively. Current plans call for St. Lucie Unit No. 1 to be mothballed beginning in 2016 with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 beginning in 2023. These studies also assume that FPL will be storing spent fuel on site pending removal to a U.S. government facility. The studies, which are pending FPSC approval, indicate FPL's portion of the ultimate costs of decommissioning its four nuclear units, including costs associated with spent fuel storage, to be \$6.8 billion. Decommissioning expense accruals included in depreciation and amortization expense, were \$85 million in each of the years 2000, 1999 and 1998. FPL's portion of the ultimate cost of decommissioning its four units, expressed in 2000 dollars, is currently estimated to aggregate \$1.8 billion. At December 31, 2000 and 1999, the accumulated provision for nuclear decommissioning totaled approximately \$1.5 billion and \$1.4 billion, respectively, and is included in accumulated depreciation. See Electric Plant, Depreciation and Amortization.

Similarly, FPL accrues the cost of dismantling its fossil fuel plants over the expected service life of each unit. Fossil fuel plant dismantlement studies are performed and filed with the FPSC at least every four years. Fossil fuel plant dismantlement studies were filed in September 1998 and were effective January 1, 1999. The dismantlement studies indicated an estimated reserve deficiency of \$38 million, which was recovered through the special amortization program. Fossil dismantlement expense was \$14 million in 2000 and \$17 million in each of the years 1999 and 1998, and is included in depreciation and amortization expense. FPL's portion of the ultimate cost to dismantle its fossil units is \$482 million. At December 31, 2000 and 1999, the accumulated provision for fossil dismantlement totaled \$246 million and \$232 million, respectively, and is included in accumulated depreciation. See Electric Plant, Depreciation and Amortization.

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in special use funds of FPL. Securities held in the decommissioning fund are carried at market value with market adjustments resulting in a corresponding adjustment to the accumulated provision for nuclear decommissioning. See Note 4 – Special Use Funds. Contributions to the funds are based on current period decommissioning expense. Additionally, fund earnings, net of taxes are reinvested in the funds. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

Accrual for Major Maintenance Costs – Consistent with regulatory treatment, FPL's estimated nuclear maintenance costs for each nuclear unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. The accrual for nuclear maintenance costs at December 31, 2000 and 1999 totaled \$31 million and \$42 million, respectively, and is included in other liabilities. Any difference between the estimated and actual costs are included in O&M expenses when known.

FPL Energy's estimated major maintenance costs for each unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. The accrual for FPL Energy's major maintenance costs totaled \$33 million at both December 31, 2000 and 1999. Any difference between the estimated and actual costs are included in O&M expenses when known.

Construction Activity – In accordance with FPSC guidelines, FPL has elected not to capitalize interest or a return on common equity on construction projects. The cost of these construction projects is allowed as an element of rate base. FPL Group's unregulated operations capitalize interest on construction projects.

Storm and Property Insurance Reserve Fund (storm fund) – The storm fund provides coverage toward storm damage costs and possible retrospective premium assessments stemming from a nuclear incident under the various insurance programs covering FPL's nuclear generating plants. Securities held in the fund are carried at market value with market adjustments resulting in a corresponding adjustment to the storm and property insurance reserve. See Note 4 – Special Use Funds and Note 13 – Insurance. Fund earnings, net of taxes, are reinvested in the fund. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

Other Investments – Included in other investments is FPL Group's participation in leveraged leases of \$154 million at both December 31, 2000 and 1999. Additionally, other investments include notes receivable and non-controlling non-majority owned interests in partnerships and joint ventures, essentially all of which are accounted for under the equity method. See Note 4.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairment of Long-Lived Assets - FPL Group evaluates on an ongoing basis the recoverability of its assets and related intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable as described in FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." See Note 10.

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

Retirement of Long-Term Debt - The excess of FPL's reacquisition cost over the book value of long-term debt is deferred and amortized to expense ratably over the remaining life of the original issue, which is consistent with its treatment in the ratemaking process. See Regulation. FPL Group Capital Inc (FPL Group Capital) expenses this cost in the period incurred.

Income Taxes - Deferred income taxes are provided on all significant temporary differences between the financial statement and tax bases of assets and liabilities. FPL is included in the consolidated federal income tax return filed by FPL Group. FPL determines its income tax provision on the "separate return method." The deferred regulatory credit - income taxes of FPL represents the revenue equivalent of the difference in accumulated deferred income taxes computed under FAS 109, "Accounting for Income Taxes," as compared to regulatory accounting rules. This amount is being amortized in accordance with the regulatory treatment over the estimated lives of the assets or liabilities which resulted in the initial recognition of the deferred tax amount. Investment tax credits (ITC) for FPL are deferred and amortized to income over the approximate lives of the related property in accordance with the regulatory treatment.

Energy Trading - FPL and FPL Energy engage in limited energy trading activities to optimize the value of electricity and fuel contracts, as well as generating facilities. These activities are accounted for at market value. There were no significant open positions in trading activities at December 31, 2000 or 1999. Substantially all of the effects of FPL's trading activities are reported net and passed through to customers in the fuel clause or capacity cost recovery clause (capacity clause). FPL Energy's trading activities are reflected gross in operating revenues and fuel expense in the consolidated statements of income.

Accounting for Derivative Instruments and Hedging Activities - Effective January 1, 2001, FPL Group and FPL adopted FAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by FAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In January 2001, FPL recorded an initial adjustment to record the fair values of instruments not previously reported on the balance sheet, resulting in derivative liabilities of \$5 million, with the net offsetting amount recorded as a deferred regulatory asset. Subsequent changes in the fair values of FPL's derivative instruments will also be deferred in a regulatory asset or liability until the contracts are settled. Upon settlement, any gains or losses will be passed through the fuel and capacity clauses.

In addition to the amounts recorded by FPL, in January 2001 FPL Energy recorded an initial adjustment to record derivative assets of \$37 million, derivative liabilities of \$35 million and an increase in investments of \$11 million. For those contracts where hedge accounting is applied, the adoption of the new rules resulted in a credit of \$10 million to other comprehensive income (in stockholders' equity) for FPL Group. FPL Group recorded a \$2 million loss as the cumulative effect on FPL Group's earnings of a change in accounting principle representing the effect of those derivative instruments for which hedge accounting was not applied.

In December 2000, the Financial Accounting Standards Board's Derivatives Implementation Group (DIG) discussed several issues related to the power generation industry, but did not reach conclusions on those issues. The ultimate resolution of these issues could result in a requirement to mark certain of FPL Group's power and fuel agreements to their fair market values each reporting period. If these agreements are required to be treated as derivative instruments, the new accounting would first be applied in the quarter following final resolution of the issues. At this time, management is unable to estimate the effects on the financial statements of any future decisions of the Financial Accounting Standards Board or the DIG.

2. Merger

In July 2000, FPL Group and Entergy announced a proposed merger, which was approved by the shareholders of the respective companies in December 2000. Subsequently, a number of factors led FPL Group to conclude the merger would not achieve the synergies or create the shareholder value originally contemplated when the merger was announced. As a result, on April 1, 2001, FPL Group and Entergy mutually terminated the merger agreement. Both companies agreed that no termination fee is payable under the terms of the merger agreement as a result of this termination. A fee will be payable by FPL Group or Entergy, however, if either agrees with another party to a comparable transaction prior to January 2002. Each company will bear its own merger-related expenses.

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In 2000, FPL Group recorded \$67 million in merger-related expenses of which FPL recorded \$62 million (\$38 million after-tax), FPL Energy recorded \$2 million (\$1 million after-tax) and Corporate and Other recorded \$3 million (\$2 million after-tax).

3. Employee Retirement Benefits

FPL Group and its subsidiaries sponsor a noncontributory defined benefit pension plan and defined benefit postretirement plans for health care and life insurance benefits (other benefits) for substantially all employees. The following tables provide a reconciliation of the changes in the plans' benefit obligations, fair value of assets and a statement of the funded status:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	(millions)			
Change in benefit obligation:				
Obligation at October 1 of prior year	\$1,178	\$1,173	\$ 335	\$ 345
Service cost	44	46	5	6
Interest cost	77	71	22	21
Participant contributions	-	-	1	2
Plan amendments	6	-	-	-
Actuarial (gains) losses - net	(20)	(38)	4	(24)
Acquisitions	-	4	-	2
Benefit payments	(80)	(78)	(17)	(17)
Obligation at September 30	<u>1,205</u>	<u>1,178</u>	<u>350</u>	<u>335</u>
Change in plan assets:				
Fair value of plan assets at October 1 of prior year	2,555	2,329	111	115
Actual return on plan assets	284	310	7	12
Participant contributions	-	-	1	2
Benefit payments and expenses	(89)	(84)	(21)	(18)
Fair value of plan assets at September 30	<u>2,750</u>	<u>2,555</u>	<u>98</u>	<u>111</u>
Funded Status:				
Funded status at September 30	1,545	1,377	(252)	(224)
Unrecognized prior service cost	(76)	(89)	-	-
Unrecognized transition (asset) obligation	(93)	(117)	42	45
Unrecognized (gain) loss	(993)	(900)	15	7
Prepaid (accrued) benefit cost at FPL Group at December 31 ..	<u>\$ 383</u>	<u>\$ 271</u>	<u>\$(195)</u>	<u>\$(172)</u>
Prepaid (accrued) benefit cost at FPL at December 31	<u>\$ 371</u>	<u>\$ 263</u>	<u>\$(191)</u>	<u>\$(168)</u>

The following table provides the components of net periodic benefit cost for the plans:

	<u>Pension Benefits</u>			<u>Other Benefits</u>		
	<u>Years Ended December 31,</u>			<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(millions)					
Service cost	\$ 44	\$ 46	\$ 45	\$ 5	\$ 6	\$ 6
Interest cost	77	71	75	21	21	21
Expected return on plan assets	(172)	(156)	(149)	(7)	(7)	(8)
Amortization of transition (asset) obligation	(23)	(23)	(23)	4	3	3
Amortization of prior service cost	(7)	(8)	(8)	-	-	-
Amortization of losses (gains)	(31)	(22)	(21)	-	1	1
Effect of Maine acquisition	-	-	-	-	2	-
Net periodic (benefit) cost at FPL Group	<u>\$(112)</u>	<u>\$(92)</u>	<u>\$(81)</u>	<u>\$ 23</u>	<u>\$ 26</u>	<u>\$ 23</u>
Net periodic (benefit) cost at FPL	<u>\$(108)</u>	<u>\$(89)</u>	<u>\$(80)</u>	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 23</u>

The weighted-average discount rate used in determining the benefit obligations was 6.75% and 6.5% for 2000 and 1999, respectively. The assumed level of increase in future compensation levels was 5.5% for all years. The expected long-term rate of return on plan assets was 7.75% for all years.

Based on the current discount rates and current health care costs, the projected 2001 trend assumptions used to measure the expected cost of benefits covered by the plans are 5.8% for persons up to age 65 and 5.4% thereafter. The rate is assumed to decrease over the next two years to the ultimate trend rate of 5% for all age groups and remain at that level thereafter.

Assumed health care cost trend rates can have a significant effect on the amounts reported for the health care plans. A 1% increase or decrease in assumed health care cost trend rates would have a corresponding effect on the service and interest cost components and the accumulated obligation of other benefits of approximately \$1 million and \$13 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Financial Instruments

The carrying amounts of cash equivalents and commercial paper approximate their fair values. At December 31, 2000 and 1999, other investments of FPL Group include \$300 million and \$291 million, respectively, of investments that are carried at estimated fair value or cost, which approximates fair value. The following estimates of the fair value of financial instruments have been made using available market information and other valuation methodologies. However, the use of different market assumptions or methods of valuation could result in different estimated fair values.

	December 31,			
	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
Long-term debt of FPL, including current maturities	\$2,642	\$2,621(a)	\$2,204	\$2,123(a)
Long-term debt of FPL Group, including current maturities	\$4,041	\$4,080(a)	\$3,603	\$3,518(a)

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

Special Use Funds - The special use funds consist of storm fund assets totaling \$140 million and \$131 million, and decommissioning fund assets totaling \$1.357 billion and \$1.220 billion at December 31, 2000 and 1999, respectively. Securities held in the special use funds are carried at estimated fair value based on quoted market prices. The nuclear decommissioning fund consists of approximately 40% equity securities and 60% municipal, government, corporate and mortgage- and other asset-backed debt securities with a weighted-average maturity of approximately nine years. The storm fund primarily consists of municipal debt securities with a weighted-average maturity of approximately four years. The cost of securities sold is determined on the specific identification method. The funds had approximate realized gains of \$8 million and approximate realized losses of \$15 million in 2000, \$32 million and \$22 million in 1999 and \$24 million and \$4 million in 1998, respectively. The funds had unrealized gains of approximately \$258 million and \$286 million at December 31, 2000 and 1999, respectively; the unrealized losses at those dates were approximately \$4 million and \$17 million. The proceeds from the sale of securities in 2000, 1999 and 1998 were approximately \$2.0 billion, \$2.7 billion and \$1.2 billion, respectively.

5. Common Stock

Common Stock Dividend Restrictions - FPL Group's charter does not limit the dividends that may be paid on its common stock. As a practical matter, the ability of FPL Group to pay dividends on its common stock is dependent upon dividends paid to it by its subsidiaries, primarily FPL. FPL's charter and a mortgage securing FPL's first mortgage bonds contain provisions that, under certain conditions, restrict the payment of dividends and other distributions to FPL Group. These restrictions do not currently limit FPL's ability to pay dividends to FPL Group. In 2000, 1999 and 1998, FPL paid, as dividends to FPL Group, its net income available to FPL Group on a one-month lag basis.

Employee Stock Ownership Plan (ESOP) - The employee thrift plans of FPL Group include a leveraged ESOP feature. Shares of common stock held by the Trust for the thrift plans (Trust) are used to provide all or a portion of the employers' matching contributions. Dividends received on all shares, along with cash contributions from the employers, are used to pay principal and interest on an ESOP loan held by FPL Group Capital. Dividends on shares allocated to employee accounts and used by the Trust for debt service are replaced with an equivalent amount of shares of common stock at prevailing market prices.

ESOP-related compensation expense of approximately \$22 million, \$21 million and \$19 million in 2000, 1999 and 1998, respectively, was recognized based on the fair value of shares allocated to employee accounts during the period. Interest income on the ESOP loan is eliminated in consolidation. ESOP-related unearned compensation included as a reduction of shareholders' equity at December 31, 2000 was approximately \$217 million, representing 7 million unallocated shares at the original issue price of \$29 per share. The fair value of the ESOP-related unearned compensation account using the closing price of FPL Group stock as of December 31, 2000 was approximately \$538 million.

Long-Term Incentive Plan - As of December 31, 2000, approximately 9 million shares of common stock are reserved and available for awards to officers and employees of FPL Group and its subsidiaries under FPL Group's long-term incentive plan. Restricted stock is issued at market value at the date of grant, typically vests within four years and is subject to, among other things, restrictions on transferability. Performance share awards are typically payable at the end of a three- or four-year performance period and are subject to risk of forfeiture if the specified performance criteria is not met within the vesting period.

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in share awards under the incentive plan are as follows:

	Restricted Stock	Performance Shares (a)	Options (a)	
			Number	Weighted-Average Exercise Price
Balances, December 31, 1997	219,550	442,588	-	-
Granted	19,500(b)	178,518(c)	-	-
Paid/released	-	(80,920)	-	-
Forfeited	(22,250)	(29,566)	-	-
Balances, December 31, 1998	216,800	510,620	-	-
Granted	210,100(b)	294,662(c)	1,300,000(d)	\$51.53
Paid/released	-	(78,640)	-	-
Forfeited	(13,500)	(80,027)	(200,000)	\$51.16
Balances, December 31, 1999	413,400	646,615	1,100,000	\$51.59
Granted	28,350(b)	465,614(c)	564,950(d)	\$39.64
Paid/released/exercised	(264,800)	(1,038,375)	(1,060,726)	\$49.88
Forfeited	(95,700)	(54,854)	(212,056)	\$50.51
Balances, December 31, 2000	81,250	19,000	392,168(e)	\$39.58

- (a) Performance shares and options resulted in 373,431, 252,572 and 128,443 assumed incremental shares of common stock outstanding for purposes of computing diluted earnings per share in 2000, 1999 and 1998, respectively. These incremental shares did not change basic earnings per share.
- (b) The weighted-average grant date fair value of restricted stock granted in 2000, 1999 and 1998 was \$45.55, \$53.21 and \$61.89 per share, respectively.
- (c) The weighted-average grant date fair value of performance shares granted in 2000, 1999 and 1998 was \$41.25, \$61.19 and \$59.19 per share, respectively.
- (d) The weighted-average grant date fair value of options granted was \$39.64 and \$51.53 per share in 2000 and 1999, respectively. The exercise price of each option granted in 2000 and 1999 equaled the market price of FPL Group stock on the date of grant.
- (e) Exercise prices for options outstanding as of December 31, 2000, ranged from \$38.13 to \$47.63 per share and had a weighted-average remaining contractual life of 9.2 years. As of December 31, 2000, all outstanding options were exercisable and fully vested.

FAS 123, "Accounting for Stock-Based Compensation," encourages a fair value based method of accounting for stock-based compensation. FPL Group, however, uses the intrinsic value based method of accounting as permitted by the statement. Stock-based compensation expense was approximately \$80 million, \$13 million and \$10 million in 2000, 1999 and 1998, respectively. Stock-based compensation expense in 2000 reflects merger-related costs associated with the change in control provisions in FPL Group's long-term incentive plan. Compensation expense for restricted stock and performance shares is the same under the fair value and the intrinsic value based methods. Had compensation expense for the options been determined as prescribed by the fair value based method, FPL Group's net income and earnings per share would have been \$696 million and \$4.10 (\$4.09 assuming dilution) in 2000 and \$696 million and \$4.06 in 1999, respectively.

The fair value of the options granted in 2000 and 1999 were estimated on the date of the grant using the Black-Scholes option-pricing model with a weighted-average expected dividend yield of 3.82% and 3.81%, a weighted-average expected volatility of 20.27% and 17.88%, a weighted-average risk-free interest rate of 6.59% and 5.46% and a weighted-average expected term of 10 years and 9.3 years, respectively.

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

6. Preferred Stock

FPL Group's charter authorizes the issuance of 100 million shares of serial preferred stock, \$0.01 par value. None of these shares is outstanding. FPL Group has reserved 3 million shares for issuance upon exercise of preferred share purchase rights which expire in June 2006. Preferred stock of FPL consists of the following:^(a)

	December 31, 2000		December 31,	
	Shares Outstanding	Redemption Price	2000	1999
			(millions)	
Cumulative, \$100 Par value, without sinking fund requirements, authorized 15,822,500 shares:				
4 1/2% Series	100,000	\$101.00	\$ 10	\$ 10
4 1/2% Series A	50,000	\$101.00	5	5
4 1/2% Series B	50,000	\$101.00	5	5
4 1/2% Series C	62,500	\$103.00	6	6
4.32% Series D	50,000	\$103.50	5	5
4.35% Series E	50,000	\$102.00	5	5
6.98% Series S	750,000	\$103.49(b)	75	75
7.05% Series T	500,000	\$103.52(b)	50	50
6.75% Series U	650,000	\$103.37(b)	65	65
Total preferred stock of FPL	2,262,500		226	226

- (a) FPL's charter also authorizes the issuance of 5 million shares of subordinated preferred stock, no par value. None of these shares is outstanding. There were no issuances or redemptions of preferred stock in 2000, 1999 and 1998.
- (b) Not callable prior to 2003.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Debt

Long-term debt consists of the following:

	December 31,	
	2000	1999
	(millions)	
FPL:		
First mortgage bonds:		
Maturing through 2005 - 5 3/8% to 6 7/8% (a)	\$ 725	\$ 350
Maturing 2008 through 2016 - 5 7/8% to 7.3%	650	650
Maturing 2023 through 2026 - 7% to 7 3/4%	516	516
Medium-term notes - maturing 2003 - 5.79%	70	70
Pollution control and industrial development series - maturing 2020 through 2027 - 6.7% to 7.5%	41	150
Pollution control, solid waste disposal and industrial development revenue bonds - maturing 2020 through 2029 - variable, 3.4% and 3.4% average annual interest rate, respectively (b)	658	483
Unamortized discount - net	(18)	(15)
Total long-term debt of FPL	2,642	2,204
Less current maturities	65	125
Long-term debt of FPL, excluding current maturities	2,577	2,079
FPL Group Capital:		
Debentures:		
Maturing 2004 - 6 7/8%	175	175
Maturing 2006 through 2009 - 7 3/8% to 7 5/8%	1,225	1,225
Other long-term debt - maturing 2013 - 7.35%	5	5
Unamortized discount	(6)	(6)
Total long-term debt of FPL Group Capital	1,399	1,399
Total long-term debt	\$3,976	\$3,478

- (a) In December 2000, FPL issued \$500 million principal amount of first mortgage bonds with an interest rate of 6 7/8%, maturing in 2005.
(b) In December 2000, FPL issued approximately \$65 million principal amount of variable-rate bonds maturing in 2024. Also in December 2000, FPL redeemed a total of approximately \$242 million principal amount of variable-rate bonds maturing between 2026 and 2029.

Minimum annual maturities of long-term debt for FPL Group are approximately \$65 million, \$170 million, \$300 million and \$500 million for 2001, 2003, 2004 and 2005, respectively. The amounts for FPL for the same periods are \$65 million, \$170 million, \$125 million and \$500 million, respectively.

At December 31, 2000, commercial paper borrowings had a year end weighted-average interest rate of 6.77% for FPL Group (6.60% for FPL). Available lines of credit aggregated approximately \$3.0 billion (\$853 million for FPL) at December 31, 2000, all of which were based on firm commitments.

8. Income Taxes

The components of income taxes are as follows:

	FPL Group			FPL		
	Years Ended December 31,	1999	1998	Years Ended December 31,	1999	1998
	2000			2000		
	(millions)					
Federal:						
Current	\$ 77	\$511	\$467	\$ 87	\$383	\$492
Deferred	239	(196)	(215)	231	(88)	(169)
ITC and other - net	(35)	(29)	(27)	(22)	(21)	(24)
Total federal	281	286	225	296	274	299
State:						
Current	6	55	72	13	62	78
Deferred	49	(18)	(18)	42	(9)	(21)
Total state	55	37	54	55	53	57
Income taxes charged to operations - FPL				351	327	356
Credited to other income (deductions) - FPL				(10)	(3)	(7)
Total income taxes	\$336	\$323	\$279	\$341	\$324	\$349

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

	FPL Group			FPL		
	Years Ended December 31,	1999	1998	Years Ended December 31,	1999	1998
	2000			2000		
Statutory federal income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increases (reductions) resulting from:						
State income taxes - net of federal income tax benefit	3.5	2.4	3.7	3.7	3.8	3.7
Amortization of ITC	(2.1)	(2.1)	(2.5)	(2.3)	(2.3)	(2.4)
Amortization of deferred regulatory credit - income taxes	(1.2)	(1.3)	(1.8)	(1.3)	(1.5)	(1.7)
Adjustments of prior years' tax matters	(2.7)	(2.7)	(6.3)(a)	-	(0.1)	0.1
Preferred stock dividends - FPL	0.5	0.5	0.5	-	-	-
Other - net	(0.7)	(0.2)	1.0	0.3	0.5	0.9
Effective income tax rate	32.3%	31.6%	29.6%	35.4%	35.4%	35.6%

- (a) Includes the resolution of an audit issue with the Internal Revenue Service (IRS)

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

	FPL Group		FPL	
	December 31,		December 31,	
	2000	1999	2000	1999
	(millions)			
Deferred tax liabilities:				
Property-related	\$1,338	\$1,377	\$1,291	\$1,377
Investment-related	398	373	-	-
Other	630	312	520	168
Total deferred tax liabilities	<u>2,366</u>	<u>2,062</u>	<u>1,811</u>	<u>1,545</u>
Deferred tax assets and valuation allowance:				
Asset writedowns and capital loss carryforward	156	170	-	-
Unamortized ITC and deferred regulatory credit - income taxes	104	119	104	119
Storm and decommissioning reserves	277	245	277	245
Other	474	472	346	379
Valuation allowance	(23)	(23)	-	-
Net deferred tax assets	<u>988</u>	<u>983</u>	<u>727</u>	<u>743</u>
Accumulated deferred income taxes	<u>\$1,378</u>	<u>\$1,079</u>	<u>\$1,084</u>	<u>\$ 802</u>

The carryforward period for a capital loss from the disposition in a prior year of an FPL Group Capital subsidiary expired at the end of 1996. The amount of the deductible loss from this disposition was limited by IRS rules. FPL Group is challenging the IRS loss limitation and the IRS is disputing certain other positions taken by FPL Group. Tax benefits, if any, associated with these matters will be reported in future periods when resolved.

9. Jointly-Owned Electric Utility Plant

FPL owns approximately 85% of St. Lucie Unit No. 2, 20% of the St. Johns River Power Park units and coal terminal and approximately 76% of Scherer Unit No. 4. At December 31, 2000, the proportionate share of FPL's gross investment in these units was \$1.174 billion, \$329 million and \$569 million, respectively; accumulated depreciation was \$752 million, \$167 million and \$288 million, respectively.

FPL is responsible for its share of the operating costs, as well as providing its own financing. These costs are included in FPL Group's and FPL's consolidated statements of income. At December 31, 2000, there was no significant balance of construction work in progress on these facilities. See Note 13 - Litigation.

10. Acquisition of Maine Assets

During the second quarter of 1999, FPL Energy completed the purchase of Central Maine Power Company's (CMP) non-nuclear generating assets, primarily fossil and hydro power plants, for \$866 million. The purchase price was based on an agreement, subject to regulatory approvals, reached with CMP in January 1998. In October 1998, the FERC struck down transmission rules that had been in effect in New England since the 1970s. FPL Energy filed a lawsuit in November 1998 requesting a declaratory judgment that CMP could not meet the essential terms of the purchase agreement and, as a result, FPL Energy should not be required to complete the transaction. FPL Energy believed these FERC rulings regarding transmission constituted a material adverse effect under the purchase agreement because of the significant decline in the value of the assets caused by the rulings. The request for declaratory judgment was denied in March 1999 and the acquisition was completed on April 7, 1999. The acquisition was accounted for under the purchase method of accounting and the results of operating the Maine plants have been included in the consolidated financial statements since the acquisition date.

The FERC rulings regarding transmission, as well as the announcement of new entrants into the market and changes in fuel prices since January 1998, resulted in FPL Energy recording a \$176 million pre-tax impairment loss to write-down the fossil assets to their fair value, which was determined based on a discounted cash flow analysis. The impairment loss reduced FPL Group's 1999 results of operations and earnings per share by \$104 million and \$0.61 per share, respectively.

Most of the remainder of the purchase price was allocated to the hydro operations. The hydro plants and related goodwill are being amortized on a straight-line basis over the 40-year term of the hydro plant operating licenses.

11. Divestiture of Cable Investments

In January 1999, an FPL Group Capital subsidiary sold 3.5 million common shares of Adelphia Communications Corporation (Adelphia) stock and in October 1999 had its one-third ownership interest in a cable limited partnership redeemed, resulting in after-tax gains of approximately \$96 million and \$66 million, respectively. Both investments had been accounted for under the equity method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Settlement of Litigation

In October 1999, FPL and the Florida Municipal Power Agency (FMPA) entered into a settlement agreement pursuant to which FPL agreed to pay FMPA a cash settlement; FPL agreed to reduce the demand charge on an existing power purchase agreement; and FPL and FMPA agreed to enter into a new power purchase agreement giving FMPA the right to purchase limited amounts of power in the future at a specified price. FMPA agreed to dismiss the lawsuit with prejudice, and both parties agreed to exchange mutual releases. The settlement reduced FPL's 1999 net income by \$42 million.

In September 2000, the bankruptcy court approved the settlement of a contract dispute between FPL and two qualifying facilities. The settlement was approved by the FPSC in October 2000. In December 2000, under the terms of the settlement, the trustee was paid \$222.5 million plus security deposits. The funds were subsequently distributed by the trustee as directed by the bankruptcy court. FPL will recover the cost of the settlement through the fuel and capacity clauses over a five-year period beginning January 1, 2002. Also, from the payment date to December 31, 2001, FPL will not receive a return on the unrecovered amount through the fuel and capacity clauses, but instead, the settlement amount will be included as a rate base regulatory asset over that period. See Note 1 – Regulation.

13. Commitments and Contingencies

Commitments - FPL has made commitments in connection with a portion of its projected capital expenditures. Capital expenditures for the construction or acquisition of additional facilities and equipment to meet customer demand are estimated to be approximately \$3.3 billion for 2001 through 2003. Included in this three-year forecast are capital expenditures for 2001 of approximately \$1.1 billion. As of December 31, 2000, FPL Energy has made commitments in connection with the development and expansion of independent power projects totaling approximately \$380 million. Subsidiaries of FPL Group, other than FPL, have guaranteed approximately \$810 million of prompt performance payments, lease obligations, purchase and sale of power and fuel agreement obligations, debt service payments and other payments subject to certain contingencies.

Insurance - Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of the insurance available from private sources and under an industry retrospective payment plan. In accordance with this Act, FPL maintains \$200 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to \$363 million per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed \$43 million per incident per year.

FPL participates in nuclear insurance mutual companies that provide \$2.75 billion of limited insurance coverage for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service because of an accident. In the event of an accident at one of FPL's or another participating insured's nuclear plants, FPL could be assessed up to \$38 million in retrospective premiums.

In the event of a catastrophic loss at one of FPL's nuclear plants, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered through rates, would be borne by FPL and could have a material adverse effect on FPL Group's and FPL's financial condition.

FPL self-insures the majority of its transmission and distribution (T&D) property due to the high cost and limited coverage available from third-party insurers. As approved by the FPSC, FPL maintains a funded storm and property insurance reserve, which totaled approximately \$229 million at December 31, 2000, for uninsured property storm damage or assessments under the nuclear insurance program. Recovery from customers of any losses in excess of the storm and property insurance reserve will require the approval of the FPSC. FPL's available lines of credit include \$300 million to provide additional liquidity in the event of a T&D property loss.

Contracts – FPL Group has entered into a \$3.7 billion long-term agreement with General Electric Company for the supply of 66 gas turbines through 2004 and parts, repairs and on-site services through 2011. The turbines are intended to support expansion at FPL and FPL Energy, and the related commitments for a portion of the 66 gas turbines are included in Commitments above.

FPL has entered into long-term purchased power and fuel contracts. Take-or-pay purchased power contracts with the Jacksonville Electric Authority (JEA) and with subsidiaries of The Southern Company (Southern Companies) provide approximately 1,300 megawatts (mw) of power through mid-2010 and 388 mw thereafter through 2021. FPL also has various firm pay-for-performance contracts to purchase approximately 900 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2002 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. FPL

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has long-term contracts for the transportation and supply of natural gas, coal and oil with various expiration dates through 2022. FPL Energy has long-term contracts for the transportation and storage of natural gas with expiration dates ranging from 2002 through 2017, and a contract for the supply of natural gas that expires in mid-2002.

The required capacity and minimum payments through 2005 under these contracts are estimated to be as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u> (millions)	<u>2004</u>	<u>2005</u>
FPL:					
Capacity payments:					
JEA and Southern Companies	\$ 200	\$200	\$190	\$200	\$200
Qualifying facilities	\$ 320	\$330	\$340	\$350	\$340
Minimum payments, at projected prices:					
Natural gas, including transportation	\$1,020	\$815	\$710	\$680	\$630
Coal	\$ 45	\$ 45	\$ 20	\$ 10	\$ 10
Oil	\$ 275	\$ 15	\$ -	\$ -	\$ -
FPL Energy:					
Natural gas, including transportation and storage	\$ 20	\$ 20	\$ 15	\$ 15	\$ 15

Charges under these contracts were as follows:

	<u>2000 Charges</u>		<u>1999 Charges</u>		<u>1998 Charges</u>	
	<u>Capacity</u>	<u>Energy/ Fuel</u>	<u>Capacity</u>	<u>Energy/ Fuel</u>	<u>Capacity</u>	<u>Energy/ Fuel</u>
	(millions)					
FPL:						
JEA and Southern Companies	\$198(a)	\$153(b)	\$186(a)	\$132(b)	\$192(a)	\$138(b)
Qualifying facilities.....	\$318(c)	\$135(b)	\$319(c)	\$121(b)	\$299(c)	\$108(b)
Natural gas, including transportation	\$ -	\$567(b)	\$ -	\$373(b)	\$ -	\$280(b)
Coal	\$ -	\$ 50(b)	\$ -	\$ 43(b)	\$ -	\$ 50(b)
Oil	\$ -	\$354(b)	\$ -	\$115(b)	\$ -	\$ -
FPL Energy:						
Natural gas, including transportation and storage	\$ -	\$ 17	\$ -	\$ 16	\$ -	\$ 18

- (a) Recoverable through base rates and the capacity clause.
- (b) Recoverable through the fuel clause
- (c) Recoverable through the capacity clause

Litigation - In 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA) brought an action against Georgia Power Company and other subsidiaries of The Southern Company for injunctive relief and the assessment of civil penalties for certain violations of the Clean Air Act. Among other things, the EPA alleges Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining proper permitting, and without complying with performance and technology standards as required by the Clean Air Act. The suit seeks injunctive relief requiring the installation of such technology and civil penalties of up to \$25,000 per day for each violation from an unspecified date after August 7, 1977 through January 30, 1997, and \$27,500 per day for each violation thereafter. Georgia Power Company has filed an answer to the complaint asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. The EPA subsequently moved for leave to file an amended complaint that would extend the suit to other Southern Company subsidiaries and plants and would add an allegation that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions (comparable allegations were made in the original complaint as to other plants but not Scherer Unit No. 4). The Court has not yet ruled on whether to permit the amendment. If amended as proposed, the EPA's demand for civil penalties with respect to Scherer Unit No. 4 would apply to the period commencing on an unspecified date after June 1, 1975.

In 2000, Southern California Edison Company (SCE) filed with the FERC a Petition for Declaratory Order (petition) asking the FERC to apply a November 1999 federal circuit court of appeals' decision to all qualifying small power production facilities, including two solar facilities operated by partnerships indirectly owned in part by FPL Energy. The federal circuit court of appeals' decision invalidated the FERC's so-called essential fixed assets standard, which permitted secondary uses of fossil fuels by qualifying small power production facilities beyond those expressly set forth in The Public Utility Regulatory Policies Act of 1978, as amended. The petition requests that the FERC declare that qualifying small power production facilities may not continue to use fossil fuel under the essential fixed assets standard and that they may be required to make refunds with respect to past usage. The partnerships intend to file a Motion to Intervene and Protest before the FERC, vigorously objecting to the position taken by SCE in its petition. The partnerships have always operated the solar facilities in accordance with orders issued by the FERC. Such orders were neither challenged nor appealed at the time they were granted, and it is the position of the partnerships that the orders remain in effect.

In 2000, Karen and Bruce Alexander filed suit against FPL Group, FPL, FPL FiberNet, LLC, FPL Group Capital and FPL Investments, Inc. in the Florida circuit court purportedly on behalf of all property owners in Florida whose property is encumbered by defendants' easements and on whose property the defendants have installed or intend to install fiber-optic

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cable which defendants lease, license or convey for non-electric transmission or distribution purposes, or intend to do so. The lawsuit alleged that FPL's easements did not permit the installation and use of fiber-optic cable for general communication purposes. The plaintiffs sought injunctive relief, compensatory damages, interest and attorneys' fees. The defendants served an offer of judgment for ten dollars on the named plaintiffs, reflecting the defendants' conclusion that, based on an analysis of the claims and circumstances of these individual plaintiffs, they had not sustained the injuries for which they claimed a right to relief. In January 2001, the plaintiffs accepted this offer of judgment, pursuant to which the suit has been dismissed with prejudice.

FPL Group and FPL believe that they have meritorious defenses to the pending litigation discussed above and are vigorously defending the suits. Accordingly, the liabilities, if any, arising from the proceedings are not anticipated to have a material adverse effect on their financial statements.

14. Segment Information

FPL Group's reportable segments include FPL, a regulated utility, and FPL Energy, a non-rate regulated energy generating subsidiary. Corporate and Other represents other business activities, other segments that are not separately reportable and eliminating entries. FPL Group's operating revenues derived from the sale of electricity represented approximately 97%, 98% and 97% of FPL Group's operating revenues in 2000, 1999 and 1998, respectively. Less than 1% of operating revenues were from foreign sources for each of the three years ended December 31, 2000. As of December 31, 2000 and 1999, less than 1% of long-lived assets were located in foreign countries.

FPL Group's segment information is as follows:

	2000				1999				1998			
	FPL	(a) FPL Energy	Corp. and Other	Total	FPL	(a) FPL Energy (millions)	Corp. and Other	Total	FPL	(a) FPL Energy	Corp. and Other	Total
Operating revenues..	\$ 6,361	\$ 632	\$ 89	\$ 7,082	\$ 6,057	\$ 323	\$ 58	\$ 6,438	\$ 6,366	\$ 234	\$ 61	\$ 6,661
Interest expense....	\$ 176	\$ 67	\$ 35	\$ 278	\$ 163	\$ 44	\$ 15	\$ 222	\$ 196	\$ 84	\$ 42	\$ 322
Depreciation and Amortization.....	\$ 975	\$ 50	\$ 7	\$ 1,032	\$ 989	\$ 34	\$ 17	\$ 1,040	\$ 1,249	\$ 31	\$ 4	\$ 1,284
Equity in earnings of equity method investees.....	\$ -	\$ 45	\$ -	\$ 45	\$ -	\$ 50	\$ -	\$ 50	\$ -	\$ 39	\$ -	\$ 39
Income tax expense (benefit)(b).....	\$ 341	\$ 36	\$(41)	\$ 336	\$ 324	\$(42)	\$ 41	\$ 323	\$ 349	\$ 24	\$(94)	\$ 279
Net income (loss) (c)(d).....	\$ 607	\$ 82	\$ 15	\$ 704	\$ 576	\$(46)	\$167	\$ 697	\$ 616	\$ 32	\$ 16	\$ 664
Significant noncash Items.....	\$ (57)	\$ -	\$100	\$ 43	\$ 86	\$ -	\$ -	\$ 86	\$ 34	\$ -	\$ -	\$ 34
Capital expenditures and investments...	\$ 1,299	\$ 507	\$ 90	\$ 1,896	\$ 924	\$1,540	\$ 15	\$ 2,479	\$ 617	\$ 313	\$ 16	\$ 946
Total assets.....	\$12,020	\$2,679	\$601	\$15,300	\$10,608	\$2,212	\$621	\$13,441	\$10,748	\$1,092	\$189	\$12,029
Investment in equity method investees..	\$ -	\$ 196	\$ -	\$ 196	\$ -	\$ 166	\$ -	\$ 166	\$ -	\$ 165	\$ -	\$ 165

- (a) FPL Energy's interest expense is based on an assumed capital structure of 50% debt for operating projects and 100% debt for projects under construction. FPL Energy's 1998 interest expense also includes the cost of terminating an interest rate swap agreement.
- (b) FPL Group allocates income taxes to FPL Energy on the "separate return method" as if it were a tax paying entity
- (c) Includes merger-related expense recognized in 2000 totaling \$41 million after-tax, of which \$38 million was recognized by FPL, \$1 million by FPL Energy and \$2 million by Corporate and Other (see Note 2).
- (d) The following nonrecurring items affected 1999 net income: FPL settled litigation for \$42 million after-tax (see Note 12); FPL Energy recorded \$104 million after-tax impairment loss (see Note 10), and Corporate and Other divested its cable investments resulting in a \$162 million after-tax gain (see Note 11).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Summarized Financial Information of FPL Group Capital

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

Condensed Consolidating Statements of Income

	Year Ended December 31, 2000			Year Ended December 31, 1999				Year Ended December 31, 1998				
	FPL Group	FPL Group Capital	Other (a)	FPL Group Capital	Other (a)	FPL Group Capital	Other (a)	FPL Group	FPL Group Capital	Other (a)	FPL Group Capital	
Operating revenues	\$ -	\$ 721	\$ 6,361	\$ 7,082	\$ -	\$ 380	\$ 6,058	\$ 6,438	\$ -	\$ 295	\$ 6,366	\$ 6,661
Operating expenses	(-)	(632)	(5,210)	(5,842)	(-)	(533)	(4,985)	(5,518)	(-)	(225)	(5,184)	(5,409)
Interest charges	(31)	(102)	(145)	(278)	(32)	(59)	(131)	(222)	(33)	(126)	(163)	(322)
Divestiture of cable investments	-	-	-	-	-	257	-	257	-	-	-	-
Other income (de- ductions) - net	726	135	(783)	78	712	108	(755)	65	689	61	(737)	13
Income before income taxes	695	122	223	1,040	680	153	187	1,020	656	5	282	943
Income tax expense (benefit)	(9)	4	341	336	(17)	15	325	323	(8)	(63)	350	279
Net income (loss)	<u>\$ 704</u>	<u>\$ 118</u>	<u>\$ (118)</u>	<u>\$ 704</u>	<u>\$ 697</u>	<u>\$ 138</u>	<u>\$ (138)</u>	<u>\$ 697</u>	<u>\$ 664</u>	<u>\$ 68</u>	<u>\$ (68)</u>	<u>\$ 664</u>

(a) Represents FPL, other subsidiaries and consolidating adjustments.

Condensed Consolidating Balance Sheets

	December 31, 2000				December 31, 1999			
	FPL Group	FPL Group Capital	Other (a)	FPL Group Consoli- dated (millions)	FPL Group	FPL Group Capital	Other (a)	FPL Group Consoli- dated
PROPERTY, PLANT AND EQUIPMENT:								
Electric utility plant in service and other property	\$ -	\$ 1,984	\$ 19,038	\$ 21,022	\$ -	\$ 1,386	\$ 18,168	\$ 19,554
Less accumulated depreciation and amortization	-	170	10,918	11,088	-	105	10,185	10,290
Total property, plant and equipment - net	<u>-</u>	<u>1,814</u>	<u>8,120</u>	<u>9,934</u>	<u>-</u>	<u>1,281</u>	<u>7,983</u>	<u>9,264</u>
CURRENT ASSETS:								
Cash and cash equivalents	12	51	66	129	(16)	376	1	361
Receivables	56	418	409	883	-	218	325	543
Other	-	66	703	769	-	46	423	469
Total current assets	<u>68</u>	<u>535</u>	<u>1,178</u>	<u>1,781</u>	<u>(16)</u>	<u>640</u>	<u>749</u>	<u>1,373</u>
OTHER ASSETS:								
Investment in subsidiaries	5,967	-	(5,967)	-	5,805	-	(5,805)	-
Other	141	1,365	2,079	3,585	133	1,346	1,325	2,804
Total other assets	<u>6,108</u>	<u>1,365</u>	<u>(3,888)</u>	<u>3,585</u>	<u>5,938</u>	<u>1,346</u>	<u>(4,480)</u>	<u>2,804</u>
TOTAL ASSETS	<u>\$ 6,176</u>	<u>\$ 3,714</u>	<u>\$ 5,410</u>	<u>\$ 15,300</u>	<u>\$ 5,922</u>	<u>\$ 3,267</u>	<u>\$ 4,252</u>	<u>\$ 13,441</u>
CAPITALIZATION:								
Common shareholders' equity	\$ 5,593	\$ 935	\$ (935)	\$ 5,593	\$ 5,370	\$ 1,013	\$ (1,013)	\$ 5,370
Preferred stock of FPL without sinking fund requirements	-	-	226	226	-	-	226	226
Long-term debt	-	1,400	2,576	3,976	-	1,399	2,079	3,478
Total capitalization	<u>5,593</u>	<u>2,335</u>	<u>1,867</u>	<u>9,795</u>	<u>5,370</u>	<u>2,412</u>	<u>1,292</u>	<u>9,074</u>
CURRENT LIABILITIES:								
Accounts payable and commercial paper	-	705	1,017	1,722	-	273	473	746
Other	467	186	388	1,041	485	141	498	1,124
Total current liabilities	<u>467</u>	<u>891</u>	<u>1,405</u>	<u>2,763</u>	<u>485</u>	<u>414</u>	<u>971</u>	<u>1,870</u>
OTHER LIABILITIES AND DEFERRED CREDITS:								
Accumulated deferred income taxes and unamortized tax credits	-	399	1,248	1,647	-	365	1,024	1,389
Other	116	89	890	1,095	67	76	965	1,108
Total other liabilities and deferred credits	<u>116</u>	<u>488</u>	<u>2,138</u>	<u>2,742</u>	<u>67</u>	<u>441</u>	<u>1,989</u>	<u>2,497</u>
COMMITMENTS AND CONTINGENCIES								
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 6,176</u>	<u>\$ 3,714</u>	<u>\$ 5,410</u>	<u>\$ 15,300</u>	<u>\$ 5,922</u>	<u>\$ 3,267</u>	<u>\$ 4,252</u>	<u>\$ 13,441</u>

(a) Represents FPL, other subsidiaries and consolidating adjustments.

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Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2000				Year Ended December 31, 1999				Year Ended December 31, 1998			
	FPL Group	FPL Group Capital	Other (a)	FPL Group Consoli- dated	FPL Group	FPL Group Capital	Other (a)	FPL Group Consoli- dated	FPL Group	FPL Group Capital	Other (a)	FPL Group Consoli- dated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 959	\$ 159	\$ (142)	\$ 976	\$ 594	\$ 56	\$ 913	\$ 1,563	\$ 654	\$ 8	\$ 1,081	\$ 1,743
CASH FLOWS FROM INVESTING ACTIVITIES:												
Capital expenditures and independent power investments	-	(507)	(1,299)	(1,806)	-	(1,540)	(861)	(2,401)	-	(521)	(617)	(1,138)
Capital contributions to FPL Group Capital and FPL	(418)	-	418	-	(127)	-	127	-	(249)	-	249	-
Other - net	3	(34)	(106)	(137)	(18)	313	(66)	229	-	427	(84)	343
Net cash used in investing activities	(415)	(541)	(987)	(1,943)	(145)	(1,227)	(800)	(2,172)	(249)	(94)	(452)	(795)
CASH FLOWS FROM FINANCING ACTIVITIES:												
Issuance of long- term debt	-	-	947	947	-	1,385	224	1,609	-	146	197	343
Retirement of long-term debt	-	-	(515)	(515)	-	(130)	(454)	(584)	-	(338)	(389)	(727)
Increase (decrease) in short-term debt .	-	353	466	819	-	135	94	229	-	16	(40)	(24)
Capital contributions from FPL Group	-	18	(18)	-	-	127	(127)	-	-	249	(249)	-
Repurchases of common stock	(150)	-	-	(150)	(116)	-	-	(116)	(62)	-	-	(62)
Dividends	(366)	(314)	314	(366)	(355)	-	-	(355)	(345)	-	-	(345)
Net cash provided by (used in) financing activities	(516)	57	1,194	735	(471)	1,517	(263)	783	(407)	73	(481)	(815)
Net increase (decrease) in cash and cash equivalents	28	(325)	65	(232)	(22)	346	(150)	174	(2)	(13)	148	133
Cash and cash equivalents at beginning of year .	(16)	376	1	361	6	30	151	187	8	43	3	54
Cash and cash equivalents at end of year	\$ 12	\$ 51	\$ 66	\$ 129	\$ (16)	\$ 376	\$ 1	\$ 361	\$ 6	\$ 30	\$ 151	\$ 187

(a) Represents FPL, other subsidiaries and consolidating adjustments.

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

16. Quarterly Data (Unaudited)

Condensed consolidated quarterly financial information is as follows:

	<u>March 31 (a)</u>	<u>June 30 (a)</u>	<u>September 30 (a)</u>	<u>December 31 (a)</u>
		(millions, except	per share amounts)	
FPL Group:				
<u>2000</u>				
Operating revenues	\$ 1,468	\$ 1,670	\$ 2,087	\$ 1,857
Operating income	\$ 237	\$ 347	\$ 511	\$ 145(c)
Net income	\$ 121	\$ 204	\$ 314	\$ 65(c)
Earnings per share: (b)				
Basic	\$ 0.71	\$ 1.20	\$ 1.85	\$ 0.39(c)
Assuming dilution	\$ 0.71	\$ 1.20	\$ 1.84	\$ 0.38(c)
Dividends per share	\$ 0.54	\$ 0.54	\$ 0.54	\$ 0.54
High-low common stock sales prices.	\$ 48 1/4-36 3/8	\$ 50 13/16-41 13/16	\$ 67 1/8-47 1/8	\$ 73-59 3/8
<u>1999</u>				
Operating revenues	\$ 1,412	\$ 1,614	\$ 1,892	\$ 1,520
Operating income	\$ 208	\$ 135(d)	\$ 470	\$ 107(e)
Net income	\$ 209(f)	\$ 77(d)	\$ 291	\$ 120(e)(g)
Earnings per share (basic and assuming dilution) (b).....	\$ 1.22(f)	\$ 0.45(d)	\$ 1.70	\$ 0.71(e)(g)
Dividends per share	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.52
High-low common stock sales prices.	\$ 61 15/16-50 1/8	\$ 60 1/2-52 7/8	\$ 56 11/16-49 1/8	\$ 52 1/2-41 1/8
FPL:				
<u>2000</u>				
Operating revenues	\$ 1,338	\$ 1,533	\$ 1,917	\$ 1,573
Operating income	\$ 151	\$ 218	\$ 326	\$ 105(c)
Net income	\$ 110	\$ 176	\$ 279	\$ 57(c)
Net income available to FPL Group..	\$ 106	\$ 172	\$ 275	\$ 54(c)
<u>1999</u>				
Operating revenues	\$ 1,359	\$ 1,511	\$ 1,769	\$ 1,418
Operating income	\$ 150	\$ 207	\$ 303	\$ 86(e)
Net income	\$ 108	\$ 167	\$ 268	\$ 48(e)
Net income available to FPL Group..	\$ 104	\$ 163	\$ 264	\$ 45(e)

- (a) In the opinion of FPL Group and FPL, all adjustments, which consist of normal recurring accruals necessary to present a fair statement of the amounts shown for such periods, have been made. Results of operations for an interim period may not give a true indication of results for the year.
- (b) The sum of the quarterly amounts may not equal the total for the year due to rounding.
- (c) Includes merger-related expenses.
- (d) Includes impairment loss on Maine assets.
- (e) Includes the settlement of litigation between FPL and FMPA.
- (f) Includes gain on the sale of an investment in Adelpia common stock.
- (g) Includes gain on the redemption of a one-third ownership interest in a cable limited partnership.

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

None

PART III

Item 10. Directors and Executive Officers of the Registrants

FPL Group - The information required by this Item will be included in FPL Group's Proxy Statement which will be filed with the Securities and Exchange Commission in connection with the 2001 Annual Meeting of Shareholders (FPL Group's Proxy Statement) and is incorporated herein by reference, or is included in Item I. Business - Executive Officers of the Registrants.

FPL DIRECTORS^(a)

James L. Broadhead. Mr. Broadhead, 65, is chairman and chief executive officer of FPL and FPL Group. He is a director of Delta Air Lines, Inc., New York Life Insurance Company and The Pittston Company, and a trustee emeritus of Cornell University. Mr. Broadhead has been a director of FPL and FPL Group since 1989.

Dennis P. Coyle. Mr. Coyle, 62, is general counsel and secretary of FPL and FPL Group. He is a director of Adelphia Communications Corporation. Mr. Coyle has been a director of FPL since 1990.

Paul J. Evanson. Mr. Evanson, 59, is president of FPL. He is a director of Lynch Interactive Corporation. Mr. Evanson has been a director of FPL since 1992 and a director of FPL Group since 1995.

Lawrence J. Kelleher. Mr. Kelleher, 53, is senior vice president, human resources and corporate services of FPL and vice president, human resources of FPL Group. Mr. Kelleher has been a director of FPL since 1990.

Armando J. Olivera. Mr. Olivera, 51, is senior vice president, power systems of FPL. Mr. Olivera has been a director of FPL since 1999.

Thomas F. Plunkett. Mr. Plunkett, 61, is president of FPL's nuclear division. Mr. Plunkett has been a director of FPL since 1996.

Antonio Rodriguez. Mr. Rodriguez, 58, is senior vice president, power generation division of FPL. Mr. Rodriguez has been a director of FPL since 1999.

(a) Directors are elected annually and serve until their resignation, removal or until their respective successors are elected. Each director's business experience during the past five years is noted either here or in the Executive Officers table in Item 1 Business - Executive Officers of the Registrants.

Item 11. Executive Compensation

FPL Group - The information required by this Item will be included in FPL Group's Proxy Statement and is incorporated herein by reference, provided that the Compensation Committee Report and Performance Graph which are contained in FPL Group's Proxy Statement shall not be deemed to be incorporated herein by reference.

FPL - The following table sets forth FPL's portion of the compensation paid during the past three years to FPL's chief executive officer and the other four most highly-compensated persons who served as executive officers of FPL at December 31, 2000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Restricted Stock Awards(a)	Long-Term Compensation		
		Salary	Bonus	Other Annual Compensation		Number of Securities Underlying Options	Long-Term Incentive Plan Payouts(b)	All Other Compensation(c)
James L. Broadhead Chairman of the Board and Chief Executive Officer of FPL and FPL Group	2000	\$974,400	\$1,132,740	\$20,632	\$ -	-	\$21,053,233	\$13,563,705
	1999	943,000	895,850	18,809	2,412,005	250,000	1,083,272	12,658
	1998	847,875	937,125	9,809	-	-	1,788,731	12,009
Paul J. Evanson President of FPL	2000	660,000	660,700	11,105	-	-	10,395,654	8,544
	1999	628,500	616,900	8,656	1,278,900	150,000	458,985	13,539
	1998	592,500	546,900	2,785	-	-	704,304	13,746
Dennis P. Coyle General Counsel and Secretary of FPL and FPL Group	2000	410,640	310,045	8,487	-	-	5,892,417	7,900
	1999	399,832	259,891	7,964	964,802	100,000	236,783	10,259
	1998	357,000	257,040	595	-	-	368,079	9,737
Thomas F. Plunkett President, Nuclear Division of FPL	2000	375,000	243,000	11,121	-	-	5,902,937	8,391
	1999	340,000	219,100	10,088	255,780	100,000	179,564	10,146
	1998	302,500	177,900	3,482	-	-	103,481	10,344
Lawrence J. Kelleher Senior Vice President, Human Resources and Corporate Services of FPL and Vice President, Human Resources of FPL Group	2000	316,680	240,723	11,952	-	-	5,757,767	7,616
	1999	306,475	220,662	10,213	964,802	100,000	267,694	10,661
	1998	267,750	194,119	3,108	-	-	222,173	9,724

- (a) At December 31, 2000, none of the named officers held any shares of restricted common stock
- (b) FPL Group shareholders' December 15, 2000 approval of a proposed merger with Entergy Corporation resulted in a change of control under the definition in FPL Group's 1994 Long Term Incentive Plan. Upon the change of control, all performance criteria of performance-based awards, restricted stock and other stock-based awards held by the executive officers were deemed fully achieved and all such awards were deemed fully earned and vested, all options and other exercisable rights became exercisable and vested; the restrictions, deferral limitations and forfeiture conditions applicable to all awards under the Plan lapsed, and all outstanding awards were canceled and the holder thereof paid in cash on the basis of the highest trading price of FPL Group common stock during the 60-day period preceding shareholder approval
- (c) For 2000, represents employer matching contributions to employee thrift plans and employer contributions for life insurance as follows:

	Thrift Match	Life Insurance
Mr. Broadhead	\$7,494	\$1,245
Mr. Evanson	8,075	469
Mr. Coyle	7,494	406
Mr. Plunkett	8,075	316
Mr. Kelleher	7,494	122

Also represents FPL's portion of the distribution upon change of control on December 15, 2000 to Mr. Broadhead of his already vested benefit under his individual supplemental retirement plan. Mr. Broadhead's vested lump sum benefit payable in cash as of December 15, 2000, was \$14,021,598, this amount included the value of 96,800 shares of restricted Common Stock awarded to him in 1991 for the purpose of financing this plan, which would have otherwise vested on January 2, 2001. Also includes for Mr. Broadhead, \$585,046 in cash that accrued in a trust established to receive dividends from the 96,800 restricted shares that was not part of the supplemental retirement plan lump sum benefit.

Long-Term Incentive Plan Awards - In 2000, performance awards and shareholder value awards under FPL Group's Long-Term Incentive Plan were made to the executive officers named in the Summary Compensation Table as set forth in the following tables.

Performance Share Awards

Name	Number of Shares	Performance Period Until Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans	
			Target (#)	Maximum (#)
James L. Broadhead	28,257	1/1/00 - 12/31/03	28,257	45,211
Paul J. Evanson	11,303	1/1/00 - 12/31/03	11,303	18,085
Dennis P. Coyle	6,495	1/1/00 - 12/31/03	6,495	10,392
Thomas F. Plunkett	5,505	1/1/00 - 12/31/03	5,505	8,808
Lawrence J. Kelleher	5,009	1/1/00 - 12/31/03	5,009	8,014

The performance share awards in the preceding table are, under normal circumstances, payable at the end of the four-year performance period. The amount of the payout is determined by multiplying the participant's target number of shares by his average level of attainment, expressed as a percentage, which may not exceed 160%, of his targeted awards under the Annual Incentive Plans for each of the years encompassed by the award period. Annual incentive compensation is based on

the attainment of net income goals for FPL and FPL Group, which are established by the Compensation Committee of FPL Group's Board of Directors (the Committee) at the beginning of the year. The amounts earned on the basis of this performance measure are subject to reduction based on the degree of achievement of other corporate and business unit performance measures, and in the discretion of the Committee. Mr. Broadhead's annual incentive compensation for 2000 was based on the achievement of FPL Group's net income goals and the following performance measures for FPL (weighted 75%) and the non-utility and/or new businesses (weighted 25%) and upon certain qualitative factors. For FPL, the incentive performance measures were financial indicators (weighted 50%) and operating indicators (weighted 50%). The financial indicators were operations and maintenance costs, capital expenditure levels, net income, regulatory return on equity and operating cash flow. The operating indicators were service reliability as measured by the frequency and duration of service interruptions and service unavailability; system performance as measured by availability factors for the fossil power plants, and an industry index for the nuclear power plants; employee safety; number of significant environmental violations; customer satisfaction survey results; load management installed capability and conservation programs' annual installed capacity. For the non-utility and/or new businesses, the performance measures were total combined return on equity; non-utility net income and return on equity; corporate and other net income; employee safety; number of significant environmental violations and the development of a plan to meet five-year growth objectives. The qualitative factors included measures to position FPL Group for increased competition and initiating other actions that significantly strengthen FPL Group and enhance shareholder value.

Shareholder Value Awards

<u>Name</u>	<u>Number of Shares</u>	<u>Performance Period until Payout</u>	<u>Estimated Future Payouts Under Non-Stock Price-Based Plans</u>	
			<u>Target(#)</u>	<u>Maximum(#)</u>
James L. Broadhead	19,266	1/1/00 - 12/31/02	19,266	30,826
Paul J. Evanson	9,688	1/1/00 - 12/31/02	9,688	15,501
Dennis P. Coyle	4,872	1/1/00 - 12/31/02	4,872	7,795
Thomas F. Plunkett	4,128	1/1/00 - 12/31/02	4,128	6,605
Lawrence J. Kelleher	3,757	1/1/00 - 12/31/02	3,757	6,011

The shareholder value awards in the preceding table are, under normal circumstances, payable at the end of the three-year performance period. The amount of the payout is determined by multiplying the participant's target number of shares by a factor derived by comparing the average annual total shareholder return of FPL Group (price appreciation of FPL Group common stock plus dividends) to the total shareholder return of the Dow Jones Electric Utilities Index companies over the three-year performance period. The payout may not exceed 160% of targeted awards.

On December 15, 2000, FPL Group shareholders approved a proposed merger with Entergy Corporation, resulting in a change of control under the definition in FPL Group's 1994 Long Term Incentive Plan. See note (b) to the Summary Compensation Table.

The named officers did not receive any stock option grants during 2000, did not exercise any stock options during 2000 and held no exercisable options at the end of the year.

Retirement Plans – FPL Group maintains a non-contributory defined benefit pension plan and a supplemental executive retirement plan which covers FPL employees. The following table shows the estimated annual benefits, calculated on a straight-line annuity basis, payable upon retirement in 2000 at age 65 after the indicated years of service.

Pension Plan Table

Eligible Average Annual Compensation	Years of Service				
	10	20	30	40	50
\$ 300,000	\$ 58,704	\$ 117,397	\$ 146,101	\$ 154,543	\$ 156,931
400,000	78,704	157,397	196,101	207,043	209,431
500,000	98,704	197,397	246,101	259,543	261,931
600,000	118,704	237,397	296,101	312,043	314,431
700,000	138,704	277,397	346,101	364,543	366,931
800,000	158,704	317,397	396,101	417,043	419,431
900,000	178,704	357,397	446,101	469,543	471,931
1,000,000	198,704	397,397	496,101	522,043	524,431
1,100,000	218,704	437,397	546,101	574,543	576,931
1,200,000	238,704	477,397	596,101	627,043	629,431
1,300,000	258,704	517,397	646,101	679,543	681,931
1,400,000	278,704	557,397	696,101	732,043	734,431
1,500,000	298,704	597,397	746,101	784,543	786,931
1,600,000	318,704	637,397	796,101	837,043	839,431
1,700,000	338,704	677,397	846,101	889,543	891,931
1,800,000	358,704	717,397	896,101	942,043	944,431
1,900,000	378,704	757,397	946,101	994,543	996,931
2,000,000	398,704	797,397	996,101	1,047,043	1,049,431
2,100,000	418,704	837,397	1,046,101	1,099,543	1,101,931
2,200,000	438,704	877,397	1,096,101	1,152,043	1,154,431
2,300,000	458,704	917,397	1,146,101	1,204,543	1,206,931
2,400,000	478,704	957,397	1,196,101	1,257,043	1,259,431
2,500,000	498,704	997,397	1,246,101	1,309,543	1,311,931
2,600,000	518,704	1,037,397	1,295,101	1,362,043	1,364,431
2,700,000	538,704	1,077,397	1,348,101	1,414,543	1,416,931
2,800,000	558,704	1,117,397	1,396,101	1,467,043	1,469,431

The compensation covered by the plans includes annual salaries and bonuses of certain officers of FPL Group and annual salaries of officers of FPL, as shown in the respective Summary Compensation Tables, but no other amounts shown in those tables. Estimated credited years of service for the FPL executive officers named in the Summary Compensation Table are: Mr. Broadhead, 12 years; Mr. Evanson, 8 years; Mr. Coyle, 11 years; Mr. Plunkett, 10 years and Mr. Kelleher, 33 years. Amounts shown in the table reflect deductions to partially cover employer contributions to social security.

A supplemental retirement plan for Mr. Coyle provides for benefits based on two times his credited years of service. A supplemental retirement plan for Mr. Evanson provides for benefits based on two times his credited years of service up to age 65 and one times his credited years of service thereafter. A supplemental retirement plan for Mr. Plunkett provides for benefits, upon retirement at age 62 or more, based on two times his credited years of service up to age 65 and one times his credited years of service thereafter.

FPL Group sponsors a split-dollar life insurance plan for certain of FPL's and FPL Group's senior officers, including the FPL executive officers named in the Summary Compensation Table. Benefits under the split-dollar plan are provided by universal life insurance policies purchased by FPL Group. If the officer dies prior to retirement (defined to include age plus years of service), or for Mr. Kelleher during employment or after retirement but prior to age 65, the officer's beneficiaries generally receive two and one-half times the officer's annual salary at the time of death. If the officer dies after retirement, or for Mr. Kelleher on or after 65 but before termination of his split dollar agreement, the officer's beneficiaries receive between 50% to 100% (100% to 180% depending upon age at time of death for Mr. Kelleher) of the officer's final annual salary. Upon termination of the agreement after 10 years, at age 65 or termination of employment which qualifies as retirement, whichever is later, the life insurance policies will be assigned to the officer or his beneficiary. Each officer is taxable on the insurance carrier's one-year term rate for his life insurance coverage.

Employment Agreements - On December 15, 2000, when FPL Group's shareholders approved a proposed merger with Entergy Corporation, previously-existing employment agreements between FPL Group and certain officers, including the individuals named in the Summary Compensation Table, became effective. The agreements provide that the officer shall be employed by FPL Group for a period of four years (five years in the case of Mr. Broadhead) in a position at least commensurate with his position with FPL Group in December 2000. During the employment period the officer shall be paid an annual base salary at least equal to his annual base salary for 2000, with annual increases consistent with those awarded to other peer officers of FPL Group, but not less than the increases in the consumer price index; shall be paid an annual bonus at least equal to the highest bonus paid to him for any of the three years immediately preceding 2000; be given the opportunity to earn long term incentive compensation at least as favorable as such opportunities given to other peer officers of FPL Group during 2000 or thereafter and shall be entitled to participate in employee benefit plans providing benefits at least as favorable as those provided to other peer officers of FPL Group during 2000 or thereafter.

In the event that the officer's employment is terminated (except for death, disability, or cause) or if the officer terminates his employment for good reason, as defined in the agreement, the officer is entitled to severance benefits in the form of a lump-sum payment equal to the compensation due for the remainder of the employment period or for two years, whichever is longer. Such benefits would be based on the officer's then base salary plus an annual bonus at least equal to the bonus for the year 2000. The officer is also entitled to the maximum amount payable under all long-term incentive compensation grants outstanding, continued coverage under all employee benefit plans, supplemental retirement benefits and reimbursement for any tax penalties incurred as a result of the severance payments.

Director Compensation - All of the directors of FPL are salaried employees of FPL Group and its subsidiaries and do not receive any additional compensation for serving as a director.

Item 12. Security Ownership of Certain Beneficial Owners and Management

FPL Group - The information required by this Item will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

FPL - FPL Group owns 100% of FPL's common stock. FPL's directors and executive officers beneficially own shares of FPL Group's common stock as follows:

Name	Number of Shares (a)
James L. Broadhead	91,789
Dennis P. Coyle	26,439 (b)
Paul J. Evanson	47,021
Lawrence J. Kelleher	23,038
Armando J. Olivera	14,049
Thomas F. Plunkett	15,070
Antonio Rodriguez	7,632
All directors and executive officers as a group	243,916 (b) (c)

- (a) Information is as of January 31, 2001, except for holdings under the thrift plans, which are as of December 31, 2000 Unless otherwise indicated, each person has sole voting and sole investment power.
- (b) Includes 25 shares owned by Mr. Coyle's wife, as to which Mr. Coyle disclaims beneficial ownership
- (c) Less than 1% of FPL Group's common stock outstanding.

Section 16(a) Beneficial Ownership Reporting Compliance - FPL's directors and executive officers are required to file initial reports of ownership and reports of changes of ownership of FPL Group common stock with the Securities and Exchange Commission. Based upon a review of these filings and written representations from FPL directors and executive officers, all required filings were timely made in 2000 except one transaction involving a gift transfer by Mr. Broadhead to a trust for the benefit of members of Mr. Broadhead's family was inadvertently not reported on Form 5 on a timely basis for fiscal year 1999 due to an oversight by counsel to FPL Group.

Item 13. Certain Relationships and Related Transactions

FPL Group - The information required by this Item will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

FPL - None

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)	1. Financial Statements	<u>Page(s)</u>
	Independent Auditors' Report	18
	FPL Group:	
	Consolidated Statements of Income	19
	Consolidated Balance Sheets	20
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	FPL:	
	Consolidated Statements of Income	23
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	Notes to Consolidated Financial Statements	27-42

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

3. Exhibits including those Incorporated by Reference

<u>Exhibit Number</u>	<u>Description</u>	<u>FPL Group</u>	<u>FPL</u>
*2	Merger Termination and Release Agreement dated April 1, 2001 (filed as Exhibit 2 to FPL Group's and FPL's Form 8-K dated April 1, 2001, File Nos. 1-8841 and 1-3545, respectively)	x	x
*3(i)a	Restated Articles of Incorporation of FPL Group dated December 31, 1984, as amended through December 17, 1990 (filed as Exhibit 4(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669)	x	
*3(i)b	Amendment to FPL Group's Restated Articles of Incorporation dated June 27, 1996 (filed as Exhibit 3 to Form 10-Q for the quarter ended June 30, 1996, File No. 1-8841)	x	
*3(i)c	Restated Articles of Incorporation of FPL dated March 23, 1992 (filed as Exhibit 3(i)a to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)d	Amendment to FPL's Restated Articles of Incorporation dated March 23, 1992 (filed as Exhibit 3(i)b to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)e	Amendment to FPL's Restated Articles of Incorporation dated May 11, 1992 (filed as Exhibit 3(i)c to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)f	Amendment to FPL's Restated Articles of Incorporation dated March 12, 1993 (filed as Exhibit 3(i)d to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)g	Amendment to FPL's Restated Articles of Incorporation dated June 16, 1993 (filed as Exhibit 3(i)e to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)h	Amendment to FPL's Restated Articles of Incorporation dated August 31, 1993 (filed as Exhibit 3(i)f to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)i	Amendment to FPL's Restated Articles of Incorporation dated November 30, 1993 (filed as Exhibit 3(i)g to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(ii)a	Bylaws of FPL Group as amended February 12, 2001 (filed as Exhibit 3(ii)a to Form 10-K for the year ended December 31, 2000, File No. 1-8841)	x	
*3(ii)b	Bylaws of FPL dated May 11, 1992 (filed as Exhibit 3 to Form 8-K dated May 1, 1992, File No. 1-3545)		x
*4(a)	Form of Rights Agreement, dated as of July 1, 1996, between FPL Group and The First National Bank of Boston (filed as Exhibit 4 to Form 8-K dated June 17, 1996, File No. 1-8841)	x	
*4(b)	Amendment to Rights Agreement dated as of July 30, 2000, between FPL Group and Fleet National Bank (f/k/a The First National Bank of Boston), as the Rights Agent (filed as Exhibit 2 to Form 8-A/A dated July 31, 2000, File No. 1-8841)	x	

		FPL Group	FPL
*4(c)	Mortgage and Deed of Trust dated as of January 1, 1944, and Ninety-nine Supplements thereto between FPL and Bankers Trust Company and The Florida National Bank of Jacksonville (now First Union National Bank of Florida), Trustees (as of September 2, 1992, the sole trustee is Bankers Trust Company) (filed as Exhibit B-3, File No. 2-4845; Exhibit 7(a), File No. 2-7126; Exhibit 7(a), File No. 2-7523; Exhibit 7(a), File No. 2-7990; Exhibit 7(a), File No. 2-9217; Exhibit 4(a)-5, File No. 2-10093; Exhibit 4(c), File No. 2-11491; Exhibit 4(b)-1, File No. 2-12900; Exhibit 4(b)-1, File No. 2-13255; Exhibit 4(b)-1, File No. 2-13705; Exhibit 4(b)-1, File No. 2-13925; Exhibit 4(b)-1, File No. 2-15088; Exhibit 4(b)-1, File No. 2-15677; Exhibit 4(b)-1, File No. 2-20501; Exhibit 4(b)-1, File No. 2-22104; Exhibit 2(c), File No. 2-23142; Exhibit 2(c), File No. 2-24195; Exhibit 4(b)-1, File No. 2-25677; Exhibit 2(c), File No. 2-27612; Exhibit 2(c), File No. 2-29001; Exhibit 2(c), File No. 2-30542; Exhibit 2(c), File No. 2-33038; Exhibit 2(c), File No. 2-37679; Exhibit 2(c), File No. 2-39006; Exhibit 2(c), File No. 2-41312; Exhibit 2(c), File No. 2-44234; Exhibit 2(c), File No. 2-46502; Exhibit 2(c), File No. 2-48679; Exhibit 2(c), File No. 2-49726; Exhibit 2(c), File No. 2-50712; Exhibit 2(c), File No. 2-52826; Exhibit 2(c), File No. 2-53272; Exhibit 2(c), File No. 2-54242; Exhibit 2(c), File No. 2-56228; Exhibits 2(c) and 2(d), File No. 2-60413; Exhibits 2(c) and 2(d), File No. 2-65701; Exhibit 2(c), File No. 2-66524; Exhibit 2(c), File No. 2-67239; Exhibit 4(c), File No. 2-69716; Exhibit 4(c), File No. 2-70767; Exhibit 4(b), File No. 2-71542; Exhibit 4(b), File No. 2-73799; Exhibits 4(c), 4(d) and 4(e), File No. 2-75762; Exhibit 4(c), File No. 2-77629; Exhibit 4(c), File No. 2-79557; Exhibit 99(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669; Exhibit 99(a) to Post-Effective Amendment No. 1 to Form S-3, File No. 33-46076; Exhibit 4(b) to Form 10-K for the year ended December 31, 1993, File No. 1-3545; Exhibit 4(i) to Form 10-Q for the quarter ended June 30, 1994, File No. 1-3545; Exhibit 4(b) to Form 10-Q for the quarter ended June 30, 1995, File No. 1-3545; Exhibit 4(a) to Form 10-Q for the quarter ended March 31, 1996, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended June 30, 1998, File No. 1-3545; and Exhibit 4 to Form 10-Q for the quarter ended March 31, 1999, File No. 1-8841)	x	x
*4(d)	Indenture, dated as of June 1, 1999, between FPL Group Capital Inc and The Bank of New York, as Trustee (filed as Exhibit 4(a) to Form 8-K Dated July 16, 1999, File No. 1-8841)	x	
*4(e)	Guarantee Agreement between FPL Group, Inc. (as Guarantor) and The Bank of New York (as Guarantee Trustee) date as of June 1, 1999 (filed as Exhibit 4(b) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(f)	One-hundredth Supplemental Indenture dated as of December 1, 2000 between FPL and Bankers Trust Company, Trustee (filed as Exhibit 4(f) to FPL Group's and FPL's Form 10-K for the year ended December 31, 2000, File Nos. 1-8841 and 1-3545, respectively)	x	x
*4(g)	One Hundred First Supplemental Indenture dated as of December 1, 2000 between FPL and Bankers Trust Company, Trustee (filed as exhibit 4(g) to FPL Group's and FPL's Form 10-K for the year ended December 31, 2000, File Nos. 1-8841 and 1-3545, respectively)	x	x
*10(a)	FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	
*10(b)	Amendments # 1 and 2 effective January 1, 1998 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(b) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	
*10(c)	Amendment #3 effective January 1, 1999, to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(c) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	
*10(d)	Supplement to the FPL Group Supplemental Executive Retirement Plan as it applies to Paul J. Evanson effective January 1, 1996 (filed as Exhibit 10(b) to Form 10-K for the year ended December 31, 1996, File No. 1-8841)	x	
*10(e)	Supplement to the FPL Group Supplemental Executive Retirement Plan as it applies to Thomas F. Plunkett (filed as Exhibit 10(e) to Form 10-K for the year ended December 31, 1997, File No. 1-8841)	x	
*10(f)	Supplemental Executive Retirement Plan for Dennis P. Coyle effective November 15, 1993 (filed as Exhibit 10(f) to Form 10-K for the year ended December 31, 2000, File No. 1-8841)	x	
*10(g)	Long-Term Incentive Plan 1994 (filed as Exhibit 4(d) to Form S-8, File No. 33-57673)	x	
*10(h)	Annual Incentive Plan (filed as Exhibit 10(h) to Form 10-K for the year ended December 31, 2000, File No. 1-8841)	x	
*10(i)	FPL Group, Inc. Deferred Compensation Plan, amended and restated effective January 1, 1995 (filed as Exhibit 99 to Form S-8, File No. 333-88067)	x	
*10(j)	FPL Group Executive Long Term Disability Plan effective January 1, 1995 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	

		<u>FPL Group</u>	<u>FPL</u>
*10(k)	Employment Agreement between FPL Group and James L. Broadhead, amended and restated as of May 10, 1999 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(l)	Employment Agreement between FPL Group and Dennis P. Coyle, amended and restated as of May 10, 1999 (filed as Exhibit 10(b) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(m)	Employment Agreement between FPL Group and Paul J. Evanson, amended and restated as of May 10, 1999 (filed as Exhibit 10(c) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(n)	Employment Agreement between FPL Group and Lewis Hay, III, dated as of September 13, 1999 (filed as Exhibit 10(d) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(o)	Employment Agreement between FPL Group and Lawrence J. Kelleher, amended and restated as of May 10, 1999 (filed as Exhibit 10(e) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(p)	Employment Agreement between FPL Group and Thomas F. Plunkett, amended and restated as of May 10, 1999 (filed as Exhibit 10(f) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(q)	Employment Agreement between FPL Group and Armando J. Olivera, dated as of June 12, 2000 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended June 30, 2000, File No. 1-8841)	x	
*10(r)	Employment Agreement between FPL Group and Antonio Rodriguez, dated as of June 12, 2000 (filed as Exhibit 10(b) to Form 10-Q for the quarter ended June 30, 2000, File No. 1-8841)	x	
*10(s)	FPL Group, Inc. Non-Employee Directors Stock Plan dated as of March 17, 1997 (filed as Appendix A to FPL Group's 1997 Proxy Statement, File No. 1-8841)	x	
*10(t)	Retention Bonus Plan dated November 6, 2000 (filed as Exhibit 10(v) to Form 10-K for the year ended December 31, 2000, File No. 1-8841)	x	
*10(u)	Form of Split Dollar Agreement between FPL Group and each of James L. Broadhead, Dennis P. Coyle, Paul J. Evanson, Lewis Hay, III, Lawrence J. Kelleher and Thomas F. Plunket (filed as Exhibit 10(w) to Form 10-K for the year ended December 31, 2000, File No. 1-8841)	x	
12(a)	Computation of Ratio of Earnings to Fixed Charges	x	
12(b)	Computation of Ratios		x
21	Subsidiaries of the Registrant	x	
23	Independent Auditors' Consent	x	x

* Incorporated herein by reference

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed with the Securities Exchange Commission on November 2, 2000 by FPL Group and FPL reporting one event under Items 5. Other Events.

A Current Report on Form 8-K was filed with the Securities Exchange Commission on December 15, 2000 by FPL Group and FPL reporting one event under Items 5. Other Events.

FPL GROUP, INC. SIGNATURES

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

FPL Group, Inc.

JAMES L. BROADHEAD
James L. Broadhead
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer and Director)

Date: April 9, 2001

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

Signature and Title as of April 9, 2001:

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

Directors:

H. JESSE ARNELLE
H. Jesse Arnelle

WILLARD D. DOVER
Willard D. Dover

SHERRY S. BARRAT
Sherry S. Barrat

ALEXANDER W. DREYFOOS JR.
Alexander W. Dreyfoos Jr.

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

PAUL J. EVANSON
Paul J. Evanson

J. HYATT BROWN
J. Hyatt Brown

FREDERIC V. MALEK
Frederic V. Malek

ARMANDO M. CODINA
Armando M. Codina

PAUL R. TREGURTHA
Paul R. Tregurtha

Marshall M. Criser
Marshall M. Criser

FLORIDA POWER & LIGHT COMPANY SIGNATURES

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

Florida Power & Light Company

PAUL J. EVANSON
Paul J. Evanson
President and Director

Date: April 9, 2001

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

Signature and Title as of April 9, 2001:

JAMES L. BROADHEAD
James L. Broadhead
Chairman of the Board
(Principal Executive Officer and Director)

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

Directors:

DENNIS P. COYLE
Dennis P. Coyle

THOMAS F. PLUNKETT
Thomas F. Plunkett

LAWRENCE J. KELLEHER
Lawrence J. Kelleher

ANTONIO RODRIGUEZ
Antonio Rodriguez

ARMANDO J. OLIVERA
Armando J. Olivera

EXHIBIT 12(a)

FPL GROUP, INC. AND SUBSIDIARIES
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Years Ended December 31,				
	2000	1999	1998	1997	1996
	(Millions of Dollars)				
Earnings, as defined:					
Net income	\$ 704	\$ 697	\$ 664	\$ 618	\$ 579
Income taxes	336	323	279	304	294
Fixed charges, included in the determination of net income, as below	296	234	335	304	283
Distributed income of independent power investments....	80	75	68	47	38
Less: Equity in earnings of independent power investments	45	50	39	14	5
Total earnings, as defined	<u>\$1,371</u>	<u>\$1,279</u>	<u>\$1,307</u>	<u>\$1,259</u>	<u>\$1,189</u>
Fixed charges, as defined:					
Interest charges	\$ 278	\$ 222	\$ 322	\$ 291	\$ 267
Rental interest factor	9	4	4	4	5
Fixed charges included in nuclear fuel cost	9	8	9	9	11
Fixed charges, included in the determination of net income	296	234	335	304	283
Capitalized interest	23	9	2	4	-
Total fixed charges, as defined	<u>\$ 319</u>	<u>\$ 243</u>	<u>\$ 337</u>	<u>\$ 308</u>	<u>\$ 283</u>
Ratio of earnings to fixed charges	<u>4.30</u>	<u>5.26</u>	<u>3.88</u>	<u>4.09</u>	<u>4.20</u>

EXHIBIT 12(b)

FLORIDA POWER & LIGHT COMPANY
COMPUTATION OF RATIOS

	Years Ended December 31				
	2000	1999	1998	1997	1996
	(Millions of Dollars)				
RATIO OF EARNINGS TO FIXED CHARGES					
Earnings, as defined:					
Net income	\$ 622	\$ 591	\$ 631	\$ 627	\$ 615
Income taxes	341	324	349	321	322
Fixed charges, as below	<u>192</u>	<u>174</u>	<u>209</u>	<u>240</u>	<u>262</u>
Total earnings, as defined	<u>\$1,155</u>	<u>\$1,089</u>	<u>\$1,189</u>	<u>\$1,188</u>	<u>\$1,199</u>
Fixed charges, as defined:					
Interest charges	\$ 176	\$ 163	\$ 196	\$ 227	\$ 246
Rental interest factor	7	3	4	4	5
Fixed charges included in nuclear fuel cost	<u>9</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>11</u>
Total fixed charges, as defined	<u>\$ 192</u>	<u>\$ 174</u>	<u>\$ 209</u>	<u>\$ 240</u>	<u>\$ 262</u>
Ratio of earnings to fixed charges	<u>6.02</u>	<u>6.26</u>	<u>5.69</u>	<u>4.95</u>	<u>4.58</u>
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS					
Earnings, as defined:					
Net income	\$ 622	\$ 591	\$ 631	\$ 627	\$ 615
Income taxes	341	324	349	321	322
Fixed charges, as below	<u>192</u>	<u>174</u>	<u>209</u>	<u>240</u>	<u>262</u>
Total earnings, as defined	<u>\$1,155</u>	<u>\$1,089</u>	<u>\$1,189</u>	<u>\$1,188</u>	<u>\$1,199</u>
Fixed charges, as defined:					
Interest charges	\$ 176	\$ 163	\$ 196	\$ 227	\$ 246
Rental interest factor	7	3	4	4	5
Fixed charges included in nuclear fuel cost	<u>9</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>11</u>
Total fixed charges, as defined	<u>192</u>	<u>174</u>	<u>209</u>	<u>240</u>	<u>262</u>
Non-tax deductible preferred stock dividends	15	15	15	19	24
Ratio of income before income taxes to net income	<u>1.55</u>	<u>1.55</u>	<u>1.55</u>	<u>1.51</u>	<u>1.52</u>
Preferred stock dividends before income taxes	<u>23</u>	<u>23</u>	<u>23</u>	<u>29</u>	<u>36</u>
Combined fixed charges and preferred stock dividends	<u>\$ 215</u>	<u>\$ 197</u>	<u>\$ 232</u>	<u>\$ 269</u>	<u>\$ 298</u>
Ratio of earnings to combined fixed charges and preferred stock dividends	<u>5.37</u>	<u>5.53</u>	<u>5.13</u>	<u>4.42</u>	<u>4.02</u>

EXHIBIT 21

SUBSIDIARIES OF FPL GROUP, INC.

<u>Subsidiary</u>	<u>State or Jurisdiction of Incorporation</u>
1. Florida Power & Light Company (100%-Owned)	Florida
2. Bay Loan and Investment Bank (a)	Rhode Island
3. Palms Insurance Company, Limited (a)	Cayman Islands

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

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-56869 on Form S-3; Registration Statement No. 33-57673 on Form S-8; Post-Effective Amendment No. 2 to Registration Statement No. 33-31487 on Form S-8; Post-Effective Amendment No. 2 to Registration Statement No. 33-33215 on Form S-8; Registration Statement No. 33-11631 on Form S-8; Post-Effective Amendment No. 1 to Registration Statement No. 33-39306 on Form S-3; Registration Statement No. 33-57470 on Form S-3; Registration Statement No. 333-27079 on Form S-8; Registration Statement No. 333-30695 on Form S-8; Registration Statement No. 333-30697 on Form S-8; Registration Statement No. 333-87869 on Form S-8; Registration Statement No. 333-87941 on Form S-3; Registration Statement No. 333-88067 on Form S-8; Post-Effective Amendment No. 1 to Registration Statement No. 333-79305 on Form S-8 and Registration Statement No. 333-39270 on Form S-3 of FPL Group, Inc., of our report dated February 9, 2001, except for the first paragraph of Note 2, as to which the date is April 2, 2001, appearing in this Annual Report on Form 10-K/A of FPL Group, Inc. for the year ended December 31, 2000.

We also consent to the incorporation by reference in Registration Statement No. 33-40123 on Form S-3 and Post-Effective Amendment No. 1 to Registration Statement No. 33-46076 on Form S-3 of Florida Power & Light Company, of our report dated February 9, 2001, except for the first paragraph of Note 2, as to which the date is April 2, 2001, appearing in this Annual Report on Form 10-K/A of Florida Power & Light Company for the year ended December 31, 2000.

We also consent to the incorporation by reference in Registration Statement No. 333-87941-01 on Form S-3 and Registration Statement No. 333-39270-01 on Form S-3 of FPL Group Capital Inc, of our report dated February 9, 2001, except for the first paragraph of Note 2, as to which the date is April 2, 2001, appearing in this Annual Report on Form 10-K/A of FPL Group, Inc. for the year ended December 31, 2000.

DELOITTE & TOUCHE LLP

Miami, Florida
April 6, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 2001**

OR

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

Commission File Number	Exact name of registrants as specified in their charters, address of principal executive offices and registrants' telephone number	IRS Employer Identification Number
1-8841	FPL GROUP, INC.	59-2449419
1-3545	FLORIDA POWER & LIGHT COMPANY 700 Universe Boulevard Juno Beach, Florida 33408 (561) 694-4000	59-0247775

State or other jurisdiction of incorporation or organization: Florida

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) have been subject to such filing requirements for the past 90 days Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each class of FPL Group, Inc. common stock, as of the latest practicable date: Common Stock, \$.01 par value, outstanding at July 31, 2001. 175,872,617 shares

As of July 31, 2001, there were issued and outstanding 1,000 shares of Florida Power & Light Company's common stock, without par value, all of which were held, beneficially and of record, by FPL Group, Inc.

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

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (Reform Act), FPL Group, Inc. (FPL Group) and Florida Power & Light Company (FPL) (collectively, the Company) are hereby filing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) made by or on behalf of the Company in this combined Form 10-Q, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projection, outlook) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause the Company's actual results to differ materially from those contained in forward-looking statements made by or on behalf of the Company.

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

Some important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements include changes in laws or regulations, changing governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission (FERC), the Florida Public Service Commission (FPSC), the Public Utility Regulatory Policies Act of 1978, as amended (PURPA), the Public Utility Holding Company Act of 1935, as amended, and the U. S. Nuclear Regulatory Commission, with respect to allowed rates of return including but not limited to return on common equity and equity ratio limits, industry and rate structure, operation of nuclear power facilities, acquisition, disposal, depreciation and amortization of assets and facilities, operation and construction of plant facilities, recovery of fuel and purchased power costs, decommissioning costs, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs).

The business and profitability of the Company are also influenced by economic and geographic factors including political and economic risks, changes in and compliance with environmental and safety laws and policies, weather conditions (including natural disasters such as hurricanes), population growth rates and demographic patterns, competition for retail and wholesale customers, availability, pricing and transportation of fuel and other energy commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation or in accounting standards, unanticipated delays or changes in costs for capital projects, unanticipated changes in operating expenses and capital expenditures, capital market conditions, competition for new energy development opportunities and legal and administrative proceedings (whether civil, such as environmental, or criminal) and settlements.

All such factors are difficult to predict, contain uncertainties which may materially affect actual results, and are beyond the control of the Company.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
OPERATING REVENUES	<u>\$2,166</u>	<u>\$1,670</u>	<u>\$4,107</u>	<u>\$3,138</u>
OPERATING EXPENSES:				
Fuel, purchased power and interchange	1,054	605	2,005	1,146
Other operations and maintenance.....	313	308	623	593
Merger-related	-	-	30	-
Depreciation and amortization	245	266	485	525
Taxes other than income taxes	<u>174</u>	<u>144</u>	<u>344</u>	<u>291</u>
Total operating expenses	<u>1,786</u>	<u>1,323</u>	<u>3,487</u>	<u>2,555</u>
OPERATING INCOME	<u>380</u>	<u>347</u>	<u>620</u>	<u>583</u>
OTHER INCOME (DEDUCTIONS):				
Interest charges	(82)	(64)	(167)	(126)
Preferred stock dividends - FPL	(4)	(4)	(7)	(7)
Other - net	<u>34</u>	<u>26</u>	<u>48</u>	<u>34</u>
Total other deductions - net	<u>(52)</u>	<u>(42)</u>	<u>(126)</u>	<u>(99)</u>
INCOME BEFORE INCOME TAXES	328	305	494	484
INCOME TAXES	<u>109</u>	<u>101</u>	<u>165</u>	<u>159</u>
NET INCOME	<u>\$ 219</u>	<u>\$ 204</u>	<u>\$ 329</u>	<u>\$ 325</u>
Earnings per share of common stock (basic and assuming dilution)..	\$ 1.30	\$ 1.20	\$ 1.95	\$ 1.91
Dividends per share of common stock	\$ 0.56	\$ 0.54	\$ 1.12	\$ 1.08
Weighted-average number of common shares outstanding:				
Basic	169	170	169	170
Assuming dilution	169	171	169	171

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements (Notes) herein and the Notes to Consolidated Financial Statements appearing in the combined Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000 (2000 Form 10-K) for FPL Group and FPL.

FPL GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(millions)
(unaudited)

	<u>June 30,</u> <u>2001</u>	<u>December 31,</u> <u>2000</u>
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and other property, including nuclear fuel and construction work in progress	\$22,145	\$21,022
Less accumulated depreciation and amortization	<u>(11,508)</u>	<u>(11,088)</u>
Total property, plant and equipment - net	<u>10,637</u>	<u>9,934</u>
CURRENT ASSETS:		
Cash and cash equivalents	72	129
Customer receivables, net of allowances of \$7 at each date	670	637
Materials, supplies and fossil fuel inventory - at average cost	373	370
Deferred clause expenses	473	337
Other	<u>275</u>	<u>308</u>
Total current assets	<u>1,863</u>	<u>1,781</u>
OTHER ASSETS:		
Special use funds of FPL	1,585	1,497
Other investments	901	651
Other	<u>1,573</u>	<u>1,437</u>
Total other assets	<u>4,059</u>	<u>3,585</u>
TOTAL ASSETS	<u>\$16,559</u>	<u>\$15,300</u>
CAPITALIZATION:		
Common stock	\$ 2	\$ 2
Additional paid-in capital	2,798	2,788
Retained earnings	2,944	2,803
Accumulated other comprehensive income	<u>5</u>	<u>-</u>
Total common shareholders' equity	5,749	5,593
Preferred stock of FPL without sinking fund requirements	226	226
Long-term debt	<u>4,474</u>	<u>3,976</u>
Total capitalization	<u>10,449</u>	<u>9,795</u>
CURRENT LIABILITIES:		
Debt due within one year	1,562	1,223
Accounts payable	622	564
Accrued interest, taxes and other	<u>1,127</u>	<u>976</u>
Total current liabilities	<u>3,311</u>	<u>2,763</u>
OTHER LIABILITIES AND DEFERRED CREDITS:		
Accumulated deferred income taxes	1,398	1,378
Unamortized regulatory and investment tax credits	248	269
Other	<u>1,153</u>	<u>1,095</u>
Total other liabilities and deferred credits	<u>2,799</u>	<u>2,742</u>
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$16,559</u>	<u>\$15,300</u>

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2000 Form 10-K for FPL Group and FPL.

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

	Six Months Ended	
	June 30,	
	2001	2000
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 849	\$ 748
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures of FPL	(595)	(660)
Independent power investments	(899)	(294)
Other - net	(55)	(63)
Net cash used in investing activities	(1,549)	(1,017)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of long-term debt	493	145
Retirement of long-term debt	(66)	(149)
Increase in commercial paper	404	363
Repurchase of common stock	-	(34)
Dividends on common stock	(188)	(183)
Net cash provided by financing activities	643	142
Net decrease in cash and cash equivalents	(57)	(127)
Cash and cash equivalents at beginning of period	129	361
Cash and cash equivalents at end of period	\$ 72	\$ 234
Supplemental schedule of noncash investing and financing activities:		
Additions to capital lease obligations	\$ 24	\$ 22

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2000 Form 10-K for FPL Group and FPL.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
OPERATING REVENUES	\$1,935	\$1,533	\$3,582	\$2,871
OPERATING EXPENSES:				
Fuel, purchased power and interchange	939	570	1,702	1,071
Other operations and maintenance	256	250	510	487
Merger-related	-	-	26	-
Depreciation and amortization	226	254	449	501
Income taxes	107	101	169	161
Taxes other than income taxes	<u>174</u>	<u>140</u>	<u>337</u>	<u>282</u>
Total operating expenses	<u>1,702</u>	<u>1,315</u>	<u>3,193</u>	<u>2,502</u>
OPERATING INCOME	<u>233</u>	<u>218</u>	<u>389</u>	<u>369</u>
OTHER INCOME (DEDUCTIONS):				
Interest charges	(47)	(42)	(100)	(82)
Other - net	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Total other deductions - net	<u>(47)</u>	<u>(42)</u>	<u>(102)</u>	<u>(84)</u>
NET INCOME	186	176	287	285
PREFERRED STOCK DIVIDENDS	<u>4</u>	<u>4</u>	<u>7</u>	<u>7</u>
NET INCOME AVAILABLE TO FPL GROUP	<u>\$ 182</u>	<u>\$ 172</u>	<u>\$ 280</u>	<u>\$ 278</u>

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2000 Form 10-K for FPL Group and FPL.

FLORIDA POWER & LIGHT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(millions)
(unaudited)

	<u>June 30,</u> <u>2001</u>	<u>December 31,</u> <u>2000</u>
ELECTRIC UTILITY PLANT:		
Plant in service, including nuclear fuel and construction work in progress	\$19,475	\$19,033
Less accumulated depreciation and amortization	<u>(11,307)</u>	<u>(10,919)</u>
Electric utility plant - net	<u>8,168</u>	<u>8,114</u>
CURRENT ASSETS:		
Cash and cash equivalents	8	66
Customer receivables, net of allowances of \$6 and \$7, respectively.....	575	489
Materials, supplies and fossil fuel inventory - at average cost	315	313
Deferred clause expenses	473	337
Other	<u>167</u>	<u>211</u>
Total current assets	<u>1,538</u>	<u>1,416</u>
OTHER ASSETS:		
Special use funds	1,585	1,497
Other	<u>920</u>	<u>993</u>
Total other assets	<u>2,505</u>	<u>2,490</u>
TOTAL ASSETS	<u>\$12,211</u>	<u>\$12,020</u>
CAPITALIZATION:		
Common shareholder's equity	\$ 5,410	\$ 5,032
Preferred stock without sinking fund requirements	226	226
Long-term debt	<u>2,577</u>	<u>2,577</u>
Total capitalization	<u>8,213</u>	<u>7,835</u>
CURRENT LIABILITIES:		
Debt due within one year	192	625
Accounts payable	490	458
Accrued interest, taxes and other	<u>1,054</u>	<u>859</u>
Total current liabilities	<u>1,736</u>	<u>1,942</u>
OTHER LIABILITIES AND DEFERRED CREDITS:		
Accumulated deferred income taxes	1,079	1,084
Unamortized regulatory and investment tax credits	248	269
Other	<u>935</u>	<u>890</u>
Total other liabilities and deferred credits	<u>2,262</u>	<u>2,243</u>
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$12,211</u>	<u>\$12,020</u>

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2000 Form 10-K for FPL Group and FPL.

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

	Six Months Ended June 30,	
	2001	2000
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 905	\$ 722
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(595)	(660)
Other - net	(24)	(43)
Net cash used in investing activities	(619)	(703)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of long-term debt	-	145
Retirement of long-term debt	(66)	(149)
Increase (decrease) in commercial paper	(368)	253
Dividends	(210)	(225)
Capital contributions from FPL Group	300	100
Net cash provided by (used in) financing activities	(344)	124
Net increase (decrease) in cash and cash equivalents	(58)	143
Cash and cash equivalents at beginning of period	66	-
Cash and cash equivalents at end of period	\$ 8	\$ 143
Supplemental schedule of noncash investing and financing activities:		
Additions to capital lease obligations	\$ 24	\$ 22
Transfer of net assets to FPL FiberNet, LLC	\$ -	\$ 100

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2000 Form 10-K for FPL Group and FPL.

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The accompanying condensed consolidated financial statements should be read in conjunction with the 2000 Form 10-K for FPL Group and FPL. In the opinion of FPL Group and FPL management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. Certain amounts included in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period may not give a true indication of results for the year.

1. New Accounting Rules

Accounting for Derivative Instruments and Hedging Activities - Effective January 1, 2001, FPL Group and FPL adopted Statement of Financial Accounting Standards No. (FAS) 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by FAS 137 and 138 (collectively, FAS 133). As a result, beginning in January 2001, derivative instruments are recorded on FPL Group's and FPL's balance sheets as either an asset or liability (in other current assets, other assets, other current liabilities and other liabilities) measured at fair value. FPL Group and FPL use derivative instruments (primarily swaps, options and futures) to manage the commodity price risk inherent in fuel purchases and electricity sales, as well as to optimize the value of power generation assets.

At FPL, changes in fair value are deferred as a regulatory asset or liability until the contracts are settled. Upon settlement, any gains or losses will be passed through the fuel and purchased power cost recovery clause (fuel clause) and the capacity cost recovery clause (capacity clause).

For FPL Group's unregulated operations, predominantly FPL Energy, LLC (FPL Energy), changes in the derivatives' fair value are recognized currently in earnings (in other-net) unless hedge accounting is applied. While substantially all of FPL Energy's derivative transactions are entered into for the purposes described above, hedge accounting is only applied where specific criteria are met and it is practicable to do so. In order to apply hedge accounting, the transaction must be designated as a hedge and it must be highly effective. The hedging instrument's effectiveness is assessed utilizing regression analysis at the inception of the hedge and on at least a quarterly basis throughout its life. Hedges are considered highly effective when a correlation coefficient of .8 or higher is achieved. Substantially all of the transactions that FPL Group has designated as hedges are cash flow hedges. The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is reported as a component of other comprehensive income and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings. The ineffective portion of these hedges flows through earnings in the current period. Settlement gains and losses are included within the line items in the statements of income to which they relate.

In January 2001, FPL Group recorded in other-net a \$2 million loss as the cumulative effect on FPL Group's earnings of a change in accounting principle representing the effect of those derivative instruments for which hedge accounting was not applied. For those contracts where hedge accounting was applied, the adoption of the new rules resulted in a credit of approximately \$10 million to other comprehensive income for FPL Group.

Included in FPL Group's accumulated other comprehensive income at June 30, 2001 is approximately \$5 million of net unrealized gains associated with cash flow hedges of forecasted fuel purchases through December 2003. Approximately \$1 million of FPL Group's accumulated other comprehensive income at June 30, 2001 will be reclassified into earnings within the next 12 months as the hedged fuel is consumed. Within other comprehensive income, approximately \$8 million and \$6 million represent the effective portion of the net loss on cash flow hedges during the three and six months ended June 30, 2001, respectively. See Note 3 - Other.

In June 2001, the Financial Accounting Standards Board (FASB) reached conclusions on several derivative accounting issues related to the power generation industry, which became effective July 1, 2001. Management is in the process of evaluating the conclusions reached by the FASB and is unable to estimate the effects, if any, on FPL Group's financial statements. One possible result of the FASB's conclusions could be that certain power purchase and power sales contracts will have to be recorded at fair value with changes in fair value recorded in the income statement each reporting period.

Goodwill and Other Intangible Assets - In July 2001, the FASB issued FAS 142, "Goodwill and Other Intangible Assets." Under this statement, the amortization of goodwill will no longer be permitted. Instead, goodwill will be assessed for impairment at least annually by applying a fair-value based test. At June 30, 2001, FPL Group had approximately \$380 million of goodwill recorded in other assets. Management is in the process of evaluating the impact of implementing FAS 142 and is unable to estimate the effect, if any, on FPL Group's financial statements. FPL Group will be required to adopt FAS 142 beginning in 2002.

2. Rate Matters

In May 2001, the FPSC ordered FPL to submit minimum filing requirements (MFRs) to initiate a base rate proceeding regarding FPL's future retail rates. FPL expects to file MFRs with the FPSC by October 15, 2001. Any change in base rates would become effective after the expiration of the current rate agreement on April 14, 2002. FPL as well as other investor-

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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owned utilities in Florida had requested that the FPSC open a separate generic docket to address issues related to the utilities' participation in an independent regional transmission organization (RTO), pursuant to the FERC's Order 2000. In June 2001, the FPSC decided to address on an expedited basis the RTO matters in conjunction with the base rate proceeding instead of in a generic docket. In mid-July 2001, the FERC initiated a mediation process directed toward forming a single RTO for the Southeast region of the United States. FPL is participating in the mediation process, scheduled to last 45 days.

3. Capitalization

FPL Group Common Stock - In April 2001, FPL Group's \$570 million share repurchase program authorized in connection with the merger agreement with Entergy Corporation was terminated. As of June 30, 2001, FPL Group had repurchased a total of approximately 4.6 million shares of common stock under the 10 million share repurchase program that began in April 1997. No FPL Group shares have been repurchased in 2001.

Long-Term Debt - In February 2001, FPL redeemed approximately \$65 million principal amount of solid waste disposal revenue refunding bonds, consisting of \$16 million bearing interest at 7.15% maturing in 2023 and \$49 million with variable rate interest maturing in 2025. In May 2001, FPL Group Capital Inc (FPL Group Capital) sold \$500 million principal amount of 6 1/8% debentures maturing in 2007. In July 2001, a subsidiary of FPL Energy issued \$435 million of 7.52% senior secured bonds maturing in 2019.

Long-Term Incentive Plan - Performance shares and options granted to date under FPL Group's long-term incentive plan resulted in assumed incremental shares of common stock outstanding for purposes of computing diluted earnings per share for the three and six months ended June 30, 2001 and 2000. These incremental shares were not material in the periods presented and did not cause diluted earnings per share to differ from basic earnings per share.

Other - Comprehensive income of FPL Group, totaling \$211 million and \$204 million for the three months ended June 30, 2001 and 2000 and \$333 million and \$325 million for the six months ended June 30, 2001 and 2000, respectively, includes net income, changes in unrealized gains and losses on securities and foreign currency translation adjustments. For the three and six months ended June 30, 2001, comprehensive income of FPL Group also includes approximately \$8 million of net unrealized losses and \$5 million of net unrealized gains, respectively, on cash flow hedges of forecasted fuel purchases. Accumulated other comprehensive income is separately displayed in the condensed consolidated balance sheets of FPL Group.

4. Commitments and Contingencies

Commitments - FPL has made commitments in connection with a portion of its projected capital expenditures. Capital expenditures for the construction or acquisition of additional facilities and equipment to meet customer demand are estimated to be approximately \$3.3 billion for 2001 through 2003. Included in this three-year forecast are capital expenditures for 2001 of approximately \$1.1 billion, of which \$548 million had been spent through June 30, 2001. As of June 30, 2001, FPL Energy has made commitments in connection with the development and expansion of independent power projects totaling approximately \$860 million. In July 2001, an additional \$440 million was committed by FPL Energy for project development and expansion. Subsidiaries of FPL Group, other than FPL, have guaranteed approximately \$690 million of prompt performance payments, lease obligations, purchase and sale of power and fuel agreement obligations, debt service payments and other payments subject to certain contingencies. In addition, at June 30, 2001 approximately \$183 million of cash collateral was posted pursuant to a project financing agreement and is included in other assets in FPL Group's condensed consolidated balance sheets.

Insurance - Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of the insurance available from private sources and under an industry retrospective payment plan. In accordance with this Act, FPL maintains \$200 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to \$363 million per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed \$43 million per incident per year.

FPL participates in nuclear insurance mutual companies that provide \$2.75 billion of limited insurance coverage for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service because of an accident. In the event of an accident at one of FPL's or another participating insured's nuclear plants, FPL could be assessed up to \$36 million in retrospective premiums.

In the event of a catastrophic loss at one of FPL's nuclear plants, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered through rates, would be borne by FPL and could have a material adverse effect on FPL Group's and FPL's financial condition.

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

FPL self-insures the majority of its transmission and distribution (T&D) property due to the high cost and limited coverage available from third-party insurers. As approved by the FPSC, FPL maintains a funded storm and property insurance reserve, which totaled approximately \$247 million at June 30, 2001, for uninsured property storm damage or assessments under the nuclear insurance program. Recovery from customers of any losses in excess of the storm and property insurance reserve will require the approval of the FPSC. FPL's available lines of credit include \$300 million to provide additional liquidity in the event of a T&D property loss.

Contracts - FPL Group has a long-term agreement for the supply of gas turbines through 2004 and for parts, repairs and on-site services through 2011. In addition, FPL Energy has entered into a contract to purchase 866 wind turbines through 2001, of which approximately 240 were placed in service as of June 30, 2001 and the remainder are expected to be in operation by the end of 2001. FPL Energy has also entered into various engineering, procurement and construction contracts to support its development activities through 2003. All of these contracts are intended to support expansion, primarily at FPL Energy, and the related commitments are included in Commitments above.

FPL has entered into long-term purchased power and fuel contracts. Take-or-pay purchased power contracts with the Jacksonville Electric Authority (JEA) and with subsidiaries of The Southern Company (Southern Companies) provide approximately 1,300 megawatts (mw) of power through mid-2010 and 388 mw thereafter through 2021. FPL also has various firm pay-for-performance contracts to purchase approximately 900 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2002 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts and the Southern Companies' contract is subject to minimum quantities. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. In 2001, FPL entered into agreements with several electricity suppliers to purchase an aggregate of up to approximately 1,300 mw of power with expiration dates ranging from 2003 through 2007. In general, the agreements require FPL to make capacity payments and supply the fuel consumed by the plants under the contracts. FPL has long-term contracts for the transportation and supply of natural gas, coal and oil with various expiration dates through 2022. FPL Energy has long-term contracts for the transportation and storage of natural gas with expiration dates ranging from 2005 through 2017, and a contract for the supply of natural gas that expires in mid-2002.

The required capacity and minimum payments under these contracts for the remainder of 2001 (July-December) and for 2002 through 2005 are estimated to be as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u> (millions)	<u>2004</u>	<u>2005</u>
FPL:					
Capacity payments:					
JEA and Southern Companies	\$110	\$200	\$200	\$200	\$200
Qualifying facilities	\$185	\$330	\$340	\$350	\$340
Other electricity suppliers	\$ 5	\$ 75	\$ 95	\$ 95	\$ 45
Minimum payments, at projected prices:					
Southern Companies - energy	\$ 30	\$ 50	\$ 60	\$ 50	\$ 60
Natural gas, including transportation	\$340	\$715	\$695	\$720	\$720
Coal	\$ 20	\$ 45	\$ 20	\$ 10	\$ 10
Oil	\$100	\$ 10	\$ -	\$ -	\$ -
FPL Energy:					
Natural gas, including transportation and storage	\$ 15	\$ 20	\$ 15	\$ 15	\$ 15

Charges under these contracts were as follows:

	<u>Three Months Ended June 30,</u>				<u>Six Months Ended June 30,</u>			
	<u>2001 Charges</u>		<u>2000 Charges</u>		<u>2001 Charges</u>		<u>2000 Charges</u>	
	<u>Capacity</u>	<u>Energy/ Fuel</u>	<u>Capacity</u>	<u>Energy/ Fuel</u>	<u>Capacity</u>	<u>Energy/ Fuel</u>	<u>Capacity</u>	<u>Energy/ Fuel</u>
	(millions)							
FPL:								
JEA and Southern Companies	\$50(a)	\$ 44(b)	\$51(a)	\$ 41(b)	\$101(a)	\$ 84(b)	\$102(a)	\$ 72(b)
Qualifying facilities	\$79(c)	\$ 35(b)	\$80(c)	\$ 28(b)	\$156(c)	\$ 69(b)	\$159(c)	\$ 59(b)
Other electricity suppliers	\$ 3	\$ 2	\$ -	\$ -	\$ 3	\$ 2	\$ -	\$ -
Natural gas, including transportation	\$ -	\$215(b)	\$ -	\$130(b)	\$ -	\$416(b)	\$ -	\$212(b)
Coal	\$ -	\$ 12(b)	\$ -	\$ 11(b)	\$ -	\$ 24(b)	\$ -	\$ 23(b)
Oil	\$ -	\$ 91(b)	\$ -	\$ 89(b)	\$ -	\$189(b)	\$ -	\$110(b)
FPL Energy:								
Natural gas, including transportation and storage	\$	\$ 4	\$ -	\$ 4	\$ -	\$ 8	\$ -	\$ 8

- (a) Recovered through base rates and the capacity clause
(b) Recovered through the fuel clause
(c) Recovered through the capacity clause

Litigation - In 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA), brought an action against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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violations of the Clean Air Act. In May 2001, the EPA amended its complaint. The amended complaint alleges, among other things, that Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining proper permitting, and without complying with performance and technology standards as required by the Clean Air Act. It also alleges that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions. The EPA seeks injunctive relief requiring the installation of best available control technology and civil penalties of up to \$25,000 per day for each violation from an unspecified date after June 1, 1975 through January 30, 1997, and \$27,500 per day for each violation thereafter. Georgia Power Company has answered the amended complaint, asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. In June 2001, the Court stayed discovery and administratively closed the case pending resolution of the EPA's motion for consolidation of discovery in several Clean Air Act cases that was filed with a Multi-District Litigation (MDL) panel. The MDL panel has heard oral argument on the motion for consolidation but has not yet ruled on it.

In 2000, Southern California Edison Company (SCE) filed with the FERC a Petition for Declaratory Order (petition) asking the FERC to apply a November 1999 federal circuit court of appeals' decision to all qualifying small power production facilities, including two solar facilities operated by partnerships indirectly owned in part by FPL Energy (the partnerships) which have power purchase agreements with SCE. The federal circuit court of appeals' decision invalidated the FERC's so-called essential fixed assets standard, which permitted uses of fossil fuels by qualifying small power production facilities beyond those expressly set forth in PURPA. The petition requests that the FERC declare that qualifying small power production facilities may not continue to use fossil fuel under the essential fixed assets standard and that they may be required to make refunds with respect to past usage. In August 2000, the partnerships filed motions to intervene and protest before the FERC, vigorously objecting to the position taken by SCE in its petition. The partnerships contend that they have always operated the solar facilities in accordance with certification orders issued to them by the FERC. Such orders were neither challenged nor appealed at the time they were granted, and it is the position of the partnerships that the orders remain fully in effect. Briefing in this proceeding is complete and the parties are currently awaiting a final determination from the FERC. In June 2001, SCE and the partnerships entered into an agreement that provides, among other things, that SCE and the partnerships will take all necessary steps to suspend or stay, during a specified period of time, the proceeding initiated by the petition. The agreement is conditioned upon, among other things, legislative action in California and completion of SCE's financing plan. The agreement provides that, if the conditions of the agreement are satisfied, then SCE and each of the partnerships agree to release and discharge each other from any and all claims of any kind arising from either parties' performance under the power purchase agreements. Such a release would include release of the claim made by SCE in the petition for refunds with respect to past usage. For additional information regarding the agreement, see Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion) - Results of Operations - FPL Energy.

FPL Group and FPL believe that they have meritorious defenses to the pending litigation discussed above and are vigorously defending the suits. Accordingly, the liabilities, if any, arising from the proceedings are not anticipated to have a material adverse effect on their financial statements.

5. Segment Information

FPL Group's reportable segments include FPL, a rate-regulated utility, and FPL Energy, a non-rate regulated energy generating subsidiary. Corporate and Other represents other business activities, other segments that are not separately reportable and eliminating entries. FPL Group's segment information is as follows:

	Three Months Ended June 30,							
	2001				2000			
	FPL	FPL Energy	Corporate & Other	Total	FPL	FPL Energy	Corporate & Other	Total
	(millions)							
Operating revenues	\$ 1,935	\$ 199	\$ 32	\$ 2,166	\$ 1,533	\$ 114	\$ 23	\$ 1,670
Net income	\$ 182	\$ 38	\$ (1)	\$ 219	\$ 172	\$ 28	\$ 4	\$ 204
	Six Months Ended June 30,							
	2001				2000			
	FPL	FPL Energy	Corporate & Other	Total	FPL	FPL Energy	Corporate & Other	Total
	(millions)							
Operating revenues	\$ 3,582	\$ 463	\$ 62	\$ 4,107	\$ 2,871	\$ 222	\$ 45	\$ 3,138
Net income (a)	\$ 280	\$ 56	\$ (7)	\$ 329	\$ 278	\$ 42	\$ 5	\$ 325
	June 30, 2001				December 31, 2000			
	FPL	FPL Energy	Corporate & Other	Total	FPL	FPL Energy	Corporate & Other	Total
	(millions)							
Total assets	\$12,211	\$3,707	\$641	\$16,559	\$12,020	\$2,679	\$601	\$15,300

(a) Includes merger-related expense in 2001 of \$19 million after-tax, of which \$16 million was recognized by FPL and \$3 million by Corporate and Other

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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6. Summarized Financial Information of FPL Group Capital

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

Condensed Consolidating Statements of Income

	Three Months Ended June 30, 2001				Three Months Ended June 30, 2000			
	FPL Group	FPL Group Capital	other (a)	FPL Group Consoli- dated (millions)	FPL Group	FPL Group Capital	other (a)	FPL Group Consoli- dated
Operating revenues	\$ -	\$ 231	\$ 1,935	\$ 2,166	\$ -	\$ 138	\$ 1,532	\$ 1,670
Operating expenses	-	(193)	(1,593)	(1,786)	-	(109)	(1,214)	(1,323)
Interest charges	(7)	(35)	(40)	(82)	(8)	(22)	(34)	(64)
Other income (deductions) - net ...	224	45	(239)	30	210	35	(223)	22
Income before income taxes	217	48	63	328	202	42	61	305
Income tax expense (benefit)	(2)	6	105	109	(2)	4	99	101
Net income (loss)	<u>\$ 219</u>	<u>\$ 42</u>	<u>\$ (42)</u>	<u>\$ 219</u>	<u>\$ 204</u>	<u>\$ 38</u>	<u>\$ (38)</u>	<u>\$ 204</u>

	Six Months Ended June 30, 2001				Six Months Ended June 30, 2000			
	FPL Group	FPL Group Capital	other (a)	FPL Group Consoli- dated (millions)	FPL Group	FPL Group Capital	Other (a)	FPL Group Consoli- dated
Operating revenues	\$ -	\$ 525	\$ 3,582	\$ 4,107	\$ -	\$ 268	\$ 2,870	\$ 3,138
Operating expenses	-	(463)	(3,024)	(3,487)	-	(214)	(2,341)	(2,555)
Interest charges	(15)	(66)	(86)	(167)	(16)	(44)	(66)	(126)
Other income (deductions) - net ...	339	73	(371)	41	337	55	(365)	27
Income before income taxes	324	69	101	494	321	65	98	484
Income tax expense (benefit)	(5)	6	164	165	(4)	7	156	159
Net income (loss)	<u>\$ 329</u>	<u>\$ 63</u>	<u>\$ (63)</u>	<u>\$ 329</u>	<u>\$ 325</u>	<u>\$ 58</u>	<u>\$ (58)</u>	<u>\$ 325</u>

(a) Represents FPL, other subsidiaries and consolidating adjustments.

Condensed Consolidating Balance Sheets

	June 30, 2001				December 31, 2000			
	FPL Group	FPL Group Capital	other (a)	FPL Group Consoli- dated (millions)	FPL Group	FPL Group Capital	other (a)	FPL Group Consoli- dated
PROPERTY, PLANT AND EQUIPMENT:								
Electric utility plant in service and other property	\$ -	\$ 2,663	\$19,482	\$22,145	\$ -	\$1,984	\$19,038	\$21,022
Less accumulated depreciation and amortization	-	(202)	(11,306)	(11,508)	-	(170)	(10,918)	(11,088)
Total property, plant and equipment - net	-	2,461	8,176	10,637	-	1,814	8,120	9,934
CURRENT ASSETS:								
Cash and cash equivalents	1	63	8	72	12	51	66	129
Receivables	1	668	168	837	56	418	409	883
Other	1	79	874	954	-	66	703	769
Total current assets	3	810	1,050	1,863	68	535	1,178	1,781
OTHER ASSETS:								
Investment in subsidiaries	6,413	-	(6,413)	-	5,967	-	(5,967)	-
Other	124	1,838	2,097	4,059	141	1,365	2,079	3,585
Total other assets	6,537	1,838	(4,316)	4,059	6,108	1,365	(3,888)	3,585
TOTAL ASSETS	\$ 6,540	\$ 5,109	\$ 4,910	\$16,559	\$ 6,176	\$3,714	\$ 5,410	\$15,300
CAPITALIZATION:								
Common shareholders' equity	\$ 5,749	\$ 1,003	\$(1,003)	\$ 5,749	\$ 5,593	\$ 935	\$(935)	\$ 5,593
Preferred stock of FPL without sinking fund requirements	-	-	226	226	-	-	226	226
Long-term debt	-	1,897	2,577	4,474	-	1,400	2,576	3,976
Total capitalization	5,749	2,900	1,800	10,449	5,593	2,335	1,867	9,795
CURRENT LIABILITIES:								
Accounts payable and commercial paper	-	1,502	682	2,184	-	705	1,017	1,722
Other	684	174	269	1,127	467	186	388	1,041
Total current liabilities	684	1,676	951	3,311	467	891	1,405	2,763
OTHER LIABILITIES AND DEFERRED CREDITS:								
Accumulated deferred income taxes and unamortized tax credits	-	423	1,223	1,646	-	399	1,248	1,647
Other	107	110	936	1,153	116	89	890	1,095
Total other liabilities and deferred credits	107	533	2,159	2,799	116	488	2,138	2,742
COMMITMENTS AND CONTINGENCIES								
TOTAL CAPITALIZATION AND LIABILITIES	\$ 6,540	\$ 5,109	\$ 4,910	\$16,559	\$ 6,176	\$3,714	\$ 5,410	\$15,300

(a) Represents FPL, other subsidiaries and consolidating adjustments

FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (concluded)
(unaudited)

Condensed Consolidating Statements of Cash Flows

	Six Months Ended June 30, 2001				Six Months Ended June 30, 2000			
	FPL Group	FPL Group Capital	Other (a)	FPL Group Consoli- dated (millions)	FPL Group	FPL Group Capital	Other (a)	FPL Group Consoli- dated
NET CASH PROVIDED BY (USED IN)								
OPERATING ACTIVITIES	\$ 485	\$(330)	\$ 694	\$ 849	\$ 356	\$ (107)	\$ 499	\$ 748
CASH FLOWS FROM INVESTING ACTIVITIES:								
Capital expenditures and independent power investments	-	(899)	(595)	(1,494)	-	(294)	(660)	(954)
Capital contributions to subsidiaries.....	(300)	-	300	-	(118)	-	118	-
Other - net	(8)	(24)	(23)	(55)	6	(24)	(45)	(63)
Net cash used in investing activities	(308)	(923)	(318)	(1,549)	(112)	(318)	(587)	(1,017)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Issuance of long-term debt	-	493	-	493	-	-	145	145
Retirement of long-term debt	-	-	(66)	(66)	-	-	(149)	(149)
Increase (decrease) in commercial paper...	-	772	(368)	404	-	110	253	363
Capital contributions from FPL Group	-	-	-	-	-	18	(18)	-
Repurchases of common stock	-	-	-	-	(34)	-	-	(34)
Dividends	(188)	-	-	(188)	(183)	-	-	(183)
Net cash provided by (used in) financing activities	(188)	1,265	(434)	643	(217)	128	231	142
Net increase (decrease) in cash and cash equivalents	(11)	12	(58)	(57)	27	(297)	143	(127)
Cash and cash equivalents at beginning of period.....	12	51	66	129	(16)	376	1	361
Cash and cash equivalents at end of period...	<u>\$ 1</u>	<u>\$ 63</u>	<u>\$ 8</u>	<u>\$ 72</u>	<u>\$ 11</u>	<u>\$ 79</u>	<u>\$ 144</u>	<u>\$ 234</u>

(a) Represents FPL, other subsidiaries and consolidating adjustments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the Notes contained herein and Management's Discussion appearing in the 2000 Form 10-K for FPL Group and FPL. The results of operations for an interim period may not give a true indication of results for the year. In the following discussion, all comparisons are with the corresponding items in the prior year.

RESULTS OF OPERATIONS

FPL Group's net income increased for the three and six months ended June 30, 2001 primarily as a result of increased earnings at both FPL and FPL Energy. The adoption of FAS 133, which became effective January 1, 2001, positively affected FPL Group's and FPL Energy's earnings by \$5 million for both the three and six months ended June 30, 2001. For additional information regarding FAS 133, see Note 1 - Accounting for Derivative Instruments and Hedging Activities. FPL Group's earnings for the six months ended June 30, 2001 also include approximately \$19 million after-tax of merger-related expenses, of which \$16 million relates to FPL and \$3 million relates to the Corporate and Other segment. The discussion of results of operations below excludes the effects of FAS 133 and merger-related expenses.

FPL - FPL's net income for the three months ended June 30, 2001 improved mainly due to lower depreciation expense, partially offset by higher other operations and maintenance (O&M) expenses and higher interest charges. Revenues from retail base operations were \$880 million for the second quarter of 2001 compared to \$874 million for the same period last year. This reflects an increase in the average number of customer accounts of 2.3% offset by a decrease in usage per customer of 2.2% due to milder weather. During the second quarter of 2001, FPL accrued \$38 million associated with refunds to retail customers under the rate reduction agreement, approximately the same amount as in 2000. In June 2001, FPL refunded approximately \$109 million, including interest, to retail customers for the second twelve-month period under the rate agreement. Primarily all of this refund was accrued in periods prior to the second quarter of 2001. In June 2000, approximately \$23 million was refunded to retail customers for the first twelve-month period, primarily all of which was accrued in 1999. FPL's revenues and fuel, purchased power and interchange expense have increased for both the three-month and six-month periods. This is the result of an increase in FPL's fuel charge to retail customers in mid-2000 and in 2001 in response to higher fuel costs. FPL's fuel costs are substantially a pass-through and do not significantly affect net income. Depreciation expense declined during the quarter ended June 30, 2001 reflecting lower special depreciation under the rate reduction agreement. Interest expense increased due to higher debt balances required to fund FPL's capital expansion and under-recovered fuel costs.

Net income for the six months ended June 30, 2001 improved mainly due to higher energy sales and lower depreciation expense, partially offset by higher O&M expenses and higher interest charges. Revenues from retail base operations were \$1,664 million for the six months ended June 30, 2001 compared to \$1,632 million for the same period last year. This reflects an increase in the average number of customer accounts of 2.3% and an increase in usage per customer of 1.4%. The increase in usage reflects cold weather conditions, primarily in January, partly offset by the milder weather in the second quarter. Partially offsetting the increase in revenues due to higher usage and customer growth was a higher provision for revenue refund under the rate reduction agreement. During the six months ended June 30, 2001, FPL accrued approximately \$78 million relating to refunds to retail customers, compared to \$37 million in 2000. Depreciation expense declined during the six-month period reflecting lower special depreciation under the rate reduction agreement. FPL's O&M expenses increased primarily due to additional fossil plant outage costs, partly due to timing, and higher employee-related costs. Interest expense increased due to higher debt balances required to fund FPL's capital expansion and under-recovered fuel costs.

In January 2001, the Energy 2020 Study Commission issued a proposal for restructuring Florida's wholesale electricity market anticipating that the proposal would be considered in the 2001 legislative session. In May 2001, the Florida legislative session ended with no action taken on the commission's proposal. The commission is scheduled to develop a recommendation addressing retail competition by the end of 2001. Both wholesale and retail competition issues may then be addressed in the 2002 legislative session.

In May 2001, the FPSC ordered FPL to submit MFRs to initiate a base rate proceeding regarding FPL's future retail rates. FPL expects to file MFRs with the FPSC by October 15, 2001. Any change in base rates would become effective after the expiration of the current rate agreement on April 14, 2002. FPL as well as other investor-owned utilities in Florida had requested that the FPSC open a separate generic docket to address issues related to the utilities' participation in an independent RTO, pursuant to the FERC's Order 2000. In June 2001, the FPSC decided to address on an expedited basis the RTO matters in conjunction with the base rate proceeding instead of in a generic docket. In mid-July 2001, the FERC initiated a mediation process directed toward forming a single RTO for the Southeast region of the United States. FPL is participating in the mediation process, scheduled to last 45 days.

FPL Energy - FPL Energy's net income for the three and six months ended June 30, 2001 benefited from a power generation portfolio with approximately 1,200 more mw in operation and improved performance from the wind projects. These benefits were somewhat offset in the second quarter of 2001 by lower income from the Northeast region, mainly reflecting lower market prices and transmission constraints affecting the Maine assets. FPL Energy is continuing its expansion plans, which include adding 11 plants with more than 5,800 mw by the end of 2003.

FPL Energy has a net ownership interest in approximately 540 mw in California, most of which are wind, solar and geothermal qualifying facilities. The output of these projects is sold predominantly under long-term contracts with California utilities. Increases in natural gas prices and an imbalance between power supply and demand, as well as other factors, have contributed to significant increases in wholesale electricity prices in California. Utilities in California had previously agreed to fixed tariffs to their retail customers, which resulted in significant under-recoveries of wholesale electricity purchase costs. FPL Energy's projects have not received the majority of payments due from California utilities for electricity sold from November 2000 through March 2001. In April 2001, Pacific Gas & Electric Company (PG&E) filed for protection under Chapter 11 of the U.S. Bankruptcy Code. In July 2001, an agreement was reached between PG&E and FPL Energy regarding most of the qualifying facility contracts between the companies. The agreement requires a fixed payment structure over the next five years as well as payment of all outstanding receivables subject to approval of PG&E's reorganization plan by the bankruptcy court and PG&E's creditors. In June 2001, an agreement was reached between SCE and FPL Energy regarding the qualifying facility contracts with SCE. The agreement with SCE also requires a fixed payment structure over the next five years as well as payment of all outstanding receivables but is conditioned upon, among other things, legislative action in California and completion of SCE's financing plan. No assurance can be given that the conditions to the agreements with PG&E and SCE will be satisfied. FPL Group's earnings exposure relating to past due receivables from these California utilities at June 30, 2001 was approximately \$15 million. At June 30, 2001, FPL Energy's net investment in California projects was approximately \$290 million. It is impossible to predict what the outcome of the situation in California will be or its effect, if any, on FPL Group's financial statements.

New Accounting Rules - For information concerning FAS 142, which FPL Group will be required to adopt in 2002, see Note 1 - Goodwill and Other Intangible Assets.

LIQUIDITY AND CAPITAL RESOURCES

For financing activity during the six months ended June 30, 2001, see Note 3 - Long-Term Debt. In July 2001, a subsidiary of FPL Energy issued \$435 million of 7.52% senior secured bonds maturing in 2019, the proceeds of which will be used in part to reduce FPL Group Capital's commercial paper balance. Principal will be payable in semi-annual installments beginning December 31, 2001.

For information concerning capital commitments and posting of cash collateral, see Note 4 - Commitments.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Item 3. Legal Proceedings in the 2000 Form 10-K for FPL Group and FPL and Part II, Item 1. Legal Proceedings in the March 31, 2001 Form 10-Q for FPL Group and FPL.

In November 1999, the Attorney General of the United States, on behalf of the EPA, brought an action in the U.S. District Court for the Northern District of Georgia against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged violations of the Prevention of Significant Deterioration (PSD) provisions and the New Source Performance Standards (NSPS) of the Clean Air Act. In May 2001, the EPA amended its complaint. The amended complaint alleges, among other things, that Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining a PSD permit, without complying with the NSPS requirements, and without applying best available control technology for nitrogen oxides, sulfur dioxide and particulate matter as required by the Clean Air Act. It also alleges that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions. The EPA seeks injunctive relief requiring the installation of best available control technology and civil penalties of up to \$25,000 per day for each violation from an unspecified date after June 1, 1975 through January 30, 1997, and \$27,500 per day for each violation thereafter. Georgia Power Company has answered the amended complaint, asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. In June 2001, the Court stayed discovery and administratively closed the case pending resolution of the EPA's motion for consolidation of discovery in several Clean Air Act cases that was filed with a MDL panel. The MDL panel has heard oral argument on the motion for consolidation but has not yet ruled on it.

For discussion of litigation filed by SCE with the FERC against partnerships that are partially owned by FPL Energy, see Note 4 - Litigation.

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

The Annual Meeting of FPL Group's shareholders was held on May 14, 2001. Of the 175,838,735 shares of common stock outstanding on the record date of March 5, 2001, a total of 148,182,117 shares were represented in person or by proxy.

The following directors were elected effective May 14, 2001:

	Votes Cast	
	For	Against or withheld
H. Jesse Arnette	137,309,390	10,872,727
Sherry S. Barrat	137,420,056	10,762,061
Robert M. Beall, II	137,404,792	10,777,325
James L. Broadhead	127,817,453	20,364,664
J. Hyatt Brown	137,393,592	10,788,525
Armando M. Codina	137,349,906	10,832,211
Willard D. Dover	137,352,766	10,829,351
Alexander W. Dreyfoos, Jr.	137,423,426	10,758,691
Paul J. Evanson	137,307,240	10,874,877
Frederic V. Malek	137,370,662	10,811,455
Paul R. Tregurtha	137,395,206	10,786,911

Item 5. Other Information

(a) Reference is made to Item 1. Business - FPL Operations - Retail Ratemaking in the 2000 Form 10-K for FPL Group and FPL.

For information regarding FPL's base rate proceeding with the FPSC, see Note 2.

(b) Reference is made to Item 1. Business - FPL Operations - System Capability and Load in the 2000 Form 10-K for FPL Group and FPL.

For information regarding additional purchase power contracts, see Note 4 - Contracts.

On July 30, 2001, FPL set an all-time record for energy peak demand of 18,354 mw. Adequate resources were available at the time of the peak to meet customer demand.

(c) Reference is made to Item 1. Business - FPL Operations - Fuel in the 2000 Form 10-K for FPL Group and FPL.

Based on current projections, FPL will lose its ability to store spent fuel on site for St. Lucie Unit No. 1 in 2005, St. Lucie Unit No. 2 in 2007, Turkey Point Unit No. 3 in 2009 and Turkey Point Unit No. 4 in 2011. In addition, degradation in a material used in the spent fuel pools at St. Lucie Unit No. 1 and Turkey Point Units Nos. 3 and 4 could result in implementation of

alternative spent fuel storage options sooner than projected. FPL is pursuing various approaches to expanding spent fuel storage at the sites, including increasing rack space in its existing spent fuel pools and/or developing the capacity to store spent fuel in dry storage containers.

(d) Reference is made to Item 1. Business - FPL Energy Operations in the 2000 Form 10-K for FPL Group and FPL.

For information regarding FPL Energy's California projects, see Item 2. Management's Discussion - Results of Operations - FPL Energy.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

<u>Exhibit Number</u>	<u>Description</u>	<u>FPL Group</u>	<u>FPL</u>
4	Officer's Certificate of FPL Group Capital dated May 11, 2001, creating the 6 1/8% Debentures, Series due May 15, 2007	x	
10(a)	FPL Group, Inc. Deferred Compensation Plan, amended and restated effective January 1, 2001	x	
10(b)	Amendment to Employment Agreement between FPL Group, Inc. and Thomas F. Plunkett, dated as of May 7, 2001	x	
12(a)	Computation of Ratio of Earnings to Fixed Charges	x	
12(b)	Computation of Ratios		x

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

(b) Reports on Form 8-K

A current report on Form 8-K was filed with the Securities and Exchange Commission on April 2, 2001 by FPL Group and FPL filing exhibits under Item 7. Financial Statements and Exhibits.

A current report on Form 8-K was filed with the Securities and Exchange Commission on April 10, 2001 by FPL Group and FPL filing an exhibit under Item 7. Financial Statements and Exhibits and Item 9. Regulation FD Disclosure.

A current report on Form 8-K was filed with the Securities and Exchange Commission on May 18, 2001 by FPL Group and FPL reporting one event under Item 5. Other Events.

A current report on Form 8-K was filed with the Securities and Exchange Commission on June 13, 2001 by FPL Group and FPL reporting one event under Item 5. Other Events.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

FPL GROUP, INC.
 FLORIDA POWER & LIGHT COMPANY
 (Registrants)

Date: August 8, 2001

 K. MICHAEL DAVIS
 K. Michael Davis
 Controller and Chief Accounting Officer of FPL Group, Inc.
 Vice President, Accounting, Controller and
 Chief Accounting Officer of Florida Power & Light Company
 (Principal Accounting Officer of the Registrants)

Exhibit B

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
2002 and 2003 Sources and Uses of Funds Forecast
(Millions of Dollars)

	<u>2002</u>	<u>2003</u>
<u>Significant cash flow items (Note 1)</u>		
Depreciation and amortization (Note 2)	\$ 880	\$ 930
Deferred income taxes	(300)	(90)
Deferred investment tax credit - net	(20)	(20)
Total	<u>\$ 560</u>	<u>\$ 820</u>
 <u>Capital requirements</u>		
Construction expenditures (Note 3):	\$ 1,120	\$ 1,000
Long-term debt maturities	0	170
Total capital requirements	<u>\$ 1,120</u>	<u>\$ 1,170</u>

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
Construction Budget for Gross Property Additions
(Millions of Dollars)

Construction expenditures (Note 3):	\$ 1,120	\$ 1,000
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NOTES

- 1) Projected amounts do not include any effect of potential changes in retail base rates or other regulated activities which could cause the projections to change.
- 2) Excludes nuclear plant decommissioning costs.
- 3) Excludes AFUDC. All of the estimated construction expenditures are subject to continuing review and adjustment and actual construction expenditures may vary from these estimates due to factors such as changes in customers, energy sales, business and economic conditions, construction and design requirements, fuel supply and costs, availability of labor, supplies and materials, regulatory treatment, environmental and conservation requirements, pending requests for proposals, and existing and proposed legislation. FPL is keeping its construction program as flexible as possible with the intention of accommodating those factors that may develop or change.

Exhibit C

FLORIDA POWER & LIGHT COMPANY
Statement of Capital Stock and Debt as of June 30, 2001

Preferred Stock without Sinking Fund Requirements:

Dividend Rate	Series	Issue Date	Shares Authorized and Outstanding	Amount Authorized and Outstanding
4.50%		09/47	100,000	\$10,000,000
4.50%	A	05/51	50,000	\$5,000,000
4.50%	B	01/53	50,000	\$5,000,000
4.50%	C	02/54	62,500	\$6,250,000
4.32%	D	07/54	50,000	\$5,000,000
4.35%	E	11/55	50,000	\$5,000,000
6.98%	S	03/93	750,000	\$75,000,000
7.05%	T	06/93	500,000	\$50,000,000
6.75%	U	09/93	650,000	\$65,000,000
		Total	2,262,500	\$226,250,000

Other:

Description	Issue Date	Authorized Shares(1)	Outstanding Shares
Preferred Stock, undesignated, \$100 par	-	11,575,000	-
Preferred Stock, undesignated, no par	-	5,000,000	-
Subordinated Preferred Stock	-	5,000,000	-
Common Stock, no par	Dec-84	1,000	1,000
Total		21,576,000	1,000

(1) Remaining authorized under FPL's Restated Articles of Incorporation, as amended.

FLORIDA POWER & LIGHT COMPANY
Statement of Capital Stock and Debt as of June 30, 2001

First Mortgage Bonds

Series	Issue Date	Maturity	Principal Outstanding
6.625%	02/93	02/01/03	\$100,000,000
7.750%	02/93	02/01/23	\$124,555,000
6.875%	04/93	04/01/04	\$125,000,000
7.300%	04/93	04/01/16	\$225,000,000
7.625%	06/93	06/01/24	\$175,000,000
7.000%	09/93	09/01/25	\$108,800,000
7.050%	12/93	12/01/26	\$107,919,000
6.000%	06/98	06/01/08	\$200,000,000
5.875%	04/99	04/01/09	\$225,000,000
6.875%	12/00	12/01/05	\$500,000,000
		Total	\$1,891,274,000

First Mortgage Bonds - Medium-Term Notes

Series	Issue Date	Maturity	Principal Outstanding
5.79%	09/93	09/15/03	\$70,000,000

FLORIDA POWER & LIGHT COMPANY
Statement of Capital Stock and Debt as of June 30, 2001

First Mortgage Bonds - Pollution Control and Industrial Development Revenue Bonds:

Series	Issue Date	Maturity	Principal Outstanding
7.15% Dade	08/91	02/01/23	\$15,000,000
7.15% Broward	08/91	02/01/23	\$4,000,000
6.7% St. Lucie	05/92	05/01/27	\$5,315,000
		Total	\$24,315,000

Unsecured Pollution Control, Solid Waste Disposal and Industrial Development Revenue Bonds:

Series	Issue Date	Maturity	Principal Outstanding
Variable Rate Jacksonville	05/92	05/01/27	\$28,300,000
Variable Rate Martin	07/93	01/01/27	\$4,050,000
Variable Rate Dade	12/93	06/01/21	\$45,750,000
Variable Rate Jacksonville	03/94	09/01/24	\$45,960,000
Variable Rate Manatee	03/94	09/01/24	\$16,510,000
Variable Rate Putnam	03/94	09/01/24	\$4,480,000
Variable Rate Dade	03/95	04/01/20	\$8,635,000
Variable Rate Jacksonville	06/95	05/01/29	\$51,940,000
Variable Rate Martin	04/00	07/15/22	\$95,700,000
Variable Rate St. Lucie	09/00	09/01/28	\$242,210,000
Variable Rate St. Lucie	12/00	07/15/24	\$65,420,000
		Total	\$608,955,000

**Proposed Notice For The
Florida Administrative Weekly**

The **Florida Public Service Commission** will consider and take final agency action at its regularly scheduled Agenda Conference on November __, 2001, in Docket No. _____-EI, the Application of Florida Power & Light Company For Authority To Issue And Sell Securities Pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code.

DATE AND TIME: November __, 2001. The Agenda Conference begins at 9:30a.m., although the time at which this item will be considered cannot be determined at this time.

PLACE: Commission Hearing Room 148, Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida.

PURPOSE: To take final agency action in Docket No. _____-EI. Any person requiring some accommodation at this hearing of a physical impairment should call the Division of Records and Reporting at (850) 413-6770 at least 48 hours prior to hearing. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771(TDD). Any person who decides to appeal the final agency action taken on this application will need a record of the proceedings related to it and therefore, may need to ensure that a verbatim record of such proceedings is made.

LEGAL AUTHORITY: Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code.