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FPL's Responses to Staff's Fifteenth Set of Interrogatories (Nos. 435-449 and 452-455)

Q.

Please identify the amount of accumulated deferred income taxes associated with the Canaveral Modernization Project.

A.

The Accumulated Deferred Income Taxes ("ADIT") for the Canaveral Modernization Project relate to: (1) the book/tax depreciation recorded for the period, (2) temporary differences related to the debt component of AFUDC, and (3) the capitalization of construction period interest for tax. During the construction period, the Company accrues debt AFUDC for book purposes and capitalizes construction period interest for tax purposes, which are recognized as temporary differences between the book basis and tax basis of the assets. ADITs are provided for these temporary differences which will turn around over the life of the asset.

In FPL's adjustment to remove the Cape Canaveral Modernization Project assets from the 2013 Test Year rate base, the ADIT balances identified with each of these temporary differences were removed in total from FPL's 2013 Test Year capital structure. The net ADIT amounts related to these timing differences were also included in the $121.936 million (13-month average) ADIT amounts used to reduce rate base calculated for the Canaveral Step Increase. The system $121.936 million amount also included the turn around of these temporary differences during the 12-month period ending May 31, 2014. The ADIT was recalculated to be $121.529 million (system 13-month average) based on revised the plant-in-service amount for the Canaveral Modernization Project (see Item No. 18 on FPL witness Ousdahl's rebuttal Exhibit No. KO-16). The original amount filed and the revised amounts are shown below. See Attachment No. 1 for supporting calculations.

($000) 13-Month Average	**Original as filed**	**Revised**
Book / Tax Depreciation	($140,469)	($138,967)
Debt Component of AFUDC	(9,283)	(9,172)
Construction Period Interest	27,816	26,610
Total ADIT	($121,936)	($121,529)

Florida Power & Light Company
Docket No. 120015-EI
Staff's Fifteenth Set of Interrogatories
Interrogatory No. 435
Attachment No. 1

Florida Power & Light Company
Cape Canaveral Modernization
Revised

	May-13 Proforma Bal.	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Bonus and Accel. Def Taxes													
Modernization											331,144	331,144	331,144
Federal Deferred Income Taxes		135,053,975	(84,210)	(85,845)	(86,199)	(86,308)	(86,403)	(86,488)	82,407	82,385	82,299	82,217	82,204
Cumulative Deferred Taxes Federal		135,053,975	134,969,765	134,883,920	134,797,721	134,711,413	134,625,010	134,538,522	134,620,930	134,703,315	134,785,614	134,867,831	134,950,035
State Deferred Income Taxes		443,535	444,631	444,359	444,300	444,282	444,266	444,252	281,240	281,236	281,222	281,208	281,206
Cumulative Deferred Taxes State		443,535	888,165	1,332,524	1,776,824	2,221,105	2,665,371	3,109,623	3,390,863	3,672,099	3,953,321	4,234,529	4,515,735
End of Period Balance Federal and State		135,497,509	135,857,930	136,216,444	136,574,545	136,932,519	137,290,382	137,648,146	138,011,793	138,375,414	139,070,079	139,433,504	139,796,914
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	135,426,492	135,497,509	135,857,930	136,216,444	136,574,545	136,932,519	137,290,382	137,648,146	138,011,793	138,375,414	139,070,079	139,433,504	139,796,914
Total Sum for twelve months ended 2014 (including Proforma for May 2013													1,766,131,670
Total Sum for twelve months ended 2014 (including Proforma for May 2013													137,394,744
Transmission													
Federal Deferred Income Taxes		1,500,420	6,682	6,682	6,682	6,682	6,682	6,682	9,105	9,105	9,105	9,105	9,105
Cumulative Deferred Taxes Federal		1,500,420	1,507,101	1,513,783	1,520,465	1,527,146	1,533,828	1,540,510	1,549,614	1,558,719	1,567,823	1,576,928	1,586,033
State Deferred Income Taxes		6,798	6,167	6,167	6,167	6,167	6,167	6,167	4,464	4,464	4,464	4,464	4,464
Cumulative Deferred Taxes State		6,798	12,965	19,133	25,300	31,467	37,635	43,802	48,266	52,729	57,193	61,656	66,120
End of Period Balance Federal and State		1,507,217	1,520,066	1,532,915	1,545,765	1,558,614	1,571,463	1,584,312	1,597,880	1,611,448	1,625,016	1,638,584	1,652,152
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	1,493,054	1,507,217	1,520,066	1,532,915	1,545,765	1,558,614	1,571,463	1,584,312	1,597,880	1,611,448	1,625,016	1,638,584	1,652,152
Total Sum for twelve months ended 2014 (including Proforma for May 2013													20,438,487
Total Sum for twelve months ended 2014 (including Proforma for May 2013													1,572,191
AFUDC Debt Component													
Modernization													
Deferred Taxes at end of Month		9,269,051	9,243,490	9,217,929	9,192,369	9,166,808	9,141,247	9,115,686	9,090,125	9,064,564	9,039,003	9,013,442	8,987,881
End of Period Balance Federal and State													
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	9,294,870	9,269,051	9,243,490	9,217,929	9,192,369	9,166,808	9,141,247	9,115,686	9,090,125	9,064,564	9,039,003	9,013,442	8,987,881
Total Sum for twelve months ended 2014 (including Proforma for May 2013													118,836,465
Total Sum for twelve months ended 2014 (including Proforma for May 2013													9,141,267
Transmission													
Deferred Taxes at end of Month		32,032	31,965	31,898	31,832	31,765	31,698	31,631	31,565	31,498	31,431	31,364	31,297
End of Period Balance Federal and State													
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	32,065	32,032	31,965	31,898	31,832	31,765	31,698	31,631	31,565	31,498	31,431	31,364	31,297
Total Sum for twelve months ended 2014 (including Proforma for May 2013													412,042

Total Sum for twelve months ended 2014 (including Proforma for May 2013		1,525,120												31,696
Construction Period Interest	(70,544,988)													
Modernization														
Deferred Taxes at end of Month			(26,853,106)	(26,768,927)	(26,684,748)	(26,600,569)	(26,516,390)	(26,432,211)	(26,348,032)	(26,186,632)	(26,025,233)	(25,863,834)	(25,702,435)	(25,541,035)
End of Period Balance Federal and State														
Total sum for year 2013														
End of Period Balance Federal and State - 12 months ended June 2014		(26,937,285)	(26,853,106)	(26,768,927)	(26,684,748)	(26,600,569)	(26,516,390)	(26,432,211)	(26,348,032)	(26,186,632)	(26,025,233)	(25,863,834)	(25,702,435)	(25,541,035)
Total Sum for twelve months ended 2014 (including Proforma for May 2013														(342,460,435)
Total Sum for twelve months ended 2014 (including Proforma for May 2013														(26,343,110)
Transmission														
Deferred Taxes at end of Month			(255,231)	(254,163)	(253,095)	(252,027)	(250,959)	(249,891)	(248,823)	(246,794)	(244,765)	(242,736)	(240,707)	(238,678)
End of Period Balance Federal and State														
Total sum for year 2013														
End of Period Balance Federal and State - 12 months ended June 2014		(275,444)	(274,297)	(273,149)	(272,001)	(270,854)	(269,706)	(268,558)	(267,411)	(265,230)	(263,049)	(260,869)	(258,688)	(256,508)
Total Sum for twelve months ended 2014 (including Proforma for May 2013														(3,475,764)
Total Sum for twelve months ended 2014 (including Proforma for May 2013														(267,366)
		119,033,752	119,178,407	119,611,377	120,042,438	120,473,087	120,903,609	121,334,020	121,764,332	122,279,500	122,794,641	123,640,827	124,155,772	124,670,702
														121,529,420

Florida Power & Light Company
Cape Canaveral Modernization
ORIGINAL AS FILED

Bonus and Accel. Def Taxes	May-13 Proforma Bal	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Modernization													
Federal Deferred Income Taxes		136.609 432	(85,693)	(87,328)	(87.682)	(87.791)	(87,886)	(87,871)	82,741	82.719	82,633	82,551	82,536
Cumulative Deferred Taxes Federal		136.609,432	136,523,739	136,436,411	136,348,729	136.260.937	136.173,051	136,085,080	136.167,821	136,250,540	136,333,173	136,415,724	136,498,262
State Deferred Income Taxes		448.557	449,668	449,396	449,337	449,319	449,303	449,289	264,376	264,374	264,360	264,346	264,344
Cumulative Deferred Taxes State		448.557	898,225	1,347,622	1,796,959	2.246.278	2 695,581	3,144,870	3,429,248	3.713,622	3.997,981	4,262,327	4,566,671
End of Period Balance Federal and State		137.057.990	137,421,985	137.784,033	138.145,687	138.507.215	138,868,632	139,229,950	139,597,068	139.964,162	140,331,155	140,698,051	141,064,933
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	136,986,765	137 057,990	137,421,965	137,784,033	138,145,687	138.507,215	138,868,632	139,229,950	139,597,068	139,964,162	140,331 155	140,698,051	141,064,933
Total Sum for twelve months ended 2014 (including Proforma for May 2013													1,805,657,805
Total Sum for twelve months ended 2014 (including Proforma for May 2013													136,896.739
Transmission													
Federal Deferred Income Taxes		1 500 420	6,682	6,682	6,682	6 682	6,682	6,682	9,105	9,105	9,105	9,105	9,105
Cumulative Deferred Taxes Federal		1,500,420	1,507,101	1,513,783	1,520,465	1.527 147	1 533,829	1,540,511	1,549,616	1,558,721	1,567,826	1,576,931	1,586,036
State Deferred Income Taxes		6.798	6,167	6,167	6,167	6.167	6,167	6,167	4,464	4,464	4,464	4,464	4,464
Cumulative Deferred Taxes State		6.798	12,965	19,132	25.299	31 466	37,633	43,800	48,264	52,728	57,192	61,656	66,120
End of Period Balance Federal and State		1,507.218	1,520,066	1,532,915	1,545,764	1,558 613	1 571,462	1,584,311	1,597,880	1,611 449	1,625,018	1,638,587	1,652,156
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	1,493,054	1.507.218	1,520,066	1,532,915	1,545,764	1 558,613	1.571,462	1,584,311	1,597,880	1,611,449	1,625,018	1,638,587	1,652.156
Total Sum for twelve months ended 2014 (including Proforma for May 2013													20,438,493
Total Sum for twelve months ended 2014 (including Proforma for May 2013													1.572,192
AFUDC Debt Component													
Modernization													
Deferred Taxes at end of Month		9.382,180	9,356,344	9.330,507	9,304,671	9 278 634	9.252,998	9,227,161	9,201,325	9.175,488	9,149.652	9,123,815	9,097,979
End of Period Balance Federal and State													
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	9,395,099	9,382 180	9.356,344	9.330,507	9,304.671	9.278,834	9.252,998	9,227,161	9,201.325	9.175,488	9,149,852	9.123,815	8,097,979
Total Sum for twelve months ended 2014 (including Proforma for May 2013													120,276,052
Total Sum for twelve months ended 2014 (including Proforma for May 2013													9,252,004
Transmission													
Deferred Taxes at end of Month		32,033	31,966	31,899	31.832	31.766	31,699	31,632	31,565	31,498	31,432	31,365	31,298
End of Period Balance Federal and State													
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	32.096	32,033	31,966	31,899	31,832	31,765	31,699	31,632	31,565	31,498	31.432	31,365	31,298
Total Sum for twelve months ended 2014 (including Proforma for May 2013													412,052
Total Sum for twelve months ended 2014 (including Proforma for May 2013													31.696
	1,525,120												
Construction Period Interest													
Modernization													
Deferred Taxes at end of Month		(27,196,980)	(27.111,723)	(27,026,466)	(26,941,209)	(26.855.952)	(26,770,695)	(26,685,438)	(26,521,972)	(26.358,506)	(26,195,040)	(26,031,573)	(25,868,107)
End of Period Balance Federal and State													
Total sum for year 2013													
End of Period Balance Federal and State - 12 months ended June 2014	(27,282,237)	(27,196.980)	(27 111,723)	(27,026,466)	(26,941,209)	(26.855,952)	(26,770,695)	(26,685,438)	(26,521,972)	(26,358,506)	(26,195.040)	(26,031,573)	(25,868,107)
Total Sum for twelve months ended 2014 (including Proforma for May 2013													(346,845,895)
Total Sum for twelve months ended 2014 (including Proforma for May 2013													(26,680.453)

Transmission														
Deferred Taxes at end of Month		(1,165,510)	(1,160,633)	(1,155,757)	(1,150,880)	(1,146,004)	(1,141,127)	(1,136,250)	(1,126,985)	(1,117,719)	(1,108,454)	(1,099,188)	(1,089,923)	
End of Period Balance Federal and State														
Total sum for year 2013														
End of Period Balance Federal and State - 12 months ended June 2014	(1,170,387)	(1,165,510)	(1,160,633)	(1,155,757)	(1,150,880)	(1,146,004)	(1,141,127)	(1,136,250)	(1,126,985)	(1,117,719)	(1,108,454)	(1,099,188)	(1,089,923)	
Total Sum for twelve months ended 2014 (including Proforma for May 2013													(14,768,817)	
Total Sum for twelve months ended 2014 (including Proforma for May 2013													(1,136,063)	
Total	119,454,360	119,616,931	120,057,984	120,497,132	120,935,858	121,374,473	121,812,989	122,251,366	122,778,682	123,306,272	123,833,763	124,361,056	124,888,336	121,936,115

Q.
Please identify the amount of unamortized investment tax credits associated with the Canaveral Modernization Project.

A.
There were no amounts of unamortized investment tax credits associated with the Canaveral Modernization Project.

Q.
What were the O&M Base Salary portion for non-executive, non-bargaining employees for the projected years 2012 and 2013, net of allocations to affiliates?

A.
The O&M Base Salary portion for non-executive, non-bargaining employees for the projected years 2012 and 2013, net of allocations to affiliates is $391,514,666 in 2012 and $393,143,393 in 2013. O&M Base Salary excludes overtime and incentive compensation and includes all non-clause base pay for exempt and non-exempt employees.

Q.
What were the increases in base salary in terms of dollars and percentages for the projected years 2012 and 2013 for non-executive, non-bargaining employees, net of allocations to affiliates?

A.
Base salary for non-executive, non-bargaining employees, net of allocations to affiliates will be decreasing $7,545,334, or (1.4)%, from 2012 to 2013. Base salary excludes overtime and incentive compensation and includes all base pay for exempt and non-exempt employees, regardless of whether it is recorded as base O&M or otherwise.

Q.
What were the increases in base salary for bargaining employees in terms of dollars and percentages for the projected years 2012 and 2013, net of allocations to affiliates?

A.
Base salary for bargaining employees net of allocations to affiliates will be increasing $5,905,668, or 2.4%, from 2012 to 2013. Base salary excludes overtime and incentive compensation and includes all base pay for bargaining employees, regardless of whether it is recorded as base O&M or otherwise.

Q.

Please explain in detail why the non-executive annual cash incentive amounts of $42,782,826 and $6,205,545 were not included in the 2013 adjustment amount shown in column C of FPL's response to SFHHA's Sixth Set of interrogatories, Attachment 1.

A.

Column C in Attachment No. 1 of FPL's response to SFHHA's Sixth Set of Interrogatories No. 262 represents the amounts of the Commission's adjustments in the 2010 Rate Case Order No. PSC-10-0153-FOF. The $6,205,545 non-executive performance-based long-term cash incentive and the $42,782,826 non-executive performance-based annual cash incentive were not part of the adjustments in that Order and thus not shown as adjustments in column C.

Q.
Is FPL aware of any other utilities in the state of Florida that uses hot gas path maintenance on its units? If so, please provide the name of those utilities.

A.
The term "hot gas path" (HGP) refers to a specific type of maintenance for combustion turbines (CTs). While FPL cannot speak with absolute certainty which Florida utilities have CT-based combined cycle units receiving hot gas path maintenance, nor how they undertake maintenance on those units, a review of the FRCC's (Florida Reliability Coordinating Council's) 2011 Regional Load & Resource Plan and other sources indicates the following Florida utilities may be responsive candidates:

FLORIDA UTILITIES WITH COMBINED CYCLE CAPACITY
FLORIDA POWER & LIGHT CO
FLORIDA MUNICIPAL POWER AGENCY
GAINESVILLE REGIONAL UTIL
GULF POWER CO
JEA
KISSIMMEE UTIL AUTHORITY
LAKE WORTH UTIL AUTH
LAKELAND ELECTRIC
ORLANDO UTILITIES COMMISSION
PROGRESS ENERGY FLORIDA
SEMINOLE ELECTRIC COOP INC
TALLAHASSEE MUNI UTILS
TAMPA ELECTRIC CO
VERO BEACH MUNICIPAL UTIL

Q.
FPL states that the company plans to spend over $250 Million for hot gas path maintenance on 26 GE 7FA CTs from the period 2011 through 2013. What sources did FPL used to derived its conclusion that performing such maintenance would result in these costs.

A.
As outlined in FPL's responses to OPC's Sixth Set of Interrogatories Nos. 102, 105 and 106, the referenced $250 million expenditure relates to capital, not O&M, and is for upgrading, not maintenance, of the hot gas path sections for 14 out of 26 of FPL's GE 7FA CTs during the 2011 through 2013 timeframe. Before undertaking this CT upgrade program, FPL conducted detailed financial and technical analysis of the entire utility GE CT fleet. Vendor information was the source of costs incorporated into FPL's analysis used to justify the capital expenditures for this CT upgrade program. The results indicated the lowest customer cost (CPVRR) was for the 26 GE 7FA CT's selected for upgrade.

Q.

Please refer to the chart titled "CT Upgrades (2010-2013)" provided by FPL in its response to the Office of Public Counsel's Sixth Set of Interrogatories. The column labeled CT Unit Upgrades list 14 units that FPL proposed to perform hot gas path maintenance for that period. However FPL has stated that the company plans to perform hot gas maintenance on 26 of its GE 7FA CTs. Please explain in detail the difference.

A.

The total planned CT upgrades for years 2010 to 2015 is 26 units. FPL is upgrading 14 CT units during the 2011 though 2013 timeframe and the 12 remaining CTs in years 2014 and 2015.

Q.

Please explain in detail the cost estimates of a hot gas path maintenance on one of FPL's GE 7FA CTs. In your response, specifically explain in detail the costs of materials, labor, and any other components that would make up the such costs and provide comparable cost estimates for similar maintenance that has been performed by other utilities on one unit.

A.

The "HGP maintenance on one 7FA CT" as it pertains to the .04 upgrades will not change the labor costs and time duration of a typical HGP outage. The upgrade parts will cost approximately $14.4M for a set of parts. The parts removed will be sold back to the OEM. The cost of the parts is based on current Parts Agreement Contract. FPL does not have information on other utility maintenance costs.

Q.

In response to the Office of Public Counsel's Sixth Set of Interrogatories No. 102, FPL states that the upgraded components of hot gas path maintenance will improve power and heat rate of its generating units. Please explain in detail how performing hot gas path maintenance is different from the routine maintenance that FPL has performed on its generating units in the past. In your response, state whether the routine maintenance that FPL has performed in the past different from hot gas path maintenance as it relates to the amount of power, heat rate, and output of the generating unit.

A.

The CT units' HGP .04 upgrade is scheduled during the routine planned hot gas path (HGP) maintenance. The only difference to the routine HGP maintenance is the introduction of 11 new upgrade HGP parts designed to improve power and heat rate of the generating units. There are contractual protections in place to ensure benefits to customers from the upgrade program.

Q.

In response to Office of Public Counsel's Sixth Set of Interrogatories No. 102, FPL states that it plans to perform hot gas path maintenance on 26 GE (General Electric) 7FA CTs. In addition, FPL states that the upgrade is a new offer from the original equipment manufacturer. Please explain in detail how FPL reached the conclusion that the 26 units were candidates for such maintenance. Please state whether delaying hot gas path maintenance on some of the units would have a negative effect on electric reliability.

A.

The conclusion that 26 CTs were selected for upgrade was based on a detailed financial and technical review of the entire 7FA utility fleet and overviewed in the economic analysis described in FPL's response to OPC's Sixth Set of Interrogatories No. 106. The Proforma results showed the lowest customer cost (CPVRR) was for the 26 units selected.

The plan does not delay HGP maintenance on the 26 units in question. For the selected units, the maintenance will be performed during the normally planned HGP outages. For the units not selected for upgrade, the HGP maintenance will also continue in its normal cycle. Remaining with the .03 style parts, versus adding with the .04 upgrade, does not impact reliability. However, in addition to incremental power and efficiency gains, the upgraded parts designed by GE also provide value by extending service lives and repair intervals associated with the new .04 components.

Q.
What would be the effect on costs and reliability if FPL chose to perform hot gas path maintenance on its units incrementally i.e., five units every 3-5 years, rather than the 26 units over the 2011-2013 period? In your response, please state whether a phased in approach would provide FPL with additional information regarding the results of the hot gas path maintenance on individual units compared to FPL's proposed schedule.

A.
Hot Gas Path maintenance must occur routinely in accordance with OEM recommendations. In reference to delaying the scheduled .04 HGP upgrades, over the 2011-2013 period only 14 of the 26 units are planned for .04 upgrades. The remaining 12 are planned to take place from 2014 to 2015. The Proforma considered numerous variations of units for upgrade to the .04 configuration. The analysis showed the lowest customer cost (CPVRR) was for the 26 units selected for conversion. Of the entire FPL utility fleet, six units (Fort Myers 3A & 3B and Martin units 3A, 3B & 4A, 4B) were not selected based on the analysis. These units did not show significant benefits for upgrades therefore they were not included in the planned upgrades. In addition, since our maintenance intervals are based on hours and starts a phased approach may not capture the end of life of a part therefore not capturing the full benefit of the part life. For this reason, the Proforma was based on implementing the .04 during the normally planned outages. Deferring upgrades defers the net benefits into the future, thereby delaying the delivery of the project's benefits to our customers.

Q.
Please refer to FPL's response to the Office of Public Counsel's Sixth Set of Interrogatories No. 102. Using the chart titled "CT Upgrades (2010-2013)" as a template, please provide cost scenarios of the following: Hot gas path maintenance on 5, 10, 15, and 20 of FPL's GE 7FA CTs.

A.
Since our maintenance intervals are based on hours and starts, a phased approach such as the one described above as 5, 10, 15 and 20 of the 7FA CTs was not performed and will not capture the full end of life of a part. The consequence would be removing the part much earlier than needed and reduce benefits to our customers. For this reason, the Proforma was based on implementing the .04 upgrade during the normally planned outages which are based on OEM requirements for part maintenance and end of life. This approach maximizes the full useful life of the part before it needs to be repaired or replaced.

Q.

Please refer to FPL's response to the Office of Public Counsel's Sixth Set of Interrogatories No. 110. Using the chart provided in that response as a template, please provide contractual labor cost for projections of hot gas path maintenance performance on 5, 10, 15 and 20 of FPL's GE 7FA CTs during 2012 and 2013.

A.

As mentioned in FPL's response to Staffs Fifteenth Set of Interrogatories No. 447, HGP maintenance must occur as regularly required. The CT units' 0.04 HGP upgrade is for material cost only as there is no incremental contractual labor cost associated with this program and no change from routine planned maintenance labor charges. Therefore, the costs for an upgraded HGP will not change the labor costs of a typical planned HGP.

Q.
For the purpose of Interrogatories Nos. 452 and 453, please refer to FPL's responses to Staff's Third Set of Interrogatories, Interrogatory No. 58.

The Company stated that the decrease shown in MFR Schedule B-15 for Bobwhite-Manatee reflected a planned in-service date of March 2012, but was updated to 2014 and not shown in MFR Schedule B-15. Also, the Company stated that the Bobwhite-Manatee Property Held for Future Use 13-month average is $6,965,763.17.

a. Please state whether FPL added Bobwhite-Manatee Substation to plant-in-service for 2012 and 2013. If your response is yes, please provide the adjustments or journal entries that should be made to plant-in-service, CWIP, depreciation expense, and accumulated depreciation.

b. Please explain why the Bobwhite-Manatee Property Held for Future Use 13- month average increased from $4,788,000 and $4,134,000, respectively, for 2012 and 2013 to $6,965,763.17 for both years.

A.
a. In the forecast for the 2012 Prior Year and 2013 Test Year, $2.831 million for the Bobwhite-Manatee future use property was transferred from Property Held For Future Use to a non-depreciable Transmission Plant-in-Service account in March 2012. However, in actual balances through June 2012, there have been no closings to plant in service for the Bobwhite-Manatee future use property. The actual balance for this future use property remains at $6,965,763.17 as of June 2012.

   There was no amount forecasted for depreciation expense for this property in the 2013 Test Year, since it was forecasted to close to a non-depreciable transmission plant-in-service account. Therefore, there is no impact on rate base for the 2013 Test Year or revenue requirements for the 2013 Test Year and no adjustments need to be made.

b. The total amount of $6,965,763.17 reflected in FPL's response to Staff's Third Set of Interrogatories No. 58 as Property Held for Future Use represents the total cost of the Bob-White Manatee property purchased. A portion of this amount was projected to be closed out to Plant-in-Service in FPL's forecast for the Prior Year 2012 and the Test Year 2013. The amount included on MFR Schedule B-15 in 2013 for the Bobwhite-Manatee reflects a planned in-service date of March 2012 which is why the 13 month average Property Held for Future Use amounts are lower than the total cost of the property. The in-service date forecast assumption was subsequently updated to 2014, but this change was not reflected on Schedule B-15. If the subsequent forecast assumption update of in-service in 2014 for the Bobwhite-Manatee property were to be reflected in the 13 month average Property Held for Future Use balances for 2012 and 2013, the amount would be $6,965,763 for both years. There is no impact on FPL's projected revenue requirements in 2012 or 2013 based on whether the full cost of the Bobwhite-Manatee property treated as Property Held for Future Use or part of the cost is transferred to a non-depreciable Plant-in-Service account as originally forecast.

Q.

For the purpose of Interrogatories Nos. 452 and 453, please refer to FPL's responses to Staff's Third Set of Interrogatories, Interrogatory No. 58.

The Company stated that the decrease in Aggregate Transmission property Under 5% reflected a planned in-service date for Pirolo of March 2012, but the in-service date was updated to 2017. The Company stated that due to the update, Pirolo's 13-month average for 2012 and 2013 would change to $1,636,768.82.

a. Please state whether FPL added Pirolo to plant in service in March 2012? If your response is yes, please provide the adjustments/journal entries that should be made to plant-in-service, CWIP, depreciation expense, and accumulated depreciation for 2012 and 2013.

b. What would be the 13 month average for the Aggregate Transmission Property under 5% for 2012 and 2013, since the Company updated Pirolo in the amount of $1,636,768.82 for 2012 and 2013?

A.

a. No, on an actual basis through June 2012, FPL has not added Pirolo to plant in service. It remains in property held for future use as of June 2012 at a balance of $1,636,768.82.

b. The 13 month average for the Aggregate Transmission Property under 5% for 2012 and 2013 would be $15,562,309, if FPL reflects the subsequest forecast assumption update for Pirolo's in service date.

Q.

For the purpose of Interrogatory No. 454, please refer to Staff's Third Set of Interrogatories, Interrogatory No. 84.

FPL stated that the $12,000,000 demolition costs were inadvertently included in the 2013 CWIP balance on MFR Schedule B-13. Also, FPL stated it is evaluating the impact on the test year revenue requirements of the demolition costs and other identified adjustments in its filed rebuttal testimony.

a. Please provide the applicable adjustment/journal entries for the $12 million demolition costs as found in MFR Schedule B-13. In your response, please state what is the impact to the test year revenue requirements based on this correction.

A.

The adjustment to correct the $12 million demolition costs that were inadvertently included in the 2013 CWIP balance on MFR Schedule B-13 is an increase in FPL's 13-month average jurisdictional rate base of $5,890,000 ($5,998,000, system). The impact to FPL's 2013 Test Year revenue requirements associated with this adjustment is an increase of $610,000. The revenue requirement calculation for this adjustment is included in FPL's response to Staff's Twelfth Request for Production of Documents No. 88.

Q.
For the purpose of Interrogatory No. 455, please refer to OPC's Sixth Set of Interrogatories,

Interrogatory No. 128, page 3 of 3, Note No. 3.

FPL stated that a $3.8 million credit was made to working capital which should have been a reduction to O&M expenses which caused working capital to be understated. Please provide a detailed explanation as to how the credit occurred and identify the working capital accounts that was effected.

A.
The $3.8 million amount reflected in working capital in Account 253, Deferred Credits, on line 23, page 3 of 5, on MFR B-17 for the 2013 Test Year, represents the actual deferral of DOE reimbursements awaiting to be applied as an offset to the incremental O&M expense incurred on Energy Smart Florida projects recorded on FPL's books and records as of September 30, 2011. This deferred credit remained in FPL's forecast from September 30, 2011 through December 31, 2013. It should have been reduced over the period of October 2011 through December 2012 as O&M was expected to be spent. Therefore, working capital needs to be increased to remove this deferred credit. In addition, FPL did not forecast any incremental O&M expenses for projects that are expected to be reimbursed by the DOE for the period October 2011 through December 2013, therefore, there is no adjustment required for O&M expense for either the 2012 Prior or 2013 Test Years.

AFFIDAVIT

Mike Lannon

State of Florida)

County of Palm Beach)

I hereby certify that on this 10th day of August, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared **Mike Lannon**, who is personally known to me, and he acknowledged before me that he co-sponsored the answers to Interrogatory Nos. 452 and 453, from Staff's 15th Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 10th day of August, 2012.

Morgan A. Sabato
Notary Public, State of Florida

Notary Stamp:

NOTARY PUBLIC STATE OF FLORIDA
MORGAN A. SABATO
Notary Public - State of Florida
My Comm. Expires Oct 23, 2015
Commission # EE 140489

AFFIDAVIT

Robert E. Barrett, Jr.

Robert E. Barrett, Jr.

State of Florida)

County of **Palm Beach**)

I hereby certify that on this 9th day of August, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared **Robert E. Barrett, Jr.,** who is personally known to me, and he/she acknowledged before me that he/she sponsored the answer(s) to Interrogatory No(s). **437** and co-sponsored the answer(s) to Interrogatory No(s). **438, 439, 452, and 453** from **Staff's Fifteenth** Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the response(s) is/are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 9th day of August, 2012.

Jennifer

Notary Public, State of Florida

Notary Stamp: Notary Public State of Florida
Jennifer A Reklinski
My Commission DD944536
Expires 02/27/2014

AFFIDAVIT

Kathy Slattery

Kathleen Slattery

State of Florida)

County of Palm Beach)

I hereby certify that on this 10 day of Aug, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared **Kathleen Slattery**, who is personally known to me, and she acknowledged before me that she co-sponsored the answer to No(s). 438 and 439 and sponsored the answer to Interrogatory No(s). 440 from Staff's Fifteenth Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the response is true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 10th day of Aug., 2012.

Diane S Bryant

Notary Public, State of Florida

Notary Stamp:

DIANE S. BRYANT
MY COMMISSION # DD 958024
EXPIRES: June 3, 2014
Bonded Thru Notary Public Underwriters

AFFIDAVIT

Korel M. Dubin

(Korel M. Dubin)

State of Florida)

County of Palm Beach)

I hereby certify that on this 9th day of August, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Korel M. Dubin, who is personally known to me, and she acknowledged before me that she sponsored the answers to Interrogatories No. 450 and No. 451 from Staff's 15th Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the response is true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 9th day of August, 2012.

Traci D. Goldwire

Notary Public, State of Florida

Notary Stamp:

TRACI D. GOLDWIRE
Notary Public - State of Florida
My Comm. Expires Jul 31, 2015
Commission # EE 117539

AFFIDAVIT

Kim Ousdahl

State of Florida)

County of Palm Beach)

I hereby certify that on this 2nd day of August 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Kim Ousdahl, who is personally known to me, and she acknowledged before me that she sponsored the answers to Interrogatory Nos. 435-436, and 454-455 from Staff's 15th Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 2nd day of August, 2012.

Notary Public, State of Florida

Notary Stamp: Notary Public State of Florida
Jennifer A Reklinski
My Commission DD944536
Expires 02/27/2014

AFFIDAVIT

Roxane Kennedy

State of Florida)

County of Palm Beach)

I hereby certify that on this 3rd day of August, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Roxane Kennedy, who is personally known to me, and he/she acknowledged before me that he/she sponsored the answer(s) to Interrogatory No(s). 441-449 from Staff's 15th Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the response(s) is/are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 3rd day of August, 2012.

Notary Public, State of Florida

Notary Stamp:

Notary Public State of Florida
Jessica Alexander Johnson
My Commission EE108855
Expires 03/02/2016

53

FPL's Responses to Staff's Sixteenth Set of Interrogatories (Nos. 456)

Q.

Please refer to a recent WPLG Channel 10 News report concerning a high voltage line that had fallen for the seventh time in Hialeah, Florida:

a. Please explain the entire history of the fallen line in Hialeah that was reported by WPLG Channel 10 News.
b. Please explain in detail what actions or actions FPL has undertaken regarding this incident and previous incidents.
c. Has FPL conducted an engineering study or analysis of the current incident and previous incidents? If not, why not?
d. Please state the results of the engineering study or analysis.
e. What are FPL's future plans and actions to eliminate a possible reoccurrence?
f. How many customers were affected and how long was the outage as a result of the fallen power line?

A.

a. A review of FPL's available records over the last 17 years (1995 through current) indicate that the 3.1 mile long Hialeah feeder (referenced in the WPLG Channel 10 news report) has experienced 11 wire-down events. Below are the dates and causes for each event obtained from FPL's outage records:

Date	Cause	Comments
6/1999	Lightning	
6/2000	Vehicle accident	
7/2001	Unknown	
3/2003	Tornado	
2/2005*	Vehicle accident	
9/2005	Lightning	
8/2007*	Vehicle accident	
3/2008	Equip. failure (unknown)	Sustained winds >20 mph; wind gusts >30 mph
3/2010*	Equip. failure (splice)	
1/2012	Equip. failure(unknown)	Sustained winds 15 mph; gusts > 30 mph
7/2012*	Storm/wind	Heavy thunderstorms; sustained winds > 25 mph; gusts > 30 mph

* Events occurred in front of customer's (interviewed in the Channel 10 report) house.

b. As a result of the two most recent occurrences, FPL will be removing the last five remaining spans of the previously existing distribution feeder and will install the new spans on the existing parallel transmission facilities. The new conductor will be upgraded (stronger) as a result FPL's current construction standards. All work is expected to be completed by August 31, 2012. Previous to the most recent incident, repairs necessary to restore service were made.

c. Yes. A recent review of the feeder's 5-year load history indicates no overload exceptions have occurred and that the feeder's load utilization rate (ranging from 62%-70% per year over the last five years) is well within tolerance. Each year FPL also reviews all historical feeder load profiles to determine if any actions (e.g., upgrades of equipment, switching, and additional new facilities) are necessary to accommodate changing load conditions. Again, these reviews indicated that the Hialeah feeder was well within load tolerance levels.

d. See FPL's response to subpart (c) above.

e. See FPL's response to subpart (b) above. While not associated with this feeder, FPL also notes that it has recently adopted a new overhead splice that should provide improved durability and reliability.

f. In total, 1,291 customers were affected by the July 12, 2012 outage. Below are the timeframes associated with restoring all affected customers:

Elapsed Outage Time	#/% Restored	Cumulative #/% Restored
22 Minutes	91/7%	91/7%
28 Minutes	890/69%	981/76%
48 Minutes	243/19%	1,224/95%
3 Hours	67/5%	1,291/100%

<u>**AFFIDAVIT**</u>

David T. Bromley

State of Florida)

County of Broward)

I hereby certify that on this 2nd day of August, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared David T. Bromley, who is personally known to me, and he acknowledged before me that he sponsored the answer to Interrogatory No. 456 from the Florida Public Service Commission Staff's Sixteenth Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the response is true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 2nd day of August, 2012.

Notary Public, State of Florida

Notary Stamp:

ANNA V. TUPITSYNA
MY COMMISSION # EE 139649
EXPIRES: February 20, 2016
Bonded Thru Notary Public Underwriters

54

FPL's Responses to Staff's Seventeenth Set of Interrogatories (Nos. 457-461)

Q.
In consideration of the amendment to Rule 25-6.097, Florida Administrative Code, Customer Deposits, whereby the interest on customer deposits was reduced from 6 percent on residential accounts and 7 percent on non-residential accounts held longer than 23 months, to 2 percent and 3 percent, respectively, please provide a detail updated cost rate in the capital structure on MFR Schedule D-1a for customer deposits for the projected test year ended December 31, 2013.

A.
As reflected on FPL witness Ousdahl's rebuttal Exhibit No. KO-20, the updated cost rate in the capital structure on MFR D-1a resulting from a change in Rule 25-6.097, Florida Administrative Code, Customer Deposits, for the 2013 Test Year is 1.99%.

Q.
Please state what was FPL's monthly actual Net Energy for Load and actual Net Energy for Load (weather normalized) for the months of August 2011, September 2011, May 2012, and June 2012.

A.
The table below lists actual and weather normalized actual Net Energy for Load for the months requested.

Net Energy for Load (MWH)

Month	Actual without Weather Normalization	Actual with Weather Normalization
Aug-11	11,339,539	11,109,308
Sep-11	10,538,653	10,263,930
May-12	9,888,776	9,964,804
Jun-12	10,236,690	10,181,945

Q.

Please state what was FPL's actual monthly total customers, residential customers, commercial customers, small industrial customers, medium industrial customers, and large industrial customers for the months of August 2011, September 2011, May 2012, and June 2012.

A.

The table below lists actual monthly customers for the customer groups and months requested.

	Customers					
	Residential	Commercial	Small Industrial	Medium Industrial	Large Industrial	Total
Aug-11	4,028,766	509,275	7,213	1,253	213	4,550,328
Sep-11	4,024,718	508,922	7,268	1,265	210	4,545,995
May-12	4,052,782	511,689	7,176	1,257	206	4,576,751
Jun-12	4,051,323	511,685	7,222	1,256	206	4,575,347

Q.
Please state what was FPL's actual monthly residential, commercial, small industrial, medium industrial, and large industrial sales for the months of August 2011, September 2011, May 2012, and June 2012.

A.
The table below lists actual billed sales for the customer groups and months requested.

Billed Sales (MWH)

	Residential	Commercial	Small Industrial	Medium Industrial	Large Industrial
Aug-11	5,792,966	4,165,023	5,157	23,341	240,246
Sep-11	5,823,652	4,401,251	5,578	24,990	232,903
May-12	4,194,020	3,715,831	4,404	23,555	225,144
Jun-12	5,175,283	4,061,134	4,884	24,990	240,631

Q.
Please state what was the actual monthly CPI (1982-1984 = 100) for the months of August 2011, September 2011, May 2012, and June 2012.

A.
The table below contains the actual CPI index values for January 2010 through June 2012. This includes the months requested.

	CPI	Annual % Change
1/1/2010	217.47	
2/1/2010	217.397	
3/1/2010	217.44	
4/1/2010	217.373	
5/1/2010	217.182	
6/1/2010	217.206	
7/1/2010	217.649	
8/1/2010	218.062	
9/1/2010	218.364	
10/1/2010	219.02	
11/1/2010	219.441	
12/1/2010	220.414	
1/1/2011	221.036	1.6%
2/1/2011	222.008	2.1%
3/1/2011	223.193	2.6%
4/1/2011	224.03	3.1%
5/1/2011	224.634	3.4%
6/1/2011	224.837	3.5%
7/1/2011	225.515	3.6%
8/1/2011	226.266	3.8%
9/1/2011	226.87	3.9%
10/1/2011	226.804	3.6%
11/1/2011	227.014	3.5%
12/1/2011	227.033	3.0%
1/1/2012	227.505	2.9%
2/1/2012	228.433	2.9%
3/1/2012	229.098	2.6%
4/1/2012	229.177	2.3%
5/1/2012	228.527	1.7%
6/1/2012	228.62	1.7%

AFFIDAVIT

Rosemary Morley

Rosemary Morley

State of Florida)

County of Palm Beach)

I hereby certify that on this 8th day of **August**, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared **Rosemary Morley**, who is personally known to me, and she acknowledged before me that she sponsored the answer to Interrogatory Nos. **458, 459, 460, and 461** from Staff's Seventeenth Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the response is true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 8th day of **August**, 2012.

Morgan A. Sabato

Notary Public, State of Florida

Notary Stamp:

NOTARY PUBLIC STATE OF FLORIDA

MORGAN A. SABATO
Notary Public - State of Florida
My Comm. Expires Oct 23, 2015
Commission # EE 140489

AFFIDAVIT

Kim Ousdahl

State of Florida)

County of Palm Beach)

I hereby certify that on this 2nd day of August 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Kim Ousdahl, who is personally known to me, and she acknowledged before me that she sponsored the answer to Interrogatory No. 457 from Staff's 17th Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 2nd day of August, 2012.

Notary Public, State of Florida

Notary Stamp: Notary Public State of Florida Jennifer A Reklinski My Commission DD944536 Expires 02/27/2014

55

FPL's Responses to Staff's First Request for Production of Documents

(Nos. 4 (Bates 2196-220), 5 (Bates 150-154), 6 (Bates 155-160), 7 (Bates 161-166), 8 (Bates 167-176), 9 (Bates 2202-2210), 10 (Bates 177-180), 13 (Bates 2274-2279), 14 (Bates 182-190), 15 (Bates 191-200), 17 (Bates 203-205), 19 (Bates 361-378 and 1139-1151), 20, and 21 (Bates 213-231))

STANDARD & POOR'S

Global Credit Portal
RatingsDirect

April 18, 2011

Summary:
NextEra Energy Inc.

Primary Credit Analyst:
Todd A Shipman, CFA, New York (1) 212-438-7676; todd_shipman@standardandpoors.com

Secondary Credit Analyst:
Dimitri Nikas, New York (1) 212-438-7807; dimitri_nikas@standardandpoors.com

Table Of Contents

Summary:

NextEra Energy Inc.

Credit Rating: A-/Stable/--

Rationale

Diversified energy holding company NextEra Energy Inc.'s credit fundamentals on its regulated utility side have been among the strongest in the U.S., due primarily to low regulatory risk and an attractive service territory with healthy economic growth and a sound business environment. Both of those pillars have been shaken in recent years as Florida, and Florida Power & Light's (FP&L) service territory in particular, suffered during the recession, and regulators have responded in ways that reflect greater political influence over regulatory decisions. Maintaining financial strength despite regulatory setbacks and a moribund economy in Florida has been challenging, although the utility's actions to rebuild its regulatory risk profile have been effective. More importantly, the proportion of NextEra's unregulated businesses--the riskier merchant generation, marketing, and trading activities--could increase, which could further erode its consolidated business risk profile.

The ratings on NextEra reflect the strength of the regulated cash flows from integrated electric utility FP&L, and the diverse and substantial cash generation capabilities of its unregulated operations at subsidiary NextEra Energy Resources (NER). FP&L represents about half of the consolidated credit profile and has better business fundamentals than most of its integrated electric peers, with a better-than-average service territory, sound operations, and a credit-supportive regulatory environment in which the company has been able to manage its regulatory risk very well. A willingness to expand through acquisitions, fluctuating cash flows from NER's rapidly expanding portfolio of merchant generation assets and growing marketing and trading activities, and significant exposure at the utility to natural gas detract from credit quality. Standard & Poor's characterizes NextEra's business risk profile as strong and its financial risk profile as intermediate. (Our methodology applies the terms excellent, strong, satisfactory, fair, weak, and vulnerable to characterize business risk and minimal, modest, intermediate, significant, aggressive, and highly leveraged to characterize financial risk. See "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," published May 27, 2009.)

NextEra's business risk is anchored by the company's core electric utility operations in Florida, which exhibit proficiency in almost every area of analysis: the service territory has historically fared better than most of the rest of the country despite its lagging performance in the Great Recession, the customer mix is mostly residential and commercial, costs and rates are low, and reliability and customer satisfaction are high. While it is not immune to overall economic trends, we expect Florida to attract new residents and jobs over the long term. NextEra's large and growing reliance on natural gas to fuel utility generation could, over time, turn from an advantage (because of its favorable environmental status and current low prices) to a weakness if gas prices are erratic over time. Regulatory risk, the most important risk a utility faces, has been well managed at FP&L but rose as regulators reacted to weak economic conditions and keener attention in the political arena with a series of decisions for FP&L that fell short of the very sound record of past support for credit quality. In December 2010 the Florida Public Service Commission (PSC) approved the company's settlement with the state attorney general and other crucial parties that will freeze base rates through 2012 and begin the cost recovery for a large new gas-fired plant coming into service in 2011. The settlement provides a stable base for NextEra to maintain financial performance and credit metrics consistent with ratings. The settlement and PSC approval also suggests that regulatory risk has stabilized, too.

NER, the main subsidiary under unregulated NextEra Energy Capital Holdings Inc. (Holdings), engages in electric generation, marketing, and trading throughout the U.S. NER's focus is on geographic and fuel diversity and on developing environmentally advantageous facilities that benefit from public policy trends. The merchant generator's capacity of almost 19,000 megawatts (MW) consists of more than 40% wind turbines, a little more than one-third natural-gas--fired stations, and the rest mainly nuclear facilities. Three-quarters of the wind projects, one-third of the natural gas capacity, and three of the four nuclear units operate under largely fixed-price, long-term contracts. The rest of the portfolio, including one nuclear plant, is merchant capacity that is exposed to market prices for its output. While a policy of actively hedging the commodity price risk of plant inputs and outputs helps to dampen the risks associated with energy merchant activities, there is an inherent level of commodity price risk that NER cannot avoid. In addition, NER's extensive use (approximately 40% of installed capacity) of project financing of its assets diminishes its cash flow quality, which is offset by lower financial risk. NER's risks permanently hinder its credit quality, especially in light of the influence that marketing and high-risk proprietary trading results have on NER's earnings and cash flows.

We believe the governance and financial policies for managing risk are adequate. NextEra's financial profile is characterized by very healthy credit metrics, adequate liquidity, and a management attitude toward credit quality that supports ratings. Importantly, sophisticated but complex financial structures employed at the project level substantiate significant off-credit treatment of largely non-recourse debt at NextEra. Any indication that management is using or is willing to use its own financial resources to aid a troubled project in support of strategic objectives could lead Standard & Poor's to reevaluate the adjustments made to NextEra's reported debt. Large adjustments are also factored into the credit analysis regarding hybrid debt instruments and power purchase agreements at FP&L. Adjusted credit metrics in current economic and market conditions support the intermediate financial profile. We expect the metrics to remain steady, including funds from operations (FFO) to debt of around 25% and debt to capitalization below 50%.

Liquidity

The short-term rating on NextEra is 'A-2' and largely reflects the company's long-term issuer credit rating (ICR) and the stable regulated utility operations that substantially contribute to cash flows. Liquidity is adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. (See "Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers," published July 2, 2010.) Adequate liquidity supports our 'A-' ICR on NextEra. The company's projected sources of liquidity, mostly operating cash flow and available bank lines, exceed its projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. NextEra's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and its generally prudent risk management further support our assessment of its liquidity as adequate.

Outlook

Our outlook on the ratings for NextEra and its subsidiaries is stable and reflects a business profile that is increasingly dominated by higher-risk merchant energy activities and a utility that still presents a better credit profile than its peers. We would consider a lower rating if regulatory risk worsens, operational efficiency at NER deteriorates, investment decisions at NER demonstrate a bigger risk appetite, or financial performance declines due to permanent changes in the Florida economy or merchant energy markets. We would consider a higher rating if a dramatic, sustainable shift in Florida's economic, political, and regulatory environment is accompanied by affirmative steps to reduce risk at NER.

We also base the stable outlook in part on Standard & Poor's baseline forecast that NextEra will attain adjusted FFO to debt metrics above 20% and adjusted debt to capital metrics below 50% over the near to intermediate term. Year-to-year fluctuations in weather (including hurricanes), fuel cost recovery, and burdensome spending on large solar projects may temporarily affect metrics, but Standard & Poor's expects the company to adapt its financial risk management and the pace of its capital spending to account for these and other factors and preserve its ability to achieve the stated metrics. We could lower the ratings if the company falls short of these expectations.

Accounting

NextEra's and FP&L's financial statements are prepared under U.S. generally accepted accounting principles and audited by independent auditors Deloitte & Touche LLP, which issued an unqualified opinion. NextEra employs regulatory accounting under Statement of Financial Accounting Standards No. 71 for regulated utility FP&L, which permits the company to defer recognition of certain revenues and expenses in accordance with future probable regulatory decisions. As of Dec. 31, 2010, NextEra had about $1.6 billion of regulatory assets and $4.3 billion of regulatory liabilities on a balance sheet that contained $53 billion of total assets. It is uncommon for a utility to have greater regulatory liabilities than assets.

NextEra relies on tax incentives, including direct tax credits, in NER's project development efforts. Tax credits underpin the economics of the projects, and NextEra guarantees the payment of production tax credits to projects that have been funded by third parties in project financings. Deferred tax assets, in the form of carryforwards of tax credits and net operating losses, have been growing at an accelerated rate on NextEra's balance sheet, totaling about $2.5 billion in 2010. To realize these tax benefits, the company must, among other things, continue to produce growing taxable income to use the carryforwards. If the deferred tax asset grows unabated, we could make an analytical adjustment to reported financial results if we eventually conclude that the company is unlikely to fully realize the tax benefit.

In analyzing the company's financial profile, Standard & Poor's makes several off-balance-sheet adjustments that are shown in the reconciliation table below. We treat NER's fossil-fuel-based projects as nonessential to the company's strategy. We consolidate the nonrecourse debt associated with the projects in the financial statements, but we remove the debt and related interest in our adjusted numbers. However, we consider the renewables portfolio to be an integral part of its growth strategy, so we deconsolidate only 75% of related nonrecourse project debt and interest in our adjustments. In addition, we remove associated effects on the reported income and cash flow statements and replace them with the pro rata share of actual distributions received from the projects. Credit metrics fully reflect debt related to projects under construction and subject to completion guarantees. As of year-end 2010, we removed approximately $4.3 billion of nonrecourse debt from the balance sheet.

Other adjustments include a reduction in debt and interest expense for storm recovery bonds issued to securitize hurricane damage costs (which the company services through a separate, non-bypassable, legislatively mandated rate mechanism) and adjustments to reflect the equity treatment on hybrid debt securities in accordance with our criteria on hybrid capital. Also, we regard purchased-power agreements as fixed obligations and assign a portion of the value of the payments based on the risk factor as debt and impute an associated interest charge in calculating the

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adjusted coverage ratios. We use a 25% risk factor, reflecting the recovery of these costs through an adjustment clause, and apply a discount rate equal to the utility's average cost of debt to the fixed capacity payments. We impute a debt-like obligation of approximately $950 million to the balance sheet.

Related Criteria And Research

- Standard & Poor's Updates Its U.S. Utility Regulatory Assessments, March 12, 2010
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Assessing U.S. Utility Regulatory Environments, Nov. 7, 2008

MOODY'S
INVESTORS SERVICE

Credit Opinion: Florida Power & Light Company

Global Credit Research - 11 Apr 2011

Juno Beach, Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	Aa3
Senior Secured Shelf	(P)Aa3
Senior Unsecured Shelf	(P)A2
Subordinate Shelf	(P)A3
Preferred Shelf	(P)Baa1
Commercial Paper	P-1
Parent: NextEra Energy, Inc.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3

Contacts

Analyst	Phone
Michael G. Haggarty/New York	212.553.7172
William L. Hess/New York	212.553.3837

Key Indicators

[1]Florida Power & Light Company

	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	6.2x	10.5x	6.6x	8.3x
(CFO Pre-W/C) / Debt	27%	46%	29%	36%
(CFO Pre-W/C - Dividends) / Debt	24%	38%	29%	18%
Debt / Book Capitalization	33%	36%	36%	38%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Stabilized Florida political and regulatory environment with two year rate settlement

- Strong financials, robust cash flow coverages, and low leverage

- Challenging economic conditions in service territory are showing some signs of improvement

- High capital expenditure requirements in 2011 and 2012, mostly for new generation

- Strong liquidity

Corporate Profile

Headquartered in Juno Beach, Florida, Florida Power and Light Company (FPL, A2 Issuer Rating, stable outlook) is a vertically integrated regulated utility with a service territory that includes most of the Florida coastal communities. It is a subsidiary of NextEra Energy, Inc. (Baa1 Issuer Rating, stable outlook), one of the largest providers of electricity-related services in North America with annual revenues of over $15 billion. NextEra Energy is also the parent and guarantor of NextEra Energy Capital Holdings, Inc. (Baa1 senior unsecured, stable outlook), the entity that finances most of its unregulated operations, primarily independent power projects through its wholly owned subsidiary, NextEra Energy Resources, LLC (unrated).

SUMMARY RATING RATIONALE

FPL's ratings reflect the stabilization of the political and regulatory environment for investor owned utilities in Florida; the company's strong financial performance, robust cash flow coverage ratios, and relatively low leverage; good cost recovery mechanisms in place; and a large, mainly residential service territory. This service territory has been under significant economic pressure over the last few years, with the company experiencing stagnant residential sales growth in some years, although there have been recent indications that economic conditions are improving. The company's capital expenditure program is large, particularly over the next two years as it adds new gas fired generation and increases capacity at its nuclear plants.

DETAILED RATING CONSIDERATIONS

- Stabilization of the utility's political and regulatory environment with new Florida commissioners in place and the execution of a two year rate settlement

The political and regulatory environment for investor-owned utilities in the state of Florida has stabilized since highly politicized rate proceedings in 2009 and early 2010 resulted in a rate outcome calling for a $75 million base rate increase for FPL, a small fraction of the $1 billion that had been requested by the company. Since these rate proceedings, however, there has been an almost complete change in the composition of the Florida Public Service Commission (FPSC) with the turnover of four of the five commissioner seats. There is also a new governor in place in the state. Because of the political and regulatory developments that unfolded during the 2009 and 2010 rate proceedings, Moody's lowered FPL's score on Factor 1 in our rating methodology grid, Regulatory Framework, to the "Baa" or average category from the "A" or above average category. For more details on this and other factors in our methodology, please see Moody's Rating Methodology for Regulated Electric and Gas Utilities, published in August 2009.

Despite the adverse rate case outcome, FPL continues to operate under traditional rate of return regulation with strong cost recovery provisions in place in Florida. These include fuel and capacity clauses which are adjusted annually based on expected fuel and power prices and for prior period differences between projected and actual costs. FPL may also recover pre-construction and construction work in progress for nuclear capital expenditures and since 2009 has been able to recover costs associated with the utility's three new solar generating facilities. Additionally, FPL has an environmental cost recovery clause that is adjusted annually for capital spending and operating expenses related to emissions.

In December 2010, the FPSC approved a settlement agreement between FPL and most interveners that freezes base rates through 2012. It also permits the company to reduce its depreciation reserve by up to $267 million in 2010, and again by $267 million in 2011 and 2012 (plus any amounts not used in prior years), up to a total of $776 million over the term of the settlement. FPL must use at least enough of its depreciation reserve to maintain a 9% earned regulatory ROE but may not use any that would result in an earned regulatory ROE over 11%. The rate freeze does not apply to the company's cost recovery clauses and the company's midpoint for return on equity is the same as mandated in its rate case outcome at 10%. If the company's earned ROE falls below 9% at any time before December 31, 2012, the company can seek a rate adjustment. The settlement also includes a provision that caps the size of the surcharge that can be implemented to recover storm costs at $4 per 1,000 kHz of usage on residential bills, with the remainder to be recovered in later years. However, if storm costs exceed $800 million, FPL may request a higher customer surcharge.

Although the settlement freezes base rates and utilizes its depreciation reserve in lieu of higher rates, both are negatives from a cash flow and credit standpoint, it does provide regulatory clarity through 2012 and should avoid the need for additional base rate proceedings at least until the newly constituted FPSC has been in place for a period of time and has exhibited a meaningful track record.

- Strong financials, robust cash flow coverages, and low leverage

FP&L continues to exhibit some of the strongest financial performance measures and cash flow coverage ratios in the industry. These include CFO pre-working capital interest coverage in the 7.0x to 8.0x range and CFO pre-working capital to debt in the 30% to 35% range, after adjusting for the volatility caused in some years by fuel recoveries. Its debt to capitalization of 33.4% at December 31, 2010 is among the lowest in the industry and the company maintains a fully funded pension plan, contributing to this low leverage (as Moody's adds pension underfunding to debt).

Although cash flow coverage metrics could decline as a result of the base rate freeze, the use of its depreciation reserve, and additional debt issued to finance high capital expenditures, Moody's expects any decline in these metrics to be modest. Coverage metrics should continue to be supported by the high percentage of FP&L's revenues that are recovered through cost recovery clauses, the slow improvement of economic conditions in its service territory, and a still adequate 10% return on equity that includes a range of plus or minus 1%. As a result, Moody's anticipates that FP&L's credit metrics will continue to remain well in excess of the financial ratio parameters required for its current A2 rating.

- Challenging economic conditions in service territory are showing some signs of improvement

After several years of high residential sales growth rates averaging of 2% annually in some years, FP&L's service territory experienced a significant economic slowdown beginning in 2007, resulting in much lower customer growth rates and lower usage per retail customer. The company's retail customer growth was only 0.3% in 2008 with the situation worsening in 2009 with a decline of retail customer sales of 0.2%, before a slight 0.5% improvement in 2010. The company expects positive customer growth to continue in 2011, although below the 1.6% average rate over the last 10 years. The challenging Florida economy was a contributing factor to the company's 2009 and 2010 rate case proceedings, with the FPSC exhibiting sensitivity to economic conditions in the state during the rate hearings and throughout the rate proceedings. Unless the Florida economy improves, Moody's believes it will likely continue to remain a potential issue in future rate proceedings.

- High capital expenditure requirements, especially in 2011 and 2012, mostly for new generation

FPL has sizeable capital expenditure program that peaks in 2011 and 2012 as the company adds new conventional generation, modernizes two existing plants, and increases capacity at its two nuclear plant sites. Total capital expenditures are projected to increase to $3.3 billion in 2011 (including $1.5 billion for new generation) and $3.6 billion in 2012 ($1.9 billion for new generation), up from $2.5 billion in 2010 ($1.1 billion for new generation). FPL is in the process of constructing West County Unit 3, a 1,220 MW natural gas-fired combined-cycle plant that is expected to be in service by mid-2011. As part of its rate settlement, incremental cost recovery through FPL's capacity clause for the plant is permitted up to the amount of the projected fuel savings for customers during the term of the settlement. FPL expects to recover all costs associated with construction of the plant. In addition, FPL is modernizing its existing Cape Canaveral and Riviera Beach power plants, which are scheduled to be completed by 2013 and 2014, respectively. When finished, each plant is expected to provide 1,200 MW of capacity. FPL is also in the process of adding between 400 MW and 460 MW of capacity through uprates at its St. Lucie and Turkey Point nuclear plants. In addition to the spending for new and existing generation, FPL's capital expenditure estimates also includes funds for transmission and distribution investments and for nuclear fuel.

Liquidity Profile

FPL maintains a strong liquidity profile with a total of $3.3 billion of mostly unused bank credit facilities that expire in 2013 (except for $17 million expiring in 2012 and $250 million expiring in 2014). The company had $20 million of cash on hand as of December 31, 2010, down from $83 million at December 31, 2009. Commercial paper outstanding at December 31, 2010 totaled $101 million, down from $818 million at the end of 2009. The company also had $8 million of letters of credit outstanding. FPL's bank revolving credit facilities are also available to support the purchase of $633 million of pollution control, solid waste disposal, and industrial development bonds in the event they are tendered to the company and not remarketed.

FPL's cash flow has been strong (totaling $1.9 billion in 2010) but variable in recent years due to large regulatory deferrals in some years caused by storm damages and high fuel costs. High capital expenditures of $3.3 billion in 2011 and $3.6 billion in 2012 will continue to require some external debt financing, which the company generally does with first mortgage bonds. FPL has a very manageable $45 million of long-term debt coming due within the next twelve months. The company has no material adverse change clause in its bank credit agreements and is in compliance with the 65% debt to capitalization financial covenant contained in these agreements as of December 31, 2010, the calculation of which it does not make public.

Rating Outlook

The stable rating outlook reflects the regulatory clarity provided by its two year rate settlement and Moody's view that the political and regulatory environment for investor owned utilities in Florida will not deteriorate further and may improve once the newly constituted FPSC begins to establish a track record. It also reflects the generally strong cost recovery provisions that are in place in the state and our expectation that FPL's financial performance measures and cash flow coverage metrics will remain strong for its rating.

What Could Change the Rating - Up

An upgrade could be considered if there is an improvement in the political and regulatory environment in Florida, which may not be evident until the utility files its next rate case following the expiration of its two year rate freeze at the end of 2012. An upgrade could also be considered if there is significant improvement in economic conditions in FPL's service territory. Upward movement of FPL's ratings is constrained by the utility's limited geographic diversity, ongoing exposure to event risk caused by storms in its service territory, and its substantial near term capital expenditure program.

What Could Change the Rating - Down

A downgrade could be considered if the political and regulatory environment for investor owned utilities declines further, if there are significant cost disallowances or other changes to Florida's currently strong cost recovery provisions, or if there is a sustained decline in cash flow coverage metrics, including CFO pre-working capital interest coverage below 5.0x and CFO pre-working capital to debt below 25%, or an increase in debt to capital above the 40% range.

Rating Factors

Florida Power & Light Company

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of April 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		A		A
Factor 3: Diversification (10%)				
a) Market Position (5%)		Baa		Baa
b) Generation and Fuel Diversity (5%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		A		A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	7.8x	Aa	7.5 - 8.5x	Aa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	34.1%	Aa	35 - 40%	Aa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	30.2%	Aa	30 - 35 %	Aa
e) Debt/Capitalization (3 Year Avg) (7.5%)	35.2%	A	30 - 35%	A
Rating:				
a) Indicated Rating from Grid		A2		A2
b) Actual Rating Assigned		A2		A2

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* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW
OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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Credit Opinion: NextEra Energy, Inc.

Global Credit Research - 11 Apr 2011

Juno Beach, Florida, United States

Ratings

Category	**Moody's Rating**
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3
NextEra Energy Capital Holdings, Inc.	
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate	Baa2
Bkd Preferred Shelf	(P)Baa3
Commercial Paper	P-2
Florida Power & Light Company	
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	Aa3
Senior Secured Shelf	(P)Aa3
Senior Unsecured Shelf	(P)A2
Subordinate Shelf	(P)A3
Preferred Shelf	(P)Baa1
Commercial Paper	P-1
FPL Group Capital Trust I	
Outlook	Stable
Bkd Preferred Stock	Baa2

Contacts

Analyst	**Phone**
Michael G. Haggarty/New York	212.553.7172
William L. Hess/New York	212.553.3837

Key Indicators

[1]**NextEra Energy, Inc.**

	2010	**2009**	**2008**	**2007**
(CFO Pre-W/C + Interest) / Interest Expense	**4.7x**	**6.3x**	**5.1x**	**6.2x**
(CFO Pre-W/C) / Debt	**18%**	**26%**	**21%**	**29%**
(CFO Pre-W/C - Dividends) / Debt	**14%**	**21%**	**16%**	**23%**
Debt / Book Capitalization	**48%**	**48%**	**49%**	**44%**

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Diverse, low carbon, highly contracted generating portfolio at NextEra Energy Resources

- Consolidated cash flow coverage ratios that are adequate for a Baa rated hybrid power company

- Energy marketing and trading and natural gas infrastructure businesses increase risk profile

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- High, growing debt levels at unregulated subsidiaries

- Stabilized Florida utility's political and regulatory environment with two year rate settlement

Corporate Profile

NextEra Energy, Inc. (Baa1 Issuer Rating, stable outlook), is one of the largest providers of electricity-related services in North America with annual revenues of over $15 billion. NextEra Energy Capital Holdings, Inc. (Capital Holdings, Baa1 senior unsecured, stable outlook) finances the company's unregulated operations, primarily wind and other independent power projects through its wholly owned subsidiary, NextEra Energy Resources (unrated). NextEra Energy is also the parent of Florida Power and Light Company (FPL, A2 Issuer Rating, stable outlook), a vertically integrated utility with a service territory that includes many of the Florida coastal communities.

SUMMARY RATING RATIONALE

NextEra Energy's rating reflects its position as the parent of both one of the largest unregulated wholesale generating companies in the U.S. and a fully regulated vertically integrated Florida utility. Over the last decade, NextEra Energy has transformed itself from being solely a regulated Florida utility into a national wholesale power company with its Florida utility declining in importance as a credit driver for the consolidated entity. Moody's believes that its unregulated wholesale power operations will continue to be an increasingly important part of the company's consolidated credit profile going forward. Because of its status as a hybrid power company with both regulated and unregulated operations, the company is analyzed under both Moody's Regulated Electric and Gas Utility and Unregulated Power Company rating methodologies.

DETAILED RATING CONSIDERATIONS

- Diverse, low carbon, highly contracted generating portfolio at NextEra Energy Resources

The company's unregulated generating portfolio at NextEra Energy Resources consists of 18,866 MW of generating capacity across 26 states and Canada with most of its growth in recent years coming from wind. Its portfolio is national in scope and consists of generating capacity that is currently 44% wind, 35% natural gas, 14% nuclear, and 7% other, making it particularly well positioned to benefit from costs associated with carbon or other environmental requirements. Although large, diverse, and highly contracted, the portfolio has not been completely immune to the recessionary economic environment and poor power market conditions that have characterized much of the country over the last several years, which has increased the volatility of the portfolio's earnings and cash flows. Power generated from the wind portfolio fell short of expectations in late 2009 and early 2010, which the company attributed to an El Nino influenced weather pattern, reducing wind resources in both Texas and throughout the midwest, although more recent wind results have been stronger. Lower power prices and unfavorable market conditions have also negatively affected results for the company's Texas fossil generating units.

Future growth of NextEra Energy Resources wind portfolio, a key strategic goal of the company, will continue to be challenging due to low power prices, increased competition, higher costs, and ongoing uncertainty over renewable portfolio standards and carbon regulation. The company plans to add approximately 3,500 MW to 5,000 MW of new wind generation in the years 2010 to 2014, including between 700 MW and 1,000 MW in 2011. It is also planning to add between 400 MW and 600 MW of new solar generation from 2010 to 2014, which includes a major investment in a solar energy project in Spain.

The company has also diversified into regulated transmission in Texas through its Lone Star subsidiary, which will construct and operate approximately 300 miles of 345 kv transmission lines in the state. At December 31, 2010, the company's investment in Lone Star totaled $20 million and it plans to invest a total of $780 million, including AFUDC, from 2011 through 2014 for the construction of the transmission line.

- Consolidated cash flow coverage metrics that are adequate for a Baa rated hybrid power company

As a hybrid power company with both regulated utility and unregulated power company operations, NextEra Energy is analyzed using guidelines in both Moody's Regulated Electric and Gas Utility and Unregulated Power Company rating methodologies. The company's consolidated financial performance and cash flow coverage metrics have historically been strong, relatively stable, and adequate for a company with a balanced mix of regulated utility and unregulated generation businesses. However, as the company has become more of an unregulated wholesale power generator, and continues to grow its energy trading and marketing and natural gas infrastructure businesses while also diversifying internationally, Moody's would expect cash flow coverage metrics to increase proportionally to mitigate the growth of these unregulated businesses. These metrics include a consolidated CFO pre-working capital interest coverage ratio of 4.7x in 2010, which is within the 3.6x to 6.9x rating range guidelines for a Baa rated unregulated wholesale power company. However, consolidated CFO pre-working capital to debt of 18.4% in 2010 was below the Baa rating range of 21% to 35% under our Unregulated Power Company rating methodology.

These coverage metrics include all of the debt issued at both Capital Holdings and NextEra Energy Resources that is consolidated on NextEra Energy's balance sheet, although some of the debt at NextEra Energy Resources is at individual project levels and is characterized as "limited recourse" on the company's financial statements. Because this debt is consolidated on NextEra's financial statements, Moody's includes it in our analytical approach and in our published financial ratios. However, Moody's also considers the potential improvement in financial ratios if the limited recourse debt and associated project cash flows were excluded from these calculations. In this scenario, NextEra Energy's consolidated CFO pre-working capital interest coverage for 2010 improves to 6.0x and CFO pre-working capital to debt improves to 23%. Although these ratios appear relatively low under our Unregulated Power Company methodology ratio range guidelines, this is offset by the strong financial metrics of utility subsidiary FPL, which is strongly positioned under our Regulated Electric and Gas Utility rating methodology.

- Growing energy trading and marketing along with natural gas infrastructure businesses increase risk profile

For much of its history, NextEra Energy Resources was predominantly an asset focused wholesale power company, although the company has in recent years begun growing its non-asset based business including power and gas marketing and trading operations. The company has expanded its Houston based trading operations significantly over the last several years and has indicated its intention to continue to grow this business. The gross margin contribution from the business has been volatile at $205 million in 2009 and $76 million in 2008 and the company has cited results from these activities as a more material driver of overall financial performance in recent years. The company no longer discloses the gross margin contribution from this business, but has indicated that results in 2010 were lower than 2009 as a result of unfavorable market conditions. Moody's views this increased emphasis on energy trading and marketing at NextEra Energy as a change in the company's previously wholesale asset focused business strategy and one that has increased the company's business risk profile, cash flow and earnings volatility, and liquidity needs.

NextEra Energy Resources has also begun to invest in natural gas infrastructure and plans to add natural gas infrastructure projects totaling approximately $400 to $600 million in 2010 through 2014. While this level of investment is modest compared to the company's $3 billion in total capital expenditures in 2010, Moody's views natural gas drilling and related businesses as having a higher risk profile than the company's wholesale generation business.

- High, growing debt levels at both Capital Holdings and NextEra Energy Resources has diluted the value of the NextEra Energy parent company guarantee and resulted in wider ratings notching between the NextEra Energy/Capital Holdings rating and the Florida utility rating

As NextEra Energy has emphasized the growth of its unregulated operations, debt levels at both Capital Holdings and NextEra Energy Resources have increased significantly, and now together total $12.6 billion as of December 31, 2010 (up from $11 billion at December 31, 2009), or 65% of the debt of the consolidated organization (up from 62% last year). This considerable growth has diluted the guarantee of the parent company over the years, as it now directly guarantees approximately $9 billion of Capital Holdings debt, in addition to various counterparty obligations. An additional $5 billion of debt is characterized as "limited recourse" debt under NextEra Energy Resources on the company's financial statements. Though this debt may not be directly guaranteed, much of it is tied to NextEra Energy and Capital Holdings in some way, either through sponsorship of the underlying projects; a guarantee of production tax credits on wind projects; or through cash traps at some projects that are tied to rating levels of NextEra Energy or Capital Holdings. As a result, the long-term debt to capitalization of Capital Holdings, including all of the NextEra Energy Resources debt, was a high 71% at December 31, 2010.

Moody's expects debt at the company's unregulated wholesale generating subsidiaries to continue to increase as a percentage of total consolidated debt. Because of these trends, in April 2010, Moody's widened the notching between the ratings of NextEra Energy/NextEra Energy Resources and the rating of the utility FPL from one to two notches to reflect the higher debt levels and diverging risk profile.

- Stabilization of utility subsidiary FPL's political and regulatory environment with new Florida commissioners in place and the execution of a two year rate settlement

The political and regulatory environment for investor-owned utilities in the state of Florida has stabilized since highly politicized rate proceedings in 2009 and early 2010 resulted in a rate outcome calling for a $75 million base rate increase for utility subsidiary FPL, a small fraction of the $1 billion requested by the company. Since these rate proceedings, however, there has been an almost complete change in the composition of the Florida Public Service Commission (FPSC) with the turnover of four of the five commissioner seats. There is also a new governor in place in the state. Because of the political and regulatory developments that unfolded during the 2009 and 2010 rate proceedings, Moody's lowered FPL's score on Factor 1 in our Regulated Electric and Gas Utility rating methodology grid, Regulatory Framework, to the "Baa" or average category from the "A" or above average category.

Despite the adverse rate case outcome, FPL continues to operate under traditional rate of return regulation with strong cost recovery provisions in place in Florida. These include fuel and capacity clauses which are adjusted annually based on expected fuel and power prices and for prior period differences between projected and actual costs. FPL may also recover pre-construction and construction work in progress for nuclear capital expenditures and since 2009 has been able to recover costs associated with the utility's three new solar generating facilities. Additionally, FPL has an environmental cost recovery clause that is adjusted annually for capital spending and operating expenses related to emissions.

In December 2010, the FPSC approved a settlement agreement between FPL and most interveners that freezes base rates through 2012. It also permits the company to reduce its depreciation reserve by up to $267 million in 2010, and again by $267 million in 2011 and 2012 (plus any amounts not used in prior years), up to a total of $776 million over the term of the settlement. FPL must use at least enough of its depreciation reserve to maintain a 9% earned regulatory ROE but may not use any that would result in an earned regulatory ROE of over 11%. The rate freeze does not apply to the company's cost recovery clauses and the company's midpoint for return on equity is the same as mandated in its rate case outcome at 10%. If the company's earned ROE falls below 9% at any time before December 31, 2012, the company can seek a rate adjustment. The settlement also includes a provision that caps the size of the surcharge that can be implemented to recover storm costs at $4 per 1,000 kHz of usage on residential bills, with the remainder to be recovered in later years. However, if storm costs exceed $800 million, FPL may request a higher customer surcharge.

Although the settlement freezes base rates and utilizes its depreciation reserve in lieu of higher rates, both are negatives from a cash flow and credit standpoint, although the settlement does provide regulatory clarity through 2012 and should avoid the need for additional base rate proceedings at least until the newly constituted FPSC has been in place for a period of time and has exhibited a meaningful track record.

Liquidity Profile

NextEra Energy maintains no bank credit facilities or other liquidity facilities at the parent company level, but benefits from a strong liquidity profile at both FPL and Capital Holdings. Although both subsidiaries maintain large, mostly unused bank credit facilities ($3.3 billion at FPL and $4.4 billion at Capital Holdings), Capital Holdings also has a substantial $2.7 billion of long-term debt due in 2011, significant amounts of commercial paper and letters of credit outstanding, and an energy marketing and trading business that requires additional liquidity support.

FPL's $3.3 billion of credit facilities mostly expire in 2013 and support limited outstanding obligations, including $101 million of commercial paper as of December 31, 2010, down from $818 million at December 31, 2009. In addition, the utility had $8 million of letters of credit outstanding. FPL's bank revolving credit facilities are also available to support the purchase of $633 million of pollution control, solid waste disposal, and industrial development bonds in the event they are tendered and not remarketed. FPL has a very manageable $45 million of long-term debt due over the next twelve months with its next significant maturity in 2013.

Capital Holdings and NextEra Energy Resources have $2.7 billion of debt due over the next 12 months, including $788 of outstanding commercial paper, $850 million of Capital Holdings debentures, $627 million of Capital Holdings term loans, and $390 million of NextEra Energy Resources debt. At December 31, 2010, Capital Holdings and NextEra Energy Resources had approximately $960 million of standby letters of credit outstanding (and $17 million at the utility, FPL); $36 million of surety bonds outstanding ($51 million at FPL); and approximately $9.5 billion notional amount of guarantees outstanding ($43 million at FPL), of which $6.1 billion ($34 million for FPL) have expiration dates over the next five years. Approximately $771 million of the standby letters of credit outstanding at December 31, 2010 were issued under Capital Holdings' credit facilities. Capital Holdings had $282 million of cash on hand as of December 31, 2010, up from $156 million at December 31, 2009.

Neither FPL or Capital Holdings have a material adverse change clause in their bank credit facilities, although both have a 65% debt to capitalization covenant, the calculation of which it does not make public. The company was in compliance with this covenant at December 31, 2010.

Rating Outlook

The stable rating outlook reflects Moody's expectation that cash flows from the company's diverse, low carbon emission, wholesale generating fleet will continue to support consolidated coverage metrics that are adequate for a Baa rating; that the company will maintain a high level of long-term contracts and hedges in place; and that the company will limit the growth of its energy marketing and trading, natural gas infrastructure, and international businesses. The stable outlook also reflects the regulatory clarity provided by the utility's two year rate settlement and Moody's expectation that the political and regulatory environment in Florida will not deteriorate further and may improve over time.

What Could Change the Rating - Up

A higher rating could be considered if the company materially reduces debt levels at Capital Holdings and NextEra Energy Resources; if cash flow coverage metrics increase to offset the growth in leverage at these businesses, including consolidated CFO pre-working capital to debt of 35% or higher and CFO pre-working capital to interest of 7.0x or higher.

What Could Change the Rating - Down

A downgrade could be considered if leverage continues to increase at Capital Holdings and/or NextEra Energy Resources; if there is more reliance on short-term debt to finance growth; if there is a significant energy trading and marketing loss or its liquidity is constrained by the demands of this business; if there is a further decline in the regulatory or political environment in Florida; or if there is a sustained decline in consolidated cash flow coverage metrics, including CFO pre-working capital interest coverage below 5.0x and CFO pre-working capital to debt below 20%.

Rating Factors

NextEra Energy, Inc.

Power Companies [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of April 2011	
Factor 1: Market Assessment, Scale and Competitive Position (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Market and Competitive Position (15%)		Baa		Baa
b) Geographic Diversity (5%)		A		A
Factor 2: Cash Flow Predictability of Business Model (20%)				
a) Hedging strategy (10%)		A		A
b) Fuel Strategy and mix (5%)		A		A
c) Capital requirements and operatinal performance (5%)		A		A
Factor 3: Financial policy (10%)		A		A
Factor 4: Financial Strength - Key Financial Metrics (50%)				
a) CFO pre-WC + Interest / Interest (15%) (3yr Avg)	5.4x	Baa	4.5 - 5.5x	Baa
b) CFO pre-WC / Debt (20%) (3yr Avg)	21.6%	Baa	17 - 20%	Baa
c) RCF / Debt (7.5%) (3yr Avg)	16.8%	Baa	13 - 16%	Baa
d) FCF / Debt (7.5%) (3yr Avg)	(14.43)%	B	(12) - (15)%	B
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of April 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		A		A
Factor 3: Diversification (10%)				
a) Market Position (5%)		Baa		Baa
b) Generation and Fuel Diversity (5%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		A		A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.4x	A	4.5 - 5.5x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	21.6%	Baa	17 - 20%	Ba

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d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	16.8%	Baa		13 - 16%	Baa / Ba
e) Debt/Capitalization (3 Year Avg) (7.5%)	48.6%	Baa		48 - 51%	Baa
Rating:					
a) Indicated Rating from Grid		A3			A3
b) Actual Rating Assigned		Baa1			Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW
OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

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Florida Power & Light Co.

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A
Commercial Paper	F1
Secured Mortgage Bonds	AA–
Secured Pollution Control Revenue Bonds	AA–
Unsecured Pollution Control Revenue Bonds	A+

IDR – Issuer default rating.

Rating Outlook

Stable

Financial Data

Florida Power & Light Co.

	LTM Ended	
($ Mil.)	6/30/11	6/30/10
Revenue	10,556	10,928
Net Revenues	5,511	5,419
Operating EBITDA	2,804	2,805
FFO	2,491	2,100
FFO Interest Coverage (x)	8.0	7.1
FFO/Debt (%)	35.1	29.1
Capital Spending	2,614	2,896
Capex/Depreciation(x)	2.9	2.9

Related Research

NextEra Energy Inc., Sept. 7, 2011

Analysts

Ellen Lapson, CFA
+1 212 908-0504
ellen.lapson@fitchratings.com

Lindsay Minneman
+1 212 908-0592
lindsay.minneman@fitchratings.com

Key Rating Drivers

Return to Stable Outlook: Ratings of Florida Power & Light (FPL) were affirmed, and the Rating Outlook was changed to Stable from Negative in May 2011. The new Outlook reflects a more orderly political and regulatory environment for FPL in Florida after a period of political strife and commission turnover. Four of the five current Florida Public Service Commission (FPSC) commissioners were appointed by new Florida Governor Rick Scott, and confirmed by the state's Senate in 2011.

Rate Stipulation Boosts Cash Flow: In a contentious general rate case decided in March 17, 2010, FPL received an unfavorable rate decision and challenged some elements. Thereafter, the FPSC approved a settlement agreement (Rate Stipulation) on Dec. 14, 2010, that resolved contested issues from the March 17, 2010, rate order. It allowed FPL to collect revenues for investments in the West County 3 (WC3) power plant via fuel savings, contributing to FPL's income and cash flow starting in June 2011.

Base Rate Freeze: Numerous fuel and environmental rate adjustments are allowed. FPL can recover investment in nuclear plant capacity upgrades without a base rate case. Recovery of other new utility capital spending in 2011–2013 is subject to FPL's next base rate case, which FPL will likely file in 2012 for effect in January 2013.

Weak Florida Economy: FPL's south Florida service territory still has above average unemployment and a weak housing market. However, employment statistics have modestly improved. FPL's inactive accounts and low usage accounts are gradually waning.

High Utility Capex: FPL is committed to invest over $3 billion in each of 2011 and 2012, or more than 3x annual depreciation, on projects to reduce reliance on oil, modernize natural gas-fired generation, improve the transmission and distribution systems, and upgrade customer meters.

Strong Individual Credit Metrics: Due to low individual debt leverage, FPL's credit metrics well exceed the guidelines for the 'A' rating category and compare favorably with the statistics of 'A' IDR peer utilities.

What Could Trigger a Rating Action

Change in Florida Regulation: Unfavorable changes in current Florida regulatory policies for timely recovery of utility capital investments, fuel and purchased power costs, and storm-related costs would adversely affect FPL's ratings and those of its parent NextEra Energy, Inc (NEE).

Parent Risk Profile: If parent NEE increases its debt leverage or changes its corporate strategy such that NEE's risk profile materially worsens, it could adversely affect FPL's ratings.

Strong Access to Capital and Liquidity

FPL independently funds short-term and long-term debt, while 100% of FPL's equity is invested by parent NEE. FPL's long-term debt financing vehicles are primarily taxable secured first mortgage bonds and tax-exempt revenue bonds.

FPL has its own credit facilities separate from the NEE group to provide liquidity back-up for commercial paper funding and variable-rate tax-exempt revenue notes, as well as for issuance of letters of credit.

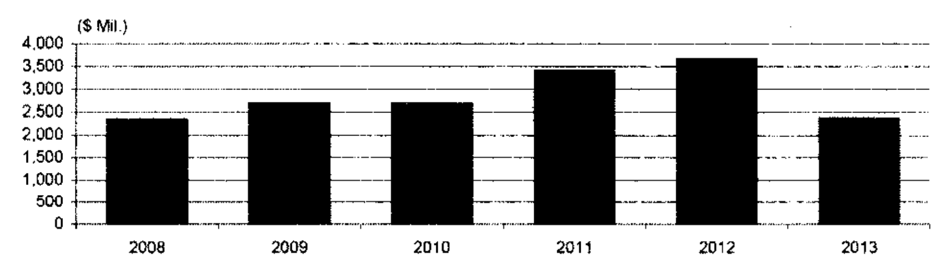
Approximately $3 billion in unsecured revolving credit facilities extend until April 2013, and a $250 million revolving term loan facility runs to May 2014. As of June 30, 2011, FPL reported $2.6 billion of net available liquidity, after allocating $655 million to back-up outstanding commercial paper notes.

Like many members of the utility sector, FPL's capital spending exceeds internal cash flow, resulting in negative FCF after capital investments and dividends. However, due to its relatively low debt leverage and strong credit metrics, FPL has demonstrated excellent access to the debt capital markets and commercial paper market, even during periods of capital markets stress.

Elevated Capital Expenditures

Despite a decline in sales in 2009 and weak growth in 2010 and forecast for 2011–2012, FPL is continuing with a high level of capital spending to complete major multi-year projects. Capex was about $2.7 billion each year in 2009–2010, and the company reports committed investments of approximately $3.5 billion in each of 2011 and 2012, the peak years. Approximately 70%–75% of the committed utility capex for 2011–2012 relates to constructing new or improving existing power-generation facilities, and the balance is for transmission, distribution, and advanced metering projects. An important rationale for the investment program is to lower the consumption of fossil fuel and lower fuel and purchased power expenses, offsetting the higher capital cost of the new or refurbished power generating facilities.

FPL Capital Spending



Note: Includes nuclear fuel.
Source: NEE Quarterly Report, Form 10-Q June 30, 2011.

Related Criteria

Corporate Rating Methodology, Aug. 12, 2011

Recovery Ratings and Notching Criteria for Utilities, Aug. 12, 2011

Rating North American Utilities, Power, Gas, and Water Companies, May 16, 2011

Regulatory Matters

March 17, 2010, Base Rate Case

FPL filed a base rate case in 2009, requesting a rate increase of $1,044 million in 2010, and a further $250 million in 2011. After a contentious hearing process, a delay in the date of the decision, and the replacement of two public service commissioners by then-Governor Crist, the outcome was a base rate increase of $75.5 million for 2010 and no increase pre-approved for 2011. The rate order identified a surplus in the depreciation reserve surplus of $895 million and ordered FPL to reduce the surplus depreciation by taking non-cash credits to income.

The March 2010 rate order specified a return on equity (ROE) of 10% (with a band of plus or minus 1%), and eliminated the prior Generation Base Rate Adjustment mechanism, which had allowed timely recovery of capital investments for generating assets.

Overall, the results of the rate order were less favorable than the prior five-year rate settlement of 2005, which included an 11.75% ROE finding. However, more favorably, the order authorized a strong equity-to-capital ratio of 59.1%, consistent with FPL's actual book equity. Also, with the exception of the elimination of the Generation Base Rate Adjustment mechanism, all other tariff adjustment mechanisms remained in effect.

FPL objected to various elements in the rate order and filed for reconsideration, leading up to the rate settlement (the Stipulation) described below.

Dec. 14, 2010, Stipulation

The FPSC unanimously approved a stipulation regarding motions for reconsideration of the FPSC's March 17, 2010, order. The stipulation had been agreed by FPL, the Florida Attorney General, the Florida Office of Public Counsel, and all other principal intervenors. FPL agreed to accept a freeze on its base rates until Jan. 1, 2013. However, various fuel, purchase power, environmental, and nuclear adjustment clauses will continue to be reflected in customer bills. Investment cost recovery for West County Unit 3 (WC3) is permitted via fuel cost savings beginning upon commercial operation. The unit entered commercial operation in June 2011, and FPL began collecting the WC3 capacity cost revenues.

Under the stipulation, the authorized mid-point return on equity (ROE) remains at 10% within a band of 9% to 11%. It is at FPL's discretion to vary the amount of depreciation reversals in any calendar year up to a maximum of $267 million (plus the unused amount from prior years) in order to keep its earned ROE in the range of 9% to 11%. These surplus depreciation credits could result in erosion to cash flow credit measures if large depreciation credits are needed to offset the effects of the rate freeze on income measures. FPL is authorized to use up to a maximum of $776 million in surplus depreciation over the term of the stipulation.

FPL can recover storm restoration costs on an expedited basis 60 days after filing a recovery request, capped at a maximum $4 surcharge for every 1,000 kWh of monthly usage on residential bills during the first 12 months. Any additional costs must be deferred and will be eligible for recovery in subsequent years. If storm restoration costs exceed $800 million in a calendar year, the utility can request recovery of costs above the cap.

Profile

FPL is among the largest electric utilities in the U.S., with 4.5 million customer accounts. FPL's operating revenues derive primarily from sales to residential (54%) and commercial (44%)

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consumers, with only 2% of 2010 operating revenue derived from industrial customers. Florida, similar to other Southeastern states, maintains a traditional integrated electric utility structure with cost-of-service ratemaking and has not restructured its electricity market.

Financial Summary — Florida Power & Light Co.

($ Mil., Fiscal Year-End Dec. 31)	LTM June 2011	2010	2009	2008	2007
Fundamental Ratios (x)					
FFO/Interest Expense	8.0	6.3	10.6	6.7	9.2
CFFO/Interest Expense	6.3	6.4	10.0	7.6	8.6
FFO/Debt (%)	35.1	29.2	49.2	31.8	42.9
Operating EBIT/Interest Expense	5.3	5.2	5.0	4.7	5.4
Operating EBITDA/Interest Expense	7.8	8.0	8.3	7.0	8.1
Operating EBITDAR/(Interest Expense + Rent)	7.8	8.0	8.3	7.0	8.1
Debt/Operating EBITDA	2.5	2.3	2.3	2.5	2.3
Common Dividend Payout (%)	65.3	26.5	58.4	6.3	131.6
Internal Cash/Capital Expenditures (%)	48.3	63.1	93.1	93.5	58.2
Capital Expenditures/Depreciation (%)	290.8	269.4	238.4	295.9	236.2
Profitability					
Adjusted Revenues	10,556	10,417	11,423	11,578	11,588
Net Revenues	5,511	5,435	5,203	4,829	4,862
Operating and Maintenance Expense	1,631	1,620	1,496	1,438	1,454
Operating EBITDA	2,804	2,789	2,610	2,254	2,302
Depreciation and Amortization Expenditure	899	967	1,058	755	773
Operating EBIT	1,905	1,822	1,552	1,499	1,529
Gross Interest Expense	358	350	313	322	284
Net Income for Common	995	945	831	789	836
Operating Maintenance Expenditure % of Net Revenues	29.6	29.8	28.8	29.8	29.9
Operating EBIT % of Net Revenues	34.6	33.5	29.8	31.0	31.4
Cash Flow					
Cash Flow from Operations	1,913	1,893	2,832	2,139	2,163
Change in Working Capital	(578)	55	(163)	317	(155)
Funds from Operations	2,491	1,838	2,995	1,822	2,318
Dividends	(650)	(250)	(485)	(50)	(1,100)
Capital Expenditures	(2,614)	(2,605)	(2,522)	(2,234)	(1,826)
FCF	**(1,351)**	**(962)**	**(175)**	**(145)**	**(763)**
Net Other Investment Cash Flow	40	44	(125)	(135)	(180)
Net Change in Debt	380	165	298	279	1,192
Net Equity Proceeds	525	660	—	75	—
Capital Structure					
Short-Term Debt	655	101	818	773	842
Long-Term Debt	6,449	6,196	5,264	4,963	4,565
Total Debt	**7,104**	**6,297**	**6,082**	**5,736**	**5,407**
Total Hybrid Equity and Minority Interest	—	—	—	—	—
Common Equity	9,877	9,791	8,436	8,089	7,275
Total Capital	**16,981**	**16,088**	**14,518**	**13,825**	**12,682**
Total Debt/Total Capital (%)	41.8	39.1	41.9	41.5	42.6
Total Hybrid Equity and Minority Interest/Total Capital (%)	—	—	—	—	—
Common Equity/Total Capital (%)	58.2	60.9	58.1	58.5	57.4

Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

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FITCH AFFIRMS RATINGS OF NEXTERA AND FLORIDA POWER & LIGHT; OUTLOOK REVISED TO STABLE

Fitch Ratings-New York-02 May 2011: Fitch affirmed the issuer default ratings (IDR) of NextEra Energy, Inc. (NextEra) and NextEra Energy Capital Holdings, Inc. (Capital Holdings) at 'A-' and affirmed the 'A' IDR of Florida Power & Light (FP&L). Also, Fitch revised the Rating Outlooks for all three credits to Stable from Negative. Approximately $15 billion of recourse debt is affected by today's rating actions, and the instrument ratings are listed at the end of this release.

The affirmations of the ratings of NextEra, Capital Holdings, and FP&L and the change in the Rating Outlook to Stable recognize the improved economic and utility regulatory environment in Florida. An indicator of the change is the December 2010 rate settlement that will enable FP&L to collect revenues and to begin recovering its investment in the new West County 3 power facility when that unit starts commercial operation this year. The membership of the Public Service Commission has stabilized following Governor Rick Scott's appointment of four commissioners, confirmed by the state senate on April 29.

There are signs of gradual improvement in employment statistics in South Florida, although regional unemployment remains above the national average. Favorably, FP&L has reported modest increases for five consecutive quarters in the number of customers connected to its system. The affirmation of FP&L's ratings also reflects: the availability of tariff adjustment mechanisms and trackers that result in timely recovery of purchased power, fuel and environmental costs; the utility's low debt leverage; and strong interest coverage in excess of Fitch's norms for comparable 'A' rated utility credits.

NextEra's consolidated parent-level credit ratios are not as robust as those of its 'A-' peers, but Fitch also takes into consideration several factors that enhance credit quality. First, the NextEra group has a stable core of cash flows from a combination of utility and long-term contractual businesses. Over the next five years, Fitch anticipates that FP&L and regulated electric transmission assets in Texas will account for half of NextEra's EBITDA, and combined with NextEra Energy wholesale generation assets subject to committed contractual sales contracts, Fitch forecasts that three-quarters of EBITDA will be from predictable or stable sources. Second, NextEra's forward power sales are hedged for a materially longer contract duration than other major U.S. competitive generators. Third, NextEra Energy's non-utility generation portfolio has an extremely low exposure to coal-fired generating facilities due to its concentration in nuclear, natural gas, and renewable generation technologies. Finally, approximately $5.25 billion of project finance debts included in the group's Dec. 31, 2010 consolidated debt balance have either limited recourse or no recourse to corporate support, which is a risk mitigant that offsets the higher leverage resulting from project financing.

The Stable Outlooks for NextEra, Capital Holdings, and FP&L also consider the strong liquidity position of the group and favorable access to capital markets.

Fitch's ratings presume that the group will fund its capital expenditures with retained internal cash flow supplemented by a balanced mix of debt, equity or hybrid equity financing. Fitch's ratings also assume that FP&L will continue to recover fuel, purchased power, and storm recovery costs consistent with current Florida Public Service Commission (FPSC) policies.

Credit Concerns:
Among the risks that Fitch considered in the ratings are the continuing high rate of capital expenditures at both NextEra Energy Resources and FP&L and the group's reliance on tax credits and tax incentives for cash flow. Ratings of NextEra and Capital Holdings could be adversely affected if NextEra Energy Resources pursues speculative power project development without assured off-take arrangement, undertakes increased energy marketing and trading activities or is

unable to renew expiring contracts on terms that maintain the current credit profile. Changes in tax laws or regulations that impair the ability to utilize the group's accumulated tax credits would be a credit negative; on the other hand, NextEra's credit would not be sensitive to elimination of the availability of production tax credits on new projects.

Ratings of FP&L would be adversely affected if the FPSC adopts less supportive policies on recovery of purchased power costs, fuel expense, environmental compliance costs, new renewal resources, or storm related expenses.

Capital Holdings' ratings and outlook are identical with those of its parent NextEra, reflecting the unconditional and irrevocable guarantee by the parent of the debt obligations of Capital Holdings. Aside from those guarantees, NextEra has no debt.

Ratings affected by these actions are listed below.

Ratings affirmed and all on Rating Outlook Stable:
NextEra Energy, Inc.
--Issuer Default Rating (IDR) at 'A-';
--Equity Units at 'A-'.

NextEra Energy Capital Holdings, Inc.
--IDR at 'A-';
--Senior unsecured debentures 'A-';

--Jr. Subordinate hybrids 'BBB';
--Short-term IDR and commercial paper at 'F1'.

FPL Group Capital Trust I
--Trust preferred stock at 'BBB'.

Florida Power & Light Company
--IDR at 'A';
--First mortgage bonds 'AA-';
--Unsecured pollution control revenue bonds 'A+';
--Short-term IDR and commercial paper 'F1'.

Contacts:

Primary Analyst:
Ellen Lapson, CFA
Managing Director
+1 212-908-0504
One State Street Plaza
New York, NY 10004

Secondary Analysts:
Sharon Bonelli,
Managing Director
+1 212 908 0581,

Lindsay Minneman,
Associate Director
+1 212-908-0592

Committee Chairperson:
Glen Grabelsky
Managing Director
+1 212-908-0577

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (August 16, 2010);
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007).
--'Utility Sector Notching and Recovery Ratings' (March 16, 2010).

Applicable Criteria and Related Research:
Corporate Rating Methodology
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=546646
U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=338030
Utilities Sector Notching and Recovery Ratings
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=504546

NextEra Energy, Inc.

and NextEra Capital Holdings, Inc.
Full Rating Report

Ratings

NextEra Energy, Inc.

Long-Term IDR	A–

NextEra Energy Capital Holdings, Inc.

Long-Term IDR	A–
Commercial Paper	F1
Senior Unsecured	A–
Junior Subordinated	BBB

IDR – Issuer default rating

Rating Outlook

Long-Term IDR	Stable

Financial Data

NextEra Energy, Inc.

	LTM Ended	
	6/30/11	6/30/11
Revenue ($ Mil.)	15,131	15,306
Net Revenues ($ Mil.)	8,732	8,705
Operating EBITDA ($ Mil.)	4,659	4,767
FFO ($ Mil.)	3,892	3,931
FFO/Interest Coverage (x)	4.7	5.0
FFO/Debt (%)	19.7	19.5
Capital Spending ($ Mil.)	5,949	4,225
Capex/Depreciation(x)	3.5	2.5

Related Research

Florida Power & Light Co, Sept. 7, 2011

Analysts

Ellen Lapson, CFA
+1 212 908-0504
ellen.lapson@fitchratings.com

Lindsay Minneman
+1 212 908-0592
lindsay.minneman@fitchratings.com

Key Rating Drivers

Return to Stable Outlook: The ratings of NextEra Energy, Inc. (NEE); NextEra Capital Holdings, Inc. (Capital Holdings); and Florida Power & Light Co. (FPL) were affirmed and the Rating Outlook was changed to Stable in May 2011. The actions reflected the return to a more stable political and regulatory environment for FPL in Florida.

Utility and Contractual Cash Flow: In 2011–2014, NEE's cash flows from stable utility-type sources are expected to grow. At FPL, future rate cases will incorporate new rate base investments to produce more tariff revenues. At Capital Holdings, completion of new Texas electric transmission assets will result in predictable tariff revenues. Fitch forecasts that regulated utility businesses will contribute approximately 50% of NEE's EBITDA for the next several years, and contractual sources another 25%–30%.

Reliance on Tax Incentives: NEE's cash flow has been buoyed by significant tax incentives (production and investment tax credits and carryforwards). NEE has accumulated tax incentives that it can continue to monetize against taxable income from FPL or via tax-oriented partnerships. FPL's profitability is key to ongoing cash flow from accumulated tax incentives.

High Capex: Fitch projects NEE's capital expenditures to continue their recent trend at around triple annual depreciation, or approximately $5.5 billion annually, with major multiyear projects ongoing at both FPL and at Capital Holdings. Therefore, external financing will be required.

Debt Leverage and Mitigants: NEE's credit metrics, as reported, show more leverage than 'A–' peers. However, Fitch considers several factors that mitigate debt leverage. First, non-utility generation is concentrated in renewable and nuclear resources with favorable environmental characteristics. Also, sales of the competitive power subsidiary are supported by off-take contracts for a longer term than most other peers at favorable prices (over 60% hedged for more than 10 years). Finally, about $5.3 billion of consolidated debt is made up of project finance loans that have limited or no corporate recourse.

Credit Support for Capital Holdings: NEE provides a full guarantee of Capital Holdings' debt and hybrids. Thus, Capital Holdings' ratings and Rating Outlook are identical to those of NEE.

What Could Trigger a Rating Action

Change in Florida Regulation: Changes in current Florida regulatory policies regarding the timely recovery of utility capital investments, fuel and purchased power costs, and storm-related costs would adversely affect NEE's and FPL's ratings.

Change in Tax Laws or Regulations: Changes in tax rules that reduce NEE's ability to monetize its accumulated production tax credits, investment tax credits, and accumulated tax losses carried forward would be adverse to NEE's cash flow credit measures.

Business Mix, Risk Profile: A change in strategy to invest in more speculative assets or a lower proportion of cash flow under long-term contracts would increase business risk and could result in lower ratings for NEE. The high level of capital expenditures at both FPL and Capital Holdings creates completion risks, as well as funding risk.

External Funding and Debt Structure

NEE's strategy focuses on growth through ongoing capital investment, like many utility and competitive power entities. Thus, NEE has negative FCF after dividends and capex. Consolidated capital expenditures average approximately $5.0 billion–$5.5 billion annually, with high rates of investment at both the FPL utility and in Capital Holdings.

There is no debt at NEE. Capital Holdings is a financing vehicle that issues corporate recourse debt on behalf of its parent, NEE, to fund investments in the operating subsidiaries. All Capital Holdings' debt obligations are guaranteed by NEE, which is the credit basis for Capital Holdings' issuer default rating (IDR).

FPL independently funds short-term and long-term debt, while 100% of FPL's equity is invested by NEE. FPL's long-term debt-financing vehicles are primarily taxable secured first-mortgage bonds and tax-exempt revenue bonds. FPL has its own credit facilities separate from the NEE group to provide liquidity back up for commercial paper funding and variable-rate tax-exempt revenue notes, as well as for issuance of letters of credit.

NEE issued new equity for proceeds of $548 million and $711 million in 2009 and 2010, respectively, to keep its debt leverage in line. In addition, NEE issued equity hybrids for $375 million in 2009 through Capital Holdings.

Asset Sale

NextEra Energy Resources, LLC (NEER) has announced an agreement to sell its ownership interests in four natural gas-fired generating assets to a subsidiary of LS Power for approximately $1.05 billion. The plants are Blythe Energy Center (California), Calhourn Energy Center (Alabama), Cherokee Energy Center (South Carolina), and Doswell Energy Center (Virginia). NEER's net capacity interest in these units aggregates 2,152 MW. Management has deemed these assets to be outside of its core strategy. Net proceeds from the sale after retiring or transferring associated debt are expected to be about $500 million. The use of deferred tax assets will largely offset the expected taxable gain. NEE has announced a book loss of approximately $97 million associated with the sale, which in Fitch's view is not material.

One other power facility in Rhode Island may be sold in the future. Also, going forward, NEE may engage in additional sales of tax-oriented differential membership interests. *(See the "Sales of Differential Membership Interests" section on page 5.)*

Liquidity Facilities

Committed corporate credit facilities of the NEE group of companies aggregate approximately $7.95 billion, excluding limited recourse or nonrecourse project financing arrangements. Included in that total is approximately $3.2 billion in unsecured facilities available to FPL and $4.7 billion available to Capital Holdings and its subsidiary, NEER. NEE has strong access to the capital markets and commercial paper market and to banks for both corporate credit and project finance.

Related Criteria

Corporate Rating Methodology, Aug. 12, 2011

Recovery Ratings and Notching Criteria for Utilities, Aug. 12, 2011

Rating North American Utilities, Power, Gas, and Water Companies, May 16, 2011

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NextEra Energy Group Credit Facilities

Credit Facility	Borrowers	Amount ($ Mil.)	Expires	Comment
Unsecured RC	Capital Holdings	3,916	April 2013	$40 Million Expiring in April 2012
Unsecured RC	Capital Holdings	500	December 2013 Plus One-Year Term Out	—
Unsecured RC Bilaterals	Energy Resources	CAD300	December 2013	Used to Fund Canadian Project Development
Unsecured RC	FPL	2,473	April 2013	$17 Million Expiring in April 2012
Unsecured RC, Global Banks	FPL	500	May 2013	—
Unsecured Bilateral RC	FPL	250	May 2014	—

RC – Revolving credit. CAD – Canadian dollar. FPL – Florida Power & Light, Co.
Source: Company financial reports and Fitch Ratings.

NextEra Energy, Inc. Business Segment Summary

($ Mil., Years Ended Dec. 31)

	FPL	Total (%)	NEER	Total (%)	Corp. and Other	Total (%)	Total Consolidated
EBITDA 2010	2,857	57	2,128	42	65	1	5,050
EBITDA 2009	2,678	61	1,624	37	57	1	4,359
EBITDA 2008	2,389	56	1,830	43	48	1	4,267
Capital Spending 2010	2,706	46	3,072	53	68	1	5,846
Capital Spending 2009	2,717	45	3,235	54	54	1	6,006
Capital Spending 2008	2,367	45	2,829	54	40	1	5,236
Total Assets 2010	**28,698**	**54**	**22,389**	**42**	**1,907**	**4**	**52,994**

FPL – Florida Power & Light, Co. NEER – NextEra Energy Resources. Note: Capital spending includes nuclear fuel.
Source: Company 2010 annual report form 10-K and Fitch Ratings

Competitive Electricity Generation and Retail Power Supply

NEER is a direct subsidiary of Capital Holdings and contributes nearly all the revenues and income of Capital Holdings. NEER's power generation portfolio consists of an estimated 19,000 net MW, all located in the U.S. and Canada. None of NEER's power output is sold to FPL.

At Dec. 31, 2010, 60% of NEER's capacity was sold under long-term contracts with an estimated contract life of 14–15 years. Additionally, 10% was hedged for shorter terms of 1–3 years, and 30% was marketed on a merchant basis. NEER's contracts are priced favorably relative to current wholesale market prices, and the unusually long tenor of its contracts provides a cushion against market price risk. Wind capacity under long-term contracts is compensated based on the volume of production, and production varies with the wind availability, a risk that is not hedged.

NEER Generating Capacity by Fuel Type

(%, As of Dec. 31, 2010)

Wind	44
Natural Gas	35
Nuclear	14
Oil	4
Hydro	2
Solar, Other	1
Total	**100**

Source: Company 2010 annual report form 10-K.

At the end of 2010, the fuel sources for NEER power generating, based on nominal capacity, were as indicated in the table on the left, "NEE Generating Capacity by Fuel Type."

Solar sources account for less than 1% of NEER's nominal capacity. However, this energy source is a major focus for new capital investment in 2011–2013.

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Two other areas of diversification investment for NEER and Capital Holdings are electric and gas transmission assets.

Less than 5% of NEER's power capacity consumes oil or coal. Consequently, NEER will have virtually no adverse effect from recent Environmental Protection Agency (EPA) rules regarding emissions of oxides of nitrogen or sulfur, particulate matter, mercury and hazardous air products, or coal residues. In the future, its nuclear portfolio may be affected by rules regarding cooling water and by changes in nuclear safety regulations, if any. On balance, NEER is among those generators that are least exposed to incremental capital expenditures due to environmental effects, and NEER could benefit from the anticipated retirement of coal-fired capacity in the markets it serves.

The majority of NEER's income and cash flow is derived from physical assets. However, NEER also has a related business of competitive customer supply and proprietary power and gas trading. According to NEE's disclosure, this business is expected to contribute an estimated 7%–10% of NEER's 2011 gross margin and 5%–9% of NEER's EBITDA. The market, credit, and liquidity risks of the customer supply and trading activities appear to be adequately controlled at current levels of transaction activity and with the current risk-management policies.

Tax Incentives Boost Consolidated Cash Flow

In recent years, NEE's cash flow has been boosted by a low effective tax rate, 21% in 2010 and 12% in the first half of 2011, versus the statutory tax rate of 35%. Contributing to a lower effective tax rate for NEE are renewable energy production tax credits (PTCs) for wind facilities and investment tax credits (ITCs) for solar facilities, or ITC cash grants in lieu of PTCs for wind renewables.

New PTCs for wind generation are only available for wind facilities that enter service by Dec. 31, 2012, unless the U.S. Congress extends or replaces the current law. The cash grant ITCs in lieu of PTCs for renewables are available only for systems that begin construction prior to Dec. 31, 2011. NEE has significant discretion over its future investments in wind and solar facilities. As such, it may, in future years, choose to reduce or eliminate discretionary investments if changes in available tax incentives made such investments less attractive.

NEE Consolidated Tax Return Utilization of Tax Credits

($ Mil.)

	Six Months Ended 6/30/11	Year Ended 12/31/10
PTCs	163	307
ITCs	8	68

PTCs – Production tax credits. ITC – Investment tax credits.
Source: Company financial reports.

Accumulated Tax Assets

Expiration of the laws that authorize the current PTCs and ITCs would not automatically increase NEE's consolidated tax payments and reduce cash flow. This is because NEE has access to substantial amounts of deferred PTCs, ITCs, and net operating tax losses carried forward (NOLs) as deferred tax assets.

At the end of 2010, NEE reported $1.8 billion of tax credits carried forward (both PTCs and ITCs) and $663 million of NOLs. Regarding the use of these credits, Fitch's base case forecasts assume NEE will be able to use its accumulated NOLs and tax credits, even if renewable assets placed in service in the future are not eligible for new PTCs and ITCs. NEE's future use of tax credits and NOLs would be vulnerable to materially lower taxable income at FPL or to a change in tax laws or regulations affecting the ability to apply tax incentives to reduce income tax payments.

Sales of Differential Membership Interests

In 2007 and 2010, subsidiaries of NEER that own wind facilities sold class B partnership interests to investors who received, in return for their cash investment, a portion of the economic attributes (including tax attributes) of the facilities for a variable period. This type of transaction represents an alternate way for the company to monetize tax credits. NEER received cash proceeds of $705 million in 2007 and $265 million in 2010.

Utility Business

NEE's utility subsidiary, FPL, serves electricity to 4.5 million customer accounts in Florida. Fitch affirmed the ratings of FPL and changed the Rating Outlook to Stable in May 2011. These actions reflected a more orderly political and regulatory environment for FPL in Florida after a period of political strife and commission turnover. Four of the five current Florida Public Service Commission (FPSC) commissioners were appointed by new Florida Governor Rick Scott and confirmed in 2011 by the state's Senate.

Weak Florida Economy Reduces Growth

FPL's southern Florida service territory still has above-average unemployment and a weak housing market. However, employment statistics have modestly improved. FPL's inactive accounts and low usage accounts are gradually waning.

FPL sales were adversely affected by loss of load in 2008–2009. Nonetheless, FPL has very high capital investment projects underway to reduce reliance on oil for power-generation, replace inefficient natural gas-fired generation, expand the capacity of its Turkey Point and Saint Lucie nuclear power plants, improve the transmission and distribution systems, and upgrade customer meters. FPL's capital spending is currently running at approximately $3 billion annually, or about 2.8x–3x depreciation, and will require future rate increases to recover incremental investment.

Rate Orders and Regulatory Matters

FPL received an unfavorable rate decision in a contentious general rate case decided on March 17, 2010. The decision lowered return on equity from 11.75% to 10.00% and ordered the utility to credit to income amounts deemed to be surplus depreciation. The March 2010 order eliminated the prior generation base rate adjustment mechanism and did not provide any means for recovery of incremental cost to complete the West County 3 (WC3) power plant project.

FPL challenged parts of the March 2010 order. On Dec. 14, 2010, the FPSC approved a settlement agreement (rate stipulation) that resolved contested issues from the March 17, 2010, rate order. It allowed FPL to collect the cost of its investment in WC3 via fuel savings when the unit entered commercial operation, starting in June 2011. FPL accepted a base rate freeze until Jan. 1, 2013. However, numerous fuel, capacity, storm cost recovery, and environmental rate adjustments are allowed.

FPL can recover investment in nuclear plant capacity upgrades without a base rate case. Recovery of other new utility capital spending in 2011–2013 is subject to FPL's next base rate case, which Fitch anticipates FPL will likely file in 2012 for effect in January 2013.

Financial Summary — NextEra Energy, Inc.

($ Mil. Years Ending Dec. 31)	June 2011 LTM	2010	2009	2008	2007
Fundamental Ratios (x)					
FFO/Interest Expense	4.7	4.4	5.8	4.9	5.6
CFFO/Interest Expense	4.8	4.6	5.8	4.9	5.6
FFO/Debt (%)	19.7	18.5	27.2	22.1	31.1
Operating EBIT/Interest Expense	2.8	3.1	2.8	3.3	2.9
Operating EBITDA/Interest Expense	4.4	4.8	4.6	4.8	4.5
Operating EBITDAR/(Interest Expense + Rent)	4.4	4.8	4.6	4.8	4.5
Debt/Operating EBITDA	4.2	3.8	3.9	3.6	3.3
Common Dividend Payout (%)	47.6	42.1	47.4	43.6	49.8
Internal Cash/Capital Expenditure (%)	53.2	50.8	60.9	50.6	58.6
Capital Expenditure/Depreciation (%)	348.9	331.0	348.0	391.6	398.0
Profitability					
Adjusted Revenues	15,131	15,249	15,575	16,339	15,229
Net Revenues	8,732	9,007	8,170	7,927	7,037
Operating and Maintenance Expense	2,930	2,877	2,649	2,527	2,314
Operating EBITDA	4,659	4,982	4,291	4,132	3,510
Depreciation and Amortization Expenditure	1,705	1,766	1,726	1,337	1,261
Operating EBIT	2,954	3,216	2,565	2,795	2,249
Gross Interest Expense	1,061	1,041	930	856	782
Net Income for Common	1,832	1,957	1,615	1,639	1,312
Operating Maintenance Expenditure % of Net	33.6	31.9	32.4	31.9	32.9
Operating EBIT % of Net Revenues	33.8	35.7	31.4	35.3	32.0
Cash Flow					
Cash Flow from Operations	4,036	3,793	4,424	3,362	3,593
Change in Working Capital	144	258	(74)	54	7
Funds from Operations	3,892	3,535	4,498	3,308	3,586
Dividends	(872)	(823)	(766)	(714)	(654)
Capital Expenditures	(5,949)	(5,846)	(6,006)	(5,236)	(5,019)
FCF	**(2,785)**	**(2,876)**	**(2,348)**	**(2,588)**	**(2,080)**
Net Other Investment Cash Flow	568	562	183	(461)	(23)
Net Change in Debt	1,185	1,825	1,739	3,317	1,253
Net Equity Proceeds	343	569	198	41	46
Capital Structure					
Short-Term Debt	1,050	889	2,020	1,865	1,017
Long-Term Debt	18,719	18,225	14,532	13,103	10,522
Total Debt	**19,769**	**19,114**	**16,552**	**14,968**	**11,539**
Total Hybrid Equity and Minority Interest	1,177	1,177	1,765	1,507	1,507
Common Equity	14,906	14,461	12,967	11,681	10,735
Total Capital	**35,852**	**34,752**	**31,284**	**28,156**	**23,781**
Total Debt/Total Capital (%)	55.1	55.0	52.9	53.2	48.5
Total Hybrid Equity and Minority Interest/Total Capital	3.3	3.4	5.6	5.4	6.3
Common Equity/Total Capital (%)	41.6	41.6	41.4	41.5	45.1

LTM - Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus. Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

FPL Capital Structure History

2001 - 2010

Historical Data and Averages

Historical Capital Structure Data

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	3 Yr. Avg.	5 Yr. Avg.	10 Yr. Avg.
% All Sources													
Long Term Debt	25.8%	24.6%	25.0%	27.1%	25.8%	26.4%	28.5%	29.8%	29.0%	28.9%	29.2%	28.5%	27.1%
Short Term Debt	2.2%	3.5%	4.7%	2.2%	3.5%	4.9%	2.6%	2.2%	1.9%	3.0%	2.4%	2.9%	3.1%
Preferred	2.3%	2.3%	1.8%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Equity	53.9%	54.1%	51.4%	52.2%	49.7%	48.0%	48.7%	47.2%	47.3%	46.6%	47.0%	47.5%	49.9%
Customer Deposits	2.7%	3.1%	3.1%	3.2%	3.1%	3.1%	3.6%	3.4%	3.4%	3.3%	3.4%	3.4%	3.2%
Deferred Income Tax	11.5%	11.1%	13.0%	14.3%	17.3%	17.3%	16.4%	17.2%	18.3%	18.2%	17.9%	17.5%	15.5%
Deferred ITC	1.5%	1.3%	1.0%	0.8%	0.6%	0.4%	0.3%	0.1%	0.1%	0.0%	0.1%	0.2%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
% Investor Sources													
Long Term Debt	30.6%	29.1%	30.2%	33.1%	32.7%	33.3%	35.7%	37.7%	37.1%	36.8%	37.2%	36.1%	33.6%
Short Term Debt	2.6%	4.1%	5.7%	2.7%	4.4%	6.2%	3.3%	2.8%	2.4%	3.9%	3.0%	3.7%	3.8%
Preferred	2.7%	2.7%	2.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%
Equity	64.0%	64.0%	62.0%	63.9%	62.9%	60.5%	61.1%	59.6%	60.5%	59.3%	59.8%	60.2%	61.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Actual Balances										
Long Term Debt	2,573,364,376	2,404,543,859	2,588,775,187	2,890,461,088	2,986,816,192	3,486,292,100	3,941,415,863	4,407,092,709	4,542,871,168	4,859,391,851
Short Term Debt	220,463,754	340,830,397	490,991,675	239,604,929	403,457,085	643,567,393	361,849,659	323,363,439	295,500,289	510,727,045
Total	2,793,828,130	2,745,374,256	3,079,766,862	3,130,066,017	3,390,273,277	4,129,859,493	4,303,265,522	4,730,456,148	4,838,371,457	5,370,118,896
Year over Year Growth		*-1.7%*	*12.2%*	*1.6%*	*8.3%*	*21.8%*	*4.2%*	*9.9%*	*2.3%*	*11.0%*

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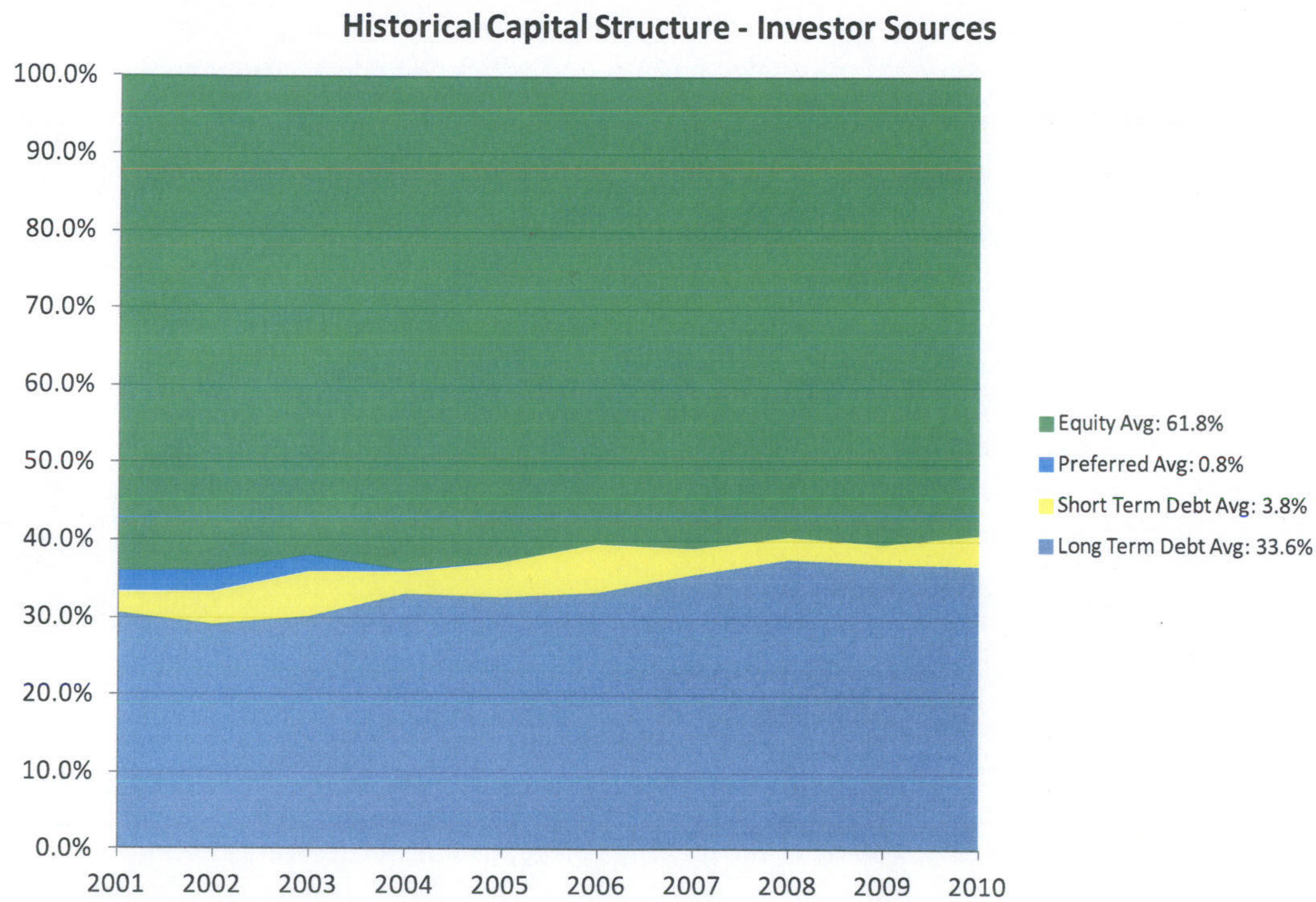
Investor Capital Sources



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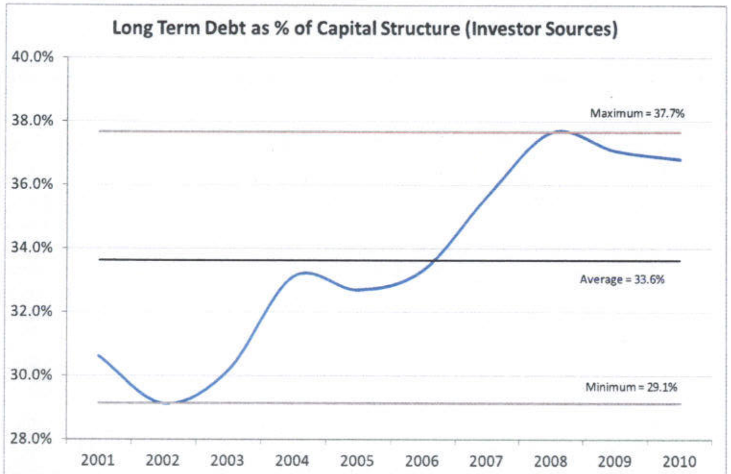
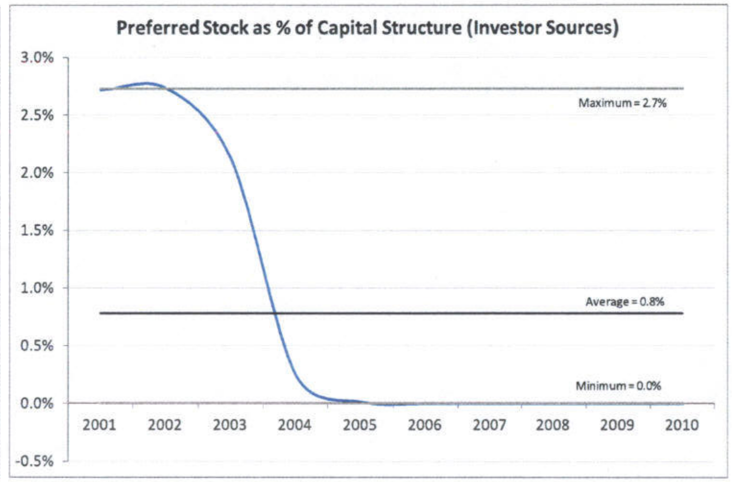
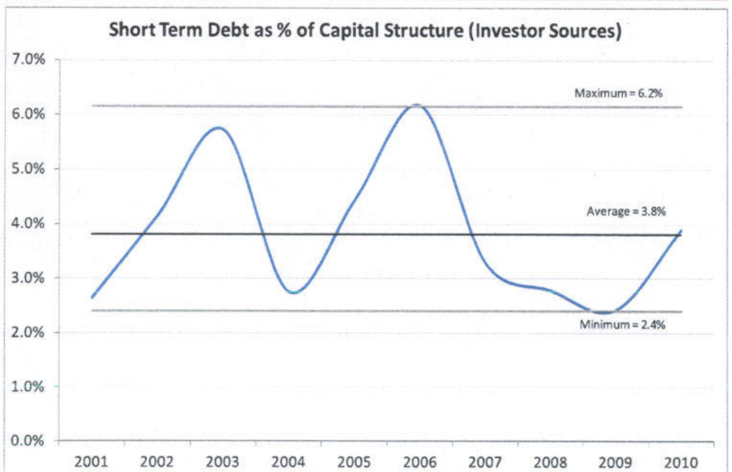
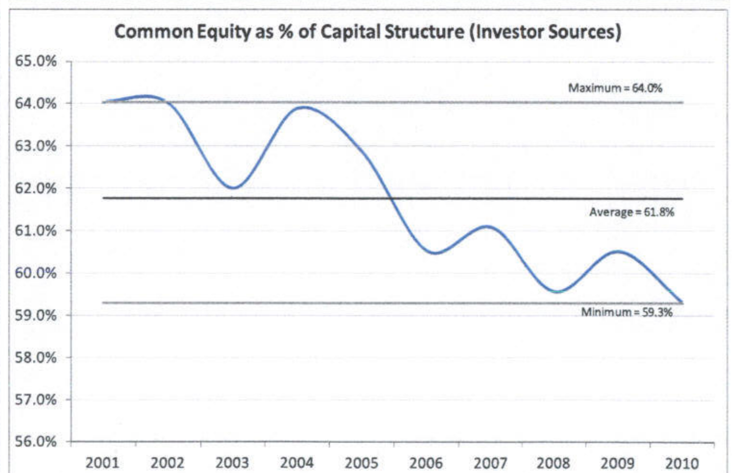
Investor Capital Sources









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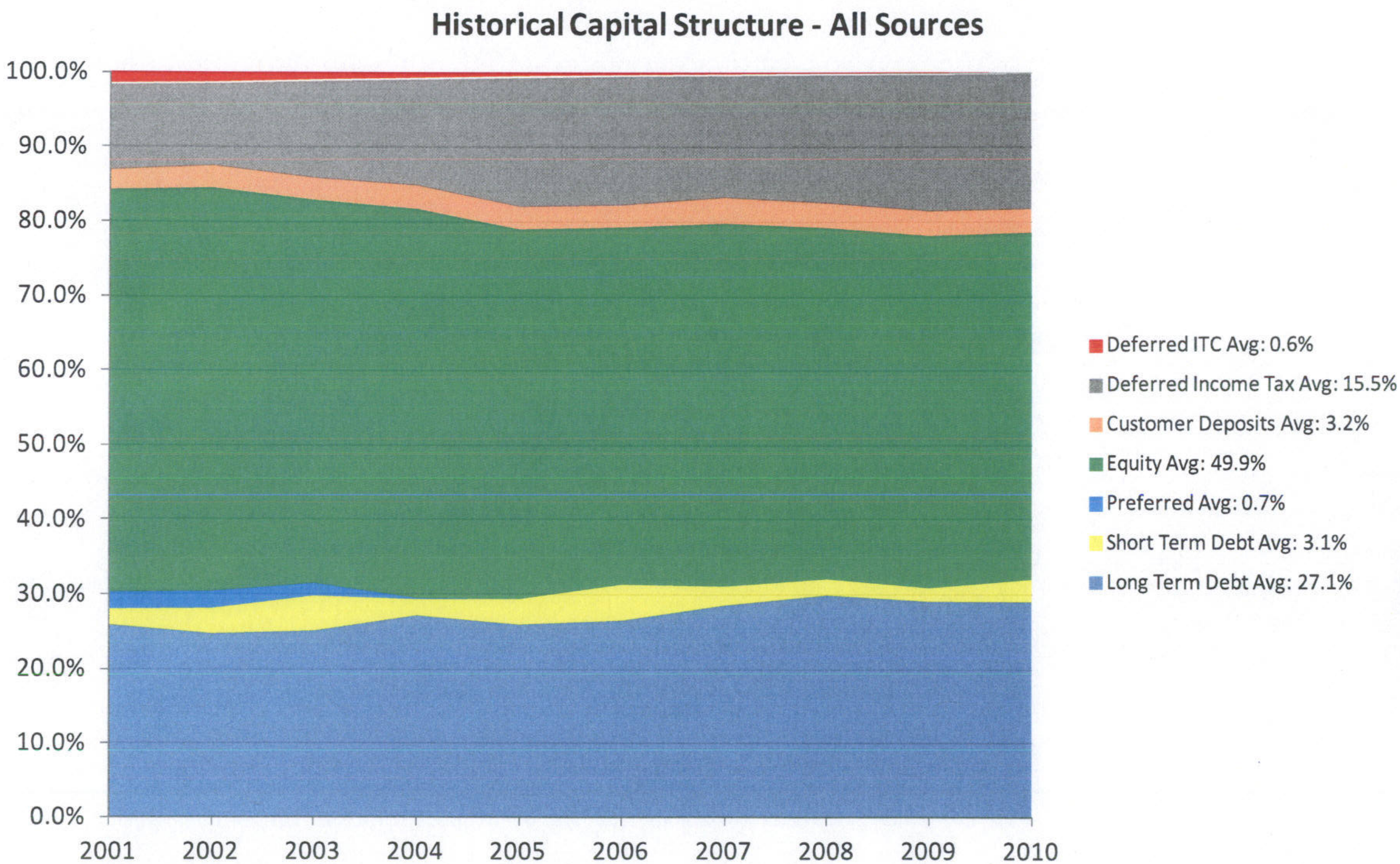
All Capital Sources



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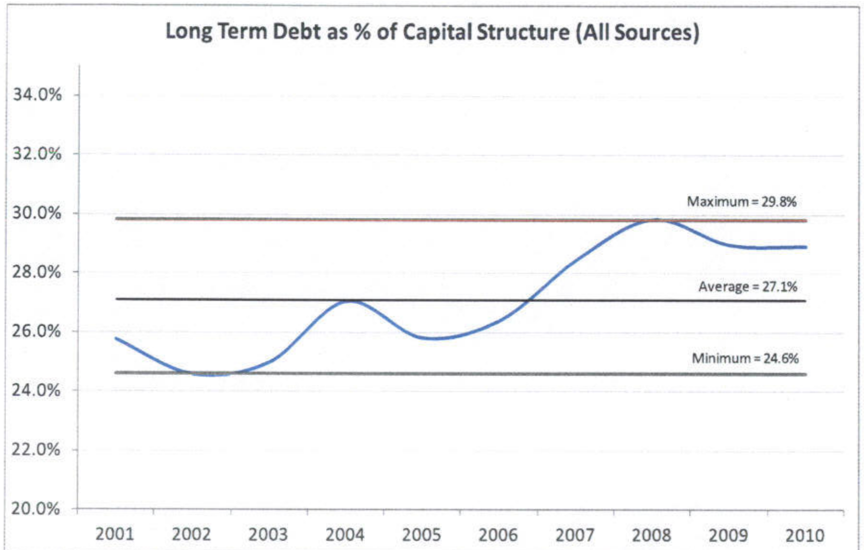

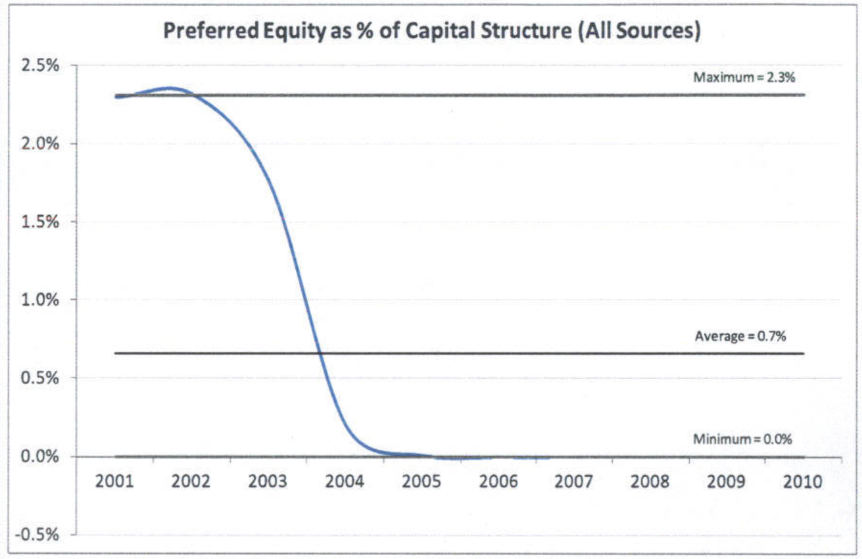

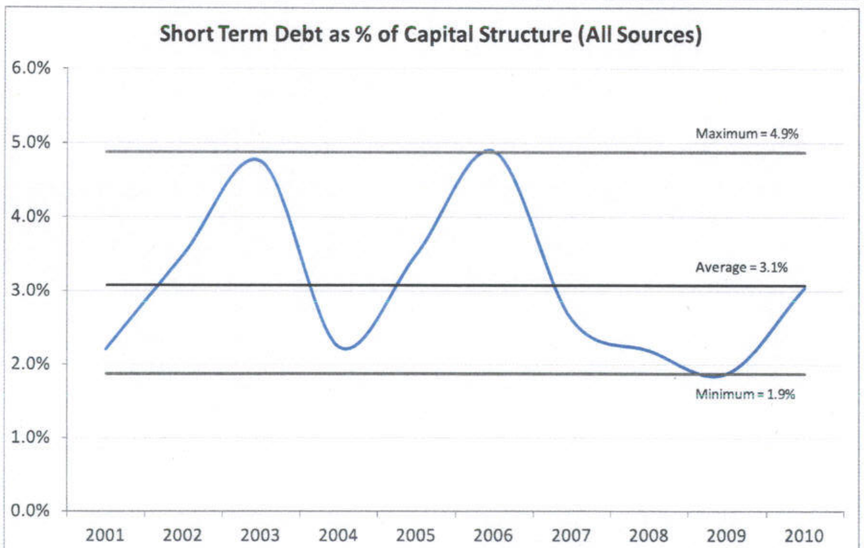

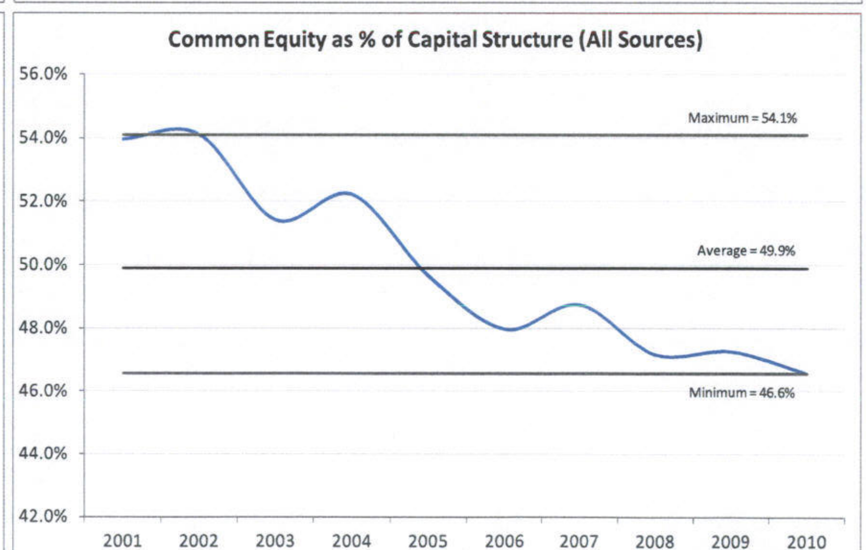

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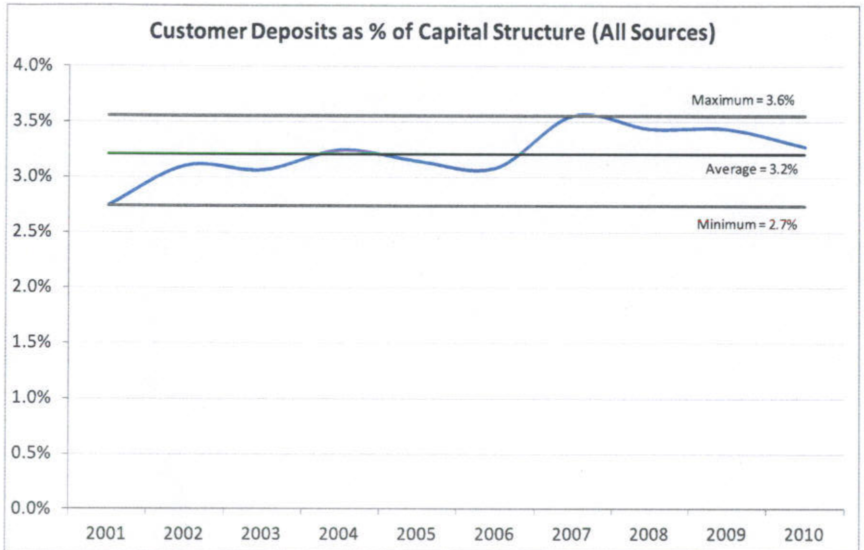

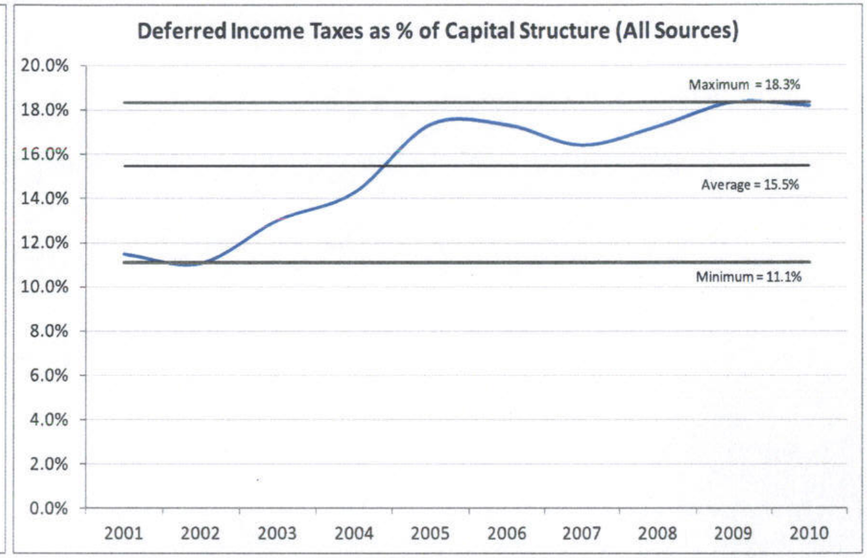

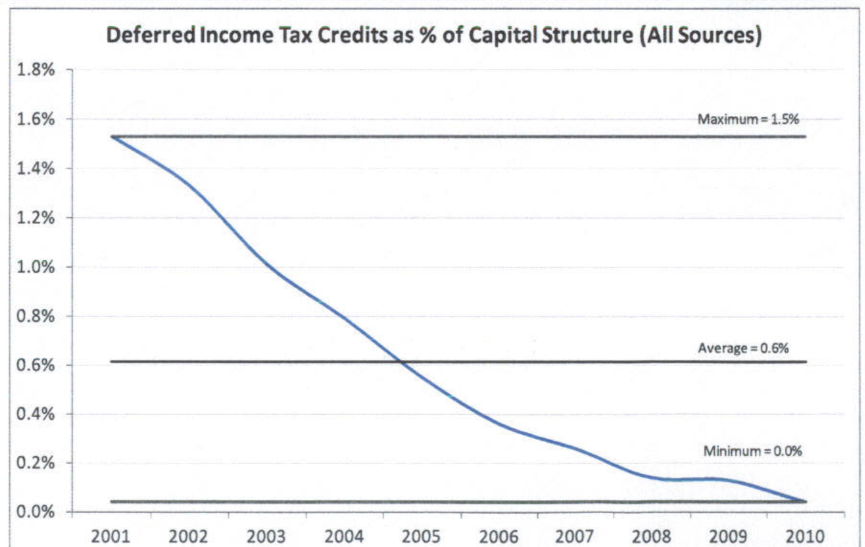

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2010 Capital Structures

	Filed	Approved	Actual	Change (Actual to Approved)	% Change (Actual to Approved)
Long Term Debt	31.5%	31.6%	28.9%	-2.6%	-8.4%
Short Term Debt	1.0%	0.9%	3.0%	2.1%	226.9%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	n/a
Common Equity	47.9%	47.0%	46.6%	-0.4%	-0.9%
Customer Deposits	3.3%	3.2%	3.3%	0.0%	0.8%
Deferred Income Tax	16.0%	17.2%	18.2%	0.9%	5.3%
Investment Tax Credits	0.3%	0.0%	0.0%	0.0%	23.7%
Total	100.0%	100.0%	100.0%	0.0%	0.0%

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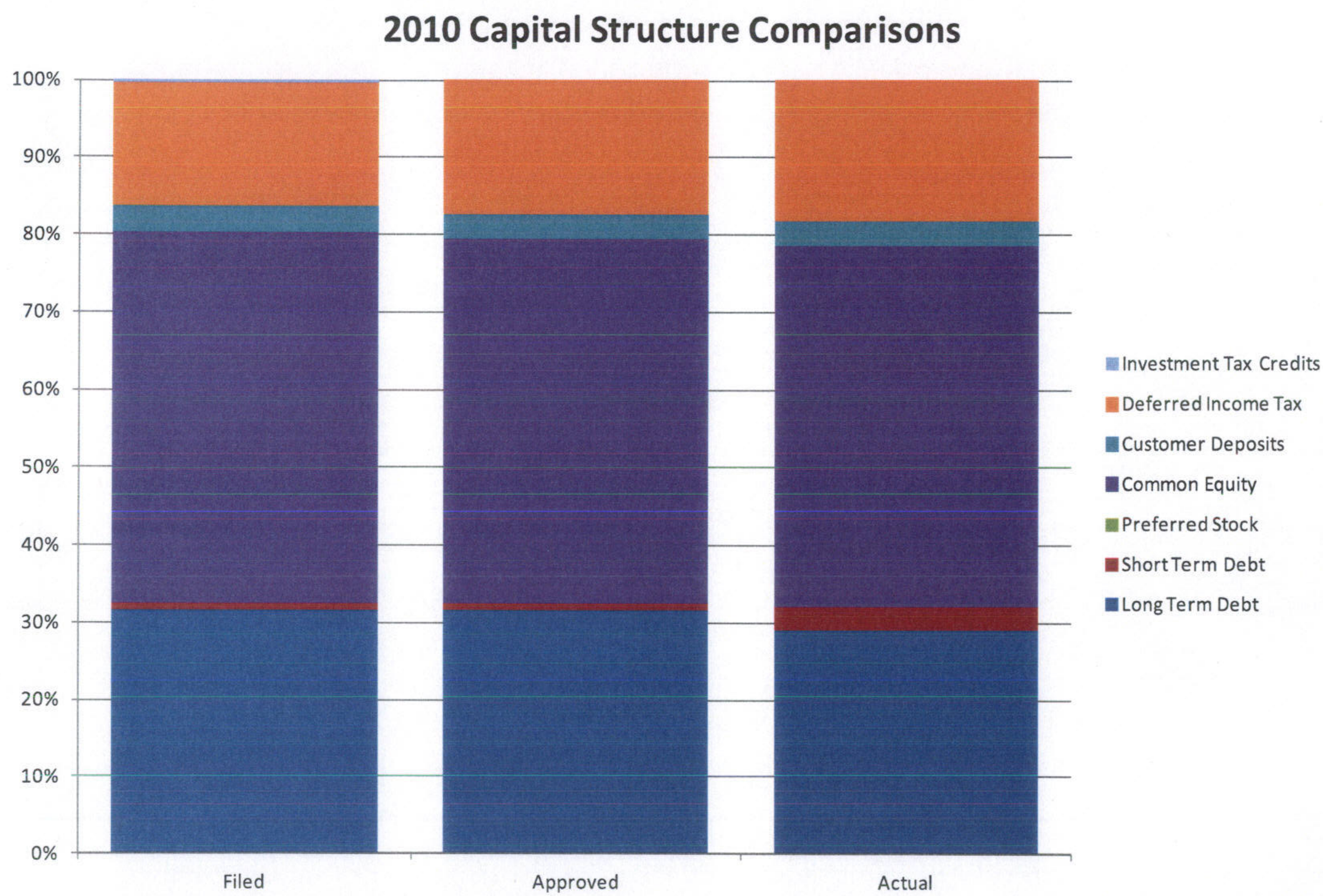
2010 Capital Structures



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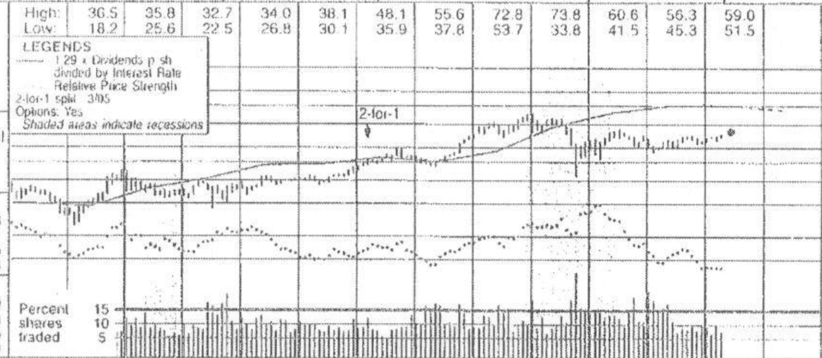
NEXTERA ENERGY NYSE-NEE

RECENT PRICE 58.60 | P/E RATIO 13.6 (Trailing: 14.6 / Median: 14.0) | RELATIVE P/E RATIO 0.84 | DIV'D YLD 3.8% | VALUE LINE 146

TIMELINESS 3 Lowered 2/4/11
SAFETY 2 Lowered 2/26/10
TECHNICAL 3 Raised 5/27/11
BETA .75 (1.00 = Market)

High:	36.5	35.8	32.7	34.0	38.1	48.1	55.6	72.8	73.8	60.6	56.3	59.0
Low:	18.2	25.6	22.5	26.8	30.1	35.9	37.8	53.7	33.8	41.5	45.3	51.5

Target Price Range 2014 | 2015 | 2016



128
96
80
64
48
40
32
24
16
12

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+45%)	13%
Low	65	(+10%)	6%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	1
Options	1	1	2	1	0	0	0	2	0
to Sell	4	2	3	1	1	2	1	2	6

Institutional Decisions

	2Q2010	3Q2010	4Q2010
to Buy	294	370	328
to Sell	381	294	365
Hld's(000)	255847	267175	266760

% TOT. RETURN 4/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	10.3	20.7
3 yr.	-7.2	45.9
5 yr.	64.8	48.2

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
15.14	16.51	17.52	18.43	18.03	20.15	24.10	22.74	26.13	28.27	30.00	38.75	37.47	40.13	37.82	36.39	35.85	37.95	Revenues per sh	42.00
3.98	4.21	4.62	5.39	4.86	4.94	5.02	4.51	5.36	5.60	6.18	6.77	6.85	8.03	8.75	9.62	8.20	9.20	"Cash Flow" per sh	10.50
1.58	1.67	1.79	1.93	2.04	2.07	2.31	2.01	2.45	2.46	2.32	3.23	3.27	4.07	3.97	4.74	4.30	4.85	Earnings per sh A	5.50
.88	.92	.96	1.00	1.04	1.08	1.12	1.16	1.20	1.30	1.42	1.50	1.64	1.78	1.89	2.00	2.20	2.30	Div'd Decl'd per sh B ■ †	2.60
1.82	1.33	1.52	1.71	2.41	3.70	3.28	3.44	3.75	3.75	4.09	9.22	12.32	12.80	14.52	13.89	13.90	12.55	Cap'l Spending per sh	7.00
11.89	12.56	13.32	14.10	16.04	15.91	17.10	17.48	18.91	20.25	21.52	24.49	26.35	28.57	31.35	34.36	36.65	39.40	Book Value per sh C	48.00
369.39	365.63	363.63	361.42	357.11	351.53	351.71	365.51	368.53	372.24	394.85	405.40	407.35	408.92	413.62	420.86	427.00	432.00	Common Shs Outst'g D	448.00
12.3	13.5	13.5	16.2	13.0	12.8	12.5	14.2	12.6	13.6	17.9	13.7	18.9	14.5	13.4	10.8	Bold figures are	Value Line	Avg Ann'l P/E Ratio	13.5
.82	.85	.78	.84	.74	.83	.64	.78	.72	.72	.95	.74	1.00	.87	.89	.70	estimates		Relative P/E Ratio	.90
4.5%	4.1%	4.0%	3.2%	3.9%	4.1%	3.9%	4.1%	3.9%	3.9%	3.4%	3.4%	2.7%	3.0%	3.5%	3.9%			Avg Ann'l Div'd Yield	3.5%

CAPITAL STRUCTURE as of 12/31/10
Total Debt $20822 mill. Due in 5 Yrs $8195.0 mill.
LT Debt $18013 mill. LT Interest $901.0 mill.
Incl. $402.5 mill. of equity units, conv. into common by 2013 at $50/share
(LT interest earned: 3.9x)

Pension Assets-12/10 $3.23 bill. Oblig. $1.99 bill.

Pfd Stock None

Common Stock 420,952,376 shs as of 1/31/11
MARKET CAP: $25 billion (Large Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
8475.0	8311.0	9630.0	10522	11846	15710	15263	16410	15643	15317	15300	16400	Revenues ($mill)	18800
796.0	710.0	883.4	887.0	901.0	1281.0	1312.0	1639.0	1615.0	1957.0	1830	2095	Net Profit ($mill)	2470
32.3%	25.6%	29.4%	23.1%	23.8%	23.7%	21.9%	21.5%	16.8%	21.4%	20.0%	20.0%	Income Tax Rate	20.0%
--	--	--	4.2%	5.4%	3.8%	5.7%	6.6%	7.9%	1.9%	3.0%	6.0%	AFUDC % to Net Profit	Nil
43.8%	46.7%	55.6%	51.6%	48.6%	49.1%	51.2%	54.2%	55.7%	55.5%	56.5%	56.0%	Long-Term Debt Ratio	52.0%
54.2%	51.5%	44.4%	48.4%	51.4%	50.9%	48.8%	45.8%	44.3%	44.5%	43.5%	44.0%	Common Equity Ratio	48.0%
11099	12406	15695	15564	16538	19521	22015	25514	29267	32474	36025	38625	Total Capital ($mill)	44800
11662	14304	20297	21226	22463	24499	28652	32411	36078	39075	43350	46875	Net Plant ($mill)	51200
8.5%	6.6%	6.7%	7.0%	6.9%	8.0%	7.5%	7.9%	6.9%	7.3%	6.5%	7.0%	Return on Total Cap'l	7.0%
12.8%	10.7%	12.7%	11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	11.5%	12.5%	Return on Shr. Equity	11.5%
13.0%	10.9%	12.5%	11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	11.5%	12.5%	Return on Com Equity E	11.5%
7.0%	4.6%	6.4%	5.8%	4.2%	6.9%	6.1%	7.9%	6.5%	7.8%	5.5%	6.5%	Retained to Com Eq	6.0%
47%	58%	50%	53%	60%	46%	50%	44%	47%	42%	51%	47%	All Div'ds to Net Prof	47%

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-3.0	--	+2.2
Avg. Indust. Use (MWH)	NA	325	348
Avg. Indust. Revs. per KWH (¢)	8.66	8.86	6.85
Capacity at Peak (Mw)	24997	26682	25800
Peak Load, Summer (Mw) F	21060	24346	22256
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	-.2	--	+.6
Fixed Charge Cov. (%)	319	281	331

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	7.5%	6.5%	1.5%
"Cash Flow"	5.5%	9.0%	3.0%
Earnings	8.0%	12.0%	4.5%
Dividends	6.0%	7.5%	5.5%
Book Value	7.5%	9.0%	7.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	3434	3585	5387	4004	16410
2009	3705	3811	4473	3654	15643
2010	3622	3591	4691	3413	15317
2011	3134	3716	4750	3700	15300
2012	3850	3850	4850	3850	16400

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.62	.52	1.92	1.01	4.07
2009	.90	.91	1.31	.85	3.97
2010	1.36	1.01	1.74	.63	4.74
2011	.64	1.10	1.60	.96	4.30
2012	1.00	1.15	1.65	1.05	4.85

Calendar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.41	.41	.41	.41	1.64
2008	.445	.445	.445	.445	1.78
2009	.4725	.4725	.4725	.4725	1.89
2010	.50	.50	.50	.50	2.00
2011	.55				

BUSINESS: NextEra Energy, Inc. (formerly FPL Group, Inc.) is a holding company for Florida Power & Light (FPL), which provides electricity to 4.5 million customers in a 27,650-sq.-mi. area in eastern & southern Florida. NextEra Energy Resources is a nonregulated power generator with nuclear, gas, & wind ownership. Revenue breakdown: residential, 57%; commercial, 39%; industrial, 3%; other, 1%. Generating sources: gas, 58%; nuclear, 20%; coal, 5%; oil, 4%; purchased, 13%. Fuel costs: 41% of revs. '10 reported deprec. rates: FPL, 3.2%; NextEra, 4.4%. Has 15,000 employees. Chairman & CEO: Lewis Hay, III. President & COO: James L. Robo. Inc.: FL. Address: 700 Universe Blvd., Juno Beach, FL 33408. Tel.: 561-694-4000. Internet: www.nexteraenergy.com.

NextEra Energy's dividend increase in the first quarter of 2011 was better than we expected. We had estimated a hike of $0.025 a share (5%) in the quarterly payout, and the raise turned out to be twice as large as we estimated. Even after the big increase, however, the dividend yield remains slightly below the utility average.

Investors shouldn't be alarmed by the big earnings decrease we estimate for 2011. In 2010, mark-to-market accounting gains stemming from NextEra's nonregulated activities boosted earnings $0.43 a share. In 2011, similar charges reduced first-quarter profits $0.30 a share. Despite the fact that first-quarter profits fell short of our estimate, we haven't changed our full-year forecast, partly because depreciation will likely be less than we had expected. One reason is that NextEra increased the expected life of its wind assets, thereby lowering annual depreciation charges. This should add $0.10-$0.11 to share net in 2011.

Improvement at Florida Power & Light should offset weakness from the nonutility operations, which are being affected by low power prices and fewer opportunities for investment in wind projects. FPL's customer count is rising, and the number of inactive and low-use customers is declining. The utility should also continue to benefit from a regulatory clause that will enable it to earn a return on new gas-fired generating capacity and coal-fired units that are being converted to run on gas.

NextEra might buy some assets and sell others. FPL has sent a letter of intent offering $100 million for the electric utility in Vero Beach, Florida, which has 34,000 customers. Separately, NextEra is considering the sale of five nonregulated gas-fired plants that aren't a good strategic fit with the company's portfolio of generating assets.

NextEra stock looks more appealing for the long term than the year ahead. As mentioned above, the dividend yield is unspectacular, by utility standards, but healthy dividend growth over the 2014-2016 period ought to produce a long-term total return that exceeds that of the typical utility issue.

Paul E. Debbos, CFA *May 27, 2011*

(A) Diluted EPS. Excl. nonrecurring gain (losses): '00, (5¢); '02, (60¢); '03, 5¢. Next earnings report due late July. (B) Dividends historically paid in mid-March, mid-June, mid-September, and mid-December. ■ Dividend reinvestment plan available. † Shareholder investment plan available. (C) Incl. deferred charges. In '10: $5.15/sh. (D) In millions, adjusted for stock split. (E) Rate allowed on common equity in '10: 9%-11%; earned on avg. com. eq., '10: 14.4%. Regulatory Climate: Average. (F) Winter peak in '09.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	75
Earnings Predictability	85

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FPL RC-12

NEXTERA ENERGY NYSE-NEE

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
54.69	11.4	(Trailing: 12.5 Median: 14.0)	0.84	4.1%	146

TIMELINESS 2 Raised 6/26/11

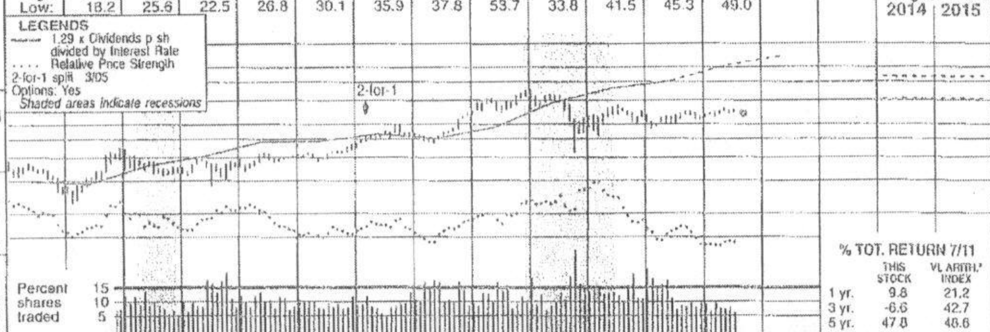
SAFETY 2 Lowered 2/26/10

TECHNICAL 2 Raised 7/15/11

BETA .75 (1.00 = Market)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	36.5	35.8	32.7	34.0	38.1	48.1	55.6	72.8	73.8	60.6	56.3	59.0
Low:	18.2	25.6	22.5	26.8	30.1	35.9	37.8	53.7	33.8	41.5	45.3	49.0

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+55%)	15%
Low	65	(+20%)	8%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	1	0	0
Options	2	1	0	0	0	2	0	1	1
to Sell	3	1	1	2	1	3	6	2	3

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	370	328	314
to Sell	294	365	368
Hld's(000)	267175	266760	272952

% TOT. RETURN 7/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	9.8	21.2
3 yr.	-6.6	42.7
5 yr.	47.8	48.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
15.14	16.51	17.52	18.43	18.03	20.15	24.10	22.74	26.13	28.27	30.00	38.75	37.47	40.13	37.82	36.39	*36.40*	*37.95*	Revenues per sh	*42.00*
3.98	4.21	4.62	5.39	4.86	4.94	5.02	4.51	5.36	5.60	6.18	6.77	6.85	8.03	8.75	9.62	*8.50*	*9.05*	"Cash Flow" per sh	*10.25*
1.58	1.67	1.79	1.93	2.04	2.07	2.31	2.01	2.45	2.46	2.32	3.23	3.27	4.07	3.97	4.74	*4.45*	*4.70*	Earnings per sh A	*5.25*
.88	.92	.96	1.00	1.04	1.08	1.12	1.16	1.20	1.30	1.42	1.50	1.64	1.78	1.89	2.00	*2.20*	*2.30*	Div'd Decl'd per sh B ■ †	*2.60*
1.82	1.33	1.52	1.71	2.41	3.70	3.28	3.44	3.75	3.75	4.09	9.22	12.32	12.80	14.52	13.89	*14.20*	*13.45*	Cap'l Spending per sh	*7.00*
11.89	12.56	13.32	14.18	15.04	15.91	17.10	17.48	18.91	20.25	21.52	24.49	26.35	28.57	31.35	34.36	*36.80*	*39.40*	Book Value per sh C	*47.50*
369.39	365.63	363.63	361.42	357.11	351.53	351.71	365.51	368.53	372.24	394.85	405.40	407.35	408.92	413.62	420.86	*427.00*	*432.00*	Common Shs Outst'g D	*448.00*
12.3	13.5	13.5	16.2	13.0	12.8	12.5	14.2	12.6	13.6	17.9	13.7	18.9	14.5	13.4	10.8	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.82	.85	.78	.84	.74	.83	.64	.78	.72	.72	.95	.74	1.00	.87	.89	.69	*Value Line*		Relative P/E Ratio	*.95*
4.5%	4.1%	4.0%	3.2%	3.9%	4.1%	3.9%	4.1%	3.9%	3.9%	3.4%	3.4%	2.7%	3.0%	3.5%	3.9%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
8475.0	8311.0	9630.0	10522	11846	15710	15263	16410	15643	15317	*15550*	*16400*	Revenues ($mill)	*18800*
796.0	710.0	883.4	887.0	901.0	1281.0	1312.0	1639.0	1615.0	1957.0	*1900*	*2025*	Net Profit ($mill)	*2390*
32.3%	25.6%	29.4%	23.1%	23.8%	23.7%	21.9%	21.5%	16.8%	21.4%	*12.0%*	*20.0%*	Income Tax Rate	*20.0%*
- -	- -	- -	4.2%	5.4%	3.8%	5.7%	6.6%	7.9%	1.9%	*3.0%*	*6.0%*	AFUDC % to Net Profit	*Nil*
43.8%	46.7%	55.6%	51.6%	48.6%	49.1%	51.2%	54.2%	55.7%	55.5%	*56.5%*	*56.0%*	Long-Term Debt Ratio	*52.0%*
54.2%	51.5%	44.4%	48.4%	51.4%	50.9%	48.8%	45.8%	44.3%	44.5%	*43.5%*	*44.0%*	Common Equity Ratio	*48.0%*
11099	12406	15695	15564	16538	19521	22015	25514	29267	32474	*36100*	*38625*	Total Capital ($mill)	*44600*
11662	14304	20297	21226	22463	24499	28652	32411	36078	39075	*43400*	*47325*	Net Plant ($mill)	*51600*
8.5%	6.6%	6.7%	7.0%	6.9%	8.0%	7.5%	7.9%	6.9%	7.3%	*6.5%*	*6.5%*	Return on Total Cap'l	*7.0%*
12.8%	10.7%	12.7%	11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	*12.0%*	*12.0%*	Return on Shr. Equity	*11.0%*
13.0%	10.9%	12.5%	11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	*12.0%*	*12.0%*	Return on Com Equity E	*11.0%*
7.0%	4.6%	6.4%	5.6%	4.2%	6.9%	6.1%	7.9%	6.5%	7.8%	*6.0%*	*6.0%*	Retained to Com Eq	*6.0%*
47%	50%	50%	53%	60%	46%	50%	44%	47%	42%	*49%*	*49%*	All Div'ds to Net Prof	*49%*

CAPITAL STRUCTURE as of 3/31/11
Total Debt $21254 mill. Due in 5 Yrs $8352.0 mill.
LT Debt $18288 mill. LT Interest $914.0 mill.
Incl. $402.5 mill. of equity units, conv. into common by 2013 at $50/share.
(LT interest earned: 3.2x)

Pension Assets-12/10 $3.23 bill. Oblig. $1.99 bill.

Pfd Stock None

Common Stock 421,960,217 shs.

MARKET CAP: $23 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-3.0	- -	+2.2
Avg. Indust. Use (MWH)	NA	325	348
Avg. Indust. Revs. per KWH (¢)	8.66	8.86	6.85
Capacity at Peak (Mw)	24997	26682	25800
Peak Load, Summer (Mw) F	21060	24346	22256
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	-.2	- -	+.6
Fixed Charge Cov. (%)	319	281	331

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	7.5%	6.5%	*1.5%*
"Cash Flow"	5.5%	9.0%	*2.5%*
Earnings	8.0%	12.0%	*3.5%*
Dividends	6.0%	7.5%	*5.5%*
Book Value	7.5%	9.0%	*7.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	3434	3585	5387	4004	16410
2009	3705	3811	4473	3654	15643
2010	3622	3591	4691	3413	15317
2011	3134	3961	*4750*	*3705*	*15550*
2012	*3850*	*3850*	*4850*	*3850*	*16400*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.62	.52	1.92	1.01	4.07
2009	.90	.91	1.31	.85	3.97
2010	1.36	1.01	1.74	.63	4.74
2011	.64	1.38	*1.50*	*.93*	*4.45*
2012	*1.00*	*1.20*	*1.55*	*.95*	*4.70*

Calendar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.41	.41	.41	.41	1.64
2008	.445	.445	.445	.445	1.78
2009	.4725	.4725	.4725	.4725	1.89
2010	.50	.50	.50	.50	2.00
2011	.55	.55			

BUSINESS: NextEra Energy, Inc. (formerly FPL Group, Inc.) is a holding company for Florida Power & Light (FPL), which provides electricity to 4.5 million customers in a 27,650-sq.-mi. area in eastern & southern Florida. NextEra Energy Resources is a nonregulated power generator with nuclear, gas, & wind ownership. Revenue breakdown: residential, 57%; commercial, 39%; industrial, 3%; other, 1%. Generating sources: gas, 58%; nuclear, 20%; coal, 5%; oil, 4%; purchased, 13%. Fuel costs: 41% of revs. '10 reported deprec. rates: FPL, 3.2%; NextEra, 4.4%. Has 15,000 employees. Chairman & CEO: Lewis Hay, III. President & COO: James L. Robo. Inc.: FL. Address: 700 Universe Blvd., Juno Beach, FL 33408. Tel.: 561-694-4000. Internet: www.nexteraenergy.com.

NextEra Energy's utility subsidiary has just completed a large capital project, and others are under way or under consideration. In the second quarter, Florida Power & Light completed the addition of 1,220 megawatts of gas-fired capacity at its West County station. West County Unit 3 came on line on schedule and on budget of around $900 million. Two other modernization projects are under way, which would provide 2,420 mw of gas-fired capacity in 2013 and 2014 at an expected cost of $2.4 billion. (How the utility will recoup the cost of these projects is still in question.) Furthermore, FPL is asking the Florida regulators for permission to modernize another plant at a projected cost of $1.2 billion. This capacity would come on line in 2016. Finally, a nuclear uprate program will add 450 mw of capacity from 2011 through 2013 at a cost of $2.5 billion.

The company's nonregulated operations are making moves, too. NextEra has 953 mw of wind projects under contract that are expected to come on line this year and next. Moreover, it acquired a 150-mw wind project in the second quarter. NextEra is focusing on solar power, as well, with projects under development in California and Spain. On the other hand, the company is considering the sale of five nonregulated gas-fired plants (2,702 mw) that aren't a good strategic fit.

We have raised our 2011 share-earnings estimate by $0.15, but lowered our 2012 forecast by the same amount. Second-quarter earnings included $0.20 a share of mark-to-market accounting credits, which were not part of our estimate. On the other hand, we cut our 2012 profit estimate because NextEra's energy-trading operation isn't likely to be as profitable as was expected due to lower volatility in the market. Note that mark-to-market accounting gains or losses (which are an ongoing aspect of NextEra's results) make the company's earnings unpredictable. These losses reduced March-quarter income by $0.30 a share this year.

This timely stock offers greater 3- to 5-year total return potential than most utility issues. The yield is about average for the group, and we project solid profit and dividend growth to mid-decade.

Paul E. Debbas, CFA *August 26, 2011*

(A) Diluted EPS. Excl. nonrecurring gain (losses): '00, (5¢); '02, (60¢); '03, 5¢. Next earnings report due late October. (B) Dividends historically paid in mid-March, mid-June, mid-September, and mid-December. ■ Dividend reinvestment plan available. † Shareholder investment plan available. (C) Incl. deferred charges. In '10: $5.15/sh. (D) In millions, adjusted for stock split. (E) Rate allowed on common equity in '10: 9%-11%; earned on avg. com. eq., '10: 14.4%. Regulatory Climate: Average. (F) Winter peak in '09.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	85

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FPL RC-12

NEXTERA ENERGY NYSE-NEE

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
55.65	13.2	(Trailing: 14.5) (Median: 14.0)	0.94	4.1%	146

TIMELINESS 3 Lowered 11/18/11

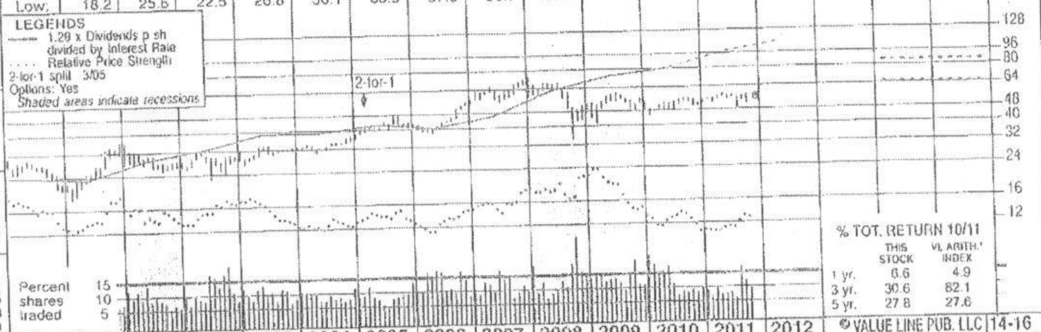
SAFETY 2 Lowered 2/26/10

TECHNICAL 3 Lowered 10/28/11

BETA .75 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	36.5	35.8	32.7	34.0	38.1	48.1	55.6	72.8	73.8	60.6	56.3	59.0
Low:	18.2	25.6	22.5	26.8	30.1	35.9	37.8	53.7	33.8	41.5	45.3	49.0

LEGENDS
— 1.29 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 3/05
Options: Yes
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+55%)	14%
Low	65	(+15%)	8%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	1	0	0	0	0	0
Options	0	0	2	0	1	1	0	0	0
to Sell	2	1	3	6	2	3	3	1	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	328	314	316
to Sell	365	368	318
Hld's(000)	266760	272952	277449

% TOT. RETURN 10/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	6.6	4.9
3 yr.	30.6	82.1
5 yr.	27.8	27.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
15.14	16.51	17.52	18.43	18.03	20.15	24.10	22.74	26.13	26.27	30.00	38.75	37.47	40.13	37.82	36.39	35.00	35.75	Revenues per sh	40.50
3.98	4.21	4.62	5.39	4.86	4.94	5.02	4.51	5.36	5.60	6.18	6.77	6.85	8.03	8.75	9.62	8.90	9.10	"Cash Flow" per sh	11.00
1.58	1.67	1.79	1.93	2.04	2.07	2.31	2.01	2.45	2.46	2.32	3.23	3.27	4.07	3.97	4.74	4.15	4.50	Earnings per sh A	5.50
.88	.92	.96	1.00	1.04	1.08	1.12	1.16	1.20	1.30	1.42	1.50	1.64	1.78	1.89	2.00	2.20	2.30	Div'd Decl'd per sh B ■ †	2.60
1.82	1.33	1.52	1.71	2.41	3.70	3.28	3.44	3.75	3.75	4.09	9.22	12.32	12.00	14.52	13.89	14.35	13.65	Cap'l Spending per sh	13.00
11.89	12.56	13.32	14.18	15.04	15.91	17.10	17.48	18.91	20.25	21.52	24.49	26.35	28.57	31.35	34.36	36.30	38.45	Book Value per sh C	46.25
369.39	365.63	363.63	361.42	357.11	351.53	351.71	365.51	368.53	372.24	394.85	405.40	407.35	408.92	413.62	420.86	423.00	425.00	Common Shs Outst'g D	420.00
12.3	13.5	13.5	16.2	13.0	12.8	12.5	14.2	12.6	13.6	17.9	13.7	16.9	14.5	13.4	10.8	Bold figures are		Avg Ann'l P/E Ratio	13.5
.82	.85	.78	.84	.74	.83	.64	.78	.72	.72	.95	.74	1.00	.87	.89	.69	Value Line		Relative P/E Ratio	.90
4.5%	4.1%	4.0%	3.2%	3.9%	4.1%	3.9%	4.1%	3.9%	3.9%	3.4%	3.4%	2.7%	3.0%	3.5%	3.9%	estimates		Avg Ann'l Div'd Yield	3.5%
						8475.0	8311.0	9630.0	10522	11846	15710	15263	16410	15643	15317	14800	15200	Revenues ($mill)	17000
						796.0	710.0	883.4	887.0	901.0	1281.0	1312.0	1639.0	1615.0	1957.0	1765	1930	Net Profit ($mill)	2345
						32.3%	25.6%	29.4%	23.1%	23.8%	23.7%	21.9%	21.5%	16.8%	21.4%	19.0%	22.0%	Income Tax Rate	22.0%
						--	--	--	4.2%	5.4%	3.8%	5.7%	6.6%	7.9%	1.9%	3.0%	6.0%	AFUDC % to Net Profit	Nil
						43.8%	46.7%	55.6%	51.6%	48.6%	49.1%	51.2%	54.2%	55.7%	55.5%	57.0%	57.0%	Long-Term Debt Ratio	54.5%
						54.2%	51.5%	44.4%	48.4%	51.4%	50.9%	48.8%	45.8%	44.3%	44.5%	43.0%	43.0%	Common Equity Ratio	45.5%
						11099	12406	15695	15564	16538	19521	22015	25514	29267	32474	35725	37950	Total Capital ($mill)	42700
						11662	14304	20297	21226	22463	24499	28652	32411	36078	39075	43150	47000	Net Plant ($mill)	57900
						8.5%	6.6%	6.7%	7.0%	6.9%	8.0%	7.5%	7.9%	6.9%	7.3%	6.5%	6.5%	Return on Total Cap'l	7.0%
						12.6%	10.7%	12.7%	11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	11.5%	12.0%	Return on Shr. Equity	12.0%
						13.0%	10.9%	12.5%	11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	11.5%	12.0%	Return on Com Equity E	12.0%
						7.0%	4.6%	6.4%	5.6%	4.2%	6.9%	6.1%	7.9%	6.5%	7.8%	5.5%	6.0%	Retained to Com Eq	6.5%
						47%	58%	50%	53%	60%	46%	50%	44%	47%	42%	53%	51%	All Div'ds to Net Prof	47%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $22471 mill. Due in 5 Yrs $8352.0 mill.
LT Debt $20039 mill. LT Interest $1002.0 mill.
Incl. $402.5 mill. of equity units, conv. into common by 2013 at $50/share.
(LT interest earned: 3.1x)

Pension Assets-12/10 $3.23 bill. Oblig. $1.99 bill.

Pfd Stock None

Common Stock 422,536,194 shs.

MARKET CAP: $24 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-3.0	--	+2.2
Avg. Indust. Use (MWH)	NA	325	348
Avg. Indust. Revs. per KWH (¢)	8.66	8.86	6.85
Capacity at Peak (Mw)	24997	26682	25800
Peak Load, Summer (Mw) F	21060	24346	22256
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	.2	--	+.6
Fixed Charge Cov. (%)	319	281	331

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	7.5%	6.5%	1.0%
"Cash Flow"	5.5%	9.0%	4.0%
Earnings	8.0%	12.0%	4.5%
Dividends	6.0%	7.5%	5.5%
Book Value	7.5%	9.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	3434	3585	5387	4004	16410
2009	3705	3811	4473	3654	15643
2010	3622	3591	4691	3413	15317
2011	3134	3961	4382	3323	14800
2012	3500	3600	4600	3500	15200

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.62	.52	1.92	1.01	4.07
2009	.90	.91	1.31	.85	3.97
2010	1.36	1.01	1.74	.63	4.74
2011	.64	1.38	1.20	.93	4.15
2012	.95	1.15	1.45	.95	4.50

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.41	.41	.41	.41	1.64
2008	.445	.445	.445	.445	1.78
2009	.4725	.4725	.4725	.4725	1.89
2010	.50	.50	.50	.50	2.00
2011	.55	.55	.55		

BUSINESS: NextEra Energy, Inc. (formerly FPL Group, Inc.) is a holding company for Florida Power & Light (FPL), which provides electricity to 4.5 million customers in a 27,650-sq.-mi. area in eastern & southern Florida. NextEra Energy Resources is a nonregulated power generator with nuclear, gas, & wind ownership. Revenue breakdown: residential, 57%; commercial, 39%; industrial, 3%; other, 1%. Generating sources: gas, 58%; nuclear, 20%; coal, 5%; oil, 4%; purchased, 13%. Fuel costs: 41% of revs. '10 reported deprec. rates: FPL, 3.2%; NextEra, 4.4%. Has 15,000 employees. Chairman & CEO: Lewis Hay, III. President & COO: James L. Robo. Inc.: FL. Address: 700 Universe Blvd., Juno Beach, FL 33408. Tel.: 561-694-4000. Internet: www.nexteraenergy.com.

NextEra Energy's earnings are likely to decline this year and make just a partial recovery in 2012. Part of the falloff in 2011 is due to an unfavorable swing in mark-to-market accounting items. These boosted share net by $0.43 in 2010, but reduced profits by $0.20 in the first nine months of 2011. In addition, NextEra Energy Resources, the company's nonutility subsidiary, is facing the expiration of hedges that were at prices higher than in the current market. Some tax credits will expire next year, too. On the plus side, the contribution from Florida Power & Light should continue to rise as the service area's economy recovers and the utility's rate base expands. The Florida commission has granted FPL $196 million of rate relief for 2012 stemming from its nuclear uprate program, which will increase its generating capacity by at least 400 megawatts from 2011 through 2013. All told, FPL should earn at or near an 11% return on equity (the upper end of its allowed range) this year and next.

The company has a lot of projects under development in both its regulated and nonregulated operations. On the regulated side, FPL has two asset-modernization projects that will provide 2,420 mw of capacity in 2013 and 2014 at an expected cost of $2.4 billion. In addition, the utility is asking the state commission for permission to modernize another plant, for 1,280 mw of capacity, at an expected cost of $1.2 billion. This project would begin commercial operation in 2016. On the nonregulated side, NextEra Energy Resources plans to spend $6.8 billion-$7.6 billion on wind and solar projects from 2011 through 2014. NextEra already has long-term contracts for their expected output. These capital investments should enhance the company's earning power significantly by mid-decade.

Finances are sound. NextEra's fixed-charge coverage is healthy, as is its return on equity. The company merits a Financial Strength rating of A.

This stock is of interest to utility investors. Its 3- to 5-year total return potential is well above the industry average. Moreover, investors don't have to sacrifice any current income, as the dividend yield is comparable with the utility mean.

Paul E. Debbas, CFA *November 25, 2011*

(A) Diluted EPS. Excl. nonrecurring gain (losses): '00, (5¢); '02, (60¢), '03, 5¢; '11, (23¢). Next earnings report due late January. (B) Dividends historically paid in mid-March, mid-June, mid-September, and mid-December. ■ Dividend reinvestment plan available. † Shareholder investment plan available. (C) Incl. deferred charges. In '10: $5.15/sh. (D) In millions, adjusted for stock split. (E) Rate allowed on common equity in '10: 9%-11%; earned on avg. com. eq., '10: 14.4%. Regulatory Climate: Average. (F) Winter peak in '09.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	65

Staff 000179
FPL RC-12

NEXTERA ENERGY NYSE-NEE

RECENT PRICE 60.38 | P/E RATIO 11.9 (Trailing: 12.6 Median: 14.0) | RELATIVE P/E RATIO 0.79 | DIV'D YLD 3.8% | VALUE LINE 145

TIMELINESS 2 Raised 2/10/12
SAFETY 2 Lowered 2/26/10
TECHNICAL 3 Raised 1/6/12
BETA .75 (1.00 = Market)

High:	35.8	32.7	34.0	38.1	48.1	55.6	72.8	73.8	60.6	56.3	61.2	61.2
Low:	25.6	22.5	26.8	30.1	35.9	37.8	53.7	33.8	41.5	45.3	49.0	58.6

Target Price Range 2015 | 2016 | 2017

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+40%)	12%
Low	65	(+10%)	6%

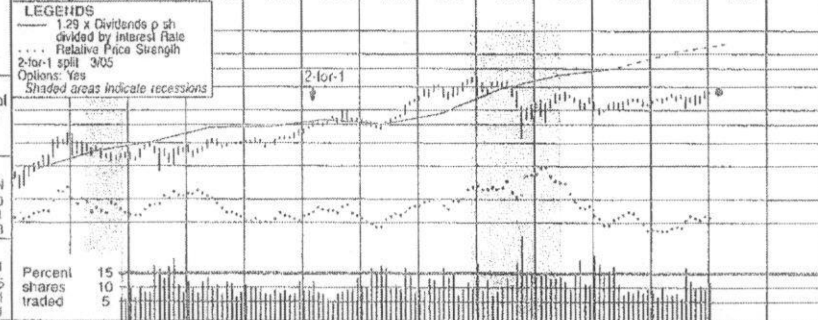
Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	1	0	0	0	0	0	0	0	0
Options	0	1	1	0	0	0	1	1	1
to Sell	6	2	3	3	1	0	2	1	3

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	314	316	335
to Sell	368	318	321
Hld's(000)	272952	277449	278221

LEGENDS
—— 1.29 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 3/05
Options: Yes
Shaded areas indicate recessions



% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	16.5	0.0
3 yr.	27.1	123.8
5 yr.	22.4	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
16.51	17.52	18.43	18.03	20.15	24.10	22.74	26.13	28.27	30.00	38.75	37.47	40.13	37.82	36.39	36.25	35.75	36.75	Revenues per sh	42.00
4.21	4.62	5.39	4.86	4.94	5.02	4.51	5.36	5.60	6.18	6.77	6.85	8.03	8.75	9.62	9.15	8.20	9.85	"Cash Flow" per sh	11.75
1.67	1.79	1.93	2.04	2.07	2.31	2.01	2.45	2.46	2.32	3.23	3.27	4.07	3.97	4.74	4.82	4.45	4.75	Earnings per sh A	5.75
.92	.96	1.00	1.04	1.08	1.12	1.16	1.20	1.30	1.42	1.50	1.64	1.78	1.89	2.00	2.20	2.30	2.40	Div'd Decl'd per sh B ■ †	2.70
1.33	1.52	1.71	2.41	3.70	3.28	3.44	3.75	3.75	4.09	9.22	12.32	12.80	14.52	13.89	15.55	13.65	13.70	Cap'l Spending per sh	13.75
12.56	13.32	14.18	15.04	15.91	17.10	17.48	18.91	20.25	21.52	24.49	26.35	28.57	31.35	34.36	35.35	37.45	40.45	Book Value per sh C	48.25
365.63	363.63	361.42	357.11	351.53	351.71	365.51	368.53	372.24	394.85	405.40	407.35	408.92	413.62	420.86	423.00	425.00	430.00	Common Shs Outst'g D	420.00
13.5	13.5	16.2	13.0	12.8	12.5	14.2	12.6	13.6	17.9	13.7	18.9	14.5	13.4	10.8	11.5	Bold figures are		Avg Ann'l P/E Ratio	13.0
.85	.78	.84	.74	.83	.64	.78	.72	.72	.95	.74	1.00	.87	.89	.69	.72	Value Line		Relative P/E Ratio	.85
4.1%	4.0%	3.2%	3.9%	4.1%	3.9%	4.1%	3.9%	3.9%	3.4%	3.4%	2.7%	3.0%	3.5%	3.9%	4.0%	estimates		Avg Ann'l Div'd Yield	3.6%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $22471 mill. Due in 5 Yrs $8352.0 mill.
LT Debt $20039 mill. LT Interest $1002.0 mill.
Incl. $402.5 mill. of equity units, conv. into common by 2013 at $50/share.
(LT interest earned: 3.1x)

Pension Assets-12/10 $3.23 bill. Oblig. $1.99 bill.

Pfd Stock None

Common Stock 422,536,194 shs.

MARKET CAP: $26 billion (Large Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
8311.0	9630.0	10522	11846	15710	15263	16410	15643	15317	15341	15200	15800	Revenues ($mill)	17600
710.0	883.4	887.0	901.0	1281.0	1312.0	1639.0	1615.0	1957.0	2021.0	1895	2045	Net Profit ($mill)	2415
25.6%	29.4%	23.1%	23.8%	23.7%	21.9%	21.5%	16.8%	21.4%	22.4%	22.0%	22.0%	Income Tax Rate	22.0%
--	--	4.2%	5.4%	3.8%	5.7%	6.6%	7.9%	1.9%	3.0%	6.0%	5.0%	AFUDC % to Net Profit	Nil
46.7%	55.6%	51.6%	48.6%	49.1%	51.2%	54.2%	55.7%	55.5%	57.0%	57.0%	55.5%	Long-Term Debt Ratio	53.5%
51.5%	44.4%	48.4%	51.4%	50.9%	48.8%	45.8%	44.3%	44.5%	43.0%	43.0%	44.5%	Common Equity Ratio	46.5%
12406	15695	15564	16538	19521	22015	25514	29267	32474	34750	36925	39250	Total Capital ($mill)	43400
14304	20297	21226	22463	24499	28652	32411	36078	39075	42490	46700	50425	Net Plant ($mill)	60600
6.6%	6.7%	7.0%	6.9%	8.0%	7.5%	7.9%	6.9%	7.3%	7.0%	6.5%	6.5%	Return on Total Cap'l	7.0%
10.7%	12.7%	11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	13.5%	12.0%	12.0%	Return on Shr. Equity	12.0%
10.9%	12.5%	11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	13.5%	12.0%	12.0%	Return on Com Equity E	12.0%
4.6%	6.4%	5.6%	4.2%	6.9%	6.1%	7.9%	6.5%	7.8%	7.5%	6.0%	6.0%	Retained to Com Eq	6.5%
58%	50%	53%	60%	46%	50%	44%	47%	42%	46%	51%	50%	All Div'ds to Net Prof	47%

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-3.0	--	+2.2
Avg. Indust. Use (MWH)	NA	325	348
Avg. Indust. Revs. per KWH (¢)	8.66	8.86	6.85
Capacity at Peak (Mw)	24997	26682	25800
Peak Load, Summer (Mw) F	21060	24346	22256
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr end)	-.2	--	+.6
Fixed Charge Cov. (%)	319	281	331

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	7.5%	6.5%	1.5%
"Cash Flow"	5.5%	9.0%	4.0%
Earnings	8.0%	12.0%	4.5%
Dividends	6.0%	7.5%	5.0%
Book Value	7.5%	9.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	3705	3811	4473	3654	15643
2010	3622	3591	4691	3413	15317
2011	3134	3961	4382	3864	15341
2012	3500	3600	4600	3500	15200
2013	3600	3800	4800	3600	15800

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.90	.91	1.31	.85	3.97
2010	1.36	1.01	1.74	.63	4.74
2011	.64	1.38	1.20	1.59	4.82
2012	.90	1.15	1.45	.95	4.45
2013	1.00	1.20	1.55	1.00	4.75

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.445	.445	.445	.445	1.78
2009	.4725	.4725	.4725	.4725	1.89
2010	.50	.50	.50	.50	2.00
2011	.55	.55	.55	.55	2.20
2012					

BUSINESS: NextEra Energy, Inc. (formerly FPL Group, Inc.) is a holding company for Florida Power & Light (FPL), which provides electricity to 4.6 million customers in a 27,650-sq.-mi. area in eastern & southern Florida. NextEra Energy Resources is a nonregulated power generator with nuclear, gas, & wind ownership. Revenue breakdown: residential, 57%; commercial, 39%; industrial, 3%; other, 1%. Generating sources: gas, 50%; nuclear, 20%; coal, 5%; oil, 4%; purchased, 13%. Fuel costs: 41% of revs. '10 reported deprec. rates: FPL, 3.2%; NextEra, 4.4%. Has 15,000 employees. Chairman & CEO: Lewis Hay, III. President & COO: James L. Robo. Inc.: FL. Address: 700 Universe Blvd., Juno Beach, FL 33408. Tel.: 561-694-4000. Internet: www.nexteraenergy.com.

NextEra Energy's utility subsidiary plans to file a general rate case. Florida Power & Light expects to ask the state commission for a tariff hike of $525 million, effective at the start of 2013, followed by a rate increase of $170 million for a modernization project for a generating plant, which is expected to be completed by June. The utility plans to request a return-on-equity range with a midpoint of 11.25%, with an additional allowance of .25% if FPL maintains the lowest customer bills in Florida. The filing is likely before the end of the current quarter.

Another regulatory matter is pending. FPL is asking the Florida commission for permission to modernize a gas-fired plant at an expected cost of $1.2 billion. If this is approved, the targeted completion date would be in 2016. A ruling is expected by the end of the second quarter. Similar projects at two other plants are scheduled for completion in 2013 and 2014.

NextEra's nonregulated operations are facing challenging conditions. Declining power prices are hurting the profitability of the company's nonutility generating assets, although the near-term negative effect is lessened by hedges that the company put into place in previous years. Another concern is the scheduled expiration of wind-energy production tax credits at the end of 2012, since NextEra has a sizable investment in wind projects.

Mark-to-market accounting gains or charges increase the difficulty of estimating NextEra's earnings. These items helped share net by $0.45 in 2011. This will make the year-to-year profit comparison difficult in 2012, which is why we expect an earnings decline this year. (Our estimate is within NextEra's targeted range of $4.35-$4.65 a share.) We figure that earnings will advance in 2013, assuming that FPL receives reasonable regulatory treatment.

This timely stock offers better 3- to 5-year total return potential than most utilities. We think the board of directors raised the dividend shortly after this report went to press, and expect a continuation of solid dividend growth through 2015-2017. For the year ahead, the dividend yield is slightly below the industry average.

Paul E. Debbas, CFA *February 24, 2012*

(A) Diluted EPS. Excl. nonrecurring gain (losses): '00, (5¢); '02, (60¢); '03, 5¢; '11, (24¢). '11 EPS don't add due to rounding. Next earnings report due late April. (B) Div'ds historically paid in mid-March, mid-June, mid-Sept., and mid-Dec. ■ Div'd reinvestment plan available. † Shareholder investment plan available. (C) Incl. deferred charges. In '10: $5.15/sh. (D) In millions, adj. for stock split. (E) Rate allowed on common equity in '10: 9%-11%; earned on avg. com. eq., '10: 14.4%. Regulatory Climate: Average. (F) Winter peak in '09.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	85

Staff 000180
FPL RC-12

STANDARD & POOR'S

Global Credit Portal
RatingsDirect®

March 11, 2010

Research Update:

FPL Group Inc. Downgraded To 'A-' From 'A', Off CreditWatch; Outlook Stable

Primary Credit Analyst:
Todd A Shipman, CFA, New York (1) 212-438-7676;todd_shipman@standardandpoors.com

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Research Update:

FPL Group Inc. Downgraded To 'A-' From 'A', Off CreditWatch; Outlook Stable

Overview

- We downgraded and removed from CreditWatch negative FPL Group Inc. (FPL) and subsidiaries to 'A-' from 'A' based on greater regulatory risk at utility subsidiary Florida Power & Light (FP&L) and growing investments in unregulated assets under subsidiary FPL Group Capital. The outlook is stable.
- The deteriorated business risk profile is now 'strong' instead of 'excellent'.
- We affirmed the 'A' ratings on Florida Power & Light's first mortgage bonds.
- The financial risk profile remains 'intermediate' and should remain robust enough to support the new ratings if the company remains disciplined in its pursuit of growth at merchant energy producer and marketer NextEra Energy Resources.

Rating Action

On March 11, 2010, Standard & Poor's Ratings Services lowered its corporate credit rating on FPL and subsidiaries to 'A-' from 'A'. At the same time, we removed the ratings from CreditWatch with negative implications where they were placed on Jan. 14, 2010 following an adverse rate case ruling for FP&L. We affirmed 'A' secured debt rating on FP&L, and revised the recovery rating on this debt to '1+' from '1' based on an updated recovery analysis. Juno Beach, Fla.-based FPL has about $19 billion of debt outstanding.

Rationale

FPL's credit fundamentals on its regulated utility side have been among the strongest in the U.S., due primarily to low regulatory risk and an attractive service territory with healthy economic growth and a sound business environment. Both of those pillars have been weakened in the past year as Florida, and FP&L's service territory in particular, have suffered during the recession, and regulators have responded with decisions that reflect more intense political influence over the regulatory environment. Maintaining financial strength despite regulatory setbacks and a slowly improving economy in Florida will be challenging. In addition, the balance between regulated utility operations and unregulated businesses is projected to trend in favor of the riskier merchant generation, marketing, and trading activities as lower returns and higher regulatory risk in Florida lead to changes in capital allocation decisions. This will erode FPL's business risk profile, which we now deem to be 'strong' instead of 'excellent'.

The ratings on FPL reflect the strength of the regulated cash flows from integrated electric utility FP&L, and the diverse and substantial cash generation capabilities of its unregulated operations at subsidiary NextEra. FP&L is expected to contribute less than half of the consolidated credit profile and has better business fundamentals than most of its integrated electric peers, with a slightly better-than-average service territory, sound operations, and a credit-supportive regulatory environment. The company's willingness to expand through acquisitions, fluctuating cash flows from NextEra's rapidly-expanding portfolio of merchant generation assets and growing marketing and trading activities, and the utility's significant exposure to natural gas detract from credit quality. Standard & Poor's characterizes FPL's business profile as 'strong' and its financial profile as 'intermediate'. (Our methodology applies the terms 'excellent,' 'strong,' 'satisfactory,' 'fair,' 'weak,' and 'vulnerable' to characterize business risk, and 'minimal,' 'modest,' 'intermediate,' 'significant,' 'aggressive,' and 'highly leveraged' to characterize financial profiles.)

Business risk is anchored by the company's core electric utility operations in Florida, which exhibit strength in almost every area of analysis: the service territory has fared better than most of the rest of the country, although it is lagging in this recessionary environment, the customer mix is mostly residential and commercial, costs and rates are low, and reliability and customer satisfaction are high. While not immune to overall economic trends, we expect Florida to remain attractive to people and jobs over the long term. A large and growing reliance on natural gas to fuel utility generation could, over time, turn from an advantage (because of its favorable environmental status) to a weakness if gas prices continue to significantly fluctuate and rise over time. Regulatory risk, the most important risk a utility faces, has been well managed at FP&L but has risen of late as regulators have reacted to weak economic conditions and keener attention in the political arena with a series of decisions for FP&L that fall short of the very sound record of past support for credit quality.

NextEra, the main subsidiary under unregulated Group Capital, engages in electric generation, marketing, and trading throughout the U.S. NextEra's focus is on geographic and fuel diversity and on developing environmentally advantageous facilities that could benefit from climate change political trends. The merchant generator's capacity of more than 18,000 MW consists of more than 40% wind turbines, a little over one-third natural gas-fired stations, and the rest mainly nuclear facilities. Three-quarters of the wind projects, one-third of the natural gas capacity, and three of the four nuclear units operate under largely fixed-price, long-term contracts. The rest of the portfolio, including one nuclear plant, is merchant capacity that is exposed to market prices for its output. While a policy of actively hedging the commodity price risk of plant inputs and outputs helps to dampen the risks associated with energy merchant activities, there is an inherent risk level at NextEra that cannot be avoided. Such risk permanently hinders credit quality, especially in light of the growing influence of marketing and high-risk proprietary trading results in NextEra's earnings and cash flows.

We believe the governance and financial policies used to manage risk are adequate. FPL's financial profile is characterized by very healthy credit metrics, ample liquidity, and a management attitude toward credit quality that supports ratings. Importantly, sophisticated, but complex, financial structures employed at the project level substantiate significant off-credit treatment of largely non-recourse debt at NextEra. Any indication that FPL management would use its own financial resources to aid a troubled project in support of strategic objectives could lead Standard & Poor's to reevaluate the adjustments made to FPL's reported debt. Large adjustments are also factored into the credit analysis regarding hybrid debt instruments and power purchase agreements at FP&L. Adjusted credit metrics in current economic and market conditions support the 'intermediate' financial profile. The metrics are expected to remain steady, including funds from operations (FFO) to debt of around 25% and debt-to-capitalization below 50%.

Short-term credit factors

The short-term rating on FPL is 'A-2'. FPL's available cash flow is not sufficient to fund its large capital expenditure plans and dividends and is expected to remain that way for the foreseeable future. FPL has ample liquidity with $6.4 billion of revolving bank facilities maturing mainly in 2013, and a $250 million revolving term loan maturing in 2011. Almost $4.4 billion of liquidity was available as of Dec. 31, 2009, including $238 million of cash and equivalents on the balance sheet. The facilities support commercial paper programs at FP&L and Capital and letters of credit. By analyzing a stress scenario to assess FPL's liquidity adequacy to cover exposure to adverse market and credit events, Standard & Poor's expects that the company has sufficient liquidity under those conditions. The company's maturity schedule subsides over time, with maturities peaking at over $2 billion during 2011.

Outlook

The outlook on FPL and subsidiaries is stable and reflects a business profile that is increasingly dominated by higher-risk merchant energy activities and a utility that still presents an above-average credit profile compared to its U.S. peers. We would consider a negative outlook if some combination of worsening regulatory risk at FP&L, deteriorating operational efficiency at NextEra, investment decisions that favor NextEra over FP&L to an even greater degree, or poor financial performance because of the Florida economy, unfavorable energy markets, or risk management missteps indicate that the credit profile is likely to decline. We could consider a positive outlook if a dramatic shift in the Florida economic, political, and regulatory environment appears to be sustainable over a long time horizon and affirmative steps are taken to reduce risk at NextEra.

Related Research

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, RatingsDirect May 27, 2009
Assessing U.S. Utility Regulatory Environments, RatingsDirect, Nov. 7, 2008.

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
FPL Group Inc.		
Corporate Credit Rating	A-/Stable/--	A/Watch Neg/--
FPL Group Capital Inc.		
Florida Power & Light Co.		
Corporate Credit Rating	A-/Stable/A-2	A/Watch Neg/A-1
FPL Fuels Inc.		
Commercial Paper	A-2	A-1/Watch Neg
FPL Group Capital Inc.		
Senior Unsecured	BBB+	A-/Watch Neg
Junior Subordinated	BBB	BBB+/Watch Neg
Commercial Paper	A-2	A-1/Watch Neg
FPL Group Capital Trust I		
Preferred Stock	BBB	BBB+/Watch Neg
Florida Power & Light Co.		
Preferred Stock	BBB	BBB+/Watch Neg
Commercial Paper	A-2	A-1/Watch Neg

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Florida Power & Light Co.		
Senior Secured	A	A/Watch Neg
Recovery Rating	1+	1

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Downgrades FPL Group to Baa1 and FP&L to A2

Global Credit Research - 09 Apr 2010

Approximately $12 Billion of Debt Securities Downgraded

New York, April 09, 2010 -- Moody's Investors Service downgraded the ratings of FPL Group, Inc. (Issuer Rating to Baa1 from A2); FPL Group Capital Inc. (senior unsecured to Baa1 from A2); and Florida Power & Light Company (FP&L, Issuer Rating to A2 from A1, senior secured to Aa3 from Aa2). Moody's downgraded FPL Group Capital's short-term rating for commercial paper to Prime-2 from Prime-1 and affirmed FP&L's Prime-1 short-term rating for commercial paper. The rating outlook of FPL Group, FPL Group Capital, and FP&L is stable. This rating action concludes the review for downgrade initiated on January 19, 2010.

"The downgrade of the ratings of the FPL Group family reflects higher risk throughout the consolidated organization resulting from increased leverage at the company's unregulated businesses, higher earnings and cash volatility, a growing energy trading and marketing business, and a deterioration in the political, regulatory, and economic environment at its core Florida regulated utility," said Michael G. Haggarty, Vice President and Senior Credit Officer.

The downgrade of FPL Group and FPL Group Capital considers the following factors:

• FPL Group has incurred substantial debt at FPL Group Capital and NextEra Energy Resources over the last several years, which together now account for 62% of the total debt of the consolidated organization (38% at FPL Group Capital and 24% at NextEra). At this level of debt, Moody's believes that wider notching between the ratings of the parent and the utility more appropriately reflects the risks associated with both the size and scope of the unregulated businesses and the amount of leverage supporting that sector.

• The significant growth in leverage at FPL Group Capital has diluted the value of FPL Group's unconditional guarantee, which now cover $7.5 billion of debt and commercial paper obligations, nearly $2 billion more than at the end of 2008, in addition to counterparty obligations. The company has relied heavily on hybrid securities to finance growth at FPL Group Capital, which may be viewed as having a higher debt component going foward.

• Although another $4 billion of debt at NextEra Energy is at the project level and not explicitly guaranteed by FPL Group, this debt is characterized as "limited recourse" on the company's financial statements due partly to implicit ties to FPL Group and/or FPL Group Capital in some of these transactions, such as guarantees of wind project production tax credits, for example.

• FPL Group has experienced higher cash flow and earnings volatility from its unregulated generating portfolio over the last year due to a combination of low power prices, a poor national wind resource negatively affecting its entire fleet of wind power assets, a longer than anticipated outage at its Seabrook nuclear unit, and a continually challenging Texas power market.

• The company has a growing energy marketing and trading business based in the Houston offices of NextEra and has for the first time articulated an intention to grow this business in its FYE 2009 SEC financial statement filings. This is a strategic shift from the predominantly asset based business strategy it had pursued in the past which in Moody's opinion represents a material elevation of the company's business risk profile.

• The company is subject to higher execution risk with regard to its wind asset development program, with increased commodity costs, more competition, and higher project financing costs. There has also been less willingness on the part of utilities to commit to long-term power purchase agreements with these projects because of uncertainty over renewable portfolio standards, the timing of potential carbon costs, economic uncertainty, and load growth prospects.

• With limited growth prospects at Florida Power & Light due to regulatory and economic constraints, Moody's believes that growth at FPL Group's unregulated businesses will continue to outpace the utility, accelerating the transformation of FPL Group into a predominantly wholesale generating business, with overall credit quality less reliant on its core, lower risk regulated utility business. The company's decision to change its corporate name to NextEra Energy is an indication of its intention to further distinguish these two businesses.

The downgrade of Florida Power & Light Company (FP&L) is attributed to:

• A decline in the utility's political and regulatory environment as evidenced by its most recent rate case which was plagued by delays, controversy, and political interference in the regulatory process. Because of these developments, Moody's now views FP&L's regulatory framework as substantially less supportive than it has been previously and more characteristic of an average regulatory environment.

• The utility continues to experience weak sales volumes and difficult economic conditions in its service territory, particularly related to the Florida housing market. The challenging Florida economy was a contributing factor to the company's rate case decision, with the Florida Public Service Commission exhibiting sensitivity to economic conditions in the state throughout the rate proceedings.

• Historically strong financial metrics and cash flow coverage metrics that may decline somewhat following the recent rate case decision, although Moody's expects any decline to be modest as a high percentage of FP&L's revenues are recovered through riders or other cost recovery provisions that remain strong. In addition, FP&L's recently awarded 10% ROE is consistent with those granted to some utilities in other parts of the country and its 59.1% equity ratio remains one of the highest in the U.S., mitigating the negative effect of the relatively low base rate increase.

The stable outlook on the ratings of FPL Group and FPL Group Capital reflects Moody's expectation that the size and diversity of the company's unregulated generating portfolio will continue to insulate it to some degree from poor power markets and variable wind resource conditions; that the portfolio will generate adequate cash flow to maintain cash flow coverage metrics adequate for its current Baa1 rating; and that the company will maintain sufficient liquidity to offset the growth of its energy trading and marketing business at NextEra. The stable outlook on the ratings of FP&L reflects Moody's view that the utility's financial performance and cash flow coverage metrics will remain strong for its rating despite the unexpected rate case decision in January and that FP&L's political and regulatory environment will improve once the Florida economy recovers.

The last rating actions on FPL Group, Florida Power & Light Company, and FPL Group Capital were on January 19, 2010, when their ratings were placed under review for possible downgrade.

The principal methodology used in rating these issuers was Regulated Electric and Gas Utilities, which can be found at www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Ratings downgraded include:

FPL Group, Inc.'s Issuer Rating, to Baa1 from A2;

FPL Group Capital's senior unsecured, to Baa1 from A2; junior subordinated to Baa2 from A3; short-term rating for commercial paper, to Prime-2 from Prime 1; and the trust preferred rating of FPL Group Capital Trust I, to Baa2 from A3.

Florida Power & Light Company's Issuer Rating, to A2 from A1; and senior secured, to Aa3 from Aa2.

Ratings affirmed:

Florida Power & Light Company's Prime-1 short-term rating for commercial paper.

FPL Group, Inc. is a parent holding company for regulated utility Florida Power & Light Company and unregulated subsidiaries FPL Group Capital Inc and NextEra Energy Resources, LLC (unrated) and is headquartered in Juno Beach, Florida.

New York
Michael G. Haggarty
VP - Senior Credit Officer
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
William L. Hess
Managing Director
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376

SUBSCRIBERS: 212-553-1653

MOODY'S
INVESTORS SERVICE

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Staff 000184
FPL RC-12

Moody's
INVESTORS SERVICE

Credit Opinion: Florida Power & Light Company

Global Credit Research - 12 Apr 2010

Juno Beach, Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	Aa3
Senior Secured Shelf	(P)Aa3
Senior Unsecured Shelf	(P)A2
Subordinate Shelf	(P)A3
Preferred Shelf	(P)Baa1
Commercial Paper	P-1
Parent: FPL Group, Inc.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3

Contacts

Analyst	Phone
Michael G. Haggarty/New York	212.553.7172
William L. Hess/New York	212.553.3837

Key Indicators

[1]**Florida Power & Light Company**

	2009	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense	**10.5x**	**6.6x**	**8.3x**	**9.2x**
(CFO Pre-W/C) / Debt	**45%**	**29%**	**36%**	**47%**
(CFO Pre-W/C - Dividends) / Debt	**38%**	**29%**	**18%**	**47%**
Debt / Book Capitalization	**36%**	**36%**	**38%**	**32%**

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Recent decline in the utility's political and regulatory environment

Staff 000186
FPL RC-12

Historically strong financial performance and cash flow coverage ratios

Weak sales volumes and difficult economic conditions in service territory

Uncertain capital expenditure requirements over the next several years

Corporate Profile

Headquartered in Juno Beach, Florida, Florida Power and Light Company (FP&L, A2 Issuer Rating, stable outlook) is a vertically integrated regulated utility with a service territory that includes most of the Florida coastal communities. It is a subsidiary of FPL Group, Inc. (Baa1 Issuer Rating, stable outlook), one of the largest providers of electricity-related services in North America with annual revenues of approximately $16 billion. FPL Group recently announced that it will change its name to NextEra Energy, Inc. (NextEra Energy). FPL Group is also the parent and guarantor of FPL Group Capital Inc (Baa1 senior unsecured, stable outlook), the entity that finances most of it's unregulated operations, primarily independent power projects through its wholly owned subsidiary, NextEra Energy Resources (unrated).

Recent Events

On January 13, 2010, the Florida Public Service Commission (FPSC) granted FP&L a $75 million increase in base rates effective March 1, 2010 and a regulatory return on equity of 10% with a range of plus or minus 1%. This compared to FP&L's request for a $1 billion base rate increase in 2010 and a $250 million increase in 2011.

SUMMARY RATING RATIONALE

FP&L's A2 Issuer Rating reflects the utility's strong financial performance and cash flow coverage ratios, a recent decline in the political and regulatory environment for the utility in Florida, good cost recovery mechanisms in place, and a large, mainly residential service territory. This service territory has been under significant economic pressure over the last few years, with the company experiencing customer losses in some recent quarters after years of strong growth. The company's capital expenditure program is large but entails substantial uncertainty as it recently suspended work on several major construction projects following the January 2010 rate case decision.

DETAILED RATING CONSIDERATIONS

The key rating drivers for FP&L are:

- Recent decline in the utility's political and regulatory environment

Although the state of Florida has historically been an above average regulatory environment for investor owned utilities, the company's highly politicized rate proceedings in 2009 and early 2010 has resulted in a decline in this environment. After requesting a $1 billion base rate increase and a 12.5% return on equity to begin in 2010, the company was ultimately granted a $75 million rate increase and a 10% return on equity. The rate case was plagued by controversy and political intervention, with the Governor vocally opposing the utility's rate request and interfering with the independence of the regulatory process. The FPSC, with two new commissioners, over-ruled its staff recommendations in several respects, including return on equity and storm fund accruals. Because of these developments, Moody's now views FP&L's regulatory framework as substantially less supportive of credit quality than it had been previously and now more characteristic of an average regulatory environment. As a result, in Moody's Rating Methodology for Regulated Electric and Gas Utilities, this has resulted in a lowering of FP&L's score on Factor 1 in our rating grid, Regulatory Framework, to the "Baa" category from the "A" category.

Despite the adverse rate case decision, Moody's notes that the 10% ROE is consistent with those granted to some utilities in other parts of the country while the 59.1% equity ratio remains among the highest. Several of the Florida commissioners made comments on their willingness to grant the company more meaningful rate relief once the Florida economy improves. Moreover, FP&L continues to benefit from strong and timely cost recovery provisions in place in the state, including fuel, purchased power, conservation, environmental, and for both pre-construction costs and carrying charges on new nuclear and solar generating facilities in the state. As a result, we continue to view the company's ability to recover its costs and earn returns (Factor 2 in our Rating Methodology) as above average.

- Historically strong financial performance and cash flow ratios could decline modestly following recent rate case decision

FP&L has historically maintained among the strongest financial performance measures and cash flow coverage ratios in the industry. These ratios include CFO pre-working capital interest coverage in the 7.0x to 8.0x range and CFO pre-working capital to debt range in the 30% to 35% range, after adjusting for the volatility caused mostly by fuel recoveries. FY 2009 interest and debt coverage ratios of 10.5x and 45%, for example, were overstated partly as a result of fuel overrecoveries during the year that were refunded to customers in January 2010. Although these coverages could decline as a result of the recent rate case decision, which required the company to reduce depreciation expense over the next four years as a result of a depreciation reserve surplus, Moody's expects any decline to be modest. Coverage metrics should continue to be supported by the high percentage of FP&L's revenues that are recovered through cost recovery clauses, the capital expenditure cutbacks that have been announced, and the still adequate 10% return on equity that includes a range of plus or minus 1%. As a result, Moody's anticipates that FP&L's credit metrics will remain strong for its current A2 rating.

- Weak sales volumes and continued difficult economic conditions in service territory, especially related to the Florida housing market

After years of consistently high growth rates averaging over 2% annually, FP&L's service territory has experienced a significant economic slowdown since 2007, resulting in much lower customer growth rates and lower usage per retail customer. The company's retail customer growth was only .3% in 2008 with the situation worsening in 2009 as it experienced a decline of retail customers of .2%. Moody's does not expect growth to increase significantly in 2010 and it may remain below historical levels for several years. The challenging Florida economy was a contributing factor to the company's rate case decision in January, with the FPSC exhibiting sensitivity to economic conditions in the state during the rate hearings and throughout the rate proceedings. Unless the Florida economy improves, Moody's believes it will likely continue to remain an issue in the company's future rate proceedings.

- Uncertain, but potentially significant, capital expenditure requirements over the next several years

FP&L had been planning a sizeable capital expenditure program that included new generation plants necessary to meet baseload needs, transmission and distribution improvements as part of its Storm Secure program, and renewable energy initiatives to meet expected renewable portfolio standards in Florida. However, following the rate case decision in January, the company has suspended construction on several of these projects, representing approximately $10 billion of investments over the next five years. The suspended projects include two new nuclear units at its Turkey Point site, modernization of its Rivera Beach and Cape Canaveral plants, and several other projects. The company also suspended activities on a new natural gas pipeline that the FPSC had declined in an earlier decision. FP&L has indicated that it may continue these projects, depending on regulatory trends and after consideration of factors that may have changed since the original investment decisions were made, including demand growth estimates, fuel cost forecasts, demand side management incentives, and environmental incentives. As a result of these decisions, capital expenditures as projected in FP&L's 10-K filing are expected to remain high at approximately $2.4 billion in both 2010 and 2011, before declining steadily to $1.6 billion in 2012, $1.3 billion in 2013, and $1.1 billion in 2014..

Liquidity Profile

FP&L maintains a solid liquidity profile and strong access to the commercial paper markets with a large, mostly unused $2.5 billion bank credit facility that expires in 2013 (except for $17 million expiring in 2012). The company had $83 million of cash on hand as of December 31, 2009, down from $120 million at December 31, 2008. Commercial paper outstanding at December 31, 2009 totaled $818 million. The company has maintained strong access to the capital markets despite unsettled credit market conditions over the last two years. Historically, seasonal cash requirements and short-term borrowings generally reach peak levels during the fourth quarter.

FP&L's cash flow has been strong but variable in recent years due to large regulatory deferrals in some years caused by storm damages and high fuel costs. Capital expenditures of $2.4 billion in both 2010 and 2011 will continue to require some external debt financing. FP&L has a manageable $42 million of long-term debt coming due within the next twelve months. The company has no material adverse change clause in its bank credit agreement and is in compliance with the 65% debt to capitalization financial covenant contained in its bank agreements as of December 31, 2009, the calculation of which it does not make public.

Rating Outlook

The stable rating outlook reflects Moody's expectation that FP&L's financial performance and coverage metrics will remain strong for its rating despite the lower than expected rate decision in January. The outlook also considers the suspension of several major capital expenditure projects at the utility and Moody's view that FP&L's regulatory environment could improve if and when the Florida economy begins to recover.

What Could Change the Rating - Up

An upgrade could be considered if there is a significant improvement in economic conditions in FP&L's service territory, including a return to formerly high population growth rates, and an improvement in the regulatory environment for the company, particularly with regard to its next rate case. Upward movement of FP&L's ratings is constrained by the utility's limited geographic diversity, ongoing exposure to event risk caused by storms in its service territory, and an uncertain but potentially substantial capital expenditure program, including possible new nuclear construction.

What Could Change the Rating - Down

Further political interference in the Florida utility regulatory process, additional adverse rate case outcomes, a sustained decline in cash flow coverage metrics, including CFO pre-working capital interest coverage below 5.0 times and CFO pre-working capital to debt below 25%; an increase in debt to capital above the 40% range; unanticipated or higher than expected capital expenditure requirements.

Rating Factors

Florida Power & Light Company

Regulated Electric and Gas Utilities	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)			X			
Factor 3: Diversification (10%)						
a) Market Position (10%)				X		
b) Generation and Fuel Diversity (0%)				X		
Factor 4: Financial Strength, Liquidity and Key Financial Metrics (40%)						
a) Liquidity (10%)			X			
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)	X					
c) CFO pre-WC / Debt (7.5%) (3yr Avg)		X				
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)		X				
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Methodology Implied Senior Unsecured Rating			**A2**			
b) Actual Senior Unsecured Rating			**A2**			

MOODY'S
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Staff 000190
FPL RC-12

MOODY'S
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• The company has a growing energy marketing and trading business based in the Houston offices of NextEra and has for the first time articulated an intention to grow this business in its FYE 2009 SEC financial statement filings. This is a strategic shift from the predominantly asset based business strategy it had pursued in the past which in Moody's opinion represents a material elevation of the company's business risk profile.

• The company is subject to higher execution risk with regard to its wind asset development program, with increased commodity costs, more competition, and higher project financing costs. There has also been less willingness on the part of utilities to commit to long-term power purchase agreements with these projects because of uncertainty over renewable portfolio standards, the timing of potential carbon costs, economic uncertainty, and load growth prospects.

• With limited growth prospects at Florida Power & Light due to regulatory and economic constraints, Moody's believes that growth at FPL Group's unregulated businesses will continue to outpace the utility, accelerating the transformation of FPL Group into a predominantly wholesale generating business, with overall credit quality less reliant on its core, lower risk regulated utility business. The company's decision to change its corporate name to NextEra Energy is an indication of its intention to further distinguish these two businesses.

The downgrade of Florida Power & Light Company (FP&L) is attributed to:

• A decline in the utility's political and regulatory environment as evidenced by its most recent rate case which was plagued by delays, controversy, and political interference in the regulatory process. Because of these developments, Moody's now views FP&L's regulatory framework as substantially less supportive than it has been previously and more characteristic of an average regulatory environment.

• The utility continues to experience weak sales volumes and difficult economic conditions in its service territory, particularly related to the Florida housing market. The challenging Florida economy was a contributing factor to the company's rate case decision, with the Florida Public Service Commission exhibiting sensitivity to economic conditions in the state throughout the rate proceedings.

• Historically strong financial metrics and cash flow coverage metrics that may decline somewhat following the recent rate case decision, although Moody's expects any decline to be modest as a high percentage of FP&L's revenues are recovered through riders or other cost recovery provisions that remain strong. In addition, FP&L's recently awarded 10% ROE is consistent with those granted to some utilities in other parts of the country and its 59.1% equity ratio remains one of the highest in the U.S., mitigating the negative effect of the relatively low base rate increase.

The stable outlook on the ratings of FPL Group and FPL Group Capital reflects Moody's expectation that the size and diversity of the company's unregulated generating portfolio will continue to insulate it to some degree from poor power markets and variable wind resource conditions; that the portfolio will generate adequate cash flow to maintain cash flow coverage metrics adequate for its current Baa1 rating; and that the company will maintain sufficient liquidity to offset the growth of its energy trading and marketing business at NextEra. The stable outlook on the ratings of FP&L reflects Moody's view that the utility's financial performance and cash flow coverage metrics will remain strong for its rating despite the unexpected rate case decision in January and that FP&L's political and regulatory environment will improve once the Florida economy recovers.

The last rating actions on FPL Group, Florida Power & Light Company, and FPL Group Capital were on January 19, 2010, when their ratings were placed under review for possible downgrade.

The principal methodology used in rating these issuers was Regulated Electric and Gas Utilities, which can be found at www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Ratings downgraded include:

FPL Group, Inc.'s Issuer Rating, to Baa1 from A2;

FPL Group Capital's senior unsecured, to Baa1 from A2; junior subordinated to Baa2 from A3; short-term rating for commercial paper, to Prime-2 from Prime 1; and the trust preferred rating of FPL Group Capital Trust I, to Baa2 from A3.

Florida Power & Light Company's Issuer Rating, to A2 from A1; and senior secured, to Aa3 from Aa2.

Ratings affirmed:

Florida Power & Light Company's Prime-1 short-term rating for commercial paper.

FPL Group, Inc. is a parent holding company for regulated utility Florida Power & Light Company and unregulated subsidiaries FPL Group Capital Inc and NextEra Energy Resources, LLC (unrated) and is headquartered in Juno Beach, Florida.

New York
Michael G. Haggarty
VP - Senior Credit Officer
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
William L. Hess
Managing Director
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376

SUBSCRIBERS: 212-553-1653

MOODY'S
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Staff 000193
FPL RC-12

MOODY'S
INVESTORS SERVICE

Credit Opinion: FPL Group, Inc.

Global Credit Research - 12 Apr 2010

Juno Beach, Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3
FPL Group Capital Inc	
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate	Baa2
Bkd Preferred Shelf	(P)Baa3
Commercial Paper	P-2
Florida Power & Light Company	
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	Aa3
Senior Secured Shelf	(P)Aa3
Senior Unsecured Shelf	(P)A2
Subordinate Shelf	(P)A3
Preferred Shelf	(P)Baa1
Commercial Paper	P-1
FPL Group Capital Trust I	
Outlook	Stable
Bkd Preferred Stock	Baa2

Contacts

Analyst	Phone
Michael G. Haggarty/New York	212.553.7172
William L. Hess/New York	212.553.3837

Key Indicators

[1]FPL Group, Inc.

	2009	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense	**6.3x**	**5.1x**	**6.2x**	**6.1x**
(CFO Pre-W/C) / Debt	**26%**	**21%**	**29%**	**30%**
(CFO Pre-W/C - Dividends) / Debt	**21%**	**16%**	**23%**	**25%**
Debt / Book Capitalization	**48%**	**49%**	**44%**	**45%**

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Diverse, low carbon unregulated wholesale generating portfolio not immune to volatility and poor power market conditions

High and increasing debt levels at FPL Group Capital and NextEra Energy Resources

Consolidated cash flow coverage metrics that are adequate for its Baa1 rating

Growing energy marketing and trading business at NextEra Energy Resources

Recent decline in regulated utility FP&L's political and regulatory environment

Corporate Profile

FPL Group, Inc. (Baa1 Issuer Rating, stable outlook), is one of the largest providers of electricity-related services in North America with annual revenues of over $16 billion. Over the last several years, FPL Group has transformed itself from a predominantly regulated Florida utility into one of the leading unregulated wholesale generating companies in the U.S. through its NextEra Energy Resources subsidiary. In light of this trend, FPL Group recently announced that it will change its name to NextEra Energy, Inc. (NextEra Energy). FPL Group Capital (Baa1 senior unsecured, stable outlook) finances the company's unregulated operations, primarily wind and other independent power projects. FPL Group (NextEra Energy) is also the parent of Florida Power and Light Company (FP&L, A2 Issuer Rating, stable outlook), a vertically integrated utility with a service territory that includes many of the Florida coastal communities.

Recent Events

On March 19, 2010, FPL Group, Inc. announced that it will change its name to NextEra Energy, Inc. to reflect the scale of its national unregulated wholesale power generation portfolio and to distinguish this business from its Florida utility subsidiary.

On January 13, 2010, the Florida Public Service Commission (FPSC) granted FP&L a $75 million increase in base rates effective March 1, 2010 and a regulatory return on equity of 10% with a range of plus or minus 1%. This compared to FP&L's request for a $1 billion base rate increase in 2010 and $250 million increase in 2011.

SUMMARY RATING RATIONALE

FPL Group's (NextEra Energy's) rating reflects its position as one of the largest unregulated wholesale generating companies in the U.S. in its NextEra Energy Resources subsidiary and a slower growing vertically integrated Florida utility operating in a recently declining political and regulatory environment. Over the last several years, FPL Group has transformed itself from a regulated Florida utility into a national wholesale power company with its Florida utility declining in importance as a credit driver for the consolidated entity. Moody's believes that NextEra Energy Resources will continue to be an increasingly important part of the company's credit profile and recent economic, political, and regulatory developments in Florida will accelerate this trend going forward.

DETAILED RATING CONSIDERATIONS

The key rating drivers for FPL Group (NextEra Energy) are:

- Diverse, low carbon unregulated generating portfolio at NextEra Energy Resources is not immune to volatility and difficult power market conditions, including low power prices, poor wind resources throughout its fleet, and a challenging Texas market

The company's unregulated generating portfolio at NextEra Energy Resources consists of over 18,000 MW of generating capacity across 26 states and Canada with recent growth focusing on wind. Its portfolio is national in scope and consists of 41% wind, 37% natural gas, and 14% nuclear, making it particularly well positioned to benefit from carbon costs that may be imposed. Although large, diverse, and highly contracted, the portfolio is not immune to the recessionary economic environment and poor power market conditions that have characterized much of the country over the last couple of years, increasing the volatility of the portfolio's earnings and cash flows. Power generation projections at NextEra's wind portfolio have fallen short of expectations over the last year which the company attributes to an El Nino influenced weather pattern, reducing wind resources over the last year in both Texas and throughout the midwest. Lower power prices and unfavorable market conditions have also negatively affected results for the company's Texas fossil generating units. An unexpected extended outage at the normally strong performing Seabrook nuclear plant also negatively affected the company's results in 2009. Future growth of NextEra's wind portfolio, a key strategic goal of the company, will continue to be challenging due to lower power prices, increased competition, higher costs, and uncertainty over renewable portfolio standards and carbon regulation and/or legislation.

- High, increasing debt levels at both FPL Group Capital and NextEra Energy Resources, diluting the value of the FPL Group (NextEra Energy) guarantee

As FPL Group (NextEra Energy) has emphasized the growth of its unregulated operations over the last several years, debt levels at both FPL Group Capital and NextEra Energy Resources have increased steadily, and now together total approximately $12 billion (as of December 31, 2009), or 65% of the debt of the consolidated organization. This considerable growth has diluted the guarantee of the parent company over the years, as it now directly guarantees approximately $7 billion of FPL Group Capital debt, in addition to counterparty obligations. An additional $4 billion of debt is characterized as "limited recourse" debt under NextEra Energy on the company's financial statements. Though not directly guaranteed, some of the NextEra debt is implicitly tied to FPL Group and FPL Group Capital, either through sponsorship of the underlying projects, or guarantees of production tax credits on various wind projects, for example. As a result, the long-term debt to capitalization of FPL Group Capital, including all of the NextEra Energy Resources debt, was a high 71% at December 31, 2009.

Moody's expects debt at the company's unregulated wholesale generating subsidiaries to continue to increase as a percentage of total consolidated debt, particularly with growth at regulated utility Florida Power & Light slowing considerably due to poor economic conditions in Florida and the limited rate relief granted by the Florida Public Service Commission in January. The combination of rapidly growing leverage at FPL Group's unregulated subsidiaries and a weakened, slower growth Florida utility is likely to further dilute the value of the parent company guarantee and increase the risk profile of the consolidated organization. As a result, Moody's recently widened the notching between the ratings of FPL Group/FPL Group Capital and the rating of FP&L.

- Consolidated cash flow coverage metrics that are adequate for a Baa1 rated predominantly wholesale generating company, using parameters outlined in Moody's Unregulated Power Company Rating Methodology

FPL Group's consolidated financial performance and cash flow coverage metrics have historically been strong, relatively stable, and adequate for a company with a balanced mix of regulated utility and unregulated generation businesses. However, as the company has become more of an unregulated wholesale generator, added an energy trading and marketing business, and experienced a dramatic change of growth prospects at FP&L, Moody's would expect cash flow coverage metrics to increase proportionally to offset the additional risk on the growing unregulated side of its business. These metrics include a consolidated CFO pre-working capital interest coverage of 5.1x in 2008 and 6.3x in 2009, below the 7.0x coverage level generally expected for an A rated unregulated wholesale power company and more in line with the high Baa rating range. Similarly, consolidated CFO pre-working capital to debt of 20.6% in 2008 and 25.6% in 2009 are below the 36% level typically required for an A rating, in accordance with Moody's Unregulated Wholesale Power Company Rating Methodology.

These coverage metrics include all of the debt issued at both FPL Group Capital and NextEra Energy that is consolidated on FPL Group's balance sheet, although some of the debt at NextEra Energy is at the individual project level and is characterized as limited recourse on FPL Group's financial statements. Because this debt is consolidated on FPL Group's financial statements, Moody's includes it in our analytical approach and in our published financial ratios. However, Moody's also considers the potential improvement in financial ratios if the limited recourse debt and associated project cash flows were excluded from these calculations. In this scenario, FPL Group's consolidated CFO pre-working capital interest coverage improves to 6.3x in 2008 and 10.1x in 2009 and CFO pre-working capital to debt improves to 24% in 2008 and 32% in 2009, which are still below the levels typically associated with an A rated wholesale generator such as Exelon Generation Company.

- Growing energy trading and marketing business at NextEra Energy Resources

The company's NextEra Energy Resources subsidiary has predominantly been an asset focused wholesale power generator, although the company has more recently indicated an intention to grow its non-asset trading business including power and gas marketing and trading operations. Gross margin contribution from the company's power and gas marketing and trading business more than doubled to $205 million in 2009 from $76 million in 2008 and the company has increasingly cited results from these activities as more significant drivers of financial performance. NextEra has expanded its Houston based trading operations over the last several years and has indicated its intention to continue to grow this business in its 2009 SEC financial statement filings. Moody's views this strategy to grow its energy trading and marketing business as a material change in the company's previously wholesale asset focused business strategy and one that has increased the company's business risk profile, cash flow and earnings volatility, and liquidity needs.

- Recent decline in utility's FP&L's political and regulatory environment

Although the state of Florida has historically been an above average regulatory environment for electric utilities, the company's highly politicized rate proceedings in 2009 and early 2010 has resulted in a decline in this environment. After requesting a $1 billion base rate increase and a 12.5% return on equity beginning in 2010, the company was ultimately granted a $75 million rate increase and a 10% return on equity. The rate case was plagued by controversy and political intervention, with the Governor vocally opposing the utility's rate request and interfering with the independence of the regulatory process. The FPSC, with two new commissioners, over-ruled its staff recommendations in several respects, including return on equity and storm fund accruals. Because of these developments, Moody's now views FP&L's regulatory framework as substantially less supportive of credit quality than it had been previously and now more characteristic of an average regulatory environment. As a result, in Moody's Rating Methodology for Regulated Electric and Gas Utilities, this has resulted in a lowering of FP&L's score on Factor 1 in our rating grid, Regulatory Framework, to the "Baa" category from the "A" category.

Despite the adverse rate case decision, Moody's notes that the 10% ROE is consistent with those granted to some utilities in other parts of the country and the 59.1% equity ratio is among the highest. Several of the Florida commissioners made comments on their willingness to grant the company more meaningful rate relief once the Florida economy improves. Moreover, FP&L continues to benefit from strong and timely cost recovery provisions in place in the state, including fuel, purchased power, conservation, environmental, and pre-construction costs and carrying charges on new nuclear and solar generating facilities in the state. As a result, we continue to view the company's ability to recovery its costs and earn returns (Factor 2 in our Rating Methodology) as above average and in the "A" category..

Liquidity Profile

FPL Group maintains a strong overall liquidity profile with consistent access to the commercial paper markets and a large, mostly unused bank credit facilities at both FPLGC ($3.9 billion) and FP&L ($2.5 billion) that extend to 2013 (with the exception of $57 million that expires in 2012). The company had $156 million of cash on hand as of December 31, 2009, down from $414 million as of December 31, 2008. The company continues to rely on commercial paper to finance much of its wind and other generation development with $1.2 billion of commercial paper outstanding at December 31, 2009, about the same as the $1.1 billion outstanding at December 31, 2008.

FGLGC's consolidated cash flow from operations of $1.5 billion in 2009 was insufficient to cover capital expenditures, independent power investments, and nuclear fuel purchases of $3.2 billion, causing the company to rely on a significant amount of external financing to support its growth. With 2010 and 2011 capital expenditures expected to be over $2.5 billion annually, the company will continue to require substantial external financing. FPLGC and NextEra Resources also have a substantial $1.7 billion of long-term debt coming due in 2010 and 2011, most of which will likely be refinanced. Liquidity needs could increase materially going forward if the company continues to expand its energy trading and marketing operations. The recent downgrade of FPLGC to Baa1 required the posting of $150 million of additional collateral.

FPLGC has no material adverse change clause and a 65% debt to capitalization covenant in its bank credit agreements, the calculation of which it does not make public. The company was in compliance with this covenant at December 31, 2010.

Rating Outlook

The stable rating outlook reflects Moody's expectation that cash flows from the company's wholesale generating fleet will continue to support adequate consolidated coverage metrics, that the company's wind and solar generation development program will further enhance diversification and that the company will limit the growth of its non-asset based energy marketing and trading business. It also reflects.the company's strong position with regard to potential carbon controls.

What Could Change the Rating - Up

A higher rating could be considered if the company materially reduces debt levels at FPL Group Capital and NextEra Energy Resources; if cash flow coverages increase to offset the higher business risk associated with these activities, including consolidated CFO pre-working capital to debt of 35% or higher, CFO pre-working capital to interest of 8.0x or higher.

What Could Change the Rating - Down

A downgrade could be considered if leverage continues to increase at FPL Group Capital and/or NextEra Energy Resources, if there is more reliance on short-term debt to finance growth, if there is a significant energy trading and marketing loss, or there is a decline in consolidated cash flow coverage metrics, including CFO pre-working capital interest coverage below 5.0 times and CFO pre-working capital to debt below 25%. A downgrade would also likley occur if there was any change to the status of the unconditional guarantee from FPL Group.

Rating Factors

FPL Group, Inc.

Unregulated Utilities and Power Companies Rating Methodology	Aaa	Aa	A	Baa	Ba	B
Factor 1: Market Assessment, Scale and Competitive Position (20%)						
a) Market and Competitive Position (15%)				X		
b) Geographic Diversity (5%)			X			
Factor 2: Cash Flow Predictability of Business Model (20%)						
a) Effectiveness of hedging strategy (10%)			X			
b) Fuel Strategy and mix (5%)			X			
c) Capital requirements and operating performance (5%)			X			
Factor 3: Financial policy (10%)			X			
Factor 4: Financial Strength - Key Financial Metrics (50%)						
a) CFO pre-WC + Interest / Interest (15%)				X		
b) CFO pre-WC / Debt (20%)				X		
c) RCF / Debt (7.5%)				X		
d) FCF / Debt (7.5%)						X
Rating:						
a) Methodology Implied Senior Unsecured Rating				**Baa1**		
b) Actual Senior Unsecured Rating				**Baa1**		

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)			X			
Factor 3: Diversification (10%)						
a) Market Position (10%)				X		
b) Generation and Fuel Diversity (0%)				X		
Factor 4: Financial Strength, Liquidity and Key Financial Metrics (40%)						
a) Liquidity (10%)			X			
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)			X			
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)			X			
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating			**A3**			
b) Actual Senior Unsecured Rating				**Baa1**		

MOODY'S
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Fitch Ratings
KNOW YOUR RISK

FITCH DOWNGRADES FPL GROUP INC. AND FPL GROUP CAPITAL TO 'A-'; AFFIRMS FLORIDA POWER & LIGHT

Fitch Ratings-New York-30 April 2010: Fitch Ratings has downgraded the Issuer Default Ratings (IDR) of FPL Group Inc. (FPL Group) and FPL Group Capital (Group Capital) by one notch to 'A-' from 'A'. At the same time, Fitch has affirmed the 'A' IDR of Florida Power & Light (FP&L). Fitch has removed all three credits from Rating Watch Negative and assigned a Negative Rating Outlook. Approximately $14 billion of debt is affected by today's rating actions. All of the rating actions are listed at the end of this release.

Group Capital's ratings and Outlook are identical with those of its parent FPL Group, reflecting the unconditional and irrevocable guarantee by the parent of the debt obligations of Group Capital. Aside from those guarantees, FPL Group has no debt.

Fitch's one-notch downgrades of the ratings of FPL Group Inc. recognize the company's large investments over the past five years in competitive power generation and energy marketing and the reduced relative contributions of FP&L to the group's business mix. A recent trigger for this rating action was the adverse March 2010 order in FP&L's electric base rate case and the contentious political and regulatory environment affecting utilities in Florida.

The Negative Rating Outlooks for FPL Group and Group Capital reflect uncertainty about ongoing political developments affecting the Florida Public Service Commission (FPSC) as well as the concern that reduced growth opportunities may result in pursuit of more aggressive non-utility project development or major acquisitions. FPL Group continues to have a sound cash flow and strong liquidity, consistent with Fitch's 'A-' rating, but the group's reliance on cash flow derived from tax incentives makes a strong income contribution from FP&L all the more important to FPL Group's consolidated cash flow. Weak wholesale power and capacity prices and increased competition in the renewable energy field are also concerns. With regard to FPL Group Inc. and FPL Group Capital, Fitch's ratings consider the following factors which partially or fully offset credit measures that are not as robust as 'A-' peers: (1) NextEra Energy Resources' assets are concentrated in non-carbon emitting resources, and any future controls on carbon emissions or renewable portfolio standards may enhance and will not reduce cash flows; (2) NextEra hedges forward its power output with a balanced mix of physical contracts and derivatives; and (3) approximately $4.3 billion of project finance debt included in the group's consolidated debt have no recourse or only limited recourse to corporate support (typically a limited undertaking to monetize tax benefits such as production tax credits relating to a project.)

The affirmation of FP&L's ratings reflects the size, quality, and diversity of the FP&L utility business and operations, its low debt leverage, and robust liquidity. Reflecting an adverse base rate order in March 2010, Fitch's base and stress case forecasts for the utility indicate that FP&L cash flow credit ratios will decline materially in 2010-2011 but nonetheless should continue to meet Fitch's benchmarks for the 'A' IDR and conform with those of comparable integrated utilities rated by Fitch. Favorably, FP&L continues to benefit from trackers and adjustment mechanisms that result in recovery of purchased power, fuel and environmental costs, representing roughly 55% of revenues, and from a strong equity-to-capital ratio of 59.1%. The Negative Rating Outlook for FP&L reflects continuing uncertainty about the future political and regulatory trends in Florida and the downside case that the economic recovery in Florida may significantly lag the recovery in other parts of the U.S.

Fitch's ratings presume that FPL Group will fund its capital expenditures with retained internal cash flow supplemented by a balanced mix of debt, equity and/or hybrid equity financing. Fitch's ratings also assume that FP&L will continue to recover fuel, purchased power, and storm recovery costs consistent with current FPSC policies.

Ratings of FPL Group Inc., and Group Capital could be adversely affected if NextEra Energy Resources pursues more speculative power development without assured off-take arrangements; increased energy marketing and trading activities; inability to renew expiring contracts; use of higher debt leverage; or materially adverse FPSC regulatory developments that would further impair cash flow of FP&L.

Ratings of FP&L would be adversely affected if the FPSC adopts less supportive policies on recovery of purchased power costs, fuel expense, environmental compliance costs, new renewal resources, or storm related expenses, or if the utility pursues major capital investment without assured revenue recovery.

Ratings affected by these actions are listed below.

Fitch has downgraded the following ratings and assigned a Negative Rating Outlook:

FPL Group, Inc.
--Issuer Default Rating (IDR) to 'A-' from A.

FPL Group Capital, Inc.
--IDR to 'A-' from 'A';
--Senior unsecured debentures to 'A-' from 'A';
--Jr. Subordinate hybrids to 'BBB' from 'BBB+'.

FPL Group Capital Trust I
--Trust preferred stock to 'BBB' from 'BBB+'.

Fitch has affirmed the following ratings:

FPL Group Capital, Inc.
--Short-term IDR and commercial paper at 'F1'.

Florida Power & Light Company
--IDR at 'A';
--Short-term IDR and commercial paper at 'F1'.
--First mortgage bonds at 'AA-';
--Unsecured pollution control revenue bonds at 'A+'.

Fitch also assigned a Negative Rating Outlook to Florida Power & Light Company.

Applicable criteria available on Fitch's web site at 'www.fitchratings.com' include:
--'Credit Rating Guidelines for Regulated Utility Companies' (July 31, 2007).
--'Issuer Default Ratings and Recovery Ratings in the Power and Gas Sector' (Nov. 7, 2005).
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007).
--'Corporate Rating Methodology' (Nov. 24, 2009);
--'Rating Hybrid Securities' (Dec. 29, 2009).

Contact: Ellen Lapson, CFA +1-212-908-0504 or Sharon Bonelli +1-212-908-0581, New York.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.

FitchRatings
Corporates
U.S.

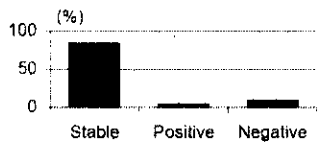
2012 Outlook: Utilities, Power, and Gas

Crosscurrents
Outlook Report

Rating Outlook
Utility Parent Companies
STABLE

Investor-Owned Utilities — Electric and Gas
STABLE

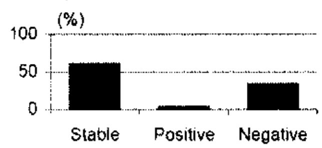
UPC and IOU Sector Outlooks



Source: Fitch Ratings.

Competitive Generators
NEGATIVE

Competitive Generation Companies Sector



Source: Fitch Ratings.

Related Research

What a Difference a Summer Makes ... in ERCOT, Nov. 18, 2011

Heating Season Update 2011–2012 — Modest Price Increases and Warmer Weather Expected to Keep Costs in Check, Oct 28, 2011

Analysts
Glen Grabelsky
+1 212 908-0577
glen.grabelsky@fitchratings.com

Shalini Mahajan
+ 1 212 908-0351
shalini.mahajan@fitchratings.com

Philip W. Smyth, CFA
+1 212 908-0531
philip.smyth@fitchratings.com

Daniel Neama
+1 212 908-0561
daniel.neama@fitchratings.com

Rating Outlook — Investor-Owned Utilities and Parent Companies

Favorable Operating Environment: Operating and market conditions are expected to remain favorable in 2012 for investor-owned utilities (IOUs) and utility parent companies (UPCs), driven by good capital markets access, low interest rates, and low natural gas prices.

Risk Factors Present: UPCs with competitive generation subsidiaries and regulated utilities with wholesale power sales continue to face a challenging environment, with most regional power markets suffering from excess capacity and weak power prices. Managing through an extended period of high capital investment is the other principal risk to bondholders, should adequate and timely returns on investment not be authorized.

Economic Backdrop: Within the broader context of a sustained but modest U.S. economic growth forecast for 2012, company credit profiles and ratings are expected to remain stable. Industry consensus forecasts for a slight decline in electricity sales in 2012 are largely due to strong weather-related sales in 2011.

Divergence Expected: Integrated electric utilities have higher risk profiles than transmission and distribution (T&D) electrics and gas utilities, reflecting their exposure to new power-generation builds or environmental upgrades of existing facilities. UPCs with diversified activities also exhibit a higher risk profile than those with a pure regulated model.

Rating Outlook — Competitive Generators

Negative Credit Outlook: The operating environment is expected to remain challenging for the competitive generators (gencos) given the slow recovery in power prices, tightening environmental regulations, and choppy capital markets. Uncontrolled coal generation in markets where natural gas is on the margin is especially vulnerable. Unlike the pure play generators, affiliated gencos may benefit from strong parent or affiliate linkages.

No Relief from Gas Prices: The natural gas price forward curve continues to shift lower, and consensus price forecasts have been lowered for both prompt and outer periods. This, coupled with sluggish demand, has conspired to keep power price recovery from the 2009 lows modest.

Longer Term Outlook Brighter: Fitch Ratings expects power market recovery to gradually accelerate as coal-fired generation retirements bring supply more in line with demand, although timing varies by market. Fitch believes Texas could turn around the earliest, as evidenced by the spikes in power prices during the prolonged 2011 summer heat wave.

What Could Change the 2012 Outlook

Capital Markets Freeze: Significant tightening or loss of capital markets and bank access would have a deleterious affect on sector creditworthiness in the face of high capex budgets.

Double-Dip Recession: Weaker than projected economic growth would further erode prospects for weather-adjusted electricity sales, which Fitch expects to be essentially flat in 2012. In such an event, ratings of companies with Negative Outlooks, or exposure to wholesale power markets, could be downgraded.

What Could Change the Two- to Five-Year Outlook

The utilities, power, and gas sector is characterized by investment decisions, regulatory frameworks, and rules and regulations that are planned and implemented over a multi-year time horizon. Credit factors over this longer term time period include the following.

Secular Flattening in Electricity Sales

There is growing evidence that longer term consensus forecasts of electricity sales growth of 1%–2% per annum may be optimistic. Technological and manufacturing improvements in lighting, heating, and air conditioning systems, along with smart meter, thermostatic, and software interfaces, have the potential to reduce electricity consumption growth to flat to +1% over the next two to five years, in Fitch's opinion. Even a small decline in electricity sales growth rates can be harmful to the industry's credit profile, as higher costs are spread over fewer units of sales and would require more frequent rate relief. Unlike other renewable energy sources, the economics of conservation investments is compelling, with cost savings providing relatively short payback periods.

Many large commercial consumers of electricity are pursuing efficiency and conservation programs outside the traditional utility channels. Many big box retailers and commercial real estate owners are in the early stages of energy efficiency programs that will significantly reduce their power-consumption needs.

Natural Gas Price Shocks

The power sector is becoming addicted to low natural gas prices, and the generation mix will increase from approximately 25% gas-fired generation in 2011 to almost 40% by 2025, according to most industry forecasts. While some uncertainty exists as to the ultimate supply of shale natural gas due to lingering environmental concerns, given prospects for substantially increased domestic demand and exports of liquid natural gas, a more balanced supply-demand picture will likely result in higher natural gas prices. Higher gas prices will raise power prices and customer bills, possibly stimulating further conservation efforts.

Environmental Effects Unknown

Implementation of the Environmental Protection Agency's (EPA) Cross-State Air Pollution Rule (CSAPR) in 2012 will be a wild card, and will leave a clear mark on power markets in the regions affected. The EPA's Mercury Air Toxics Standard is to take effect in 2015 or 2016, and compliance costs are expected to be high. Capital costs to remediate a typical 500-MW coal-fired plant can run approximately $800,000 per MW for a total cost of approximately $400 million. The per-MW cost is even higher for smaller coal-fired units. Many operators will simply chose to shut their plants, especially owners of older inefficient plants, rather than incur such a large capital cost with uncertain return on investment.

On the operating side, in the absence of an established emission credit trading market, environmental compliance costs are uncertain and difficult to quantify. Financial penalties under CSAPR for exceeding state limits will not be applied until Jan. 1, 2014. In the interim, companies will be implementing strategies to comply with emission reductions that will include substantial increases in environmental capex, plant closures, and higher operating expenses from fuel switching or blending. Given the many uncertainties, the known and unknown financial and strategic implications of CSAPR will weigh on the power sector.

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The national elections in November 2012 may represent a referendum on many issues of concern, including environmental rules and policies. A change in administration may cause a postponement, change, or elimination of impending rules by the EPA.

Company-Specific Strategies or Developments

For individual companies, rate case outcomes, shifts in corporate strategy, and merger and acquisition activity are the most likely causes for an outlook change. Event risks, such as forced plant outages, storm damages, or extreme weather could also trigger an outlook revision. Fitch does not consider shareholder activities involving treasury share buybacks to be a primary concern, but would be a source of rating pressure if enacted.

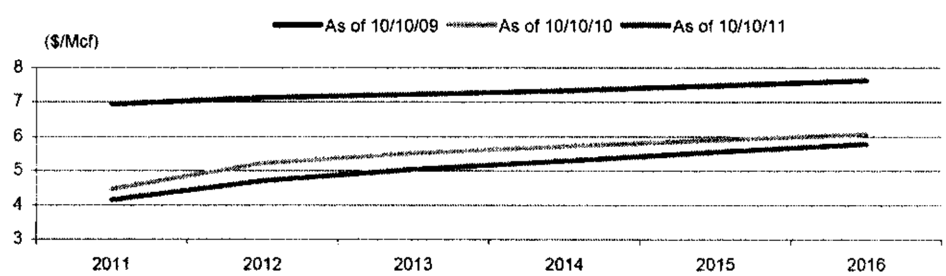
Fitch expects greater divergence for competitive gencos over time, reflecting regional power market, fuel mix, and environmental exposures. Gencos situated in the Electric Reliability Council of Texas (ERCOT) region and operators with natural gas or scrubbed coal fleets are best positioned.

Key Issues and Drivers of the Outlook

Natural Gas, Power Prices, and Electricity Sales

Abundant supplies and sustained low prices of natural gas are having a transforming effect on the entire utilities, power, and gas sector. However, subsectors and individual companies are correlated to natural gas differently. Regulated utilities, T&D electrics, and gas distributors generally benefit the most from low natural gas prices, which have the concomitant beneficial effect on customers through lower prices for power, and keep customer bills affordable.

Natural Gas Forward Prices — Henry Hub



Mcf – Thousand cubic feet.
Source: Fitch Ratings, Bloomberg.

Power prices increase only gradually in Fitch's financial models and forecasts, reflecting the dampening effect of low natural gas prices and excess reserve margins. Fitch's power market consultant, Wood MacKenzie, also projects a slow increase in power price through 2015, although prices remain below pre-2008 recessionary levels.

Low natural gas prices tend to depress wholesale power prices for gencos, particularly in markets where natural gas is on the margin. Low natural gas prices improve the mid-merit dispatch of gencos with large natural gas fleets, resulting in higher capacity utilization.

Consensus forecasts are for 2012 electricity sales to decline slightly from 2011 levels due largely to favorable weather patterns in 2011, and to a lesser extent, continued weak economic

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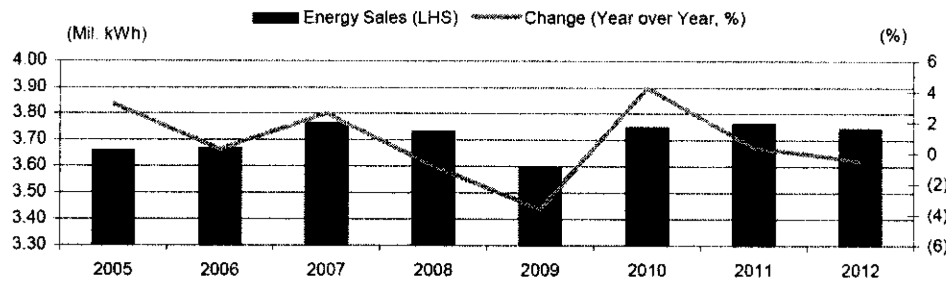
growth. Electricity sales are projected to be essentially flat when adjusted for weather. Efficiency and conservation programs will also dampen electricity sales growth, in Fitch's opinion. Longer term, lower sales will result in higher unit costs, which impede margins for individual utilities and require more frequent rate relief. The modestly lower sales forecasts in 2012 will largely be offset by earnings from capex projects, which have been completed and entered into the rate base.

Power Consumption Trends

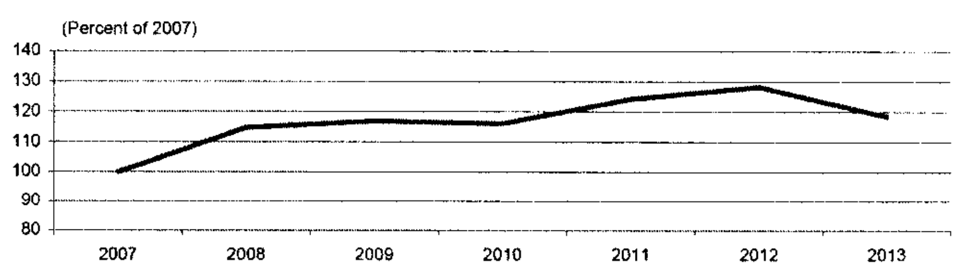


Source: E.I.A.

High Capex with Reliance on External Financing

Capex is expected to remain robust in 2012. Fitch projects capex to increase 5.7% in 2012, in addition to increases of 6.4% in 2010 and 4.6% in 2011. High capex typically places stress on credit metrics and bond spreads. However, bonus depreciation and low financing costs have ameliorated most of the cash flow pressures from high capex. Many investments such as transmissions projects under the Federal Energy Regulation Commission jurisdiction also enjoy timely recovery through construction work in progress (CWIP) tariffs. Consequently, during this capex period, earnings and credit quality have not been negatively affected.

Capital Expenditures



Source: Fitch Ratings.

Fitch expects the regulated utility sector to enjoy a continuation of strong capital market and bank access, along with favorable pricing similar to 2011. Financing costs for long-term first mortgage bonds are at historic lows, reflecting the defensive nature of the regulated utility sector. Investors have demonstrated a strong appetite for utility paper, given a general risk

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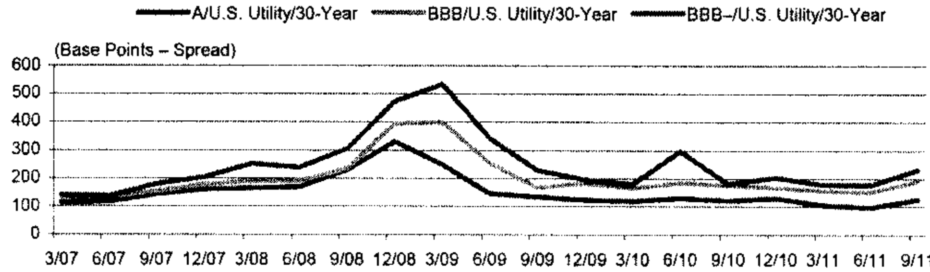
aversion among institutional and retail investors. Gencos face a more challenging environment, particularly high-yield issuers. Fitch expects non-investment grade issuers will face difficult market conditions given continued economic uncertainty.

Spread Over 30-Year Treasury by Rating Category



Source: Bloomberg.

Regulatory Actions

Fitch sees continued downward pressure on authorized return on equity (ROE), which has moved lower over the last couple of years, from around 10.5% to approximately 10%, according to a recent Fitch study. Regulators' decisions in rate cases remain a key credit factor for regulated utilities. The political and regulatory environment affecting regulated utilities varies state by state.

Economic Stimulus Expiry

The utilities, power, and gas industry was a primary beneficiary of the various economic stimulus packages, including bonus depreciation and investment tax credits put in place over the last few years. Cash flow, particularly funds from operations (FFO) measures, has been particularly robust in 2010 and 2011. With the bonus depreciation phase-out starting in 2012, and full expiration of such incentives in 2013, Fitch expects cash flow measures to revert to pre-2008 normalized levels.

Stringent Environmental Rules

The EPA issued CSAPR on July 7, 2011. The rule is effective Jan. 1, 2012, essentially covers the eastern half of the U.S., including Texas, and mandates substantial reductions in power plant emissions. Emission reductions vary by state. Fitch considers 80 gigawatts of coal capacity at risk for closure as a result of the rule.

Mergers and Acquisitions (M&A)

Fitch expects continued consolidation in the industry. However, Fitch feels the rating implications are limited, since existing ratings for most of the larger utility holding companies fall within a narrow band, and mergers are typically consummated using stock as currency. For operating subsidiaries, little rating effect would be expected among large traditional utility combinations. Rating risk would be present in combinations where the acquirer is a merchant

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genco (such as DPL Inc.'s acquisition by AES Corporation), or where the acquirer is a nonstrategic or private equity firm.

Consolidation among gencos is also likely driven by the need for regional diversity, high environmental capex requirements, and the desire to gain necessary size and scale.

2011 Review

For the utilities, power, and gas sector, 2011 could best be described as the quiet before the storm. Despite many headline news events, including the adoption of new EPA rules, reduced economic growth forecasts, record low interest rates, and further reductions in natural gas prices and forward curves, the industry performance was largely on par with 2010 and within Fitch's, and general industry consensus, expectations.

The Fukushima Daiichi nuclear accident on March 11, 2011, left an indelible mark on the future of nuclear energy globally. Nuclear power supplies approximately 20% of total U.S. power consumption, and is a relatively cost-effective source of low-emitting generating capacity. Fitch believes the strong safety-oriented oversight by the Nuclear Regulatory Commission, the power and utility industry's generally favorable safety record, and the importance of nuclear in managing system load support the continued operation and relicensing of such facilities. Higher capex for safety upgrades and resultant higher operating costs are not expected to alter the favorable generation profile of the existing nuclear fleet.

The future of new nuclear development in the U.S. is problematic. A few utilities are pursuing nuclear development within regulated rate base and strong tariff recovery mechanisms. Forward market prices do not support nuclear development on a merchant basis.

Enactment of a comprehensive national energy power policy again proved elusive, reflective of a general political stalemate and lack of leadership in Washington, which will likely persist through the presidential elections in November 2012. Strategic planning of long-term capital investments is increasingly problematic, particularly in relation to environmental upgrades and renewable and other forms of new generation.

Median Ratings and Rating Activity

Median senior unsecured ratings for parent holding companies and their regulated operating subsidiaries have remained stable over the last few years at 'BBB' and 'BBB+', respectively. Within the relative safety of higher electricity sales, low interest rates, and low natural gas prices, 2011 rating activity within Fitch's regulated utility portfolio was muted, but biased to upgrades and Positive Outlook revisions.

Gencos did not enjoy such security, as lower wholesale power prices continued to pressure margins, resulting in a large number of rating downgrades and Outlook revisions to Negative. Within the merchant rating portfolio, affiliated gencos have tended to face less pressure and largely retain investment-grade ratings, with the notable exception of Edison Mission and related entities. Independent power producers, (IPPs) tend to have non-investment grade ratings.

Utilities, Power and Gas Rating Activity — 2011

	Upgrades	Downgrades
UPCs	4	5
IOUs	16	6
Gencos	1	11

UPC – Utility parent companies. IOU – Investor-owned utilities.
Source: Fitch Ratings.

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There was no particular pattern or trend among the 2011 upgrades for utility parent companies (UPCs). Among the regulated companies upgraded in 2011, seven are part of the First Energy family following consummation of the merger with Allegheny. Other upgrades include Westar and Kansas Gas & Electric, which continues to recover from earlier stresses, and Oncor, the regulated subsidiary of Energy Future Holdings (EFH). Three gas local distribution companies (LDCs), Atmos Energy, Southwest Gas, and Mountaineer Gas, were upgraded.

The first major casualty of depressed wholesale power market conditions was Dynegy Holdings, Inc., which filed bankruptcy in November 2011. Other notable rating downgrades within Fitch's merchant genco portfolio included EFH and subsidiary Texas Competitive Energy Holding, and genco affiliates of Ameren and Edison International.

M&A Activity and Consolidation

The case for continued industry consolidation remains strong given the fragmented structure of the industry. Drivers of consolidation include the scale of capital investments needed relative to the book capital and market capitalization of individual companies, strategic synergies, particularly in competitive activities, and operational cost savings. The regulatory structure typically requires a one-year or longer timeframe to complete combinations of UPCs and IOUs.

Major Merger and Acquisition Announcements — 2011

($ Mil.)

Buyer	Seller	Target	Price	Valuation
Duke Energy Corp.	Progress Energy, Inc.	Progress Energy, Inc.	25,700	8.6x EBITDA
AES Corp.	DPL Inc.	DPL Inc.	4,600	7.5x EBITDA
Exelon Corp	Constellation Energy Group	Constellation Energy Group	10,600	7.6x EBITDA
Fortis Inc.	Central Vermont PS	Central Vermont PS	702	7.1x EBITDA
PPL Corp.	E.ON UK plc	Central Networks UK	5,600	Not Disclosed

PS – Public service.
Source: Fitch Ratings.

Gencos face similar pressures to combine. Prior to Dynegy Holdings' bankruptcy filing, two separate merger agreements collapsed in the face of shareholder opposition.

Fitch expects the M&A pace to continue into 2012.

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2012 Credit Outlook Summary by Sub-Sector

The segment credit outlooks in the left column reflect fundamental analysis of factors influencing developments in the sub-sectors, not the aggregate Rating Outlooks of the entities. Median ratings indicated are based on the IDRs of entities rated by Fitch Ratings.

Segment	Key Trends and Credit Issues for 2011
Utility Parent Companies Median IDR: BBB **Credit Outlook** Stable	• Stable cash flow from regulated utilities; declining cash flow from competitive generation business as existing hedges expire and volume is recontracted or sold at prevailing market prices. • Capital investment levels for organic growth projects and environmental upgrades remain high, requiring external financing. • Equity issuance needed to maintain balanced capital mix. • Favorable environment for consolidation and M&A activity.
Investor-Owned Electric Utilities Median IDR Integrated Electric: BBB Median IDR Electric Distribution: BBB **Credit Outlook** Stable	• Fitch assumes electricity sales down less than 1% in 2012 (flat on a weather normalized basis); longer term, flat to +1% weather normalized. • Increased mandates for energy efficiency and conservation to restrict electricity sales growth. • Serial base rate cases needed to recover infrastructure investments in 2011 and longer term. State regulatory climate varies by state, and remains a key driver. • Relatively low gas and power purchase costs are favorable to utilities, reducing the upward pressures on customer bills. • Sustained high capital spending on infrastructure (environmental compliance, renewables mandates, transmission projects, and automated metering.) • External funding needed for capex, but companies are expected to maintain liquidity and good access to capital markets. Dependent on parent companies for equity to maintain capital structures.
Gas Distribution Utilities (LDCs) Median IDR: A– **Credit Outlook** Stable	• Expected low natural gas commodity prices contribute to stable cash flow and improve relations with consumers, politicians, and regulators. • Rate decoupling or fixed/variable tariff structures help to minimize sensitivity to variations in sales volumes. • Pipeline safety issues will be a focus. However, overall, capital expenditures will remain manageable. • Low risk growth potential from optionality of natural gas in new uses (transportation) as well as continued gains from fuel switching. • Expect consistent regulatory treatment and manageable external funding.
Competitive Generation Companies **Generating Companies and Energy Trading** Median IDR: BB **Credit Outlook** Negative	• Flat electricity sales in 2012 and beyond with excess power capacity relative to required reserve margins to remain for several years; balance achieved through expected closings of older coal-fired units. • Low gas and power price environment will depress margins for most generators; as existing hedge contracts expire, revenues per unit will reflect the weak market environment. • New environmental regulations for air and water emissions will affect the outlook for coal-fired power generation and accelerate retirements of older, smaller, and less efficient coal plants. • The challenges to competitive generators listed above are likely to stimulate an active M&A environment, divestitures, and consolidation. • Higher power prices necessary to support investment in new build generation or environmental upgrades to uncontrolled coal plants.

IDR – Issuer default rating. M&A – Mergers and acquisitions.
Source: Fitch Ratings

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Utility Parent Companies: Stable

Key Issues

UPCs reflect the underlying business conditions of their regulated and nonregulated subsidiaries. Risks specific to UPCs include discretionary decisions such as consolidation and M&A activities, treasury share repurchases, dividend policy, and financial-management policies, as well as external factors including capital markets access, cost of capital, and inflationary cost pressure. Fitch expects UPC operating conditions in 2012 to mirror 2011, although there is greater event risk due to market disruption and contagion from the banking sector, commodities volatility, and the ongoing Eurozone crisis.

Tax Policies

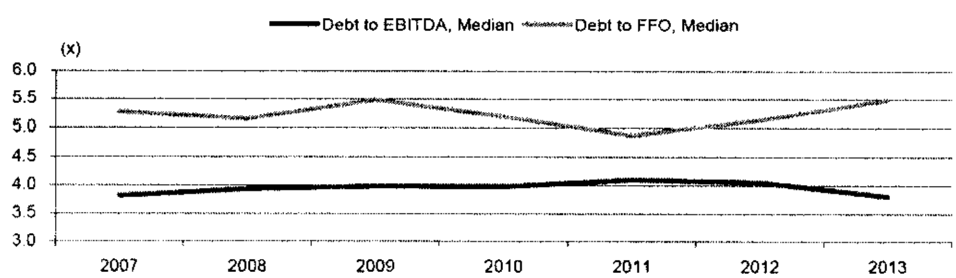
The preferential U.S. tax treatment of dividends and capital gains in effect since 2003, if not extended, would be considered a negative development for UPCs. Lower dividend taxes help utilities attract capital, which is important given their high-capital intensity. If favorable tax treatment of dividends is extended, it aids utilities and infrastructure companies that pay dividends to fund their investments at a favorable overall cost of capital. Fitch assumes the dividend tax preference continues.

Compared to other industries, U.S. utilities have a relatively high common dividend payout to net earnings ratio of approximately 60%–70%, but this is consistent with prior sector norms. Fitch anticipates modest increases in common dividends, but payout levels will likely remain within targeted levels of 60%–70%. Fitch views dividends as part of the overall corporate capital-maintenance and capital-raising objectives. Companies with regular dividend increases are more highly valued by equity investors and are at an advantage when they need to raise equity capital.

UPC Forecast Financial Trends

Given a generally benign economic outlook in 2012, Fitch's base forecasts, on a company consolidated basis, are for aggregate earnings to improve in 2012, while key credit metrics show a mixed picture. EBITDA growth in 2012 reflects the completion and maturation of investments over the preceding years. However, FFO declines with the phase-out of bonus depreciation beginning in 2012 and absence of bonus depreciation in 2013, along with the expiration of production tax credits and other incentives that bolstered 2009 and 2010 results. Consequently, Fitch does not have specific concerns as to the decline in FFO, since it only reflects a return to normalized recurring levels.

Leverage Ratios



Source: Fitch Ratings.

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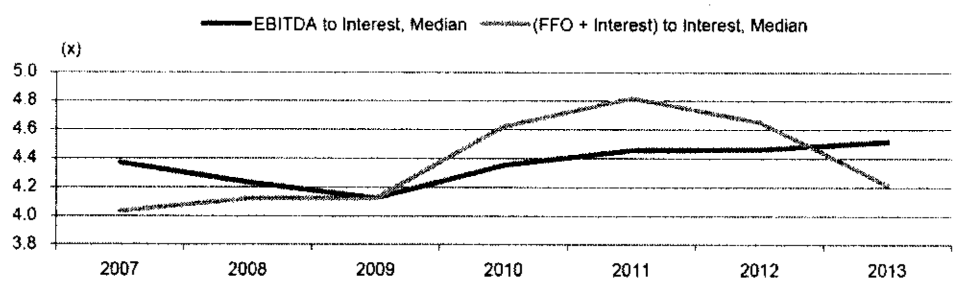
Debt leverage reflects similar divergence as coverage measures. Debt to EBITDA improves, reflecting the higher EBITDA Fitch envisions for the sector, while debt to FFO increases, reflecting the lower FFO levels Fitch expects in the absence of new tax incentives. However, in both cases the baseline returns to the 2007 period, reflecting a return to the norm.

Economic stimulus by Washington in the form of extensions of bonus depreciation and tax credits would provide upside to Fitch's FFO projections. Higher debt levels reflect funding for capex projects within a typical 50% debt/50% equity capital structure. Interest coverage measures in 2012 reflect the divergence in aggregate EBITDA and FFO measures. Over the next two years, EBITDA-to-interest measures remain relatively flat at around 4.0x coverage. At the same time, FFO to interest declines, particularly in 2013, and returns to the baseline of 2007.

Interest Coverage Ratios



Source: Fitch Ratings.

Electric Utilities: Stable

Fitch's Outlook for the electric utility sector in 2012 remains stable. The sector benefits from low interest rates, modest inflationary pressures, open capital markets, and low natural gas and power prices. Fitch expects these conditions to persist into 2013.

The favorable funding environment helps to offset any stress that would otherwise result during an extended period of high projected capital investment. Capex is expected to remain elevated, increasing 5%–6% over 2011 levels.

Many utilities have reduced regulatory risk by shifting cost recovery from general rate case proceedings to standardized tariffs that provide greater certainty and timeliness of cost recovery. Moreover, utility investment in this construction cycle seems to be aligned with the goals of regulators and policymakers, enhancing prospects for timely and full investment recovery, in Fitch's opinion.

Fitch's outlook for the sector presumes an extended period of cyclically low power and natural gas prices. Electric utilities, particularly T&D utilities, are beneficiaries of low commodity prices. Low prices for fuel commodities provide crucial headroom for utilities to recover anticipated investment in plant and equipment through base rate increases. All else equal, stable to lower natural gas and power prices remove a source of upward pressure on monthly utility bills, and reduce potential consumer resistance/political backlash to higher rates. Similarly, a low inflation and interest rate environment would stabilize utilities' costs and rates.

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Longer term, risks to the Stable Outlook become more pronounced as secular and cyclical factors come into play. Sales growth expectations, already modest at 1%–2% per annum, may prove optimistic given the subdued economic growth outlook and a growing demand for energy efficiency and conservation. The industry faces the double threat of both disruptive technologies, such as efficiencies in lighting, refrigeration, and software interface, combined with competitors promoting such products and services. The industry will be challenged to adjust business models to face the new competitive landscape.

A more immediate threat might be a change in the operating environment in 2013 and beyond. Fitch has specific concerns regarding upward pressure on electricity rates owing to reliance on higher cost, non-emitting renewable and other energy resources, and potentially higher interest rates, inflation, natural gas, and power costs from the current cyclically low levels. The upward pressure on electricity rates in this scenario could lead to political resistance to future rate increase requests and the potential inability to fully recover prior costs and investments, resulting in credit rating downgrades.

State Tariff Regulation

A 2011 Fitch survey of authorized ROEs reflects a continued trend of lower ROEs. Authorized ROEs are now trending down to the 10% level from a range of 10.25% to 10.50% registered at Fitch's last survey in 2009. The trend is not surprising given the overall low interest rate environment and cost of capital benchmarks for alternative investments. Lower ROEs are also associated with features increasingly common in tariff structures that minimize cash flow volatility. Still, the trend will pressure earnings and key coverage and leverage credit measures, including EBITDA to interest and debt to EBITDA.

There has been a notable increase in recent years in the utilization of fuel-adjustment clauses, pre-approval of major construction projects, environmental riders, the use of CWIP in rate base, and other tariff mechanisms designed to move cost recovery out of general rate case proceedings and/or provide greater assurance of cost recovery. Such mechanisms reduce earnings attrition and business risk, and are viewed favorably in Fitch's credit rating decisions.

The electricity industry, particularly in the northeast, suffered a number of storms that resulted in substantial damage to the system infrastructure and long periods of customer outages. Typically, such expenses and capital costs are recoverable, frequently through a tariff monetization financing. However, in cases where the regulators feel the utility did not respond properly, a portion of such expenses would likely be absorbed by the utility. Fourth-quarter 2011 results may reflect such items.

Gas Utilities: Stable

Fitch's 2012 Outlook for LDCs remains Stable. Gas utilities are advantaged by low natural gas prices, which minimize customer conservation, and long-term forecasts of abundant and low-priced natural gas supplies, which stimulate conversions to natural gas from other fuel sources. While the slow pace of economic recovery has limited sales growth, LDCs remain well positioned with modest capex requirements, mostly related to system reliability and maintenance.

Natural gas prices are expected to remain at low levels in the wake of abundant domestic supplies. Entering the 2011–2012 winter heating season, storage levels remain robust and should allow all-in rates to consumers to remain manageable. While many LDCs either have or are pursuing some form of rate decoupling or weather normalization that shields financial

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results from the effects of changes in volumes sold, low gas prices are nevertheless positive as lower overall rates alleviate concerns related to bad debt expense and regulatory pressures. The lower cost of gas inventories in storage and carrying customer receivables during the peak winter season have also had a meaningful effect on reduced liquidity needs for many LDCs.

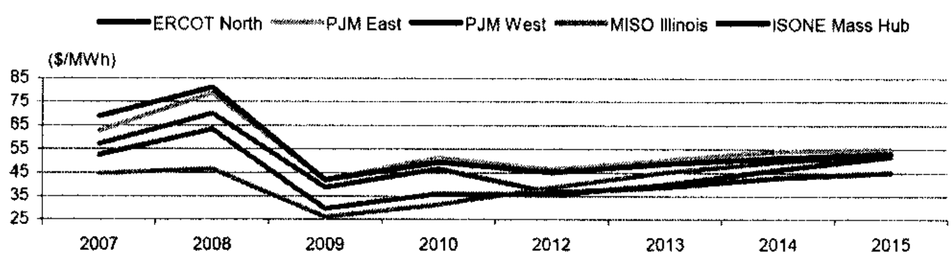
Weather, especially for gas utilities without decoupling mechanisms, is the biggest variable in financial performance.

Limited concerns will be centered on the increased focus on pipeline and system safety following several high-profile accidents. Fitch believes the enhanced inspection and testing programs being enacted across the industry will largely be recoverable in future rate cases.

Competitive Generators: Negative

Fitch expects the competitive gencos to continue to face a challenging operating environment in 2012. Some gencos are affiliated merchant generators, which are subsidiaries of large utility holding companies, while others are stand-alone IPPs. Both types of companies are adversely affected by a depressed commodity environment, expiring above-market hedges, and more stringent environmental regulations that could adversely affect uncontrolled coal-fired generation. However, unlike IPPs, affiliated gencos tend to benefit from strong parent or affiliate linkages and better access to capital during periods of volatile capital market conditions.

Historical and Forecast Round-the-Clock Power Prices
(As of Oct. 10, 2011)



ERCOT – Electric Reliability Council of Texas. ISONE – ISO New England. MISO – Midwest ISO.
Source: Wood MacKenzie.

Fitch expects aggregate credit metrics for gencos to weaken in 2012. This primarily reflects the effect of lower power prices as older, higher priced contracts expire and get remarketed in a weaker commodity environment. Implementation of CSAPR will also impinge on profitability and cash flows at several coal-fired plants due to curtailment of production and higher costs from fuel switching and blending. Fitch considers it quite likely that such conditions persist well into 2013, until demand supply becomes more balanced in various regional power markets, leading to a stronger recovery in power prices.

Liquidity remains a key rating consideration for high-yield gencos. Fitch believes liquidity is adequate for 2012. However, rising capital requirements at coal-fired generators will deplete excess cash balances. For the gencos with natural gas assets and/or a more diversified portfolio, excess cash could likely be diverted toward stock purchases, investment in new generation (natural gas-fired/renewables), or vertical integration into the retail business. Fitch

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will continue to evaluate these actions in the context of overall management strategy and credit metrics.

AES, NRG Energy Co., and Calpine have each announced their intention to return capital to shareholders. Rating pressures could appear if there is an outsized return of capital to shareholders. Fitch believes capital market conditions for high-yield issuers have not normalized, and any disruptions due to macroeconomic events could periodically shut market access for them.

Aside from credit metrics, individual issuer rating and outlook are also influenced to a large extent by fuel mix, location, age, and extent of environmental compliance of its power-generation assets. Fitch believes emission-free generators are likely to be beneficiaries of stringent environmental regulations as old and inefficient coal plants retire, thereby rendering the demand supply balance more favorable to supporting higher power prices. Among the various regional markets, Fitch believes ERCOT is particularly attractive, as evidenced by the squeeze in reserve margin during the 2011 summer heat wave. This should aid the gencos that have a significant exposure to ERCOT.

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August 20, 2008

Florida Power & Light Co.

Primary Credit Analyst:
Todd A Shipman, CFA, New York (1) 212-438-7676; todd_shipman@standardandpoors.com

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Florida Power & Light Co.

Major Rating Factors

Corporate Credit Rating
A/Stable/A-1

Strengths:

- High quality electric utility generates steady cash flows;
- Constructive regulatory environment in Florida; and
- Strong customer growth with predominantly residential base.

Weaknesses:

- Dependence on natural gas to generate electricity; and
- Higher-risk cash flows from FPL Energy's merchant generation.

Rationale

The ratings on Florida Power & Light Co. (FP&L) are based on the consolidated credit profile of parent FPL Group Inc. (FPL) Ratings reflect the strength of the regulated cash flows from FP&L. The utility contributes to about three-quarters of the consolidated credit profile and has better business fundamentals than most of its integrated electric peers, with a healthy and growing service territory, sound operations, and a supportive regulatory environment. Detracting from credit quality are the company's increasing exposure to wholesale energy activities, its willingness to expand through acquisitions and increase its risk profile, the fluctuating cash flows from FPL Energy Inc.'s portfolio of merchant generation, and the utility's significant exposure to natural gas.

FPL's business profile is "excellent", and its financial profile is "intermediate". Business risk is portrayed in five categories (excellent, strong, satisfactory, weak, and vulnerable), and financial risk in five categories (minimal, modest, intermediate, aggressive, and highly leveraged). Business risk is anchored on the company's core electric utility operations in Florida, which exhibit strength in almost every area of analysis. The service territory is healthy and growing, the customer mix is mostly residential and commercial, the regulatory environment supports credit quality and regulatory risk is well-managed, costs and rates are solid, and reliability and customer satisfaction are high. However, a large and growing reliance on natural gas to fuel utility generation could over time turn from an advantage (because of its environmental status) to a weakness if gas prices continue to fluctuate and trend up. Utility managers will be challenged to keep all constituents--customers, regulators, and investors--contented in a future that could feature rising commodity costs, accelerating capital spending, greater demands for cleaner energy, and possibly slower customer growth.

FPLE, the main subsidiary under FPL Group Capital Inc., the unregulated side of FPL, engages in electric generation throughout the U.S. The focus is on geographic and fuel diversity, and on environmentally advantageous facilities that could benefit from climate change political trends. FPLE's more than 15,000 MW of generation capacity consists of almost one-half natural gas–fired stations, one-third wind turbines, and the rest mainly nuclear facilities. The wind projects and three of the four nuclear plants operate under mainly fixed-price, long-term contracts. The rest of the portfolio--almost one-half, including a nuclear plant--is merchant capacity that accepts market prices for its output. While a policy of actively hedging the commodity price risk of the input and output of the plants helps to dampen the risk associated with energy merchant activities, there is an inherent risk level at FPLE that cannot be avoided and permanently hinders credit quality throughout the FPL family. The governance and financial policies used to manage risk in this segment are, in Standard & Poor's opinion, adequate for the FPL, FP&L, and FPL Capital ratings.

The financial profile of FPL, on which all ratings are based, is characterized by very healthy credit metrics, adequate liquidity, and management and regulatory commitment to credit quality that supports ratings. Importantly, sophisticated but complex financial structures employed at the project level substantiate significant off-credit treatment of largely nonrecourse debt at FPLE. Any explicit or implicit indication that FPL management would use its own financial resources to aid a troubled project in support of strategic objectives could lead Standard & Poor's to re-evaluate the adjustments made to FPL's reported debt. Large adjustments are also factored into the credit analysis regarding hybrid debt instruments and power purchase agreements at FP&L. Resulting credit metrics comfortably fall into the "intermediate" range of indicative ratios in current market conditions and are expected to remain solid for the next few years. Current ratings rest on such financial performance and continued attention to the liquidity and risk management requirements of the merchant activities.

Liquidity

The short-term rating on FP&L is 'A-1'. The utility's liquidity is managed by the parent, but it does have its own sources of liquidity. FPL's available cash flow is not sufficient to fund its large capital expenditures and dividends and is expected to remain negative for the foreseeable future. FPL has adequate liquidity with $6.5 billion of revolving bank facilities maturing in 2012 and a $250 million revolving term loan maturing in 2011. Almost all of that capacity was available as of March 31, 2008, in addition to $600 million of cash and equivalents on the balance sheet. The facilities support FPL's commercial paper program and letters of credit.

By analyzing a stress scenario to assess FPL's liquidity adequacy to cover exposure to adverse market and credit events, Standard & Poor's expects that the company has sufficient liquidity under those conditions. The company's maturity schedule subsides over time, with maturities peaking at $1.6 billion during 2008.

Outlook

The stable outlook on FPL and subsidiaries reflects the predictable cash flow from FP&L, a favorable regulatory environment, and growing service territory. The rating could be pressured if growth in the unregulated portfolio increases the consolidated company's business risk, the forecast becomes more dependent on growth at FPL Energy, or the projected cash flow is insufficient to maintain the current financial risk profile. Any failure to sufficiently manage the considerable market, liquidity, operational, and regulatory risks faced by the company, especially in the merchant energy and energy marketing and trading subsidiaries, would imperil ratings and the stable outlook. Merger or acquisitions that do not demonstrate a commitment to credit quality could result in lower ratings, regardless of the timing or outcome of the transaction. An improvement in the rating is possible if FPL can demonstrate that the recent strong financial performance is reasonably sustainable even through less robust market conditions.

Table 1

FPL Group Inc. -- Peer Comparison*

Industry Sector: Energy

	--Average of past three fiscal years--			
	FPL Group Inc.	**Southern Co.**	**Duke Energy Corp.**	**Wisconsin Public Service Corp.**
Rating as of Aug. 14, 2008	A/Stable/--	A/Stable/A-1	A-/Stable/NR	A/Stable/A-2

Table 1

FPL Group Inc. -- Peer Comparison*(cont.)

(Mil. $)				
Revenues	13,822.7	13,577.6	15,396.9	1,495.1
Net income from cont. oper.	1,099.2	1,509.4	2,048.0	100.0
Funds from operations (FFO)	2,844.3	3,414.7	3,841.4	224.6
Capital expenditures	1,733.7	2,659.6	3,142.3	310.1
Cash and short-term investments	480.0	170.8	1,554.3	9.8
Debt	10,818.4	15,995.6	17,112.3	1,111.7
Preferred stock	503.0	1,046.8	0.0	42.7
Equity	10,524.1	12,340.4	21,515.0	1,076.1
Debt and equity	21,342.5	28,336.0	38,627.3	2,187.9
Adjusted ratios				
EBIT interest coverage (x)	2.9	3.6	3.6	3.8
FFO int. cov. (x)	5.2	5.0	4.4	4.7
FFO/debt (%)	26.3	21.3	22.4	20.2
Discretionary cash flow/debt (%)	0.7	(5.5)	(5.4)	(17.4)
Net cash flow / capex (%)	128.7	84.2	81.8	43.6
Total debt/debt plus equity (%)	50.7	56.4	44.3	50.8
Return on common equity (%)	10.9	13.5	9.5	9.2
Common dividend payout ratio (un-adj.) (%)	54.3	74.6	61.9	89.5

*Fully adjusted (including postretirement obligations).

Table 2

FPL Group Inc. -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2007	**2006**	**2005**	**2004**	**2003**
Rating history	A/Stable/--	A/Stable/--	A/Watch Neg/--	A/Negative/--	A/Negative/--
(Mil. $)					
Revenues	14,861.5	15,225.5	11,381.1	10,165.1	9,372.3
Net income from continuing operations	1,263.3	1,181.6	852.7	869.4	892.6
Funds from operations (FFO)	3,558.6	3,728.7	1,245.7	1,902.0	2,219.2
Capital expenditures	1,802.7	1,794.0	1,604.3	1,308.8	1,289.5
Cash and short-term investments	290.0	620.0	530.0	225.0	129.0
Debt	10,770.2	11,636.9	10,048.2	9,206.8	9,433.1
Preferred stock	1,004.5	504.5	0.0	0.0	5.0
Equity	11,739.5	10,434.5	9,398.3	8,904.0	8,286.4
Debt and equity	22,509.7	22,071.4	19,446.5	18,110.8	17,719.5
Adjusted ratios					
EBIT interest coverage (x)	3.2	3.0	2.4	2.7	3.0
FFO int. cov. (x)	6.3	6.0	3.0	4.4	5.4
FFO/debt (%)	33.0	32.0	12.4	20.7	23.5

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Regulatory Research Associates
REGULATORY FOCUS

January 10, 2012

MAJOR RATE CASE DECISIONS--CALENDAR 2011

The average return on equity (ROE) authorized electric utilities was 10.22% in 2011, compared to 10.34% in 2010. There were 41 electric ROE determinations in 2011, down from 59 in 2010. The average ROE authorized gas utilities was 9.92% in 2011, compared to 10.08% in 2010. There were 16 gas cases that included an ROE determination in 2011, and 37 in 2010. We note that this report utilizes the simple mean for the return averages.

After reaching a low in the early-2000's, the number of rate case decisions for energy companies has generally increased over the last several years, although the number of decisions declined in 2011. There were 84 electric and gas rate decisions in 2011, versus 126 in 2010, 95 in 2009, and only 32 back in 2001. Increased costs, including environmental compliance expenditures, the need for generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and higher employee benefit expenses argue for the continuation of an active rate case agenda over the next few years.

We note that electric industry restructuring in certain states has led to the unbundling of rates and retail competition for generation. Commissions in those states are now authorizing revenue requirement and return parameters for delivery operations only (which we footnote in our chronology beginning on page 5), thus complicating historical data comparability. We also note that while the heightened business risk associated with the sluggish economy may have increased corporate capital costs, average authorized ROEs have declined slightly since 2008. In fact, some state commissions have cited customer hardship as a significant factor influencing their equity return authorizations.

The table on page 2 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2005, followed by the number of observations in each period. The tables on page 3 show the composite electric and gas industry data for all major cases summarized annually since 1998 and by quarter for the past eight quarters. The individual electric and gas cases decided in 2011 are listed on pages 5-9, with the decision date (generally the date on which the final order was issued) shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the adopted capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. Fuel adjustment clause rate changes are not reflected in this study. We note that the cases and averages included in this study may be slightly different from those in our on-line Rate Case History database, with any differences reflecting, for example, this study's inclusion of ROE determinations that are rendered in cost-of-capital-only proceedings in California.

(Text continued on page 4.)

Average Equity Returns Authorized January 1990 - December 2011

		Electric Utilities		Gas Utilities	
Year	**Period**	**ROE %**	**(# Cases)**	**ROE %**	**(# Cases)**
1990	Full Year	12.70	(44)	12.67	(31)
1991	Full Year	12.55	(45)	12.46	(35)
1992	Full Year	12.09	(48)	12.01	(29)
1993	Full Year	11.41	(32)	11.35	(45)
1994	Full Year	11.34	(31)	11.35	(28)
1995	Full Year	11.55	(33)	11.43	(16)
1996	Full Year	11.39	(22)	11.19	(20)
1997	Full Year	11.40	(11)	11.29	(13)
1998	Full Year	11.66	(10)	11.51	(10)
1999	Full Year	10.77	(20)	10.66	(9)
2000	Full Year	11.43	(12)	11.39	(12)
2001	Full Year	11.09	(18)	10.95	(7)
2002	Full Year	11.16	(22)	11.03	(21)
2003	Full Year	10.97	(22)	10.99	(25)
2004	Full Year	10.75	(19)	10.59	(20)
	1st Quarter	10.51	(7)	10.65	(2)
	2nd Quarter	10.05	(7)	10.54	(5)
	3rd Quarter	10.84	(4)	10.47	(5)
	4th Quarter	10.75	(11)	10.40	(14)
2005	**Full Year**	**10.54**	(29)	**10.46**	(26)
	1st Quarter	10.38	(3)	10.63	(6)
	2nd Quarter	10.68	(6)	10.50	(2)
	3rd Quarter	10.06	(7)	10.45	(3)
	4th Quarter	10.39	(10)	10.14	(5)
2006	**Full Year**	**10.36**	(26)	**10.43**	(16)
	1st Quarter	10.27	(8)	10.44	(10)
	2nd Quarter	10.27	(11)	10.12	(4)
	3rd Quarter	10.02	(4)	10.03	(8)
	4th Quarter	10.56	(16)	10.27	(15)
2007	**Full Year**	**10.36**	(39)	**10.24**	(37)
	1st Quarter	10.45	(10)	10.38	(7)
	2nd Quarter	10.57	(8)	10.17	(3)
	3rd Quarter	10.47	(11)	10.49	(7)
	4th Quarter	10.33	(8)	10.34	(13)
2008	**Full Year**	**10.46**	(37)	**10.37**	(30)
	1st Quarter	10.29	(9)	10.24	(4)
	2nd Quarter	10.55	(10)	10.11	(8)
	3rd Quarter	10.46	(3)	9.88	(2)
	4th Quarter	10.54	(17)	10.27	(15)
2009	**Full Year**	**10.48**	(39)	**10.19**	(29)
	1st Quarter	10.66	(17)	10.24	(9)
	2nd Quarter	10.08	(14)	9.99	(11)
	3rd Quarter	10.26	(11)	9.93	(4)
	4th Quarter	10.30	(17)	10.09	(13)
2010	**Full Year**	**10.34**	(59)	**10.08**	(37)
	1st Quarter	10.32	(13)	10.10	(5)
	2nd Quarter	10.12	(10)	9.88	(5)
	3rd Quarter	10.00	(7)	9.65	(2)
	4th Quarter	10.34	(11)	9.88	(4)
2011	**Full Year**	**10.22**	**(41)**	**9.92**	**(16)**

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Electric Utilities--Summary Table*

	Period	ROR %	(# Cases)	ROE %	(# Cases)	Eq. as % Cap. Struc.	(# Cases)	Amt. $ Mil.	(# Cases)
1998	Full Year	9.44	(9)	11.66	(10)	46.14	(8)	-429.3	(31)
1999	Full Year	8.81	(18)	10.77	(20)	45.08	(17)	-1,683.8	(30)
2000	Full Year	9.20	(12)	11.43	(12)	48.85	(12)	-291.4	(34)
2001	Full Year	8.93	(15)	11.09	(18)	47.20	(13)	14.2	(21)
2002	Full Year	8.72	(20)	11.16	(22)	46.27	(19)	-475.4	(24)
2003	Full Year	8.86	(20)	10.97	(22)	49.41	(19)	313.8	(12)
2004	Full Year	8.44	(18)	10.75	(19)	46.84	(17)	1,091.5	(30)
2005	Full Year	8.30	(26)	10.54	(29)	46.73	(27)	1,373.7	(36)
2006	Full Year	8.24	(24)	10.36	(26)	48.67	(23)	1,465.0	(42)
2007	Full Year	8.22	(38)	10.36	(39)	48.01	(37)	1,401.9	(46)
2008	Full Year	8.25	(35)	10.46	(37)	48.41	(33)	2,899.4	(42)
2009	Full Year	8.23	(38)	10.48	(39)	48.61	(37)	4,192.3	(58)
	1st Quarter	7.95	(17)	10.66	(17)	48.36	(16)	2,010.0	(19)
	2nd Quarter	7.95	(15)	10.08	(14)	47.07	(13)	937.5	(19)
	3rd Quarter	8.16	(12)	10.26	(11)	49.52	(11)	730.6	(18)
	4th Quarter	7.95	(15)	10.30	(17)	49.00	(14)	1,889.6	(21)
2010	Full Year	7.99	(59)	10.34	(59)	48.45	(54)	5,567.7	(77)
	1st Quarter	8.12	(13)	10.32	(13)	49.05	(13)	610.5	(15)
	2nd Quarter	8.01	(10)	10.12	(10)	46.36	(10)	1,055.9	(12)
	3rd Quarter	8.09	(7)	10.00	(7)	48.33	(7)	642.4	(11)
	4th Quarter	7.61	(11)	10.34	(11)	47.91	(10)	544.7	(15)
2011	**Full Year**	**7.95**	**(41)**	**10.22**	**(41)**	**47.97**	**(40)**	**2,853.5**	**(53)**

Gas Utilities--Summary Table*

	Period	ROR %	(# Cases)	ROE %	(# Cases)	Eq. as % Cap. Struc.	(# Cases)	Amt. $ Mil.	(# Cases)
1998	Full Year	9.46	(10)	11.51	(10)	49.50	(10)	93.9	(20)
1999	Full Year	8.86	(9)	10.66	(9)	49.06	(9)	51.0	(14)
2000	Full Year	9.33	(13)	11.39	(12)	48.59	(12)	135.9	(20)
2001	Full Year	8.51	(6)	10.95	(7)	43.96	(5)	114.0	(11)
2002	Full Year	8.80	(20)	11.03	(21)	48.29	(18)	303.6	(26)
2003	Full Year	8.75	(22)	10.99	(25)	49.93	(22)	260.1	(30)
2004	Full Year	8.34	(21)	10.59	(20)	45.90	(20)	303.5	(31)
2005	Full Year	8.25	(29)	10.46	(26)	48.66	(24)	458.4	(34)
2006	Full Year	8.51	(16)	10.43	(16)	47.43	(16)	444.0	(25)
2007	Full Year	8.12	(32)	10.24	(37)	48.37	(30)	813.4	(48)
2008	Full Year	8.48	(30)	10.37	(30)	50.47	(30)	884.8	(41)
2009	Full Year	8.15	(28)	10.19	(29)	48.72	(28)	475.0	(37)
	1st Quarter	8.20	(10)	10.24	(9)	50.27	(9)	177.3	(11)
	2nd Quarter	7.80	(11)	9.99	(11)	46.31	(11)	230.2	(12)
	3rd Quarter	8.13	(4)	9.93	(4)	49.00	(4)	290.5	(10)
	4th Quarter	7.84	(13)	10.09	(13)	49.11	(14)	118.7	(16)
2010	Full Year	7.95	(38)	10.08	(37)	48.56	(38)	816.7	(49)
	1st Quarter	8.07	(6)	10.10	(5)	52.47	(4)	48.3	(9)
	2nd Quarter	8.05	(4)	9.88	(5)	54.45	(3)	234.0	(7)
	3rd Quarter	8.09	(2)	9.65	(2)	49.44	(2)	26.5	(4)
	4th Quarter	8.07	(5)	9.88	(4)	52.03	(4)	127.5	(11)
2011	**Full Year**	**8.57**	**(16)**	**9.92**	**(16)**	**48.04**	**(13)**	**436.3**	**(31)**

* Number of observations in each period indicated in parentheses.

The table below tracks the average equity return authorized for all electric and gas rate cases combined, by year, for the last 22 years. As the table reveals, since 1990 the authorized ROEs have generally trended downward, reflecting the significant decline in interest rates that has occurred over this time frame. The combined average equity returns authorized for electric and gas utilities in each of the years 1990 through 2011, and the number of observations for each year are as follows:

1990	12.69%	(75)	2001	11.05%	(25)
1991	12.51	(80)	2002	11.10	(43)
1992	12.06	(77)	2003	10.98	(47)
1993	11.37	(77)	2004	10.67	(39)
1994	11.34	(59)	2005	10.50	(55)
1995	11.51	(49)	2006	10.39	(42)
1996	11.29	(42)	2007	10.30	(76)
1997	11.34	(24)	2008	10.42	(67)
1998	11.59	(20)	2009	10.36	(68)
1999	10.74	(29)	2010	10.24	(96)
2000	11.41	(24)	2011	10.14	(57)

Dennis Sperduto

ELECTRIC UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. $ Mil.
1/5/11	Public Service Co. of Oklahoma (OK)	8.17	10.15	45.84	2/10-YE	30.3 (B)
1/12/11	Madison Gas and Electric (WI)	8.77	10.30	58.06	12/11-A	8.0
1/13/11	Wisconsin Public Service (WI)	7.86	10.30	51.65	12/11-A	21.0
1/18/11	Delmarva Power & Light (DE)	7.61	10.00	47.52	3/09-A	16.4 (I,D)
1/20/11	Niagara Mohawk Power (NY)	6.51	9.30	48.00	12/11-A	119.3 (D)
1/20/11	Texas-New Mexico Power (TX)	9.90	10.13	45.00	3/10-YE	8.3 (D,B,Hy,1)
1/31/11	Western Massachusetts Electric (MA)	7.63	9.60	50.70	12/09-YE	16.8 (D)
2/3/11	CenterPoint Energy Houston Elec. (TX)	8.21	10.00	45.00	12/09-YE	14.7 (D,Hy,2)
2/24/11	Duquesne Light (PA)	---	---	---	3/11	45.7 (D,B)
2/25/11	Hawaiian Electric (HI)	8.16	10.00	55.81	12/09-A	66.4 (I,B)
3/22/11	Virginia Electric and Power (VA)	8.76	12.30	49.37	3/12-A	44.7 (I,3)
3/22/11	Virginia Electric and Power (VA)	8.76	12.30	49.37	3/12-A	13.8 (I,4)
3/25/11	Southwestern Public Service (TX)	---	---	---	12/09	52.5 (B,Z)
3/25/11	PacifiCorp (WA)	7.81	9.80	49.10 Hy	12/09-A	33.5
3/30/11	Appalachian Pwr./Wheeling Pwr. (WV)	7.36	10.00	42.20	12/09-A	119.1 (B)
2011	***1ST QUARTER: AVERAGES/TOTAL***	**8.12**	**10.32**	**49.05**		**610.5**
	MEDIAN	**8.16**	**10.00**	**49.10**		**---**
	OBSERVATIONS	**13**	**13**	**13**		**15**
4/12/11	Kansas City Power & Light (MO)	8.58	10.00	46.30	12/09-YE	34.8
4/25/11	Otter Tail Power (MN)	8.61	10.74	51.70	12/09-A	5.0 (I)
4/26/11	Unitil Energy Systems (NH)	8.39	9.67	45.45	---	6.6 (D,I,B,Z)
4/27/11	Southern Indiana Gas & Electric (IN)	7.29	10.40	43.46 *	6/09-YE	28.6
5/4/11	KCP&L Greater Missouri Op. (MPS) (MO)	8.41	10.00	46.58	12/09-YE	35.7 (R)
5/4/11	KCP&L Greater Missouri Op. (L&P) (MO)	8.41	10.00	46.58	12/09-YE	29.8 (R,Z)
5/13/11	Pacific Gas and Electric (CA)	---	---	---	12/11-A	698.0 (B,Z)
5/24/11	Commonwealth Edison (IL)	8.51	10.50	47.28	12/09-YE	155.7 (D)
6/1/11	Empire District Electric (MO)	---	---	---	6/09	18.7 (B)
6/8/11	MDU Resources (ND)	8.74	10.75	53.34	12/10	7.6 (B)
6/16/11	Orange and Rockland Utilities (NY)	7.22	9.20	48.00	6/12-A	26.6 (D)
6/17/11	Oklahoma Gas & Electric (AR)	5.93	9.95	34.90 *	12/09-YE	8.8 (B)
2011	***2ND QUARTER: AVERAGES/TOTAL***	**8.01**	**10.12**	**46.36**		**1,055.9**
	MEDIAN	**8.41**	**10.00**	**46.58**		**---**
	OBSERVATIONS	**10**	**10**	**10**		**12**

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ELECTRIC UTILITY DECISIONS (continued)

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. $ Mil.
7/8/11	Delmarva Power & Light (MD)	---	---	---	12/10	12.2 (D,B)
7/13/11	Union Electric (MO)	8.13	10.20	52.24	3/10-YE	173.2
8/1/11	Fitchburg Gas & Electric (MA)	7.93	9.20	42.88	12/09-YE	3.3 (D)
8/2/11	MDU Resources (MT)	---	---	---	---	2.6 (B)
8/8/11	Public Service Co. of New Mexico (NM)	8.41	10.00	51.28	6/10-YE	72.1 (B)
8/11/11	PacifiCorp (UT)	7.94	10.00	51.90	6/12	117.0 (B)
8/12/11	Interstate Power and Light (MN)	8.11	10.35	47.74	12/09-A	8.4 (I,R)
8/19/11	Oncor Electric Delivery (TX)	8.14	10.25	40.00	6/10-YE	136.7 (D,Hy,B)
9/22/11	PacifiCorp (WY)	8.00	10.00	52.30	12/11-A	61.3 (B)
9/30/11	Avista Corp. (ID)	---	---	---	12/10	2.8 (B)
9/30/11	South Carolina Electric & Gas (SC)	---	---	---	6/11-YE	52.8 (5)
2011	***3RD QUARTER: AVERAGES/TOTAL***	**8.09**	**10.00**	**48.33**		**642.4**
	MEDIAN	**8.11**	**10.00**	**51.28**		**---**
	OBSERVATIONS	**7**	**7**	**7**		**11**
10/6/11	Wisconsin Electric Power (WI)	---	---	---	12/12	0.0 (6)
10/12/11	Kentucky Utilities (VA)	7.24	10.30	53.37	12/10-A	6.6 (B)
10/20/11	Detroit Edison (MI)	6.59	10.50	40.26 *	3/12-A	187.5 (R)
11/30/11	Appalachian Power (VA)	7.82	10.90	42.69	12/10-YE	55.1
11/30/11	Virginia Electric and Power (VA)	---	10.90	---	---	--- (7)
12/14/11	Columbus Southern Power (OH)	7.78	10.00	50.64 (E)	5/11-DC	0.0 (D,B)
12/14/11	Ohio Power (OH)	7.97	10.30	53.79 (E)	5/11-DC	0.0 (D,B)
12/16/11	Avista Corp. (WA)	---	---	---	---	20.0 (B)
12/20/11	Upper Peninsula Power (MI)	6.25	10.20	45.74 *	12/12	4.2 (B)
12/21/11	Northern Indiana Public Service (IN)	6.98	10.20	46.53 *	6/10-YE	6.9 (B)
12/22/11	Black Hills Colorado Elec. Utility Co. (CO)	8.53	9.90	49.10	12/10-A	10.5
12/22/11	Northern States Power-Wisconsin (WI)	8.52	10.40	52.59	12/12-A	12.2
12/23/11	Nevada Power (NV)	8.17 (8)	10.19 (8)	44.38	12/10-YE	158.6
12/28/11	Georgia Power (GA)	---	---	---	12/12	35.6 (9)
12/28/11	Southwestern Public Service (NM)	---	---	---	---	13.5 (B)
12/30/11	Idaho Power (ID)	7.86	---	---	12/11	34.0 (B)
2011	***4TH QUARTER: AVERAGES/TOTAL***	**7.61**	**10.34**	**47.91**		**544.7**
	MEDIAN	**7.82**	**10.30**	**47.82**		**---**
	OBSERVATIONS	**11**	**11**	**10**		**15**
2011	***FULL YEAR: AVERAGES/TOTAL***	**7.95**	**10.22**	**47.97**		**2,853.5**
	MEDIAN	**8.11**	**10.15**	**47.87**		**---**
	OBSERVATIONS	**41**	**41**	**40**		**53**

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GAS UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. $ Mil.
1/6/11	SEMCO Energy Gas (MI)	7.19	10.35	---	---	8.1 (I,B)
1/12/11	Madison Gas and Electric (WI)	8.80	10.30	58.06	12/11-A	1.9
1/13/11	Wisconsin Public Service (WI)	7.72	10.30	51.65	12/11-A	-8.3
1/19/11	Union Electric (MO)	---	---	---	12/09	9.0 (B)
2/10/11	Black Hills/Iowa Gas Utility (IA)	---	---	---	---	3.7 (B)
3/10/11	EnergyNorth Natural Gas (NH)	8.33	--- (10)	---	6/09	6.8 (I,B)
3/10/11	Avista Corp. (OR)	8.00	10.10	50.00	12/11-A	3.0 (B,Z)
3/15/11	Puget Sound Energy (WA)	---	---	---	---	19.0 (B)
3/31/11	New England Gas (MA)	8.39	9.45	50.17	12/09-YE	5.1
2011	***1ST QUARTER: AVERAGES/TOTAL***	**8.07**	**10.10**	**52.47**		**48.3**
	MEDIAN	**8.17**	**10.30**	**50.91**		**---**
	OBSERVATIONS	**6**	**5**	**4**		**9**
4/18/11	CenterPoint Energy Resources (TX)	8.75	10.05	55.44	6/10-YE	4.6 (B)
4/21/11	Washington Gas Light (VA)	8.40	10.00	55.70	12/14-A	15.6 (Z,11)
5/13/11	Pacific Gas and Electric (CA)	---	---	---	12/11-A	117.4 (B,Z)
5/26/11	Consumers Energy (MI)	---	10.50	---	---	31.4 (B)
6/9/11	Peoples Natural Gas (PA)	---	---	---	6/11	53.0 (B)
6/21/11	Delmarva Power & Light (DE)	7.56	10.00	---	6/10	5.8 (B)
6/29/11	Yankee Gas Services (CT)	7.48	8.83	52.20	6/10-DC	6.2 (Z)
2011	***2ND QUARTER: AVERAGES/TOTAL***	**8.05**	**9.88**	**54.45**		**234.0**
	MEDIAN	**7.98**	**10.00**	**55.44**		**---**
	OBSERVATIONS	**4**	**5**	**3**		**7**
8/1/11	Fitchburg Gas & Electric (MA)	7.93	9.20	42.88	12/09-YE	3.7
8/11/11	UGI Central Penn Gas (PA)	---	---	---	9/11	8.9 (B)
9/1/11	Public Service Co. of Colorado (CO)	8.24	10.10	56.00	12/10-A	12.8 (B)
9/30/11	Avista Corp. (ID)	---	---	---	12/10	1.1 (B)
2011	***3RD QUARTER: AVERAGES/TOTAL***	**8.09**	**9.65**	**49.44**		**26.5**
	MEDIAN	**8.09**	**9.65**	**49.44**		**---**
	OBSERVATIONS	**2**	**2**	**2**		**4**
10/6/11	Wisconsin Electric Power (WI)	---	---	---	12/12	0.0 (6)
10/6/11	Wisconsin Gas (WI)	---	---	---	12/12	0.0 (6)
10/13/11	South Carolina Electric & Gas (SC)	---	---	---	3/11	8.5 (M)
10/14/11	Columbia Gas of Pennsylvania (PA)	---	---	---	9/11	17.0 (B)
11/8/11	Northern Utilities (ME)	7.41	--- (12)	---	12/10-YE	7.8 (B,I,12)
11/14/11	Washington Gas Light (MD)	8.09	9.60	57.88	12/10-A	8.4
11/28/11	Columbia Gas of Virginia (VA)	---	---	---	12/16-A	11.1 (Z,13)
12/13/11	Southwest Gas (AZ)	8.95	9.50	52.30	6/10-YE	52.6 (B)
12/16/11	Avista Corp. (WA)	---	---	---	---	3.8 (B)
12/20/11	Virginia Natural Gas (VA)	7.38	10.00	45.36	9/10	15.4 (B)
12/22/11	Northern States Power-Wisconsin (WI)	8.52	10.40	52.59	12/12-A	2.9

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GAS UTILITY DECISIONS (continued)

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. $ Mil.
2011	*4TH QUARTER: AVERAGES/TOTAL*	8.07	9.88	52.03		127.5
	MEDIAN	8.09	9.80	52.45		---
	OBSERVATIONS	5	4	4		11
2011	*FULL YEAR: AVERAGES/TOTAL*	8.57	9.92	48.04		436.3
	MEDIAN	8.09	10.03	52.30		---
	OBSERVATIONS	16	16	13		31

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FOOTNOTES

A- Average
B- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.
CWIP- Construction work in progress
D- Applies to electric delivery only
DC- Date certain
E- Estimated
Hy- Hypothetical capital structure utilized
I- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.
M- "Make-whole" rate change based on return on equity or overall return authorized in previous case.
YE- Year-end
Z- Rate change implemented in multiple steps.
* Capital structure includes cost-free items or tax credit balances at the overall rate of return.

(1) The approved stipulation also calls for a $2 million transmission rate increase based on the same return parameters as the $8.3 million distribution increase. Consequently, the aggregate increase was $10.3 million.
(2) Commission decision also required a $12.2 million transmission rate decrease. Thus, in aggregate, rates were increased by $2.5 million.
(3) Proceeding is annual update to Rider S, through which the company is permitted to recognize incremental investment in Virginia City Hybrid Energy Center. The requested ROE is equal to the 11.3% base ROE adopted by the Commission in the company's most recent base rate case, plus a 100-basis-point adder as approved by the Commission, when it granted the company a certificate of convenience and necessity for the plant. The ROE premium is to remain effective through the first 10 years of the plant's useful life.
(4) Proceeding is annual update to Rider R, through which the company is permitted to recognize incremental investment in Bear Garden generation facility. The requested ROE is equal to the 11.3% base ROE adopted by the Commission in the company's most recent base rate case, plus a 100-basis-point adder as approved by the Commission, when it granted the company a certificate of convenience and necessity for the plant. The ROE premium is to remain effective through the first 10 years of the plant's useful life.
(5) Authorized rate increase represents a current cash return on incremental V.C. Summer nuclear plant CWIP. The increase incorporates a previously authorized 11% ROE and incremental CWIP of $436.7 million as of 6/30/11.
(6) Company requested no change in base rates for 2012 if the Commission adopted certain company proposals. The Commission adopted the proposals.
(7) Commission determined that for the company's next biennial review period, which will cover 2011 and 2012, a 10.9% ROE will apply. This ROE includes a 10.4% base ROE and a 50-basis point premium for achieving certain voluntary renewable portfolio targets.
(8) Reflects blended returns after consideration of incentives. Without incentives, a 10% ROE and an 8.09% ROR were authorized.
(9) The authorized $35.6 million rate increase represents the recovery of a cash return on incremental 2012 CWIP and a preliminary true-up of the cash return on 2011 CWIP for Plant Vogtle Units 3 and 4 under the company's legislatively-enabled nuclear construction cost recovery tariff. The requested and authorized $35.6 million rate increase incorporates a previously authorized 11.15% ROE.
(10) Commission order notes an imputed ROE of 9.67%.
(11) Commission established a multi-step rider for recovery of costs associated with the company's accelerated main replacement program.
(12) An additional $0.9 million increase is to be effective 5/1/12. Commission order notes an implied ROE of 9.9%.
(13) Multi-step rate increase to be implemented through a rider associated with the company's mutli-year accelerated main replacement program. Decision incorporates the return parameters authorized in the company's last base rate case, a 10.1% ROE (42.7% of capital) and a 7.92% ROR.

Dennis Sperduto

CAPITAL STRUCTURE DATA

UTILITY PROXY GROUP

				At December 31, 2010					
		Company	Short-term Debt	Current Maturities	Long-term Debt	Preferred	Noncontrolling Interest	Common Stock	Total
1	LNT	Alliant Energy	47.4	1.3	2,703.4	243.8	2.0	2,893.6	5,891.5
2	ED	Consolidated Edison	-	5.0	10,671.0	213.0	-	11,061.0	21,950.0
3	D	Dominion Resources	1,386.0	497.0	15,758.0	257.0	-	11,997.0	29,895.0
4	TEG	Integrys Energy Group	10.0	476.9	2,161.6	-	-	2,905.8	5,554.3
5	ITC	ITC Holdings Corp.	-	-	2,496.9	-	-	1,117.4	3,614.3
6	NEE	NextEra Energy	889.0	1,920.0	18,013.0	-	-	14,461.0	35,283.0
7	OGE	OGE Energy Corp.	145.0	-	2,362.9	-	110.4	2,289.6	4,907.9
8	PCG	PG&E Corp.	853.0	809.0	10,906.0	252.0	-	11,282.0	24,102.0
9	SCG	SCANA Corp.	420.0	337.0	4,152.0	-	-	3,702.0	8,611.0
10	SRE	Sempra Energy	158.0	349.0	8,980.0	100.0	111.0	9,027.0	18,725.0
11	SO	Southern Company	1,297.0	1,301.0	18,154.0	1,082.0	-	16,202.0	38,036.0
12	VVC	Vectren Corp.	118.3	250.7	1,435.2	-	-	1,438.9	3,243.1
13	WEC	Wisconsin Energy	657.9	473.4	3,932.0	30.4	-	3,802.1	8,895.8
14	XEL	Xcel Energy, Inc.	466.4	55.4	9,263.1	105.0	-	8,083.5	17,973.5

Source: Form 10-K Reports available at http://www.sec.gov/edgar/searchedgar/companysearch.html.

UTILITY PROXY GROUP

CAPITAL STRUCTURE DATA

		2010									
	Company	12/31/10 Price	No. Shares	Book Capital	Market Value Equity	Debt	Other	Book Value Ratios Debt	Book Value Ratios Other	Book Value Ratios Common Equity	Total Market Value
1	Alliant Energy	$ 36.77	110.89	$ 5,841.0	$ 4,077	$ 2,703	$ 244	46.3%	4.2%	49.5%	$ 7,024
2	Consolidated Edison	$ 49.57	291.62	$ 21,732.0	$ 14,456	$ 10,570	$ 211	48.6%	1.0%	50.4%	$ 25,236
3	Dominion Resources	$ 42.72	581.00	$ 28,012.0	$ 24,820	$ 15,972	$ 253	57.0%	0.9%	42.1%	$ 41,044
4	Integrys Energy Group	$ 48.51	77.35	$ 5,118.5	$ 3,752	$ 2,436	$ -	47.6%	0.0%	52.4%	$ 6,188
5	ITC Holdings Corp.	$ 61.98	50.72	$ 3,614.3	$ 3,144	$ 2,497	$ -	69.1%	0.0%	30.9%	$ 5,641
6	NextEra Energy, Inc.	$ 51.99	420.86	$ 32,474.0	$ 21,881	$ 18,820	$ -	58.0%	0.0%	42.0%	$ 40,701
7	OGE Energy Corp.	$ 45.54	97.60	$ 4,652.5	$ 4,445	$ 2,308	$ -	49.6%	0.0%	50.4%	$ 6,753
8	PG&E Corp.	$ 47.84	395.23	$ 22,863.0	$ 18,908	$ 11,520	$ 248	50.4%	1.1%	48.5%	$ 30,676
9	SCANA Corp.	$ 40.60	127.00	$ 7,854.0	$ 5,156	$ 4,304	$ -	54.8%	0.0%	45.2%	$ 9,461
10	Sempra Energy	$ 52.48	240.45	$ 18,186.0	$ 12,619	$ 9,138	$ 98	50.2%	0.5%	49.2%	$ 21,854
11	Southern Company	$ 38.23	843.34	$ 35,438.0	$ 32,241	$ 18,766	$ 1,044	53.0%	2.9%	44.1%	$ 52,051
12	Vectren Corp.	$ 25.38	81.70	$ 2,874.0	$ 2,074	$ 1,551	$ -	54.0%	0.0%	46.0%	$ 3,624
13	Wisconsin Energy	$ 58.86	233.77	$ 7,764.5	$ 13,760	$ 4,152	$ 29	53.5%	0.4%	46.2%	$ 17,941
14	Xcel Energy, Inc.	$ 23.55	482.33	$ 17,452.0	$ 11,359	$ 9,289	$ 105	53.2%	0.6%	46.2%	$ 20,753

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Average Price	No. Shares	Book Capital	Market Value Equity	Debt	Other	Book Value Ratios Debt	Book Value Ratios Other	Book Value Ratios Common Equity	Total Market Value
$47.50	116.00	$ 6,805	$ 5,510	$ 3,096	$ 204	45.5%	3.0%	51.5%	$ 8,810
$55.00	310.00	$ 26,200	$ 17,050	$ 12,969	$ -	49.5%	0.0%	50.5%	$ 30,019
$52.50	585.00	$ 37,200	$ 30,713	$ 21,390	$ 186	57.5%	0.5%	42.0%	$ 52,289
$47.50	78.30	$ 6,025	$ 3,719	$ 2,711	$ 30	45.0%	0.5%	54.5%	$ 6,461
$95.00	54.50	$ 5,650	$ 5,178	$ 3,616	$ -	64.0%	0.0%	36.0%	$ 8,794
$75.00	420.00	$ 42,700	$ 31,500	$ 23,272	$ -	54.5%	0.0%	45.5%	$ 54,772
$52.50	100.00	$ 6,775	$ 5,250	$ 3,421	$ -	50.5%	0.0%	49.5%	$ 8,671
$47.50	425.00	$ 30,200	$ 20,188	$ 13,741	$ 302	45.5%	1.0%	53.5%	$ 34,231
$47.50	155.00	$ 11,650	$ 7,363	$ 5,883	$ -	50.5%	0.0%	49.5%	$ 13,246
$70.00	246.00	$ 25,200	$ 17,220	$ 12,348	$ -	49.0%	0.0%	51.0%	$ 29,568
$45.00	910.00	$ 49,800	$ 40,950	$ 26,145	$ 996	52.5%	2.0%	45.5%	$ 68,091
$35.00	85.00	$ 3,600	$ 2,975	$ 1,800	$ -	50.0%	0.0%	50.0%	$ 4,775
$40.00	223.00	$ 9,450	$ 8,920	$ 5,056	$ 47	53.5%	0.5%	46.0%	$ 14,023
$25.00	498.00	$ 21,500	$ 12,450	$ 11,073	$ -	51.5%	0.0%	48.5%	$ 23,523

ELECTRIC UTILITY OPERATING SUBSIDIARIES

Holding Company	Operating Company	Year-end 2010 Current Maturities	Long-term Debt	Preferred Stock	Minority Interest	Common Equity	Total Long-term
SOUTHERN CO.	Alabama Power Co.	200.0	5,987.0	685.0		5,393.0	12,265.0
CONSOLIDATED EDISON	Consolidated Edison of NY	-	9,743.0	213.0		9,923.0	19,879.0
SOUTHERN CO.	Georgia Power Co.	415.0	7,931.0	266.0		8,741.0	17,353.0
SOUTHERN CO.	Gulf Power Co.	110.0	1,114.4	98.0		1,075.0	2,397.4
ITC HOLDINGS CORP.	International Transmission Co	-	396.4	-	-	595.6	992.0
ALLIANT ENERGY CORP.	Interstate Power & Light	-	1,308.6	183.8	-	1,389.8	2,882.2
ITC HOLDINGS CORP.	ITC Great Plains	-	16.2	-	-	25.4	41.6
ITC HOLDINGS CORP.	ITC Midwest	-	364.1	-	-	545.9	910.0
ITC HOLDINGS CORP.	Michigan Elec. Transmission Co.	-	277.2	-	-	431.8	709.0
SOUTHERN CO.	Mississippi Power Co	256.4	462.0	32.8		737.4	1,488.6
XCEL ENERGY, INC.	Northern States Power Co. (MN)		3,337.9			3,496.2	6,834.1
XCEL ENERGY, INC.	Northern States Power Co. (WI)	-	367.4	-	-	502.7	870.1
OGE ENERGY	Oklahoma Gas & Electric Co.	-	1,790.4	-	-	2,778.1	4,568.5
CONSOLIDATED EDISON	Orange & Rockland	-	578.5	-	-	526.9	1,105.4
PG&E CORP.	Pacific Gas & Electric Co.	809.0	10,557.0	258.0	-	11,463.0	23,087.0
XCEL ENERGY, INC.	Public Service Co. of Colorado	7.0	3,228.3	-	-	4,138.2	7,373.4
SEMPRA ENERGY	San Diego Gas & Electric	19.0	3,479.0	79.0	113.0	3,108.0	6,798.0
SCANA CORP	South Carolina Electric & Gas	22.0	3,037.0	-	104.0	3,437.0	6,600.0
VECTREN CORP.	Southern Indiana Gas & Electric Co.	-	650.2	-	-	702.0	1,352.2
XCEL ENERGY, INC.	Southwestern Public Service Co.	-	897.8	-	-	962.1	1,859.9
INTEGRYS ENERGY	Upper Penninsula Power Co	-	54.4	-	-	92.2	146.6
DOMINION RESOURCES	Virginia Electric Power	15.0	6,702.0	257.0	-	8,507.0	15,481.0
WISCONSIN ENERGY	Wisconsin Electric Power Co.	21.8	1,970.9	30.4	-	3,065.1	5,088.2
ALLIANT ENERGY CORP.	Wisconsin Power & Light	-	1,081.7	60.0	-	1,369.3	2,511.0
INTEGRYS ENERGY	Wisconsin Public Service Corp.	150.0	729.7	51.2	-	1,147.2	2,078.1

Q.

Please provide copies of any reports, analyses, or documents that support the coupon rates for each long-term debt issuance since September 2008 reported on MFR Schedule D-4a.

A.

Please see prospectus covers produced for each debt issuance since September 2008. The entire prospectus is available under the investor section of www.nexteraenergy.com.

PROSPECTUS SUPPLEMENT
(To prospectus dated August 3, 2009)

FPL

Florida Power & Light Company

First Mortgage Bonds,

$600,000,000 4.125% Series due February 1, 2042

Florida Power & Light Company will pay interest on the first mortgage bonds on February 1 and August 1 of each year, beginning August 1, 2012, while the first mortgage bonds are outstanding. Florida Power & Light Company may redeem some or all of the first mortgage bonds at any time before their maturity date at the redemption prices discussed under "Certain Terms of the Offered Bonds—Redemption" beginning on page S-13 of this prospectus supplement.

Florida Power & Light Company does not plan to list the first mortgage bonds on any securities exchange. The first mortgage bonds are secured by the lien of Florida Power & Light Company's mortgage and rank equally with all of Florida Power & Light Company's first mortgage bonds from time to time outstanding. The lien of the mortgage is discussed under "Description of Bonds—Security" beginning on page 11 of the accompanying prospectus.

See "Risk Factors" beginning on page S-3 of this prospectus supplement to read about certain factors you should consider before making an investment in the first mortgage bonds.

Neither the Securities and Exchange Commission nor any other securities commission in any jurisdiction has approved or disapproved of the first mortgage bonds or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per First Mortgage Bond	Total
Price to Public	99.753%	$598,518,000
Underwriting Discount	0.875%	$ 5,250,000
Proceeds to Florida Power & Light Company (before expenses)	98.878%	$593,268,000

In addition to the Price to Public set forth above, each purchaser will pay an amount equal to the interest, if any, accrued on the first mortgage bonds from the date that the first mortgage bonds are originally issued to the date that they are delivered to that purchaser.

The first mortgage bonds are expected to be delivered in book-entry only form through The Depository Trust Company for the accounts of its participants on or about December 13, 2011.

Joint Book-Running Managers

Barclays Capital **Citigroup** **Goldman, Sachs & Co.**
Mizuho Securities **Scotia Capital** **Wells Fargo Securities**

Co-Managers

KeyBanc Capital Markets **Morgan Keegan** **RBC Capital Markets**
UniCredit Capital Markets **US Bancorp**

The date of this prospectus supplement is December 8, 2011.

Staff 000207
FPL RC-12

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Registration Statement Nos. 333-160987, 333-160987-01, 333-160987-02, 333-160987-03, 333-160987-04, 333-160987-05, 333-160987-06, 333-160987-07 and 333-160987-08

PROSPECTUS SUPPLEMENT
(To prospectus dated August 3, 2009)

FPL

Florida Power & Light Company

First Mortgage Bonds,

$250,000,000 5.125% Series due June 1, 2041

Florida Power & Light Company will pay interest on the securities on June 1 and December 1 of each year, beginning December 1, 2011. Florida Power & Light Company may redeem some or all of the securities at any time before their maturity date at the redemption prices discussed under "Certain Terms of the Offered Bonds—Redemption" beginning on page S-13 of this prospectus supplement.

Florida Power & Light Company does not plan to list the securities on any securities exchange. The securities are secured by the lien of Florida Power & Light Company's mortgage and rank equally with all of Florida Power & Light Company's first mortgage bonds from time to time outstanding. The lien of the mortgage is discussed under "Description of Bonds—Security" beginning on page 11 of the accompanying prospectus.

See "Risk Factors" beginning on page S-3 of this prospectus supplement to read about certain factors you should consider before making an investment in the securities.

Neither the Securities and Exchange Commission nor any other securities commission in any jurisdiction has approved or disapproved of the securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per First Mortgage Bond	Total
Price to Public	99.910%	$ 249,775,000
Underwriting Discount	0.875%	$ 2,187,500
Proceeds to Florida Power & Light Company (before expenses)	99.035%	$ 247,587,500

In addition to the Price to Public set forth above, each purchaser will pay an amount equal to the interest, if any, accrued on the securities from the date that the securities are originally issued to the date that they are delivered to that purchaser.

The securities are expected to be delivered in book-entry only form through The Depository Trust Company for the accounts of its participants on or about June 10, 2011.

Staff 000208
FPL RC-12

PROSPECTUS SUPPLEMENT
(To prospectus dated August 3, 2009)

FPL

Florida Power & Light Company

First Mortgage Bonds,

$400,000,000 5.25% Series due February 1, 2041

Florida Power & Light Company will pay interest on the securities on February 1 and August 1 of each year beginning February 1, 2011. Florida Power & Light Company may redeem some or all of the securities at any time before their maturity date at the redemption prices discussed under "Certain Terms of the Offered Bonds—Redemption" beginning on page S-14 of this prospectus supplement.

Florida Power & Light Company does not plan to list the securities on any securities exchange. The securities are secured by the lien of Florida Power & Light Company's mortgage and rank equally with all of Florida Power & Light Company's first mortgage bonds from time to time outstanding. The lien of the mortgage is discussed under "Description of Bonds—Security" beginning on page 11 of the accompanying prospectus.

See "Risk Factors" beginning on page S-3 of this prospectus supplement to read about certain factors you should consider before making an investment in the securities.

Neither the Securities and Exchange Commission nor any other securities commission in any jurisdiction has approved or disapproved of the securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per First Mortgage Bond	Total
Price to Public	99.752%	$399,008,000
Underwriting Discount	0.875%	$ 3,500,000
Proceeds to Florida Power & Light Company (before expenses)	98.877%	$395,508,000

In addition to the Price to Public set forth above, each purchaser will pay an amount equal to the interest, if any, accrued on the securities from the date that the securities are originally issued to the date that they are delivered to that purchaser.

The securities are expected to be delivered in book-entry only form through The Depository Trust Company for the accounts of its participants on or about December 9, 2010.

Joint Book-Running Managers

Credit Agricole CIB **Mizuho Securities USA Inc.** **Scotia Capital**

US Bancorp **Wells Fargo Securities**

Co-Managers

BBVA Securities **BNY Mellon Capital Markets, LLC** **Loop Capital Markets** **UBS Investment Bank**

The date of this prospectus supplement is December 6, 2010.

PROSPECTUS SUPPLEMENT
(To prospectus dated August 3, 2009)

FPL

Florida Power & Light Company
First Mortgage Bonds,
$500,000,000 5.69% Series due March 1, 2040

Florida Power & Light Company will pay interest on the securities on March 1 and September 1 of each year, beginning September 1, 2010. Florida Power & Light Company may redeem some or all of the securities at any time before their maturity date at the redemption price discussed under "Certain Terms of the Offered Bonds—Redemption" beginning on page S-5 of this prospectus supplement.

Florida Power & Light Company does not plan to list the securities on any securities exchange. The securities are secured by the lien of Florida Power & Light Company's mortgage and rank equally with all of Florida Power & Light Company's first mortgage bonds from time to time outstanding. The lien of the mortgage is discussed under "Description of Bonds—Security" beginning on page 11 of the accompanying prospectus.

See "Risk Factors" beginning on page 2 of the accompanying prospectus to read about certain factors you should consider before making an investment in the securities.

Neither the Securities and Exchange Commission nor any other securities commission in any jurisdiction has approved or disapproved of the securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per First Mortgage Bond	Total
Price to Public	99.866%	$499,330,000
Underwriting Discount	0.875%	$ 4,375,000
Proceeds to Florida Power & Light Company (before expenses)	98.991%	$494,955,000

In addition to the Price to Public set forth above, each purchaser will pay an amount equal to the interest, if any, accrued on the securities from the date that the securities are originally issued to the date that they are delivered to that purchaser.

The securities are expected to be delivered in book-entry only form through The Depository Trust Company for the accounts of its participants, including Euroclear and Clearstream, Luxembourg, on or about February 9, 2010.

Joint Book-Running Managers

BofA Merrill Lynch **Citi** **Credit Suisse** **Mitsubishi UFJ Securities**

Co-Managers

BBVA Securities **KeyBanc Capital Markets** **Santander**
The Williams Capital Group, L.P. **U.S. Bancorp Investments, Inc.** **UniCredit Capital Markets**

The date of this prospectus supplement is February 3, 2010.

Staff 000210
FPL RC-12

PROSPECTUS SUPPLEMENT
(To prospectus dated May 3, 2007)

FPL

Florida Power & Light Company
First Mortgage Bonds,
$500,000,000 5.96% Series due April 1, 2039

Florida Power & Light Company will pay interest on the securities on April 1 and October 1 of each year beginning October 1, 2009. Florida Power & Light Company may redeem some or all of the securities at any time before their maturity date at the redemption price discussed under "Certain Terms of the Offered Bonds—Redemption" beginning on page S-8 of this prospectus supplement.

Florida Power & Light Company does not plan to list the securities on any securities exchange. The securities are secured by the lien of Florida Power & Light Company's mortgage and rank equally with all of Florida Power & Light Company's first mortgage bonds from time to time outstanding. The lien of the mortgage is discussed under "Description of the Bonds—Security" on page 8 of the accompanying prospectus.

See "Risk Factors" beginning on page S-3 to read about certain factors you should consider before making an investment in the securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per First Mortgage Bond	Total
Price to Public	99.927%	$499,635,000
Underwriting Discount	0.875%	$ 4,375,000
Proceeds to Florida Power & Light Company (before expenses)	99.052%	$495,260,000

In addition to the Price to Public set forth above, each purchaser will pay an amount equal to the interest accrued, if any, on the securities from the date that the securities are originally issued to the date that they are delivered to that purchaser.

The securities are expected to be delivered in book-entry only form through The Depository Trust Company, on or about March 17, 2009.

Joint Book-Running Managers

BNY Mellon Capital Markets, LLC CALYON J.P. Morgan

Mitsubishi UFJ Securities RBS Greenwich Capital

Co-Managers

BBVA Securities Commerzbank Corporates & Markets Morgan Keegan & Company, Inc.

SOCIETE GENERALE The Williams Capital Group, L.P.

The date of this prospectus supplement is March 11, 2009.

Staff 000211
FPL RC-12

PROSPECTUS SUPPLEMENT
(To prospectus dated May 3, 2007)

FPL

Florida Power & Light Company

First Mortgage Bonds,
$600,000,000 5.95% Series due February 1, 2038

Florida Power & Light Company will pay interest on the securities on February 1 and August 1 of each year, beginning August 1, 2008. Florida Power & Light Company may redeem some or all of the securities at any time before their maturity date at the redemption price discussed under "Certain Terms of the Offered Bonds—Redemption" beginning on page S-4 of this prospectus supplement.

Florida Power & Light Company does not plan to list the securities on any securities exchange. The securities are secured by the lien of Florida Power & Light Company's mortgage and rank equally with all of Florida Power & Light Company's first mortgage bonds from time to time outstanding. The lien of the mortgage is discussed under "Description of the Bonds—Security" on page 8 of the accompanying prospectus.

See "Risk Factors" beginning on page 2 of the accompanying prospectus to read about certain factors you should consider before making an investment in the securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per First Mortgage Bond	Total
Price to Public	99.456%	$596,736,000
Underwriting Discount	0.875%	$ 5,250,000
Proceeds to Florida Power & Light Company (before expenses)	98.581%	$591,486,000

In addition to the Price to Public set forth above, each purchaser will pay an amount equal to the interest accrued, if any, on the securities from the date that the securities are originally issued to the date that they are delivered to that purchaser.

The securities are expected to be delivered to the underwriters in book-entry only form through The Depository Trust Company, on or about January 16, 2008.

Joint Book-Running Managers

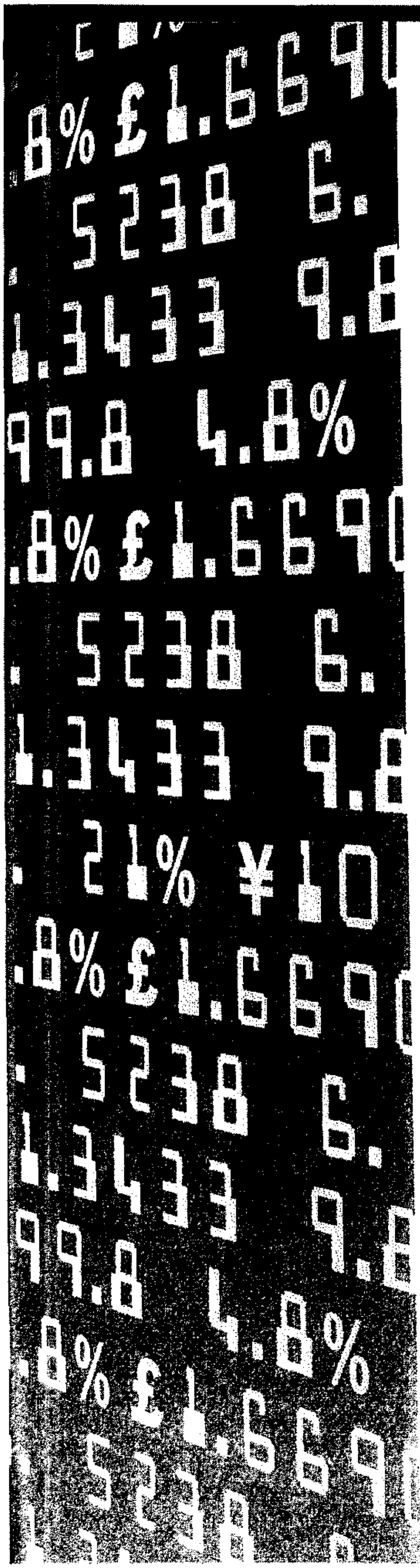
[illegible]XON Citi Morgan Stanley Wachovia Securities

Co-Managers

BNY Capital Markets, Inc. Deutsche Bank Securities HSBC
KeyBanc Capital Markets Lazard Capital Markets Wells Fargo Securities

The date of this prospectus supplement is January 10, 2008.

Staff 000212
FPL RC-12



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EXECUTIVE EDITOR:
RANDELL E. MOORE
3663 Madison Ave.
Kansas City, MO 64111
Phone (816) 931-0131
Fax (816) 931-0430
E-mail: *randy.moore@wolterskluwer.com*

Publisher: Paul Gibson
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FPL RC-12

Consensus Still Sees Modest Economic Growth, But Downside Risks Are High

Domestic Commentary Consensus forecasts of U.S. economic growth this quarter and next increased during the past month but expectations for growth over the remainder of the forecast horizon were little changed. Most panelists continue to anticipate modest but gradually improving growth over the forecast horizon but acknowledge the existence of downside risks given the deteriorating situation in Europe, signs of slowing activity in Asia and the potential for greater-than-anticipated fiscal retrenchment in the U.S.

Based on our November 22nd-23rd survey, the consensus now predicts real GDP growth of 2.7% (saar) in the current quarter, 0.7 of a percentage point greater than estimated a month ago. That compares with downwardly revised growth of 2.0% in Q3, according to the government's second estimate. The downward revision stemmed from lower than initially reported business inventories. Indeed, inventories are now reported to have contracted by $8.5 billion versus an initially reported $5.4 billion increase. Estimated Q3 growth in real final sales (GDP minus inventories) remained at 3.6%. Modest downward revisions in personal consumption and fixed business investment were offset by a narrower net export deficit. Real government spending and investment was downwardly revised to show a 0.1% contraction. That marked the fourth consecutive quarterly decline, the first such occurrence since the beginning of the Vietnam War wind-down in 1971. A contraction this quarter would mark the first five-quarter string of declines since the end of the Korean War.

Discouragingly, real disposable personal income is now reported to have contracted 2.1% in Q3. Moreover, based on revised estimates of wages and salaries, personal taxes, and contributions to government social insurance for April through June, the government revised its Q2 estimate of real DPI from an increase of 0.6% to a contraction of 0.5%. As a consequence, real gross domestic income (GDI), arguably a better indicator of an economy's health than GDP, rose just 0.2% in Q2 and 0.4% in Q3.

GDP growth in the current quarter is likely to be supported by real PCE growth on par with that in Q3 but much slower growth in business spending on equipment and structures. Purchases of consumer goods, aided by better vehicle sales, will likely be stronger in Q4 than in Q3. However, consumer spending on services is likely to be slower given that such spending in Q3 was the fastest seen in some years. While the level of real PCE in September was comfortably above its Q2 average, suggesting solid momentum going into Q4, the 0.1% gain in October was a disappointment, causing some analysts to pare their estimates of growth during the final quarter of the year.

Analysts' estimates of business investment in Q4 have come down. October core capital goods orders, a leading indicator of capital spending, fell 1.8%, the biggest monthly drop since January. Moreover, core capital goods shipments, an input into GDP, contracted 1.1% after falling 1.0% in September. That marked the first back-to-back monthly declines since January and February of this year.

A rebound in business inventories will likely be the biggest contributor to GDP in current quarter, but some of the increase may turn out to be unintended. A further narrowing of the trade deficit also should add to GDP in Q4. However, real final sales during the quarter should fall well short of the 3.6% advance registered last quarter.

Looking beyond the current quarter, the consensus predicts real GDP will grow 2.0% in Q1 2012, 0.2 of a point stronger than forecast last month. Growth of 2.1% and 2.4% is forecast for Q2 and Q3 of next year, unchanged from a month earlier. The consensus forecast of real GDP growth in the final quarter of next year rose 0.1 of a percentage point this month to 2.7% but the forecast of growth in Q1 2013 slipped by 0.2 of a point to 2.6%.

Critical to the outlook for growth in the first half of next year is whether Congress approves an extension of this year's two percentage point reduction in workers' payroll taxes and/or the long-term unemployment benefits program, both of which expire at the end of December. The recent failure by the so-called "Super committee" to come up with a $1.5 trillion long-term debt reduction plan, likely reduced the odds that these programs will be extended. Nonetheless, most analysts' estimates of economic growth next year still assume that Congress will act in the next couple of weeks to at least extend the payroll tax holiday. Absent such action, growth in DPI and PCE next year is likely to fall well short of current consensus assumptions.

In the longer-run, the failure of the Super Committee to strike a deal triggers automatic discretionary and defense cuts of $1.2 trillion over 9 years, beginning in January 2013. While some politicians are already devising ways to circumvent the cuts, the President and leaders of the House and Senate have so far signaled their intention to stick to the original deal. Each are likely posturing given it is an election year, but further fiscal restraint in 2013 seems highly likely.

As expected, the Federal Open Market Committee left policy unchanged at its November 1st-2nd meeting but left the door ajar to further stimulus given an unemployment rate that remained "elevated," and "significant downside risks to the economic outlook, including strains in global financial markets." The unchanged policy stance comes in the wake of the Fed's conditional promise in August to leave its federal funds rate target at 0%-0.25% until at least mid-2013 and the announcement in September of plans to sell $400 billion of shorter duration assets on its balance sheet, replacing them with an equal amount of longer maturity Treasury notes by next June.

Minutes of the November meeting did reveal further discussions on ways to improve Fed communication of its policy intentions. Among the options discussed was conditional guidance on policy based upon "numerical thresholds" for inflation and unemployment. Also discussed was the idea of targeting nominal GDP as an intermediate policy objective, but this idea did not seem to garner much support. While no decisions were made in November on a revamped communications strategy we may see something come out of the FOMC's December 13th meeting.

Some influential FOMC members continue to talk up the possibility of additional quantitative easing (most likely purchases of mortgage-backed securities), but a near-term move in that direction seems unlikely unless the economy is shocked by events in Europe or failure to extend the payroll tax holiday. Rapid deterioration of the situation in Europe that evolved into a global credit crunch also would likely prompt the Fed to reactivate some of the liquidity enhancing mechanisms successfully employed during the second half of 2008 and first half of 2009.

Along those lines, the Fed recently launched its third round of bank stress tests, forcing the largest institutions to gauge whether they could withstand a sharp deterioration in the economy characterized by plunging equity markets, a sharp widening of credit spreads and a significant jump in the unemployment rate. The results will determine whether regulators will allow the banks to boost dividends and/or announce share buy-backs in the coming year. Banks are required to submit their plans to the Fed by January 9th. Full results of the tests will be released in March.

Consensus Forecast The FOMC is expected by the consensus to leave its fed funds target unchanged until mid-2013. Additional quantitative easing by the Fed is assumed by about half of our panelists. The economy is expected to grow modestly over the forecast horizon but downside risks remain considerable. Inflation is expected to ease in 2012 *(see page 2)*.

Special Questions On page 14 are results of our twice-yearly long-range survey results with forecasts for the years 2013 through 2017 and averages for the 5-year periods 2013-2017 and 2018-2022.

Staff 000215
FPL RC-12

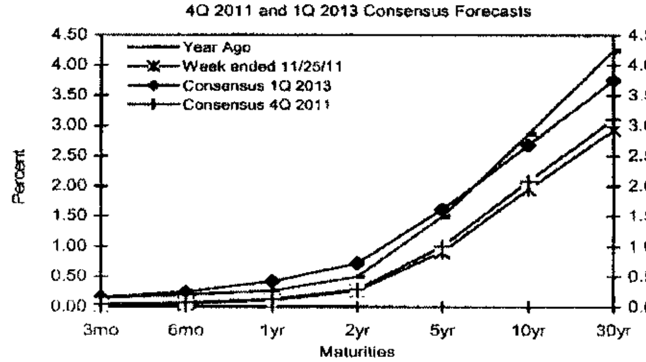
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

Interest Rates	History: Average For Week Ending Nov.25	Nov.18	Nov.11	Nov.4	Average For Month Oct.	Sep.	Aug.	Latest Q 3Q 2011	Consensus Forecasts-Quarterly Avg. 4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013
Federal Funds Rate	0.08	0.08	0.08	0.08	0.07	0.08	0.10	0.08	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**
LIBOR, 3-mo.	0.51	0.47	0.45	0.43	0.41	0.35	0.29	0.30	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.5**
Commercial Paper, 1-mo.	0.10	0.10	0.11	0.11	0.09	0.08	0.11	0.09	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.3**
Treasury bill, 3-mo.	0.02	0.01	0.01	0.01	0.02	0.01	0.02	0.02	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**	**0.2**
Treasury bill, 6-mo.	0.05	0.04	0.04	0.04	0.05	0.04	0.06	0.06	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**0.3**
Treasury bill, 1 yr.	0.11	0.11	0.10	0.12	0.11	0.10	0.11	0.13	**0.1**	**0.2**	**0.2**	**0.3**	**0.3**	**0.4**
Treasury note, 2 yr.	0.27	0.26	0.25	0.23	0.28	0.21	0.23	0.28	**0.3**	**0.3**	**0.4**	**0.5**	**0.6**	**0.7**
Treasury note, 5 yr.	0.91	0.90	0.90	0.91	1.06	0.90	1.02	1.15	**1.0**	**1.1**	**1.2**	**1.3**	**1.5**	**1.6**
Treasury note, 10 yr.	1.95	2.02	2.05	2.07	2.15	1.98	2.30	2.43	**2.1**	**2.2**	**2.3**	**2.4**	**2.6**	**2.7**
Treasury note, 30 yr.	2.93	3.04	3.08	3.07	3.13	3.18	3.65	3.70	**3.1**	**3.2**	**3.3**	**3.5**	**3.7**	**3.8**
Corporate Aaa bond	3.85	3.89	3.88	3.84	3.98	4.09	4.37	4.46	**4.0**	**4.0**	**4.1**	**4.2**	**4.3**	**4.4**
Corporate Baa bond	5.13	5.16	5.12	5.11	5.37	5.27	5.36	5.46	**5.2**	**5.2**	**5.3**	**5.4**	**5.5**	**5.5**
State & Local bonds	4.07	4.09	4.02	4.02	4.13	4.01	4.02	4.18	**4.0**	**4.1**	**4.1**	**4.2**	**4.3**	**4.3**
Home mortgage rate	3.98	4.00	3.99	4.00	4.07	4.11	4.27	4.31	**4.0**	**4.1**	**4.1**	**4.2**	**4.4**	**4.5**
Key Assumptions	History: 4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	Consensus Forecasts-Quarterly 4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013
Major Currency Index	72.8	74.8	77.6	75.9	73.0	71.9	69.6	69.9	**71.8**	**72.1**	**72.3**	**72.0**	**72.0**	**72.2**
Real GDP	3.8	3.9	3.8	2.5	2.3	0.4	1.3	2.0	**2.7**	**2.0**	**2.1**	**2.4**	**2.7**	**2.6**
GDP Price Index	1.1	1.5	1.5	1.4	1.9	2.5	2.5	2.5	**1.8**	**1.9**	**1.9**	**2.0**	**2.0**	**2.1**
Consumer Price Index	2.7	1.3	-0.5	1.4	2.6	5.2	4.1	3.1	**1.8**	**2.1**	**2.1**	**2.3**	**2.2**	**2.3**

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

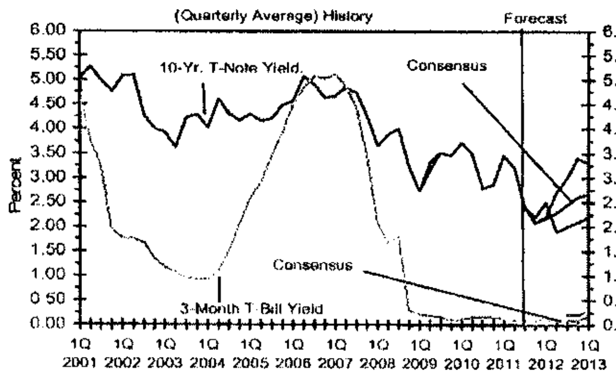
U.S. Treasury Yield Curve

Week ended November 25th, 2011 and Year Ago vs. 4Q 2011 and 1Q 2013 Consensus Forecasts



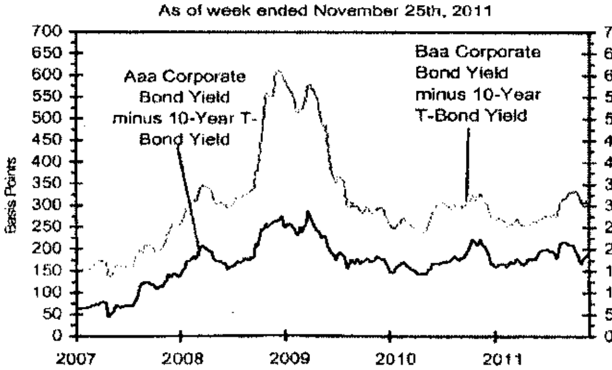
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History



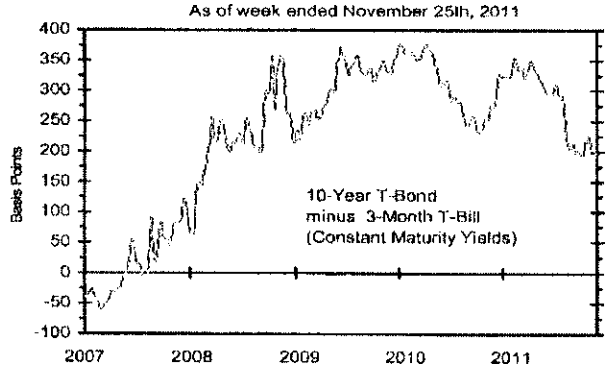
Corporate Bond Spreads

As of week ended November 25th, 2011



U.S. Treasury Yield Curve

As of week ended November 25th, 2011



Staff 000216
FPL RC-12

3-Month Interest Rates[1]

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	0.71	0.55	0.65	**0.44**	**0.39**	**0.39**
Japan	0.40	0.21	0.33	**0.24**	**0.24**	**0.24**
U.K.	1.15	1.02	0.75	**0.88**	**0.77**	**0.77**
Switzerland	0.23	0.20	0.50	**0.10**	**0.10**	**0.10**
Canada	1.30	1.69	1.62	**1.13**	**0.93**	**0.95**
Australia	4.70	4.95	4.96	**4.50**	**4.30**	**4.43**
Eurozone	1.55	1.76	1.16	**0.85**	**0.80**	**0.82**

10-Yr. Government Bond Yields[2]

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	1.97	2.13	2.91	**2.04**	**2.23**	**2.64**
Germany	2.25	2.06	2.71	**1.87**	**2.07**	**2.28**
Japan	1.04	1.02	1.16	**1.05**	**1.08**	**1.17**
U.K.	2.51	2.51	3.36	**2.31**	**2.42**	**2.73**
France	3.69	3.19	3.14	**4.09**	**4.08**	**4.31**
Italy	7.37	5.96	4.44	**6.20**	**6.30**	**6.30**
Switzerland	0.90	1.03	1.68	**0.95**	**1.10**	**1.27**
Canada	2.11	2.28	3.16	**2.36**	**2.53**	**3.02**
Australia	3.91	4.48	5.50	**4.37**	**4.51**	**4.94**
Spain	6.71	5.54	5.20	**6.43**	**6.49**	**6.47**

Foreign Exchange Rates[1]

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	72.289	70.876	73.185	**72.5**	**71.8**	**71.0**
Japan	76.930	76.100	83.490	**77.7**	**77.4**	**79.5**
U.K.	1.5783	1.5945	1.5961	**1.57**	**1.59**	**1.64**
Switzerland	0.9159	0.8852	0.9979	**0.92**	**0.92**	**0.92**
Canada	1.0260	1.0090	1.0226	**1.01**	**0.99**	**0.97**
Australia	1.0036	1.0330	0.9846	**1.00**	**1.01**	**1.04**
Euro	1.3521	1.3873	1.3654	**1.33**	**1.34**	**1.37**

Consensus 3-Month Rates vs. U.S. Rate

	Now	In 12 Mo.
Japan	-0.31	**-0.14**
U.K.	0.44	**0.38**
Switzerland	-0.48	**-0.29**
Canada	0.59	**0.56**
Australia	3.99	**4.04**
Eurozone	0.84	**0.44**

Consensus 10-Year Gov't Yields vs. U.S. Yield

	Now	In 12 Mo.
Germany	0.28	**-0.36**
Japan	-0.93	**-1.47**
U.K.	0.54	**0.10**
France	1.72	**1.67**
Italy	5.40	**3.66**
Switzerland	-1.07	**-1.37**
Canada	0.14	**0.38**
Australia	1.94	**2.30**
Spain	4.74	**3.83**

Forecasts of panel members are on pages 10 and 11. Definitions of variables are as follows: [1]Three month rate on interest-earning money market deposits denominated in selected currencies. [2]Government bonds are yields to maturity. Foreign exchange rate forecasts for U.K., Australia and the Euro are U.S. dollars per currency unit. For the U.S dollar, forecasts are of the U.S. Federal Reserve Board's Major Currency Index.

International Commentary The Eurozone's debt crisis intensified sharply over the past month as global money mangers dumped holdings of European government and bank debt. Especially troubling was the rapid spread of the crisis from periphery members to the zone's core. The selling pushed 10-year government note yields in Italy to well in excess of 7% and yield curves are now inverted in Italy, Ireland, Greece and Portugal – a historically accurate harbinger of recession. Meanwhile, French, Dutch, Austrian and German government yields have turned skyward, the latter in part because of a failed auction that forced the Bundesbank to step in and buy bunds. Wholesale bank lending for Europe is effectively drying up as firms fret about counter-party risks, forcing increasing numbers of institutions to rely on the ECB for their day-to-day funding requirements. Ominously, the forced selling of debt and surging borrowing costs in Europe are increasingly reminiscent of the months leading up to the financial crisis in the fall of 2008 and are prompting some analysts to openly speculate about an inevitable break-up of the Eurozone.

Despite the intensifying crisis, Germany so far remains opposed to issuance of Eurobonds backed by all member states or massive purchases of sovereign debt by the European Central Bank until real fiscal union is achieved by way of treaty changes that impose strict budgetary rules on member states and automatic sanctions if those rules are broken. Hopes that the upcoming December 9th European Summit might produce definitive solutions to the crisis are fading. So, too, have hopes that the European Financial Stability Fund might at least buy time for needed reforms since it is not yet operational, is unlikely to be sufficiently leveraged to do much good, and might itself have difficulty issuing debt. While the International Monetary Fund recently announced a new rapid-fire credit line aimed at "breaking the chains of contagion," and is rumored to have readied a massive loan to finance Italy over the next 12 to 18 months while it implements budget cuts and growth-boosting reforms, the U.S. and other IMF members are unlikely to pony up the vast sums of money actually needed to solve what is seen as Europe's problem.

In the short run, the ECB is likely to continue its purchases of sovereign debt in limited amounts, follow-up its November 3rd cut in interest rates with another 25 basis point reduction in the refi rate on December 8th, and possibly announce an extended liquidity operation for banks in conjunction with a broadening of eligible collateral. While real GDP in the Eurozone managed to increase 0.9% (saar) in Q3, the currency zone likely lapsed into recession beginning this quarter, easing ECB policymaker's inflationary concerns and likely paving the way for further interest rate cuts during the first half of 2012.

At its November meeting, the Bank of England left the repo rate at its historic low of 0.5% and the size of its quantitative easing program at GBP 75 billion. Minutes from the meeting were less dovish than expected by some analysts but a further expansion of the BoE's QE program is likely early next year if the Eurozone's debt crisis continues to intensify, U.K. GDP ends up contracting in the current quarter, and inflation continues to slide from its September peak as the influence of the temporary factors recedes and downward pressure from unemployment and spare capacity persists.

The Reserve Bank of Australia cut its cash rate 25 basis points to 4.5% on November 1st. Minutes revealed that "material changes" to the inflation outlook, combined with downside risks to the global economy, prompted the RBA's shift to a more neutral policy setting.

The Bank of Canada policy shifted to neutral in late October by abandoning mention of the potential need for removal of policy stimulus and by downgrading its economic growth and inflation outlook. Given the uncertain outlook for global growth, BoC policy is likely to remain on hold for the foreseeable future with its overnight policy rate stuck at 1.0% *(see pages 10-11 for individual panelists' forecasts).*

Staff 000217
FPL RC-12

Fourth Quarter 2011

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum – Average For Quarter: Short-Term: 1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	Intermediate-Term: 8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	Long-Term: 12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	Avg. For —Qtr.— A. Fed's Major Currency $ Index	(Q-Q % Change) (SAAR) B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3	0.5	0.2 H	0.1	0.1	0.2	0.3	1.0	2.1	3.2	4.2	5.4 H	3.9	4.0	71.0	3.0	2.2	1.0
Swiss Re	0.3 H	3.3	0.3	0.1 L	0.0 L	0.1	0.2	0.3	1.0	2.0	3.0	4.0	5.3	na	4.0	na	2.5	0.8	1.0
Scotiabank Group	0.3 H	3.3	na	na	0.0 L	na	na	0.3	1.0	1.8 L	2.9 L	na	na	na	na	na	2.3	1.5	2.9
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.0 L	0.1	0.2	0.3	1.0	2.2	3.1	4.0	5.3	4.0	4.0	71.0	2.7	1.9	3.0
Fannie Mae	0.2	3.3	na	na	0.0 L	na	na	na	na	2.1	3.2	4.0	na	na	4.1	na	2.5	1.8	1.8
JPMorgan Private Banking	0.2	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.1	2.2	3.2	4.1	5.4 H	4.0	4.1	72.3	3.0	2.0	2.1
Naroff Economic Advisors	0.2	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	4.0	5.3	4.1	4.0	72.0	3.6	2.5	3.1
J.W. Coons Advisors LLC	0.1 L	3.3	0.5	0.2 H	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.2	na	4.1	70.4	1.8 L	2.2	2.3
BMO Capital Markets	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.3	0.9 L	2.1	3.0	3.9	5.2	4.1	4.1	72.0	3.0	1.0	1.8
Economist Intelligence Unit	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1	0.1 L	0.3	0.8 L	2.0	3.0	na	na	na	4.0	na	2.0	na	1.1
Bank of America Merrill Lynch	0.1 L	na	0.5	na	0.1	na	na	0.2 L	1.0	2.3 H	na	na	na	na	na	na	3.0	1.6	1.5
J.P. Morgan Chase	0.1 L	na	0.4	na	0.0 L	na	na	0.3	0.9 L	2.0	2.9 L	na	na	na	na	na	3.0	1.0	0.7
UBS	0.1 L	na	0.4	na	0.1	na	na	0.2 L	1.0	1.9	3.0	na	na	na	na	na	2.0	1.0	0.6 L
GLC Financial Economics	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.3	4.1	4.0	72.2	1.8 L	1.8	1.9
SunTrust Banks	0.1 L	3.3	0.4	0.1 L	0.1	0.2	0.3 H	0.4	1.2 H	2.3 H	3.3	4.1	5.2	4.5 H	4.0	na	3.1	2.8	3.7 H
Barclays Capital	0.1 L	3.3	0.5	0.2 H	0.0 L	0.0 L	0.1 L	0.3	1.1	2.3 H	3.3	4.0	5.1	4.2	4.2 H	na	2.5	1.9	1.2
RDQ Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.0 L	0.1 L	0.4	1.0	2.2	3.2	4.0	5.3	4.1	4.0	71.8	3.0	2.2	1.5
Wells Fargo	0.1 L	3.3	0.5	0.2 H	0.0 L	0.0 L	0.1 L	0.3	1.0	2.0	3.0	3.9	5.2	4.1	4.0	74.0	3.1	2.2	1.5
Goldman Sachs & Co.	0.1 L	3.3	0.5	na	0.3 H	na	na	0.3	1.1	2.3 H	3.0	3.5 L	na	na	3.9 L	na	2.0	1.6	1.9
Daiwa Capital Markets America	0.1 L	3.3	0.5	0.1 L	0.1	0.1	0.2	0.3	1.0	2.1	3.3	3.9	5.3	4.0	4.0	72.0	2.3	1.5	2.5
MacroFin Analytics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.1	4.1	4.0	71.5	2.4	1.8	2.5
Nat'l Assn. of Realtors	0.1 L	3.3	0.5	0.2 H	0.0 L	0.0 L	0.1 L	0.3	1.0	2.1	3.2	4.0	5.3	4.2	4.1	na	2.9	2.2	2.8
Woodworth Holdings	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	0.9 L	2.1	3.1	3.9	5.2	4.1	4.0	73.0	2.0	1.6	1.0
Action Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	4.0	5.2	4.0	4.0	72.0	3.0	0.5 L	1.7
Mesirow Financial	0.1 L	3.3	0.4	0.1 L	0.0 L	0.5 H	0.1 L	0.3	1.0	2.1	3.2	4.0	5.2	4.0	4.1	74.8	2.4	1.7	1.8
Wintrust Wealth Management	0.1 L	3.3	0.4	0.2 H	0.1	0.1	0.1 L	0.3	0.9 L	2.0	3.0	3.9	5.2	3.9	3.9 L	69.1 L	2.6	1.2	1.9
Russell Investments	0.1 L	3.3	0.4	0.2 H	0.1	0.1	0.1 L	0.3	1.0	2.0	3.1	3.9	5.2	4.0	4.1	72.1	2.8	2.3	2.2
Thredgold Economic Assoc.	0.1 L	3.3	0.3	0.1 L	0.1	0.1	0.1 L	0.3	1.0	2.2	3.2	4.1	5.1	3.8	4.1	70.0	2.0	1.9	2.2
Kellner Economic Advisers	0.1 L	3.3	0.2	0.2 H	0.1	0.1	0.1 L	0.3	1.2 H	1.9	2.9 L	3.9	4.9 L	4.2	4.0	70.0	3.0	2.0	2.2
Georgia State University	0.1 L	3.3	na	na	0.1	0.1	0.2	0.3	1.1	2.0	3.2	3.9	5.4 H	na	4.0	na	2.2	1.4	2.5
RidgeWorth Investments	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.0	3.2	4.0	5.3	3.7 L	4.0	71.9	3.0	1.8	0.9
Wells Capital Management	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.0	3.8	5.1	4.1	4.0	71.9	3.9 H	2.3	2.0
PNC Financial Services Corp.	0.1 L	3.3	0.5	na	0.0 L	0.0 L	0.1 L	0.2 L	1.0	2.1	na	na	na	4.0	4.0	69.3	2.5	1.3	1.5
Oxford Economics	0.1 L	3.3	0.4	na	0.0 L	0.1	0.1 L	0.3	0.9 L	2.1	3.3	4.0	na	na	4.1	72.9	2.6	2.5	2.9
The Northern Trust Company	0.1 L	3.3	0.0 L	na	0.0 L	na	0.2	0.3	1.1	2.1	3.1	na	na	na	na	na	2.2	1.4	1.6
RBS Securities	0.1 L	3.3	0.6 H	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.2	4.1	4.0	72.5	3.2	3.0 H	1.6
ClearView Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.3	4.1	4.0	71.5	2.6	1.5	1.0
Chmura Economics & Analytics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	na	na	4.0	75.1 H	2.6	2.1	2.0
Moody's Analytics	0.1 L	3.3	0.5	0.2 H	0.0 L	0.1	0.3 H	0.6 H	1.2 H	2.3 H	3.7 H	4.3 H	5.4 H	na	4.0	na	2.6	2.6	1.0
DePrince & Associates	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.2	4.0	4.0	71.3	3.2	2.0	1.7
Pierpont Securities	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.2	4.1	4.0	72.6	3.1	2.0	1.0
Loomis, Sayles & Company	0.1 L	3.3	0.5	0.1 L	0.0 L	0.0 L	0.1 L	0.3	1.0	2.0	3.1	3.9	5.2	4.0	4.0	71.3	3.0	1.7	1.7
Nomura Securities, Inc	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.3	na	4.0	71.4	3.0	1.2	1.2
Stone Harbor Investment Partners	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.0	3.0	3.9	5.2	na	4.2 H	71.0	2.6	1.9	1.9
Comerica Bank	0.1 L	3.3	0.4	na	0.0 L	0.1	0.1 L	0.3	1.1	2.2	3.2	na	na	na	4.1	na	3.1	2.3	2.6
Societe Generale	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.2 L	0.9 L	2.0	3.0	4.1	5.3	na	3.9 L	na	2.5	1.6	0.8
Moody's Capital Markets Group	0.1 L	3.3 L	0.5	0.1 L	0.0 L	0.1	0.2	0.3	1.0	2.0	3.0	3.9	5.3	4.0	4.0	71.7	2.8	1.5	1.5
December Consensus	**0.1**	**3.3**	**0.4**	**0.1**	**0.0**	**0.1**	**0.1**	**0.3**	**1.0**	**2.1**	**3.1**	**4.0**	**5.2**	**4.0**	**4.0**	**71.8**	**2.7**	**1.8**	**1.8**
Top 10 Avg.	0.2	3.3	0.5	0.2	0.1	0.1	0.2	0.4	1.1	2.2	3.3	4.1	5.3	4.2	4.1	73.1	3.2	2.5	2.9
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.0	0.1	0.2	0.9	2.0	3.0	3.8	5.1	3.9	4.0	70.4	2.0	1.1	0.9
November Consensus	0.1	3.3	0.4	0.1	0.0	0.1	0.2	0.3	1.1	2.2	3.2	4.1	5.4	4.1	4.1	71.1	2.0	1.8	1.8
Number of Forecasts Changed From A Month Ago:																			
Down	11	0	2	12	16	15	16	18	34	30	34	32	24	13	24	6	1	12	21
Same	34	44	10	15	26	21	21	22	9	11	6	6	6	9	9	7	8	18	10
Up	2	0	31	8	5	4	4	6	3	6	5	1	4	6	9	16	38	16	16
Diffusion Index	40 %	50 %	84 %	44 %	38 %	36 %	35 %	37 %	16 %	24 %	18 %	10 %	21 %	38 %	32 %	67 %	89 %	54 %	45 %

Staff 000218
FPL RC-12

First Quarter 2012

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter: Short-Term							Intermediate-Term			Long-Term				Avg For Qtr.	(Q-Q % Change) (SAAR)		
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	0.5	0.2	0.1	0.1 L	0.2	0.3	1.3	2.6	3.6	4.3	5.7 H	4.0	4.4	70.0	2.8	2.4	2.5
Swiss Re	0.3 H	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.3	1.0	2.2	3.2	4.1	5.4	na	4.2	na	-0.3 L	0.2 L	0.2 L
Scotiabank Group	0.3 H	3.3	na	na	0.1	na	na	0.4	1.2	1.9	3.0	na	na	na	na	na	1.5	1.6	2.2
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.0 L	0.1 L	0.2	0.3	1.0	2.2	3.1	4.0	5.3	4.0	4.0	72.0	0.8	1.9	3.0
Georgia State University	0.2	3.3	na	na	0.1	0.2	0.2	0.3	1.2	2.3	3.6	4.4	5.5	na	4.1	na	1.5	0.9	1.3
Fannie Mae	0.2	3.3	na	na	0.1	na	na	na	na	2.2	3.3	4.2	na	na	4.1	na	1.3	1.3	2.0
Wells Capital Management	0.2	3.3	0.6 H	0.2	0.1	0.1 L	0.3	0.4	1.1	2.2	3.1	3.7	4.8	4.1	4.2	71.8	2.8	2.5	2.7
JPMorgan Private Banking	0.2	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.1	2.2	3.2	4.1	5.4	4.0	4.1	72.4	0.8	1.9	2.0
Naroff Economic Advisors	0.2	3.3	0.5	0.2	0.1	0.1 L	0.2	0.4	1.1	2.0	3.1	4.0	5.3	4.1	4.0	71.0	2.8	2.4	2.8
SunTrust Banks	0.2	3.3	0.4	0.1 L	0.1	0.3 H	0.5 H	0.7 H	1.4	2.4	3.4	4.3	5.0	4.8 H	4.1	na	3.4 H	2.7	4.0 H
BMO Capital Markets	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.0	3.0	3.9	5.2	4.1	4.0	72.5	1.7	2.6	2.8
GLC Financial Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.0	2.1	3.1	4.0	5.3	4.1	4.0	72.0	1.4	1.9	2.1
J.W. Coons Advisors LLC	0.1 L	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.3	1.1	2.1	3.1	4.0	5.2	na	4.1	71.0	1.5	2.3	2.5
Economist Intelligence Unit	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.0	3.0	na	na	na	4.0	na	1.2	na	2.0
Oxford Economics	0.1 L	3.3	0.3	na	0.0 L	0.1 L	0.2	0.3	1.0	2.2	3.4	4.1	na	na	4.1	74.2	2.2	3.1 H	2.5
J.P. Morgan Chase	0.1 L	na	0.5	na	0.0 L	na	na	0.3	1.1	2.3	3.3	na	na	na	na	na	0.5	1.0	0.9
Bank of America Merrill Lynch	0.1 L	na	0.5	na	0.1	na	na	0.3	1.1	2.5	na	na	na	na	na	na	1.8	1.4	1.4
UBS	0.1 L	na	0.4	na	0.1	na	na	0.3	1.1	2.1	3.3	na	na	na	na	na	2.0	2.0	1.4
Barclays Capital	0.1 L	3.3	0.6 H	0.2	0.1	0.1 L	0.2	0.3	1.3	2.8 H	4.0 H	4.3	5.5	4.2	4.2	na	2.5	2.5	2.5
PNC Financial Services Corp.	0.1 L	3.3	0.5	na	0.0 L	0.1 L	0.1 L	0.3	1.0	2.0	na	na	na	3.8	3.7 L	68.8	2.7	1.7	2.0
Wells Fargo	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.2	0.3	1.0	2.1	3.1	3.9	5.2	4.0	4.0	75.0	1.7	1.1	1.7
RDQ Economics	0.1 L	3.3	0.5	0.1 L	0.1	0.1 L	0.3	0.6	1.4	2.5	3.6	4.4	5.5	4.4	4.4	71.8	2.7	2.3	2.2
Nat'l Assn. of Realtors	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.1	0.5	1.2	2.3	3.4	4.2	5.4	4.3	4.3	na	2.3	2.7	3.5
Chmura Economics & Analytics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.1	2.3	3.3	4.1	na	na	4.2	76.6 H	2.1	2.4	1.7
Woodworth Holdings	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	74.0	1.5	1.5	1.2
RidgeWorth Investments	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.2	0.3	1.0	2.1	3.3	4.0	5.2	3.6 L	4.0	71.0	1.5	1.8	1.8
Daiwa Capital Markets America	0.1 L	3.3	0.5	0.1 L	0.1	0.1 L	0.2	0.3	1.2	2.2	3.3	4.0	5.4	4.0	4.0	72.0	2.4	1.6	1.9
MacroFin Analytics	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.3	1.1	2.2	3.2	4.1	5.3	4.1	4.1	72.0	2.1	1.6	2.4
Action Economics	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.5	1.4	2.4	3.4	4.1	5.4	4.1	4.1	71.7	2.5	2.6	2.9
Nomura Securities, Inc.	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.3	na	4.0	71.0	2.1	0.7	1.2
Comerica Bank	0.1 L	3.3	0.4	na	0.0 L	0.2	0.2	0.5	1.2	2.4	3.5	na	na	na	4.1	na	2.9	2.2	2.1
Mesirow Financial	0.1 L	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.4	1.1	2.2	3.3	4.1	5.2	4.1	4.3	76.5	2.1	1.1	1.9
Goldman Sachs & Co.	0.1 L	3.3	0.4	na	0.2 H	na	na	0.3	1.1	2.3	3.0	3.5	na	na	4.0	na	0.5	1.9	1.9
Wintrust Wealth Management	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.1 L	0.3	1.1	2.1	3.2	4.1	5.4	4.1	4.1	68.5 L	2.7	1.9	2.2
Russell Investments	0.1 L	3.3	0.4	0.2	0.1	0.2	0.2	0.3	1.2	2.2	3.4	3.9	5.0	4.0	4.1	72.2	2.9	2.2	2.8
Stone Harbor Investment Partners	0.1 L	3.3	0.4	0.2	0.0 L	0.1 L	0.1 L	0.2 L	0.7 L	1.4 L	2.5 L	3.4 L	4.6 L	na	3.7	72.0	0.7	1.8	1.8
Thredgold Economic Assoc.	0.1 L	3.3	0.3	0.2	0.1	0.1 L	0.2	0.3	1.1	2.3	3.3	4.2	5.2	3.8	4.2	70.0	2.1	2.0	2.2
Kellner Economic Advisers	0.1 L	3.3	0.2	0.2	0.1	0.1 L	0.2	0.4	1.3	2.0	2.9	3.9	4.9	4.3	4.0	70.0	3.1	2.1	2.2
The Northern Trust Company	0.1 L	3.3	0.1 L	na	0.1	na	0.2	0.3	1.2	2.1	3.1	na	na	na	na	na	1.5	1.7	1.9
Pierpont Securities	0.1 L	3.3	0.6 H	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.1	2.1	3.1	4.0	5.4	4.2	4.2	74.0	3.2	2.5	2.4
RBS Securities	0.1 L	3.3	0.6 H	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.8	1.9	2.9	3.8	5.0	3.9	3.9	73.5	2.5	2.7	2.3
ClearView Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	72.0	2.4	1.7	2.0
Loomis, Sayles & Company	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.0	2.0	3.0	3.9	5.2	3.9	3.9	72.1	1.9	0.6	2.6
DePrince & Associates	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.2	0.4	1.0	2.1	3.2	4.0	5.0	3.7	4.1	72.1	2.1	2.0	2.2
Societe Generale	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.9	2.0	3.0	4.1	5.3	na	3.9	na	2.5	1.8	0.8
Moody's Analytics	0.1 L	3.3	0.4	0.3 H	0.0 L	0.1 L	0.3	0.5	1.6 H	2.7	4.0 H	4.6 H	5.6	na	4.5 H	na	2.1	1.5	1.8
Moody's Capital Markets Group	0.1 L	3.3 L	0.5	0.1 L	0.0 L	0.1 L	0.2	0.3	1.0	2.1	3.0	3.9	5.6	4.0	3.8	72.4	1.6	1.4	1.3
December Consensus	**0.1**	**3.3**	**0.4**	**0.1**	**0.0**	**0.1**	**0.2**	**0.3**	**1.1**	**2.2**	**3.2**	**4.0**	**5.2**	**4.1**	**4.1**	**72.1**	**2.0**	**1.9**	**2.1**
Top 10 Avg.	0.2	3.3	0.5	0.2	0.1	0.2	0.3	0.5	1.3	2.5	3.6	4.3	5.5	4.3	4.3	74.1	2.9	2.6	3.0
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.1	0.2	0.9	1.9	2.9	3.8	5.0	3.9	3.9	70.3	0.8	1.0	1.1
November Consensus	0.1	3.3	0.4	0.2	0.1	0.1	0.2	0.3	1.2	2.3	3.3	4.1	5.4	4.1	4.1	71.2	1.8	1.9	2.2
Number of Forecasts Changed From A Month Ago:																			
Down	8	0	3	14	16	16	18	19	25	25	26	23	18	11	21	5	8	12	14
Same	37	44	12	17	30	22	20	20	17	18	12	13	11	10	15	6	14	25	21
Up	2	0	29	5	1	2	3	7	4	4	7	3	6	8	6	18	25	9	12
Diffusion Index	44 %	50 %	80 %	38 %	34 %	33 %	32 %	37 %	27 %	28 %	29 %	24 %	33 %	45 %	32 %	71 %	68 %	47 %	48 %

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Second Quarter 2012

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter: Short-Term: 1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	Intermediate-Term: 8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	Long-Term: 12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	Avg. For Qtr. A. Fed's Major Currency $ Index	(Q-Q % Change) (SAAR): B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	0.5	0.2	0.1	0.1 L	0.2	0.4	1.6	2.9	3.7	4.4	5.9	4.2	4.6	69.0	3.0	2.6	3.0
Swiss Re	0.3 H	3.3	0.3	0.2	0.1	0.1 L	0.2	0.6	1.2	2.3	3.3	4.2	5.5	na	4.3	na	-0.2 L	0.9	1.1
Scotiabank Group	0.3 H	3.3	na	na	0.1	na	na	0.7	1.4	2.2	3.2	na	na	na	na	na	1.2	1.6	1.8
SunTrust Banks	0.2	3.3	0.5	0.3	0.1	0.5 H	0.9 H	1.0 H	1.6	2.5	3.3	4.4	4.9	5.0 H	4.0	na	3.6 H	2.7 H	4.1 H
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.0 L	0.1 L	0.2	0.3	1.1	2.3	3.2	4.2	5.5	4.0	4.0	72.0	1.0	1.9	3.0
Georgia State University	0.2	3.3	na	na	0.1	0.2	0.2	0.3	1.3	2.5	3.8	4.5	5.6	na	4.1	na	1.5	0.3 L	0.9
Fannie Mae	0.2	3.3	na	na	0.1	na	na	na	na	2.3	3.4	4.2	na	na	4.1	na	1.3	1.4	1.8
Wells Capital Management	0.2	3.3	0.6	0.2	0.1	0.2	0.3	0.4	1.3	2.5	3.4	4.0	5.0	4.4	4.4	71.9	2.5	2.4	2.5
JPMorgan Private Banking	0.2	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.3	1.1	2.2	3.2	4.1	5.5	4.1	4.1	72.3	1.5	1.9	2.1
Naroff Economic Advisors	0.2	3.3	0.4	0.2	0.2 H	0.2	0.2	0.5	1.2	2.0	3.1	3.9	5.1	4.0	4.0	69.0	3.2	2.6	2.7
BMO Capital Markets	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.2	0.4	1.0	2.0	2.9	3.9	5.1	4.1	4.0	73.0	2.0	2.5	2.9
GLC Financial Economics	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.2 L	1.0	2.2	3.2	4.0	5.4	4.2	4.1	71.9	1.9	2.3	2.5
J.W. Coons Advisors LLC	0.1 L	3.3	0.4	0.2	0.1	0.2	0.2	0.4	1.2	2.2	3.1	4.1	5.3	na	4.1	70.9	2.0	2.2	2.5
Economist Intelligence Unit	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.2	0.3	1.0	2.1	3.2	na	na	na	4.1	na	1.2	na	2.1
Oxford Economics	0.1 L	3.3	0.3	na	0.0 L	0.1 L	0.2	0.3	1.1	2.3	3.6	4.1	na	na	4.1	74.2	2.2	2.6	2.1
Bank of America Merrill Lynch	0.1 L	na	0.5	na	0.1	na	na	0.4	1.3	2.8	na	na	na	na	na	na	1.8	1.3	1.5
J.P. Morgan Chase	0.1 L	na	0.4	na	0.1	na	na	0.3	1.3	2.5	3.6	na	na	na	na	na	1.5	1.2	1.2
UBS	0.1 L	na	0.4	na	0.1	na	na	0.3	1.3	2.2	3.5	na	na	na	na	na	2.5	1.5	1.0
DePrince & Assoc.	0.1 L	3.3	0.4	0.3	0.1	0.2	0.4	0.5	1.1	2.3	3.3	4.1	5.0	3.5	4.2	73.2	2.6	2.0	2.3
Pierpont Securities	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.4	1.2	2.4	3.4	4.2	5.6	4.5	4.3	74.0	3.2	2.3	2.9
Barclays Capital	0.1 L	3.3	0.7 H	0.2	0.1	0.1 L	0.2	0.4	1.4	2.8	4.0	4.5	5.5	4.3	4.3	na	2.5	2.6	1.2
Wells Fargo	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.2	0.4	1.1	2.2	3.2	4.0	5.3	4.0	4.0	76.0	1.7	2.0	1.8
Nat'l Assn. of Realtors	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.2	0.6	1.5	2.6	3.6	4.4	5.6	4.6	4.4	na	2.5	2.5	3.4
Chmura Economics & Analytics	0.1 L	3.3	0.5	0.1 L	0.1	0.1 L	0.2	0.3	1.2	2.4	3.4	4.2	na	na	4.3	76.7	2.2	2.1	2.8
MacroFin Analytics	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.4	1.2	2.2	3.3	4.2	5.4	4.3	4.2	72.5	2.5	1.5	2.1
Nomura Securities, Inc.	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.3	1.0	2.2	3.2	4.0	5.4	na	4.1	72.0	2.6	1.1	0.9
Woodworth Holdings	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	75.0	1.5	1.4	1.3
Daiwa Capital Markets America	0.1 L	3.3	0.5	0.1	0.1	0.1 L	0.2	0.4	1.3	2.3	3.3	4.0	5.4	4.0	4.1	73.0	2.7	1.6	1.8
Action Economics	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.6	1.6	2.7	3.7	4.1	5.4	4.2	4.2	71.3	2.8	2.5	3.3
PNC Financial Services Corp.	0.1 L	3.3	0.4	na	0.0 L	0.1 L	0.1 L	0.3	1.0	2.0	na	na	na	3.8	3.7	68.8	2.7	1.7	2.0
Comerica Bank	0.1 L	3.3	0.4	na	0.0 L	0.2	0.3	0.7	1.5	2.6	3.8	na	na	na	4.3	na	2.7	2.2	2.0
RidgeWorth Investments	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.2	0.3	1.0	2.1	3.3	3.8	4.9	3.3 L	3.9	70.0	2.0	1.8	1.8
Wintrust Wealth Management	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.2	0.4	1.2	2.2	3.3	4.2	5.5	4.2	4.2	67.8 L	2.9	1.9	2.3
RDQ Economics	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.4	0.8	1.9 H	3.0	4.2	4.9	6.0	4.9	4.8	72.4	2.9	2.4	2.5
Russell Investments	0.1 L	3.3	0.4	0.2	0.1	0.2	0.3	0.5	1.4	2.3	3.6	4.0	4.9	4.1	4.2	71.9	2.8	2.3	2.2
Mesirow Financial	0.1 L	3.3	0.4	0.1 L	0.1	0.2	0.3	0.5	1.2	2.3	3.5	4.2	5.2	4.1	4.4	77.5 H	2.4	1.3	1.1
Goldman Sachs & Co.	0.1 L	3.3	0.3	na	0.1	na	na	0.4	1.2	2.5	3.3	3.5	na	na	4.1	na	1.5	1.3	2.1
Stone Harbor Investment Partners	0.1 L	3.3	0.3	0.2	0.1	0.1 L	0.1 L	0.2 L	0.8 L	1.5 L	2.6 L	3.3 L	4.8 L	na	3.8	74.0	1.3	2.2	2.1
Kellner Economic Advisers	0.1 L	3.3	0.3	0.3 H	0.1	0.2	0.3	0.5	1.4	2.0	3.0	4.0	5.0	4.4	4.0	70.0	3.2	2.2	2.2
Thredgold Economic Assoc.	0.1 L	3.3	0.3	0.2	0.1	0.1 L	0.2	0.4	1.2	2.4	3.4	4.3	5.3	3.9	4.3	70.0	2.2	2.0	2.3
The Northern Trust Company	0.1 L	3.3	0.1 L	na	0.1	na	0.2	0.3	1.2	2.1	3.1	na	na	na	na	na	2.0	1.5	1.7
ClearView Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	72.5	2.3	1.8	2.3
Loomis, Sayles & Company	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.0	2.1	3.1	4.0	5.3	3.9	4.0	72.5	1.6	1.1	2.9
RBS Securities	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.8 L	1.9	2.9	3.7	4.9	3.8	3.8	72.0	2.7	2.2	2.6
Societe Generale	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.8 L	1.9	2.8	3.9	4.8 L	na	3.6 L	na	0.8	1.5	-0.3 L
Moody's Capital Markets Group	0.1 L	3.3	0.5	0.1 L	0.1	0.1 L	0.2	0.3	1.1	2.1	3.0	3.9	5.6	3.8	3.8	73.1	1.6	1.2	0.7
Moody's Analytics	0.1 L	3.3 L	0.4	0.3 H	0.0 L	0.1 L	0.3	0.6	1.8	3.2 H	4.5 H	5.1 H	6.1 H	na	5.0 H	na	2.9	1.5	1.7
December Consensus	**0.1**	**3.3**	**0.4**	**0.2**	**0.1**	**0.1**	**0.2**	**0.4**	**1.2**	**2.3**	**3.3**	**4.1**	**5.3**	**4.1**	**4.1**	**72.3**	**2.1**	**1.9**	**2.1**
Top 10 Avg.	0.2	3.3	0.5	0.2	0.1	0.2	0.4	0.6	1.6	2.7	3.8	4.5	5.7	4.5	4.5	74.7	3.1	2.5	3.1
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.1	0.2	0.9	1.9	2.9	3.7	4.9	3.8	3.8	69.9	1.1	1.1	0.9
November Consensus	0.1	3.3	0.4	0.2	0.1	0.2	0.3	0.5	1.3	2.4	3.4	4.2	5.4	4.1	4.2	71.2	2.1	1.9	2.2
Number of Forecasts Changed From A Month Ago:																			
Down	7	0	5	9	14	15	19	17	25	22	23	21	16	10	20	5	14	14	17
Same	38	44	14	22	32	23	20	24	18	22	15	16	11	8	16	10	15	25	20
Up	2	0	25	5	1	2	2	5	3	3	7	2	4	7	6	16	18	7	10
Diffusion Index	45 %	50 %	73 %	44 %	36 %	34 %	29 %	37 %	26 %	30 %	32 %	26 %	31 %	44 %	33 %	68 %	54 %	42 %	43 %

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Third Quarter 2012

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter: Short-Term							Intermediate-Term			Long-Term					Avg. For --Qtr.--	(Q-Q % Change) (SAAR)		
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
ık of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	0.5	0.2	0.1	0.1	0.2	0.7	1.9	3.2	3.9	4.6	6.0	4.4	4.9	67.0	3.3	2.8 H	2.8
ıss Re	0.3 H	3.3	0.3	0.2	0.2 H	0.2	0.3	0.8	1.5	2.4	3.4	4.4	5.6	na	4.4	na	2.7	1.6	1.8
›tiabank Group	0.3 H	3.3	na	na	0.1	na	na	0.9 H	1.6	2.6	3.6	na	na	na	na	na	1.4	1.8	1.8
ıTrust Banks	0.2	3.3	0.5	0.3 H	0.1	0.6 H	1.1 H	0.9 H	1.5	2.3	3.0	4.3	4.8	4.9	3.8	na	3.4	2.6	4.1 H
:ledata Corp.	0.2	3.3	0.4	0.1 L	0.0 L	0.1 L	0.2	0.3	1.1	2.4	3.3	4.3	5.6	4.0	4.0	72.0	1.5	2.0	3.1
ssell Investments	0.2	3.3	0.4	0.2	0.2 H	0.3	0.4	0.7	1.6	2.5	3.7	4.0	4.8	4.2	4.3	72.2	2.6	2.3	2.4
roff Economic Advisors	0.2	3.3	0.4	0.3	0.2 H	0.2	0.3	0.6	1.4	2.0	3.1	4.0	5.2	4.1	4.2	65.0 L	4.2 H	2.8 H	2.6
Prince & Associates	0.2	3.3	0.3	0.3	0.2 H	0.3	0.5	0.7	1.2	2.4	3.5	4.2	5.1	3.5	4.3	72.1	3.2	2.1	2.5
orgia State University	0.2	3.3	na	na	0.2 H	0.2	0.3	0.5	1.7	3.0	4.2	5.0	6.1	na	4.5	na	1.7	1.1	0.6 L
ınie Mae	0.2	3.3	na	na	0.2 H	na	na	na	na	2.4	3.4	4.3	na	na	4.1	na	1.4	1.1	1.6
croFin Analytics	0.2	3.3	0.5	0.2	0.1	0.2	0.3	0.5	1.3	2.3	3.4	4.3	5.7	4.5	4.2	73.0	2.6	1.4	2.0
›lls Capital Management	0.2	3.3	0.8 H	0.3	0.2 H	0.2	0.4	0.5	1.4	2.8	3.6	4.1	5.1	4.6	4.7	72.4	2.3	2.2	2.4
Morgan Private Banking	0.2	3.3	0.5	0.2	0.0 L	0.1 L	0.2	0.3	1.1	2.2	3.2	4.1	5.5	4.1	4.2	72.0	2.0	2.0	2.0
mura Economics & Analytics	0.2	3.3	0.5	0.1 L	0.1	0.1 L	0.2	0.4	1.2	2.5	3.5	4.2	na	na	4.4	75.6	2.8	2.3	2.6
›rpont Securities	0.1	3.3	0.5	0.2	0.0 L	0.1 L	0.2	0.5	1.5	2.8	3.9	4.5	5.8	4.8	4.6	74.5	3.4	2.5	3.2
onomist Intelligence Unit	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.4	1.2	2.2	3.4	na	na	na	4.2	na	1.6	na	2.0
.C Financial Economics	0.1	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.2	1.1	2.3	3.3	4.1	5.5	4.3	4.3	71.6	2.3	2.8 H	2.9
V. Coons Advisors LLC	0.1	3.3	0.5	0.2	0.1	0.2	0.3	0.4	1.3	2.2	3.2	4.2	5.4	na	4.1	70.7	2.8	2.3	2.5
ИO Capital Markets	0.1	3.3	0.5	0.1 L	0.0 L	0.1 L	0.3	0.5	1.2	2.1	3.0	4.0	5.2	4.2	4.1	72.5	2.4	2.1	2.3
ford Economics	0.1	3.3	0.3	na	0.0 L	0.1 L	0.2	0.4	1.3	2.5	3.9	4.3	na	na	4.2	74.5	2.4	2.3	1.9
ınk of America Merrill Lynch	0.1	na	0.5	na	0.1	na	na	0.6	1.5	3.0	na	na	na	na	na	na	1.3 L	1.3	1.5
?. Morgan Chase	0.1	na	0.4	na	0.2 H	na	na	0.3	1.3	2.5	3.6	na	na	na	na	na	2.5	1.3	1.3
3S	0.1	na	0.4	na	0.1	na	na	0.3	1.5	2.3	3.7	na	na	na	na	na	2.5	2.5	3.5
ells Fargo	0.1	3.3	0.5	0.2	0.1	0.2	0.3	0.4	1.2	2.2	3.2	4.0	5.3	4.1	4.0	76.5	1.9	2.0	1.8
ıt'l Assn. of Realtors	0.1	3.3	0.5	0.3	0.2 H	0.2	0.3	0.8	1.7	2.9	3.9	4.7	5.9	4.8	4.6	na	2.5	2.3	3.2
ırclays Capital	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.5	1.5	2.8	4.0	4.8	5.5	4.3	4.3	na	3.0	2.7	3.7
›mura Securities, Inc.	0.1	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.3	1.2	2.4	3.3	4.1	5.5	na	4.2	73.0	2.4	1.6	1.4
oodworth Holdings	0.1	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	75.0	2.0	1.3	1.2
:tion Economics	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.7	1.8	2.8	3.9	4.2	5.4	4.3	4.2	70.7	3.1	1.8	3.0
›merica Bank	0.1	3.3	0.4	na	0.0 L	0.2	0.4	0.8	1.7	2.7	4.1	na	na	na	4.4	na	2.5	1.7	2.5
aiwa Capital Markets America	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.4	1.4	2.4	3.4	4.1	5.4	4.0	4.3	73.0	2.8	1.7	1.8
'intrust Wealth Management	0.1	3.3	0.4	0.2	0.1	0.1 L	0.2	0.5	1.3	2.3	3.4	4.3	5.6	4.3	4.3	67.1	3.1	2.0	2.2
DQ Economics	0.1	3.3	0.4	0.2	0.1	0.2	0.5	0.9	2.2 H	3.5	4.7	5.3	6.4 H	5.3 H	5.2	73.1	3.1	2.5	2.7
esirow Financial	0.1	3.3	0.4	0.1 L	0.2 H	0.2	0.3	0.6	1.4	2.5	3.5	4.3	5.2	4.0	4.4	76.6 H	2.0	1.4	1.8
idgeWorth Investments	0.1	3.3	0.4	0.2	0.1	0.2	0.2	0.3	1.0	2.1	3.3	3.6	4.7	3.1 L	3.9	69.0	2.5	1.8	1.8
BS Securities	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.3	0.8 L	1.7 L	2.8 L	3.5 L	4.6 L	3.7	3.5 L	72.5	2.1	2.0	2.4
NC Financial Services Corp.	0.1	3.3	0.3	na	0.1	0.1 L	0.2	0.5	1.3	2.4	na	na	na	4.0	4.0	67.7	2.4	2.0	2.3
ellner Economic Advisers	0.1	3.3	0.3	0.3	0.1	0.2	0.4	0.6	1.5	2.1	3.0	4.0	5.0	4.4	4.1	70.0	3.3	2.3	2.2
hredgold Economic Assoc.	0.1	3.3	0.3	0.2	0.1	0.2	0.3	0.5	1.4	2.5	3.5	4.4	5.4	3.9	4.4	70.0	2.3	2.0	2.3
›oldman Sachs	0.1	3.3	0.3	na	0.0 L	na	na	0.4	1.3	2.5	3.3	3.6	na	na	4.2	na	2.0	1.4	1.8
tone Harbor Investment Partners	0.1	3.3	0.3	0.2	0.1	0.1 L	0.2	0.3	0.9	1.8	2.9	3.6	4.8	na	3.9	72.0	1.7	2.7	2.2
he Northern Trust Company	0.1	3.3	0.1 L	na	0.1	na	0.2	0.3	1.2	2.2	3.2	na	na	na	na	na	2.3	1.7	1.9
oomis, Sayles & Company	0.1	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.1	2.4	3.4	4.2	5.5	4.0	4.1	72.6	2.1	0.6 L	2.6
learView Economics	0.1	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	73.0	2.7	2.0	2.6
ociete Generale	0.1	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.9	2.2	3.2	4.0	4.9	na	3.7	na	1.6	2.4	3.5
loody's Capital Markets Group	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.3	0.4	1.2	2.3	3.0	3.9	5.6	3.8	3.8	73.8	2.0	1.8	1.7
loody's Analytics	0.0 L	3.3 L	0.3	0.3 H	0.0 L	0.1 L	0.4	0.6	2.1	3.7 H	4.9 H	5.4 H	6.4 H	na	5.5 H	na	3.1	2.1	2.1
December Consensus	**0.1**	**3.3**	**0.4**	**0.2**	**0.1**	**0.2**	**0.3**	**0.5**	**1.3**	**2.4**	**3.5**	**4.2**	**5.4**	**4.2**	**4.2**	**72.0**	**2.4**	**2.0**	**2.3**
Top 10 Avg.	0.2	3.3	0.5	0.3	0.2	0.3	0.5	0.8	1.8	3.0	4.1	4.7	5.9	4.6	4.7	74.6	3.3	2.6	3.3
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.1	0.3	1.0	2.0	3.0	3.8	4.9	3.8	3.9	68.9	1.6	1.3	1.5
November Consensus	0.1	3.3	0.4	0.2	0.1	0.2	0.3	0.5	1.4	2.5	3.6	4.3	5.5	4.2	4.3	71.1	2.4	2.0	2.3
Number of Forecasts Changed From A Month Ago:																			
Down	6	1	3	11	13	14	18	16	23	19	22	19	15	9	14	6	19	8	16
Same	39	43	18	21	32	24	20	26	19	25	20	15	16	13	20	10	17	25	21
Up	2	0	23	4	2	2	3	4	4	3	3	5	4	7	8	15	11	13	10
Diffusion Index	46 %	49 %	73 %	40 %	38 %	35 %	32 %	37 %	29 %	33 %	29 %	32 %	34 %	47 %	43 %	65 %	41 %	55 %	44 %

Staff 000221
FPL RC-12

Fourth Quarter 2012

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter: Short-Term							Intermediate-Term				Long-Term				Avg. For Qtr.	(Q-Q % Change) (SAAR)		
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3	0.5	0.2	0.1	0.1 L	0.2	1.3 H	2.1	3.4	4.0	4.7	6.1	4.5	5.1	68.0	3.5	3.0	2.5
Naroff Economic Advisors	0.3 H	3.3	0.4	0.4 H	0.3 H	0.3	0.5	0.8	1.7	2.2	3.2	4.3	5.3	4.1	4.2	65.0 L	4.2 H	2.8	2.6
Swiss Re	0.3 H	3.3	0.3	0.3	0.2	0.3	0.4	0.9	1.7	2.5	3.5	4.5	5.7	na	4.5	na	2.7	1.0	1.2
Scotiabank Group	0.3 H	3.3	na	na	0.2	na	na	1.1	1.7	3.0	4.0	na	na	na	na	na	1.9	1.8	2.2
SunTrust Banks	0.2	3.3	0.5	0.3	0.1	0.7 H	1.2 H	1.0	1.5	2.3	3.0	4.2	4.7	4.9	3.8	na	3.1	2.4	3.8 H
Georgia State University	0.2	3.4 H	na	na	0.2	0.2	0.3	0.5	1.7	3.1	4.2	5.1	6.3	na	4.7	na	1.8	1.4	1.5
Wells Fargo	0.2	3.3	0.5	0.2	0.2	0.2	0.3	0.5	1.2	2.3	3.3	4.1	5.4	4.2	4.0	77.0	2.0	2.0	1.9
MacroFin Analytics	0.2	3.3	0.6	0.3	0.2	0.3	0.5	0.7	1.5	2.4	3.5	4.4	5.8	4.7	4.3	73.5	2.8	1.5	2.0
Russell Investments	0.2	3.3	0.4	0.3	0.2	0.4	0.4	0.9	1.8	2.6	4.0	4.1	4.8	4.3	4.4	72.2	2.5	2.4	2.2
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.1	0.1 L	0.3	0.4	1.2	2.4	3.4	4.4	5.6	4.1	4.0	73.0	1.5	2.1	3.1
DePrince & Assoc.	0.2	3.3	0.3	0.3	0.2	0.4	0.6	0.8	1.3	2.6	3.6	4.3	5.2	3.6	4.5	72.2	2.5	2.1	2.4
Fannie Mae	0.2	3.3	na	na	0.2	na	na	na	na	2.5	3.5	4.3	na	na	4.2	na	1.6	1.4	1.7
Wells Capital Management	0.2	3.3	0.9 H	0.4 H	0.2	0.3	0.5	0.7	1.5	3.1	3.8	4.4	5.2	4.9	4.9	73.3	2.8	1.9	2.5
JPMorgan Private Banking	0.2	3.3	0.5	0.2	0.0 L	0.1 L	0.2	0.4	1.1	2.2	3.3	4.2	5.5	4.1	4.2	71.5	1.9	1.9	2.1
Chmura Economics & Analytics	0.2	3.3	0.5	0.1 L	0.1	0.2	0.2	0.5	1.3	2.6	3.6	4.3	na	na	4.5	74.1	3.0	2.5	2.3
Pierpont Securities	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.7	1.8	3.3	4.5	4.9	6.2	5.3	5.0	76.0	3.9	2.7	3.4
J.W. Coons Advisors LLC	0.1	3.3	0.6	0.3	0.2	0.3	0.3	0.5	1.4	2.3	3.2	4.3	5.4	na	4.2	70.4	3.0	2.2	2.5
GLC Financial Economics	0.1	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.2 L	1.0	2.3	3.4	4.2	5.6	4.5	4.4	71.2	2.7	2.5	2.7
Economist Intelligence Unit	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.5	1.4	2.3	3.8	na	na	na	4.4	na	1.7	na	2.1
BMO Capital Markets	0.1	3.3	0.4	0.1 L	0.0 L	0.1 L	0.4	0.8	1.5	2.3	3.1	4.2	5.3	4.2	4.3	71.5	2.7	1.7	1.7
Oxford Economics	0.1	3.3	0.3	na	0.0 L	0.1 L	0.2	0.5	1.5	2.7	4.2	4.4	na	na	4.3	74.5	3.1	1.9	1.8
Bank of America Merrill Lynch	0.1	na	0.5	na	0.1	na	na	0.8	1.8	3.3	na	na	na	na	na	na	1.0 L	1.0	1.4
UBS	0.1	na	0.4	na	0.2	na	na	0.4	1.7	2.4	3.8	na	na	na	na	na	3.0	2.0	2.0
Nat'l Assn. of Realtors	0.1	3.3	0.6	0.4 H	0.3 H	0.4	0.5	1.1	2.0	3.2	4.3	5.1	6.1	5.1	4.9	na	2.8	2.2	2.9
Barclays Capital	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.5	1.5	2.8	4.0	4.8	5.5	4.3	4.3	na	3.0	2.7	2.8
Nomura Securities, Inc.	0.1	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.3	1.3	2.5	3.5	4.2	5.7	na	4.3	73.0	2.6	1.3	1.3
Woodworth Holdings	0.1	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	76.0	2.0	1.2	1.1 L
Action Economics	0.1	3.3	0.5	0.2	0.1	0.2	0.4	0.9	2.0	3.1	4.1	4.3	5.5	4.3	4.3	70.4	3.4	2.0	2.9
Comerica Bank	0.1	3.3	0.4	na	0.0	0.3	0.5	0.9	1.8	2.9	4.3	na	na	na	4.5	na	2.5	1.9	2.7
Wintrust Wealth Management	0.1	3.3	0.4	0.2	0.1	0.1 L	0.2	0.5	1.4	2.4	3.5	4.4	5.7	4.4	4.4	66.5	3.2	2.1	2.1
Thredgold Economic Assoc.	0.1	3.3	0.4	0.3	0.1	0.3	0.4	0.6	1.6	2.6	3.6	4.5	5.5	4.1	4.5	70.5	2.4	2.0	2.4
Kellner Economic Advisers	0.1	3.3	0.4	0.4 H	0.2	0.3	0.5	0.3	1.6	2.1	3.1	4.1	5.1	4.5	4.1	70.0	3.4	2.3	2.4
RDQ Economics	0.1	3.3	0.4	0.2	0.1	0.2	0.6	1.0	2.5 H	4.0	5.3	5.8 H	6.8 H	5.8 H	5.7	73.5	3.1	2.5	2.8
Daiwa Capital Markets America	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.5	1.4	2.5	3.5	4.2	5.5	4.0	4.4	74.0	3.0	1.8	2.0
RidgeWorth Investments	0.1	3.3	0.4	0.2	0.1	0.2	0.2	0.3	1.0	2.2	3.6	3.6	4.7	3.0 L	4.0	69.0	2.5	1.9	2.4
PNC Financial Services Corp.	0.1	3.3	0.3	na	0.1	0.1 L	0.2	0.6	1.5	2.6	na	na	na	4.2	4.1	67.2	2.5	2.1	2.5
Mesirow Financial	0.1	3.3	0.3	0.1 L	0.2	0.3	0.4	0.8	1.5	2.6	3.6	4.3	5.2	4.0	4.5	77.6 H	2.4	1.3	1.7
RBS Securities	0.1	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.3	0.8 L	1.7 L	2.8 L	3.2 L	4.2 L	3.6	3.4 L	71.5	2.8	1.8	2.0
Goldman Sachs & Co.	0.1	3.3	0.3	na	0.0 L	na	na	0.5	1.5	2.8	3.5	3.7	na	na	4.3	na	2.5	1.4	1.8
Stone Harbor Investment Partners	0.1	3.3	0.3	0.2	0.1	0.1 L	0.2	0.6	1.4	2.5	3.7	4.2	5.2	na	4.5	70.0	2.0	3.2 H	2.5
The Northern Trust Company	0.1	3.3	0.1 L	na	0.1	na	0.2	0.3	1.2	2.5	3.6	na	na	na	na	na	2.8	2.1	2.3
ClearView Economics	0.1	3.3	0.5	0.1 L	0.0	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	73.5	2.8	2.1	2.6
Loomis, Sayles & Company	0.1	3.3	0.3	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.3	2.6	3.6	4.4	5.6	4.1	4.3	72.8	2.4	0.6 L	2.6
Societe Generale	0.1	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.9	2.3	3.3	4.0	4.9	na	3.7	na	2.7	2.0	1.9
Moody's Capital Markets Group	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.3	0.6	1.3	2.4	3.1	3.9	5.5	3.5	3.9	74.6	3.0	1.8	1.9
Moody's Analytics	0.0 L	3.3 L	0.3	0.4 H	0.0 L	0.1 L	0.4	0.8	2.4	4.2 H	5.4 H	5.7	6.7	na	6.0 H	na	3.6	2.4	2.2
December Consensus	**0.1**	**3.3**	**0.4**	**0.2**	**0.1**	**0.2**	**0.3**	**0.6**	**1.5**	**2.6**	**3.7**	**4.3**	**5.5**	**4.3**	**4.4**	**72.0**	**2.7**	**2.0**	**2.2**
Top 10 Avg.	0.2	3.3	0.6	0.3	0.2	0.4	0.6	1.0	2.0	3.4	4.4	4.9	6.1	4.8	5.0	75.1	3.5	2.7	3.0
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.1	0.3	1.0	2.1	3.1	3.8	4.9	3.8	3.9	68.7	1.7	1.2	1.5
November Consensus	0.1	3.3	0.4	0.2	0.1	0.2	0.4	0.6	1.6	2.7	3.7	4.4	5.6	4.3	4.4	71.1	2.6	2.0	2.2
Number of Forecasts Changed From A Month Ago:																			
Down	6	1	5	11	12	15	15	16	20	18	20	16	14	6	14	6	13	9	11
Same	38	41	23	20	33	23	23	26	21	25	20	18	17	15	19	10	18	27	23
Up	2	2	15	5	1	2	3	3	4	3	4	5	4	8	9	15	15	9	12
Diffusion Index	46 %	51 %	62 %	42 %	38 %	34 %	35 %	36 %	32 %	34 %	32 %	36 %	36 %	53 %	44 %	65 %	52 %	50 %	51 %

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First Quarter 2013

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter: Short-Term: 1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	Intermediate-Term: 8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	Long-Term: 11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	Avg. For ---Qtr.--- A. Fed's Major Currency $ Index	(Q-Q % Change) (SAAR) B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.8 H	3.8 H	1.2 H	0.9 H	0.9 H	1.0 H	1.2	2.0 H	2.6 H	3.5	4.1	5.0	6.3	4.5	5.1	69.0	3.4	2.9	2.7
Nat'l Assn. of Realtors	0.3	3.3 L	0.6	0.5	0.4	0.6	0.8	1.5	2.4	3.4	4.5	5.3	6.3	5.2	5.1	na	3.0	2.3	3.0
Naroff Economic Advisors	0.3	3.3 L	0.4	0.5	0.4	0.5	0.7	0.9	1.9	2.4	3.5	4.6	5.6	4.2	4.4	65.5	2.6	2.6	2.8
Pierpont Securities	0.3	3.3 L	0.6	0.3	0.2	0.3	0.4	1.2	2.4	3.8	5.2	5.3	6.6	5.7 H	5.5	78.0 H	4.2 H	3.0 H	3.6
J.W. Coons Advisors LLC	0.3	3.3 L	0.6	0.3	0.3	0.4	0.4	0.7	1.5	2.4	3.3	4.4	5.6	na	4.3	70.5	2.6	2.2	2.5
Swiss Re	0.3	3.3 L	0.3 L	0.3	0.2	0.3	0.4	0.9	1.9	2.7	3.6	4.6	5.8	na	4.6	na	3.0	0.5 L	0.5 L
SunTrust Banks	0.2	3.3 L	0.6	0.4	0.1	0.9	1.6 H	1.5	1.9	2.6	3.4	4.5	5.0	5.2	4.1	na	2.6	2.4	3.7 H
Georgia State University	0.2	3.4	na	na	0.2	0.2	0.3	0.5	1.7	3.1	4.2	5.1	6.3	na	4.7	na	1.8	1.4	1.5
Wells Fargo	0.2	3.3 L	0.5	0.2	0.2	0.3	0.4	0.5	1.3	2.4	3.4	4.2	5.5	4.2	4.1	77.5	1.4	2.1	2.0
MacroFin Analytics	0.2	3.3 L	0.6	0.3	0.2	0.3	0.6	0.9	1.7	2.5	3.6	4.5	6.0	4.8	4.5	74.0	3.0	1.5	2.0
Russell Investments	0.2	3.3 L	0.5	0.3	0.2	0.4	0.5	1.0	2.1	2.8	4.0	4.3	5.0	4.4	4.5	72.1	2.4	2.3	2.1
RidgeWorth Investments	0.2	3.3 L	0.5	0.3	0.1	0.3	0.4	0.4	1.3	2.4	3.9	3.7	4.8	2.9 L	4.2	72.0	2.5	2.0	2.4
Wintrust Wealth Management	0.2	3.3 L	0.4	0.3	0.2	0.3	0.3	0.6	1.6	2.5	3.6	4.5	5.8	4.5	4.3	65.1 L	3.3	2.1	2.2
Thredgold Economic Assoc.	0.2	3.3 L	0.4	0.3	0.2	0.4	0.5	0.7	1.7	2.7	3.7	4.5	5.5	4.2	4.6	70.5	2.5	2.0	2.4
Cycledata Corp.	0.2	3.3 L	0.4	0.1 L	0.1	0.1 L	0.3	0.4	1.3	2.5	3.6	4.5	5.7	4.2	4.1	73.0	1.5	2.2	3.1
DePrince & Assoc	0.2	3.3 L	0.3 L	0.3	0.2	0.4	0.6	0.8	1.4	2.7	3.8	4.4	5.4	3.6	4.6	72.5	3.1	2.2	2.5
Fannie Mae	0.2	3.3 L	na	na	0.3	na	na	na	na	2.5	3.5	4.4	na	na	4.3	na	1.9	1.5	1.5
Wells Capital Management	0.2	3.3 L	0.9	0.4	0.3	0.3	0.5	0.8	1.5	3.3	4.2	4.6	5.4	5.3	5.1	74.0	3.0	2.1	2.4
JPMorgan Private Banking	0.2	3.3 L	0.5	0.2	0.0 L	0.1 L	0.2	0.4	1.2	2.3	3.3	4.2	5.6	4.1	4.2	71.0	2.0	1.9	2.0
Chmura Economics & Analytics	0.2	3.3 L	0.5	0.1 L	0.1	0.2	0.3	0.5	1.4	2.7	3.7	4.4	na	na	4.5	73.0	2.9	2.6	2.8
Comerica Bank	0.2	3.3 L	0.5	na	0.0 L	0.3	0.6	1.1	2.0	3.0	4.4	na	na	na	4.6	na	3.0	2.0	2.6
Economist Intelligence Unit	0.1	3.3 L	0.6	0.2	0.1	0.2	0.3	0.8	1.5	2.5	4.0	na	na	na	4.6	na	2.1	na	2.1
GLC Financial Economics	0.1	3.3 L	0.5	0.2	0.0 L	0.1 L	0.1 L	0.2	1.1	2.5	3.7	4.5	6.0	4.3	4.7	71.1	2.9	2.6	2.8
BMO Capital Markets	0.1	3.3 L	0.3 L	0.2	0.0 L	0.1 L	0.6	1.1	1.7	2.4	3.3	4.3	5.4	4.3	4.4	71.0	2.3	2.1	2.3
Oxford Economics	0.1	3.3 L	0.3 L	na	0.0 L	0.1 L	0.3	0.6	1.8	3.0	4.5	4.6	na	na	4.4	75.7	2.5	1.7	1.6
UBS	0.1	na	0.4	na	0.2	na	na	0.5	1.7	2.5	3.9	na	na	na	na	na	2.7	2.0	2.8
RBS Securities	0.1	3.3 L	0.3 L	0.2	0.1	0.1 L	0.2	0.3	0.8 L	1.8 L	2.9 L	3.1 L	4.0 L	3.5	3.4 L	73.0	2.6	2.8	2.1
Nomura Securities, Inc.	0.1	3.3 L	0.5	0.2	0.1	0.1 L	0.1 L	0.3	1.4	2.6	3.5	4.2	5.7	na	4.3	73.0	2.5	1.6	1.3
Woodworth Holdings	0.1	3.3 L	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	77.0	2.5	1.1	1.0
Action Economics	0.1	3.3 L	0.5	0.2	0.1	0.2	0.6	1.2	2.2	3.3	4.3	4.5	5.6	4.4	4.3	70.1	3.5	2.8	3.2
Kellner Economic Advisers	0.1	3.3 L	0.4	0.5	0.3	0.4	0.6	0.8	1.6	2.2	3.1	4.1	5.1	4.5	4.2	70.0	3.5	2.3	2.4
PNC Financial Services Corp.	0.1	3.3 L	0.3 L	na	0.1	0.2	0.3	0.7	1.6	2.8	na	na	na	4.4	4.3	66.9	2.6	2.1	2.3
Mesirow Financial	0.1	3.3 L	0.3 L	0.1 L	0.3	0.4	0.5	0.9	1.7	2.7	3.7	4.4	5.3	4.1	4.5	76.6	2.5	1.8	1.9
Daiwa Capital Markets America	0.1	3.3 L	0.3 L	0.1 L	0.1	0.1 L	0.2	0.5	1.4	2.5	3.5	4.2	5.5	3.8	4.4	74.0	3.2	1.9	2.1
Stone Harbor Investment Partners	0.1	3.3 L	0.3 L	0.2	0.1	0.1 L	0.2	0.9	1.8	3.0	4.2	4.7	5.5	na	4.8	68.0	2.1	2.8	2.5
ClearView Economics	0.1	3.3 L	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	74.0	3.0	2.2	2.7
Loomis, Sayles & Company	0.1	3.3 L	0.3 L	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.3	2.8	3.8	4.6	5.7	4.1	4.4	73.0	1.7	1.8	2.3
Societe Generale	0.1	3.3 L	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.9	2.3	3.4	4.0	4.9	na	3.7	na	1.1 L	2.0	1.8
Moody's Capital Markets Group	0.1	3.3 L	0.4	0.2	0.2	0.2	0.5	0.7	1.4	2.4	3.0	3.8	5.1	3.2	4.0	75.3	3.5	1.9	1.9
Moody's Analytics	0.0 L	3.3 L	0.3 L	0.4	0.0 L	0.1 L	0.4	0.8	2.4	4.2 H	5.4 H	5.7 H	6.7 H	na	6.3 H	na	3.5	2.6	2.4
December Consensus	**0.2**	**3.3**	**0.5**	**0.3**	**0.2**	**0.3**	**0.4**	**0.7**	**1.6**	**2.7**	**3.8**	**4.4**	**5.5**	**4.3**	**4.5**	**72.2**	**2.6**	**2.1**	**2.3**
Top 10 Avg.	0.3	3.3	0.7	0.4	0.3	0.5	0.8	1.2	2.2	3.3	4.5	4.9	6.2	4.8	5.0	75.6	3.4	2.7	3.0
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.2	0.3	1.1	2.2	3.2	3.9	4.9	3.7	4.0	68.7	1.8	1.5	1.5
November Consensus	0.2	3.3	0.4	0.3	0.2	0.3	0.5	0.8	1.7	2.8	3.8	4.5	5.6	4.3	4.5	71.5	2.8	2.1	2.3
Number of Forecasts Changed From A Month Ago:																			
Down	4	2	2	7	11	13	13	13	17	18	17	15	15	8	13	5	16	6	12
Same	35	34	25	23	27	24	23	23	20	19	19	15	14	13	20	10	17	21	17
Up	1	3	11	4	2	1	2	3	2	3	3	6	4	6	6	15	7	12	11
Diffusion Index	46 %	51 %	62 %	46 %	39 %	34 %	36 %	37 %	31 %	31 %	32 %	38 %	33 %	46 %	41 %	67 %	39 %	58 %	49 %

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International Interest Rate And Foreign Exchange Rate Forecasts

United States

Blue Chip Forecasters	3 Mo. Interest Rate % In 3 Mo.	In 6 Mo.	In 12 Mo.	10 Yr. Gov't Bond Yield % In 3 Mo.	In 6 Mo.	In 12 Mo.	Fed's Major Currency $ Index In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	1.90	2.20	3.00	na	na	na
Moody's Analytics	na	na	na	2.67	3.24	4.21	na	na	na
Nomura Securities	0.50	0.50	0.50	2.10	2.25	2.40	72.0	73.0	75.0
Mizuho Research Institute	0.40	0.20	0.20	1.90	2.00	2.10	71.9	70.3	69.1
Wells Fargo	0.45	0.45	0.45	2.30	2.40	2.50	na	na	na
ING Financial Markets	0.40	0.40	0.40	1.80	1.80	2.00	73.5	72.1	68.9
Societe Generale	na	na	na	1.60	1.75	2.25	na	na	na
December Consensus	**0.44**	**0.39**	**0.39**	**2.04**	**2.23**	**2.64**	**72.5**	**71.8**	**71.0**
High	0.50	0.50	0.50	2.67	3.24	4.21	73.5	73.0	75.0
Low	0.40	0.20	0.20	1.60	1.75	2.00	71.9	70.3	68.9
Last Months Avg.	0.41	0.37	0.39	2.20	2.28	2.68	72.3	72.6	68.2

Japan

Blue Chip Forecasters	3 Mo. Interest Rate % In 3 Mo.	In 6 Mo.	In 12 Mo.	10 Yr. Gov't Bond Yield % In 3 Mo.	In 6 Mo.	In 12 Mo.	Yen/USD In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	na	na	na	81.3	82.7	84.7
Moody's Analytics	na	na	na	1.15	1.16	1.16	81.7	83.5	87.3
Nomura Securities	na	na	na	na	na	na	79.0	80.0	85.0
Mizuho Research Institute	0.33	0.33	0.33	0.95	0.95	1.05	75.0	73.0	77.0
Wells Fargo	0.20	0.20	0.20	1.04	1.06	1.10	na	na	na
ING Financial Markets	0.20	0.20	0.20	1.10	1.10	1.30	73.0	70.0	70.0
Societe Generale	na	na	na	1.00	1.15	1.25	76.0	75.0	73.0
December Consensus	**0.24**	**0.24**	**0.24**	**1.05**	**1.08**	**1.17**	**77.7**	**77.4**	**79.5**
High	0.33	0.33	0.33	1.15	1.16	1.30	81.7	83.5	87.3
Low	0.20	0.20	0.20	0.95	0.95	1.05	73.0	70.0	70.0
Last Months Avg.	0.24	0.24	0.24	1.07	0.93	1.15	77.6	78.1	80.5

United Kingdom

Blue Chip Forecasters	3 Mo. Interest Rate % In 3 Mo.	In 6 Mo.	In 12 Mo.	10 Yr. Gilt Yields % In 3 Mo.	In 6 Mo.	In 12 Mo.	USD/Pound Sterling In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	na	na	na	1.61	1.62	1.64
Moody's Analytics	na	na	na	2.78	3.04	3.59	1.56	1.57	1.60
Nomura Securities	na	na	na	na	na	na	1.55	1.58	1.65
Mizuho Research Institute	0.90	0.60	0.60	2.20	2.30	2.40	na	na	na
Wells Fargo	0.75	0.70	0.70	2.60	2.70	3.30	na	na	na
ING Financial Markets	1.00	1.00	1.00	2.20	2.30	2.50	1.59	1.58	1.62
Societe Generale	na	na	na	1.75	1.75	1.88	1.54	1.59	1.67
December Consensus	**0.88**	**0.77**	**0.77**	**2.31**	**2.42**	**2.73**	**1.57**	**1.59**	**1.64**
High	1.00	1.00	1.00	2.78	3.04	3.59	1.61	1.62	1.67
Low	0.75	0.60	0.60	1.75	1.75	1.88	1.54	1.57	1.60
Last Months Avg.	0.83	0.70	0.70	2.43	2.51	2.84	1.52	1.52	1.57

Switzerland

Blue Chip Forecasters	3 Mo. Interest Rate % In 3 Mo.	In 6 Mo.	In 12 Mo.	10 Yr. Gov't Bond Yield % In 3 Mo.	In 6 Mo.	In 12 Mo.	CHF/USD In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	na	na	na	0.87	0.86	0.86
Moody's Analytics	na	na	na	1.25	1.31	1.50	0.85	0.86	0.86
Nomura Securities	na	na	na	na	na	na	na	na	na
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
Wells Fargo	na	na	na	na	na	na	na	na	na
ING Financial Markets	0.10	0.10	0.10	0.90	0.90	1.00	0.92	0.92	0.87
Societe Generale	na	na	na	0.70	1.10	1.30	1.02	1.05	1.08
December Consensus	**0.10**	**0.10**	**0.10**	**0.95**	**1.10**	**1.27**	**0.92**	**0.92**	**0.92**
High	0.10	0.10	0.10	1.25	1.31	1.50	1.02	1.05	1.08
Low	0.10	0.10	0.10	0.70	0.90	1.00	0.85	0.86	0.86
Last Months Avg.	0.10	0.10	0.10	1.05	1.08	1.18	0.88	0.88	0.90

Canada

Blue Chip Forecasters	3 Mo. Interest Rate % In 3 Mo.	In 6 Mo.	In 12 Mo.	10 Yr. Gov't Bond Yield % In 3 Mo.	In 6 Mo.	In 12 Mo.	CAD/USD In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	2.20	2.40	2.90	1.01	0.99	0.98
Moody's Analytics	na	na	na	2.73	2.85	3.15	1.01	1.00	0.99
Nomura Securities	na	na	na	2.80	3.00	3.30	0.95	0.95	0.96
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
Wells Fargo	1.15	1.15	1.20	2.50	2.75	3.30	na	na	na
ING Financial Markets	1.10	0.70	0.70	2.00	2.00	2.40	1.05	1.01	0.97
Societe Generale	na	na	na	1.90	2.15	3.05	1.03	1.00	0.97
December Consensus	**1.13**	**0.93**	**0.95**	**2.36**	**2.53**	**3.02**	**1.01**	**0.99**	**0.97**
High	1.15	1.15	1.20	2.80	3.00	3.30	1.05	1.01	0.99
Low	1.10	0.70	0.70	1.90	2.00	2.40	0.95	0.95	0.96
Last Months Avg.	1.20	1.18	1.40	2.51	2.66	3.10	1.00	1.00	0.98

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International Interest Rate And Foreign Exchange Rate Forecasts

Australia

Blue Chip Forecasters	3 Mo. Interest Rate % In 3 Mo.	In 6 Mo.	In 12 Mo.	10 Yr. Gov't Bond Yield % In 3 Mo.	In 6 Mo.	In 12 Mo.	USD/AUD In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	na	na	na	1.02	1.04	1.08
Moody's Analytics	na	na	na	5.12	5.34	5.66	1.01	1.00	0.98
Nomura Securities	4.60	4.90	5.25	na	na	na	0.98	1.00	1.05
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
Wells Fargo	na	na	na	na	na	na	na	na	na
ING Financial Markets	4.40	3.70	3.60	4.00	4.00	4.40	0.98	1.00	1.05
Societe Generale	na	na	na	4.00	4.20	4.75	na	na	na
December Consensus	**4.50**	**4.30**	**4.43**	**4.37**	**4.51**	**4.94**	**1.00**	**1.01**	**1.04**
High	4.60	4.90	5.25	5.12	5.34	5.66	1.02	1.04	1.08
Low	4.40	3.70	3.60	4.00	4.00	4.40	0.98	1.00	0.98
Last Months Avg.	4.80	4.90	5.00	4.55	4.91	5.43	1.00	1.01	1.03

Eurozone

Blue Chip Forecasters	3 Mo. Interest Rate % In 3 Mo.	In 6 Mo.	In 12 Mo.	USD/EUR In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	1.41	1.42	1.40
Moody's Analytics	na	na	na	1.40	1.37	1.32
Nomura Securities	0.94	0.94	0.94	1.30	1.32	1.35
Mizuho Research Institute	0.90	0.70	0.80	1.27	1.30	1.35
Wells Fargo	0.65	0.65	0.65	na	na	na
ING Financial Markets	0.90	0.90	0.90	1.30	1.30	1.38
Societe Generale	na	na	na	1.30	1.33	1.40
December Consensus	**0.85**	**0.80**	**0.82**	**1.33**	**1.34**	**1.37**
High	0.94	0.94	0.94	1.41	1.42	1.40
Low	0.65	0.65	0.65	1.27	1.30	1.32
Last Months Avg.	1.26	1.00	1.01	1.36	1.35	1.35

10 Yr. Gov't Bond Yields %

	Germany			France			Italy			Spain		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
ING Financial Markets	1.80	1.80	2.00	4.70	4.40	4.20	6.80	6.80	6.60	6.80	6.80	6.60
Mizuho Research Institute	1.80	1.90	2.00	na	na	na	na	na	na	na	na	na
Moody's Analytics	2.39	2.67	3.00	3.48	3.76	4.41	5.60	5.80	6.00	6.06	6.17	6.33
Societe Generale	1.50	1.90	2.10	na	na	na	na	na	na	na	na	na
December Consensus	**1.87**	**2.07**	**2.28**	**4.09**	**4.08**	**4.31**	**6.20**	**6.30**	**6.30**	**6.43**	**6.49**	**6.47**
High	2.39	2.67	3.00	4.70	4.40	4.41	6.80	6.80	6.60	6.80	6.80	6.60
Low	1.50	1.80	2.00	3.48	3.76	4.20	5.60	5.80	6.00	6.06	6.17	6.33
Last Months Avg.	2.06	2.15	2.38	3.21	3.09	3.12	5.74	5.71	5.82	5.73	5.64	5.67

Consensus Forecasts 10-year Bond Yields vs U.S. Yield

	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-0.93	-0.99	-1.15	-1.47
United Kingdom	0.54	0.27	0.18	0.10
Switzerland	-1.07	-1.09	-1.13	-1.37
Canada	0.14	0.32	0.29	0.38
Australia	1.94	2.33	2.28	2.30
Germany	0.28	-0.17	-0.17	-0.36
France	1.72	2.05	1.85	1.67
Italy	5.40	4.16	4.07	3.66
Spain	4.74	4.39	4.25	3.83

Consensus Forecasts 3 Mo. Deposit Rates vs U.S. Rate

	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-0.31	-0.19	-0.63	-0.14
United Kingdom	0.44	0.45	0.38	0.38
Switzerland	-0.48	-0.34	-0.29	-0.29
Canada	0.59	0.69	0.54	0.56
Australia	3.99	4.06	3.91	4.04
Eurozone	0.84	0.41	0.41	0.44

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Viewpoints:

A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

The Q3 GDP Revision: News for Optimists and Pessimists

The government's estimate of real GDP growth for 3Q11 was revised down to 2.0% (from a first print of 2.5%). But the two most conspicuous details of the report are positive for near-term growth. The composition of GDP in 3Q11 now shows an unrevised 3.6% saar final sales growth and an outright decline in inventories, a combination that can be expected to lead to a positive turn in the inventory cycle soon. Indeed, the forecast improvement to 3.0% real GDP growth this quarter incorporates an increase in the inventory contribution to annualized growth from -1.6%-pt in 3Q11 to 0.8%-pt in 4Q11 (with about half this shift offset by a decline in the contribution from net exports, largely reflecting the part of the inventory boost that is supplied by foreign sources). In addition, the first report on corporate profits shows earnings continue to rise more quickly than GDP. Margins from domestic non-financial activity reached their highest level since the late 1960s.

However, other important details of the revision are more negative. The deterioration in state and local finances, as federal aid from the stimulus legislation runs down, points to further tightening from this sector in coming quarters. The significant downward revision to wage and salary income and to real disposable income accentuates the previously-reported disconnect between spending growth and income growth and the resulting plunge in the saving rate. Such declines, especially against the backdrop of soft asset prices and weak confidence readings, are often followed by retrenchment. Because of weak personal income, growth of national income has been running well below GDP growth over the past two quarters. Fed research suggests that early reports on national income are often more reliable estimates of economic growth than GDP.

The combination of relatively strong growth in final sales and little or no growth in inventories is as usual viewed as a positive for near-term real GDP growth as it points to a positive turn in the inventory cycle that will boost domestic manufacturing. Moreover, the detail of the report showing a split between inventory growth for durables and nondurables helps identify where this help should come from. Inventories in the durable goods industries rose 4.2% saar in 3Q11, in line with the recent trends. The stall in inventory accumulation is concentrated in nondurables, -3.5% saar, and extends to manufacturing (-$8.4 billion saar), wholesale industries (-$12.6 billion), and the farm sector (-$10.8 billion). Monthly source data detail indicates that the maximum destocking in nondurable inventories occurred in August.

This suggests that the boost to growth from the turn in the inventory cycle should be coming in the nondurable goods industries and could have started as soon as September. IP growth for nondurable manufacturing averaged 0.25% per month in September and October after a small net decline on average over the previous four months, some improvement but not enough to provide much of a major boost to overall GDP growth yet.

The second important positive news in the GDP report is the first look at 3Q11 profits. Total adjusted profits of US firms increased 8.5% saar in 3Q11, again outpacing overall GDP growth. And while in past quarters, profits had been boosted by earnings from abroad, foreign earnings declined in 3Q11. Profits from domestic operations increased 9.3% saar last quarter. And the 6.6% growth pace for domestic non-financial profits allowed margins for this sector to reach their highest levels since the late 1960s.

Real business fixed investment was revised slightly lower in 3Q11, but at 14.8% saar growth it is still the major growth sector of the economy. Strong profits growth provides some support for the view that strong double-digit growth in business spending will be maintained this quarter. But the latest monthly news on capital spending has been disappointing. Core capital goods shipments, source data for estimating equipment spending, declined about 1% in both September and October. (However, the IP report sends a different message. Production of business equipment increased 0.6% in September and 1.0% in October.)

As has been the case through most of the expansion, upbeat news on corporate profits has been accompanied by disappointing growth of labor income. The first revision to GDP includes revisions to prior quarter labor income based on the more reliable income data in the Quarterly Census of Employment and Wages (QCEW). Wage and salary income for 2Q11 was revised down to growth of only 2.4% saar (from 4.9%) and 3Q11 growth was revised down to 1.5% growth (from 2.0%), at odds with expectations that upward revisions to August and September payroll employment would lead to an upward revision of income growth.

Real disposable income has been revised down accordingly and now shows declines in each of the last two quarters while real consumer spending posted gains of 0.7% saar and 2.4% for the two quarters. The apparent disconnect between falling income and rising spending is squared via a sharp decline in the saving rate, down to 3.8% in 3Q11 from 4.8% the prior quarter and 5.0% in 1Q11. The decline in the saving rate is probably a warning of spending caution ahead, especially against the backdrop of recent trends in asset prices and consumer confidence. The saving rate can decline because higher tax payments (pe haps on capital gains) are holding down disposable income relative to total income. But this was not the case last quarter. Saving as a share of disposable income declined 1.0%-pt in 3Q11, and the saving rate redefined as a share of total household income declined 0.9%-pt, only slightly less.

The period of consumer retrenchment may have already started. Real consumer spending slowed to a 0.1% gain in October following increases averaging 0.3% the prior three months, despite help in October from falling prices. Research at the Fed indicates that early estimates of gross domestic income (GDI) may tend to be more reliable growth measures than estimates of GDP. In this light, it is worth noting that revised data show real GDI increasing less than 0.5% saar in each of the last two quarters.

Another feature of the first revision is the complete set of revenue and outlay tables for the state and local government sector. The overall balance tends to be volatile from quarter to quarter but these data show that state and local governments, in aggregate, had managed to bring borrowing requirements back toward normal by mid-2010 through a combination of spending cuts, tax increases, deferred maintenance, and increased federal aid. With the economy now growing, it would seem that state and local finances might be able to loosen a bit in coming quarters. But this does not appear to be the case. Federal aid that had been temporarily lifted as part of the stimulus *(continued on next page)*

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Viewpoints

A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

package is now starting to run off. These federal grants declined by $57.1 billion saar in 3Q11, and fully account for the widening budget imbalance of the sector last quarter. Further scheduled cuts in aid will put continued pressure on finances in the quarters ahead.

Robert Mellman, JPMorgan Chase Bank, New York, NY

A Super Flop

Members of the Joint Select Committee on Deficit Reduction (JSCDR) failed to meet the requirement of the Budget Control Act (BCA) of 2011 directing this so-called "Super Committee" to agree on (by 23 November) and then present to Congress (for passage by 23 December) a plan to cut $1.2 trillion from the projected 10-year budget deficitUnder another provision of the BCA this failure will trigger the "sequestration" (automatic reduction) of scheduled spending on both defense and non-defense discretionary programs in January 2013

This legislative failure has little direct effect on our forecast for the US economy. We had not expected the JSCDR to propose substantive changes that would affect the 2012 outlook, and we continue to believe that fiscal policies for 2013 will not be set before late next year. The immediate aftermath of the 2012 presidential and congressional elections should be anopportune time to strike a long-run budget compromise that would incorporate significant reforms to both taxes and spending. It is important to recognize that, under current law, very large automatic tax increases and spending cuts will take effect at the beginning of 2013. Like a sword of Damocles hanging over the US government, the prospect of such a severe fiscal restraint seems likely to, eventually, compel action.

As noted, the JSCDR's failure to act will likely have no direct effect on fiscal measures in the year ahead. The Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) estimate that under current law a combination of BCA spending caps, the partial withdrawal from military operations in Iraq and Afghanistan, and other expiring tax provisions amount to $69 billion in 2012 – a "drag" of just 0.4% of the CBO's estimate of fiscal 2012 GDP. However, we continue to believe that Congress will act soon to counteract all of that drag – and to provide some modest net stimulus to 2012 growth.

Despite the latest "process failure," we expect a bi-partisan majority to agree to take action before year-end to prevent the scheduled expiration of the two percentage point (pp) cut in payroll taxes enacted a year ago as a "temporary" fiscal boost. We judge that, with the economy still faltering, policymakers will deem it ill-advised to risk the effects of a sizeable tax increase of roughly $120bn that would result from the restoration of the usual payroll tax rates. Moreover, we think that Congress will also act to extend the life of the emergency unemployment compensation (EUC) program. Congress must enact, by mid-December, legislation (the "omnibus" spending bill) to authorize on-going government operations for fiscal 2012. That "must-pass" legislation would likely be the most suitable vehicle for extending the payroll tax cut and the EUC program. Both are subject to "pay-go" rules requiring tax or spending offsets over a 10-year time horizon, but these rules could be waived as they were last year. However, the politics surrounding the "Super Committee's" failure will make enactment of these measures more contentious.

The looming sequestration would greatly magnify the 2013 tightening of fiscal policy that is embedded in current law. Beyond a modest fiscal drag in 2012, the fiscal drag in 2013 under current policy grows substantially. The spending caps enacted in the BCA would reduce projected discretionary spending in 2013 by about $49bn but the sequestration now set to be triggered in January 2013 would add cuts of more than twice that amount -- roughly $111bn. In addition, CBO estimates that reductions in troop deployment would shave about $53bn more from outlays – for total spending cuts of $214bn, or 1.3% of GDP. On the revenue side, the expiration of the Bush-era tax cuts, failure to index the AMT (alternative minimum tax) for inflation, and other expiring tax provisions total approximately $314 billion, or 1.9% of GDP. The combined spending cuts and revenue from expiring tax provisions create a total fiscal drag of about 3.3% of GDP in 2013.

With the failure of the JSCDR, the BCA mandates a "sequestration" procedure that results in automatic cuts in both defense and non-defense discretionary spending. The BCA directs the Office of Management and Budget (OMB) to impose cuts through a specific formula and to be spread evenly over FY2013-21. They would also be divided evenly between the defense and non-defense programs, including entitlements. However, cuts to Medicare and certain health care programs would be capped at 2% for each fiscal year.

Sequestration would shave more than 7% from planned defense spending over the decade ahead but other defense spending cuts associated with reductions in troop deployment would cut another 6% from defense outlays over the 10-year budget horizon. Defense Secretary Leon Panetta and Senator John McCain have warned of dire national security consequences resulting from such deep cuts. Resistance to the mandated cuts in non-defense programs is likely to be equally intense. In our view, averting sequestration's deep cuts will become a priority for many in Congress but doing so will require the sort of sober realignment of budgetary priorities that eluded the Super Committee. The debt ratings agencies, which have indicated that the Committee's failure will not lead to a quick downgrade of US debt, may recognize this prospect.

Our baseline forecast of the economy in 2013 assumes Congress acts to offset most, but not all, of these automatic changes after the presidential election in November 2012. While we retain the assumption that fiscal drag in 2013 will be greater than in 2012, we remain confident that it will be substantially less than current law would require.

The economic cost of procrastination creates a powerful incentive to finally take up the sorts of tax and entitlement reforms that will ultimately be needed to set US fiscal policy on a sustainable path. The sequestration process triggered by the failure of the Super Committee magnifies the incentive to act. Both this summer's debt ceiling debate and now the failure of the Super Committee may seem to reveal a dysfunctional government. But behind it all, a consensus now appears to recognize the necessity for reform. We believe that consensus will eventually produce significant progress toward these long-overdue reforms shortly after the 2012 election in order to avert the frightening consequences of sequestration and other current-law budget changes scheduled to take effect early in 2013.

David Resler and Ellen Zentner, Nomura Securities, New York NY

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Long-Range Forecasts:

The table below contains results of our semi-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are estimates for the years 2013 through 2017 and averages for the five-year periods 2013-2017 and 2018-2022. Apply these projections cautiously. Few economic, demographic and political forces can be evaluated accurately over such long time spans.

Interest Rates		----Average For The Year----					Five-Year Averages	
		2013	2014	2015	2016	2017	2013-2017	2018-2022
1. Federal Funds Rate	CONSENSUS	**0.5**	**1.8**	**2.8**	**3.4**	**3.7**	**2.4**	**3.7**
	Top 10 Average	0.9	2.9	4.0	4.3	4.6	3.4	4.7
	Bottom 10 Average	0.2	0.9	1.6	2.2	2.6	1.5	2.6
2. Prime Rate	CONSENSUS	**3.6**	**4.8**	**5.8**	**6.5**	**6.7**	**5.5**	**6.7**
	Top 10 Average	4.0	6.0	7.1	7.5	7.7	6.4	7.7
	Bottom 10 Average	3.3	3.9	4.7	5.3	5.6	4.5	5.5
3. LIBOR, 3-Mo.	CONSENSUS	**0.8**	**2.2**	**3.2**	**3.8**	**4.0**	**2.8**	**4.0**
	Top 10 Average	1.3	3.5	4.3	4.8	4.9	3.8	4.9
	Bottom 10 Average	0.4	1.2	2.0	2.6	2.9	1.8	3.0
4. Commercial Paper, 1-Mo.	CONSENSUS	**0.6**	**1.9**	**2.8**	**3.4**	**3.7**	**2.5**	**3.7**
	Top 10 Average	1.1	2.9	4.0	4.4	4.6	3.4	4.6
	Bottom 10 Average	0.2	1.0	1.8	2.3	2.7	1.6	2.7
5. Treasury Bill Yield, 3-Mo.	CONSENSUS	**0.5**	**1.7**	**2.7**	**3.3**	**3.6**	**2.3**	**3.5**
	Top 10 Average	1.0	2.8	3.9	4.3	4.4	3.3	4.5
	Bottom 10 Average	0.1	0.8	1.6	2.2	2.6	1.4	2.5
6. Treasury Bill Yield, 6-Mo.	CONSENSUS	**0.6**	**1.8**	**2.8**	**3.4**	**3.7**	**2.5**	**3.7**
	Top 10 Average	1.2	3.0	4.1	4.5	4.6	3.5	4.6
	Bottom 10 Average	0.2	0.9	1.7	2.0	2.6	1.5	2.6
7. Treasury Bill Yield, 1-Yr.	CONSENSUS	**0.8**	**2.1**	**3.1**	**3.6**	**3.9**	**2.7**	**3.8**
	Top 10 Average	1.4	3.2	4.4	4.6	4.8	3.7	4.8
	Bottom 10 Average	0.4	1.1	1.9	2.5	2.8	1.7	2.8
8. Treasury Note Yield, 2-Yr.	CONSENSUS	**1.2**	**2.4**	**3.3**	**3.9**	**4.1**	**3.0**	**4.1**
	Top 10 Average	1.9	3.5	3.2	4.8	5.0	3.6	5.0
	Bottom 10 Average	0.7	1.5	2.2	2.8	3.0	2.0	3.0
10. Treasury Note Yield, 5-Yr.	CONSENSUS	**2.2**	**3.1**	**3.9**	**4.3**	**4.4**	**3.6**	**4.4**
	Top 10 Average	3.1	4.0	4.8	5.2	5.3	4.5	5.3
	Bottom 10 Average	1.5	2.3	2.8	3.3	3.4	2.6	3.3
11. Treasury Note Yield, 10-Yr.	CONSENSUS	**3.2**	**4.0**	**4.6**	**4.8**	**4.9**	**4.3**	**4.8**
	Top 10 Average	4.1	4.7	5.3	5.5	5.7	5.1	5.7
	Bottom 10 Average	2.4	3.2	3.7	4.0	4.1	3.5	3.9
12. Treasury Bond Yield, 30-Yr.	CONSENSUS	**4.2**	**4.8**	**5.3**	**5.5**	**5.6**	**5.1**	**5.5**
	Top 10 Average	5.1	5.7	6.2	6.4	6.4	6.0	6.4
	Bottom 10 Average	3.3	4.0	4.3	4.5	4.6	4.2	4.4
13. Corporate Aaa Bond Yield	CONSENSUS	**4.7**	**5.4**	**5.8**	**6.2**	**6.2**	**5.7**	**6.1**
	Top 10 Average	5.5	6.2	6.6	7.1	7.1	6.5	7.1
	Bottom 10 Average	3.9	4.5	5.0	5.2	5.3	4.8	5.1
13. Corporate Baa Bond Yield	CONSENSUS	**5.7**	**6.4**	**6.8**	**7.1**	**7.2**	**6.6**	**7.0**
	Top 10 Average	6.5	7.2	7.6	8.1	8.1	7.5	8.0
	Bottom 10 Average	5.0	5.6	6.0	6.2	6.2	5.8	6.0
14. State & Local Bonds Yield	CONSENSUS	**4.7**	**5.3**	**5.5**	**5.7**	**5.8**	**5.4**	**5.6**
	Top 10 Average	5.5	6.1	6.3	6.5	6.5	6.2	6.3
	Bottom 10 Average	3.9	4.5	4.8	4.9	5.1	4.6	4.9
15. Home Mortgage Rate	CONSENSUS	**4.8**	**5.6**	**6.0**	**6.3**	**6.4**	**5.8**	**6.3**
	Top 10 Average	5.7	6.4	6.8	7.1	7.2	6.6	7.2
	Bottom 10 Average	4.2	4.8	5.2	5.4	5.5	5.0	5.4
A. FRB - Major Currency Index	CONSENSUS	**73.4**	**74.0**	**74.8**	**75.5**	**75.9**	**74.7**	**75.6**
	Top 10 Average	77.0	78.9	79.3	79.8	80.3	79.1	80.6
	Bottom 10 Average	70.1	69.5	70.5	71.2	71.6	70.6	71.0

		----Year-Over-Year, % Change----					Five-Year Averages	
		2013	2014	2015	2016	2017	2013-2017	2018-2022
B. Real GDP	CONSENSUS	**2.8**	**2.8**	**2.9**	**2.9**	**2.8**	**2.8**	**2.6**
	Top 10 Average	3.3	3.5	3.4	3.3	3.2	3.3	2.9
	Bottom 10 Average	2.2	2.1	2.5	2.4	2.4	2.3	2.3
C. GDP Chained Price Index	CONSENSUS	**2.1**	**2.2**	**2.2**	**2.2**	**2.2**	**2.2**	**2.1**
	Top 10 Average	2.6	2.9	2.7	2.7	2.7	2.7	2.6
	Bottom 10 Average	1.5	1.6	1.8	1.7	1.8	1.7	1.7
D. Consumer Price Index	CONSENSUS	**2.3**	**2.4**	**2.4**	**2.4**	**2.3**	**2.4**	**2.3**
	Top 10 Average	2.9	3.2	3.0	3.0	2.9	3.0	2.8
	Bottom 10 Average	1.8	1.8	1.9	1.9	1.9	1.9	2.0

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Databank:

2011 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.8	1.3	0.8	0.2	-0.1	0.2	0.4	0.3	1.1	0.5		
Auto & Light Truck Sales (b)	12.64	13.24	13.02	13.13	11.68	11.51	12.20	12.09	13.05	13.21		
Personal Income (a, current $)	1.1	0.5	0.5	0.4	0.3	0.1	0.1	-0.1	0.1	0.4		
Personal Consumption (a, current $)	0.4	0.8	0.6	0.3	0.2	-0.2	0.9	0.2	0.7	0.1		
Consumer Credit (e)	2.2	3.2	2.2	2.8	3.0	5.6	5.8	-4.7	3.6			
Consumer Sentiment (U. of Mich.)	74.2	77.5	67.5	69.8	74.3	71.5	63.7	55.7	59.4	60.9		
Household Employment (c)	117	250	291	-190	105	-445	-38	331	398	277		
Non-farm Payroll Employment (c)	68	235	194	217	53	20	127	104	158	80		
Unemployment Rate (%)	9.0	8.9	8.8	9.0	9.1	9.2	9.1	9.1	9.1	9.0		
Average Hourly Earnings (All, cur. $)	22.86	22.88	22.89	22.93	23.02	23.01	23.12	23.08	23.14	23.19		
Average Workweek (All, hrs.)	34.2	34.3	34.3	34.4	34.4	34.3	34.3	34.2	34.3	34.3		
Industrial Production (d)	5.8	5.2	5.3	4.5	3.4	3.3	3.6	3.4	3.2	4.0		
Capacity Utilization (%)	76.9	76.5	77.0	76.7	76.7	76.7	77.5	77.4	77.3	77.8		
ISM Manufacturing Index (g)	60.8	61.4	61.2	60.4	53.5	55.3	50.9	50.6	51.6	50.8		
ISM Non-Manufacturing Index (g)	59.4	59.7	57.3	52.8	54.6	53.3	52.7	53.3	53.0	52.9		
Housing Starts (b)	.636	.518	.593	.549	.553	.615	.615	.585	.630	.628		
Housing Permits (b)	.568	.534	.574	.563	.609	.617	.601	.625	.589	.653		
New Home Sales (1-family, c)	310	281	305	316	308	303	297	296	313			
Construction Expenditures (a)	-1.4	-1.0	-0.2	0.7	2.5	1.6	-3.3	1.7	0.2			
Consumer Price Index (nsa., d)	1.6	2.1	2.7	3.2	3.6	3.6	3.6	3.8	3.9	3.5		
CPI ex. Food and Energy (nsa., d)	1.0	1.1	1.2	1.3	1.5	1.6	1.7	2.0	2.0	2.1		
Producer Price Index (n.s.a., d)	3.6	5.4	5.6	6.6	7.1	6.9	7.2	6.5	6.9	5.9		
Durable Goods Orders (a)	4.0	-1.1	4.6	-2.5	2.0	-1.2	4.2	0.7	-1.6	-0.7		
Leading Economic Indicators (g)	0.2	0.9	0.7	-0.3	0.7	0.3	0.6	0.3	0.1	0.9		
Balance of Trade & Services (f)	-47.9	-45.7	-46.4	-43.2	-50.2	-51.6	-45.6	-44.9	-43.1			
Federal Funds Rate (%)	0.17	0.16	0.14	0.10	0.09	0.09	0.07	0.10	0.08	0.07		
3-Mo. Treasury Bill Rate (%)	0.15	0.13	0.10	0.06	0.04	0.04	0.04	0.02	0.01	0.02		
10-Year Treasury Note Yield (%)	3.39	3.58	3.41	3.46	3.17	3.00	3.00	2.30	1.98	2.15		

2010 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.4	0.3	2.2	0.6	-0.8	-0.2	0.3	1.0	1.0	1.3	0.7	0.6
Auto & Light Truck Sales (b)	10.81	10.42	11.69	11.28	11.55	11.25	11.53	11.52	11.78	12.14	12.24	12.46
Personal Income (a, current $)	0.8	0.2	0.5	0.7	0.6	0.1	0.4	0.5	0.0	0.5	0.1	0.5
Personal Consumption (a, current $)	0.2	0.4	0.6	0.1	0.3	0.0	0.4	0.6	0.3	0.6	0.4	0.4
Consumer Credit (e)	3.2	-3.8	-2.5	-6.4	-1.2	-0.9	-2.7	-2.5	0.0	3.9	0.7	2.3
Consumer Sentiment (U. of Mich.)	74.4	73.6	73.6	72.2	73.6	76.0	67.8	68.9	68.2	67.7	71.6	74.5
Household Employment (c)	551	187	254	430	-29	-261	-101	276	111	-294	-175	297
Non-Farm Payroll Employment (c)	-39	-35	192	277	458	-192	-49	-59	-29	171	93	152
Unemployment Rate (%)	9.7	9.7	9.7	9.8	9.6	9.5	9.5	9.6	9.6	9.7	9.8	9.4
Average Hourly Earnings (All, cur. $)	22.44	22.48	22.48	22.52	22.57	22.57	22.61	22.67	22.70	22.77	22.76	22.77
Average Workweek (All, hrs.)	34.0	33.4	34.1	34.1	34.2	34.1	34.2	34.2	34.2	34.3	34.2	34.3
Industrial Production (d)	0.2	1.0	3.4	4.6	7.2	7.8	7.6	6.8	6.3	5.9	6.0	6.8
Capacity Utilization (%)	71.9	72.2	72.8	73.2	74.3	74.5	75.3	75.5	75.7	75.7	75.8	76.8
ISM Manufacturing Index (g)	58.3	57.1	60.4	59.6	57.8	55.3	55.1	55.2	55.3	56.9	58.2	58.5
ISM Non-Manufacturing Index (g)	50.7	52.7	54.1	54.6	54.8	53.5	53.7	52.8	53.9	54.6	56.0	57.1
Housing Starts (b)	.615	.603	.626	.687	.580	.539	.550	.606	.597	.539	.551	.526
Housing Permits (b)	.636	.655	.688	.632	.582	.585	.575	.575	.562	.555	.564	.630
New Home Sales (1-family, c)	346	344	385	420	281	307	279	278	316	282	287	331
Construction Expenditures (a)	-0.1	-3.0	1.0	2.3	-2.8	0.1	-2.6	-1.0	1.2	1.1	0.2	-2.5
Consumer Price Index (s.a., d)	2.6	2.1	2.3	2.2	2.0	1.1	1.2	1.1	1.1	1.2	1.1	1.5
CPI ex. Food and Energy (s.a., d)	1.6	1.3	1.1	0.9	0.9	0.9	0.9	0.9	0.8	0.6	0.8	0.8
Producer Price Index (n.s.a., d)	4.5	4.2	5.9	5.4	5.1	2.7	4.1	3.3	3.9	4.3	3.4	3.8
Durable Goods Orders (a)	4.9	0.5	0.1	2.9	-0.7	-0.2	1.2	-0.8	4.9	-3.1	-0.1	-0.7
Leading Economic Indicators (g)	0.6	0.4	1.5	-0.1	0.5	-0.2	0.2	0.1	0.7	0.2	1.2	0.8
Balance of Trade & Services (f)	-37.5	-41.0	-41.1	-41.5	-42.2	-46.9	-41.6	-45.5	-44.0	-39.5	-38.8	-40.5
Federal Funds Rate (%)	0.11	0.13	0.16	0.20	0.20	0.18	0.18	0.19	0.19	0.19	0.19	0.18
3-Mo. Treasury Bill Rate (%)	0.06	0.11	0.15	0.16	0.16	0.12	0.16	0.16	0.15	0.13	0.14	0.14
10-Year Treasury Note Yield (%)	3.73	3.69	3.73	3.82	3.42	3.20	3.01	2.70	2.65	2.54	2.76	3.29

(a) month-over-month % change; (b) millions, saar; (c) thousands, saar; (d) year-over-year % change; (e) annualized % change; (f) $ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

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Calendar Of Upcoming Economic Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
November 28 New Home Sales (Oct)	**29** S&P/Case-Shiller Home Price Index (Sep) Consumer Confidence (Nov, Conference Board) ABC Consumer Comfort Index Weekly Store Sales	**30** ADP Employment (Nov) Challenger Survey (Nov) Chicago PMI (Nov) Pending Home Sales (Oct) Beige book for Dec. 13 FOMC meeting Agricultural Prices (Nov) EIA Crude Oil Stocks Mortgage Applications	**December 1** ISM Manufacturing (Nov) Vehicle Sales (Nov) Construction Spending (Oct) Weekly Jobless Claims Weekly Money Supply	**2** Employment Report (Nov)
5 ISM Non-Manufacturing (Nov Factory Orders (Oct))	**6** ABC Consumer Comfort Index Weekly Store Sales	**7** Consumer Credit (Oct) Mortgage Applications EIA Crude Oil Stocks	**8** Wholesale Inventories (Oct) ICSC Chain Store Sales (Nov) Weekly Jobless Claims Weekly Money Supply	**9** Trade Balance (Oct) Consumer Sentiment (Dec, Preliminary, University of Michigan)
12 U.S. Budget (Nov)	**13** **FOMC Meeting** Retail Sales (Nov) Business Inventories (Oct) Weekly Store Sales ABC Consumer Comfort Index	**14** Import Prices (Nov) EIA Crude Oil Stocks Mortgage Applications	**15** Philadelphia Fed Survey (Dec) Empire Survey (Dec) Industrial Production (Nov) Producer Price Index (Nov) TIC data (oct) Current Account (Q3) Weekly Jobless Claims Weekly Money Supply	**16** Consumer Price Index (Nov)
19 NAHB Housing Market Index (Dec)	**20** Housing Starts (Nov) Weekly Store Sales ABC Consumer Comfort Index	**21** Existing Home Sales (Nov) EIA Crude Oil Stocks Mortgage Applications	**22** GDP (Q3, Final) Consumer Sentiment (Dec., Final, University of Michigan) Leading Economic Indicators (Nov) Weekly Jobless Claims Weekly Money Supply	**23** Personal Income and Consumption (Nov) New Home Sales (Nov) Durable Goods (Nov)
26 **Christmas Day Observed** **Markets Closed**	**27** S&P/Case-Shiller Home Price Index (Oct) Consumer Confidence (Dec, Conference Board) ABC Consumer Comfort Index Weekly Store Sales	**28** EIA Crude Oil Stocks Mortgage Applications	**29** Pending Home Sales (Oct) Weekly Jobless Claims Weekly Money Supply	**30** Chicago PMI (Dec)
January 2 **New Year's Day (observed)** **Markets Closed**	**3** ISM Manufacturing (Jan) Construction Spending (Nov) FOMC Minutes (Dec. 13 meeting) ABC Consumer Comfort Index Weekly Store Sales	**4** ADP Employment (Dec) Vehicle Sales (Dec) Factory Orders (Dec) Mortgage Applications EIA Crude Oil Stocks	**5** ISM Non-Manufacturing (Jan) ICSC Chain Store Sales (Dec) Weekly Jobless Claims Weekly Money Supply	**6** Employment Report (Dec)

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BLUE CHIP FORECASTERS

CONTRIBUTORS TO DOMESTIC SURVEY

Action Economics, LLC, Boulder, CO
Michael Englund
Bank of America Merrill Lynch, New York, NY
Ethan Harris
Bank of Tokyo-Mitsubishi UFJ, Ltd., New York, NY
Christopher S. Rupkey
Barclays Capital, New York, NY
Dean Maki
BMO Capital Markets Economics, Toronto, Canada
Sherry Cooper and Douglas Porter
Chmura Economics & Analytics, Richmond, VA
Christine Chmura and Dr. Xiaobing Shuai
ClearView Economics, LLC, Cleveland, OH
Kenneth T. Mayland
Comerica, Dallas, TX
Robert A. Dye
Cycledata Corp., San Diego, CA
Robert S. Powers
Daiwa Capital Markets America, New York, NY
Michael Moran
Economist Intelligence Unit, New York, NY
Leo Abruzzese and Jan Friederich
DePrince & Associates, Murfreesburo, TN
Albert E. DePrince Jr.
Fannie Mae, Washington, DC
Douglas Duncan
Georgia State University, Atlanta, GA
Rajeev Dhawan and Emin Hajiyev
GLC Financial Economics, Providence, RI
Gary L. Ciminero
Goldman, Sachs & Co., New York, NY
Jan Hatzius
J.P. Morgan Chase, New York, NY
Bruce Kasman and Robert Mellman
JPMorgan Private Wealth Management, New York, NY
Anthony Chan
J.W. Coons Advisors, LLC, Columbus, OH
James W. Coons
Kellner Economic Advisers, Port Washington, NY
Irwin L. Kellner
Loomis, Sayles & Company, L.P., Bloomfield, MI
Brian Horrigan and David Sowerby
MacroFin Analytics, Wayne, NJ
Parul Jain
MF Global, New York, NY
James F. O'Sullivan
Mesirow Financial, Chicago, IL
Diane Swonk
Moody's Capital Markets Group, New York, NY
John Lonski
Moody's Analytics, West Chester, PA
Mark M. Zandi
Naroff Economic Advisors, Philadelphia, PA
Joel L. Naroff
National Association of Realtors, Washington, DC
S. Lawrence Yun
Nomura Securities International, Inc., New York, NY
David H. Resler
Oxford Economics, Wayne, PA
Lea Tyler
Pierpont Securities, Stamford, CT
Stephen Stanley
PNC Financial Services Group, Pittsburgh, PA
Stuart G. Hoffman
RBS, Greenwich, CT
Michelle Girard
RDQ Economics, New York, NY
John Ryding and Conrad DeQuadros
RidgeWorth Capital Management, Richmond, VA
Alan Gayle
Russell Investments, Seattle, WA
Michael Dueker
Scotiabank Group, Toronto, Canada
Aron Gampel and Dr. Warren Jestin
Societe Generale, NY, New York
Stephen W. Gallagher
Standard & Poor's Corp., New York, NY
Beth Ann Bovino
Stone Harbor Investment Partners, LP, New York, NY
Brian Keyser
SunTrust Banks, Inc., Atlanta, GA
Gregory L. Miller
Swiss Re, New York, NY
Kurt Karl
The Northern Trust Company, Chicago, IL
Paul L. Kasriel and Asha G. Bangalore
Thredgold Economic Associates, Salt Lake City, UT
Jeff K. Thredgold
UBS, New York, NY
Maury Harris, Samuel Coffin and Kevin Cummins
Wintrust Wealth Management., Chicago, IL
William B. Hummer
Wells Capital Management, San Francisco, CA
Gary Schlossberg
Wells Fargo, Charlotte, NC
John Silvia and Mark Vitner
Woodworth Holdings, Ltd., Summit, NJ
Jay N. Woodworth

CONTRIBUTORS TO INTERNATIONAL SURVEY

Barclays Capital, New York, NY
ING Financial Markets, London, England
Mizuho Research Institute, Tokyo, Japan
Moody's Analytics, West Chester, PA
Moody's Capital Markets Group, New York, NY
Nomura Securities International, New York, NY
Scotiabank Group, Toronto, Canada
Societe Generale, New York, NY
UBS, New York, NY
Wells Fargo, Charlotte, NC

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FPL's Responses to Staff's Amended Third Request for Production of Documents (Nos. 28 [Bates 2493-2497; 2500-2516] and 30)

Fourth Quarter 2011 Survey of Professional Forecasters

Release Date: November 14, 2011

Forecasters Predict Lower Growth and Higher Unemployment in 2012 and 2013

The outlook for growth and unemployment in the U.S. economy looks a little weaker now than it did three months ago, according to 45 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The forecasters predict lower real GDP growth and higher unemployment rates in 2012 and 2013 than they did in August. Our panelists expect real GDP to grow at an annual rate of 2.6 percent this quarter, unchanged from the previous estimate. On an annual-average over annual-average basis, the forecasters see real GDP growing 1.8 percent in 2011 (1.7 percent previously). The forecasters predict real GDP will grow 2.4 percent in 2012 (2.6 percent previously) and 2.7 percent in 2013 (2.9 percent previously). The downward revision in 2012 and 2013 is accompanied by an upward revision for growth in 2014.

Upward revisions to unemployment and downward revisions to job growth accompany the current outlook for growth. Unemployment is projected to be an annual average of 9.0 percent in 2011, before falling to 8.8 percent in 2012, 8.4 percent in 2013, and 7.8 percent in 2014. The estimates for 2012, 2013, and 2014 are higher than the projections in the last survey. On the employment front, the forecasters have revised downward the growth in jobs over the next two years. The forecasters see nonfarm payroll employment growing at a rate of 115,300 jobs per month this quarter and 121,000 jobs per month next quarter. The forecasters' projections for the annual average level of nonfarm payroll employment suggest job gains at a monthly rate of 106,500 in 2011, and 123,200 in 2012, as the table below shows. (These annual-average estimates are computed as the year-to-year change in the annual-average level of nonfarm payroll employment, converted to a monthly rate.)

	Real GDP (%)		Unemployment Rate (%)		Payrolls (000s/month)	
	Previous	New	Previous	New	Previous	New
Quarterly data:						
2011:Q4	2.6	2.6	9.0	9.0	148.7	115.3

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2012:Q1	2.2	2.4	8.8	8.9	180.3	121.0
2012:Q2	2.9	2.4	8.7	8.9	138.0	126.3
2012:Q3	3.2	2.8	8.6	8.8	187.0	152.4
2012:Q4	N.A.	2.7	N.A.	8.7	N.A.	126.3
Annual data (projections are based on annual-average levels):						
2011	1.7	1.8	9.0	9.0	111.5	106.5
2012	2.6	2.4	8.6	8.8	150.1	123.2
2013	2.9	2.7	8.1	8.4	N.A.	N.A.
2014	3.1	3.5	7.6	7.8	N.A.	N.A.

The charts below provide some insight into the degree of uncertainty the forecasters have about their projections for the rate of growth in the annual-average level of real GDP. Each chart presents the forecasters' previous and current estimates of the probability that growth will fall into each of 11 ranges. The charts show that the estimates of uncertainty about growth in 2012, 2013, and 2014 are nearly the same as those of the previous survey.

- Mean Probabilities for Real GDP Growth in 2011 (chart)
- Mean Probabilities for Real GDP Growth in 2012 (chart)
- Mean Probabilities for Real GDP Growth in 2013 (chart)
- Mean Probabilities for Real GDP Growth in 2014 (chart)

The forecasters' density projections, as shown in the charts below, shed light on the odds of a recovery in the labor market over the next four years. Each chart presents the forecasters' previous and current estimates of the probability that unemployment will fall into each of 10 ranges. The forecasters have revised upward their estimate of the probability that the annual-average unemployment rate will fall into the range of 8.5 to 8.9 percent in 2012, 2013, and 2014.

- Mean Probabilities for Unemployment Rate in 2011 (chart)
- Mean Probabilities for Unemployment Rate in 2012 (chart)
- Mean Probabilities for Unemployment Rate in 2013 (chart)
- Mean Probabilities for Unemployment Rate in 2014 (chart)

Little Change in the Outlook for Inflation

The forecasters have left their short-term projections for inflation in 2012 and 2013 nearly unchanged from their previous projections. Headline CPI inflation in 2012 will average 1.9 percent, down from 2.0 percent previously. Headline CPI inflation will rise to 2.2 percent in 2013, up 0.1 percentage point from the previous estimate. Core CPI inflation in 2012 will average 1.8 percent, unchanged from the previous survey, and rise to 2.0 percent in 2013. The projections for headline and core PCE inflation follow a similar pattern.

Over the next 10 years, 2011 to 2020, the forecasters expect headline CPI inflation to average 2.5 percent at an annual rate. This estimate is up slightly from 2.4 percent in the last survey. Over the same period, headline PCE inflation will average 2.16 percent at an annual rate, down slightly from last survey's estimate of 2.25 percent.

Short-Run and Long-Run Projections for Inflation (Annualized Percentage Points)

	Headline CPI		Core CPI		Headline PCE		Core PCE	
	Previous	Current	Previous	Current	Previous	Current	Previous	Current
Quarterly								
2011:Q4	2.0	2.0	1.7	1.7	1.7	1.8	1.5	1.4
2012:Q1	2.0	2.0	1.6	1.8	1.8	1.7	1.5	1.6
2012:Q2	2.1	1.9	1.9	1.8	1.6	1.6	1.7	1.6
2012:Q3	2.0	2.0	2.0	1.8	1.8	1.8	1.7	1.7
2012:Q4	N.A.	2.0	N.A.	1.8	N.A.	1.7	N.A.	1.6
Q4/Q4 Annual Averages								
2011	3.2	3.6	2.0	2.2	2.5	2.8	1.7	1.8
2012	2.0	1.9	1.8	1.8	1.8	1.7	1.6	1.6
2013	2.1	2.2	1.8	2.0	2.0	2.0	1.7	1.8
Long-Term Annual Averages								

2011-2015	2.30	2.40	N.A.	N.A.	2.10	2.10	N.A.	N.A.
2011-2020	2.40	2.50	N.A.	N.A.	2.25	2.16	N.A.	N.A.

The charts below show the median projections (the red line) and the associated interquartile ranges (the gray area around the red line) for 10-year annual-average CPI and PCE inflation. The median projection for 10-year annual-average CPI inflation has risen in the current survey. However, the projection for 10-year annual-average PCE inflation is slightly lower.

- Projections for the 10-Year Annual-Average Rate of CPI Inflation (chart)
- Projections for the 10-Year Annual-Average Rate of PCE Inflation (chart)

The figures below show the probabilities that the forecasters are assigning to the possibility that fourth-quarter over fourth-quarter core PCE inflation in 2011 and 2012 will fall into each of 10 ranges. The estimates for 2012 are nearly the same as those of the previous survey, suggesting that the forecasters' assessment of the uncertainty about future inflation is holding steady.

- Mean Probabilities for Core PCE Inflation in 2011 (chart)
- Mean Probabilities for Core PCE Inflation in 2012 (chart)

Lower Risk of a Negative Quarter

The forecasters have revised downward the chance of a contraction in real GDP in any of the next four quarters. For the current quarter, they predict an 11.8 percent chance of negative growth, down from 20.9 percent in the survey of three months ago. As the table below shows, the forecasters have also made downward revisions to their forecasts for the following three quarters. Over each of the quarters of 2012, the forecasters peg the chance of a downturn at slightly less than one out of five.

Risk of a Negative Quarter (%)		
	Previous	**New**
Quarterly data:		
2011: Q4	20.9	11.8
2012: Q1	20.8	16.6
2012: Q2	19.4	17.3

2012: Q3	19.0	17.1
2012: Q4	N.A.	17.0

The Federal Reserve Bank of Philadelphia thanks the following forecasters for their participation in recent surveys:

Robert J. Barbera, Mount Lucas Management; **Christine Chmura, Ph.D.** and **Xiaobing Shuai, Ph.D.**, Chmura Economics & Analytics; **Gary Ciminero, CFA**, GLC Financial Economics; **David Crowe**, National Association of Home Builders; **Rajeev Dhawan**, Georgia State University; **Shawn Dubravac**, Consumer Electronics Association; **Michael R. Englund**, Action Economics, LLC; **Stephen Gallagher**, Societe Generale; **Timothy Gill**, NEMA; **James Glassman**, JPMorgan Chase & Co.; **Ethan Harris**, Bank of America-Merrill Lynch; **Keith Hembre**, Nuveen Asset Management; **Peter Hooper**, Deutsche Bank Securities, Inc.; **IHS Global Insight**; **Peter Jaquette**, PIRA Energy Group; **Fred Joutz**, Benchmark Forecasts and Research Program on Forecasting, George Washington University; **Kurt Karl**, Swiss Re; **N. Karp**, BBVA Compass; **Walter Kemmsies**, Moffatt & Nichol; **Jack Kleinhenz**, Kleinhenz & Associates, Inc.; **Thomas Lam**, OSK Group/DMG & Partners; **L. Douglas Lee**, Economics from Washington; **Allan R. Leslie**, Economic Consultant; **John Lonski**, Moody's Capital Markets Group; **Macroeconomic Advisers, LLC**; **Dean Maki**, Barclays Capital; **Jim Meil**, Eaton Corporation; **Anthony Metz**, Pareto Optimal Economics; **Ardavan Mobasheri**, AIG Global Economic Research; **Michael Moran**, Daiwa Capital Markets America; **Joel L. Naroff**, Naroff Economic Advisors; **Mark Nielson, Ph.D.**, MacroEcon Global Advisors; **Michael P. Niemira**, International Council of Shopping Centers; **Luca Noto**, Prima Sgr; **Martin A. Regalia**, U.S. Chamber of Commerce; **David Resler**, Nomura Securities International, Inc.; **Philip Rothman**, East Carolina University; **John Silvia**, Wells Fargo; **Allen Sinai**, Decision Economics, Inc; **Tara M. Sinclair**, Research Program on Forecasting, George Washington University; **David Sloan**, Thomson Reuters; **Sean M. Snaith, Ph.D.**, University of Central Florida; **Constantine G. Soras, Ph.D.**, CGS Economic Consulting; **Neal Soss**, Credit Suisse; **Stephen Stanley**, Pierpont Securities; **Charles Steindel**, New Jersey Department of the Treasury; **Susan M. Sterne**, Economic Analysis Associates, Inc.; **Thomas Kevin Swift**, American Chemistry Council; **Andrew Tilton** and **Edward F. McKelvey**, Goldman Sachs; **Lea Tyler**, Oxford Economics USA, Inc.; **Jay N. Woodworth**, Woodworth Holdings, Ltd.; **Mark Zandi**, Moody's Analytics

This is a partial list of participants. We also thank those who wish to remain anonymous.

Return to the main page for the Survey of Professional Forecasters.

Global Insight's most recent forecast suggests somewhat higher inflation this year

	Release Date	2011	2012	2013
Budget	August, 2010	2.0%	2.3%	2.2%
Global Insight	April 5	2.8%	1.9%	2.0%
Global Insight	March 8	2.5%	1.8%	2.0%
Morgan Stanley	March 4	2.9%	2.4%	n/a
Federal Reserve of Philadelphia Consensus Survey[1,2]	February 11	1.7%	2.0%	2.1%
[redacted]				
Florida State Legislature	February 11	1.5%	1.7%	1.8%
TD Bank[1]	February 25	2.4%	2.0%	n/a
[redacted]				

Global Insight's most recent forecast is generally consistent with other sources.

[1] 2011 and 2012 are Q4 to Q4 changes. [2] 2013 is long-term

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Below-Trend Recovery Continues, Hindered by Policy Uncertainty

Embargoed until: Monday, November 21, 2011, 12:01 AM ET

For further information, contact:

Technical | **Richard DeKaser** 202-306-9814 / 617-478-4656

Richard Wobbekind 303-492-1147 / 303-641-0739

Patrick Newport 781-301-9125

Sean Snaith 407-406-0076 / 407-823-1453

Shawn DuBravac 703-907-4305 / 703-980-8892

Bill Strauss 312-322-8151 / 312-480-0004

Media | **Melissa Golding** 571-236-2820

The November 2011 NABE Outlook presents the consensus of macroeconomic forecasts from a panel of 49 professional forecasters. (See last page for listing.) The survey, covering the outlook for 2011 and 2012, was conducted October 20-November 2.The NABE Outlook originated in 1965 and is one of three surveys conducted by NABE; the others are the NABE Industry Conditions Survey and the NABE Economic Policy Survey. Founded in 1959, the National Association for Business Economics is the professional association for those who use economics in their work. NABE has 2,400 members and 32 chapters nationwide. ***Richard DeKaser,*** *The Parthenon Group;* ***Cecilia Hermansson,*** *Swedbank;* ***Patrick Newport,*** *IHS Global Insight;* ***Sean Snaith,*** *University of Central Florida;* ***William Strauss,*** *Federal Reserve Bank of Chicago;* ***Richard Wobbekind,*** *University of Colorado; and* ***Clare Zempel,*** *Zempel Strategic conducted the analysis for this report. The views expressed in this report are those of the analysts and do not necessarily represent the views of their affiliated companies or institutions. This report may be reprinted in whole or in part with a proper citation to NABE.*

Summary: "Economists responding to the latest NABE Outlook Survey expect moderate economic growth through 2012, with little likelihood of another recession or an outbreak of inflation," said NABE Outlook Survey Chair **Shawn DuBravac**, chief economist at the Consumer Electronics Association. "The median forecast of respondents is for inflation-adjusted gross domestic product—real GDP—to grow at 2.5 percent in the final quarter of 2011 and 2.4 percent for the year in 2012. Despite a relatively subdued outlook, the panel estimates that the odds of a second recession remain low. Respondents expect consumer spending to grow below trend in 2012, the unemployment rate is expected to decline only marginally over the next year, and the consensus view of the panel is that monetary policy will remain accommodative. There are several bright spots in the outlook. Business spending remains a strong positive and housing starts are expected to continue to rise from the bottom seen in 2010. Corporate profits and stock prices are predicted to strengthen. But the panel remains concerned about debt-related issues in Europe."

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202-463-6223 | 202-463-6239 fax | nabe@nabe.com | www.nabe.com

Highlights

- **The NABE Outlook panel predicts moderate real GDP growth through year-end 2012.** A 2.5 percent pace is expected during the fourth quarter of 2011, followed by a 2.4 percent growth rate in 2012, with GDP in the second half of 2012 slightly stronger than in the first half. The NABE panel perceives uncertainty regarding future economic policies as a major impediment to stronger economic performance, with poor confidence, ongoing balance sheet restructuring, and a tepid housing market also tempering a robust economic recovery.

- **The odds of a second recession are low.** Only two of 42 forecasters predicted a decline in real GDP over the near-term. As a group, the panelists saw a recession as the least likely scenario. Forecast confidence has improved, but remains low. Seventy-two percent of panelists characterized their forecasts as "somewhat" or "much" more uncertain than usual. That figure is down from the 86 percent that held this view in the September survey.

- **The NABE Outlook panel expects employment will improve, albeit very slowly.** Monthly job gains are expected to rise steadily over the forecast horizon, from an average of 100,000 during the fourth quarter of 2011 to 130,000 by the end of next year. The jobless rate will decline from 9.1 percent to 8.9 percent in 2012, but despite a majority view of modest labor market improvement, NABE economists still identified "excessive unemployment" as their single greatest concern going forward.

- **Growth in consumer spending is expected to remain below trend.** Consumer spending is forecast to increase 2.1 percent this year—the same consumer spending forecast as reported in the September survey. The NABE Outlook Survey panel expects consumer spending to grow 2.1 percent in 2012. While still positive, this is well below the historical norm of 2.8 percent and suggests a tepid recovery. Light vehicle sales are anticipated to grow at a modest pace from 12.6 million units this year to 13.3 million in 2012. Personal savings is not expected to impede consumer spending, with only 22 percent of the panelists anticipating a higher personal savings rate.

- **Housing starts are expected to increase 10 percent in 2012.** The economists participating in the survey expect housing starts to reach 600,000 units in 2011, just slightly above the 2010 total and a small upward revision from the September Outlook Survey forecast. The housing starts forecast for 2012 was revised downward slightly from the September estimate of 700,000 units to 660,000 units. The projection for home prices in 2011 was lowered slightly from a projected decline in the Federal Housing Finance Agency (FHFA) index of 2 percent (Q4/Q4) in the September survey to a decline of 2.5 percent in the November survey. Home prices in 2012 are expected to increase slightly less than 1 percent.

- **Business spending remains a bright spot in the forecast.** NABE's Outlook panel continues to forecast solid if not spectacular growth in spending on business equipment and software in both 2011 (up 10.5 percent) and 2012 (an additional increase of 8 percent). The forecast for real spending on nonresidential structures improved from that reported in the September survey. Panelists now envisage spending on structures to increase 4.6 percent in 2011 and 4.5 percent next year. Industrial production is expected to increase 4 percent in 2011 and 3.3 percent in 2012. This moderate growth in industrial output will contribute to the growth of business spending. Twenty-four percent of respondents report the need of businesses to upgrade, replace, or expand plant, equipment, and software, and this will be a major factor in providing support for the economic recovery over the next two years.

- **Respondents are slightly less optimistic about real export growth and remain concerned about the European debt crisis.** Respondents lowered their 2011 and 2012 real export growth projections to 6.8 percent and 6.1 percent, respectively (from 7.8 percent and 7.9 percent, respectively, in the September survey). Projections for real import growth were also a tad weaker at 5.1 percent and 4.3 percent in 2011 and 2012 (compared with 5.3 percent

Continued on next page

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and 4.7 percent in September). Respondents currently expect real net exports to be more negative than they did in September. Forecasters expect net exports to narrow from -$421.1 billion (chained 2005 $) in 2010 to a projected -$415.4 billion in 2011 (compared to -$403.5 billion in September's survey) to -$408.4 billion in 2012 (compared to -$387.8 billion in September). Respondents anticipate the foreign exchange value of the dollar to be about the same in December 2012 as in December 2011. The NABE Outlook panel currently projects the foreign exchange value of the U.S. dollar to be 96.5 in December 2012. That is slightly above the projected exchange value forecast in the September Outlook Survey. Not much change is expected in the euro, although its projected December 2012 value is now 1.37 U.S. $ per euro (compared to 1.40 US $ per euro reported in the September survey). Asked whether Italy and Spain will face a "limited default" similar to Greece's in the next 12 months, respondents were divided but leaning slightly to the view that a default was unlikely. Panelists were asked how concerned they were about 16 topics. Next to excessive unemployment, panelists were most worried about the European sovereign debt crisis.

- **NABE panelists have made modest revisions to their inflation forecasts.** Projections for the Consumer Price Index in 2011 have risen to 3.4 percent (Q4/Q4) in the November survey from the 3.1 percent in the September survey. The surge in inflation is expected to be transitory, as the panelists have held steady in their expectations for the deceleration of CPI inflation to 2.0 percent for 2012. Panelists have also raised slightly their outlook for "core" personal consumption expenditures (PCE) inflation for 2011 and 2012 (Q4/Q4), with prices (excluding the volatile food and energy sectors) anticipated to rise 1.9 percent in 2011 and 1.8 percent in 2012. Estimates for core PCE inflation in both years have been revised upward by 0.1 percent from the September survey.

- **The NABE Outlook panel has trimmed its federal deficit projections for 2012.** As the supercommittee continues to meet behind closed doors, NABE panelists have slightly raised federal budget deficit projections for 2011 from $1.28 trillion to $1.30 trillion while slightly lowering their projections for the federal budget deficit in 2012 from $1.11 trillion to $1.06 trillion.

- **Survey respondents continue to expect monetary policy to remain persistently accommodative.** The panel expects the federal funds rate to remain at current levels through the end of next year, in line with Federal Reserve guidance. Twenty-one percent of respondents report accommodative monetary policy as a major factor supporting the economic recovery over the next two years and 45% view further balance sheet expansion—QE3—as "likely" or "very likely."

- **Profits and stock prices are predicted to strengthen**. Despite the weak economic outlook, corporate profits are expected to rise 7 percent this year and 6 percent in 2012. Forecasters have become somewhat more optimistic about the stock market. The S&P 500 Index is expected to advance in 2011's final weeks and reach 1380 in December 2012.

Table 1 Comparative Surveys **Median Forecast Reported**

	Actual	Forecasts				
	2010	2011			2012	
		May 11 Survey	Sept 11 Survey	Nov 11 Survey	Sept 11 Survey	Nov 11 Survey
Real Gross Domestic Product, % change, Q4/Q4	3.1	3.1	1.5	1.7	2.7	2.4
Real Gross Domestic Product, % change, annual average	3.0	2.8	1.7	1.8	2.3	2.4
Personal Consumption Expenditures, % change	2.0	2.8	2.1	2.2	2.1	2.1
Nonresidential Structures, % change	-15.8	-2.8	1.0	4.6	3.0	4.5
Nonresidential Equipment and Software, % change	14.6	11.9	9.2	10.5	7.7	8.0
Residential Investment, % change	-4.3	0.9	-1.6	-1.7	5.8	4.3
Change in Business Inventories, billions of chained 2005$	58.8	52.3	47.0	31.8	50.0	37.2
Net Exports, billions of chained 2005$	-421.8	-403.6	-403.5	-415.4	-387.8	-408.4
Exports, % change	11.3	7.8	7.8	6.8	7.9	6.1
Imports, % change	12.5	5.4	5.3	5.1	4.7	4.3
Government Consumption Expenditures & Gross Investment, % change	0.7	-0.3	-1.9	-1.9	-0.5	-0.4
Implicit GDP Deflator, % change	1.2	1.6	2.0	2.2	1.8	2.0
Trade Balance Goods & Services, BoP basis, $ billions	-500.0	-545.0	-523.0	-496.8	-496.5	-488.6
Foreign Exchange Rate, US$ per Euro, December average	1.32	1.40	1.42	1.37	1.40	1.37
Trade-Weighted Value of the US$, FRB Broad Index, December average	99.8	96.2	95.0	96.9	95.4	96.5
Consumer Price Index, % change, annual average	1.7	2.8	3.0	3.2	2.1	2.2
Consumer Price Index, % change, Q4/Q4	1.2	2.8	3.1	3.4	2.0	2.0
Personal Consumption Expenditures (PCE) Price Index less food & energy, % change, Q4/Q4	1.0	1.6	1.8	1.9	1.7	1.8
Nonfarm Employment, average monthly change, thousands	78	190	124	115	162	127
Nonfarm Business Compensation Per Hour, % change	2.1	2.3	2.3	2.5	2.5	2.8
Nonfarm Business Output Per Hour, % change	4.1	1.9	1.0	1.0	1.8	1.9
Federal Funds Target, % year-end	0.125	0.125	0.125	0.125	0.125	0.125
10-Year Treasury Note Yield, % year-end	3.30	3.90	2.73	2.20	3.37	2.70
Federal Deficit, FY, unified, $ billions	-1293	-1435	-1276	-1299	-1110	-1057
Corporate Profits After Tax, % change*	19.0	8.5	7.3	7.0	6.8	6.0
Civilian Unemployment Rate, % annual average	9.6	8.7	9.0	9.0	8.7	8.9
Industrial Production, % change	5.3	5.0	3.8	4.0	3.3	3.3
Light Vehicle Sales, millions of units	11.6	13.2	12.6	12.6	13.3	13.3
Housing Starts, millions of units	0.59	0.61	0.59	0.60	0.70	0.66
Home Prices, FHFA, % change, Q4/Q4	-1.6	-1.5	-2.0	-2.5	1.0	0.9
Oil Prices, $ per barrel, December average	89.0	105.0	90.0	92.0	94.0	94.8
S&P 500 Index, December 31	1258	1390	1250	1294	1350	1380

Historical data from Haver Analytics (11/17/11); forecasts from NABE

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Quarterly Forecasts

	GDP % change, annual rate		Unemployment Rate %		Nonfarm Employment in thousands, average monthly change		PCE Price Index, ex Food & Energy % change, annual rate	
Survey:	9/11	11/11	9/11	11/11	9/11	11/11	9/11	11/11
Q1-11	0.4[a]	0.4[a]	8.9[a]	8.9[a]	166.0[a]	166.0[a]	1.6[a]	1.6[a]
Q2-11	1.3[a]	1.3[a]	9.1[a]	9.1[a]	97.0[a]	97.0[a]	2.3[a]	2.3[a]
Q3-11	2.5[a]	2.5[a]	9.1[a]	9.1[a]	130.0[a]	130.0[a]	2.1[a]	2.1[a]
Q4-11	2.3	2.5	9.0	9.0	127.2	100.0	1.7	1.8
Q1-12	2.3	2.2	8.9	9.0	135.0	117.0	1.7	1.7
Q2-12	2.6	2.3	8.8	8.9	162.0	125.0	1.7	1.8
Q3-12	2.7	2.5	8.6	8.8	166.0	125.0	1.8	1.8
Q4-12	2.9	2.8	8.5	8.7	175.0	133.0	1.8	1.9

	Fed Funds Target % quarter-end		10-Year Treasury Note Yield % quarter-end	
Survey:	9/11	11/11	9/11	11/11
Q1-11	0.125[a]	0.125[a]	3.47[a]	3.47[a]
Q2-11	0.125[a]	0.125[a]	3.18[a]	3.18[a]
Q3-11	0.125[a]	0.125[a]	1.92[a]	1.92[a]
Q4-11	0.125	0.125	2.73	2.20
Q1-12	0.125	0.125	2.90	2.30
Q2-12	0.125	0.125	3.00	2.46
Q3-12	0.125	0.125	3.19	2.50
Q4-12	0.125	0.125	3.37	2.70

a = actual

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Table 2 Distribution of Selected Responses

Annual Forecasts

	2011 Forecast			2012 Forecast		
	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest
Real Gross Domestic Product, % change, Q4/Q4	1.7	1.2	2.0	2.4	0.9	3.8
Consumer Price Index, % change, Q4/Q4	3.4	1.3	3.9	2.0	0.7	3.9
Personal Consumption Expenditures (PCE) Price Index less food & energy, % change, Q4/Q4	1.9	1.4	2.3	1.8	0.9	2.8
Civilian Unemployment Rate, % annual average	9.0	9.0	9.1	8.9	8.1	9.5
Federal Funds Target, % year-end	0.125	0.103	0.126	0.125	0.103	0.341
10-Year Treasury Note Yield, % year-end	2.73	2.15	3.53	2.70	2.18	4.03
Foreign Exchange Rate, US$ per Euro, December average	1.37	1.22	1.43	1.37	1.11	1.47
Housing Starts, millions of units	0.60	0.57	0.74	0.66	0.60	0.96
Home Prices, FHFA, % change, Q4/Q4	-2.5	-6.2	1.8	0.9	-3.6	4.8
Oil Prices, $ per barrel, December average	92.0	78.7	97.0	94.8	79.6	110.6
S&P 500 Index, December 31	1294.4	1178.0	1391.2	1380.0	1202.6	1604.8

Quarterly Forecasts

	Real Gross Domestic Product, % change, annual rate			Civilian Unemployment Rate (Average) %			Nonfarm Employment in thousands, average monthly change		
	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest
Q1-11	0.4[a]	–	–	8.9[a]	–	–	166.0[a]	–	–
Q2-11	1.3[a]	–	–	9.1[a]	–	–	97.0[a]	–	–
Q3-11	2.5[a]	–	–	9.1[a]	–	–	130.0[a]	–	–
Q4-11	2.5	0.9	4.0	9.0	8.9	9.2	100.0	14.2	188.2
Q1-12	2.2	0.3	3.3	9.0	8.7	9.4	117.0	21.8	217.8
Q2-12	2.3	0.6	3.7	8.9	8.5	9.5	125.0	27.4	233.4
Q3-12	2.5	1.0	3.9	8.8	8.3	9.5	125.0	44.9	243.4
Q4-12	2.8	1.0	4.4	8.7	8.0	9.5	133.0	60.2	257.2

	Personal Consumption Expenditures Price Index (PCE) less food & energy % change, annual rate			Fed Funds Target % quarter-end			10-Year T-Note Yield % quarter-end		
	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest
Q1-11	1.6[a]	–	–	0.125[a]	–	–	3.47[a]	–	–
Q2-11	2.3[a]	–	–	0.125[a]	–	–	3.18[a]	–	–
Q3-11	2.1[a]	–	–	0.125[a]	–	–	1.92[a]	–	–
Q4-11	1.8	0.4	2.8	0.125	0.103	0.126	2.20	1.91	2.76
Q1-12	1.7	0.8	2.6	0.125	0.103	0.201	2.30	1.90	3.16
Q2-12	1.8	0.7	2.9	0.125	0.103	0.201	2.46	1.92	3.42
Q3-12	1.8	0.9	2.9	0.125	0.103	0.266	2.50	2.08	3.66
Q4-12	1.9	0.9	2.9	0.125	0.103	0.341	2.70	2.18	4.03

Five highest and five lowest are the response averages
a = actual

With their permission, NABE panelists who responded to the November 2011 NABE Outlook survey are:

Richard Rippe, 151 Group

Michael R. Englund, Action Economics, LLC

Kathleen Stephansen, AIG Asset Management

Thomas K. Swift, American Chemistry Council

Chris Rupkey, Bank of Tokyo-Mitsubishi UFJ

Jonathan Oxborrow, Caterpillar Inc.

Shawn Dubravac, Consumer Electronics Association

Bill Watkins / Dan Hamilton, Center for Economic Research and Forecasting

Constantine Soras, CGS Economic Consulting, Inc.

Esmael Adibi, Chapman University

Jan Reid, Coast Economic Consulting

Robert Fry, Dupont

Susan Sterne, EAA Inc.

Jim Kleckley, East Carolina University

James P. Meil, Eaton Corporation

Anne Ramstetter Wenzel, Econosystems

Douglas G. Duncan, Fannie Mae

Michael R. Paslawskyj, FDIC

Brian Wesbury / Robert Stein, First Trust Advisors

Jenny Lin, Ford Motor Co.

Rajeev Dhawan, Georgia State University

Gary Ciminero, GLC Financial Economics

J. Paul Horne, Independent International Market Economist

Margaret McCarthy / Jeff Werling, Inforum, University of Maryland

John Pope, Investment Economics

Sandy Batten / Robert Mellman, JPMorgan

Jim Glassman, JPMorgan Chase & Co.

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Jack Kleinhenz, Kleinehnz & Associates

Richard Wobbekind, Leeds School of Business

Brian Horrigan, Loomis & Sayles

Chris Varvares, Macroeconomic Advisers

Parul Jain, MacroFin Analytics

Bill Cheney, Manulife Asset Management

Diane Swonk, Mesirow Financial

Albert DePrince, Middle Tennessee State Universtiy

Mark Zandi, Moody's Analytics

Joel Naroff, Naroff Economic Advisors

Stephen Latin-Kasper, National Truck Equipment Association

Charles Steindel, New Jersey Treasury Department

Bill Dunkelberg , National Federation of Independent Business

James F. Smith, Parsec Financial Management

Lynn Reaser, Point Loma Nazarene University

Michael Dueker, Russell Investments

Stephen Gallagher, Societe Generale

Beth Ann Bovino, Standard & Poor's

Steve Taddie, Stellar Capital Management

Stuart Hoffman, The PNC Financial Services Group

Sean Snaith, University of Central Florida

John Silvia, Wells Fargo

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202-463-6223 | 202-463-6239 fax | nabe@nabe.com | www.nabe.com

Underlying Economy Improving: While Economists Remain Measured on Expectations for Overall Economic Growth, Uncertainty Is Diminishing

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For further information contact:

Technical | **Richard DeKaser** 202-306-9814 / 617-478-4656
Shawn DuBravac 703-907-4305 / 703-980-8892
Richard Wobbekind 303-492-1147 / 303-641-0739
Sean Snaith 407-406-0076 / 407-823-1453
Bill Strauss 312-322-8151 / 312-480-0004
Clare Zempel 414-351-1250

Media | **Melissa Golding** 571-236-2820

The February 2012 NABE Outlook presents the consensus of macroeconomic forecasts from a panel of 45 professional forecasters. (See last page for listing.) The survey, covering the outlook for 2012 and 2013, was conducted January 26-February 8, 2012. The NABE Outlook originated in 1965 and is one of three surveys conducted by NABE; the others are the NABE Industry Conditions Survey and the NABE Economic Policy Survey. Founded in 1959, the National Association for Business Economics is the professional association for those who use economics in their work. NABE has 2,400 members and 33 chapters nationwide. ***Shawn DuBravac****, Consumer Electronics Association;* ***Richard DeKaser****, The Parthenon Group;* ***Cecilia Hermansson****, Swedbank;* ***Patrick Newport****, IHS Global Insight;* ***Sean Snaith****, University of Central Florida;* ***William Strauss****, Federal Reserve Bank of Chicago;* ***Richard Wobbekind****, University of Colorado; and* ***Clare Zempel****, Zempel Strategic, conducted the analysis for this report. The views expressed in this report are those of the analysts and do not necessarily represent the views of their affiliated companies or institutions. This report may be reprinted in whole or in part with a proper citation to NABE.*

Summary: "Economists responding to the latest NABE Outlook Survey are seeing strength in a number of economic measures and have subsequently increased their expectations for employment, housing starts, and business spending," said NABE President **Gene Huang**, chief economist at FedEx. "Despite increases in a number of forecasts, however, economists remain guarded on US economic growth, with the median forecast of respondents calling for inflation-adjusted gross domestic product—real GDP—of 2.4 percent for the year in 2012. Respondents continue to expect consumer spending to grow below trend in 2012 and the federal deficit to increase before it eventually declines. Economists' expectations for export growth have also weakened over the last four months. Collectively, forecast uncertainty among the economists appears to have diminished slightly over the last several months."

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Highlights

- **The NABE Outlook Panel of 45 forecasters continues to predict moderate real GDP growth through 2012.** Economists expect the economy to grow 2.4 percent in 2012, with GDP growth slightly stronger in the second half of the year than in the first.

- **Employment growth brightens**. Panelists increased their anticipated average monthly job change to 170,000 in 2012, which would result in an average annual unemployment rate of 8.3 percent. NABE forecasters expect stronger job growth in 2013 with the unemployment rate falling an additional half percentage point to 7.8 percent.

- **Consumer spending to remain subdued.** Even with higher employment forecasts, real consumer spending is forecast to increase only 2.1 percent this year and 2.3 percent in 2013. This rate remains below the historical norm of 2.8 percent and is consistent with a positive but below-trend recovery. Light vehicle sales are anticipated to grow at a solid pace of 14 million units this year and 14.6 million units in 2013, up from 12.7 million units in 2011.

- **Housing starts are expected to increase 19 percent in 2012.** The economists surveyed expect housing starts to reach 700,000 units in 2012, up from 610,000 in 2011 and an upward revision from the November forecast. The forecast for 2013 shows continued improvement, with housing starts reaching 850,000 units. Correspondingly, real residential investment is forecast to increase 6.6 percent in 2012, slightly higher than the 4.3 percent predicted in November, and then strengthen further, rising 10 percent in 2013. The projection for home prices in 2012 was lowered slightly from a projected increase in the FHFA index of 0.9 percent (Q4/Q4) in the November survey to home prices remaining unchanged in the February survey. In 2013 home prices are expected to increase slightly more than 2 percent.

- **Panelists continue to forecast strong business spending growth.** The outlook for spending on real nonresidential equipment and software in 2012 was marginally revised upward to 8.1 percent, and panelists forecast a lower but still solid 7.3 percent in 2013. The projection for real spending on nonresidential structures for 2012 was lowered slightly from that in the November survey, to 4.2 percent, but in 2013 the growth rate is expected to pick up to 5.1 percent. Industrial production is expected to increase moderately at 3.5 percent in 2012 and at 3.3 percent in 2013.

- **Respondents are again less optimistic about real exports.** Respondents are less bullish on exports for 2012, lowering their projections from a 6.1 percent growth rate (in the November 2011 survey) to 4.6 percent in the February 2012 survey. The projection for import growth in 2012 was also lowered, from 4.3 percent to 3.5 percent. Exports and imports in 2013 are projected to grow 7.0 percent and 5.3 percent, respectively. Net exports projections for 2012 changed marginally, from -$408 billion to -$404 billion. Net exports in 2013 are projected to reach -$397 billion. In November, the 2012 trade balance was projected at -$489 billion. February's projection is for a much wider trade balance deficit, -$535 billion. The trade-weighted value of the dollar for 2012 is projected to average 100.0 in December 2012, compared to a projection of 96.5 in November 2011. Almost no change is expected in 2013, with the December 2013 trade-weighted exchange rate projected to be 99.0. Finally, the dollar-per-euro exchange rate is projected to average 1.30 in December 2012. Respondents expect the euro to be at about that value also in December 2013.

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- **Federal budget deficits remain large, but are expected to gradually decline.** Federal budget deficits are expected to gradually decline, but not before another trillion-dollar deficit in 2012. In 2013 the deficit is expected to shrink to $876 billion from a projected $1.1 trillion this year. The NABE survey projections for GDP growth suggest the improvement is more cyclical than structural.

- **Persistent economic slack will cause inflation to remain quiescent over the forecast horizon**, with the Federal Reserve's preferred measure of core inflation hovering just under 2 percent. The "all items" consumer price index (CPI) will be somewhat higher, mostly due to anticipated pass-through of higher energy prices, with the price of crude oil projected to increase from $89/bbl in 2011 to $105/bbl in 2013. Nonetheless, the projected CPI inflation rate of 2.2 percent remains moderate, and consistent with the past-decade average.

- **The federal funds rate will remain unchanged and near zero, consistent with Fed guidance.** Longer term rates will climb, however, as the end of the Fed's zero-interest-rate horizon approaches and markets begin to price in eventual interest rate hikes. The 10-year Treasury yield will advance to 3 percent by year-end 2013.

- **Sustained moderate economic expansion is expected to support further moderate increases in corporate profits in 2012 and 2013.** After-tax corporate profits are projected to rise 6.3 percent this year and 7.0 percent next year.

- **Equity markets are expected to grow moderately in 2012 and rise again in 2013.** The stock market's sharp rise in recent weeks is expected to decelerate, with the S&P 500 Index reaching 1400 at year-end 2012 and 1500 at year-end 2013.

- **Forecast uncertainty is subsiding.** Forecast uncertainty has diminished significantly over the last several months. In November, roughly 72 percent of respondents characterized their forecast as somewhat uncertain or much more uncertain than usual. In the February forecast, only 47 percent of respondents characterized their forecasts as somewhat uncertain or much more uncertain than usual.

Table 1 Comparative Surveys **Median Forecast Reported**

	Actual	Forecasts			
	2011	2012			2013
		Sept 11 Survey	Nov 11 Survey	Feb 12 Survey	Feb 12 Survey
Real Gross Domestic Product, % change, Q4/Q4	1.6	2.7	2.4	2.4	2.8
Real Gross Domestic Product, % change, annual average	1.7	2.3	2.4	2.3	2.8
Personal Consumption Expenditures, % change	2.2	2.1	2.1	2.1	2.3
Nonresidential Structures, % change	4.1	3.0	4.5	4.2	5.1
Nonresidential Equipment and Software, % change	10.3	7.7	8.0	8.1	7.3
Residential Investment, % change	-1.4	5.8	4.3	6.6	10.0
Change in Business Inventories, billions of chained 2005$	35.6	50.0	37.2	45.7	49.2
Net Exports, billions of chained 2005$	-412.3	-387.8	-408.4	-404.0	-397.2
Exports, % change	6.8	7.9	6.1	4.6	7.0
Imports, % change	5.0	4.7	4.3	3.5	5.3
Government Consumption Expenditures & Gross Investment, % change	-2.1	-0.5	-0.4	-0.9	0.0
Implicit GDP Deflator, % change	2.1	1.8	2.0	1.7	2.0
Trade Balance Goods & Services, BoP basis, $ billions	-558.0	-496.5	-488.6	-535.4	-525.0
Foreign Exchange Rate, US$ per Euro, December average	1.32	1.40	1.37	1.30	1.31
Trade-Weighted Value of the US$, FRB Broad Index, December average	100.5	95.4	96.5	100.0	99.0
Consumer Price Index, % change, annual average	3.1	2.1	2.2	2.1	2.3
Consumer Price Index, % change, Q4/Q4	3.3	2.0	2.0	2.1	2.2
Personal Consumption Expenditures (PCE) Price Index less food & energy, % change, Q4/Q4	1.7	1.7	1.8	1.8	1.9
Nonfarm Employment, average monthly change, thousands	152	162	127	170	183
Nonfarm Business Compensation Per Hour, % change	1.9	2.5	2.8	2.0	2.7
Nonfarm Business Output Per Hour, % change	0.7	1.8	1.9	1.5	1.9
Federal Funds Target, % year-end	0.125	0.125	0.125	0.125	0.125
10-Year Treasury Note Yield, % year-end	1.89	3.37	2.70	2.50	3.00
Federal Deficit, FY, unified, $ billions	-1300	-1110	-1057	-1109	-876
Corporate Profits After Tax, % change*		6.8	6.0	6.3	7.0
Civilian Unemployment Rate, % annual average	9.0	8.7	8.9	8.3	7.8
Industrial Production, % change	4.2	3.3	3.3	3.5	3.3
Light Vehicle Sales, millions of units	12.7	13.3	13.3	14.0	14.6
Housing Starts, millions of units	0.61	0.70	0.66	0.70	0.85
Home Prices, FHFA, % change, Q4/Q4	-3.0	1.0	0.9	0.0	2.1
Oil Prices, $ per barrel, December average	98.6	94.0	94.8	100.3	105.0
S&P 500 Index, December 31	1258	1350	1380	1400	1500

Historical data from Haver Analytics (2/23/12); forecasts from NABE

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Quarterly Forecasts

	GDP % change, annual rate		Unemployment Rate %		Nonfarm Employment in thousands, average monthly change		PCE Price Index, ex Food & Energy % change, annual rate	
Survey:	11/11	2/12	11/11	2/12	11/11	2/12	11/11	2/12
Q1-12	2.2	2.0	9.0	8.3	117.0	190.0	1.7	1.8
Q2-12	2.3	2.4	8.9	8.3	125.0	160.0	1.8	1.8
Q3-12	2.5	2.5	8.8	8.2	125.0	160.5	1.8	1.9
Q4-12	2.8	2.7	8.7	8.1	133.0	172.5	1.9	1.8
Q1-13	NA	2.7	NA	8.0	NA	180.0	NA	1.8
Q2-13	NA	2.6	NA	7.8	NA	186.5	NA	1.9
Q3-13	NA	3.0	NA	7.7	NA	186.5	NA	2.0
Q4-13	NA	3.0	NA	7.6	NA	187.5	NA	2.0

	Fed Funds Target % quarter-end		10-Year Treasury Note Yield % quarter-end	
Survey:	11/11	2/12	11/11	2/12
Q1-12	0.125	0.125	2.30	2.00
Q2-12	0.125	0.125	2.46	2.13
Q3-12	0.125	0.125	2.50	2.30
Q4-12	0.125	0.125	2.70	2.50
Q1-13	NA	0.125	NA	2.60
Q2-13	NA	0.125	NA	2.75
Q3-13	NA	0.125	NA	2.93
Q4-13	NA	0.125	NA	3.00

Table 2 Distribution of Selected Responses

Annual Forecasts

	2012 Forecast			2013 Forecast		
	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest
Real Gross Domestic Product, % change, Q4/Q4	2.4	1.4	3.6	2.8	1.6	3.9
Consumer Price Index, % change, Q4/Q4	2.1	1.0	3.6	2.2	1.3	3.8
Personal Consumption Expenditures (PCE) Price Index less food & energy, % change, Q4/Q4	1.8	1.0	2.5	1.9	1.2	2.6
Civilian Unemployment Rate, % annual average	8.3	7.9	8.6	7.8	7.0	8.6
Federal Funds Target, % year-end	0.125	0.106	0.145	0.125	0.103	1.350
10-Year Treasury Note Yield, % year-end	2.50	2.02	3.06	3.00	1.69	4.06
Foreign Exchange Rate, US$ per Euro, December average	1.30	1.19	1.40	1.31	1.10	1.47
Housing Starts, millions of units	0.70	0.61	0.80	0.85	0.63	1.10
Home Prices, FHFA, % change, Q4/Q4	1.0	-2.5	3.6	2.1	-0.4	5.4
Oil Prices, $ per barrel, December average	100.3	84.7	121.9	105.0	84.9	121.0
S&P 500 Index, December 31	1400.0	1290.6	1495.4	1500.0	1328.7	1632.4

Quarterly Forecasts

	Real Gross Domestic Product, % change, annual rate			Civilian Unemployment Rate (Average) %			Nonfarm Employment in thousands, average monthly change		
	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest
Q1-12	2.0	1.2	3.2	8.3	8.2	8.7	190.0	122.2	233.4
Q2-12	2.4	1.3	3.7	8.3	8.0	8.7	160.0	118.4	246.6
Q3-12	2.5	1.2	4.0	8.2	7.9	8.5	160.5	82.6	259.8
Q4-12	2.7	1.7	3.9	8.1	7.6	8.7	172.5	53.8	265.4
Q1-13	2.7	1.2	3.8	8.0	7.3	8.6	180.0	54.2	280.2
Q2-13	2.6	1.7	3.7	7.8	7.1	8.6	186.5	83.4	287.2
Q3-13	3.0	1.6	4.0	7.7	6.9	8.6	186.5	53.2	294.6
Q4-13	3.0	1.7	4.4	7.6	6.6	8.5	187.5	54.6	287.4

	Personal Consumption Expenditures Price Index (PCE) less food & energy % change, annual rate			Fed Funds Target % quarter-end			10-Year T-Note Yield % quarter-end		
	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest	Median	Five Lowest	Five Highest
Q1-12	1.8	0.9	2.3	0.125	0.106	0.127	2.00	1.90	2.29
Q2-12	1.8	1.0	2.7	0.125	0.108	0.127	2.13	1.93	2.46
Q3-12	1.9	1.1	2.7	0.125	0.106	0.132	2.30	1.99	2.74
Q4-12	1.8	1.1	2.6	0.125	0.106	0.145	2.50	2.02	3.06
Q1-13	1.8	1.2	2.7	0.125	0.107	0.160	2.60	2.04	3.31
Q2-13	1.9	1.1	2.6	0.125	0.103	0.500	2.75	2.10	3.55
Q3-13	2.0	1.1	2.6	0.125	0.103	0.850	2.93	2.15	3.71
Q4-13	2.0	1.0	2.6	0.125	0.103	1.350	3.00	2.19	4.06

Five highest and five lowest are the response averages

With their permission, NABE panelists who responded to the February 2012 NABE Outlook survey are:

Michael R. Englund, Action Economics, LLC

Thomas K. Swift, American Chemistry Council

Chris Rupkey, Bank of Tokyo-Mitsubishi UFJ

Kevin Thorpe, Cassidy Turley

Shawn DuBravac, Consumer Electronics Association

Bill Watkins / Jeff Speakes / Dan Hamilton, Center for Economic Research & Forecasting at California Lutheran University

Esmael Adibi, Chapman University

Xiaobing Shuai, Chmura Economics & Analytics

Robert Fry, DuPont

James Kleckley, East Carolina University

Susan Sterne, Economic Analysis Inc.

Douglas Lee, Economics from Washington

Douglas G. Duncan, Fannie Mae

Michael R. Paslawskyj, Federal Deposit Insurance Corporation

Brian Wesbury / Robert Stein, First Trust Advisors

Jenny Lin, Ford Motor Company

Rajeev Dhawan, Georgia State University

Richard Yamarone, Bloomberg, LP

J. Paul Horne, Independent International Market Economist

Margaret McCarthy / Jeffrey Werling, Inforum, University of Maryland

John Pope, Investment Economics

Sandy Batten / Robert Mellman, JPMorgan

Jim Glassman, JPMorgan Chase & Co.

Jack Kleinhenz, Kleinhenz & Associates

Continued on next page

Continued from previous page

Brain R. Horrigan, Loomis Sayles & Co., LP

Chris Varvares, Macroeconomic Advisers, LLC

Bill Cheney, Manulife Asset Management

Diane Swonk, Mesirow Financial

Parul Jain, MicroFin Analytics

Joel L. Naroff, Naroff Economic Advisors

Lawrence Yun, National Association of REALTORS®

Steve Latin-Kasper, National Truck Equipment Association

Charles Steindel, New Jersey Department of the Treasury

David Resler, Nomura

James F. Smith, Parsec Financial Management

Lynn Reaser, Point Loma Nazarene University

Stuart Hoffman, PNC Financial

Michael Dueker, Russell Investments

Stephen Gallagher, Societe Generale

Steve Taddie, Stellar Capital Management

TD Bank Group

Richard Wobbekind, University of Colorado

Martin A. Regalia, US Chamber of Commerce

John Silvia, Wells Fargo

Jay N. Woodworth, Woodworth Holdings, Ltd.

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202-463-6223 | 202-463-6239 fax | nabe@nabe.com | www.nabe.com

STAFF 002528
FPL RC-12

Staff's 3rd Request POD #30 Backup to the Staff's Interrogatories 60-99

Project No.	Date Construction Started	Expected Construction End	Project Name	2012 Year End CWIP ($000)	2013 Year End CWIP ($000)	13 Month Avg for 2013 ($000)	
			CWIP				
			Intangible				
UIMS00000198	2011	2013	FENA PHASE 2 SOFTWARE	15,666		18,238	Staffs 3rd set Inter # 104
UCUS00000100	2009	2013	AMI SOFTWARE - 2013	0		4,605	Staffs 3rd set Inter # 104
BLANKET	Note [2]	Note [2]	MINOR INTANGIBLE PLANT BLANKET	12,440	15,486	14,801	
BLANKET	Note [2]	Note [2]	DSM APPLICATION CARRYOVER	1,070	987	1,013	
			Total Intangible	29,176	16,474	38,657	Staffs 3rd set Inter # 60 & 61& 62
			Steam				
UENC00000050	June-13	July-14	MARTIN ESP U1 E&C SUPPORT	1,094	38,984	12,398	
UENC00000051	March-14	April-15	MARTIN ESP U2 E&C SUPPORT	671	3,658	2,096	
UENC00000048	October-11	October-13	MANATEE ESP U1 E&C SUPPORT	25,278		29,970	
BLANKET	Note [2]	Note [2]	CAPE CANAVERAL ECRC	49	6	21	
BLANKET	Note [2]	Note [2]	CAPE CANAVERAL STEAM	463	57	199	
BLANKET	Note [2]	Note [2]	CUTLER STEAM	704		54	
BLANKET	Note [2]	Note [2]	PORT EVERGLADES STEAM	888		68	
BLANKET	Note [2]	Note [2]	MANATEE STEAM	5,130	1,966	3,097	
BLANKET	Note [2]	Note [2]	MARTIN STEAM	3,834	9,151	7,760	
BLANKET	Note [2]	Note [2]	PPE SITE ECRC	13	2	6	
BLANKET	Note [2]	Note [2]	SANFORD STEAM	985		76	
BLANKET	Note [2]	Note [2]	SANFORD U3 ECRC	57	7	25	
BLANKET	Note [2]	Note [2]	SCHERER ECRC	158	19	68	
BLANKET	Note [2]	Note [2]	SCHERER STEAM	5,665	3,391	4,189	
BLANKET	Note [2]	Note [2]	SJRPP ECRC	0	183	119	
BLANKET	Note [2]	Note [2]	SJRPP STEAM	2,780	2,370	2,514	
BLANKET	Note [2]	Note [2]	TURKEY POINT STEAM	3,138	6,384	5,128	
BLANKET	Note [2]	Note [2]	MINOR STEAM PROJECTS- ECRC	590	108	277	
				51,497	66,287	68,066	
			Steam-CWIP AFUDC				
UENC00000050	June-13	July-14	MARTIN ESP U1 E&C SUPPORT	61	819	240	
UENC00000051	March-14	April-15	MARTIN ESP U2 E&C SUPPORT	37	175	84	
UENC00000048	October-11	October-13	MANATEE ESP U1 E&C SUPPORT	428		978	
			Total Steam-CWIP AFUDC	527	994	1,302	
			Total Steam	52,024	67,281	69,368	Staffs 3rd set Inter # 63 & 64
			Nuclear				
			Turkey Point Unit 4 Extended				
UNUC00000054	November-12	March-13	EPU PTN U4 MISC PROJECT -ONLINE EXTENI	29,407		6,786	Staffs 3rd set Inter # 67
UNUC00000052	November-12	March-13	EPU PTN U4-27 NSSS AND FUELS ENGR	549,420		130,239	Staffs 3rd set Inter # 67
			Nuclear-CWIP AFUDC				
			Turkey Point Unit 4 Extended				
UNUC00000054	November-12	March-13	EPU PTN U4 MISC PROJECT -ONLINE EXTENI	234		54	Staffs 3rd set Inter # 67
UNUC00000052	November-12	March-13	EPU PTN U4-27 NSSS AND FUELS ENGR	1,233		285	Staffs 3rd set Inter # 67
				580,295		137,364	
			Reactor Coolant Pumps				
UNUC00000118	2010	2016	PSL U2 RCP FLEX SEAL - ENGR	47	47	47	
UNUC00000189	2010	2016	PSL U2 RCP MOTOR SWAP - ENGR	30	30	30	
UNUC00000239	2012	2013	PSL 1A2 RCP MOTOR SWAP - ENGR	1,258		892	
UNUC00000241	2011	2013	PSL 2A1 RCP MOTOR REFURB - ENGR	12,641		4,999	
UNUC00000245	2012	2013	PSL 1A2 RCP ROTATING ASSY REPL - ENGR	3,147		1,854	
UNUC00000246	2013	2015	PSL 1B2 RCP ROTATING ASSY REPL - ENGR	0	540	125	
UNUC00000248	2012	2013	PSL 2A2 RCP ROTATING ASSY REPL - ENGR	563		2,457	
UNUC00000249	2013	2014	PSL 1B2 RCP MOTOR SWAP - ENGR	0	658	152	
UNUC00000250	2012	2013	PSL 2A2 RCP MOTOR SWAP - ENGR	560		1,109	
UNUC00000251	2012	2013	PSL 1A2 RCP MOTOR REFURB - ENGR	461		1,837	
UNUC00000253	2013	2014	PSL 2A2 RCP MOTOR REFURB - ENGR	0	3,125	757	
UNUC00000254	2012	2013	PSL 1A2 RCP SEAL AND FLEX HOSE - ENGR	345		388	
UNUC00000255	2013	2014	PSL 1B2 RCP SEAL AND FLEX HOSE - ENGR	0	189	44	
				19,051	4,589	14,691	
			Reactor Coolant Pumps-CWIP AFUDC				
UNUC00000118	2010	2016	PSL U2 RCP FLEX SEAL - ENGR	3	6	4	
UNUC00000239	2012	2013	PSL 1A2 RCP MOTOR SWAP - ENGR	9		11	
UNUC00000241	2011	2013	PSL 2A1 RCP MOTOR REFURB - ENGR	1,120		488	
UNUC00000245	2012	2013	PSL 1A2 RCP ROTATING ASSY REPL - ENGR	43		33	
UNUC00000246	2013	2015	PSL 1B2 RCP ROTATING ASSY REPL - ENGR	0	7	1	
UNUC00000248	2012	2013	PSL 2A2 RCP ROTATING ASSY REPL - ENGR	2		43	
UNUC00000249	2013	2014	PSL 1B2 RCP MOTOR SWAP - ENGR	0	9	1	
UNUC00000250	2012	2013	PSL 2A2 RCP MOTOR SWAP - ENGR	2		25	
UNUC00000251	2012	2013	PSL 1A2 RCP MOTOR REFURB - ENGR	1		38	
UNUC00000253	2013	2014	PSL 2A2 RCP MOTOR REFURB - ENGR	0	44	12	
UNUC00000254	2012	2013	PSL 1A2 RCP SEAL AND FLEX HOSE - ENGR	3		4	
UNUC00000255	2013	2014	PSL 1B2 RCP SEAL AND FLEX HOSE - ENGR	0	3	0	
			Total Reactor Coolant Pumps-CWIP AFUDC	1,182	69	661	
			Total Reactor Coolant Pumps	20,233	4,658	15,352	Staffs 3rd set Inter # 69 & #71
			All Other Nuclear				
			EDG Projects				
UNUC00000638	2012	2015	PSL U2 EDG GENERATOR REPLACE-ENGR	697	4,087	1,212	
UNUC00000637	2012	2014	U2 EDG VOLTAGE REGULATORS-ENGR	102	1,519	344	
UNUC00000633	2012	2015	PSL U1 EDG GENERATOR REPLACE-ENGR	697	4,087	2,910	
UNUC00000635	2012	2013	U1 EDG VOLTAGE REGULATORS-ENGR	254		726	
UNUC00000634	2012	2015	PSL 1 EDG RADIATOR MATERIAL UPGRADE-E	11	6,270	4,079	
UNUC00000636	2012	2015	U1 EDG FUES BLOCKS REPLACE-ENGR	151	500	378	
			Total EDG projects	1,911	16,463	9,650	Staffs 3rd set Inter # 102 Ties with SFHHA 1st #129
UENC00000045	Note [1]	TBD	PTN 6&7 ENC COLA ACTIVITIES- LIC	156,997	177,419	168,200	
UENC00000045	Note [1]	TBD	PTN 6&7 PRD ENVIRONMENTAL	26,732	35,972	31,685	

UNUC00000166	2010	2014	PSL U1 RED SYS STRUCTURAL REPAIRS	5,063	7,413	6,238	
UNUC00000450	2009	2013	PSL U2 SUBSEQUENT LOADING EQUIP - ENGI	106		98	
UNUC00000478	2011	2013	PSL ISFSI SUBSEQUENT LOADING CAMPAI	66		236	
UNUC00000192	2012	2015	SPARE GENERATOR ROTOR FOR U3 & U4	46	17	29	
UNUC00000618	2013	2014	VALVE AND WELD SHOP	0	1,012	327	
BLANKET	Note [2]	Note [2]	ST. LUCIE #2 AND COMMON PARTICIPATION (	(44,972)	(33,609)	(34,111)	
BLANKET	Note [2]	Note [2]	PTN LIFE MANAGEMENT CYCLE	14,021	12,673	12,835	
BLANKET	Note [2]	Note [2]	PTN EQUIPMENT RELIABLILITY	13,349	17,382	13,662	
BLANKET	Note [2]	Note [2]	ST LUCIE LIFE CYCLE MANAGEMENT	18,452	26,030	20,076	
BLANKET	Note [2]	Note [2]	MINOR NUCLEAR ECRC	1,465	539	932	
BLANKET	Note [2]	Note [2]	MINOR PROJECTS FOR PSL 1	5,066	5,720	6,447	
BLANKET	Note [2]	Note [2]	MINOR PROJECTS FOR PSL 2	28,086	49,822	30,334	
BLANKET	Note [2]	Note [2]	MINOR NUCLEAR BLANKET	32,242	45,175	34,471	
			All Other Nuclear-CWIP AFUDC				
UENC00000045	Note 1	TBD	PTN 6&7 ENC COLA ACTIVITIES- LIC	1,339	1,339	1,339	
UENC00000045	Note 1	TBD	PTN 6&7 PRD ENVIRONMENTAL	63	63	63	
BLANKET	Note [2]	Note [2]	ST. LUCIE #2 AND COMMON PARTICIPATION (	(465)	(171)	(296)	
BLANKET	Note [2]	Note [2]	PTN EQUIPMENT RELIABLILITY	31	11	20	
				259,597	363,268	302,233	Staffs 3rd set Inter # 73 & 74 & 75 & 76
			Total Nuclear	860,125	367,926	454,949	
			Other Production				
			Cape Canaveral Modernization				
UENC00000004	March-11	June-13	CAPE CANAVERAL MODERNIZATION OTHER I	824,636		389,790	
			Cape Canaveral-CWIP AFUDC				
UENC00000004	March-11	June-13	CAPE CANAVERAL MODERNIZATION OTHER I	61,234		33,792	
				885,870		423,583	Staffs 3rd set Inter # 82
			Riviera Modernization				
UENC00000003	November-11	June-14	RIVIERA PLANT MODERNIZATION OTHER PR(	626,955	869,513	769,033	
UENC00000003	November-11	June-14	RBEC TO PMR 30 MILE PIPELINE	38,508	161,979	121,584	
			Riviera-CWIP AFUDC				
UENC00000003	November-11	June-14	RIVIERA PLANT MODERNIZATION OTHER PR(	24,193	76,037	48,671	
UENC00000003	November-11	June-14	RBEC TO PMR 30 MILE PIPELINE	983	9,065	4,413	
				690,637	1,116,594	943,701	Staff's 3rd set Inter #88
			Port Everglades Modernization				
UENC00000065	April-14	June-16	PORT EVERGLADES MODERNIZATION	54,775	136,596	81,270	
			Port Everglades-CWIP AFUDC				
UENC00000065	April-14	June-16	PORT EVERGLADES MODERNIZATION	647	5,892	2,851	
				55,423	142,488	84,121	
			All Other Production				
BLANKET	Note [2]	Note [2]	FORT MYERS GTS OTHER PROD	1,114	935	1,024	
BLANKET	Note [2]	Note [2]	FT MYERS U2 ECRC	77	11	35	
BLANKET	Note [2]	Note [2]	FT MYERS U3 OTHER PROD	6,122	15,787	12,487	
BLANKET	Note [2]	Note [2]	GTPP ECRC	272	39	123	
BLANKET	Note [2]	Note [2]	LAUDERDALE 4 AND 5 ECRC	48	35	40	
BLANKET	Note [2]	Note [2]	LAUDERDALE OTHER PROD	20,089	17,297	20,303	
BLANKET	Note [2]	Note [2]	MANATEE 3 OTHER PROD	5,327	4,586	4,852	
BLANKET	Note [2]	Note [2]	MARTIN 3 AND 4 ECRC	27	4	12	
BLANKET	Note [2]	Note [2]	MARTIN U8 OTHER PROD	8,554	6,963	7,535	
BLANKET	Note [2]	Note [2]	MARTIN SOLAR ECRC	776	326	488	
BLANKET	Note [2]	Note [2]	MARTIN OTHER PROD	11,215	13,544	15,578	
BLANKET	Note [2]	Note [2]	Other Prod Plant ECRC	7	5	6	
BLANKET	Note [2]	Note [2]	PORT EVERGLADES OTHER PROD	1,982	1,751	1,834	
BLANKET	Note [2]	Note [2]	PUTNAM OTHER PROD	4,712	9,563	7,872	
BLANKET	Note [2]	Note [2]	PUTNAM ECRC	7	29	21	
BLANKET	Note [2]	Note [2]	PFM GTS ECRC	16	26	22	
BLANKET	Note [2]	Note [2]	REPOWERED FT MYERS OTH PROD	7,750	9,508	8,875	
BLANKET	Note [2]	Note [2]	REPOWERED SANFORD OTH PROD	14,172	13,196	15,592	
BLANKET	Note [2]	Note [2]	SANFORD 4 AND 5 ECRC	77	11	35	
BLANKET	Note [2]	Note [2]	TURKEY PT U5 OTH PROD	937	13,482	8,969	
BLANKET	Note [2]	Note [2]	WEST COUNTY OTHER PRODUCTION	48,648	50,930	36,832	
BLANKET	Note [2]	Note [2]	MINOR OTHER GENERATION BLANKET	2,593	7,584	4,597	
			Total All Other Production	134,521	165,611	147,131	
			Total Other Production	1,766,452	1,424,694	1,598,536	
			Distribution				
BLANKET	Note [2]	Note [2]	DISTRIBUTION ECRC	(3)	339	299	
BLANKET	Note [2]	Note [2]	DISTRIBUTION STORM SECURE	6,315	11,343	12,031	
BLANKET	Note [2]	Note [2]	STRUCTURES & IMPROVEMENTS (361)	5,883	4,627	6,208	
BLANKET	Note [2]	Note [2]	STATION EQUIPMENT (362)	24,489	19,370	25,942	
BLANKET	Note [2]	Note [2]	POLES TOWERS & FIXTURES (364)	4,097	4,215	4,384	
BLANKET	Note [2]	Note [2]	OVERHEAD CONDUCTORS (365)	3,709	4,636	4,734	
BLANKET	Note [2]	Note [2]	UNDERGROUND CONDUIT (366)	5,516	5,675	5,903	
BLANKET	Note [2]	Note [2]	UNDERGROUND CONDUCTORS (367)	8,020	8,251	8,582	
BLANKET	Note [2]	Note [2]	LINE TRANSFORMERS (368)	7,646	7,866	8,181	
BLANKET	Note [2]	Note [2]	SERVICES (369)	2,465	2,536	2,638	
BLANKET	Note [2]	Note [2]	METERS (370)	1,077	1,108	1,153	
BLANKET	Note [2]	Note [2]	INSTALLATIONS ON CUSTOMER PREM (371)	166	171	178	
BLANKET	Note [2]	Note [2]	STREET LIGHTING AND SIGNALS (373)	1,822	1,875	1,950	
BLANKET	Note [2]	Note [2]	ESF CI CAPITAL METERS	601		555	
BLANKET	Note [2]	Note [2]	RES LOAD CONTROL - II (ECCR)	3,021	3,370	3,451	
BLANKET	Note [2]	Note [2]	MINOR DISTRIBUTION SUBSTATION BLANKET	326	53	154	
			Total Distribution	75,152	75,436	86,343	
			Transmission				
			Cape Canaveral Modernization				
UENC00000004	March-11	June-13	CAPE CANAVERAL MODERNIZATION TRANSM	2,003		943	
UENC00000004	March-11	June-13	CAPE CANAVERAL TRANSMISSION-GEN LEAL	1,700		785	

			Cape Canaveral-CWIP AFUDC				
UENC00000004	March-11	June-13	CAPE CANAVERAL MODERNIZATION TRANSM	95		57	
UENC00000004	March-11	June-13	CAPE CANAVERAL TRANSMISSION-GEN LEAC	95		55	
				3,893		1,840	Staffs 3rd set Inter # 91
			Riviera Modernization-Transmission				
UENC00000003	November-11	June-14	RIVIERA PLANT MODERNIZATION TRANSMISS	40,688	70,528	55,122	
UENC00000003	November-11	June-14	RIVIERA BEACH TRANSMISSION-GSU	0	6,040	4,685	
UENC00000003	November-11	June-14	RIVIERA BEACH TRANSMISSION-GEN LEADS	0	1,150	1,062	
			Riviera Transmission-CWIP AFUDC				
UENC00000003	November-11	June-14	RIVIERA PLANT MODERNIZATION TRANSMISS	2,053	5,775	3,747	
UENC00000003	November-11	June-14	RIVIERA BEACH TRANSMISSION-GEN LEADS	0	72	34	
				42,741	83,565	64,650	Staffs 3rd set Inter #88 & # 93
			All Other Transmission				
BLANKET	Note [2]	Note [2]	CAPITAL BOBWHITE MANATEE	3,743	4,112	3,771	
BLANKET	Note [2]	Note [2]	CAPITAL BUNNELL ST. JOHNS	478	478	478	
BLANKET	Note [2]	Note [2]	CAPITAL NORRIS-VOLUSIA	2,298		2,121	
BLANKET	Note [2]	Note [2]	HOBE SANDPIPER CAPITAL	751	751	751	
BLANKET	Note [2]	Note [2]	MYAKKA ROTONDA ENGLEWOOD LINE	5		4	
BLANKET	Note [2]	Note [2]	MINOR TRANSMISSION-RADIAL	138	55	83	
BLANKET	Note [2]	Note [2]	MINOR TRANSMISSION-GEN LEADS	21	2	8	
BLANKET	Note [2]	Note [2]	BOBWHITE MANATEE TRANSMISSION-RADIAI	2,800	21,100	11,950	
BLANKET	Note [2]	Note [2]	TRANSMISSION STORM SECURE	1,330	1,235	2,143	
BLANKET	Note [2]	Note [2]	TRANSMISSION - R/W	279	26	110	
BLANKET	Note [2]	Note [2]	FUTURE TRANSMISSION SERVICES	370	370	370	
BLANKET	Note [2]	Note [2]	MINOR TRANSMISSION BLANKET	50,684	47,257	51,196	
BLANKET	Note [2]	Note [2]	MINOR TRANSMISSION ECRC	8	55	39	
			Transmission-CWIP AFUDC				
UENC00000004	March-11	June-13	CAPE CANAVERAL TRANSMISSION-GSU	5,761		2,659	
BLANKET	Note [2]	Note [2]	FUTURE TRANSMISSION SERVICES	9	9	9	
				68,675	75,450	75,693	Staffs 3rd set Inter # 94
			Total Transmission	115,310	159,016	142,183	
			General Plant				
UCUS00000100	2009	2013	AMI HARDWARE - 2013	0		355	Staffs 3rd set Inter # 104
UTRN00000015	2010	December-13	EMS PROJECT	9,864		10,927	Staffs 3rd set Inter # 104
UENC00000025	July-13	December-13	CORPORATE DATA CENTER	0		256	
BLANKET	Note [2]	Note [2]	CBRE CORP OFFICE CAPITAL BASE PROJECT	4	0	1	
BLANKET	Note [2]	Note [2]	COMMUNICATIONS EQUIPMENT	7	0	2	
BLANKET	Note [2]	Note [2]	CORPORATE PGA	1,820		7,458	
BLANKET	Note [2]	Note [2]	MANATEE GEN PLANT	43	1	11	
BLANKET	Note [2]	Note [2]	MANATEE U3 GEN PLANT	10	0	3	
BLANKET	Note [2]	Note [2]	MARTIN GEN. PLANT	103	1	26	
BLANKET	Note [2]	Note [2]	MINOR GEN PLANT (ECCR)	237	464	525	
BLANKET	Note [2]	Note [2]	MINOR GENERAL PLANT BLANKET	8,807	10,233	9,681	
BLANKET	Note [2]	Note [2]	MINOR GENERAL PLANT ECRC	752	10	191	
BLANKET	Note [2]	Note [2]	MINOR TRANSPORTATION EQ BLANKET	3,887	3,950	2,981	
BLANKET	Note [2]	Note [2]	PORT EVERGLADES GEN PLANT	98	1	25	
BLANKET	Note [2]	Note [2]	PSL ENTERPRISE WIDE INFORMATION SYSTI	2,009	1,357	1,180	
BLANKET	Note [2]	Note [2]	PUTNAM GEN. PLANT	45	1	11	
BLANKET	Note [2]	Note [2]	REPOWERED SANFORD GEN PLT	49	1	12	
BLANKET	Note [2]	Note [2]	STRUCTURES AND IMPROVEMENTS	2,517	3,860	2,948	
BLANKET	Note [2]	Note [2]	TURKEY POINT GEN PLANT	1,227	1,294	991	
BLANKET	Note [2]	Note [2]	WEST COUNTY GENERAL PLANT	38	1	10	
			Total General Plant	31,516	21,174	37,592	Staffs 3rd set Inter # 95 & 96 & 97
			Sub-Total CWIP	2,830,541	2,032,845	2,327,912	
			Total AFUDC CWIP	99,214	99,155	99,716	
			Total CWIP	2,929,755	2,132,000	2,427,628	**Ties with MFR's B-1 Test Year, Page 1 of 1, Line 1, column (5) and B-13 Page 2 of 2, Line 18, column (11).**

Note: Totals may not add due to rounding.

Note [1]: PTN 6&7 (UENC.00000045) is not an active construction project, but rather a licensing effort. Further, PTN 6&7 is recovered through the Nuclear Cost Recovery Clause, not base rates, and is being audited by the FPSC in a separate docket no.12009-EI.
NOTE [2]: Minor Projects are not forecasted to have specific construction start dates or specific completion (in-service) dates. In many cases, these minor projects are an aggregation of numerous smaller projects or are "blanket" projects. Refer to Exhibit REB-2, which is attached to Direct Testimony of Robert E. Barrett, Jr. for an explanation of the forecasting instructions for minor projects.