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# FPL's Responses to Staff's Sixth Request for Production of Documents (No. 45, 47, and 49)

# POWER SYSTEMS CAPACITY PLANNING GUIDELINES

**Revision 7: March 9, 2011**

DISTRIBUTION

TRANSMISSION

SUBSTATION

# POWER SYSTEMS CAPACITY PLANNING GUIDELINES

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# DISTRIBUTION SUBSTATION CAPACITY PLANNING

## 1 INTRODUCTION

### 1.1 Objective

The objective of the revised planning criteria is to provide substation capacity at an optimal cost while maintaining the acceptable reliability and operating flexibility. This will be done by improving the utilization of existing and future substation capacity, and without imposition of undue burden on distribution facilities to backstand substation transformer capacity for extended periods of time.

### 1.2 Application

These criteria/guidelines shall be used by Distribution Planning, in conjunction with Transmission & Substation Technical Services, to develop risk-ranked recommendations for budgeting of projects to relieve potential overloading of distribution substation transformers due to load growth.

As part of its annual Planning /Budgeting process, Distribution Planning reviews historical feeder loads and forecasted new loads. Their primary interest is to identify the need for new distribution projects (new feeders, etc); but their efforts also facilitate the forecasting of future distribution substation power transformer loads and associated potential overloads since feeder loads can easily be rolled up to the transformer level. Distribution Planning also has access to other relevant information for identifying and for risk-ranking of potential overloads, such as: number of Customers out following a transformer outage, capability to transfer load via switching of the distribution network, number of switching operations/time to transfer load, and critical Customers potentially affected.

Transmission & Substation Technical Services, on the other hand, has access to other relevant information, such as: transformer age and condition, ability to parallel transformers to alleviate overloads, and autorestoration implications.

Therefore, both Distribution Planning and Transmission & Substation Technical Services must be deeply involved in the process of identifying and ranking potential distribution substation power transformer loading problems.

### 1.3 General Philosophy

The revised distribution substation capacity planning criteria utilizes "Substation Firm" capacity criteria, which depends upon sufficient transformer capacity within the substation for the backstanding of any transformer outage within that substation ,

and "Area Firm" capacity criteria, which depends on utilizing the capability of the distribution network in an area to transfer load to adjacent substations following a transformer outage. Note that "Mobile Substation Firm" capacity criteria, which depends upon mobile transformers for the backstanding of long duration transformer outages, is a subset of "Area Firm". The actual design of the distribution substation/feeder power delivery system will use a mixture of substation firm and area firm substation firm capacity planning criteria dependent upon the actual circumstances applicable to the local load area.

### 1.4 Distribution Substation Power Transformer Loading Capability

Generally, distribution substation power transformers are capable of being loaded to 130% of nameplate in the summer, for up to 6 hours per day, provided that the loading does not exceed 100% of nameplate rating for the remainder of the day. In the winter, power transformers can be loaded to 150% of nameplate in the summer, for up to 3 hours per day, provided that the loading does not exceed 100% of nameplate rating for the remainder of the day. Power transformers can be loaded to these levels day after day, without accelerated loss of life, and without regard to whether all other facilities are in service (system normal condition) or, whether an adjacent transformer is out of service (single contingency or emergency condition) - the transformer doesn't know the difference. Because these loading criteria represent a significant departure from FPL's power transformer loading guidelines of the past, any forecasted loads above 100% of nameplate rating for system normal condition shall also be reported by Distribution Planning to Transmission & Substation Technical Services for in depth verification of specific transformer loading capability.

### 1.5 Mobile and Spare Transformer Installation Times

The typical timeframe for installation of a mobile transformer following a transformer outage is 36 hours in substations which have been outfitted with mobile hookup provisions (i.e.: bus extension, pole to tap the high-line, etc.), and 48 hours in substations which have not been outfitted with mobile hookup provisions (but which do have sufficient access and space).

The typical timeframe for installation of a spare transformer following a transformer outage is 5 to 7 days.

## 2 CRITERIA DEFINITIONS AND APPLICATION

### 2.1 Substation Firm

This criteria requires that individual substations have sufficient installed transformer capacity for backstanding 100% of the substation seasonal peak load. Restoration of service in a substation firm load area is very simple; the transformer that is out is isolated and then either a bus-tie switch or breaker is closed to restore the interrupted distribution feeders. In an autorestoration substation, this is done automatically; and care must be taken to insure that when load is automatically transferred from a failed transformer, the remaining transformer to which the load is transferred does not trip on overload. Although feeder switching to pick up load is not part of the Substation Firm planning philosophy, Distribution Planning shall consider, and report on, such capability as a ranking tool for Substation Firm locations.

### 2.2 Area Firm

"Area Firm" utilizes the capability of the distribution network in an area to transfer load to adjacent substations following a transformer outage. This is done to prevent overloading of the remaining transformers. Following a transformer outage, transfer load to the remaining transformers up to their allowable ratings, to the extent allowed by the substation configuration. Then, transfer the remaining unserved load to adjacent feeders up to the usable capacity of the distribution network. Each load area is unique; and careful analysis of the local distribution network is necessary to determine the maximum useable capacity.

An Area Firm Load Area is the area surrounding the substation being studied whose limits are defined by the feasible switching operations that will restore load after the outage of one transformer. Some cascading beyond immediately adjacent feeders may be expected to avoid loading equipment beyond capacity. Any contingency scenarios requiring more than 6 switching steps and/or voltage/protection violations will be sent to Substation for project review and evaluation. In no case is the system normal seasonal peak load in an Area Firm Load Area to exceed the sum of the transformer capabilities in that Area.

[Note that if our philosophy is to leave feeders abnormally switched for whatever period of time it takes to bring additional transformer capacity into the Area (which, for example, would be up to a week to install a spare), then Distribution may have increased exposure for incurring additional SAIDI during this period.]

### 2.2.1 Mobile Firm

This criteria is a subset of Area Firm. It involves the use of mobile transformers to provide backstanding for the loss of a distribution substation power transformer. The following is an explanation of how mobile transformer firm criteria will be applied.

Single Transformer Substations -

Total substation loading will be limited by the size of the largest mobile transformer designated for the site. Following is a link to a complete listing of mobile transformers and related mobile equipment maintained by Transmission & Substation Technical Services: http://cafe.fpl.com/sharepoint/transsub/TechSvcs/Transformers/Shared Documents/Mobile Equipment/MOBILE EQUIPMENT 092810 .xls
The loading on any mobile transformer shall **never** exceed 100% of its nameplate rating. That is the absolute maximum capability of a mobile.

Power Systems Distribution Dispatch Offices will restore load before the mobile transformer is installed. Customers shall not intentionally be left out of service until the mobile transformer is installed, if at all possible.

Preferably, feeders will be switched back to their normal field configurations and loading as soon as the mobile transformer is installed. This allows for backstanding other contingencies until the damaged transformer is repaired or replaced. However, as a ranking tool, Distribution Planning shall consider, and report on, the capability to serve all load following mobile installation and with extended switching.

Multiple Transformer Substations -

Following the loss of a transformer, load will be transferred to the remaining transformer(s), up to 130% of nameplate in the Summer, 150% of nameplate in the Winter, and as allowed by the substation configuration; and the remaining load will be transferred to the mobile transformer when it is installed, up to its capacity. As in the case of the single transformer substation, as much of the excess (beyond capacity of remaining transformers) load as possible will be picked up in the field by switching of feeder ties, prior to installation of the mobile transformer. Feeders will be switched back to their normal field configurations and loading as soon as the mobile transformer is installed. However, as a ranking tool, Distribution Planning shall consider, and report on, the capability to serve all load following mobile installation and with extended switching. At substations with 3 or more transformers, paralleling of the remaining transformers to balance the load following a transformer outage may be an option; but this needs to be investigated on a case-by-case basis (see Section 3.4).

## 3 PLANNING GUIDELINES & CONSIDERATIONS

### 3.1 Choosing The Appropriate Planning Criteria

The primary criteria for future substation capacity additions will be mobile transformer firm. However, there are many distribution substations that have design or space limitations that make the use of mobile transformers backup undesirable. The Substation Engineering Group should be contacted to determine whether or not a non-moduflex substation is suitable for mobile transformer backstanding. If not, substation firm capacity criteria must be used.

The nature of load served will dictate the use of substation firm capacity, rather than mobile substation firm, particularly if an extended service interruption carries the risk of high economic or sociological impact. Examples of this include:
-Dense, urban high-rise buildings in a downtown area
-Areas containing major regional hospital complexes
-Geographical Island areas (i.e., Key Biscayne, Hutchinson Island, Palm Beach, Gasparilla Island)
-Electrical Island areas served by one or two sources only (i.e. Hallandale Substation)
There should be a concurrence between Transmission Planning, Distribution Planning, and Transmission & Substation before station firm criteria is used, based solely on load type.

### 3.2 Load Forecasting Methodology

Substation capacity planning shall be based on historical transformer peak loads (simultaneous), plus known, projected load growth. The historical transformer peaks shall be obtained via our Pi (to become EDNA in the near future) SCADA system.

### 3.3 Winter Peak Capacity Planning

Winter peak capacity planning will be allowed for all Regions. The criteria is:

- FEEDERS: No contingency (winter peak is the contingency). Load up to winter emergency ratings. Projects will be developed for feeders exceeding 684 amps. Relays will not be set higher than 720 amps (except under emergency conditions). Considerations must also be made for feeders that do not have the available fault current to raise relays to the specified value.

- SUBSTATIONS: Winter peak load not to exceed 150% of substation transformer nameplate. Transformer out contingency is NOT considered under winter peak load conditions.

**3.4 Paralleling Transformers**

Substations with 3 or more transformers may be subjected to overload following loss of one transformer because the load fed from that transformer can only be transferred to one of the remaining transformers. In such cases, it may be possible to plan for overload mitigation by paralleling the remaining transformers so that they share the load of the transformer that is out of service. This would be accomplished expediently by closing the bus tie-breaker via dispatcher operation following a contingency. Distribution Planning will provide Substation the stations it identified under this criteria. There are several issues that need to be investigated for each specific instance where this is considered as an alternative, including:

1. The parallel configuration increases the available fault current on the low voltage substation equipment and the associated distribution feeders. This could potentially result in fault currents in excess of equipment capability, a situation which should not be allowed to occur.
2. Transmission line relays at some voltage levels may "see through" the paralleled transformers and trip the transmission line for close-in feeder faults.
3. A bus fault will cause loss of both paralleled transformers.
4. In Scheme 10 substations, closing the bus tie-breaker to parallel transformers will lock out the entire substation if it is closed into a faulted bus.

Each case must be reviewed separately by Distribution Planning, Transmission & Substation Technical Services and Protection & Control. For planned paralleling of transformers, supervisory control of the bus-tie-breaker should be installed and telemetered transformer loading should be available.

**3.5 Autorestoration**

Auto-restoration is very desirable when the load permits transferring a failed transformer's load to an adjacent transformer. This eliminates a potentially lengthy outage. However, when loads are too high, auto-restoration can cause cascading transformer outages. Therefore, the following practice has been implemented regarding auto-restoration.

All substations with autorestoration are identified in the System Control Center (SCC) at the LFO; and the loadings of their transformers are continuously monitored by the SCC. When the loading reaches a level such that if

autorestoration was activated and the load is 140% or greater than the nameplate rating of the smallest transformer, autorestoration is automatically disabled. Autorestoration is re-enabled when the load drops to120% of the nameplate rating of the smallest transformer.

### 3.6 Distribution Planning Recommendations

When Distribution Planning reports potential overloads and recommends projects to mitigate such overloads to Transmission & Substation such reporting shall include not only the projected transformer loads; but also the pertinent ranking data: namely, number of Customers out following a transformer outage, capability to transfer load via switching of the distribution network, number of switching operations and average time to transfer load, number of Customers left out and for how long; and CIF Customers potentially affected.

# DISTRIBUTION SUBSTATION EQUIPMENT GUIDELINES

## 1 DEFINITIONS

To properly apply this loading guide, it is necessary to clearly define the terms Normal Loading and Emergency Loading.

### 1.1 Normal Loading

Normal loading is defined as the operating condition where all substation equipment is in service and operating at or below nameplate rating. The condition of a planned equipment outage for maintenance or construction purposes is considered normal loading.

### 1.2 Emergency Loading

Emergency loading is defined as the operating condition where an equipment failure or unavoidable system condition has caused the necessity of loading substation equipment beyond its maximum nameplate rating.

## 2 DISTRIBUTION SUBSTATION POWER TRANSFORMERS

### 2.1 Normal & Emergency Transformer Loading

Generally, distribution substation power transformers are capable of being loaded to 130% of nameplate in the summer, for up to 6 hours per day, provided that the loading does not exceed 100% of nameplate rating for the remainder of the day. In the winter, power transformers can be loaded to 150% of nameplate in the summer, for up to 3 hours per day, provided that the loading does not exceed 100% of nameplate rating for the remainder of the day. Table 1 shows these load and temperature cycles. Power transformers can be loaded to these levels day after day, without accelerated loss of life, and without regard to whether all other facilities are in service (system normal condition) or, whether an adjacent transformer is out of service (single contingency or emergency condition) - the transformer doesn't know the difference. Because these loading criteria represent a significant departure from FPL's power transformer loading guidelines of the past, any forecasted loads above 100% of nameplate rating for system normal condition shall also be reported by Distribution Planning to Transmission & Substation Technical Services for in depth verification of specific transformer loading capability. If there is any question of a particular transformer's capability with respect to operation above nameplate rating, a project to install remote temperature and gas monitoring shall be initiated.

**Table 1: Profile to be used for Power Transformer loading when the Transformer is required to operate above Normal Nameplate load**

| HOUR | SUMMER LOAD P.U | WINTER LOAD P.U | SUMMER Continuous P.U | WINTER Continuous P.U | SUMMER TEMPERATURE | WINTER TEMPERATURE |
|---|---|---|---|---|---|---|
| 12:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 26.7 °C | 5.0°C |
| 1:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 26.1 °C | 4.4°C |
| 2:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 25.6 °C | 3.9°C |
| 3:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 25.4 °C | 3.9°C |
| 4:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 25.3 °C | 3.3°C |
| 5:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 26.7 °C | 2.8°C |
| 6:00 AM | 1.0 | 1.5 | 1.15* | 1.3* | 28.9 °C | 5.0°C |
| 7:00 AM | 1.0 | 1.5 | 1.15* | 1.3* | 30.6 °C | 6.7°C |
| 8:00 AM | 1.0 | 1.5 | 1.15* | 1.3* | 33.1 °C | 8.3°C |
| 9:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 34.4 °C | 10.0°C |
| 10:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 35.0 °C | 11.7°C |
| 11:00 AM | 1.0 | 1.0 | 1.15* | 1.3* | 35.0 °C | 13.9°C |
| 12:00 PM | 1.0 | 1.0 | 1.15* | 1.3* | 35.0 °C | 13.9°C |
| 1:00 PM | 1.3 | 1.0 | 1.15* | 1.3* | 35.0 °C | 14.4°C |
| 2:00 PM | 1.3 | 1.0 | 1.15* | 1.3* | 35.0 °C | 15.0°C |
| 3:00 PM | 1.3 | 1.0 | 1.15* | 1.3* | 35.0 °C | 13.9°C |
| 4:00 PM | 1.3 | 1.0 | 1.15* | 1.3* | 35.0 °C | 12.8°C |
| 5:00 PM | 1.3 | 1.0 | 1.15* | 1.3* | 34.4 °C | 11.7°C |
| 6:00 PM | 1.3 | 1.0 | 1.15* | 1.3* | 33.9 °C | 11.1°C |
| 7:00 PM | 1.0 | 1.0 | 1.15* | 1.3* | 32.2 °C | 10.0°C |
| 8:00 PM | 1.0 | 1.0 | 1.15* | 1.3* | 29.4 °C | 9.4°C |
| 9:00 PM | 1.0 | 1.0 | 1.15* | 1.3* | 28.9 °C | 8.9°C |
| 10:00 PM | 1.0 | 1.0 | 1.15* | 1.3* | 27.8 °C | 8.9°C |
| 11:00 PM | 1.0 | 1.0 | 1.15* | 1.3* | 27.2 °C | 5.6°C |

*As long as Top Oil and Hot Spot Temperature does not exceed 105 and 130 Deg. C respectively

# 3 FEEDER VOLTAGE REGULATORS

## 3.1 Normal Loading

Under normal operating conditions, feeder regulators may be loaded up to the values shown on Tables 2 and 3.

The ratings shown on Table 2 are based on a continuous loading. It is important to note that in cases where a feeder has 3 single phase regulators of different ratings, the feeder loading will be limited to the lowest rated regulator loading limits.
The ratings shown on Table 3 may be used on regulators which have had their regulation range restricted to -10% through +5%. This may be achieved by pinning the operating mechanism; and may require adjustment of the substation transformer taps to raise the operating bus voltage. Use of this option requires prior review and approval, for each case, by the Substation Component Team, Distribution Planning, Power Quality , and in the cases where transformer tap adjustments are required, Power Supply.

## 3.2 Emergency Loading

In emergency conditions, the ratings shown in both tables shall not be exceeded. It is important that regulators be blocked from stepping to taps which would result in loading beyond the limits established in these guidelines.

## 4 FEEDER CIRCUIT BREAKERS & MISCELLANEOUS LOW VOLTAGE EQUIPMENT

4.1 Low voltage circuit breakers, reclosers and miscellaneous types of substation equipment may be loaded up to the values shown in Table 4.
Because of the relatively small mass involved with each of these devices, they will reach their ultimate temperatures in a short period of time. For this reason, these devices have lower emergency ratings than transformers and voltage regulators. The emergency ratings in the table are 2 hour ratings.

**Table 2: Regulators - Full Regulation**

| Regulator Size | Voltage Application (Ph - Ph) | Nameplate Rating | Summer Normal Rating | Winter Normal Rating | Summer Emergency Rating (note 2) | Winter Emergency Rating (note 2) |
|---|---|---|---|---|---|---|
| 100 KVA | 4.16kV | 400/640 | 400 | 480 | 496 | 560 |
| 167 KVA | 13.8kV | 219/350 | 219 | 260 | 272 | 307 |
| 250 KVA | 13.8kV | 328/525 | 328 | 390 | 407 | 459 |
| 333 KVA | 13.8kV | 418/668 | 418 | 500 | 518 | 585 |
| 416 KVA | 23kV | 289/462 | 289 | 345 | 358 | 405 |
| 432 KVA | 23kV | 300/480 | 300 | 360 | 372 | 420 |
| 500 KVA | 13.8kV | 627/668 | 627 | 750 | 777 | 878 |
| 576 KVA | 23kV | 400/640 | 400 | 480 | 496 | 560 |
| 720 KVA | 23kV | 500/668 | 500 | 575 | 575 | 650 |
| 500 KVA - 3 ph | 23kV | 209/334 | 209 | 250 | 259 | 293 |

1. All ratings are in amperes.
2. Emergency ratings are for **one 2 hour period** during any 24 hour period only, after which period the load **must** be returned to the Normal Rating. Emergency ratings to be used only where the capability exists to monitor the actual loading and duration.
3. Summer Ratings apply when the ambient air temperature is between $50^0$ and $95^0$F.
4. Winter Ratings apply when the ambient air temperature is $50^0$F or less.

**Table 3:** **Regulators at +5% to -5% Regulation**

| Regulator Size | Application Voltage (Ph - Ph) | Nameplate Rating | Summer Normal Rating | Winter Normal Rating | Summer Emergency Rating (note 2) | Winter Emergency Rating (note 2) |
|---|---|---|---|---|---|---|
| 100 KVA | 4.16kV | 400/640 | 640 | 768 | 792 | 852 |
| 167 KVA | 13.8kV | 219/350 | 350 | 420 | 433 | 466 |
| 250 KVA | 13.8kV | 328/525 | 525 | 630 | 649 | 698 |
| 333 KVA | 13.8kV | 418/668 | 668 | 800 | 827 | 890 |
| 416 KVA | 23kV | 289/462 | 462 | 555 | 572 | 615 |
| 432 KVA | 23kV | 300/480 | 480 | 576 | 594 | 639 |
| 500 KVA | 13.8kV | 627/668 | 668 | 800 | 828 | 935 |
| 576 KVA | 23kV | 400/640 | 640 | 765 | 792 | 852 |
| 720 KVA | 23kV | 500/668 | 668 | 765 | 765 | 865 |
| 500 KVA - 3 ph | 23kV | 209/334 | 334 | 400 | 413 | 445 |

1. All ratings are in amperes.
2. Emergency ratings are for **one 2 hour period** during any 24 hour period only, after which period the load **must** be returned to the Normal Rating. Emergency ratings to be used only where the capability exists to monitor the actual loading and duration.
3. Summer Ratings apply when the ambient air temperature is between $50^0$ and $95^0$F.
4. Winter Ratings apply when the ambient air temperature is between $50^0$F or less.
5. To achieve these ratings substation department **MUST** physically limit the operation of the regulator so that it cannot utilize taps +9 thru +16 (i.e., >+5% thru +10%). The power transformer(s) tap(s) may have to be raised in the station in order for the customers to have adequate voltage for this option.

**Table 4: Circuit Breakers and Miscellaneous Equipment**

| Equipment Type | Nameplate Rating | Normal Rating | Summer Emergency Rating (note 2) | Winter Emergency Rating (note 2) |
| --- | --- | --- | --- | --- |
| Distribution Oil Breaker | 600 | 600 | 600 | 774 |
| Distribution Oil Breaker | 1200 | 1200 | 1320 | 1320 |
| Distribution Vacuum Breaker | 560 | 560 | 616 | 722 |
| Distribution Vacuum Breaker | 600 | 600 | 660 | 774 |
| Distribution Vacuum Breaker | 1200 | 1200 | 1320 | 1320 |
| Metalclad Breaker, 15kV | 1200 | 1200 | 1320 | 1320 |
| Metalclad Breaker, 27kV | 600 | 600 | 740 (note 5) | 740 (note 5) |
| Metalclad Breaker, 27kV | 1200 | 1200 | 1320 | 1320 |
| Breaker Current Transformers | 600 | 600 | 750 | 750 |
| Breaker Current Transformers | 1200 | 1200 | 1500 | 1500 |
| Disconnect Switches | 600 | 600 | 810 | 978 |
| Disconnect Switches | 1200 | 1200 | 1620 | 1956 |
| Phase Reactor, 0.5 Ohm | 600 | 600 | 829 | 908 |
| Phase Reactor, 1.25 Ohms | 600 | 600 | 727 | 797 |
| Phase Reactor, 0.5 Ohm | 400 | 400 | 485 | 530 |
| Phase Reactor, 0.5 Ohm | 450 | 450 | 545 | 597 |
| Phase Reactor, 0.5 Ohm | 500 | 500 | 606 | 664 |
| **New Metalclad Substations:** | | | | |
| 25kV, 1MCMIL AL direct buried in duct wet soil | 590 | Summer 590 Winter 614 | 677 | 698 |
| 25kV, 1MCMIL AL direct buried in duct dry soil | 564 | Summer 564 Winter 586 | 642 | 661 |

1. All ratings are in amperes.
2. Emergency ratings are for **one 2 hour period** during any 24 hour period only, after which period the load **must** be returned to the Normal Rating. Emergency ratings to be used only where the capability exists to monitor the actual loading and duration.
3. Summer Ratings apply when the ambient temperature is between $50^0$ and $95^0$F.
4. Winter Ratings apply when the ambient air temperature is $50^0$F or less.
5. The emergency ratings for the 600A, 27kV metalclad breaker apply for 4 hours, after which the loading must be reduced to 570A for the next 2 hours.

# DISTRIBUTION CAPACITY PLANNING GUIDELINES

## 1 DEFINITIONS

To properly apply this loading guide, it is necessary to clearly define the terms Normal Loading and Emergency Loading.

### 1.1 Normal Loading

Normal loading is defined as the operating condition where all equipment is in service and operating at or below manufacturer's nameplate rating. This load can be applied to a device, day after day without any appreciable loss of life. The condition of a planned equipment outage for maintenance or construction purposes is considered normal loading.

### 1.2 Emergency Loading

Emergency loading is defined as the operating condition where an equipment failure or unavoidable system condition has caused the necessity of loading equipment beyond its maximum nameplate rating. This rating is based on an acceptable amount of deterioration for each emergency.

## 2 FEEDER EQUIPMENT

2.1 The following is a list of Feeder Devices that are evaluated for loading:

- Breakers
- Phase Pick-up *
- Regulators
- Reactors
- Cable, primarily pull-off *
- Overhead conductor *
- Submarine Cable *
- Auto Transformers *
- Reclosers
- Field Regulators

(*) Identifies devices that may be used as the "Normal Limiting Factor" or the "Emergency Limiting Factor" for a feeder inside the Planning System.

2.2 Field equipment not used as the limiting factor for the feeder, i.e. reclosers, field regulators, conductor, etc. will be evaluated for loading.

2.3 Breakers, regulators, & reactors will be considered for replacement by Power Delivery using a probabilistic approach that uses loading as one of the inputs.

2.4 The phase pick-up is defined as the normal tap setting, de-rated slightly to allow for phase imbalance and relay tolerances. Table 1 expresses the ratings of the phase pick-ups in MVA for FPL's three distribution voltages.

2.5 Overhead conductors have both summer and winter ratings and have been summarized in Table 2.

2.6 Underground cable ratings including submarine cables are in the Distribution Construction Standards in Section UV-15. Table 3 is a condensed version of the most commonly used cables with values in MVA and adjusted for a 7% phase unbalance. Table 4 is the amp ratings without the adjustments. Both have been expanded to handle more fully loaded cables in a duct system than the tables in UV-15. Dry ratings are used for direct buried cables and cables in conduit. Wet ratings are used for cables installed in encased duct banks. The tables have both normal and contingency ratings.

2.7 Auto-Transformer loading should be kept below:

- 90% of Nameplate Rating during summer peak normal conditions, or below 6.75 MVA (7.5 MVA unit), 10 MVA (11.2 MVA unit), 13.5 MVA (15 MVA unit).
- 120% of Nameplate Rating during summer emergency conditions, or below 9 MVA (7.5 MVA unit), 13.4 MVA (11.2 MVA unit); 18.0 MVA (15 MVA unit) *
- 140% of Nameplate Rating during winter emergency conditions, or below 15.7 MVA (11.2 MVA units); 21.0 MVA (15 MVA units) *

  * Provided that: Auto-Transformer average summer load does not exceed 90% rated capacity and the peak duration does not exceed 8 hours.

The installation of 15 MVA Auto-Transformers should be limited to only feeder pulloffs in order to utilize the capacity of the feeder position as much as possible. If a 23 KV feeder dual pulloff is used to serve a 13 KV area, avoid using a15 MVA unit by installing 2 - 11.2 MVA units as step-downs from 23 to 13KV whenever possible. Normally, for feeders with adequate feeder ties, 11.2 MVA Auto-Transformer units should be used for feeder ties away from the substation unless there is a special need.

2.8 Reclosers have a Normal Rating equal to 120% of their nameplate rating. An Emergency Rating is not assigned since reclosers can be by-passed during emergency conditions.

# 3 DISTRIBUTION PLANNING GUIDELINES

## 3.1 Evaluation of Normal Overloads

Whenever possible, a normal overload should be alleviated by switching even if it creates a contingency problem that needs to be addressed. If this is not possible, a project categorized as a Normal Overload should be identified. In most cases, contingency load problems are solved as well by the "Normal Overload" project because usually heavily loaded feeders above their normal ratings have insufficient capacity for emergency conditions.
Normal Overload projects should have a higher priority than projects addressing contingency overloads as described below.

## 3.2 Evaluation of Throwover Overloads

Throwover overloads are considered a higher priority contingency than the single contingency overloads described below, due to the risk of losing an additional feeder. As for all contingency overloads, the emergency rating is used as the limiting factor.

## 3.3 Evaluation of Contingency Overloads

The current guideline is to plan for a single contingency and to utilize up to 6 switching steps to restore service. This is accomplished by using the Feeder-Out program in the Planning System, which systematically takes out the first line-section of each feeder. Contingency analysis has also been extended to other critical sections such as submarine cables and auto-transformers.

In addition to the Feeder-Out program, the Line-Section-Out program is used to perform a risk assessment for each feeder by looking at the probability of losing any switchable line-section and calculating a LID (Load Interruption Duration) and CID (Customer Interruption Duration) for each line-section. These line-section values are then added together to provide a feeder value that will be used for further evaluation or prioritization.

### 3.4 System Expansion project prioritization order

In general, the priority order for Distribution System Expansion projects is as follows:

1. Multi-Year Projects in Construction (Carryover projects).
   (Note: Deferred projects that never started in construction should be re-justified again each year and if approved, should not be included under this ranking group)

2. Projects addressing Protection/Coordination or Low Voltage issues.

3. Large Projects
   3a. Large Revenue Projects (LRP).
   (Note: The LRP projects are not funded under the SE budget. However, they are included on the list if they require new feeders/substations for Power Delivery to budget for them)
   3b. New Substation projects
   (Note: New substations require a higher ranking than new feeder projects because: Large capacity added in the area; Cost of investment in CRE substation site; Permits, etc)
   3c. Special Business Needs. / OH/UG Conversions. / KV Conversions.
   (I.e. Installation of UG ducts for future use; special reliability improvements, or other special needs, etc)

4. Projects addressing Existing issues
   4a. Normal Overloads at the Feeder head level and/or Distribution Field Equipment.
   4b. High Customer Count Limit (HCCL) issues on Priority Feeders. (HCCL < 4320 customers)
   4c. Throwover Feeder Contingency overloads
   4d. Winter Feeder Contingency overloads
   4e. Feeder Contingency overloads
   4f. AFS Feeder insufficient adjacent emergency capacity

5. Projects addressing Forecasted issues
   5a. Normal Overloads at the Feeder head level and/or Distribution Field Equipment.
   5b. High Customer Count Limit (HCCL) issues on Priority Feeders. (HCCL < 4320 customers)
   5c. Throwover Feeder Contingency overloads
   5d. Winter Feeder Contingency overloads
   5e. Feeder Contingency overloads
   5f. AFS Feeder insufficient adjacent emergency capacity

6. Projects addressing Existing Model Feeder violations on Priority feeders
   6a. Customer count violations
7. Projects addressing Forecasted Model Feeder violations on Priority feeders
   7a. Customer count violations

## 3.5 Distribution Capacity Planning Project Justification Policy

| Existing or Forecasted Conditions | 13KV or 23KV | SE Project Type Justification Requirement |
|---|---|---|
| Existing or Forecasted | Requires >100% of Summer Rating | Justifies new Substation, Feeder and Distribution Projects |
| Existing or Forecasted | Requires >100% of Summer Rating | Justifies new Substation, Feeder and Distribution Projects |
| Existing or Forecasted | Requires > 100% of Winter Rating (After Relay is set 1 tap above Summer) | Justifies new Feeder and Distribution Projects (This does not justify a new substation or site purchase) |
| Existing | Requires Two or More Feeders Overloaded above 105% of the Emergency Rating | Justifies new Feeder and Distribution Projects (This does not justify a new substation or site purchase) |
| | If only one feeder shows an Emergency Overload, requires: (a) The Emergency Overload to be > 110%; OR (b) The Emergency Overload is greater than 105%, and the project also relieves a Priority Feeder, or converts a Feeder to a Model Feeder | |
| Forecasted | Requires Two or More Feeders Overloaded above 110% of the Emergency Rating | Justifies new Feeder and Distribution Projects (This does not justify a new substation or site purchase) |
| | If only one feeder shows an Emergency Overload, requires: (a) The Emergency Overload to be > 115%; OR (b) The Emergency Overload is greater than 110%, and the project also relieves a Priority Feeder, or converts a Feeder to a Model Feeder | |
| | | **New revision in RED** |

# Table 1: PHASE RELAY PICKUP DESIGN RATINGS

| Phase Pickup Setting | Phase Pickup Rating | MVA | | |
| --- | --- | --- | --- | --- |
| | | 4KV | 13KV | 23KV |
| 240 | 228 | 1.6 | 5.1 | 8.8 |
| 300 | 285 | 2.0 | 6.4 | 11.0 |
| 320 | 304 | 2.1 | 6.8 | 11.8 |
| 360 | 342 | 2.4 | 7.6 | 13.2 |
| 400 | 380 | 2.7 | 8.5 | 14.7 |
| 420 | 399 | 2.8 | 8.9 | 15.4 |
| 480 | 456 | 3.2 | 10.2 | 17.6 |
| 500 | 475 | 3.3 | 10.6 | 18.4 |
| 560 | 532 | 3.7 | 11.9 | 20.6 |
| 600 | 570 | 4.0 | 12.7 | 22.0 |
| 640 | 608 | 4.3 | 13.6 | 23.5 |
| 720 | 684 | 4.8 | 15.3 | 26.4 |
| 800 | 760 | 5.3 | 17.0 | 29.4 |
| 840 | 798 | 5.6 | 17.8 | 30.9 |
| 900 | 855 | 6.0 | 19.1 | 33.1 |
| 960 | 912 | 6.4 | 20.4 | 35.3 |

Rev 1/16/2007

Note: Phase Pickup Rating = (Phase Pickup Setting) (Relay Tolerance Factor) (Regulation Factor) (Tolerance Diversity Factor)
MVA = 3(Phase to Ground Voltage) (Phase Pickup Rating) (Voltage factor) (Unbalance factor) / 1000

| Where: | | | |
| --- | --- | --- | --- |
| | Phase to ground = | 2.4 | 7.62 13.2 |
| | Amperes = | | (Appropriate ampere rating from Distribution Standards F7.0.0) |
| | Relay Tolerance Factor = | 0.95 | (From manufacturer's data) |
| | Regulation Factor = | 0.90 | (Telemetry readings on regulated side of feeder) |
| | Tolerance Diversity Factor = | 1.11 | (Reduces compounding effect of rating factors) |
| | Voltage Factor = | 1.05 | (Which comes from 126V/120V) |
| | Unbalance Factor = | 0.93 | (Assumes 7% phase unbalance) |

Quick Factors:

Phase Pickup
4KV: MVA = I(amps) * (0.0067); I(amps) = (MVA) * (150.0)
13KV: MVA = I(amps) * (0.0212); I(amps) = (MVA) * (47.24)
23KV: MVA = I(amps) * (0.0367); I(amps) = (MVA) * (27.27)

## Table 2: OVERHEAD CONDUCTOR DESIGN RATINGS

| | Summer | | | | Winter | | | |
|---|---|---|---|---|---|---|---|---|
| | | MVA | | | | MVA | | |
| **Conductor Size/Type** | **Amps** | **4KV** | **13KV** | **23KV** | **Amps** | **4KV** | **13KV** | **23KV** |
| **6 CU** | 118 | 0.8 | 2.6 | 4.6 | 145 | 1.0 | 3.2 | 5.6 |
| **4 CU** | 167 | 1.2 | 3.7 | 6.5 | 205 | 1.4 | 4.6 | 7.9 |
| **2 CU** | 225 | 1.6 | 5.0 | 8.7 | 277 | 1.9 | 6.2 | 10.7 |
| **1/0 CU** | 305 | 2.1 | 6.8 | 11.8 | 374 | 2.6 | 8.3 | 14.5 |
| **2/0 CU** | 354 | 2.5 | 7.9 | 13.7 | 434 | 3.1 | 9.7 | 16.8 |
| **4/0 CU** | 472 | 3.3 | 10.5 | 18.3 | 579 | 4.1 | 12.9 | 22.4 |
| **350 CU** | 659 | 4.6 | 14.7 | 25.5 | 807 | 5.7 | 18.0 | 31.2 |
| **500 CU** | 979 | 6.9 | 21.9 | 37.9 | 1199 | 8.4 | 26.8 | 46.4 |
| **4 ACSR** | 138 | 1.0 | 3.1 | 5.3 | 169 | 1.2 | 3.8 | 6.5 |
| **2 ACSR** | 177 | 1.2 | 4.0 | 6.8 | 217 | 1.5 | 4.8 | 8.4 |
| **1/0 ASCR** | 226 | 1.6 | 5.0 | 8.7 | 277 | 1.9 | 6.2 | 10.7 |
| **3/0 ACSR** | 295 | 2.1 | 6.6 | 11.4 | 362 | 2.5 | 8.1 | 14.0 |
| **336.4 ACSR** | 521 | 3.7 | 11.6 | 20.1 | 639 | 4.5 | 14.3 | 24.7 |
| **556.4 ACSR** | 718 | 5.0 | 16.0 | 27.8 | 880 | 6.2 | 19.6 | 34.0 |
| **4 AAAC** | 148 | 1.0 | 3.3 | 5.7 | 181 | 1.3 | 4.0 | 7.0 |
| **2 AAAC** | 197 | 1.4 | 4.4 | 7.6 | 241 | 1.7 | 5.4 | 9.3 |
| **1/0 AAAC** | 266 | 1.9 | 5.9 | 10.3 | 325 | 2.3 | 7.3 | 12.6 |
| **3/0 AAAC** | 354 | 2.5 | 7.9 | 13.7 | 434 | 3.1 | 9.7 | 16.8 |
| | | | | | | 0.0 | 0.0 | 0.0 |
| **343.6 ACAR** | 531 | 3.7 | 11.9 | 20.5 | 651 | 4.6 | 14.5 | 25.2 |
| **568.3 ACAR** | 733 | 5.2 | 16.4 | 28.3 | 898 | 6.3 | 20.0 | 34.7 |
| **2 CU TW** | 191 | 1.3 | 4.3 | 7.4 | 234 | 1.6 | 5.2 | 9.0 |
| **4/0 CU TW** | 394 | 2.8 | 8.8 | 15.2 | 482 | 3.4 | 10.8 | 18.6 |
| **2 AAAC TW** | 152 | 1.1 | 3.4 | 5.9 | 186 | 1.3 | 4.2 | 7.2 |
| **568.3 ACAR TW** | 576 | 4.0 | 12.9 | 22.3 | 706 | 5.0 | 15.8 | 27.3 |
| **#4 AAC Hendrix** | 369 | 2.6 | 8.2 | 14.3 | 457 | 3.2 | 10.2 | 17.7 |
| **636 kcmil AAC Hendrix** | 728 | 5.1 | 16.3 | 28.2 | 905 | 6.4 | 20.2 | 35.0 |

Rev 3/15/2004

Note: MVA = 3(Phase to Ground Voltage) (Amperes) (Voltage factor) (Unbalance factor) / 1000

Where: Phase to ground = 2.4 7.62 13.2

Amperes = Appropriate ampere rating from Distribution Standards F7.0.0

Unbalance Factor = 0.93 (Assumes 7% phase unbalance)

Voltage Factor = 1.05 (Which comes from 126V/120V)

Quick Factors:

4KV: MVA = I(amps) * (0.00703); I(amps) = (MVA) * (142.23)

13KV: MVA = I(amps) * (0.0223); I(amps) = (MVA) * (44.797)

23KV: MVA = I(amps) * (0.0386); I(amps) = (MVA) * (25.86)

# Table 3

## SUMMER UNDERGROUND CABLE RATING

| CABLE DESCRIPTION | Code NO. | DIRECT BURIED (DRY SOIL) (A) | | DIRECT BURIED DUCT (B) (DRY SOIL) | | TOTAL NUMBER OF FULLY LOADED FEEDER IN DUCT BANK (C) (WET SOIL) **ALL MVA listed, include 7% ph unbalance & 1.05 Voltage Factor** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 1 | | 2 | | 3 | | 4 | | 5 | | 6 | |
| | | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER |
| 3-1/C 1000 kcmil Al, 15KV - 1/12N | 1 | 11.1 | 14.0 | 12.2 | 14.0 | 12.6 | 14.4 | 11.3 | 12.9 | 10.0 | 11.4 | 9.4 | 10.7 | 8.8 | 10.0 | 8.2 | 9.3 |
| 3-1/C 1000 kcmil Al, 15KV - 1/3N | 2 | 10.3 | 13.0 | 11.4 | 13.0 | 11.8 | 13.4 | 10.7 | 12.2 | 9.6 | 11.0 | 9.0 | 10.4 | 8.4 | 9.7 | 7.9 | 9.0 |
| 3-1/C 1000 kcmil Al, 25KV - XPE @13kv | 3A | 11.3 | 14.0 | 12.6 | 14.3 | 12.6 | 14.4 | 11.3 | 12.9 | 10.0 | 11.4 | 9.4 | 10.7 | 8.8 | 10.0 | 8.2 | 9.3 |
| 3-1/C 1000 kcmil Al, 25KV - XPE @23kv | 3B | 19.5 | 24.2 | 21.8 | 24.8 | 21.9 | 24.9 | 19.6 | 22.4 | 17.4 | 19.8 | 16.4 | 18.5 | 15.3 | 17.3 | 14.3 | 16.1 |
| 1-3/C 750 kcmil Cu, 15KV, PL | 4 | 11.5 | 14.0 | | | 12.3 | 13.9 | 11.3 | 12.7 | 10.2 | 11.6 | 9.6 | 10.9 | 9.0 | 10.2 | 8.4 | 9.5 |
| 1-3/C 750 kcmil Cu, 25KV, PL @13kv | 5A | | | | | 12.2 | 13.8 | 11.1 | 12.6 | 10.1 | 11.4 | 9.4 | 10.7 | 8.8 | 10.0 | 8.1 | 9.3 |
| 1-3/C 750 kcmil Cu, 25KV, PL @23kv | 5B | | | | | 21.2 | 23.9 | 19.3 | 21.8 | 17.4 | 19.8 | 16.3 | 18.5 | 15.2 | 17.3 | 14.1 | 16.0 |
| 3-1/C 750 kcmil Cu, 15KV, PL | 6 | | | | | 12.6 | 14.1 | 11.5 | 12.9 | 10.3 | 11.7 | 9.7 | 10.9 | 9.0 | 10.2 | 8.4 | 9.5 |
| 3-1/C 750 kcmil Cu, 25KV, PL @13kv | 7A | | | | | 12.4 | 14.0 | 11.3 | 12.7 | 10.1 | 11.5 | 9.4 | 10.7 | 8.8 | 10.0 | 8.1 | 9.3 |
| 3-1/C 750 kcmil Cu, 25KV, PL @23kv | 7B | | | | | 21.5 | 24.2 | 19.5 | 22.0 | 17.5 | 19.8 | 16.4 | 18.6 | 15.2 | 17.3 | 14.1 | 16.0 |
| 1-3/C 500 kcmil Cu, 15KV, PL | 8 | | | | | 10.0 | 11.2 | 9.2 | 10.3 | 8.4 | 9.4 | 7.9 | 8.9 | 7.4 | 8.4 | 6.9 | 7.8 |
| 1-3/C 500 kcmil Cu, 25KV, PL | 9 | | | | | 17.2 | 19.4 | 15.8 | 17.8 | 14.3 | 16.2 | 13.5 | 15.2 | 12.6 | 14.3 | 11.7 | 13.3 |
| 1-3/C 750 kcmil Cu, 15KV, CLX | 10 | 12.8 | 14.5 | | | 13.0 | 14.9 | 11.9 | 13.7 | 10.8 | 12.4 | 10.1 | 11.6 | 9.5 | 10.9 | 8.8 | 10.2 |
| 1-3/C 750 kcmil Cu, 25KV, CLX | 11 | 22.4 | 25.3 | | | 22.6 | 26.0 | 20.7 | 23.8 | 18.8 | 21.6 | 17.7 | 20.3 | 16.5 | 19.0 | 15.4 | 17.7 |
| 1-3/C 500 kcmil Cu, 15KV, CLX/PE | 12 | 10.5 | 11.8 | | | 10.6 | 12.1 | 9.7 | 11.1 | 8.8 | 10.1 | 8.2 | 9.5 | 7.7 | 8.8 | 7.2 | 8.2 |
| 1-3/C 500 kcmil Cu, 25KV, CLX/PE | 13 | 18.4 | 20.6 | | | 18.4 | 21.0 | 16.8 | 19.3 | 15.2 | 17.5 | 14.3 | 16.4 | 13.4 | 15.4 | 12.5 | 14.3 |
| 1-3/C 500 kcmil Cu, 15KV, Sub | 14 | 9.5 | 11.5 | | | 10.0 | 11.2 | 9.2 | 10.3 | 8.4 | 9.4 | 7.9 | 8.9 | 7.4 | 8.4 | 6.9 | 7.8 |
| 1-3/C 500 kcmil Cu, 25KV, Sub | 15 | 16.3 | 19.6 | | | 17.2 | 19.4 | 15.8 | 17.8 | 14.3 | 16.2 | 13.5 | 15.2 | 12.6 | 14.3 | 11.7 | 13.3 |
| 3-1/C 1000 Cu 25KV-1/12N, @ 13KV | 16A | | | 14.8 | 16.9 | 15.2 | 17.5 | 13.7 | 15.7 | 12.1 | 13.8 | 11.4 | 13.0 | 10.6 | 12.1 | 9.9 | 11.3 |
| 3-1/C 1000Cu 25KV-1/12N, @ 25KV | 16B | | | 25.6 | 29.3 | 26.4 | 30.3 | 23.7 | 27.1 | 21.0 | 24.0 | 19.7 | 22.5 | 18.4 | 21.0 | 17.2 | 19.5 |
| 1-3/C 500 kcmil Cu, 25KV - XPE | 17 | 21.4 | 24.1 | | | 21.3 | 24.3 | 19.5 | 22.2 | 17.7 | 20.1 | 16.6 | 18.9 | 15.5 | 17.7 | 14.5 | 16.5 |
| 1-3/C 350 kcmil Cu, 15KV, PL | 18 | | | | | 8.3 | 9.3 | 7.6 | 8.6 | 6.9 | 7.8 | 6.5 | 7.3 | 6.1 | 6.9 | 5.7 | 6.4 |
| 3-1/C 350 kcmil Al, 25KV - XPE | 19 | | | 12.0 | 13.6 | 12.6 | 14.3 | 11.4 | 13.0 | 10.3 | 11.6 | 9.7 | 11.0 | 9.1 | 10.3 | 8.5 | 9.6 |
| 1-3/C 500 kcmil Cu, 25KV, EPR, SUB | 20 | 18.7 | 21.3 | | | 18.2 | 20.7 | 16.8 | 19.0 | 15.4 | 17.4 | 14.5 | 16.4 | 13.7 | 15.5 | 12.8 | 14.5 |
| 1-3/C 750 kcmil Cu, 15KV, EPR | 21 | | | | | 12.9 | 14.7 | 11.8 | 13.4 | 10.7 | 12.1 | 10.1 | 11.4 | 9.5 | 10.8 | 8.9 | 10.1 |

NOTE: CABLE #1 WAS INSTALLED FROM 1977 TO THE PRESENT
CABLE #2 WAS INSTALLED PRIOR TO 1977

Cable Ratings2003.XLS
Rev: 3/15/2004

STAFF 002913
FPL RC-12

# Table 4

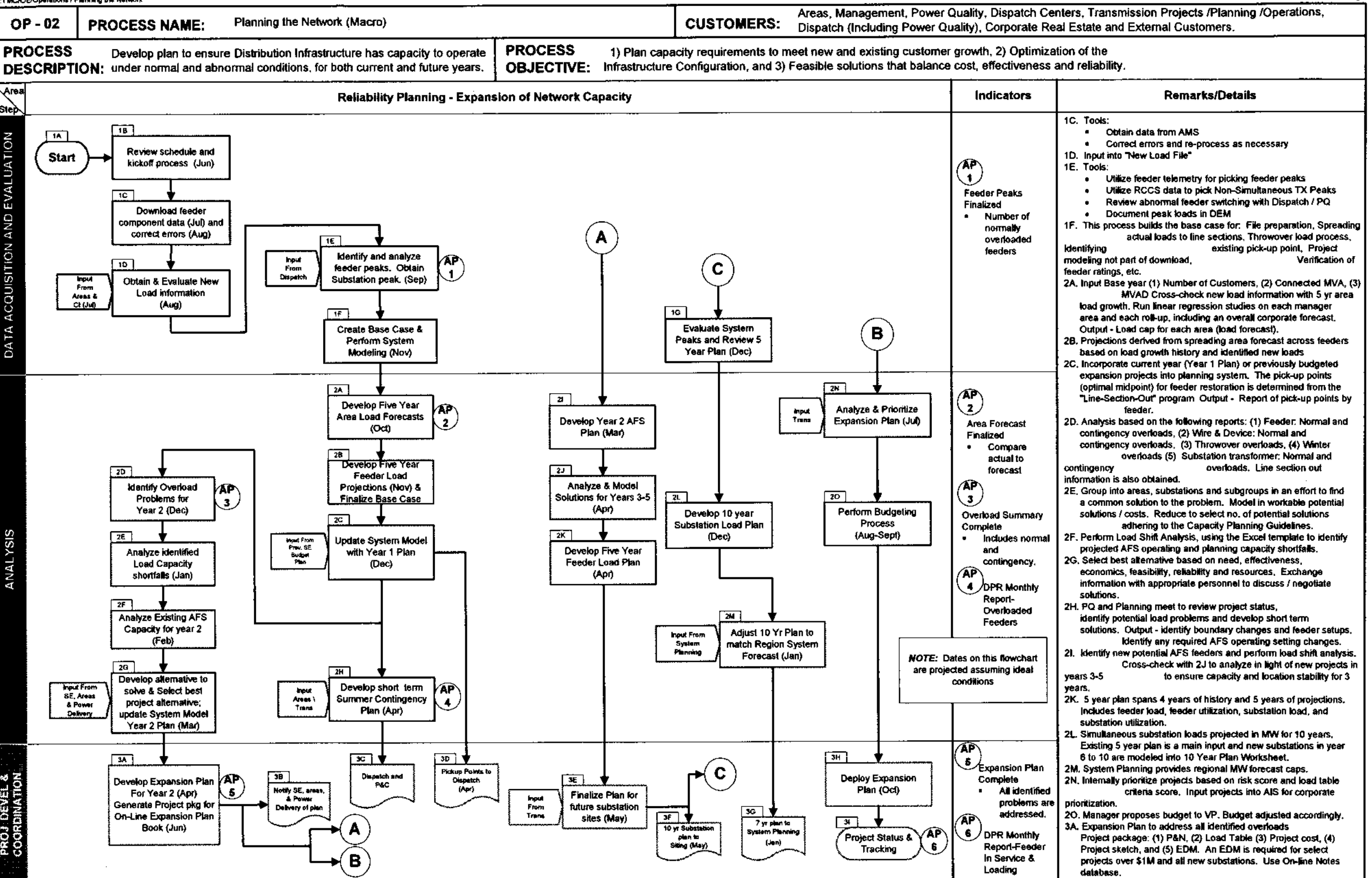
## SUMMER UNDERGROUND CABLE RATING

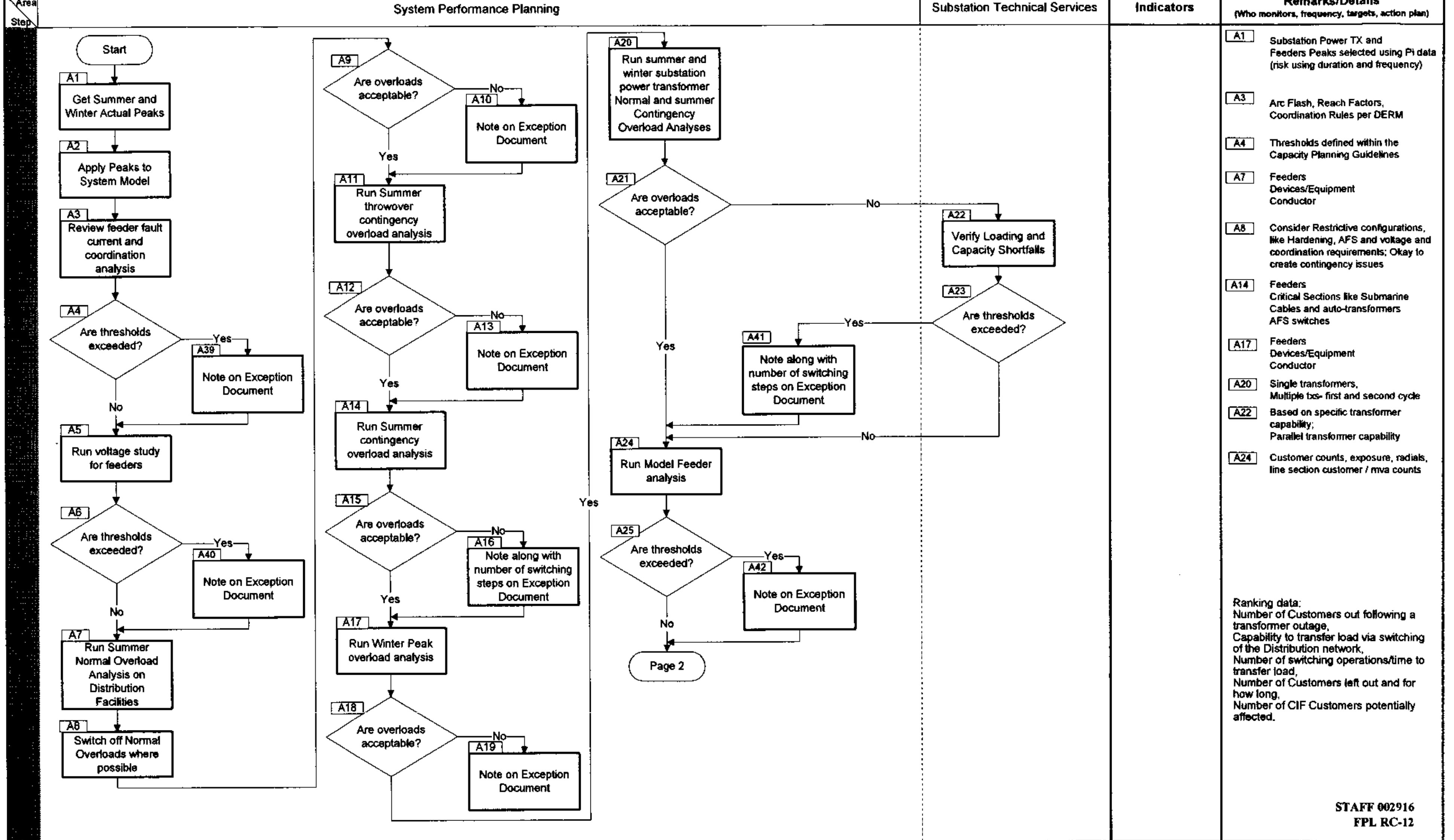
| CABLE DESCRIPTION | Code NO. | DIRECT BURIED (DRY SOIL) (A) | | DIRECT BURIED DUCT (B) (DRY SOIL) | | TOTAL NUMBER OF FULLY LOADED FEEDER IN DUCT BANK (C) (WET SOIL) ALL amps values listed are from Distribution Standards Section UV-15 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 1 | | 2 | | 3 | | 4 | | 5 | | 6 | |
| | | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER | NORM | EMER |
| 3-1/C 1000 kcmil Al, 15KV - 1/12N | 1 | 496 | 625 | 548 | 625 | 566 | 645 | 508 | 578 | 450 | 511 | 423 | 480 | 396 | 448 | 369 | 417 |
| 3-1/C 1000 kcmil Al, 15KV - 1/3N | 2 | 461 | 581 | 510 | 581 | 526 | 600 | 479 | 547 | 431 | 495 | 405 | 465 | 378 | 435 | 352 | 405 |
| 3-1/C 1000 kcmil Al, 25KV - XPE | 3 | 505 | 626 | 564 | 642 | 566 | 645 | 508 | 578 | 450 | 511 | 423 | 480 | 396 | 448 | 369 | 417 |
| 1-3/C 750 kcmil Cu, 15KV, PL | 4 | 515 | 626 | | | 553 | 623 | 506 | 571 | 458 | 518 | 431 | 487 | 403 | 456 | 376 | 425 |
| 1-3/C 750 kcmil Cu, 25KV, PL | 5 | | | | | 547 | 617 | 499 | 564 | 451 | 511 | 422 | 479 | 393 | 447 | 364 | 415 |
| 3-1/C 750 kcmil Cu, 15KV, PL | 6 | | | | | 563 | 633 | 513 | 578 | 463 | 522 | 434 | 489 | 404 | 457 | 375 | 424 |
| 3-1/C 750 kcmil Cu, 25KV, PL | 7 | | | | | 556 | 627 | 505 | 570 | 453 | 513 | 423 | 480 | 394 | 448 | 364 | 415 |
| 1-3/C 500 kcmil Cu, 15KV, PL | 8 | | | | | 446 | 502 | 411 | 463 | 376 | 423 | 354 | 399 | 331 | 374 | 309 | 350 |
| 1-3/C 500 kcmil Cu, 25KV, PL | 9 | | | | | 444 | 501 | 408 | 460 | 371 | 419 | 348 | 394 | 326 | 369 | 303 | 344 |
| 1-3/C 750 kcmil Cu, 15KV, CLX | 10 | 575 | 649 | | | 582 | 669 | 533 | 612 | 483 | 555 | 454 | 522 | 425 | 488 | 396 | 455 |
| 1-3/C 750 kcmil Cu, 25KV, CLX | 11 | 580 | 653 | | | 585 | 672 | 536 | 615 | 486 | 558 | 457 | 524 | 427 | 491 | 398 | 457 |
| 1-3/C 500 kcmil Cu, 15KV, CLX/PE | 12 | 471 | 530 | | | 473 | 540 | 433 | 496 | 393 | 451 | 369 | 424 | 346 | 396 | 322 | 369 |
| 1-3/C 500 kcmil Cu, 25KV, CLX/PE | 13 | 476 | 534 | | | 475 | 544 | 435 | 498 | 394 | 452 | 370 | 425 | 347 | 397 | 323 | 370 |
| 1-3/C 500 kcmil Cu, 15KV, Sub | 14 | 426 | 513 | | | 446 | 502 | 411 | 463 | 376 | 423 | 354 | 399 | 331 | 374 | 309 | 350 |
| 1-3/C 500 kcmil Cu, 25KV, Sub | 15 | 422 | 508 | | | 444 | 501 | 408 | 460 | 371 | 419 | 348 | 394 | 326 | 369 | 303 | 344 |
| 3-1/C 1000 kcmil CU, 25KV - 1/12N | 16 | | | 662 | 758 | 683 | 783 | 613 | 702 | 543 | 620 | 510 | 582 | 477 | 543 | 444 | 505 |
| 1-3/C 500 kcmil Cu, 25KV - XPE | 17 | 554 | 622 | | | 550 | 628 | 504 | 575 | 457 | 521 | 429 | 490 | 402 | 458 | 374 | 427 |
| 1-3/C 350 kcmil Cu, 15KV, PL | 18 | | | | | 371 | 419 | 341 | 384 | 310 | 350 | 291 | 329 | 272 | 308 | 253 | 287 |
| 3-1/C 350 kcmil Al, 25KV - XPE | 19 | | | 310 | 352 | 325 | 369 | 296 | 335 | 266 | 301 | 251 | 284 | 236 | 266 | 221 | 249 |
| 1-3/C 500 kcmil Cu, 25KV, EPR, SUB | 20 | 484 | 550 | | | 471 | 535 | 434 | 493 | 397 | 450 | 375 | 425 | 354 | 401 | 332 | 376 |
| 1-3/C 750 kcmil Cu, 15KV, EPR | 21 | | | | | 578 | 657 | 528 | 600 | 478 | 542 | 452 | 512 | 426 | 482 | 400 | 452 |

NOTE: CABLE #1 WAS INSTALLED FROM 1977 TO THE PRESENT
CABLE #2 WAS INSTALLED PRIOR TO 1977

Cable Rating.XLS
Rev: 01/26/2000

STAFF 002914
FPL RC-12

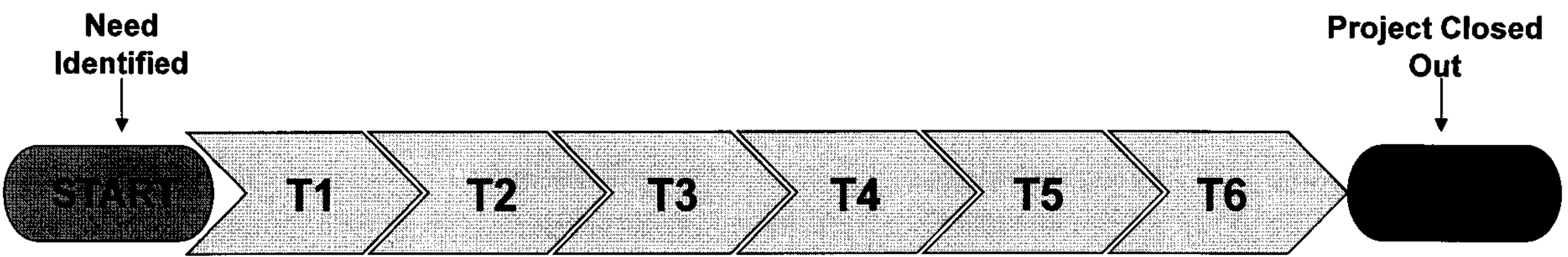

Q:TMC/OE/Operations / Planning the Network
OP - 02
PROCESS NAME: Planning the Network (Macro)
CUSTOMERS: Areas, Management, Power Quality, Dispatch Centers, Transmission Projects /Planning /Operations, Dispatch (Including Power Quality), Corporate Real Estate and External Customers.
PROCESS DESCRIPTION: Develop plan to ensure Distribution Infrastructure has capacity to operate under normal and abnormal conditions, for both current and future years.
PROCESS OBJECTIVE: 1) Plan capacity requirements to meet new and existing customer growth, 2) Optimization of the Infrastructure Configuration, and 3) Feasible solutions that balance cost, effectiveness and reliability.
Area
Step
Reliability Planning - Expansion of Network Capacity
Indicators
Remarks/Details
DATA ACQUISITION AND EVALUATION
ANALYSIS
PROJ DEVEL & COORDINATION
1A
Start
1B
Review schedule and kickoff process (Jun)
1C
Download feeder component data (Jul) and correct errors (Aug)
1D
Obtain & Evaluate New Load information (Aug)
Input From Areas & Ct (Jul)
1E
Identify and analyze feeder peaks. Obtain Substation peak. (Sep)
Input From Dispatch
AP 1
1F
Create Base Case & Perform System Modeling (Nov)
A
C
1G
Evaluate System Peaks and Review 5 Year Plan (Dec)
B
2A
Develop Five Year Area Load Forecasts (Oct)
AP 2
2B
Develop Five Year Feeder Load Projections (Nov) & Finalize Base Case
2C
Update System Model with Year 1 Plan (Dec)
Input From Prev. SE Budget Plan
2D
Identify Overload Problems for Year 2 (Dec)
AP 3
2E
Analyze identified Load Capacity shortfalls (Jan)
2F
Analyze Existing AFS Capacity for year 2 (Feb)
2G
Develop alternative to solve & Select best project alternative; update System Model Year 2 Plan (Mar)
Input From SE, Areas & Power Delivery
2H
Develop short term Summer Contingency Plan (Apr)
Input Areas \ Trans
AP 4
2I
Develop Year 2 AFS Plan (Mar)
2J
Analyze & Model Solutions for Years 3-5 (Apr)
2K
Develop Five Year Feeder Load Plan (Apr)
2L
Develop 10 year Substation Load Plan (Dec)
2M
Adjust 10 Yr Plan to match Region System Forecast (Jan)
Input From System Planning
2N
Analyze & Prioritize Expansion Plan (Jul)
Input Trans
2O
Perform Budgeting Process (Aug-Sept)
3A
Develop Expansion Plan For Year 2 (Apr) Generate Project pkg for On-Line Expansion Plan Book (Jun)
AP 5
3B
Notify SE, areas, & Power Delivery of plan
A
B
3C
Dispatch and P&C
3D
Pickup Points to Dispatch (Apr)
3E
Finalize Plan for future substation sites (May)
Input From Trans
3F
10 yr Substation plan to Siting (May)
C
3G
7 yr plan to System Planning (Jan)
3H
Deploy Expansion Plan (Oct)
3I
Project Status & Tracking
AP 6
AP 1
Feeder Peaks Finalized
• Number of normally overloaded feeders
AP 2
Area Forecast Finalized
• Compare actual to forecast
AP 3
Overload Summary Complete
• Includes normal and contingency.
AP 4
DPR Monthly Report-Overloaded Feeders
NOTE: Dates on this flowchart are projected assuming ideal conditions
AP 5
Expansion Plan Complete
• All identified problems are addressed.
AP 6
DPR Monthly Report-Feeder In Service & Loading
1C. Tools:
• Obtain data from AMS
• Correct errors and re-process as necessary
1D. Input into "New Load File"
1E. Tools:
• Utilize feeder telemetry for picking feeder peaks
• Utilize RCCS data to pick Non-Simultaneous TX Peaks
• Review abnormal feeder switching with Dispatch / PQ
• Document peak loads in DEM
1F. This process builds the base case for: File preparation, Spreading actual loads to line sections, Throwover load process, Identifying existing pick-up point, Project modeling not part of download, Verification of feeder ratings, etc.
2A. Input Base year (1) Number of Customers, (2) Connected MVA, (3) MVAD Cross-check new load information with 5 yr area load growth. Run linear regression studies on each manager area and each roll-up, including an overall corporate forecast. Output - Load cap for each area (load forecast).
2B. Projections derived from spreading area forecast across feeders based on load growth history and identified new loads
2C. Incorporate current year (Year 1 Plan) or previously budgeted expansion projects into planning system. The pick-up points (optimal midpoint) for feeder restoration is determined from the "Line-Section-Out" program Output - Report of pick-up points by feeder.
2D. Analysis based on the following reports: (1) Feeder: Normal and contingency overloads, (2) Wire & Device: Normal and contingency overloads, (3) Throwover overloads, (4) Winter overloads (5) Substation transformer: Normal and contingency overloads. Line section out information is also obtained.
2E. Group into areas, substations and subgroups in an effort to find a common solution to the problem. Model in workable potential solutions / costs. Reduce to select no. of potential solutions adhering to the Capacity Planning Guidelines.
2F. Perform Load Shift Analysis, using the Excel template to identify projected AFS operating and planning capacity shortfalls.
2G. Select best alternative based on need, effectiveness, economics, feasibility, reliability and resources. Exchange information with appropriate personnel to discuss / negotiate solutions.
2H. PQ and Planning meet to review project status, identify potential load problems and develop short term solutions. Output - identify boundary changes and feeder setups. Identify any required AFS operating setting changes.
2I. Identify new potential AFS feeders and perform load shift analysis. Cross-check with 2J to analyze in light of new projects in years 3-5 to ensure capacity and location stability for 3 years.
2K. 5 year plan spans 4 years of history and 5 years of projections. Includes feeder load, feeder utilization, substation load, and substation utilization.
2L. Simultaneous substation loads projected in MW for 10 years. Existing 5 year plan is a main input and new substations in year 6 to 10 are modeled into 10 Year Plan Worksheet.
2M. System Planning provides regional MW forecast caps.
2N. Internally prioritize projects based on risk score and load table criteria score. Input projects into AIS for corporate prioritization.
2O. Manager proposes budget to VP. Budget adjusted accordingly.
3A. Expansion Plan to address all identified overloads Project package: (1) P&N, (2) Load Table (3) Project cost, (4) Project sketch, and (5) EDM. An EDM is required for select projects over $1M and all new substations. Use On-line Notes database.
3H. Update database (proposed to budgeted) and develop project rollout for SE and present to Area Managers.
3I. Budgeted projects are tracked monthly for completion and dollars by the SE group.
Issued for use Rev 0:
Rev 1:
Rev 2:
Rev 3:
Rev 4: 12/13/98
Rev 5: 5/7/07
Rev 6:
Rev 7:
Rev 8:
Rev 9:
Rev 10:
OP-02 PS-Distribution-Staff 45-OP-02__Planning_the_Network[1] 051211 .vsd 6/1/2012 5:15:24 PM


OP - 02.A
PROCESS NAME: Planning the Network (Capacity Planning)
Property of FPL—For Internal Use Only
PROCESS CUSTOMER: Areas, Management, Power Quality, Control Centers, Transmission Projects /Planning, Operations, Corporate Real Estate and External Customers.
Page 1 of 1
PROCESS DESCRIPTION: Develop plan to ensure Distribution Infrastructure has capacity to operate under normal and abnormal conditions, for both current and future years.
PROCESS OBJECTIVE: 1) Plan capacity requirements to meet new and existing customer growth, 2) Optimization of the Infrastructure Configuration, and 3) Feasible solutions that balance cost, effectiveness and reliability.
PROCESS OWNER: Manager of Delivery Assurance
PROCESS CHAMPION: Director of Engineering and Technical Services
Area
Step
System Performance Planning
Substation Technical Services
Indicators
Remarks/Details
(Who monitors, frequency, targets, action plan)
Start
A1 Get Summer and Winter Actual Peaks
A2 Apply Peaks to System Model
A3 Review feeder fault current and coordination analysis
A4 Are thresholds exceeded?
Yes
A39 Note on Exception Document
No
A5 Run voltage study for feeders
A6 Are thresholds exceeded?
Yes
A40 Note on Exception Document
No
A7 Run Summer Normal Overload Analysis on Distribution Facilities
A8 Switch off Normal Overloads where possible
A9 Are overloads acceptable?
No
A10 Note on Exception Document
Yes
A11 Run Summer throwover contingency overload analysis
A12 Are overloads acceptable?
No
A13 Note on Exception Document
Yes
A14 Run Summer contingency overload analysis
A15 Are overloads acceptable?
No
A16 Note along with number of switching steps on Exception Document
Yes
A17 Run Winter Peak overload analysis
A18 Are overloads acceptable?
No
A19 Note on Exception Document
Yes
A20 Run summer and winter substation power transformer Normal and summer Contingency Overload Analyses
A21 Are overloads acceptable?
No
Yes
A22 Verify Loading and Capacity Shortfalls
A23 Are thresholds exceeded?
Yes
A41 Note along with number of switching steps on Exception Document
No
A24 Run Model Feeder analysis
A25 Are thresholds exceeded?
Yes
A42 Note on Exception Document
No
Page 2
A1 Substation Power TX and Feeders Peaks selected using Pi data (risk using duration and frequency)
A3 Arc Flash, Reach Factors, Coordination Rules per DERM
A4 Thresholds defined within the Capacity Planning Guidelines
A7 Feeders Devices/Equipment Conductor
A8 Consider Restrictive configurations, like Hardening, AFS and voltage and coordination requirements; Okay to create contingency issues
A14 Feeders Critical Sections like Submarine Cables and auto-transformers AFS switches
A17 Feeders Devices/Equipment Conductor
A20 Single transformers, Multiple txs- first and second cycle
A22 Based on specific transformer capability; Parallel transformer capability
A24 Customer counts, exposure, radials, line section customer / mva counts
Ranking data:
Number of Customers out following a transformer outage,
Capability to transfer load via switching of the Distribution network,
Number of switching operations/time to transfer load,
Number of Customers left out and for how long,
Number of CIF Customers potentially affected.
STAFF 002916
FPL RC-12
PS-Distribution-Staff 45-OP-02A Plan the Network Capacity Planning rev.vsd 8/1/2012 5:16:20 PM
Issued for use Rev 0: 12/9/10
Rev 1:
Rev 2:
Rev 3:
Rev 4:
Rev 5:
Rev 6:
Rev 7:
Rev 8:
Rev 9:
Rev 10:

# Substation Tollgate Process

## CHARTER & MISSION

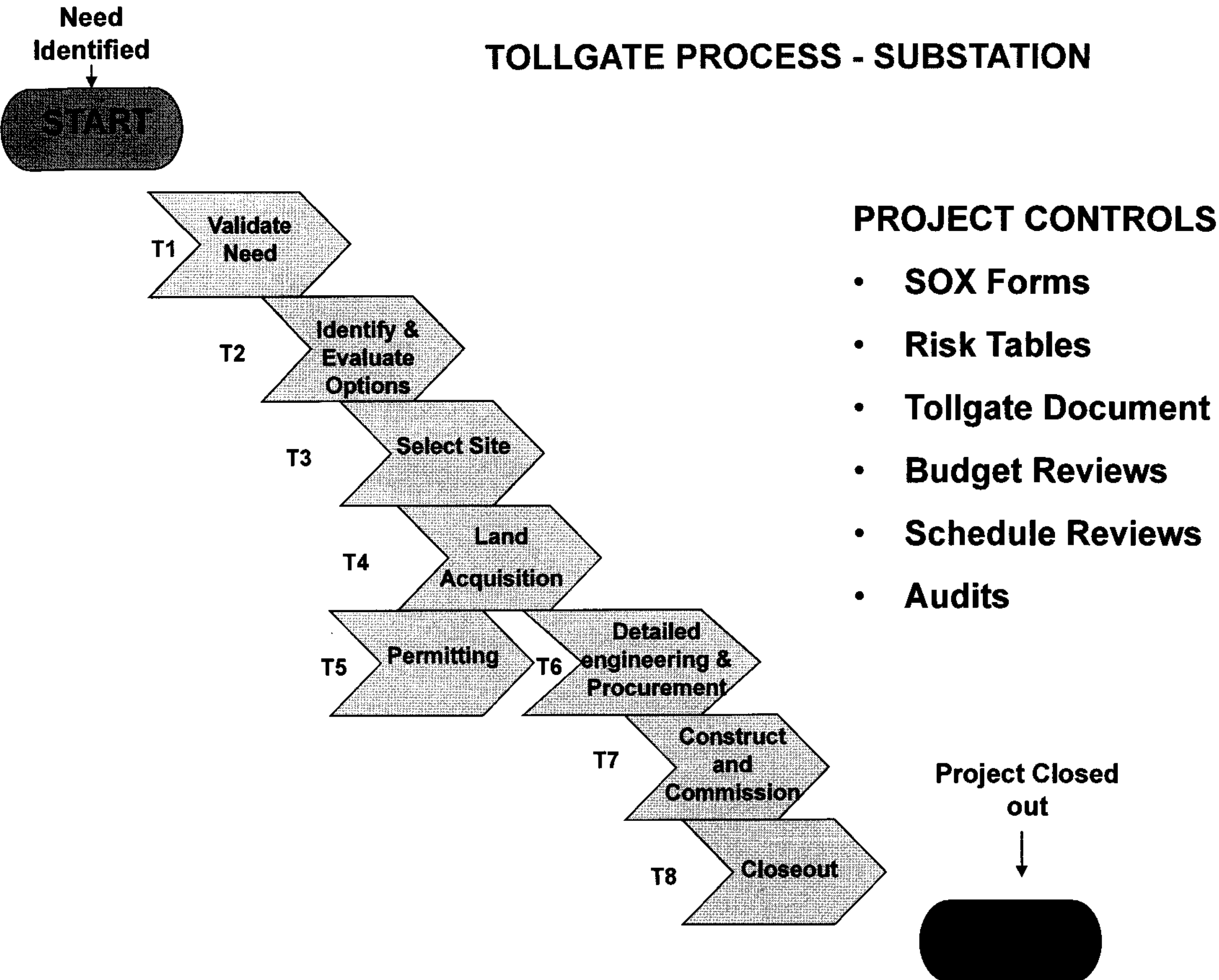
## HIGH LEVEL TOLLGATE PROCESS




## CROSS FUNCTIONAL TEAM OF STAKEHOLDERS

1. Agree to and Define Tollgates
2. Define Deliverables and Expectations of each Tollgate
   - Create Sub Processes
   - Agree to Schedule
   - Assign Owner & Team Members
3. Agree to Final Documentation & Approval Methodology
4. Implement Strategy and Process Across Organizations

# TOLLGATE PROCESS - SUBSTATION




## PROJECT CONTROLS

- SOX Forms
- Risk Tables
- Tollgate Document
- Budget Reviews
- Schedule Reviews
- Audits

# Tollgate Process
# Ground Rules



STAFF 002920
FPL RC-12

120015 Hearing Exhibits - 01528

# APPROVAL PROCESS GROUND RULES

1. The Tollgate Owner is responsible for the coordination of approvals
2. The entire project team should agree on the outcome of the tollgate
3. If the entire team is not in agreement then a vetting session should be set up with the team and the approvers, to bring to conclusion
4. If the entire team is in agreement then the approvers can approve in either of the following ways.
   A. Electronically sign off via email or SharePoint
   B. Personally sign off via meeting
5. If any one of the approvers are not in agreement with the teams decision then a formal vetting session must be held with the team and all of the approvers to bring to conclusion.
6. Meeting minutes from all vetting sessions should be captured and included as an appendix to the documentation, should include all action items and owners
7. Once all approvers have signed off – sign offs and dates should be made part of the final documentation.
8. Once all final documentation is complete you can proceed to the next tollgate

# PROJECT DEFFERAL GROUND RULES

If a business decision is made to defer or cancel a project for any reason, the following actions should be taken.

1. A vetting session should occur to achieve consensus from the Tollgate Leadership Team
2. Core Team should present business case for deferral of cancellation and a decision should be agreed upon
3. Decisions on deferrals should include a stop point such as do nothing , complete permitting, site prep, etc.
4. If Project is deferred/cancelled – Tollgate owner (last tollgate) should document why project was deferred or cancelled and include and related material so that when the project is picked up at a later date the new Core Team can resume in step.
5. All Budget/Forecast changes should be made and communicated accordingly.
6. Documentation should be kept so that future teams can pick up where we left off.



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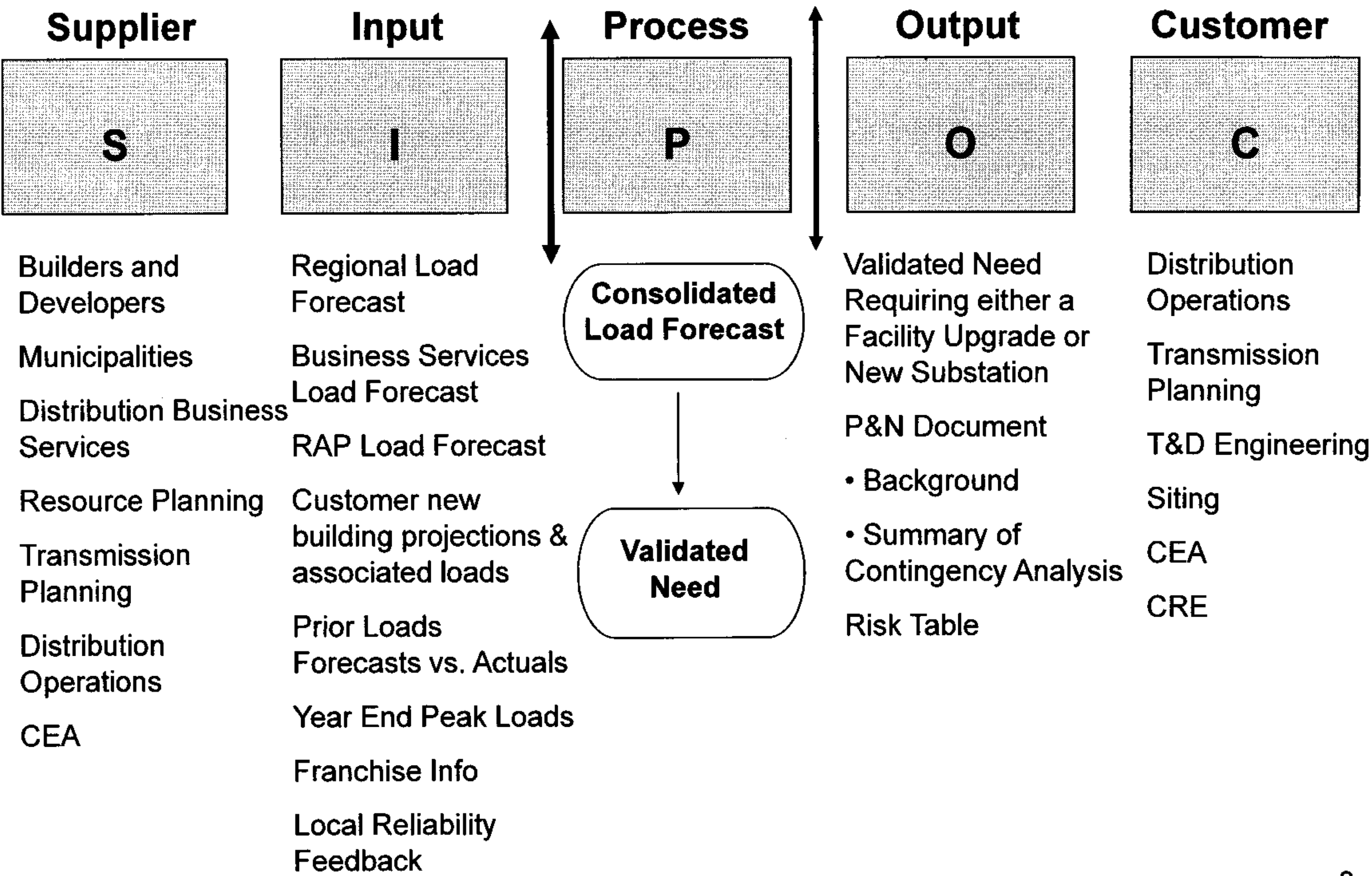
FPL RC-12

120015 Hearing Exhibits - 01530

# Tollgate Process

# T1- Validate Need

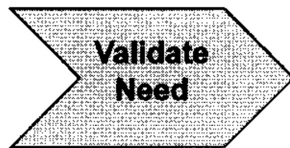
## Department Owner – Distribution Planning






STAFF 002924
FPL RC-12

# T1 – Substations - Distribution




**TOLLGATE TIMING**

1. Tollgate should be completed prior to Budget Cycle

**TOLLGATE OWNER(S)**

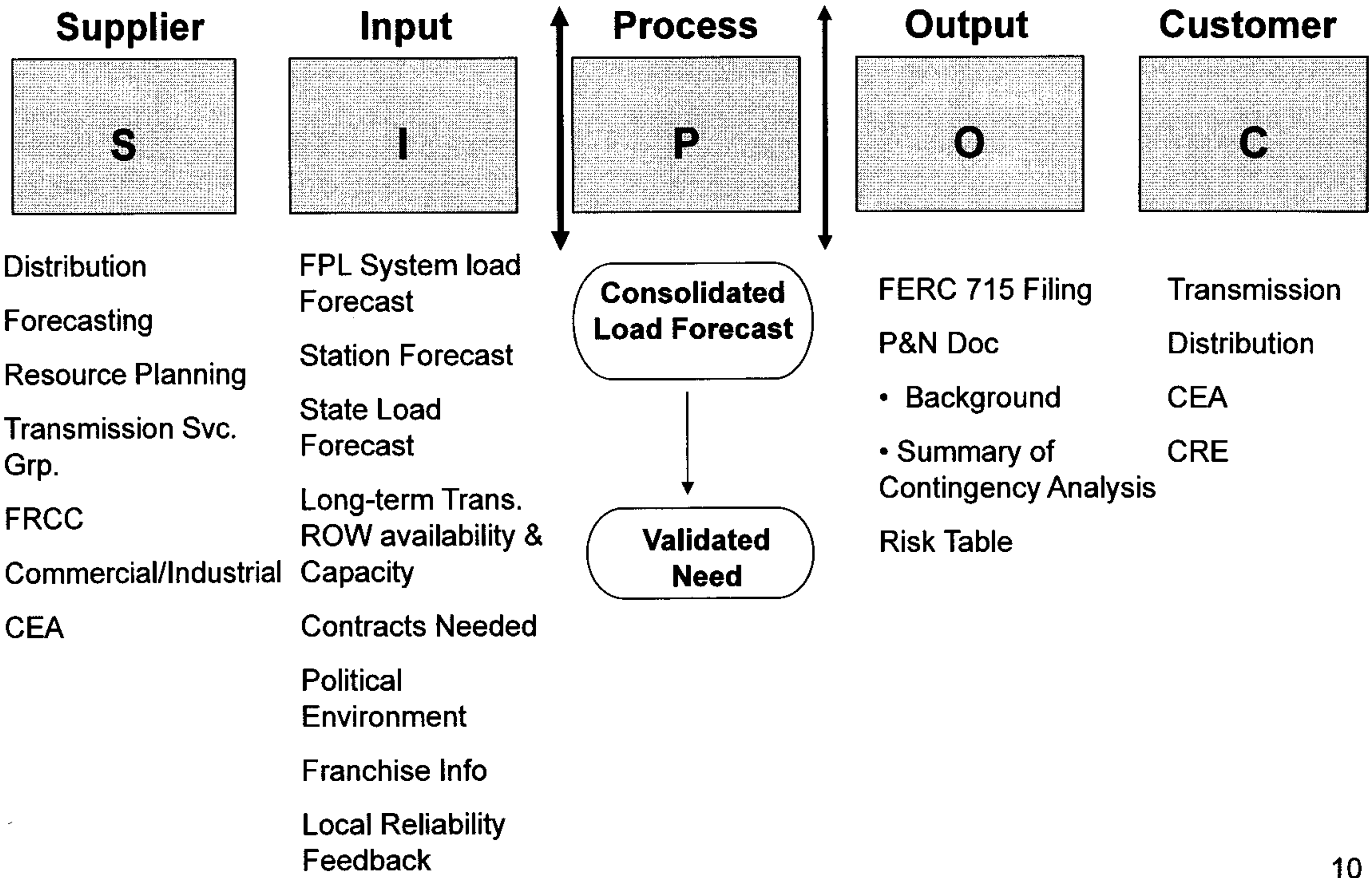
1. Supervisor Local Area Planning - Distribution

**TOLLGATE DOCUMENT REQUIREMENTS**

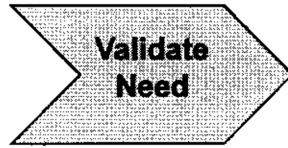
1. Purpose and Necessity
   - Background
   - Contingency Analysis
2. Risk Mitigant Table

**TOLLGATE APPROVERS**

1. Director of Distribution Services Engineering & Technical Svs
2. Manager of Design and Planning


T1- Validate Need
Department Owner –Transmission Planning
Supplier
S
Input
I
Process
P
Output
O
Customer
C
Distribution
Forecasting
Resource Planning
Transmission Svc. Grp.
FRCC
Commercial/Industrial
CEA
FPL System load Forecast
Station Forecast
State Load Forecast
Long-term Trans. ROW availability & Capacity
Contracts Needed
Political Environment
Franchise Info
Local Reliability Feedback
Consolidated Load Forecast
Validated Need
FERC 715 Filing
P&N Doc
• Background
• Summary of Contingency Analysis
Risk Table
Transmission
Distribution
CEA
CRE

# T1 – Substation - Transmission




**TOLLGATE TIMING**

1. Tollgate should be completed prior to Budget Cycle

**TOLLGATE OWNER(S)**

1. Supervisor Local Area Planning - Transmission

**TOLLGATE DOCUMENT REQUIREMENTS**

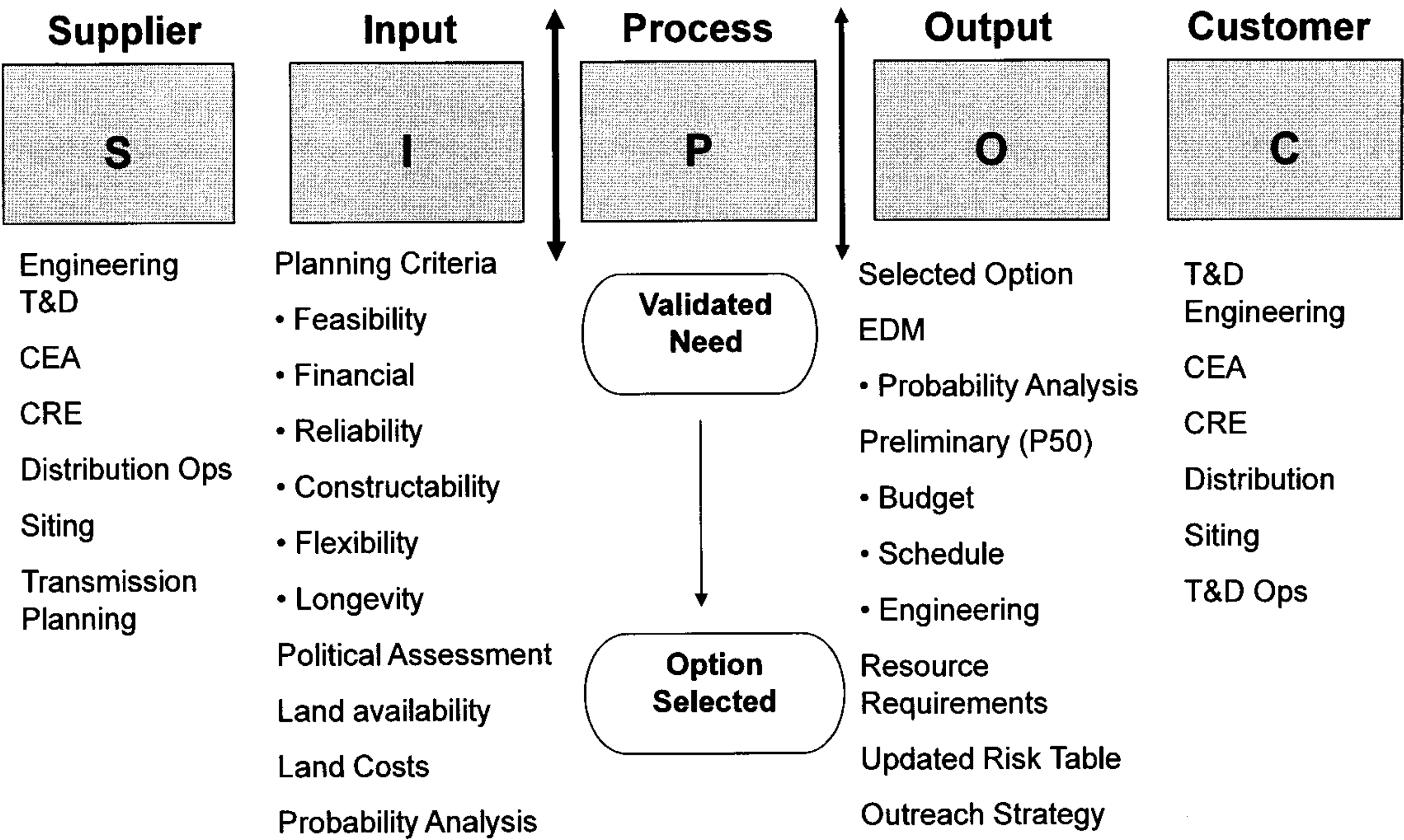
1. Purpose and Necessity
   - Background
   - Contingency Analysis
2. Risk Mitigant Table

**TOLLGATE APPROVERS**

1. Director Transmission Services & Planning
2. Manager of Transmission Planning

# T2- Identify and Evaluate Options

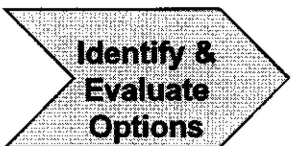
## Owner – Distribution Planning






STAFF 002928
FPL RC-12

# T2 – Substations - Distribution




**TOLLGATE TIMING**

1. Tollgate should be completed during Budget Cycle

**TOLLGATE OWNER(S)**

1. Supervisor Local Area Planning - Distribution

**TOLLGATE DOCUMENT REQUIREMENTS**

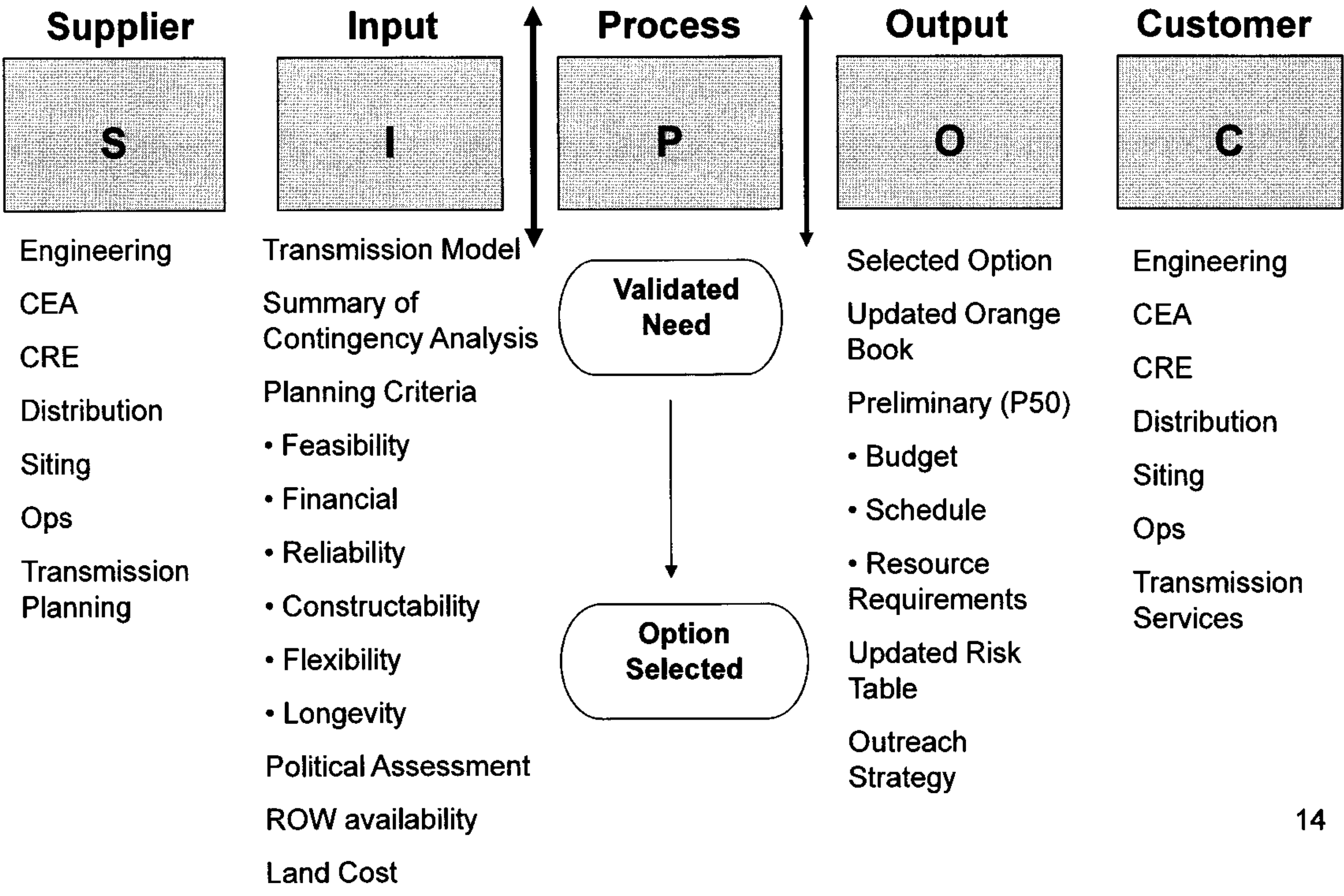
1. Planning Alternatives Considered
2. Economic Decision Making Worksheet
3. Summary of Selected Option
4. Preliminary Budget & Schedule (P50)
5. Updated Risk Mitigant Table

**TOLLGATE APPROVERS**

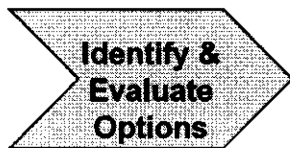
1. Director of Distribution Services Engineering & Technical Svs
2. Director of Project Management and Engineering
3. Manager of Corporate Real Estate
4. Regional Manager of Corporate External Affairs

# T2- Identify and Evaluate Options

## Owner –Transmission Planning



# T2 – Substations - Transmission




**TOLLGATE TIMING**

1. Tollgate should be completed during Budget Cycle

**TOLLGATE OWNER(S)**

1. Supervisor Local Area Planning

**TOLLGATE DOCUMENT REQUIREMENTS**

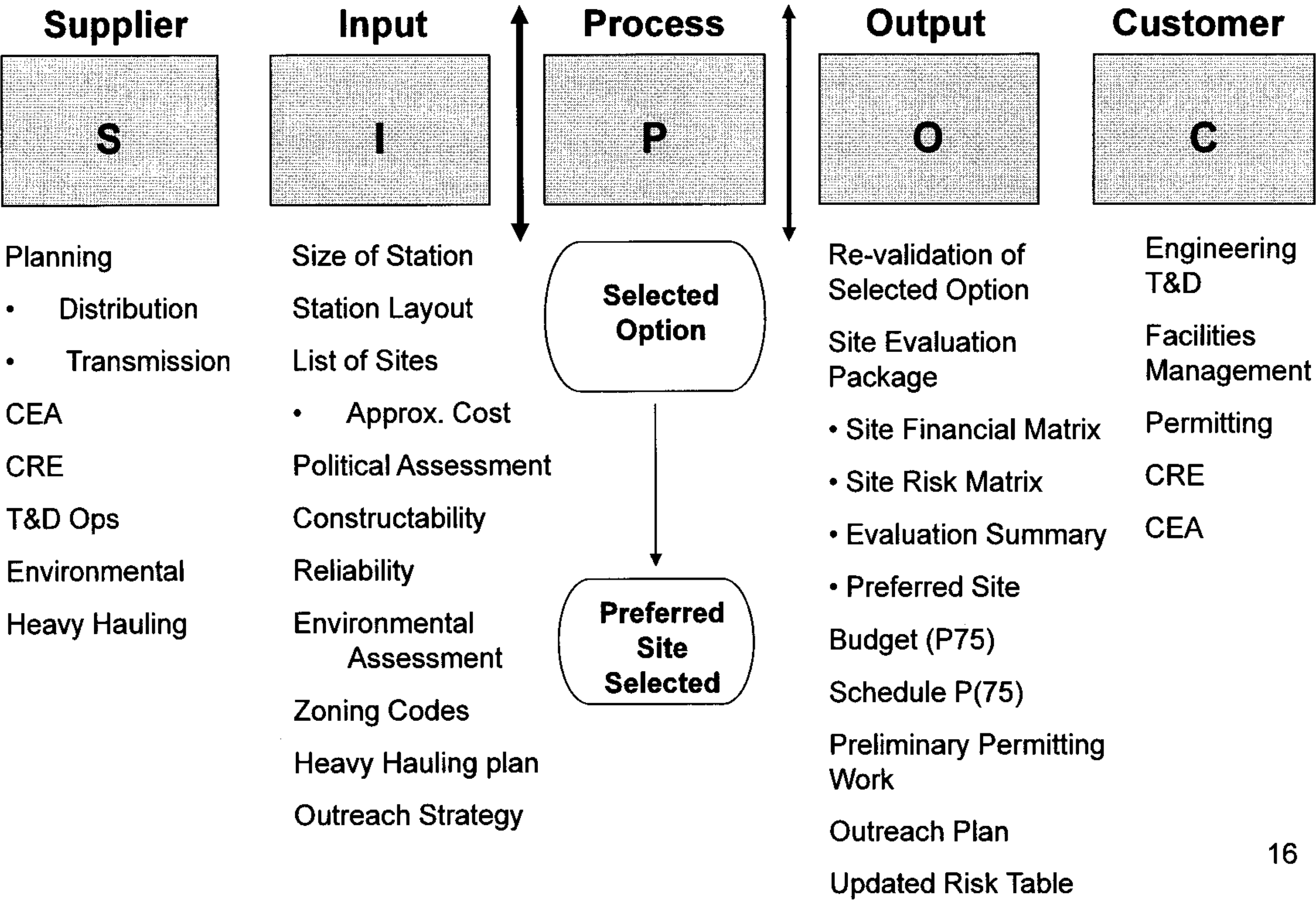
1. Planning Alternatives Considered
2. Economic Decision Making Worksheet
3. Summary of Selected Option
4. Preliminary Budget & Schedule (P50)
5. Updated Risk Mitigant Table

**TOLLGATE APPROVERS**

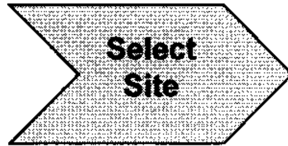
1. Director Transmission Services & Planning
2. Director of Project Management and Engineering
3. Manager of Corporate Real Estate
4. Regional Director of Corporate External Affairs

# T3 – Select Site

## Owner – Substation Siting



# T3 - Substation




## TOLLGATE OWNER(S)

1. Substation Siting Manager

## TOLLGATE DOCUMENT REQUIREMENTS

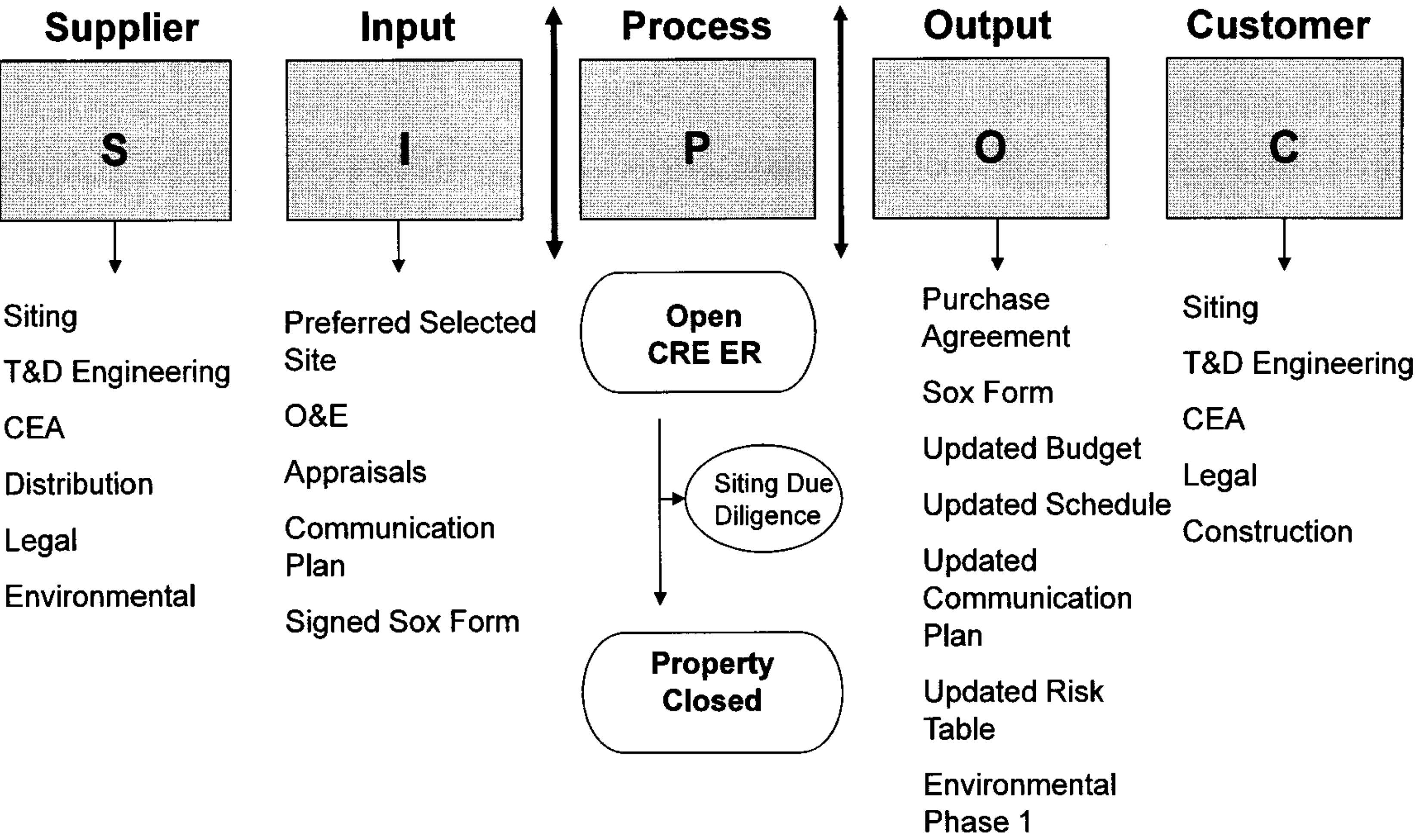
1. Site Selection Document
2. Outreach Plan
3. Updated Budget & Schedule
4. Updated Risk Table

## TOLLGATE APPROVERS

1. Director of Project Management and Engineering
2. Manager of Corporate Real Estate
3. Regional Director of Corporate External Affairs

# T4- Land Acquisition

## Owner - CRE



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# T4 – Land Acquisition

**TOLLGATE OWNER(S)**

1. CRE Representative

**TOLLGATE DOCUMENT REQUIREMENTS**

1. SOX Form
2. Purchase Contract
3. Closing Checklist/Package
4. Side Agreements Document
5. Input into REIS
6. Communication Strategy

**TOLLGATE APPROVERS**

1. Director of Corporate Real Estate
2. Project Manger Substation Siting
3. Sr. Attorney – Real Estate



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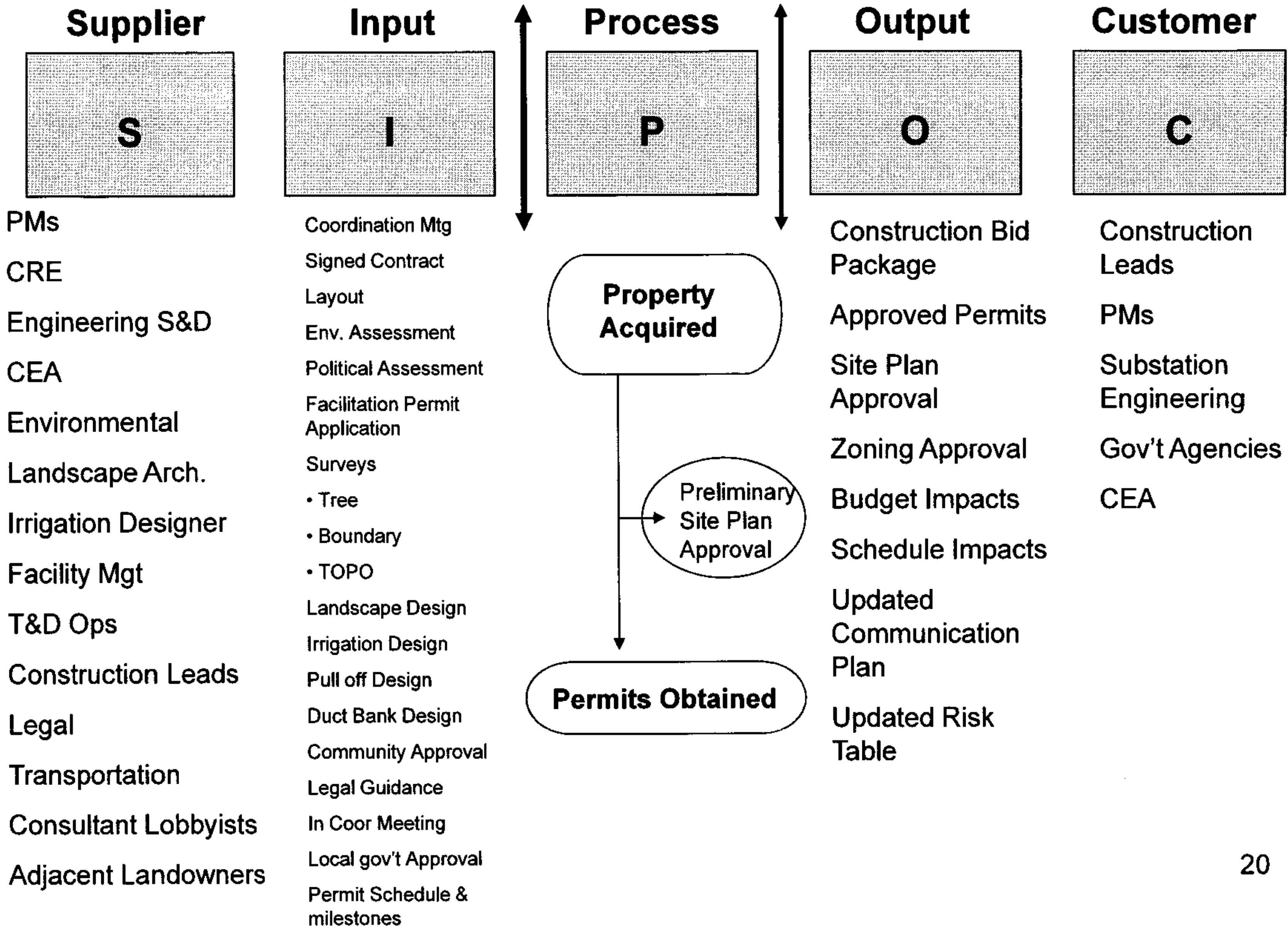
# T5- Substation Permitting

## Owner – Siting






STAFF 002936
FPL RC-12

# T5 - Substations

**TOLLGATE OWNER(S)**

1. Substation Siting Project Engineer

**TOLLGATE DOCUMENT REQUIREMENTS**

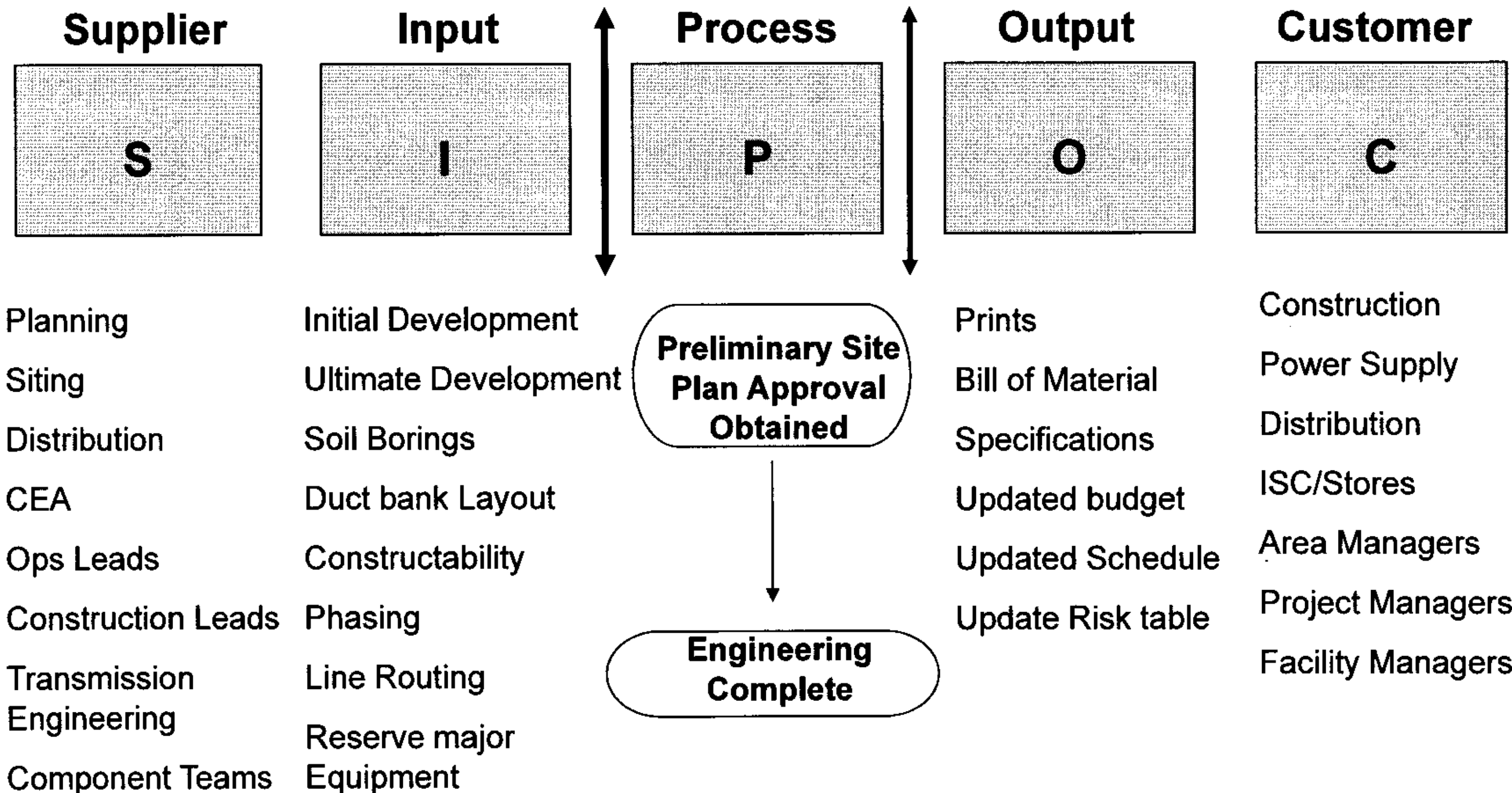
1. Permit List
2. Updated Schedule and Budget (P95)
3. Updated Risk Table
4. Updated Communication Plan

**TOLLGATE APPROVERS**

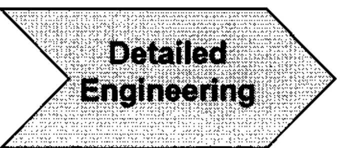
1. Manager of Substation Siting
2. Director of Project Management and Engineering

# T6- Detailed Engineering

## Owner – Substation Engineering



# T6 - Substations




## TOLLGATE OWNER(S)

1. Substation Engineer

## TOLLGATE DOCUMENT REQUIREMENTS

1. Prints
2. Bill of Materials
3. Specifications
4. Updated Budget
5. Updated Schedule
6. Updated Risk Table

## TOLLGATE APPROVERS

1. Substation Engineering Manager



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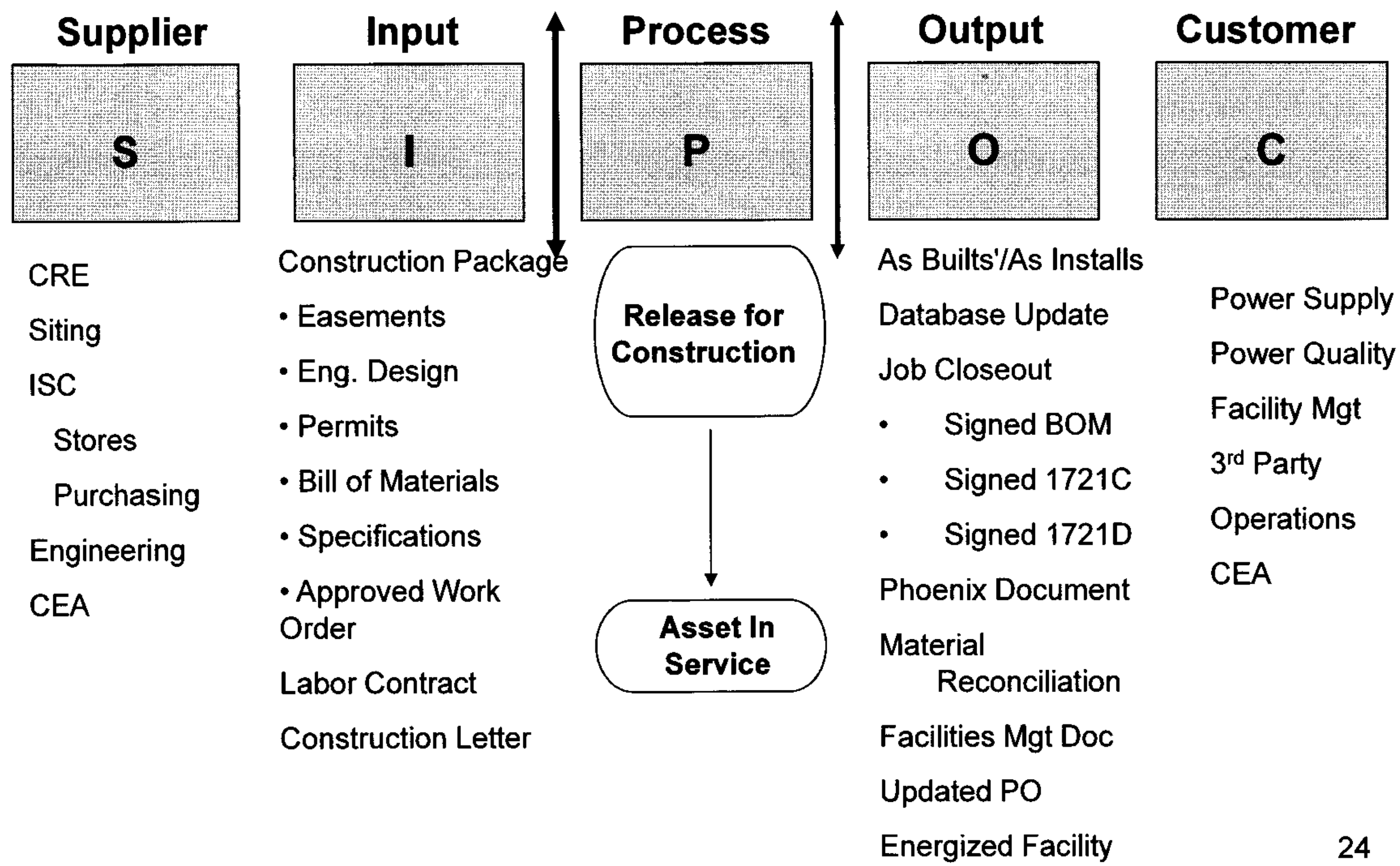



STAFF 002940
FPL RC-12

# T7 - Substations

**TOLLGATE OWNER(S)**

1. Project Managers

**TOLLGATE DOCUMENT REQUIREMENTS**

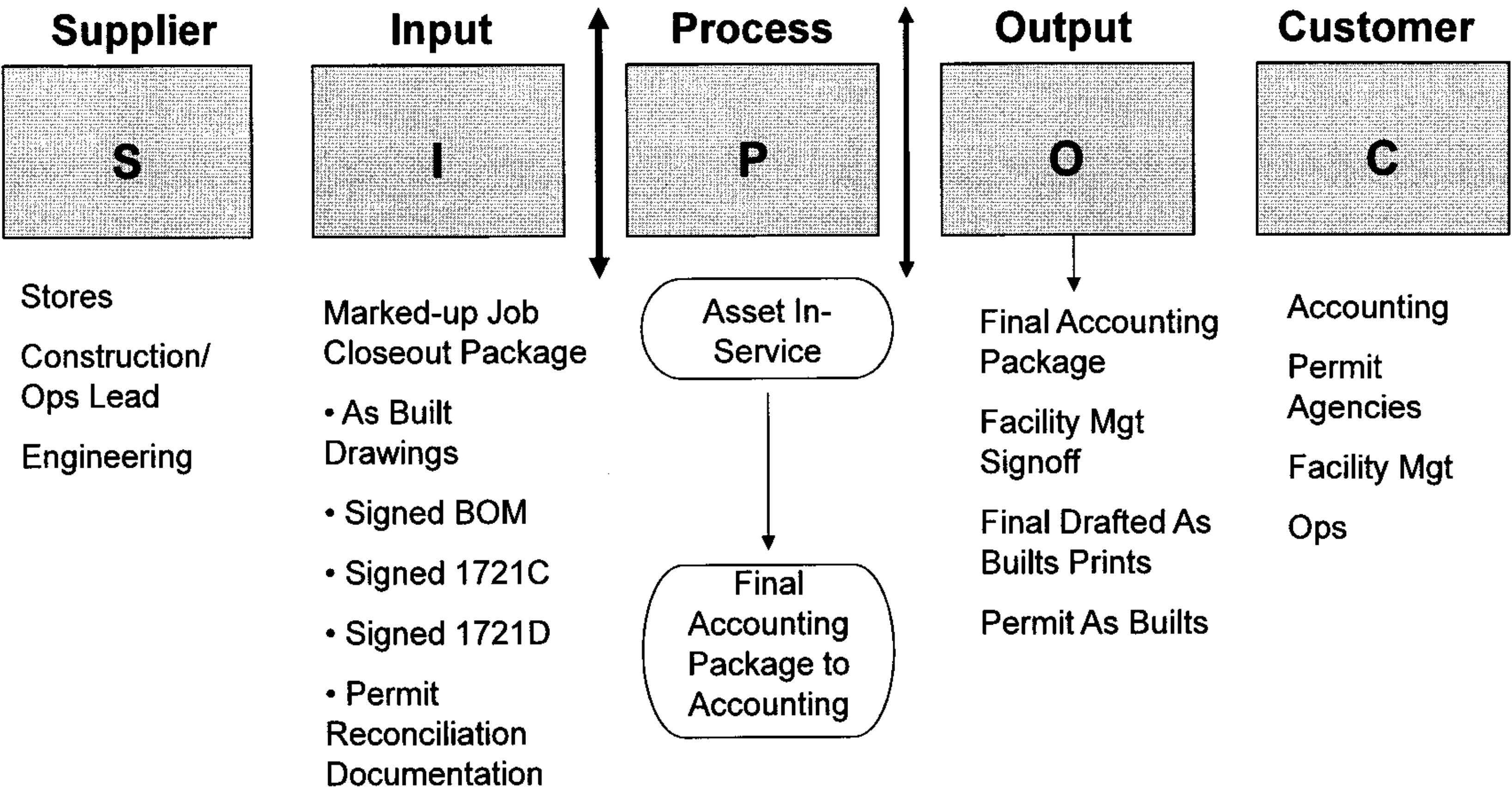
1. P3 Schedule
2. Project Status
3. Updated Budget
4. Updated Risk Table

**TOLLGATE APPROVERS**

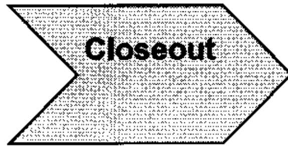
1. Director of Project Management and Engineering

## T8- Closeout

## Owner – Project Managers



# T8 - Substations




**TOLLGATE OWNER(S)**

1. Project Managers

**TOLLGATE DOCUMENT REQUIREMENTS**

1. Final Accounting Package
2. Facility Management Checklist & Handoff

**TOLLGATE APPROVERS**

1. None



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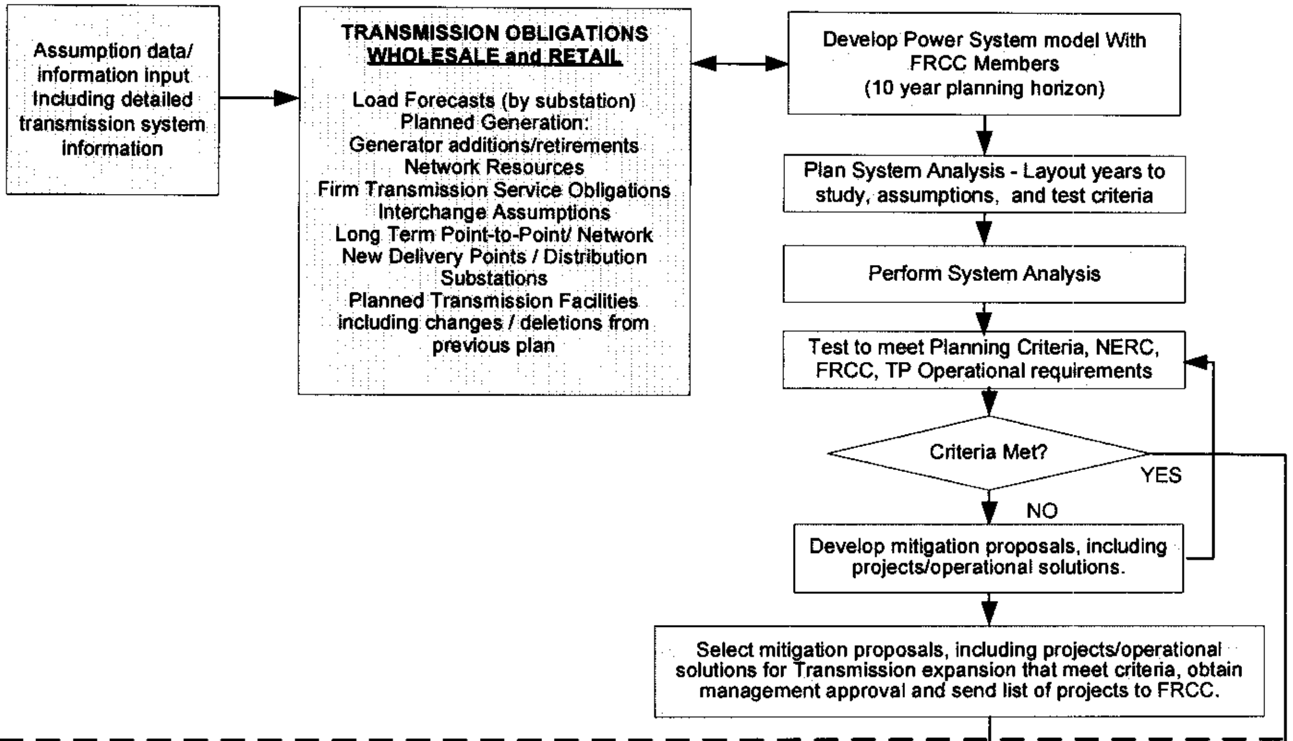
FPL RC-12

120015 Hearing Exhibits - 01551

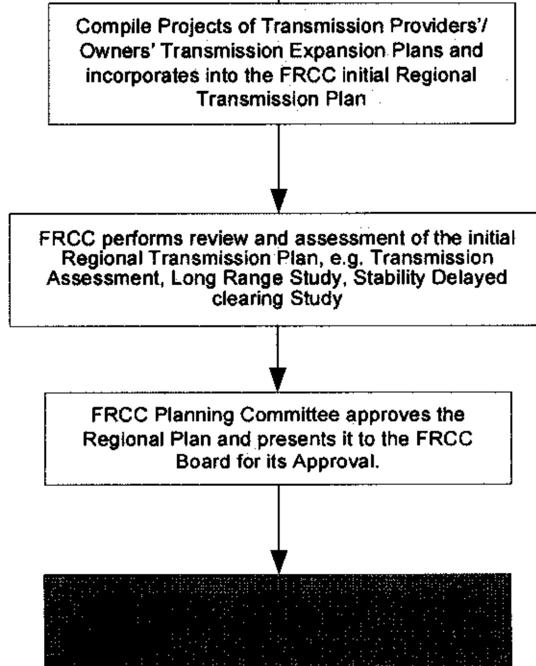
# RISK MATRIX

| NO. | RISK | PROBABILITY OF OCCURANCE | IMPACT | POSSIBLE MITIGATION | OWNER | STATUS | COMMENTS |
|---|---|---|---|---|---|---|---|
| 1 | Define Risk | High, Med, Low | Dollars<br>Schedule<br>Public | Suggested Solutions | | Not Active<br>In Progress<br>Closed | |

# FPL Transmission Planning Process Overview




## FRCC REGIONAL PLANNING




Rev 3/2010

STAFF 002945
FPL RC-12

**Q.**
Please refer to Witness Morley's direct testimony, Page 24, Lines 1-4. Please provide documentation showing that FPL's existing contracts with the City of Key West and Metro-Dade County, scheduled to terminate in 2013, will not be renewed.

**A.**
Documentation showing that FPL's existing contracts with the City of Key West and Metro-Dade County, scheduled to terminate in 2013, will not be renewed is provided in the City of Key West contract and the Metro-Dade County contract. The City of Key West contract, was provided in FPL's response to OPC's Second Request for Production of Documents No. 12 (filename: OPC POD 12 MFR F-08 Support (CKW) EMT.pdf). Section 2.1 shows the term of the contract. The City of Key West contract makes no provisions for renewing the contract beyond the stated contract term. The Metro-Dade County contract, included as part of this response (filename: LF_Staff_POD_47_doc2.pdf.), shows the termination date of the agreement on page 1 of Attachment A. The Metro-Dade County contract also makes no provisions for renewing the contract beyond the stated contract term.

Q.
Please refer to witness Morley's direct testimony, page 33, lines 10-19. Please provide the documentation in hard copy and electronic formats showing FPL's assumed monthly line loss factors by revenue class for 2012-213 and their application to FPL's sales forecasts.

A.
FPL does not forecast line losses by revenue class and as a result FPL has no responsive documents.

# 60

# FPL's Responses to Staff's Seventh Request for Production of Documents (No. 52)

FPL

**Support used for the Capitalized Executive Incentive Compensation - Company Adjustment**

**Share-Based Compensation Expense 2008 - 2011 - Capitalized**

| Line No | BU | (1) 2008 | (2) 2009 | (3) 2010 | (4) 2011 | (5) 2012 | (6) 2013 | (7) |
|---|---|---|---|---|---|---|---|---|
| 1 | New Nuclear | $ 198,701 | $ 231,266 | $ (21,447) | | | | |
| 2 | Nuclear | $ 1,025,951 | $ 1,076,332 | $ 1,430,850 | $ 1,393,951 | $ 1,562,733 | $ 979,730 | |
| 3 | Power Gen | $ 673,283 | $ 373,060 | $ 366,088 | $ 420,635 | $ 449,194 | $ 448,457 | |
| 4 | Distribution | $ 135,310 | $ 123,537 | $ 168,884 | $ 92,222 | $ 97,644 | $ 98,058 | |
| 5 | Transmission | $ 180,678 | $ 203,283 | $ 68,720 | $ 43,169 | $ 83,779 | $ 94,923 | |
| 6 | Construction | $ 192,750 | $ 782,015 | $ 432,591 | $ 468,579 | $ 383,735 | $ 388,091 | |
| 7 | ISC | $ - | $ 109,530 | $ 229,997 | $ 225,482 | $ 280,382 | $ 284,802 | |
| 8 | | $ 2,406,672 | $ 2,899,023 | $ 2,675,683 | $ 2,644,037 | $ 2,857,466 | $ 2,294,062 | |
| 9 | | | | | | | | |

**10 Annual Incentive Bonus Expense 2008 - 2011 - Capitalized**

| Line No | BU | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| 11-13 | | | | | | | |
| 14 | Nuclear | $ 531,796 | $ 662,241 | $ 696,151 | $ 784,860 | $ 869,295 | $ 547,168 |
| 15 | Power Gen | $ 211,783 | $ 180,232 | $ 175,492 | $ 162,539 | $ 171,196 | $ 171,820 |
| 16 | Distribution | $ 86,121 | $ 95,050 | $ 86,284 | $ 9,273 | $ 68,916 | $ 69,210 |
| 17 | Transmission | $ 81,861 | $ 77,469 | $ 155,063 | $ 37,383 | $ 75,748 | $ 85,823 |
| 18 | Construction | $ 121,107 | $ 245,454 | $ 249,726 | $ 216,585 | $ 136,737 | $ 138,083 |
| 19 | ISC | $ - | $ - | $ 196,389 | $ 159,319 | $ 106,149 | $ 107,724 |
| 20 | Other [1] | $ - | $ 156,355 | $ (138,793) | | $ - | $ - |
| 21 | | $ 1,032,668 | $ 1,416,802 | $ 1,420,312 | $ 1,369,960 | $ 1,428,040 | $ 1,119,828 |

22
23 [1] Per Osman Kayan, line represents annual incentive bonus "true up". If done correctly it should have been distributed among the BUs
24
25

| Line No | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 5-Yr Avg |
|---|---|---|---|---|---|---|---|---|
| 26 | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 5-Yr Avg |
| 27 | Total Capital Executive Incentives | $ 3,439,340 | $ 4,315,825 | $ 4,095,995 | $ 4,013,997 | $ 4,285,507 | $ 3,413,890 | $ 4,712,911 |
| 28 | Total Executive Incentives | $ 52,662,599 | $ 55,791,848 | $ 56,081,728 | $ 54,776,944 | $ 46,000,606 | $ 47,429,168 | $ 62,548,579 |
| 29 | Total Company Capital Expenditures (1),(2),(3) | $ 2,451,000,000 | $ 2,702,000,000 | $ 2,510,000,000 | $ 3,650,000,000 | $ 3,661,000,000 | $ 2,384,000,000 | $ 3,471,600,000 |
| 30 | Base Capital Expend | $ 2,235,000,000 | $ 2,086,000,000 | $ 2,088,000,000 | $ 3,507,300,000 | $ 3,509,500,000 | $ 2,261,000,000 | $ 3,137,360,000 |
| 31 | | | | | | | | |
| 32 | Percentage of Total | 0.1403% | 0.1597% | 0.1632% | 0.1100% | 0.1171% | 0.1432% | 0.136% |
| 33 | Adjustment to PIS | $ 3,136,240 | $ 3,331,907 | $ 3,407,346 | $ 3,857,066 | $ 4,108,163 | $ 3,237,754 | |

34
35

| Line No | | |
|---|---|---|
| 35 | **2013 Test Year Adj** | |
| 36 | **(Column 6, Line 30 x Column 8, Line 32)** | **$ 3,089,447** |
| 37 | **13 month-Average** | **1,534,723** |

38
39 **Notes:**
40 **(1) Amounts for 2008 through 2011 includes stock based compensation for all employees, not just executives, as there is no current reporting mechanism to**
41 **split out executives for these years.**
42
43 **(2) Amount shown for 2011 is an estimate as final numbers for 2011 were not available at the time this calculation was put together.**
44
45 **(3) Amounts shown reflect the managerial view and do not reflect what was reported for cash flow purposes in the 10K. The difference relates to the following**
46 **items, which is reflected on MOPR Page 11-1: equity AFUDC, nuclear fuel cash payments, net change in construction accruals, and reimbursements**
47 **from the DOE for spent fuel and Energy Smart Florida.**

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**Capital Expenditures 2008-2014**
**($millions)**

| | | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Forecast Nov MOPR | 2012 Forecast | 2013 Forecast |
|---|---|---|---|---|---|---|---|
| Total | Excl Nuc Fuel | 2,318 | 2,507 | 2,413 | 3,270 | 3,455 | 2,260 |
| | Nuc Fuel | 133 | 195 | 97 | 380 | 206 | 124 |
| | Total | 2,451 | 2,702 | 2,510 | 3,650 | 3,661 | 2,384 |
| Base - ET1/A01 | Excl Nuc Fuel | 2,102 | 1,891 | 1,991 | 3,127 | 3,304 | 2,137 |
| | Nuc Fuel | 133 | 195 | 97 | 380 | 206 | 124 |
| | Total | 2,235 | 2,086 | 2,088 | 3,507 | 3,510 | 2,261 |

FPL

**Share-Based Compensation Expense 2008 - 2011 - Capitalized**

**By Capital Work Order -**

| Work Orders | BU | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| 1810-98-000-000-788 | New Nuclear | $ 198,700.63 | $ 231,265.93 | $ (21,447.36) | | | |
| 326-090-000-410-001 | Nuclear | $ 1,025,950.57 | $ 1,076,332.40 | $ 1,430,850.45 | | 1,562,733.36 | 979,730.18 |
| 327-090-000-420-001 | Power Gen | $ 673,283.02 | $ 373,059.53 | $ 366,088.34 | | 449,193.88 | 448,457.22 |
| 328-090-000-430-001 | Distribution | $ 135,310.25 | $ 123,537.12 | $ 168,883.60 | | 97,644.00 | 98,058.48 |
| 329-090-000-440-001 | Transmission | $ 180,677.86 | $ 203,283.33 | $ 68,719.82 | | 83,779.00 | 94,922.85 |
| 330-090-000-450-001 | Construction | $ 192,749.57 | $ 782,015.26 | $ 432,590.92 | | 383,734.50 | 388,091.23 |
| 0410-90-000-460-001 | ISC | $ - | $ 109,529.77 | $ 229,997.40 | | 280,381.64 | 284,802.13 |
| **Capital** | | **$ 2,406,671.90** | **$ 2,899,023.34** | **$ 2,675,683.17** | | **2,857,466.38** | **2,294,062.09** |
| **O&M (EXEC + Non-EXEC)** | | **$ 37,928,633.00** | **$ 39,967,960.05** | **$ 40,841,040.90** | | **30,081,461.62** | **31,683,739.27** |
| **BTL** | | | | | | **850,561.00** | **876,079.00** |
| **Total Stock Based** | | **$ 40,335,304.90** | **$ 42,866,983.39** | **$ 43,516,724.07** | **$ 43,516,724.07** | **$ 33,789,489.00** | **$ 34,853,880.36** |

**Annual Incentive Bonus Expense 2008 - 2011 - Capitalized**

| | BU | 2008 | 2009 | 2010 | | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| | New Nuclear | | | | | | |
| | Nuclear | 531,795.86 | $ 662,241.17 | $ 696,151.00 | | 869,294.76 | 547,168.34 |
| | Power Gen | 211,783.00 | $ 180,232.25 | $ 175,492.00 | | 171,195.64 | 171,820.14 |
| | Distribution | 86,121.00 | $ 95,050.27 | $ 86,284.00 | | 68,916.10 | 69,209.53 |
| | Transmission | 81,861.00 | $ 77,469.38 | $ 155,063.00 | | 75,747.50 | 85,823.10 |
| | Construction | 121,107.00 | 245,453.79 | $ 249,726.15 | | 136,737.16 | 138,083.33 |
| | ISC | - | $ - | $ 196,388.85 | | 106,149.25 | 107,723.62 |
| | Other | - | 156,355.00 | $ (138,793.00) | | $ - | $ - |
| | **Capital** | **1,032,667.86** | **1,416,801.86** | **1,420,312.00** | **1,369,959.56** | **1,428,040.41** | **1,119,828.06** |
| | **O&M** | **11,025,576.00** | **11,028,011.00** | **$ 10,655,862.00** | **$ 9,354,766.00** | **10,310,752.92** | **10,968,966.33** |
| | **BTL** | **269,050.00** | **480,052.00** | **$ 488,830.00** | **$ 535,494.00** | **472,324.00** | **486,493.72** |
| **Total Exec Incentives** | | **12,327,293.86** | **12,924,864.86** | **12,565,004.00** | **11,260,219.56** | **12,211,117.33** | **12,575,288.11** |
| Total | | **52,662,598.76** | **55,791,848.25** | **56,081,728.07** | **54,776,943.63** | **46,000,606.33** | **47,429,168.47** |

NOTE: O&M for stock based compensation for 2008 through 2011 includes all employees, not just executive, as there is no current reporting mechanism to just split out executives.

# Florida Power & Light Company

**Calculation of Capitalized Executive Incentive Adjustment**

| Line No. | | (1) 2008 ($000) | (2) 2009 ($000) | (3) 2010 ($000) | (4) 2011 [1] ($000) | (5) 2012 [2] ($000) | (6) 2013 [2] ($000) | (7) 5-Yr Avg ($000) |
|---|---|---|---|---|---|---|---|---|
| 1 | Total Capitalized Share-Base & Annual Executive Incentives | $3,439 | $4,316 | $4,096 | $4,014 | $4,286 | $3,414 | $4,713 |
| 2 | | | | | | | | |
| 3 | Total Company Capital Expenditures | $2,451,000 | $2,702,000 | $2,510,000 | $3,650,000 | $3,661,000 | $2,384,000 | $3,471,600 |
| 4 | Base Capital Expenditures | $2,235,000 | $2,086,000 | $2,088,000 | $3,507,300 | $3,509,500 | **$2,261,000** | $3,137,360 |
| 5 | | | | | | | | |
| 6 | Percentage of Total (Line 1 / Line 3) | 0.1403% | 0.1597% | 0.1632% | 0.1100% | 0.1171% | 0.1432% | **0.136%** |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | Total Base Capital Expenditures 2013 | | | $2,261,000 | |
| 10 | | | | 5-Year Average Percent of Total (Column 7, Line 1 / Line 3) | | | 0.136% | |
| 11 | | | | | | | | |
| 12 | | | | Estimated Amount Included in 2013 Plant in Service (Line 9 x Line 10) | | | $3,069 | |
| 13 | | | | **13-Month Average Plant in Service Adjustment** | | | **$1,535** | |
| 14 | | | | | | | | |

15 **Notes:**

16 [1] Total amounts shown for 2011 contain actual data through November and December forecast.

17 [2] Forecast data.

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# 61

# FPL's Responses to Staff's Ninth Request for Production of Documents (No. 56-76)

## Rate Case History

### 2012 Rate Cases

| State | Company | Date | Rate Increase ($M) | Return on Rate Base (%) | Return on Equity (%) | Common Equity Total Cap (%) | Rate Base ($M) | Date | Rate Increase ($M) | Return on Rate Base (%) | Return on Equity (%) | Common Equity Total Cap (%) | Test Year End | Rate Base ($M) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increase Requested | | | | | | Increase Authorized | | | | | | |
| Arizona | Arizona Public Service Co. | 6/1/2011 | 95.5 | 8.87 | 11.00 | 53.90 | 5,720.28 | 5/15/2012 | 0.0 | 8.33 | 10.00 | 53.94 | 12/2010 | 5,663.00 |
| Colorado | Public Service Co. of CO | 11/22/2011 | 281.0 | 8.50 | 10.75 | 56.00 | 5,431.22 | 4/26/2012 | 234.4 | 8.08 | 10.00 | 56.00 | NA | NA |
| Florida | Florida Power Corp. | 1/20/2012 | 150.0 | NA | NA | NA | NA | 2/22/2012 | 150.0 | NA | NA | NA | NA | NA |
| Florida | Gulf Power Co. | 7/8/2011 | 101.6 | 7.05 | 11.70 | 38.50 | 1,734.75 | 2/27/2012 | 68.1 | 6.39 | 10.25 | 38.50 | 12/2012 | 1,703.97 |
| Hawaii | Hawaii Electric Light Co | 12/9/2009 | 20.9 | 8.73 | 10.75 | 55.91 | 486.73 | 4/4/2012 | 4.5 | 8.31 | 10.00 | 55.91 | 12/2010 | 465.14 |
| Hawaii | Maui Electric Company Ltd | 9/30/2009 | 28.2 | 8.57 | 10.75 | 56.86 | 389.96 | 5/2/2012 | 4.8 | 8.15 | 10.00 | 56.86 | 12/2010 | 387.32 |
| Idaho | PacifiCorp | 5/27/2011 | 32.7 | 8.25 | 10.50 | 52.30 | 745.70 | 1/10/2012 | 34.0 | NA | NA | NA | 12/2010 | NA |
| Illinois | Ameren Illinois | 2/18/2011 | 39.0 | 9.44 | 11.00 | 52.87 | 2,012.81 | 1/5/2012 | NA | NA | NA | NA | NA | NA |
| Illinois | Commonwealth Edison Co. | 11/8/2011 | -59.1 | 8.11 | 10.05 | 45.56 | 6,601.00 | 5/29/2012 | -168.6 | 8.16 | 10.05 | 46.12 | 12/2010 | 6,182.81 |
| Kansas | Westar Energy Inc. | 8/25/2011 | 90.8 | 8.68 | 10.60 | 51.62 | 3,399.27 | 4/18/2012 | 50.0 | NA | NA | NA | 03/2011 | NA |
| Michigan | Consumers Energy Co. | 6/10/2011 | 180.9 | 6.86 | 10.70 | 42.07 | 7,653.80 | 6/7/2012 | 118.5 | 6.70 | 10.30 | 42.07 | 09/2012 | 7,403.53 |
| Michigan | Indiana Michigan Power Co. | 7/1/2011 | 27.4 | 7.38 | 11.15 | 43.08 | 684.74 | 2/15/2012 | 14.6 | 6.84 | 10.20 | 42.07 | 12/2012 | 663.29 |
| Minnesota | Northern States Power Co. - MN | 11/3/2010 | 150.6 | 8.57 | 10.85 | 52.56 | 5,682.94 | 3/29/2012 | 72.9 | 8.32 | 10.37 | 52.56 | 12/2011 | 5,653.98 |
| Montana | NorthWestern Corp. | 8/25/2008 | 39.1 | NA | NA | NA | 172.68 | 3/21/2012 | 39.1 | NA | NA | NA | NA | 172.68 |
| North Carolina | Duke Energy Carolinas LLC | 7/1/2011 | 525.0 | 8.51 | 11.25 | 53.00 | 11,125.01 | 1/27/2012 | 368.0 | 8.11 | 10.50 | 53.00 | 12/2010 | 11,097.00 |
| North Dakota | Northern States Power Co. - MN | 12/20/2010 | 20.4 | 8.74 | 11.25 | 52.56 | 327.43 | 2/29/2012 | 15.7 | NA | 10.40 | NA | 12/2011 | NA |
| Oregon | Idaho Power Co. | 7/29/2011 | 5.9 | 8.17 | 10.50 | 51.18 | 121.85 | 2/23/2012 | 1.8 | 7.76 | 9.90 | 49.90 | 12/2011 | 105.10 |
| South Carolina | Duke Energy Carolinas LLC | 8/5/2011 | 215.5 | 8.63 | 11.50 | 53.00 | 4,094.85 | 1/25/2012 | 92.8 | 8.10 | 10.50 | 53.00 | 12/2010 | 3,963.06 |
| Texas | El Paso Electric Co. | 2/1/2012 | 26.3 | 8.94 | 10.60 | 53.38 | 1,126.22 | 5/18/2012 | -15.0 | NA | NA | NA | 09/2011 | NA |
| Virginia | Appalachian Power Co. | 3/31/2011 | 26.9 | 8.36 | 12.15 | 42.69 | 158.27 | 1/3/2012 | 26.1 | NA | 11.40 | NA | 02/2013 | NA |
| Virginia | Virginia Electric & Power Co. | 6/27/2011 | 2.6 | 9.60 | 13.50 | 53.25 | 395.27 | 3/20/2012 | -4.3 | 8.48 | 11.40 | 53.25 | 03/2013 | 395.27 |
| Virginia | Virginia Electric & Power Co. | 6/27/2011 | 50.1 | 9.60 | 13.50 | 53.25 | 1,328.90 | 3/23/2012 | 46.8 | 8.48 | 11.40 | 53.25 | 03/2013 | 1,308.25 |
| Virginia | Virginia Electric & Power Co. | 6/27/2011 | 6.4 | 9.03 | 12.40 | 53.25 | 42.94 | 3/16/2012 | 6.4 | 9.03 | 12.40 | 53.25 | 03/2013 | 42.94 |
| Virginia | Virginia Electric & Power Co. | 5/2/2011 | 35.3 | 8.77 | 11.40 | 53.25 | 261.02 | 2/2/2012 | 34.1 | 8.77 | 11.40 | 53.25 | 03/2013 | 260.92 |
| Washington | PacifiCorp | 7/1/2011 | 13.0 | 7.74 | NA | NA | 750.50 | 3/30/2012 | 4.5 | 7.74 | NA | NA | 12/2010 | NA |
| Washington | Puget Sound Energy Inc. | 6/13/2011 | 125.4 | 8.26 | 10.75 | 48.00 | 4,896.73 | 5/7/2012 | 63.3 | 7.80 | 9.80 | 48.00 | 12/2010 | 4,853.00 |

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## Rate Case History

### Past Rate Cases

| | | | | Increase Requested | | | | | | Increase Authorized | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Company | Case Identification | Service | Date | Rate Increase ($M) | ROR (%) | ROE (%) | Common Equity to Total Cap (%) | Rate Base ($M) | Date | Rate Increase ($M) | ROR (%) | ROE (%) | Common Equity to Total Cap (%) | Test Year End | Rate Base ($M) | Rate Base Valuation |
| Massachusetts | Fitchburg Gas & Electric Light | DPU 11-01 | Electric | 1/14/2011 | 7.2 | 8.68 | 10.70 | 42.88 | 57.51 | 8/1/2011 | 3.3 | 7.93 | 9.20 | 42.88 | 12/2009 | 56.33 | Year-end |
| New York | Orange & Rockland Utils Inc. | C-10-E-0362 | Electric | 7/30/2010 | 64.4 | 8.23 | 11.00 | 50.20 | 672.23 | 6/16/2011 | 26.6 | 7.22 | 9.20 | 48.00 | 06/2012 | 629.88 | Average |
| New York | Niagara Mohawk Power Corp. | C-10-E-0050 | Electric | 1/29/2010 | 361.2 | 7.65 | 10.65 | 50.01 | 4,019.30 | 1/20/2011 | 119.3 | 6.51 | 9.30 | 48.00 | 12/2011 | 3,899.50 | Average |
| Connecticut | Connecticut Light & Power Co. | D-09-12-05 | Electric | 1/8/2010 | 177.6 | 8.23 | 10.60 | 49.20 | 2,776.61 | 6/30/2010 | 101.9 | 7.69 | 9.40 | 49.20 | 06/2009 | 2,790.25 | Date Certain |
| Massachusetts | Western Massachusetts Electric | DPU 10-70 | Electric | 7/16/2010 | 28.4 | 8.11 | 10.50 | 50.70 | 381.60 | 1/31/2011 | 16.9 | 7.63 | 9.60 | 50.70 | 12/2009 | 370.44 | Year-end |
| District of Columbia | Potomac Electric Power Co. | F.C. 1076 | Electric | 5/22/2009 | 44.5 | 8.53 | 10.75 | 46.18 | 1,020.10 | 3/2/2010 | 19.8 | 8.01 | 9.63 | 46.18 | 12/2008 | 1,010.26 | Average |
| New Hampshire | Public Service Co. of NH | D-DE-09-035 | Electric | 6/30/2009 | 67.6 | 7.92 | 10.50 | 51.08 | 777.57 | 6/28/2010 | 57.4 | 7.51 | 9.67 | 52.40 | NA | NA | NA |
| New Hampshire | Unitil Energy Systems Inc. | D-DE 10-055 | Electric | 4/15/2010 | 10.1 | 8.83 | 10.70 | 44.18 | 130.36 | 4/26/2011 | 8.6 | 8.39 | 9.67 | 45.45 | NA | NA | NA |
| Arizona | UNS Electric Inc. | D-E-04204A-09-0206 | Electric | 4/30/2009 | 13.6 | 9.04 | 11.40 | 45.76 | 175.82 | 9/30/2010 | 7.4 | 8.28 | 9.75 | 45.76 | 12/2008 | 168.57 | Year-end |
| Washington | PacifiCorp | D-UE-100749 | Electric | 5/4/2010 | 47.7 | 8.34 | 10.60 | 52.10 | 775.00 | 3/25/2011 | 33.5 | 7.81 | 9.80 | 49.10 | 12/2008 | 728.00 | Average |
| Rhode Island | Narragansett Electric Co. | D-4065 | Electric | 6/1/2009 | 67.6 | 8.98 | 11.60 | 50.05 | 580.00 | 2/9/2010 | 25.8 | 7.31 | 9.80 | 48.78 | 12/2008 | 550.67 | Average |
| Maryland | Potomac Electric Power Co. | C-9217 | Electric | 12/30/2009 | 28.2 | 8.63 | 10.75 | 48.87 | 924.12 | 8/6/2010 | 7.8 | 8.19 | 9.83 | 48.87 | 12/2009 | 906.04 | Average |
| Maryland | Baltimore Gas and Electric Co. | C-9230 (elec) | Electric | 5/7/2010 | 92.3 | 8.99 | 11.65 | 51.93 | 2,291.47 | 12/6/2010 | 31.0 | 8.06 | 9.86 | 51.93 | 07/2010 | 2,242.80 | Average |
| Idaho | PacifiCorp | C-PAC-E-10-07 | Electric | 5/28/2010 | 24.9 | 8.34 | 10.60 | 52.10 | 650.60 | 12/27/2010 | 14.4 | 7.98 | 9.90 | 52.10 | 12/2009 | 677.56 | Average |
| Colorado | Black Hills Colorado Electric | D-11AL-387E | Electric | 4/28/2011 | 17.5 | 8.28 | 11.00 | 52.00 | 407.54 | 12/22/2011 | 10.5 | 8.53 | 9.90 | 49.10 | 12/2010 | 405.75 | Average |
| Illinois | Ameren Illinois | D-09-0306 (CILCO) | Electric | 6/5/2009 | 17.1 | 8.62 | 11.70 | 43.62 | 329.28 | 4/29/2010 | 4.9 | 8.05 | 9.90 | 43.61 | 12/2008 | 284.02 | Year-end |
| Indiana | Northern IN Public Svc Co. | Ca-43526 | Electric | 8/29/2008 | 26.3 | 8.36 | 12.00 | 49.95 | 2,639.19 | 8/25/2010 | -46.9 | 7.29 | 9.90 | 49.95 | 12/2007 | 2,639.19 | Year-end |
| Arkansas | Oklahoma Gas and Electric Co. | D-10-067-U | Electric | 9/28/2010 | 17.7 | 6.61 | 11.25 | 38.93 | 443.66 | 6/17/2011 | 8.8 | 5.93 | 9.95 | 34.90 | 12/2009 | 428.66 | Year-end |
| New York | Central Hudson Gas & Electric | C-09-E-0588 | Electric | 7/31/2009 | 26.3 | 7.44 | 10.00 | 48.00 | 694.12 | 6/16/2010 | 11.8 | 7.43 | 10.00 | 48.00 | 06/2011 | 692.91 | Average |
| Oregon | Portland General Electric Co. | D-UE 215 | Electric | 2/16/2010 | 157.8 | 8.29 | 10.50 | 50.00 | 3,243.60 | 12/17/2010 | 100.2 | 8.03 | 10.00 | 50.00 | 12/2011 | 3,150.00 | Average |
| Utah | PacifiCorp | D-10-035-124 | Electric | 1/24/2011 | 186.1 | 8.20 | 10.50 | 51.90 | 5,566.05 | 8/11/2011 | 117.0 | 7.94 | 10.00 | 51.90 | 06/2012 | NA | NA |
| Wyoming | PacifiCorp | D-20000-384-ER-10 | Electric | 11/22/2010 | 80.1 | 8.26 | 10.50 | 52.30 | 1,766.87 | 9/22/2011 | 61.3 | 8.00 | 10.00 | 52.30 | 12/2011 | 1,782.00 | Average |
| Kansas | Kansas City Power & Light | D-10-KCPE-415-RTS | Electric | 12/17/2009 | 50.9 | 8.93 | 10.75 | 46.17 | 1,784.30 | 11/22/2010 | 21.9 | 8.37 | 10.00 | 49.66 | 06/2009 | 1,761.00 | Year-end |
| Delaware | Delmarva Power & Light Co. | D-09-414 | Electric | 9/18/2009 | 24.2 | 7.97 | 10.75 | 47.52 | 461.30 | 1/18/2011 | 16.4 | 7.61 | 10.00 | 47.52 | 03/2009 | 443.26 | Average |
| Missouri | Kansas City Power & Light | C-ER-2010-0355 | Electric | 6/4/2010 | 66.5 | 8.93 | 10.75 | 46.29 | 2,035.90 | 4/12/2011 | 34.8 | 8.56 | 10.00 | 46.30 | 12/2009 | 2,035.82 | Year-end |
| Missouri | KCP&L Greater Missouri Op Co | C-ER-2010-0356 (MPS) | Electric | 6/4/2010 | 85.2 | 8.73 | 10.75 | 46.29 | 1,428.07 | 5/4/2011 | 35.7 | 8.41 | 10.00 | 46.58 | 12/2009 | 1,337.00 | Year-end |
| Missouri | KCP&L Greater Missouri Op Co | C-ER-2010-0356 (L&P) | Electric | 6/4/2010 | 23.2 | 8.73 | 10.75 | 46.29 | 366.28 | 5/4/2011 | 29.8 | 8.41 | 10.00 | 46.58 | 12/2009 | 422.00 | Year-end |
| Ohio | Columbus Southern Power Co. | C-11-0351-EL-AIR | Electric | 2/28/2011 | 34.2 | 8.36 | 11.15 | 50.64 | 910.95 | 12/14/2011 | 0.0 | 7.78 | 10.00 | 50.64 | 05/2011 | 908.00 | Date Certain |
| Texas | CenterPoint Energy Houston | D-38339 | Electric | 6/30/2010 | 92.4 | 9.00 | 11.25 | 50.00 | 2,580.23 | 2/3/2011 | 14.7 | 8.21 | 10.00 | 45.00 | 12/2009 | 2,398.36 | Year-end |
| Hawaii | Hawaiian Electric Co. | D-2008-0083 | Electric | 7/3/2008 | 89.6 | 8.67 | 11.25 | 55.81 | 1,252.80 | 2/26/2011 | 66.4 | 8.15 | 10.00 | 55.81 | 12/2009 | 1,250.49 | Average |
| New York | NY State Electric & Gas Corp. | C-09-E-0715 | Electric | 9/17/2009 | 150.6 | 8.66 | 11.43 | 48.00 | 1,589.01 | 9/16/2010 | 66.6 | 7.48 | 10.00 | 48.00 | 08/2011 | 1,585.82 | Average |
| New York | Rochester Gas & Electric Corp. | C-09-E-0717 | Electric | 9/17/2009 | 62.1 | 9.41 | 11.43 | 48.00 | 968.64 | 9/16/2010 | 33.1 | 8.47 | 10.00 | 48.00 | 08/2011 | 922.88 | Average |
| West Virginia | Appalachian Power Co. | C-10-0699-E-42T | Electric | 5/14/2010 | 223.8 | 8.26 | 11.75 | 42.64 | 2,639.58 | 3/30/2011 | 119.1 | 7.36 | 10.00 | 42.20 | 12/2009 | 2,428.00 | Average |
| New Mexico | Public Service Co. of NM | C-10-00086-UT | Electric | 6/1/2010 | 165.2 | 9.43 | 11.75 | 49.62 | 1,658.51 | 8/8/2011 | 72.1 | 8.41 | 10.00 | 51.28 | 06/2010 | 1,602.31 | Year-end |
| Florida | Florida Power & Light Co. | D-080677-EI | Electric | 3/16/2009 | 1,043.5 | 8.00 | 12.50 | 47.93 | 17,063.59 | 3/17/2010 | 75.5 | 6.65 | 10.00 | 47.00 | 12/2010 | 16,787.43 | Average |
| Wyoming | MDU Resources Group Inc. | D-20004-81-ER-09 | Electric | 8/14/2009 | 5.1 | 9.62 | 12.75 | 49.77 | 71.76 | 4/27/2010 | 2.7 | 8.25 | 10.00 | 49.77 | 12/2008 | 71.86 | Year-end |
| Illinois | Ameren Illinois | D-09-0307 (CIPS) | Electric | 6/5/2009 | 36.0 | 8.88 | 11.30 | 48.67 | 537.24 | 4/29/2010 | 23.7 | 8.02 | 10.06 | 48.67 | 12/2008 | 475.73 | Year-end |
| Washington | Puget Sound Energy Inc. | D-UE-090704 | Electric | 5/8/2009 | 110.3 | 8.50 | 10.80 | 48.00 | 3,605.66 | 4/2/2010 | 74.1 | 8.10 | 10.10 | 46.00 | 12/2008 | 3,796.61 | Average |
| Missouri | Union Electric Co. | C-ER-2010-0036 | Electric | 7/24/2009 | 286.9 | 8.42 | 10.80 | 51.26 | 6,000.00 | 5/28/2010 | 229.6 | 8.06 | 10.10 | 51.26 | 03/2009 | 6,000.00 | Year-end |
| Oregon | PacifiCorp | D-UE-217 | Electric | 3/1/2010 | 130.9 | 8.38 | 10.60 | 53.30 | 3,316.96 | 12/14/2010 | 80.0 | 8.08 | 10.13 | 51.00 | 12/2011 | 3,311.41 | Average |
| Oregon | PacifiCorp | D-UE-210 | Electric | 4/2/2009 | 92.1 | 8.55 | 11.00 | 51.20 | 2,958.31 | 1/26/2010 | 41.5 | 8.08 | 10.13 | 51.00 | 12/2010 | 2,907.83 | Average |
| Texas | Entergy Texas Inc. | D-37744 | Electric | 12/30/2009 | 198.7 | 9.82 | 11.50 | 51.94 | 1,561.00 | 12/1/2010 | 68.0 | 8.52 | 10.13 | NA | 06/2009 | NA | NA |
| Texas | Texas-New Mexico Power Co. | D-38480 | Electric | 8/26/2010 | 16.3 | 10.65 | 11.50 | 50.00 | 332.19 | 1/20/2011 | 6.3 | 8.90 | 10.13 | 45.00 | 03/2010 | 332.13 | Year-end |
| New York | Consolidated Edison Co. of NY | C-09-E-0428 | Electric | 5/8/2009 | 853.0 | 8.29 | 10.90 | 48.00 | 15,107.00 | 3/25/2010 | 540.8 | 7.76 | 10.15 | 48.00 | 03/2011 | 14,887.00 | Average |
| Oklahoma | Public Service Co. of OK | Ca-PUD201000050 | Electric | 7/9/2010 | 82.4 | 8.79 | 11.60 | 45.84 | 1,691.26 | 1/5/2011 | 30.3 | 8.17 | 10.15 | 45.84 | 02/2010 | 1,706.27 | Year-end |
| Oregon | Idaho Power Co. | D-UE-213 | Electric | 7/31/2009 | 7.3 | 8.66 | 11.25 | 49.80 | 110.80 | 2/24/2010 | 5.0 | 8.06 | 10.18 | 49.80 | 12/2009 | 109.60 | Average |
| Nevada | Nevada Power Co. | D-11-06006 | Electric | 6/6/2011 | 249.9 | 8.72 | 11.44 | 44.38 | 5,586.97 | 12/23/2011 | 158.8 | 8.17 | 10.19 | 44.38 | 12/2010 | 5,478.59 | Year-end |
| Arkansas | Entergy Arkansas Inc. | D-09-084-U | Electric | 9/4/2009 | 168.5 | 6.73 | 10.85 | NA | 4,017.95 | 5/28/2010 | 63.7 | 5.04 | 10.20 | 29.32 | 06/2009 | 3,995.61 | Year-end |
| Missouri | Union Electric Co. | C-ER-2011-0028 | Electric | 9/3/2010 | 211.2 | 8.39 | 10.70 | 52.24 | 6,709.66 | 7/13/2011 | 173.2 | 8.13 | 10.20 | 52.24 | 03/2010 | 6,620.00 | Year-end |
| Michigan | Upper Peninsula Power Co. | C-U-16417 | Electric | 6/30/2011 | 7.7 | 8.68 | 10.75 | 45.74 | 176.04 | 12/20/2011 | 4.2 | 6.25 | 10.20 | 45.74 | 12/2012 | NA | NA |
| Washington | Avista Corp. | D-UE-100467 | Electric | 3/23/2010 | 56.3 | 8.33 | 10.90 | 48.39 | 1,075.67 | 11/19/2010 | 29.5 | 7.91 | 10.20 | 46.50 | 12/2009 | 1,066.08 | Average |
| Indiana | Northern IN Public Svc Co. | Ca-43969 | Electric | 11/19/2010 | 76.7 | 7.70 | 11.75 | 46.63 | 2,705.91 | 12/21/2011 | 6.9 | 6.98 | 10.20 | 46.63 | 06/2010 | 2,705.91 | Year-end |
| Michigan | Wisconsin Electric Power Co. | C-U-15981 | Electric | 7/2/2009 | 38.6 | 7.27 | 10.75 | 47.61 | 330.59 | 7/1/2010 | 23.5 | 6.99 | 10.25 | 47.61 | 12/2010 | 324.37 | Average |
| Montana | NorthWestern Energy Division | D-D2009.9.129 (elec) | Electric | 10/16/2009 | 13.6 | 8.30 | 10.90 | 49.46 | 632.39 | 12/9/2010 | 7.0 | 7.92 | 10.25 | 48.00 | 12/2008 | 632.39 | Average |
| Texas | Oncor Electric Delivery Co. | D-38929 | Electric | 1/7/2011 | 352.8 | 8.76 | 11.25 | 45.00 | 6,118.24 | 8/19/2011 | 136.7 | 8.14 | 10.25 | 40.00 | 06/2010 | 6,098.41 | Year-end |
| Illinois | Ameren Illinois | D-09-0308 (IP) | Electric | 6/5/2009 | 59.8 | 9.74 | 11.70 | 44.00 | 1,466.76 | 4/29/2010 | 28.2 | 8.97 | 10.28 | 43.55 | 12/2008 | 1,363.79 | Year-end |
| Wisconsin | Madison Gas and Electric Co. | D-3270-UR-117 (elec) | Electric | 4/22/2010 | 32.8 | 9.17 | 10.40 | 57.27 | 431.39 | 1/12/2011 | 8.0 | 8.77 | 10.30 | 58.06 | 12/2011 | 425.09 | Average |
| New Jersey | Rockland Electric Company | D-ER-09080666 | Electric | 8/17/2009 | 13.7 | 8.67 | 11.00 | 49.85 | 149.53 | 5/12/2010 | 9.8 | 8.21 | 10.30 | 49.85 | 12/2009 | 148.64 | Year-end |
| Virginia | Kentucky Utilities Co. | PUE-2011-00013 | Electric | 4/1/2011 | 9.3 | 7.60 | 11.00 | 52.00 | 190.81 | 10/12/2011 | 6.7 | 7.24 | 10.30 | 53.37 | 12/2010 | 186.65 | Average |
| Ohio | Ohio Power Co. | C-11-0352-EL-AIR | Electric | 2/28/2011 | 59.6 | 8.43 | 11.15 | 53.79 | 1,015.24 | 12/14/2011 | 0.0 | 7.97 | 10.30 | 53.79 | 06/2011 | 1,003.67 | Date Certain |
| New Jersey | Public Service Electric Gas | D-GR09050422 (EL) | Electric | 5/29/2009 | 139.8 | 8.79 | 11.25 | 51.20 | 3,800.00 | 5/7/2010 | 73.5 | 8.21 | 10.30 | 51.20 | 12/2009 | 3,750.00 | Year-end |
| Michigan | Upper Peninsula Power Co. | C-U-16166 | Electric | 6/30/2010 | 15.5 | 7.93 | 11.25 | 50.42 | 168.27 | 12/21/2010 | 6.9 | 7.12 | 10.30 | 50.42 | NA | NA | NA |
| Wisconsin | Wisconsin Public Service Corp. | D-6690-UR-120 (elec) | Electric | 4/1/2010 | 64.2 | 8.67 | 11.25 | 53.62 | 1,296.03 | 1/13/2011 | 21.0 | 7.86 | 10.30 | 51.65 | 12/2011 | 1,294.00 | Average |
| New Jersey | Atlantic City Electric Co. | D-ER-09080664 | Electric | 8/14/2009 | 45.8 | 9.13 | 11.50 | 47.62 | 808.60 | 5/12/2010 | 20.0 | 8.69 | 10.30 | 49.10 | 12/2009 | 761.63 | Year-end |
| Minnesota | Interstate Power & Light Co. | D-E-001/GR-10-276 | Electric | 5/7/2010 | 14.0 | 8.18 | 10.50 | 47.74 | 146.30 | 8/12/2011 | 8.4 | 8.11 | 10.35 | 47.74 | 12/2009 | 125.79 | Average |
| Michigan | Indiana Michigan Power Co. | C-U-16180 | Electric | 1/27/2010 | 62.5 | 8.16 | 11.75 | 44.19 | 600.94 | 10/14/2010 | 35.7 | 7.53 | 10.35 | 44.14 | 12/2010 | 595.44 | Average |
| Minnesota | ALLETE (Minnesota Power) | D-E-015/GR-09-1151 | Electric | 11/2/2009 | 74.5 | 8.18 | 10.38 | 54.29 | 1,046.47 | 11/2/2010 | 67.5 | 8.18 | 10.38 | 54.29 | 12/2010 | 1,043.37 | Average |
| Kansas | Kansas Gas and Electric Co. | D-09-WSEE-925-RTS (KG&E) | Electric | 6/2/2009 | 10.0 | 8.49 | 10.40 | 50.13 | 62.09 | 1/27/2010 | 8.6 | 8.49 | 10.40 | 50.13 | NA | NA | NA |
| Kansas | Westar Energy Inc. | D-09-WSEE-925-RTS (WR) | Electric | 6/2/2009 | 8.7 | 8.49 | 10.40 | 50.13 | 35.39 | 1/27/2010 | 8.6 | 8.49 | 10.40 | 50.13 | NA | NA | NA |
| Indiana | Southern Indiana Gas & Elec Co | Ca-43839 | Electric | 12/11/2009 | 34.0 | 7.42 | 10.70 | 43.46 | 1,300.42 | 4/27/2011 | 28.6 | 7.29 | 10.40 | 43.46 | 06/2009 | 1,295.61 | Year-end |
| Wisconsin | Northern States Power Co - WI | D-4220-UR-117 (elec) | Electric | 6/1/2011 | 17.7 | 8.77 | 10.75 | 52.59 | 718.10 | 12/22/2011 | 12.2 | 8.52 | 10.40 | 52.59 | 12/2012 | 717.91 | Average |
| Iowa | Interstate Power & Light Co. | D-RPU-2010-0001 | Electric | 3/10/2010 | 150.0 | 8.67 | 10.85 | 51.30 | 2,452.18 | 12/15/2010 | 114.0 | 8.06 | 10.44 | 44.24 | 12/2009 | 2,389.65 | Average |
| Michigan | Detroit Edison Co. | C-U-16472 | Electric | 10/29/2010 | 357.3 | 6.87 | 11.13 | 40.26 | 10,075.50 | 10/20/2011 | 187.5 | 6.59 | 10.50 | 40.26 | 03/2012 | 10,016.05 | Average |
| Illinois | Commonwealth Edison Co. | D-10-0467 | Electric | 6/30/2010 | 342.7 | 8.98 | 11.50 | 47.28 | 7,349.23 | 5/24/2011 | 155.7 | 6.51 | 10.50 | 47.28 | 12/2009 | 6,548.59 | Year-end |
| Kentucky | Kentucky Power Co. | C-2009-00459 | Electric | 12/29/2009 | 123.6 | 8.52 | 11.75 | 42.81 | 1,012.69 | 6/28/2010 | 63.7 | NA | 10.50 | NA | 09/2009 | NA | Year-end |
| Colorado | Black Hills Colorado Electric | D-10AL-008E | Electric | 1/5/2010 | 23.0 | 10.00 | 11.80 | 52.00 | 136.00 | 8/4/2010 | 17.9 | 9.32 | 10.50 | 52.00 | 07/2009 | NA | NA |
| Virginia | Kentucky Utilities Co. | C-PUE-2009-00029 | Electric | 6/3/2009 | 12.2 | 8.59 | 12.00 | 53.26 | 155.60 | 3/4/2010 | 10.6 | 7.85 | 10.50 | 53.62 | 12/2008 | 163.60 | Average |
| Florida | Florida Power Corp. | D-090079-EI | Electric | 3/20/2009 | 500.0 | 9.21 | 12.54 | 50.52 | 6,236.62 | 3/5/2010 | 125.2 | 7.88 | 10.50 | 46.74 | 12/2010 | 6,302.28 | Average |
| Virginia | Appalachian Power Co. | C-PUE-2009-00030 | Electric | 7/15/2009 | 167.2 | 9.03 | 13.35 | 41.61 | 2,172.89 | 7/15/2010 | 61.5 | 7.65 | 10.53 | 41.53 | 12/2008 | 2,096.00 | Year-end |
| Utah | PacifiCorp | D-09-035-23 | Electric | 6/23/2009 | 67.2 | 8.54 | 11.00 | 51.00 | 4,627.29 | 2/18/2010 | 32.4 | 8.34 | 10.60 | 51.00 | 06/2010 | 4,628.44 | Average |
| California | PacifiCorp | A-09-11-015 | Electric | 11/20/2009 | 8.4 | 8.89 | 11.00 | 54.41 | 274.80 | 9/3/2010 | 4.1 | 8.37 | 10.60 | 52.20 | 12/2011 | 270.79 | Average |
| Nevada | Sierra Pacific Power Co. | D-10-06001 | Electric | 6/1/2010 | 29.4 | 8.35 | 11.20 | 44.11 | 1,585.77 | 12/20/2010 | 13.1 | 8.06 | 10.60 | 44.11 | 12/2009 | 1,580.15 | Year-end |

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FPL RC-12

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Michigan | Consumers Energy Co. | C-U-16191 | Electric | 1/22/2010 | 150.0 | 7.16 | 11.00 | 41.49 | 6,970.00 | 11/4/2010 | 145.8 | 6.98 | 10.70 | 41.59 | 06/2011 | 6,873.41 | Average |
| Hawaii | Maui Electric Company Ltd | D-2006-0387 | Electric | 2/23/2007 | 18.3 | 8.98 | 11.25 | 54.89 | 386.00 | 7/30/2010 | 13.2 | 8.67 | 10.70 | 54.89 | 12/2007 | 382.07 | Average |
| Hawaii | Hawaiian Electric Co. | D-2006-0386 | Electric | 12/22/2006 | 99.6 | 8.92 | 11.25 | 55.10 | 1,214.00 | 9/14/2010 | 77.5 | 8.62 | 10.70 | 56.10 | 12/2007 | 1,158.32 | Average |
| Hawaii | Hawaii Electric Light Co | D-2005-0315 | Electric | 5/5/2006 | 29.9 | 8.65 | 11.25 | 50.83 | 369.14 | 10/28/2010 | 24.6 | 8.33 | 10.70 | 51.19 | 12/2006 | 357.24 | Average |
| South Carolina | Duke Energy Carolinas LLC | D-2009-226-E | Electric | 7/27/2009 | 132.9 | 8.83 | 11.50 | 53.00 | 3,285.00 | 1/27/2010 | 74.1 | 8.41 | 10.70 | 53.00 | 12/2008 | 3,189.30 | Year-end |
| South Carolina | South Carolina Electric & Gas | D-2009-489-E | Electric | 1/15/2010 | 197.6 | 9.03 | 11.60 | 52.96 | 4,821.00 | 7/15/2010 | 101.2 | 8.56 | 10.70 | 52.96 | 09/2009 | 4,759.34 | Year-end |
| North Carolina | Virginia Electric & Power Co. | D-E-22, Sub 459 | Electric | 2/16/2010 | 29.1 | 8.96 | 11.90 | 53.09 | 679.34 | 12/13/2010 | 3.1 | 8.22 | 10.70 | 51.00 | 12/2008 | 591.68 | Year-end |
| Minnesota | Otter Tail Power Co. | D-E-017/GR-10-239 | Electric | 4/2/2010 | 11.1 | 8.88 | 11.25 | 51.70 | 218.18 | 4/26/2011 | 5.0 | 8.61 | 10.74 | 51.70 | 12/2009 | 215.09 | Average |
| North Dakota | MDU Resources Group Inc. | C-PU-10-124 | Electric | 4/19/2010 | 8.8 | 8.74 | 10.75 | 53.34 | 265.88 | 6/8/2011 | 7.6 | 8.74 | 10.75 | 53.34 | 12/2010 | NA | NA |
| Iowa | Interstate Power & Light Co. | D-RPU-2009-0002 | Electric | 3/17/2009 | 146.7 | 9.23 | 11.54 | 49.60 | 1,850.84 | 1/4/2010 | 83.7 | 8.91 | 10.80 | 49.52 | 12/2008 | 1,820.88 | Average |
| Virginia | Appalachian Power Co. | C-PUE-2011-00037 | Electric | 3/31/2011 | 126.4 | 8.14 | 11.65 | 42.69 | 2,202.00 | 11/30/2011 | 55.1 | 7.62 | 10.90 | 42.69 | 12/2010 | 2,172.00 | Year-end |
| South Carolina | South Carolina Electric & Gas | D-2010-157-E | Electric | 5/28/2010 | 54.6 | 8.60 | 11.00 | 53.36 | 462.00 | 9/30/2010 | 47.3 | 8.63 | 11.00 | 53.52 | 06/2010 | 399.10 | Year-end |
| South Carolina | South Carolina Electric & Gas | D-2011-207-E | Electric | 5/27/2011 | 58.5 | 8.85 | 11.00 | 54.58 | 484.70 | 9/30/2011 | 52.8 | 8.85 | 11.00 | 54.67 | 06/2011 | 436.73 | Year-end |
| Michigan | Detroit Edison Co. | C-U-15768 | Electric | 1/26/2009 | 377.7 | 7.26 | 11.50 | 39.48 | 9,305.00 | 1/11/2010 | 217.4 | 7.02 | 11.00 | 39.48 | 06/2010 | 9,172.18 | Average |
| Georgia | Georgia Power Co. | D-31958 | Electric | 7/1/2010 | 615.0 | 8.78 | 11.95 | 50.40 | 14,688.00 | 12/28/2010 | 562.3 | NA | 11.15 | NA | NA | NA | NA |
| California | Pacific Gas and Electric Co. | AP-09-12-020 (elec) | Electric | 12/21/2009 | 888.0 | 8.79 | 11.35 | 52.00 | 14,783.00 | 5/13/2011 | 403.0 | 8.79 | 11.35 | 52.00 | 12/2011 | 14,174.95 | Average. |
| Virginia | Virginia Electric & Power Co. | C-PUE-2009-00019 | Electric | 3/31/2009 | 250.2 | 9.74 | 14.00 | 47.71 | 6,754.95 | 3/11/2010 | NA | NA | 11.90 | NA | 12/2008 | NA | NA |
| Virginia | Virginia Electric & Power Co. | C-PUE-2010-00054 | Electric | 6/25/2010 | 45.9 | 8.78 | 12.30 | 49.37 | 1,401.57 | 3/22/2011 | 44.7 | 8.76 | 12.30 | 49.37 | 03/2012 | 1,405.73 | Average |
| Virginia | Virginia Electric & Power Co. | C-PUE-2010-00055 | Electric | 6/25/2010 | 13.9 | 8.78 | 12.30 | 49.37 | 449.18 | 3/22/2011 | 13.6 | 8.76 | 12.30 | 49.37 | 03/2012 | 449.18 | Average |
| Virginia | Virginia Electric & Power Co. | C-PUE-2009-00011 | Electric | 3/31/2009 | 89.2 | 10.41 | 14.50 | 52.06 | 1,154.12 | 3/11/2010 | 71.0 | 7.61 | 12.30 | 47.71 | 03/2011 | 1,153.29 | Average |
| Virginia | Virginia Electric & Power Co. | C-PUE-2009-00017 | Electric | 3/31/2009 | 77.3 | 10.41 | 14.50 | 52.06 | 418.70 | 3/11/2010 | 64.4 | 7.61 | 12.30 | 47.41 | 03/2011 | 418.70 | Average |
| Alaska | Alaska Electric Light Power | D-U-10-029 | Electric | 5/3/2010 | 15.9 | 10.39 | 14.75 | 53.60 | 112.47 | 9/2/2011 | 6.7 | 9.38 | 12.88 | 53.80 | 12/2009 | 110.66 | Average |
| Texas | Southwestern Electric Power Co | D-39708 | Electric | 8/31/2011 | 60.3 | 8.21 | 10.33 | 49.70 | 372.80 | 12/21/2011 | NA | NA | NA | NA | NA | NA | NA |
| Idaho | Idaho Power Co. | C-IPC-E-11-08 | Electric | 6/1/2011 | 82.6 | 8.17 | 10.50 | 51.20 | 2,355.91 | 12/30/2011 | 34.0 | 7.86 | NA | NA | 12/2011 | 2,355.91 | NA |
| Utah | PacifiCorp | D-10-035-89 | Electric | 8/3/2010 | 39.0 | 8.34 | 10.60 | 51.00 | 312.86 | 12/21/2010 | 33.3 | NA | NA | NA | NA | NA | NA |
| Missouri | Empire District Electric Co. | C-ER-2011-0004 | Electric | 9/28/2010 | 36.5 | 8.82 | 10.60 | 50.95 | 1,067.91 | 6/1/2011 | 18.7 | NA | NA | NA | 06/2009 | NA | NA |
| Maryland | Delmarva Power & Light Co. | C-9249 | Electric | 12/21/2010 | 18.3 | 8.08 | 10.75 | 49.81 | 344.67 | 7/8/2011 | 12.2 | NA | NA | NA | 12/2010 | NA | NA |
| Idaho | Avista Corp. | C-AVU-E-10-01 | Electric | 3/23/2010 | 32.1 | 8.55 | 10.90 | 50.00 | 807.96 | 9/21/2010 | 21.3 | NA | NA | NA | 12/2009 | NA | NA |
| Idaho | Avista Corp. | C-AVU-E-11-01 | Electric | 7/5/2011 | 9.0 | 8.49 | 10.90 | 50.15 | 827.00 | 9/30/2011 | 2.8 | NA | NA | NA | 12/2010 | NA | NA |
| Washington | Avista Corp. | D-UE-110876 | Electric | 5/16/2011 | 38.3 | 8.23 | 10.90 | 48.04 | 1,127.81 | 12/16/2011 | 20.0 | NA | NA | NA | NA | NA | NA |
| Wyoming | PacifiCorp | D-20000-352-ER-09 | Electric | 10/2/2009 | 62.0 | 8.63 | 11.00 | 52.80 | 1,724.57 | 5/14/2010 | 35.5 | 8.33 | NA | NA | NA | 1,724.57 | NA |
| Utah | PacifiCorp | D-10-035-13 | Electric | 2/1/2010 | 33.7 | 8.54 | 11.00 | 51.00 | 221.32 | 5/15/2010 | 30.8 | NA | NA | NA | NA | NA | NA |
| Missouri | Empire District Electric Co. | C-ER-2010-0130 | Electric | 10/29/2009 | 68.2 | 8.93 | 11.00 | 48.00 | 1,077.38 | 8/18/2010 | 46.8 | NA | NA | NA | 06/2009 | NA | Year-end |
| Montana | MDU Resources Group Inc. | D-D2010.8.82 | Electric | 8/11/2010 | 4.9 | 8.78 | 11.00 | 51.15 | 87.25 | 8/2/2011 | 2.6 | NA | NA | NA | NA | NA | NA |
| South Dakota | Northern States Power Co. - MN | D-EL09-009 | Electric | 6/30/2009 | 18.6 | 9.02 | 11.25 | 51.63 | 282.64 | 1/5/2010 | 10.9 | 8.32 | NA | NA | NA | NA | NA |
| Pennsylvania | Duquesne Light Co. | D-R-2010-2179522 | Electric | 7/23/2010 | 87.3 | 8.78 | 11.25 | 52.42 | 1,439.93 | 2/24/2011 | 46.7 | NA | NA | NA | 03/2011 | NA | NA |
| New Mexico | Southwestern Public Service Co | C-10-00395-UT | Electric | 2/28/2011 | 19.9 | 9.04 | 11.25 | 51.11 | 390.28 | 12/28/2011 | 13.5 | NA | NA | NA | NA | NA | NA |
| Kansas | Empire District Electric Co. | D-10-EPDE-314-RTS | Electric | 11/4/2009 | 5.2 | 8.80 | 11.30 | 48.29 | 69.18 | 6/23/2010 | 2.8 | NA | NA | NA | NA | NA | NA |
| Texas | El Paso Electric Co. | D-37690 | Electric | 12/9/2009 | 50.8 | 9.22 | 11.35 | 51.27 | 969.24 | 7/30/2010 | 17.2 | NA | NA | NA | 06/2009 | NA | NA |
| Texas | Southwestern Public Service Co | D-38147 | Electric | 5/17/2010 | 55.4 | 9.24 | 11.35 | 51.00 | 941.08 | 3/25/2011 | 52.5 | NA | NA | NA | 12/2009 | NA | NA |
| Texas | Southwestern Electric Power Co | D-37364 | Electric | 8/28/2009 | 61.9 | 8.79 | 11.50 | 50.55 | 668.74 | 4/16/2010 | 25.0 | NA | NA | NA | 03/2009 | NA | NA |
| South Dakota | Black Hills Power Inc. | D-EL09-018 | Electric | 9/29/2009 | 38.8 | 9.27 | 11.60 | 52.00 | 393.43 | 7/7/2010 | 22.0 | 8.26 | NA | NA | 06/2009 | 380.53 | Average |
| Kentucky | Kentucky Utilities Co. | C-2009-00548 | Electric | 1/29/2010 | 135.3 | 8.32 | 11.50 | 53.85 | 3,054.54 | 7/30/2010 | 98.0 | NA | NA | NA | 10/2009 | NA | Year-end |
| Kentucky | Louisville Gas & Electric Co. | C-2009-00549 (elec.) | Electric | 1/29/2010 | 94.6 | 8.32 | 11.50 | 53.88 | 1,805.79 | 7/30/2010 | 74.0 | NA | NA | NA | 10/2009 | NA | Year-end |
| Pennsylvania | PECO Energy Co. | D-R-2010-2161575 | Electric | 3/31/2010 | 316.4 | 8.95 | 11.75 | 53.18 | 3,236.00 | 12/16/2010 | 225.0 | NA | NA | NA | 12/2010 | NA | NA |
| Pennsylvania | PPL Electric Utilities Corp. | D-R-2010-2161694 | Electric | 3/31/2010 | 114.7 | 9.11 | 11.75 | 48.37 | 2,244.95 | 12/16/2010 | 77.6 | NA | NA | NA | 12/2010 | NA | NA |
| West Virginia | Monongahela Power Co. | C-09-1352-E-42T | Electric | 8/13/2009 | 122.1 | 8.31 | 12.25 | 41.60 | 1,545.48 | 6/25/2010 | 60.0 | 8.71 | NA | NA | 12/2008 | 1,289.61 | NA |
| Oregon | Portland General Electric Co. | D- UE 204 | Electric | 10/24/2008 | 12.9 | NA | NA | NA | NA | 1/22/2010 | 9.6 | NA | NA | NA | NA | NA | NA |
| Georgia | Georgia Power Co. | D-32539 | Electric | 9/3/2010 | 218.0 | NA | NA | NA | NA | 12/30/2010 | 223.0 | NA | NA | NA | 12/2011 | NA | NA |
| Wisconsin | Wisconsin Electric Power Co. | D-5-UR-105 (WEP-EL) | Electric | 5/26/2011 | 0.0 | NA | NA | NA | NA | 10/6/2011 | 0.0 | NA | NA | NA | 12/2012 | NA | NA |
| Georgia | Georgia Power Co. | D-32539 (2012 Update) | Electric | 11/1/2011 | 35.6 | NA | NA | NA | NA | 12/28/2011 | 35.6 | NA | NA | NA | 12/2012 | NA | NA |

STAFF 005260
FPL RC-12

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**Q.**
With respect to Exhibit ES-2 attached to witness Silagy's direct testimony, please provide the graphic representation of the January 2012 1,000 kWh residential bill had FPL's requested rate relief in Docket No. 080677-EI been granted in its entirety.

**A.**
FPL has no responsive documents.

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 005465**
**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 | | | |

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**MOODY'S**
**INVESTORS SERVICE**

# Credit Opinion: Florida Power & Light Company

Global Credit Research - 10 Apr 2012

*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 |
| Pref. 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 |
| Pref. Shelf | (P)Baa3 |

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## Key Indicators

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

| | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| (CFO Pre-W/C + Interest) / Interest Expense | **8.2x** | **6.2x** | **10.5x** | **6.6x** |
| (CFO Pre-W/C) / Debt | **35%** | **27%** | **46%** | **29%** |
| (CFO Pre-W/C - Dividends) / Debt | **30%** | **24%** | **38%** | **29%** |
| Debt / Book Capitalization | **34%** | **33%** | **36%** | **36%** |

[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 political and regulatory environment with new base rate case pending

- Strong credit metrics and low leverage

- Substantial capital expenditures program

- 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. FPL owns 24,460 MW of generating capacity with an additional 2,078 MW of purchased power available to serve its load requirements. FPL had a 9% reserve margin calculated from 2010 data and serves nearly 8.9 million people through approximately 4.6 million customer accounts.

FPL is a subsidiary of NextEra Energy, Inc. (Baa1 Issuer Rating, stable outlook), one of the largest providers of electricity-related services in the U.S. 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 over the last two years; 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 may be improving modestly. The company's capital expenditure program is substantial over the next several years but especially in 2012 and 2013 as it adds new gas fired generation and increases the capacity of its nuclear plants.

**DETAILED RATING CONSIDERATIONS**

- Stabilized political and regulatory environment with new base rate case pending

On March 19, 2012, FPL filed for a two-step base rate increase that consists of a January 2013 increase of approximately $517 million plus an additional $174 million increase in June 2013 upon commercial operation of its new Cape Canaveral generating plant. The rate case requests an 11.5% ROE based upon a 46% equity to total capital ratio, which compares to the 10% midpoint ROE the company is mandated under its current rate settlement. This represents the first rate case filed by the company since highly politicized rate proceedings in 2009 and early 2010 resulted in a rate outcome that was substantially less than the company had requested. This new rate case will be decided by an almost completely new Florida Public Service Commission (FPSC), with the turnover of four of the five commissioner seats since the company's last rate case outcome in 2010. FPL expects rate hearings in the third quarter of 2012 and a final decision from the FPSC in the fourth quarter of 2012.

Despite the adverse 2010 rate case outcome, FPL continues to operate under traditional rate of return regulation with strong cost recovery provisions in place. 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 emission controls.

- Strong credit metrics and low leverage

FPL continues to exhibit some of the stronger financial performance measures and cash flow coverage ratios in the industry, with ratios that are generally well above the parameters required for its rating under our Regulated Electric and Gas Utilities rating methodology. These include CFO pre-working capital interest coverage in the 6.0x to 8.0x range and CFO pre-working capital to debt in the 30% to 35% range in recent years. Its debt to capitalization of 33.8% at December 31, 2011 is among the lowest in the industry and the company maintains a fully funded pension plan, contributing to this low leverage profile (as Moody's adds pension underfunding to debt).

Despite the rate freeze instituted as part of FPL's 2010 rate case settlement, the use of its depreciation reserve, and additional debt issued to finance high capital expenditures, there has been little material decline in these coverage metrics over the last two years. Coverage metrics should continue to be supported by the high percentage of FP&L's revenues that are recovered through cost recovery clauses, the gradual improvement of economic conditions in its service territory, and a still adequate 10% return on equity for the remainder of this year that includes a range of plus or minus 1%. Assuming a credit supportive outcome of its pending rate case, we anticipate that FPL's credit metrics will continue to remain well in excess of the financial ratio parameters required for its current A2 rating.

- FPL is in the midst of a significant capital expenditure program, much of it for new generation

FPL has a substantial capital expenditure program that the company projects to peak in 2012 at $3.7 billion before declining to $2.4 billion in 2013 and approximately $2 billion in subsequent years. These projections do not include approximately $1.2 billion of capital expenditures related to the modernization of the company's Port Everglades generating facility, which is still awaiting regulatory approvals. Nearly 50% of the company's 2012 capital expenditure budget is related to new generation, including the modernization of its Cape Canaveral and Riviera Beach power plants, as well as nuclear uprates at its Florida nuclear generation stations.

FPL has financed these capital expenditures through a combination of long-term debt issuances and capital contributions from the parent company in both 2010 and 2011. As a result, despite a $1 billion increase in long-term debt in 2011 (on a Moody's adjusted basis), debt to capital remained in the 34% range at both FYE 2010 and FYE 2011. We expect the utility to continue to finance its capital expenditure program with a balanced mix of long-term debt and capital contributions from the parent, limiting the amount of additional leverage incurred and maintaining its debt to capital ratio below 35% on a Moody's adjusted basis.

**Liquidity Profile**

FPL maintains a strong liquidity profile with a total of $3.2 billion of mostly unused bank credit facilities ranging in expiration from 2013 to 2017. Approximately $1.1 billion of these facilities matures in April and May of 2013, which the company expects to refinance and extend early next year. In February 2012, FPL refinanced and extended $1.9 billion of these credit facilities until 2017. We view this staggered maturity profile positively as it reduces refinancing risk that could occur when all of a company's liquidity facilities expire at the same time. It also partially mitigates the risk of waiting until early 2013 to renew and extend its remaining credit facilities. The company had $26 million of cash on hand as of January 31, 2012, a slight increase from the $20 million of cash on hand at December 31, 2010. Commercial paper outstanding at January 31, 2012 totaled $412 million, an increase from $101 million at the end of FY 2010. The company also had $80 million of letters of credit outstanding as of January 31, 2012. 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 $2.2 billion in 2011) and relatively stable in recent years due to the lack of large regulatory deferrals that had affected the company's financials in some previous years as a result of storms and high fuel costs. With fuel costs remaining relatively low and exhibiting less volatility more recently, regulatory deferrals have not been as significant. High capital expenditures of $3.7 billion in 2012 and $2.4 billion in 2013 will continue to require some external debt financing, which the company generally does with first mortgage bonds. FPL has a very manageable $50 million of long-term debt due in 2012, with $400 million of first mortgage bonds due in February 2013. The company has no material adverse change clause in its bank credit agreements and reports that it is in compliance with the debt to capitalization financial covenant contained in these agreements as of December 31, 2011, which it does not make public.

**Rating Outlook**

The stable rating outlook reflects the regulatory clarity provided by its two year rate settlement and our view that the political and regulatory environment for investor owned utilities in Florida has stabilized over the last two years. It also reflects our expectation that there will be a credit supportive outcome to the company's pending rate case that will maintain the company's strong financial metrics and low leverage profile.

**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 fully evident until FPSC rules on the company's pending rate case. 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, however, 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 there is an adverse outcome to the company's pending rate case, if there are significant cost disallowances or other changes to Florida's currently credit supportive 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 12/31/2011 | | 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%) | 8.2x | Aaa | 7.5 - 8.5x | Aa |
| c) CFO pre-WC / Debt (3 Year Avg) (7.5%) | 36.1% | Aa | 35 - 40% | Aa |
| d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%) | 30.8% | Aa | 30 - 35 % | Aa |
| e) Debt/Capitalization (3 Year Avg) (7.5%) | 34.3% | Aa | 30 - 35% | A |
| **Rating:** | | | | |
| a) Indicated Rating from Grid | | A2 | | A2 |
| b) Actual Rating Assigned | | A2 | | A2 |

* 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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April 24, 2012

# Florida Power & Light Co.

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# Florida Power & Light Co.

## Major Rating Factors

**Strengths:**

- High-quality electric utility that generates steady earnings and cash flows;
- Active efforts by the parent to sustainably reduce commodity price risk exposure in highly diversified unregulated activities at the parent;
- Low regulatory risk in Florida and relatively strong service territory with good customer growth prospects and a predominantly residential and commercial base.

**Corporate Credit Rating**

A-/Stable/A-2

**Weaknesses:**

- Aggressive capital spending plans that stress financial metrics;
- Dependence on natural gas to generate electricity in Florida; and
- Higher-risk operations and less dependable cash flows from merchant generation, energy trading, and other unregulated activities.

## Rationale

Standard & Poor's Ratings Services' bases its ratings on Florida Power & Light Co. (FP&L) on the consolidated credit profile of its parent, diversified energy holding company NextEra Energy Inc. The 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. Although the utility has found maintaining financial strength despite mild regulatory upheaval and a moribund economy in Florida to be challenging, its 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.

FP&L is a large, regulated public utility with integrated assets (generation, transmission, and distribution) in South Florida, along the populous eastern coastline and the growing lower western coastline of the state. FP&L owns more than 24,000 megawatts (MW) of efficient, well-operated, mostly natural-gas- and nuclear-fueled electric generating plants that serve primarily its own customers.

Standard & Poor's Ratings Services' ratings on all NextEra entities 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, in our view.



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We characterize FP&L's business risk profile as "excellent," NextEra's business risk profile as "strong," and the consolidated financial risk profile as "intermediate" under our criteria.

NextEra's business risk profile 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 during the recession, the customer mix is mostly residential and commercial, costs and rates are low, and reliability and customer satisfaction are high. While Florida is not immune to overall economic trends, we expect the state to attract new residents and jobs over the long term and resume an above-average growth trajectory. NextEra's large and growing reliance on natural gas to fuel utility generation could eventually turn from an advantage (because of its favorable environmental status and currently low prices) to a weakness if gas prices are erratic over time.

FP&L has managed regulatory risk, the most important risk a utility faces, well. Despite a slight rise in regulatory risk in reaction to weak economic conditions amid keener attention in the political arena, the company has maintained the utility's financial performance and credit metrics and stabilized its regulatory risk. FP&L has filed a new rate case aimed at a 7% base rate increase (2.6% net of a proposed fuel clause decrease) to take effect when a rate freeze expires at the end of 2012. The conduct and outcome of the case will be an effective gauge of the state's regulatory environment.

NER, the main subsidiary under unregulated NextEra Energy Capital Holdings Inc., 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 16,600 MW consists of more than half wind turbines, one-quarter natural-gas-fired stations, and the rest mainly nuclear facilities. More than three-quarters of the wind projects and almost 60% of the total portfolio operate under largely fixed-price, long-term contracts. The rest of the portfolio, including one nuclear plant, is merchant capacity that can be exposed to market prices for its output. While a policy of actively hedging the commodity price risk of plant inputs and outputs helps to reduce the risks associated with merchant energy activities, NER faces an inherent level of commodity price risk. In addition, NER's extensive project financing (approximately 46% of installed capacity) of its assets diminishes its cash flow quality, but this is offset by lower financial risk. NER's risks permanently hinder NextEra's 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 risk profile is characterized by acceptable credit metrics, "adequate" liquidity under our criteria, and a management attitude toward credit quality that supports ratings. Importantly, sound but complex financial structures employed at the project level substantiate significant off-credit treatment of largely nonrecourse 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 we make to NextEra's reported debt. We also factor in large adjustments to 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 adjusted metrics to dip slightly in the near term and then return to historical levels, including funds from operations (FFO) to debt of around 25% and debt to capitalization about 50%.

## Liquidity

The short-term rating on FP&L is 'A-2'. The parent manages liquidity (although FP&L has its own sources of liquidity), and we measure it on a consolidated basis. Liquidity is "adequate" under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors.

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.

Debt maturities total about $800 million in the next 12 months. The company has a $6.6 billion master revolving credit facility maturing in 2017 and more than $8 billion in total facilities, with about $4.7 billion currently available.

NextEra manages the liquidity needs of all its subsidiaries.

Liquidity is adequate based on the following factors and assumptions:

- We expect the company's liquidity sources (including FFO and credit facility availability) over the next 12 months to exceed its uses by more than 1.2x.
- Debt maturities over the next year are manageable.
- Even if EBITDA declines by 15%, we believe net sources will be well in excess of liquidity requirements.
- The company has good relationships with its banks, in our assessment, and has a good standing in the credit markets.

In our analysis, based on information available as of Dec. 31, 2011, we assumed liquidity of about $8.9 billion over the next 12 months, consisting of projected FFO and availability under the credit facility. We estimate the company could use up to $7 billion during the same period for capital spending, debt maturities, and shareholder dividends. NextEra's credit agreement includes a financial covenant limiting the consolidated debt-to-capitalization ratio, with which the company was compliant as of June 30, 2011.

## Recovery analysis

We assign recovery ratings to FMBs issued by investment-grade U.S. utilities, which can result in issue ratings being notched above an issuer credit rating (ICR) on a utility depending on the rating category and the extent of the collateral coverage. We base our investment-grade FMB recovery methodology on the ample historical record of 100% recovery for secured bondholders in utility bankruptcies and on our view that the factors that supported those recoveries (the limited size of the creditor class, and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist. Under our recovery criteria, when assigning issue ratings to utility FMBs, we consider our calculation of the maximum amount of FMB issuance under the utility's indenture or other legally binding limitations relative to our estimate of the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as any regulatory limitations on bond issuance. FMB ratings can exceed an ICR on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

FP&L's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or



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subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+', which indicates our expectation for 100% recovery in a default scenario, and an issue rating one notch above the ICR.

## Outlook

Our rating outlook on NextEra and its subsidiaries is stable and reflects a business profile that is equally affected 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 worsened, operational efficiency at NER deteriorated, investment decisions at NER demonstrated a shift in risk appetite, or financial performance declined 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 of about 17% and adjusted debt to capital of about 52% over the near term, with those metrics improving thereafter. Although year-to-year fluctuations in weather (including hurricanes), fuel cost recovery, and burdensome spending on large solar projects may temporarily affect metrics, we expect the company to adapt its financial risk management and the pace of its capital spending to account for these and other factors so it can achieve better 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, 2011, NextEra had about $1.8 billion of regulatory assets and $4.3 billion of regulatory liabilities on a balance sheet that contained $57 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 $2.1 billion in 2011. 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 in our metric calculation 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 remove the nonrecourse 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 distributable cash flow of the projects. Credit metrics fully reflect debt related to projects under construction and subject to completion guarantees. As of year-end 2011, we removed approximately $4 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. We add about $166 million of a debt-like obligation to the balance sheet to quantitatively capture the risks associated with proprietary trading activities. 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 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.

## Rating Methodology

We base our ICRs on NextEra, FP&L, and Holdings on the consolidated credit profile of the entire NextEra conglomerate of companies, which is almost equally influenced by the utility and unregulated energy operations. We rate the unsecured debt at Holdings, which is unconditionally guaranteed by the parent and is effectively holding company debt, one notch below the ICR because of structural subordination. Although Holdings' debtholders would have access to assets apart from the utility in liquidation, we apply strict notching guidelines because of the extensive use of project-level debt and the complexity of the financing arrangements throughout Holdings. We rate the first mortgage bonds at FP&L one notch above the ICR in accordance with the recovery analysis detailed above.

## Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Standard & Poor's Updates Its U.S. Utility Regulatory Assessments, March 12, 2010
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Assessing U.S. Utility Regulatory Environments, Nov. 7, 2008
- Criteria: Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007

**Table 1**

**NextEra Energy Inc. -- Peer Comparison**

**Industry Sector: Energy**

| | NextEra Energy Inc. | Entergy Corp. | Dominion Resources Inc. | Public Service Enterprise Group Inc. | Exelon Corp. |
|---|---|---|---|---|---|
| **Rating as of April 24, 2012** | A-/Stable/-- | BBB/Negative/-- | A-/Stable/A-2 | BBB/Positive/A-2 | BBB/Stable/A-2 |
| | --Average of past three fiscal years-- | | | | |
| **(Mil. $)** | | | | | |
| Revenues | 15,119.7 | 11,082.1 | 14,902.3 | 11,423.0 | 17,904.0 |
| EBITDA | 4,396.8 | 3,529.7 | 4,699.9 | 3,731.9 | 6,734.6 |



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**Table 1**

| NextEra Energy Inc. -- Peer Comparison (cont.) | | | | | |
|---|---|---|---|---|---|
| Net income from cont. oper. | 1,824.5 | 1,296.2 | 1,886.0 | 1,514.3 | 2,588.0 |
| Funds from operations (FFO) | 3,897.7 | 3,171.3 | 3,299.8 | 2,788.6 | 5,912.1 |
| Capital expenditures | 3,948.2 | 2,707.2 | 3,601.2 | 1,979.6 | 3,700.0 |
| Free operating cash flow | (58.2) | 517.1 | (495.7) | 977.0 | 2,013.5 |
| Dividends paid | 920.8 | 600.3 | 1,150.5 | 686.3 | 1,396.5 |
| Discretionary cash flow | (979.0) | (83.2) | (1,646.2) | 290.7 | 617.0 |
| Cash and short-term investments | 305.7 | 1,232.8 | 70.7 | 469.6 | 1,556.0 |
| Debt | 15,887.2 | 13,687.4 | 19,263.1 | 8,858.2 | 18,717.7 |
| Preferred stock | 1,427.5 | 150.4 | 996.6 | 26.7 | 198.0 |
| Equity | 15,918.8 | 8,840.8 | 12,637.4 | 9,380.4 | 13,728.3 |
| Debt and equity | 31,806.0 | 22,528.2 | 31,900.5 | 18,238.6 | 32,446.0 |
| **Adjusted ratios** | | | | | |
| EBITDA margin (%) | 29.1 | 31.9 | 31.5 | 32.7 | 37.6 |
| EBIT interest coverage (x) | 3.9 | 3.2 | 3.6 | 6.5 | 5.7 |
| Return on capital (%) | 7.8 | 8.7 | 10.5 | 14.3 | 14.1 |
| FFO int. cov. (X) | 6.7 | 4.5 | 4.1 | 6.7 | 7.2 |
| FFO/debt (%) | 24.5 | 23.2 | 17.1 | 31.5 | 31.6 |
| Free operating cash flow/debt (%) | (0.4) | 3.8 | (2.6) | 11.0 | 10.8 |
| Discretionary cash flow/debt (%) | (6.2) | (0.6) | (8.5) | 3.3 | 3.3 |
| Net cash flow/capex (%) | 75.4 | 95.0 | 59.7 | 106.2 | 122.0 |
| Debt/EBITDA (x) | 3.6 | 3.9 | 4.1 | 2.4 | 2.8 |
| Total debt/debt plus equity (%) | 50.0 | 60.8 | 60.4 | 48.6 | 57.7 |
| Return on capital (%) | 7.8 | 8.7 | 10.5 | 14.3 | 14.1 |
| Return on common equity (%) | 12.5 | 13.8 | 15.7 | 16.5 | 19.5 |
| Common dividend payout ratio (un-adj.) (%) | 45.8 | 46.2 | 53.3 | 45.4 | 58.2 |

**Table 2**

| NextEra Energy Inc. -- Financial Summary | | | | | |
|---|---|---|---|---|---|
| **Industry Sector: Energy** | | | | | |
| | **--Fiscal year ended Dec. 31--** | | | | |
| | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Rating history** | A-/Stable/-- | A-/Stable/-- | A/Stable/-- | A/Stable/-- | A/Stable/-- |
| **(Mil. $)** | | | | | |
| Revenues | 14,926.7 | 15,009.0 | 15,423.4 | 15,983.2 | 14,861.5 |
| EBITDA | 4,199.8 | 4,804.3 | 4,186.3 | 3,882.5 | 3,281.7 |
| Net income from continuing operations | 1,923.0 | 1,935.5 | 1,615.0 | 1,436.2 | 1,263.3 |
| Funds from operations (FFO) | 3,817.2 | 3,596.3 | 4,279.6 | 3,185.5 | 3,558.6 |
| Capital expenditures | 5,937.4 | 2,970.2 | 2,937.2 | 2,273.2 | 1,875.9 |
| Dividends paid | 1,022.3 | 905.0 | 835.1 | 772.5 | 700.1 |
| Debt | 17,943.5 | 15,214.5 | 14,503.5 | 13,798.8 | 10,770.2 |



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**Table 2**

| NextEra Energy Inc. -- Financial Summary (cont.) | | | | | |
|---|---|---|---|---|---|
| Preferred stock | 1,929.5 | 1,176.5 | 1,176.5 | 1,005.0 | 1,004.5 |
| Equity | 16,872.5 | 16,390.5 | 14,493.5 | 12,686.0 | 11,739.5 |
| Debt and equity | 34,816.0 | 31,605.0 | 28,997.0 | 26,484.8 | 22,509.7 |
| **Adjusted ratios** | | | | | |
| EBITDA margin (%) | 28.1 | 32.0 | 27.1 | 24.3 | 22.1 |
| EBIT interest coverage (x) | 3.8 | 4.4 | 3.5 | 3.5 | 3.2 |
| FFO int. cov. (x) | 6.3 | 6.4 | 7.4 | 5.8 | 6.3 |
| FFO/debt (%) | 21.3 | 23.6 | 29.5 | 23.1 | 33.0 |
| Discretionary cash flow/debt (%) | (18.7) | (0.1) | 3.0 | 1.4 | 9.2 |
| Net cash flow/capex (%) | 47.1 | 90.6 | 117.3 | 106.2 | 152.4 |
| Debt/debt and equity (%) | 51.5 | 48.1 | 50.0 | 52.1 | 47.8 |
| Return on capital (%) | 7.2 | 8.6 | 7.5 | 8.3 | 8.4 |
| Return on common equity (%) | 12.0 | 13.5 | 12.1 | 11.7 | 11.5 |
| Common dividend payout ratio (un-adj.) (%) | 47.8 | 42.5 | 47.4 | 50.3 | 51.8 |

**Table 3**

**Reconciliation Of NextEra Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)**

--Fiscal year ended Dec. 31, 2011--

| NextEra Energy Inc. reported amounts | Debt | Shareholders' equity | Revenues | EBITDA | Operating income | Interest expense | Cash flow from operations | Cash flow from operations | Dividends paid | Capital expenditures |
|---|---|---|---|---|---|---|---|---|---|---|
| Reported | 22,967.0 | 14,943.0 | 15,341.0 | 4,996.0 | 3,378.0 | 1,035.0 | 4,074.0 | 4,074.0 | 920.0 | 6,004.0 |
| **Standard & Poor's adjustments** | | | | | | | | | | |
| Equity-like hybrids | (753.0) | 753.0 | -- | -- | -- | (20.3) | 20.3 | 20.3 | 20.3 | -- |
| Intermediate hybrids reported as debt | (1,176.5) | 1,176.5 | -- | -- | -- | (82.0) | 82.0 | 82.0 | 82.0 | -- |
| Postretirement benefit obligations | -- | -- | -- | (121.0) | (121.0) | -- | 52.7 | 52.7 | -- | -- |
| Capitalized interest | -- | -- | -- | -- | -- | 124.0 | (124.0) | (124.0) | -- | (124.0) |
| Share-based compensation expense | -- | -- | -- | 49.0 | -- | -- | -- | -- | -- | -- |
| Nonrecourse debt | (3,993.0) | -- | (343.0) | (343.0) | (343.0) | (343.0) | -- | -- | -- | -- |
| Securitized utility cost recovery | (487.0) | -- | (71.3) | (71.3) | (26.3) | (26.3) | (45.0) | (45.0) | -- | -- |
| Power purchase agreements | 922.0 | -- | -- | 105.1 | 47.8 | 47.8 | 57.4 | 57.4 | -- | 57.4 |
| Reclassification of nonoperating income (expenses) | -- | -- | -- | -- | 211.0 | -- | -- | -- | -- | -- |
| Reclassification of working-capital cash flow changes | -- | -- | -- | -- | -- | -- | -- | 207.0 | -- | -- |



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**Table 3**

| Reconciliation Of NextEra Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $) (cont.) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| US decommissioning fund contributions | -- | -- | -- | -- | -- | -- | (92.0) | (92.0) | -- | -- |
| Debt - Accrued interest not included in reported debt | 464.0 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| EBITDA - Other | -- | -- | -- | (415.0) | (415.0) | -- | -- | -- | -- | -- |
| D&A - Impairment charges/(reversals) | -- | -- | -- | -- | 51.0 | -- | -- | -- | -- | -- |
| FFO - Other | -- | -- | -- | -- | -- | -- | (415.0) | (415.0) | -- | -- |
| Total adjustments | (5,023.5) | 1,929.5 | (414.3) | (796.2) | (595.5) | (299.7) | (463.8) | (256.8) | 102.3 | (66.6) |

**Standard & Poor's adjusted amounts**

| | Debt | Equity | Revenues | EBITDA | EBIT | Interest expense | Cash flow from operations | Funds from operations | Dividends paid | Capital expenditures |
|---|---|---|---|---|---|---|---|---|---|---|
| Adjusted | 17,943.5 | 16,872.5 | 14,926.7 | 4,199.8 | 2,782.5 | 735.3 | 3,610.2 | 3,817.2 | 1,022.3 | 5,937.4 |

| Ratings Detail (As Of April 24, 2012) | |
|---|---|
| **Florida Power & Light Co.** | |
| Corporate Credit Rating | A-/Stable/A-2 |
| Commercial Paper | |
| *Local Currency* | A-2 |
| **Corporate Credit Ratings History** | |
| 11-Mar-2010 | A-/Stable/A-2 |
| 14-Jan-2010 | A/Watch Neg/A-1 |
| 26-Oct-2006 | A/Stable/A-1 |
| **Business Risk Profile** | Excellent |
| **Financial Risk Profile** | Intermediate |
| **Debt Maturities** | |
| (For parent)<br>2012: $808 mil.<br>2013: $2.4 bil.<br>2014: $2.0 bil.<br>2015: $1.8 bil.<br>2016: $695 mil. | |
| **Related Entities** | |
| **FPL Group Capital Trust I** | |
| Preferred Stock | BBB |
| **NextEra Energy Capital Holdings Inc.** | |
| Issuer Credit Rating | A-/Stable/A-2 |
| Commercial Paper | |
| *Local Currency* | A-2 |
| Junior Subordinated | BBB |
| Senior Unsecured | BBB+ |



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| Ratings Detail (As Of April 24, 2012) (cont.) | |
|---|---|
| **NextEra Energy Inc.** | |
| Issuer Credit Rating | A-/Stable/-- |

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.



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May 14, 2012

# U.S. Utilities' Capital Spending Is Rising, And Cost Recovery Is Vital

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# U.S. Utilities' Capital Spending Is Rising, And Cost Recovery Is Vital

Utilities in the U.S. continuously invest in large, capital-intensive projects to replace older infrastructure, meet growing load needs, and comply with evolving environmental regulations. Electric utilities are replacing everything from electric meters to power plants. For 2012, industry groups project that electric companies will spend $85 billion, slightly higher than 2011 levels. Despite low growth due to the slow economy, aging infrastructure and retirements of older, inefficient coal-burning plants make investing necessary. In addition, gas utilities are investing more than $7 billion in pipelines and distribution networks, and water utilities are spending more than $1.6 billion to repair and upgrade delivery and treatment systems to meet stringent health and quality standards. (Watch the related CreditMatters TV segment titled, "As U.S. Utilities' Infrastructure Spending Rises, Cost Recovery Is Vital," dated May 18, 2012.)

For electric utilities that generate power (in addition to distributing and transmitting it), capital spending on power plants tends to be the largest expense. Now that the U.S. Environmental Protection Agency (EPA) has finalized its air quality rules, utilities will need to make decisions about retrofitting existing coal plants with pollution control equipment soon. The timing on some of this proposed spending may shift slightly, depending on how quickly the companies have to implement the new rules. We estimate that U.S. electric utilities will invest more than $10 billion in environmental upgrades over the next two years.

For all regulated utilities, credit quality could suffer if their ability to recover investments and incremental operating costs is inadequate. Regulators in numerous states are aware of the pending environmental cost burden and are pursuing extensions from the EPA on compliance to stretch out the expenditures and ease the burden on ratepayers. As utilities move forward on these investments, regulators will monitor the utilities for reliability failures and rate pressures on customers. Current low natural gas prices and weaker electricity demand have led to lower power prices. This provides a window for utilities to seek the pass through costs related to these investments to ratepayers without substantially affecting their bills. However, if power prices rise at the same time that companies are recovering these capital investments through rate increases, utility customers could see a big rate hike. Then, regulators could step in with greater scrutiny and defer or disallow a portion of the investments.

**Overview**

- U.S. utilities constantly replace infrastructure.
- Capital spending in the industry is growing.
- Utilities will need supportive regulation for them to maintain their credit quality.

## Where Is The Money Going?

The top 20 electric and multi-utility companies by enterprise valuation have publicly disclosed their 2012 capital spending plans, and roughly 70% of expenditures, in aggregate, relate to regulated electric, compared with about 10% for regulated gas. The remainder is earmarked for unregulated operations, including unregulated generation



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(see table 1 and the chart).

**Table 1**

**Top 20 Electric Utility Or Multiutility By Enterprise Value**

| (Mil. $) | Total enterprise value |
|---|---|
| Southern Co. | 59,049 |
| Dominion Resources Inc. | 48,165 |
| NextEra Energy Inc. | 47,088 |
| Duke Energy Corp. | 46,208 |
| Exelon Corp. | 39,513 |
| American Electric Power Co. Inc. | 36,841 |
| FirstEnergy Corp. | 34,601 |
| PPL Corp. | 33,330 |
| PG&E Corp. | 29,120 |
| Progress Energy Inc. | 28,953 |
| Consolidated Edison Inc. | 27,600 |
| Edison International | 26,340 |
| Sempra Energy | 24,045 |
| Entergy Corp. | 24,009 |
| Public Service Enterprise Group Inc. | 23,073 |
| Xcel Energy Inc. | 22,766 |
| DTE Energy Co. | 16,976 |
| CenterPoint Energy Inc. | 16,538 |
| Ameren Corp. | 14,415 |
| NiSource Inc. | 13,978 |

Source--Standard & Poor's Capital IQ as of Jan. 25, 2012.



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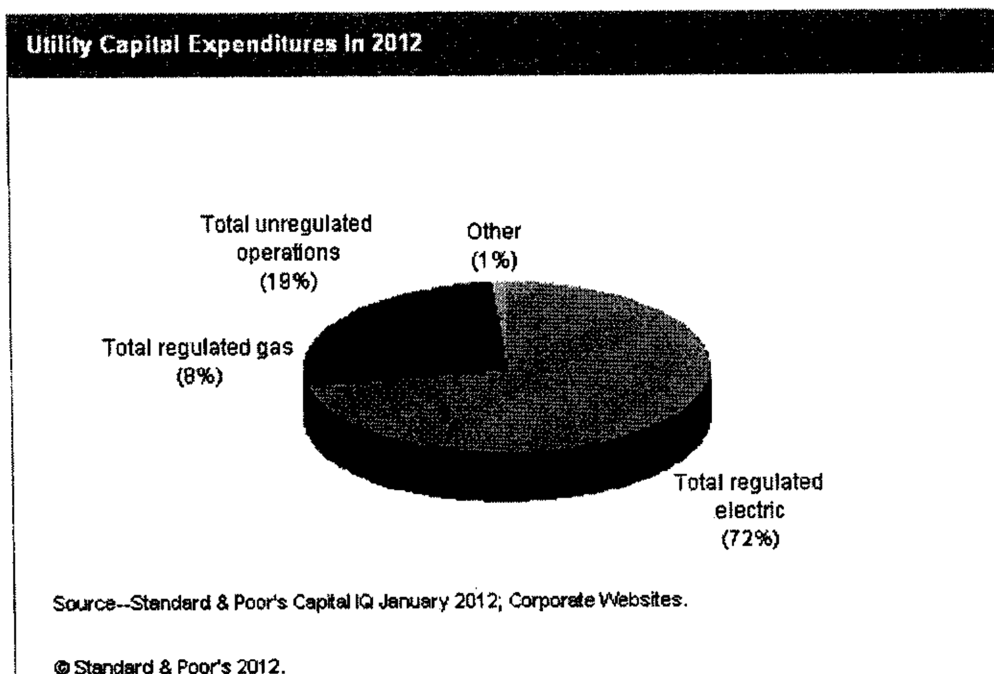
**Utility Capital Expenditures In 2012**




Source--Standard & Poor's Capital IQ January 2012; Corporate Websites.

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Table 2 categorizes spending of these 20 companies into multiple buckets, including maintenance, generation, environmental, and, for those utilities with gas operations, gas infrastructure. Transmission spending is shown for companies with large pending projects. Utilities with a heavy concentration of coal-fired generation are spending a lot on environmental retrofitting and coal plant closures. New generation lately has consisted of gas-fired units and some new nuclear units.

**Table 2**

**Spending Of Top 20 Companies**

| (Mil. $) | Southern Co. | Dominion Resources Inc. | NextEra Energy Inc. | Duke Energy Corp. | Exelon Corp. | American Electric Power Co. Inc. | FirstEnergy Corp. | PPL Corp. | PG&E Corp. |
|---|---|---|---|---|---|---|---|---|---|
| **Regulated electric** | | | | | | | | | |
| New generation | 2,200 | 968 | 1,780 | 500 | - | 513 | 100 | - | 1,250 |
| New transmission and distribution (T&D) | 500 | 715 | 1,600 | 1,650 | 275 | 1,734 | 990 | 1,925 | 2,300 |
| Base capex/maintenance capex (G, T & D) | 1,300 | 655 | | | 1,275 | | | | |
| Environmental | 400 | 34 | - | 250 | - | 566 | - | 764 | - |
| Nuclear/nuclear fuel | 300 | 185 | 205 | 325 | - | 210 | 100 | - | - |
| Other | 200 | - | 195 | 625 | 325 | - | - | 173 | 125 |
| Total regulated electric | 4,900 | 2,557 | 3,780 | 3,350 | 1,875 | 3,023 | 1,190 | 2,862 | 3,675 |
| **Regulated gas** | | | | | | | | | |
| Gas transmission | - | 858 | - | - | - | - | - | - | 275 |



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**Table 2**

| Spending Of Top 20 Companies (cont.) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Gas distribution | - | 329 | - | - | - | - | - | - | 500 |
| Other | | 6 | - | - | - | - | - | - | 384 |
| Total regulated gas | - | 1,193 | - | - | - | - | - | - | 1,159 |
| **Unregulated operations** | | | | | | | | | |
| New generation | 200 | - | 2,095 | 625 | 1,550 | 38 | 760 | 640 | - |
| Base capex/maintenance capex (G, T & D) | | 151 | - | 125 | 825 | | - | | - |
| Environmental | | 178 | - | - | | | - | | - |
| Nuclear/nuclear fuel | | 173 | 295 | - | 1,100 | | - | 159 | - |
| Other | | - | 160 | 200 | | | - | | - |
| Total unregulated operations | 200 | 502 | 2,550 | 950 | 3,475 | 38 | 760 | 799 | - |
| Other (no details available) | - | 46 | 520 | - | 25 | 78 | 50 | - | - |
| Total capital expenditures | 5,100 | 4,298 | 6,850 | 4,300 | 5,375 | 3,139 | 2,000 | 3,661 | 4,834 |

Source--Standard & Poor's Capital IQ January 2012; Corporate Websites.

## Environmental compliance

Coal currently fuels about 45% of all electricity generated in the U.S., and is the most-used fuel for regulated utilities. Utilities have filed plans with regulators to retire, retrofit, and rebuild their generation portfolios. Some utilities are either retiring or idling regulated units, while others have proposed construction of new natural gas units to replace the shuttered coal capacity. Of the roughly 310 gigawatts (GW) of U.S. coal-fired capacity, less than one-quarter has all the pollution equipment necessary to comply with EPA rules. Given that regulated utilities own about three-quarters of U.S. coal generation, the cost of installing pollution controls and the speed with which utilities can fully recover those costs through rate adjustments could affect credit quality.

Over the next 10 years, the proposed and final environmental rules will steer utilities' capital spending either toward retrofitting existing coal units or building new generation, which we expect to be largely gas fired. About two-thirds of coal plants are more than 30 years old, and facilities less than 200 megawatts account for about 20% of U.S. coal capacity. We would expect regulated utilities with such assets to have mostly recovered these plant costs to a point where the companies' rate recoveries on the returns on investment and depreciation are modest, if any. The ability to either build a new unit or retrofit an existing one with new controls could ultimately expand the rate base and subsequently boost cash flow. Regulated electric utilities have multiple options to comply with EPA regulations. Compared with unregulated generators, which may close units that aren't cost competitive, regulated utilities may analyze the incremental cost to retrofit a coal unit and the ability to recover those costs through regulatory mechanisms.

## New generation

The economic slump has slowed construction of new base-load generation. But the EPA's regulations will impose additional costs on the coal-fired plants that could result in 35 GW to 40 GW of coal plant retirements. We believe that even if the EPA delays its regulations, utilities could still retire about 20 GW of coal capacity because of unfavorable commodity prices. Significant shutdowns of coal units would lead to incremental construction of new capacity--primarily gas-fired--to meet both the existing load and future growth.



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The switch to natural gas stems from the tighter air pollution rules and the current low natural gas prices, which are making gas-fired generation that much more cost effective. The new-build natural gas construction will replace a substantial portion of the expected retirement of 25 GW of coal generation, and many of the new combined-cycle gas-fired units will be built in regions where the EPA's Mercury and Air Toxics Standards rule will have the greatest impact, notably the Electricity Reliability Council of Texas and the PJM Interconnection in the Mid-Atlantic region.

### Transmission

Transmission investments, which many view as the "no-pollution solution" to new generation, allow companies to deliver electricity to load centers from distant areas that have surplus capacity. The Federal Energy Regulatory Commission's (FERC) supportive framework for approving transmission projects is continuing to attract new investments. Some of the enticements are authorized returns on equity of up to 14%, use of projected test periods, capital structures with more than 50% equity, and return on construction work in progress. Over the past five years, the transmission sector's compounded annual growth rate for capital investment has exceeded 10%, and we expect transmission capital investments for 2012 to exceed $13 billion. The FERC's recent "Order 1000 - Transmission Planning and Cost Allocation" statement eliminates an incumbent utility's right of first refusal to install new electric transmission in its service territory, giving incentives to other entities to own and build transmission lines in the service territories of other utilities. This may lead to increased transmission spending.

### Gas infrastructure

In 2011, gas utilities' capital spending went up significantly. Total industry spending increased more than 18% last year to $7.1 billion after growing about 4% in 2010 to $5.8 billion. Mandatory and discretionary projects include maintenance, metering, and acquisitions. New pipeline connections were needed to deal with increased demand from customers converting to gas from more expensive heating oil and propane. However, a primary cause of the higher capital spending is the heightened focus on pipeline safety after multiple pipeline explosions, particularly the catastrophic San Bruno, Calif., accident in 2010. Gas pipeline safety issues include operational failures as well as the age and increasingly apparent fragility of some of the nation's natural gas transportation infrastructure. We expect greater regulatory and company oversight of operating and safety measures, with the most immediate effects being increases in reporting requirements and maintenance spending. Replacing older pipelines and other infrastructure needs will continue, keeping capital spending levels high.

## Show Me The Money

For regulated utilities, infrastructure spending leads to rate-base growth. But for a company to preserve its financial strength, it must be able to quickly begin recovering this spending. Fortunately, low natural gas prices have moderated the rate increases needed for capital spending and operating expenses. Companies can use this additional cash flow to fund renewable generation projects, install pollution control equipment, and upgrade transmission assets. With all these incremental investments, a perfect regulatory storm could arise if costs for fuel and purchased gas rise sharply at the same time that utilities need to raise rates to recover the costs related to infrastructure spending for mandated environmental upgrades, new generation construction, renewable requirements, or pipeline replacements. If this happens, regulators could decide to allow only partial recovery of incurred capital costs through rate increases to reduce rate spikes for customers and possibly defer the remaining balance. Because deferrals do not provide the cash flow needed for utilities to service their debt obligations, utility credit quality could be affected. To retain critical access to the debt markets, utilities will need to continue to seek and receive supportive cost recovery from regulators.



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**Declining bonus depreciation**

Throughout the recession, utilities' cash flow measures received a boost from accelerated ("bonus") depreciation, which has allowed companies to expense the cost of qualified property immediately or over a short period of time (rather than depreciating over multiple years). This has resulted in lower cash taxes, which has increased operating cash flow. We expect the industry's financial condition to remain resilient in part because many companies strengthened their balance sheets with this extra operating cash flow. Unless the government extends bonus depreciation beyond 2012, utilities' credit protection measures could decline as the previously growing deferred taxes caused by bonus depreciation begin to reverse and operating cash flows drop. To fund future capital spending, companies will need access to external capital markets for incremental funding beyond their internally generated cash--and maintaining solid credit quality will help them to do so in a cost-effective and timely manner.

**Access to debt markets will be critical for utilities**

Investors have mostly been receptive to debt issues from regulated utilities, regardless of market conditions. With the anticipated rise in capital spending needs, maintaining access to both the debt and equity markets, at favorable terms, will be crucial for these companies. Utilities have consistently used short-term debt or commercial paper programs to fund construction. The short-term funding allows utilities to match the financing with the construction period until enough debt has accrued to efficiently issue long-term debt. In pursuing long-term financing options, may use first mortgage bonds that provide a first lien on all general utility property. Historically, such debt issues have been oversubscribed, resulting in favorable terms and low interest rates. In addition, utilities also fund capital projects with senior unsecured debt. Given the lack of collateral, we've observed that investors in unsecured debt tend to be more receptive to utilities with supportive cost recovery mechanisms and to holding debt from companies with mostly regulated operations.

## Effective Regulation Supports Credit Quality

As companies spend on investments, a significant consideration for regulated utilities will be how quickly regulators allow them to fully recover these costs. If the costs are significant, any delays or denials in the recovery could hurt a utility's credit quality. Thus, regulatory support is necessary to successfully implement such projects. Cost recovery through base rates and rate mechanisms that provide for predictable and timely cash flow could offset the costs of a company's capital spending These mechanisms help provide timely and consistent recovery of costs and bolster financial measures by limiting cash flow drains and reducing the amount of debt needed during construction. Ultimately, the dollar amount of the costs and the timeliness in recovering them will be important factors affecting our view of a utility's credit quality.

## Passing The Costs Along

Standard & Poor's believes regulated utilities will continue to recover the costs they must incur to comply with the necessary investments through various regulatory proceedings. A utility's credit quality during construction projects will depend on credit-supportive regulation. We believe supportive and timely cost recovery that helps avoid large rate increases will become more critical to utilities' ability to maintain cash flow, earnings power, and, ultimately, credit quality. Cost recovery options generally include base-rate increases when projects are complete, along with rate surcharges and riders during construction. In addition, regulatory preapprovals for large capital expenditures significantly reduce uncertainty about recovery of construction costs. Because utilities are undertaking projects to



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meet mandates and comply with new regulations, as long as the costs are prudent, we expect that utilities will be able to pass the costs along to customers. Ultimately, key credit drivers include timely and consistent cost recovery in rates of fuel and purchased gas costs and capital expenditures during and after construction.

## Related Criteria And Research

- New Environmental Rules Raise Cost and Electricity Reliability Concerns, March 16, 2012
- Key Credit Factors: Business And Financial Risks In The Investor-Owned Utilities Industry, Nov. 26, 2008
- Assessing U.S. Utility Regulatory Environments, Nov. 7, 2007



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21 March 2011 | 12 pages

# NextEra Energy Inc (NEE)

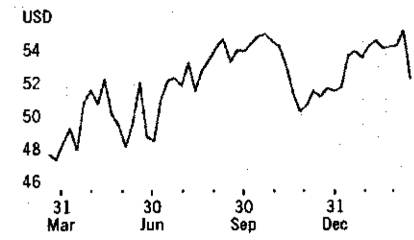
## Uncertainties Cloud Roadmap Into 2013; Maintain Hold

- Company Update
- Estimate Change

- **Sizeable rate request possible in 2012:** By the time of the expected '12 rate filing (for new rates in '13), we expect NextEra's utility, Florida Power & Light to ask for recovery of several large-scale projects (highlighted on pg. 3), that are expected to come on-line during '13/'14 timeframe. The recovery for these projects would be in addition to the need for new base rates for recovery of items such as O&M and maintenance spending. This combination could lead to a sizeable rate request that might test improving regulatory dynamics in Florida.
- **Renewable tax credits extension fight ahead:** The investment tax credit (ITC) and the production tax credit (PTC) for wind are set to expire at the end of 2012. We believe renewable subsidies beyond 2012 at the Federal level could face an uncertain future given greater Republican control of the Senate following the 2010 elections offset by strong lobbying efforts from the wind industry and greater renewable focus stemming from the Japan nuclear disaster. We believe investors' valuation of NextEra's wind business could incrementally worsen as the tax credit debate heats up in Washington heading into '12. With these concerns in mind, we are lowering the target EBITDA multiple for the wind business to 8x from 8.5x; every 0.5x change in the EBITDA multiple lead to $2.00/share impact.
- **2013 valuation:** We estimate NextEra's 2013 EPS to be $4.95/share. On a P/E basis, NextEra shares trade at ~10.5x vs. integrated group average of ~12x. We think this discount is warranted: **1)** NextEra's earnings include benefit from tax credits and growth from wind/renewable projects, whose trajectory might be impacted depending on future renewable tax credit legislation post-2012 **2)** Outcome of what could potentially be a sizeable 2012 utility rate case also creates uncertainty for '13 EPS & beyond.
- **We continue to rate NextEra Energy Hold/Medium Risk**, with an unchanged target of $53/share. In the integrated subsector, we currently prefer CEG.

| **Hold/Medium Risk** | **2M** |
|---|---|
| Price (18 Mar 11) | US$52.76 |
| Target price | US$53.00 |
| Expected share price return | 0.5% |
| Expected dividend yield | 3.8% |
| **Expected total return** | **4.3%** |
| Market Cap | US$22,209M |

**Price Performance (RIC: NEE.N, BB: NEE US)**




| EPS | Q1 | Q2 | Q3 | Q4 | FY | FC Cons |
|---|---|---|---|---|---|---|
| **2010A** | 0.94A | 1.07A | 1.34A | 0.85A | 4.20A | 4.30A |
| **2011E** | **0.76E** | **1.05E** | **1.42E** | **1.21E** | **4.45E** | **4.44E** |
| Previous | 0.78E | 1.07E | 1.44E | 1.20E | 4.50E | na |
| **2012E** | **na** | **na** | **na** | **na** | **4.67E** | **4.71E** |
| Previous | na | na | na | na | 4.65E | na |
| **2013E** | **na** | **na** | **na** | **na** | **4.95E** | **5.04E** |
| Previous | na | na | na | na | na | na |

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.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**See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.**

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| Fiscal year end 31-Dec | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|---|---|---|---|---|
| **Valuation Ratios** | | | | | |
| P/E adjusted (x) | 13.0 | 12.6 | 11.8 | 11.3 | 10.7 |
| EV/EBITDA adjusted (x) | 7.1 | 6.5 | 6.9 | 8.7 | 8.8 |
| P/BV (x) | 1.7 | 1.5 | 1.4 | 1.3 | 1.2 |
| Dividend yield (%) | 3.6 | 3.8 | 3.9 | 4.1 | 4.4 |
| **Per Share Data (US$)** | | | | | |
| EPS adjusted | 4.04 | 4.20 | 4.45 | 4.67 | 4.95 |
| EPS reported | 3.90 | 4.20 | 4.45 | 4.67 | 4.95 |
| BVPS | 31.77 | 34.81 | 37.38 | 40.04 | 42.89 |
| DPS | 1.89 | 1.98 | 2.08 | 2.19 | 2.30 |
| **Profit & Loss (US$M)** | | | | | |
| Net sales | 15,647 | 15,153 | 16,952 | 17,787 | 18,817 |
| Operating expenses | -12,962 | -12,134 | -13,900 | -14,860 | -15,820 |
| **EBIT** | **2,685** | **3,019** | **3,053** | **2,927** | **2,997** |
| Net interest expense | -854 | -974 | -1,106 | -1,139 | -1,312 |
| Non-operating/exceptionals | 73 | 163 | 83 | 304 | 510 |
| **Pre-tax profit** | **1,904** | **2,208** | **2,030** | **2,092** | **2,194** |
| Tax | -325 | -486 | -175 | -131 | -99 |
| Extraord./Min.Int./Pref.div. | 0 | 0 | 0 | 0 | 0 |
| **Reported net income** | **1,580** | **1,722** | **1,855** | **1,961** | **2,095** |
| Adjusted earnings | 1,639 | 1,722 | 1,855 | 1,961 | 2,095 |
| Adjusted EBITDA | 5,159 | 5,757 | 5,633 | 4,630 | 4,824 |
| **Growth Rates (%)** | | | | | |
| Sales | -4.6 | -3.2 | 11.9 | 4.9 | 5.8 |
| EBIT adjusted | 9.4 | 8.8 | 1.1 | -4.1 | 2.4 |
| EBITDA adjusted | 31.8 | 11.6 | -2.1 | -17.8 | 4.2 |
| EPS adjusted | 5.4 | 3.9 | 6.0 | 4.8 | 6.0 |
| **Cash Flow (US$M)** | | | | | |
| **Operating cash flow** | **5,185** | **4,765** | **4,741** | **3,455** | **3,568** |
| Depreciation/amortization | 2,384 | 2,738 | 2,581 | 1,703 | 1,827 |
| Net working capital | 204 | 92 | 0 | 0 | 0 |
| **Investing cash flow** | **-6,127** | **-5,282** | **-5,950** | **-5,900** | **-4,662** |
| Capital expenditure | -6,146 | -6,052 | -5,950 | -5,900 | -4,662 |
| Acquisitions/disposals | 0 | 0 | 0 | 0 | 0 |
| **Financing cash flow** | **1,185** | **1,618** | **2,138** | **1,166** | **2,063** |
| Borrowings | 1,755 | 2,012 | 2,786 | 1,885 | 2,785 |
| Dividends paid | -765 | -813 | -868 | -919 | -972 |
| **Change in cash** | **243** | **1,102** | **929** | **-1,279** | **968** |
| **Balance Sheet (US$M)** | | | | | |
| **Total assets** | **48,945** | **55,649** | **60,891** | **64,006** | **68,152** |
| Cash & cash equivalent | 742 | 1,807 | 2,896 | 1,617 | 2,586 |
| Accounts receivable | 2,606 | 2,723 | 2,723 | 2,723 | 2,723 |
| Net fixed assets | 36,078 | 39,076 | 43,349 | 47,743 | 50,920 |
| **Total liabilities** | **36,028** | **41,231** | **45,266** | **47,139** | **49,912** |
| Accounts payable | 1,898 | 2,050 | 2,050 | 2,050 | 2,050 |
| Total Debt | 18,890 | 20,823 | 23,609 | 25,494 | 28,279 |
| **Shareholders' funds** | **12,917** | **14,418** | **15,625** | **16,867** | **18,239** |
| **Profitability/Solvency Ratios (%)** | | | | | |
| EBITDA margin adjusted | 33.0 | 38.0 | 33.2 | 26.0 | 25.6 |
| ROE adjusted | 13.3 | 12.6 | 12.3 | 12.1 | 11.9 |
| ROIC adjusted | 6.4 | 5.9 | 6.1 | 5.4 | 5.2 |
| Net debt to equity | 140.5 | 131.9 | 132.6 | 141.6 | 140.9 |
| Total debt to capital | 59.4 | 59.1 | 60.2 | 60.2 | 60.8 |

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STAFF 005497
FPL RC-12

# Uncertainties Cloud Roadmap Into 2013

**Valuation of NextEra Energy**

We value NextEra on a sum of the parts basis, with the merchant business on an EV/EBITDA basis, and the regulated utility on a P/E basis. We are also shifting our valuation year to 2013.

**Regulated Utility**

We estimate NextEra's regulated utility, Florida Power & Light (FP&L), to generate an EPS of $2.65/share in 2013. The earnings power in 2013 & beyond will be dependent on the outcome of the 2012 general rate case, and recovery for assets that might fall outside the base rate format.

- **New Authorized RoE**: Our estimate utilizes an average rate base level of ~$23B (consistent with NextEra's disclosure of expected rate base between $23.6B-$23.8B at the end of 2012). We assume a regulatory equity ratio of 47%, and an authorized RoE of 10.5%. As a reminder, FP&L's current authorized RoE is 10%, based on 2010 rate case decision. Therefore, we are giving FP&L a benefit of the doubt by assuming a pickup in RoE.

- **Inclusion of two gas plants in rates**: FP&L is currently constructing two large gas fired plants, the ~1200MW Cape Canaveral, and the ~1200MW Riviera Beach facility. The total capital spent on these two plants is expected to be ~$2.4B. Canaveral is expected to come on-line in mid-'13, while Riviera is slated to come on-line in mid'14. Therefore, as part of the 2012 rate filing, FP&L might need to consider: **1)** Inclusion of the Canaveral plant into rates possibly as part of the 2012 general rate case, given that the on-line date (mid-'13) coincides with new base rates expected to go into effect on 1/1/13. **2)** Requesting a mechanism such as the Generation Base Rate Adjustment (GBRA) or a separate regulatory filing to include the Riviera plant into rates once it is on-line in mid'14.

- **Smart Grid program:** As part of the Energy Smart Florida plant, FP&L is in the process of deploying smart meters from 2009-2013. The total capital for this project is $900mm. Revenue requirement for this project was approved through 2010, as part of the 2010 rate case decision. Therefore, it is likely that the 2012 rate case filing will need to request recovery of the Energy Smart plan for years '11-'13.

- **Nuclear uprates**: FP&L is currently embarked on a nuclear uprate program from 2011-2013, totaling $2.3B. The recovery of this spending is covered through a nuclear recovery clause, which is separate from base rates. Given the large amount of capital that is being recovered, this program might get more attention during the 2012 base rate case, since the recovery for the nuclear uprate program, are additive to the overall base rate revenue requirement, including some of the projects mentioned above.

**Overall take:** It is likely that the regulatory dynamics during the 2012 rate case deliberations will be better than the one during the '09/'10 proceeding. However, given the major projects that FP&L will need to include in rates during '13 and '14, in addition to an increase in base rates, the size of the overall rate request could be substantial. We believe investors at this stage have largely assumed an improving regulatory environment in Florida and significant growth in rate base, but should begin to tactically consider when headline risk and rate case timing may present periods of greater share performance volatility in 2012.

**STAFF 005498**
**FPL RC-12**

## Detailed Valuation Commentary

We utilize a target 14x P/E multiple to our 2013 $2.65/share EPS to calculate a $37/share value for the utility. Our target multiple is discounted back by one year (to account for our one year forward looking target price framework), resulting in an effective target multiple of 12.5x.

Our base utility multiple of 14x is above the 30-year historical average multiple for regulated utilities of 12.5x, and reflects a historical relationship of bond yields and utility equity valuations. Our 14x multiple reflects an in-house economics research view of a 10 year Treasury yield of approximately 4% in 12 months. We have expressed this relationship through regression analysis in prior research.

**Figure 1. Target Value**

| Valuation | |
|---|---|
| Core Power Open EBITDA | 589 |
| Core Power Multiple | 8.0x |
| Core Power Enterprise Value | 4,710 |
| Wind EBITDA | 2,048 |
| Wind Multiple | 8.0x |
| Wind Enterprise Value | 16,384 |
| Total Merchant EV | 21,093 |
| Total Merchant & Corp Net Debt | (12,661) |
| NPV of Climate Legislation | 527 |
| NPV of Solar Projects | 293 |
| Merchant Equity Value | 9,252 |
| # of shares o/s | 423 |
| Merchant Value/share | 22.00 |
| Utility EPS | 2.65 |
| Multiple | 14.0x |
| Utility Value | $37.00 |
| Target Price | $59.00 |
| Discount Rate | 11% |
| Discount Period | 1 |
| PV | $53.00 |

Source: Citi Investment Research and Analysis

**Merchant Valuation:**

Based on our latest commodity curve as of 3/2/11, we calculate the open EBITDA of the core generation portfolio (ex-wind) to be ~$600mm. We then apply an 8x EBITDA multiple to calculate an enterprise value of ~$4.7B for the core power business.

We project the wind business to generate ~$2B of EBITDA (including the value of tax credits) in 2013. We assume new wind additions of 800mw/900mw/1000mw from '11-'13.

Note that the tax credits (PTCs and ITCs) for wind are set to expire at the end of 2012. It will require legislation at the Federal level to extend the tax credits. Given this uncertainty post-2012, we are lowering our wind business EBITDA multiple to 8x from 8.5x. Utilizing an 8x multiple, we calculate the value of the wind portfolio to be ~$16B.

In total, we calculate the enterprise value of the merchant business to be ~$21B. We then subtract ~$12.6B of merchant and parent level debt to calculate an equity value of ~$8.4B. The way we derive our net debt figure is as follows:

**Figure 2. Net Debt**

| Net Debt YE2010 | |
|---|---|
| Long Term Debt | $18,013 |
| Short-term Debt | $889 |
| Current Debt | $1,920 |
| Less: Cash | ($302) |
| Net Debt | $20,520 |
| 2011 Cash Flow Movement | |
| Operating Cash Flows | ($3,840) |
| Capex | $5,950 |
| Dividends | $868 |
| Stock repurchase/ (issuance) | ($220) |
| Tax Credits | ($1,061) |
| 2012 Cash Flow Movement | |
| Operating Cash Flows | ($3,455) |
| Capex | $5,900 |
| Dividends | $919 |
| Stock repurchase/ (issuance) | ($200) |
| Net Debt YE 2012 | $25,381 |
| Less: Utility Net Debt | ($12,720) |
| Merchant & Corp Net Debt | $12,661 |

Source: Citi Investment Research and Analysis

As of YE 2010, NextEra has total consolidated net debt (including both long-term and short-term debt) of ~$20.5B. By the end of 2012, we project this debt balance to grow to ~$25B, given the need to finance growth in capital projects both at the regulated utility and the merchant business. Based on NextEra's disclosures, the company expects total rate base of ~$24B at the regulated utility in 2012. We assume a regulatory equity ratio of 47%, to calculate implied debt at the regulated business of ~$12.7B. We then subtract this figure from the estimated total ~$25B debt, to calculate ~$12.6B of debt for the merchant and the parent.

We also incorporate ~$500mm of value to reflect the benefit of a future climate change legislation. Our assumption incorporates a climate change legislation in 2019/20 timeframe, with a carbon price of $15/ton.

Lastly, we give credit to NextEra on an NPV basis for the proposed 250MW Genesis solar project in California (expected to fully come online by 2014), and 100MW solar project in Spain (expected to be fully online by 2013).

STAFF 005499
FPL RC-12

We see the value of these two projects anywhere between $0.50-$1.00/share, depending on power purchase agreement (PPA) price and/or Feed-in-Tariff (applicable for the Spain project) level, capacity factor, and O&M.

As a base case in our valuation, we assign ~$0.50/share value to these two solar projects.

In total, we calculate the total equity value of the merchant business to be ~$9.2B, or a rounded-up value of $22/share.

**Total Value**: Incorporating $37/share value for the utility, and $22/share for the merchant business, leads to a total value of $59/share. Given that our target price is based on '13 estimates, and is intended to reflect where the stock should be in 12 months' time, we discount our target by one-year, at 11%, to arrive at an unchanged final target price of $53/share.

**EPS changes**: Please note there is no single item that leads to our small full year estimate changes for 2011 and 2012 of five cents and two cents, respectively. The tweaks to our model primarily include small changes to our utility and merchant segment assumptions for '11 and '12.

# NextEra Energy Inc

## Valuation

Our unchanged target price is $53/share. We value NextEra Energy, an integrated utility, based on a sum of the parts approach, using a 14.0x regulated utility EPS multiple and an 8.0x EBITDA multiple (was 8.5x) for the wind and the core power business. We also make adjustments for hedges, value for future climate change legislation, and now also add value for future solar projects. Our target price is intended to reflect where the shares should trade one year forward from today.

## Risks

We rate NextEra Energy Medium Risk. The financial strength of NextEra's core utility business should allow for consistent growth in cash flow and stable earnings. NextEra's balance sheet should improve over time. Risks we see to the stock achieving our target price include the following:

Health of Florida Economy: NextEra's electric utility, FP&L, is exposed to the Florida economy, which may result in a level of electricity sales below our expectations, and might make it tougher for regulators to approve future cap-ex programs and rate increases.

Commodity Prices: NextEra's earnings are subject to market forces of commodity prices. NextEra's merchant generation portfolio is hedged ~94%/88% in '11 and '12, respectively, per latest company presentation. The remainder of the power is sold at current forward prices. Changes in forward prices could positively or negatively impact our forecasted earnings and cash flow, which could impact the stock price.

(CEG.N; US$30.75; 1H)

# Constellation Energy Group, Inc.

## Valuation

Our Constellation target price is $35/share. We value Constellation, an integrated utility, based on a sum of the parts approach. Our target is intended to reflect where the shares should trade one year forward from today. Our consolidated target is the result of the sum of our $14 target for the regulated business and our $21 target for the merchant competitive business.

## Risks

Regulated rate base growth risk — Our current rate base profile implies ~6% rate base growth from 2009 to 2013E. If our rate base growth projections are too aggressive and Constellation is unable to meet our expectations, the earnings and stock price could be materially impacted and fail to achieve our target. Conversely, if rate base growth for Constellation exceeds our estimates, the stock may materially outperform and exceed our projections and target.

Liquidity risk from merchant Customer Supply hedges. Retail power sales when not matched with generation may lead to significant collateral swings when gas

and power prices vary materially. Only 60% of Constellation's customer supply load is matched by generation.

Regulatory risk affecting merchant Generation business in Maryland. In 2009 Maryland Governor O'Malley proposed legislation to re-regulate Maryland's power generation but the proposal did not pass. The Governor continues to promote re-regulation and has asked the Public Service Commission to order new electricity generation to be built in Maryland. The new generation would be built under a traditional rate regulated cost of service basis. It is unclear how or if the PSC will implement this request by the governor. But if the PSC were to issue a request for proposal (RFP) we would expect fears of incremental capacity coming online could result in lower energy and capacity prices in Maryland.

Commodities price risk affecting merchant Generation. If natural gas prices fall (rise), wholesale power prices will likely fall (rise), limiting (raising) dark spreads. Constellation is inherently a long natural gas position since natural gas generation sets the price of power in its key coal generation markets. If forward natural gas prices fall significantly from current prices, Constellation might have to re-contract at incrementally lower margins.

Environmental regulation risk on merchant Generation. Environmental regulations are expected to tighten in the near future. EPA is planning to issue new SOX, NOX, Particulate Matter, Mercury, and other pollutants rules between 2010E and 2012E. Although Constellation's plants are currently complying with the Maryland Health Air Act, if EPA were to issue more stringent rules, some Constellation plants could potentially either be forced to invest in SOX scrubbers or retire. The main plants at risk would be the C.P. Crane and H.A. Wagner coal plants of~ 400 MW and ~1,000 MW, respectively.

# Appendix A-1

## Analyst Certification

**The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.**

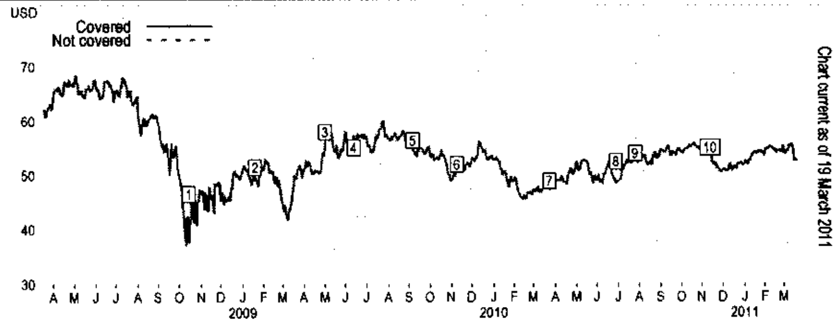
**STAFF 005502**
**FPL RC-12**

## IMPORTANT DISCLOSURES

### NextEra Energy Inc (NEE)

**Ratings and Target Price History**
**Fundamental Research**

Analyst: Brian Chin




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 15-Oct-08 | *2M | *45.00 | 37.49 |
| 2 | 20-Jan-09 | 2M | *52.50 | 49.80 |
| 3 | 1-May-09 | 2M | *54.00 | 56.05 |
| 4 | 12-Jun-09 | 2M | *58.00 | 57.39 |
| 5 | 6-Sep-09 | 2M | *55.00 | 55.13 |
| 6 | 10-Nov-09 | *1M | *58.00 | 50.61 |
| 7 | 24-Mar-10 | 1M | *54.00 | 47.27 |
| 8 | 29-Jun-10 | 1M | *55.00 | 48.37 |
| 9 | 27-Jul-10 | *2M | *54.00 | 53.80 |
| 10 | 12-Nov-10 | 2M | *53.00 | 53.63 |

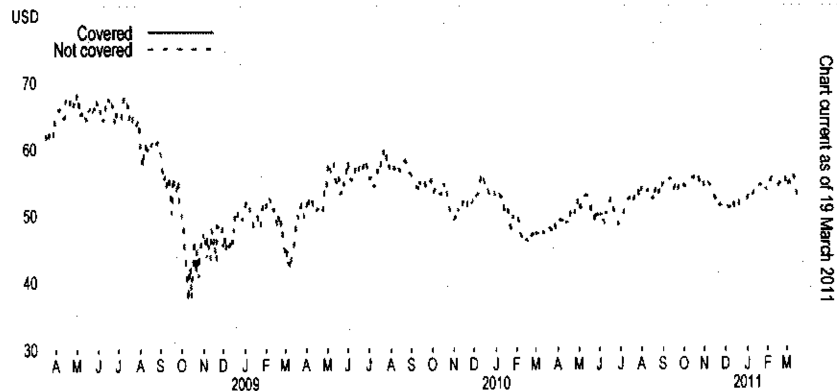
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### NextEra Energy Inc (NEE)

**Ratings and Target Price History**
**Best Ideas Research**
**Relative Call (3 Month)**

Analyst: Brian Chin



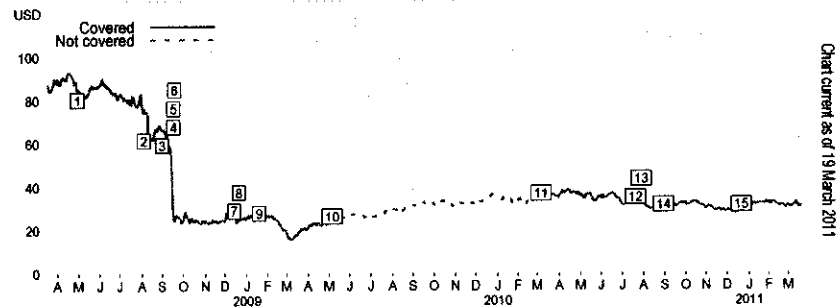

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### Constellation Energy Group, Inc. (CEG)

**Ratings and Target Price History**
**Fundamental Research**

Analyst: Brian Chin
Covered since March 5 2010




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 30-Apr-08 | *1H | *112.00 | 84.65 |
| 2 | 5-Aug-08 | 1H | *105.00 | 76.38 |
| 3 | 1-Sep-08 | 1H | *95.00 | 66.71 |
| 4 | 17-Sep-08 | *1S | *53.00 | 24.77 |
| 5 | 17-Sep-08 | *2S | *40.00 | 24.77 |
| 6 | 18-Sep-08 | 2S | *26.50 | 24.20 |
| 7 | 15-Dec-08 | 2S | *29.75 | 27.30 |
| 8 | 22-Dec-08 | 2S | *30.00 | 24.57 |
| 9 | 20-Jan-09 | 2S | *34.00 | 26.85 |
| 10 | 6-May-09 | Coverage terminated | | |
| 11 | 5-Mar-10 | *2H | *37.00 | 36.65 |
| 12 | 21-Jul-10 | 2H | *36.00 | 32.89 |
| 13 | 29-Jul-10 | 2H | *34.00 | 31.75 |
| 14 | 31-Aug-10 | 2H | *33.00 | 29.33 |
| 15 | 22-Dec-10 | *1H | *35.00 | 30.75 |

* Indicates change

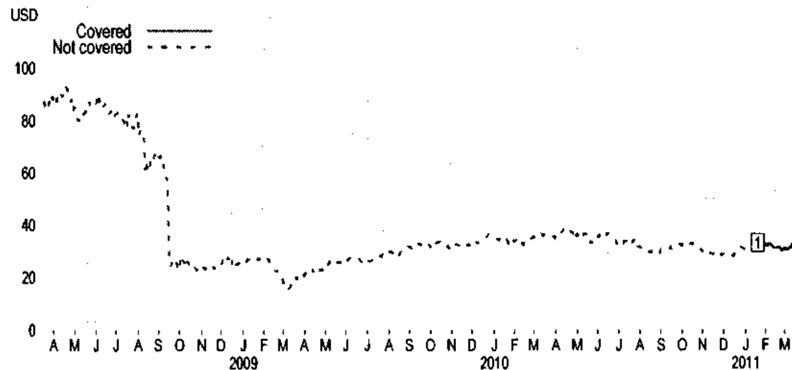
Rating/target price changes above reflect Eastern Standard Time

**STAFF 005503**
**FPL RC-12**

## Constellation Energy Group, Inc. (CEG)

**Ratings and Target Price History**
**Best Ideas Research**
**Relative Call (3 Month)**

Analyst: Brian Chin
Covered since March 5 2010




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 20-Jan-11 | *ADD MP | - | 32.16 |

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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| | *12 Month Rating* | | | *Relative Rating* | | |
|---|---|---|---|---|---|---|
| *Data current as of 31 Dec 2010* | **Buy** | **Hold** | **Sell** | **Buy** | **Hold** | **Sell** |
| Citi Investment Research & Analysis Global Fundamental Coverage | 52% | 37% | 11% | 0% | 100% | 0% |
| *% of companies in each rating category that are investment banking clients* | 45% | 44% | 40% | 0% | 44% | 0% |

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**Risk ratings**, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

**Investment ratings** are a function of CIRA's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" will be monitored daily by management. As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis.

To satisfy regulatory requirements, we correspond Under Review to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

**Relative three-month ratings:** CIRA may also assign a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the analyst's coverage universe over a 3 month period. The relative call may highlight a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) will indicate the most and least preferred stocks in his coverage universe, explaining the basis for this short-term view. This three-month view may be different from and does not affect a stock's fundamental equity rating, which reflects a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls correspond to a buy recommendation and least preferred calls correspond to a sell recommendation. Any

stock not assigned to a most preferred or least preferred call is considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we correspond NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we do not consider NRR to be a recommendation.

For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings are:Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

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Citigroup Global Markets Inc — Brian Chin; Hasan Doza, CFA

## OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 18 March 2011 04:00 PM on the issuer's primary market.

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This Product has been modified by the author following a discussion with one or more of the named issuers/issuers of the named securities.

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Equities

22 August 2011 | 8 pages

# NextEra Energy Inc (NEE)

## Alert: Management Meetings Provide More Confident Outlook

Company Update

**We recently met with management of NextEra for a status update. We walked away more confident in the NextEra investment outlook.** Items discussed: a) Florida Commission actions signaling a more constructive tone, b) use of proceeds of a possible sale of natural gas assets, and c) need for a new gas pipeline to Florida.

**The Florida Public Service Commission appears to be acting in a more constructive manner.** Among several recent decision in the last few months, the Commission Staff has issued: 1) a recommendation supporting a bid rule exemption for the $1.2B Port Everglades proposal, 2) a Staff recommendation that an audit for affiliate transactions appears clean, 3) a nuclear cost recovery decision that was completed in 1.5 days versus an originally scheduled 5 days, and 4) a Gulf Power interim rate recommendation that so far has been relatively drama-free. While none of these items is individually material, collectively they appear to signal a Commission tone more constructive to capital investment. We had been expecting an improvement from the prior Commission, but these changes confirm concrete changes and signal Florida should be viewed in a more positive light.

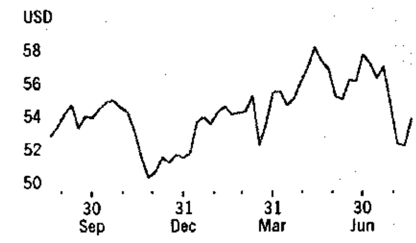
**Natural gas asset sale and proceed use is the next major event for the NEE story.** On its 2Q11 call, management indicated the potential sale of five natural gas fired power plants. Any partial or whole combination of five plants may be considered. During our meeting, we gained the following takeaways: 1) management is targeting preserving the current 50/50 debt/equity ratio with its proceed use, 2) as always, management is open to opportunistic asset purchases (we assume renewable or nuclear assets are preferred), 3) we left the meeting believing the dividend would not likely be altered, 4) buying back debt and equity are possible uses of proceeds, but we believe an opportunistic asset purchase is also possible. Timing was not given.

**Third gas pipeline to Florida could represent a capital investment opportunity.** With the modernization/construction of the West County 3, Riviera, Cape Canaveral and upcoming Port Everglades projects, we believe Florida's natural gas fired capacity likely requires a third natural gas pipeline. A third line was proposed in 2009 but was not approved by that state Commission; we believe the new Commission may represent a new chance to address gas infrastructure shortfalls.

**We are more confident in the NEE investment outlook.** We rate shares of NEE 2M due to valuation and concerns over the growth rate of its renewables platform. At the same time, this meeting reinforced the strengthening of the regulated utility's outlook. Further meeting details are discussed in this note.

| **Hold/Medium Risk** | **2M** |
|---|---|
| Price (19 Aug 11) | US$54.29 |
| Target price | US$53.00 |
| Expected share price return | -2.4% |
| Expected dividend yield | 3.7% |
| **Expected total return** | **1.4%** |
| Market Cap | US$22,908M |

**Price Performance**
**(RIC: NEE.N, BB: NEE US)**





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STAFF 005508
FPL RC-12

Citigroup Global Markets

**Florida Power & Light's next rate case will likely be filed sometime in early 2012.** Current rates expire at year end 2012, and typically 8-10 months are needed to litigate a rate case. The utility is required to give 60 days' notice prior to its rate case filing.

**2Q11 beat may largely be due to timing, not weather.** We commented in our last NEE note at https://www.citigroupgeo.com/pdf/SNA85238.pdf that 2Q11 that NEE appeared to beat consensus due to weather. This is inaccurate; this note corrects that explanation.

Florida Power & Light has a depreciation and amortization adjustment mechanism that is used to allay the earnings impact of substantively positive weather effects. The mechanism is used to "band" the rates of return within the settlement's terms. The D&A mechanism lasts till March 2013 (every four years), after which another depreciation study is due. In the most recent settlement the company agreed to use $776 million of the mechanism by end of 2012, with an excess of $120 million left for 2013. In all likelihood, any rate requests in the next rate case would be offset by the remaining balance.

When we asked management about the 2Q11 beat (given weather was not the correct explanation), there did not seem to be any single factor that might explain consensus estimates versus actual results. Rather, management signaled to us 2Q11 and YTD results were on track, resulting in no changes to guidance. In our view, the timing of last year's seasonality and rate adjustments may have led to inaccurate timing of Street quarterly estimates. Accordingly, the 2Q11 beat does not appear to have had lasting ramifications for long term earnings power.

**Management provided more color for the motivation behind a possible natural gas asset sale.** A possible sale was discussed on the 2Q11 call since management believed enough industry chatter was circulating around the idea that it was best to disclose its intentions. Nothing concrete at this juncture has been decided, and any combination of the five assets may be sold. Notably, the company has seen gas asset transaction multiples rise relative to its own view of the assets' worth. The assets under consideration are mostly in the Southeast; we do not believe the New England merchant portfolio is under heavy consideration for a sale.

**On the contracted renewables front, California and Canada continue to be bright spots.** Utilities in the US continue to seek wind contracts ahead of the approaching 2012 deadline for wind production tax credit incentives. The Canadian market continues to open at an annual rate of roughly 1,000 MW/yr, versus a US market at roughly 6,000 MW/yr. Ontario's feed in tariff remains attractive. We expect to see a few Canadian provinces announcing requests for proposals, following recent announcements in Quebec and New Brunswick. California also continues to be a bright spot, with a market of about 1,500 MW of wind and solar developments per year. Falling solar prices continue to drive growth, with NextEra's management team largely referring to FirstSolar's disclosures as a gauge of pricing. Also, the CPUC is still in the process of interpreting/implementing the Legislature's renewables requirements.

STAFF 005509
FPL RC-12

# NextEra Energy Inc

## Valuation

Our target price is $53/share. We value NextEra Energy, an integrated utility, based on a sum of the parts approach, using a 14.0x regulated utility EPS multiple and a 8.0x EBITDA multiple for the wind and the core power business. We also make adjustments for hedges, value for a future climate change legislation, and value for future solar projects. Our target is intended to reflect where the shares should trade one year forward from today.

## Risks

We rate NextEra Energy Medium Risk. The financial strength of NextEra's core utility business should allow for consistent growth in cash flow and stable earnings. NextEra's balance sheet should improve over time. Risks we see to the stock achieving our target price include the following:

Health of Florida Economy: NextEra's electric utility, FP&L, is exposed to the Florida economy, which may result in a level of electricity sales below our expectations, and might make it tougher for regulators to approve future cap-ex programs and rate increases.

Commodity Prices: NextEra's earnings are subject to market forces of commodity prices. NextEra's merchant generation portfolio is hedged ~94%/88% in '11 and '12, respectively, per latest company presentation. The remainder of the power is sold at current forward prices. Changes in forward prices could positively or negatively impact our forecasted earnings and cash flow, which could impact the stock price.

# Appendix A-1

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**Fundamental Research**

Analyst: Brian Chin

| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 15-Oct-08 | *2M | *45.00 | 37.49 |
| 2 | 20-Jan-09 | 2M | *52.50 | 49.80 |
| 3 | 1-May-09 | 2M | *54.00 | 56.05 |
| 4 | 12-Jun-09 | 2M | *58.00 | 57.39 |
| 5 | 6-Sep-09 | 2M | *55.00 | 55.13 |
| 6 | 10-Nov-09 | *1M | *58.00 | 50.61 |
| 7 | 24-Mar-10 | 1M | *54.00 | 47.27 |
| 8 | 29-Jun-10 | 1M | *55.00 | 48.37 |
| 9 | 27-Jul-10 | *2M | *54.00 | 53.80 |
| 10 | 12-Nov-10 | 2M | *53.00 | 53.63 |

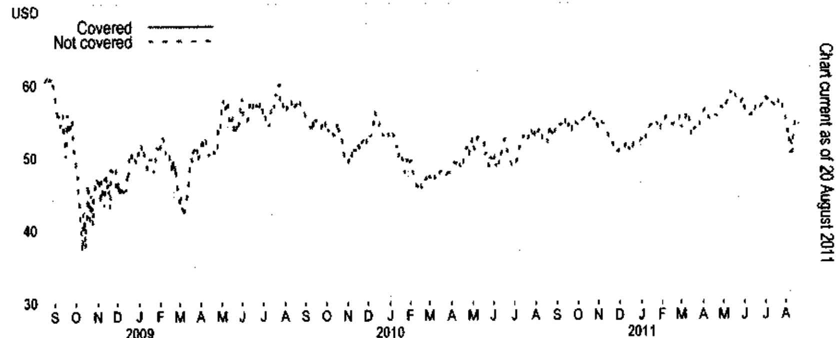
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### NextEra Energy Inc (NEE)

**Ratings and Target Price History**
**Best Ideas Research**
**Relative Call (3 Month)**

Analyst: Brian Chin

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|---|---|---|---|---|---|---|

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**Q.**
With respect to page 6, lines 19 – 21 of witness Dewhurst's direct testimony, please provide any documentation from independent, third party sources that support the views expressed in the above referenced testimony.

**A.**
Mr. Dewhurst's testimony is based primarily on conversations with rating agencies, debt and equity investors and securities analysts. These conversations allow Mr. Dewhurst to understand both equity and debt investor and credit rating perceptions and concerns. The documents provided represent credit rating agency and securities analyst reports that express or reflect some of those views.

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 |

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## 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

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 | | | |

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STANDARD & POOR'S

Global Credit Portal
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March 11, 2010

Research Update:

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

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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'.



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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



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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.



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FPL RC-12

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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).

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FitchRatings

# Fitch: U.S. Electric Utility Allowed Returns on Equity Stable Over the Last Five Years

Endorsement Policy
22 Mar 2010 12:16 PM (EDT)

Fitch Ratings-New York-22 March 2010: Fitch Ratings has issued a special report today evaluating trends in U.S. electric utility allowed returns on equity (ROEs). Fitch reviewed 41 rate case decisions that occurred in 2009 and early 2010 to determine if the long-term downward trend of ROEs over the past 20 years persisted. Fitch concluded that contrary to investors' perception, there is evidence that allowed ROEs have stabilized over the past five years. ROEs authorized in 2009 and so far in 2010 average 10.47%, within the prior five-year range of 10.26% - 10.52%.

The adequacy of ROEs authorized to regulated utilities by state regulatory commissions is important for fixed-income investors. In cost of service regulation the ROE provides a cushion for bondholders against deviations in operating expenses, electricity sales and other adverse circumstances, and contributes to the differentiation in ratings.

Fitch evaluates the adequacy of each utility's respective ROE on a case by case basis, with the level of allowed ROE just a single component of rate design. An ability to consistently earn the authorized ROE, the authorized equity ratio, and the percentage of revenues that flow through clauses (rather than base rates) are also among the important inputs to Fitch's view of a utility's regulatory environment.

The special report, 'Fitch Review of Utility ROE Trends' summarizes recent and pending rate case decisions and compares the relationship among ROE, credit spreads and credit ratings. It is available on Fitch's web site, www.fitchratings.com.

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Additional information is available at www.fitchratings.com.

**Related Research:** Fitch Review of Utility ROE Trends

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Michigan | Consumers Energy Co. | C-U-16191 | Electric | 1/22/2010 | 150.0 | 7.16 | 11.00 | 41.49 | 6,970.00 | 11/4/2010 | 145.8 | 6.98 | 10.70 | 41.59 | 06/2011 | 6,873.41 | Average |
| Hawaii | Maui Electric Company Ltd | D-2006-0387 | Electric | 2/23/2007 | 18.3 | 8.98 | 11.25 | 54.89 | 366.00 | 7/30/2010 | 13.2 | 8.67 | 10.70 | 54.89 | 12/2007 | 382.97 | Average |
| Hawaii | Hawaiian Electric Co. | D-2006-0386 | Electric | 12/22/2006 | 99.6 | 8.92 | 11.25 | 55.10 | 1,214.00 | 9/14/2010 | 77.5 | 8.62 | 10.70 | 55.10 | 12/2007 | 1,158.32 | Average |
| Hawaii | Hawaii Electric Light Co | D-2005-0315 | Electric | 5/5/2006 | 29.9 | 8.65 | 11.25 | 50.83 | 369.14 | 10/28/2010 | 24.6 | 8.33 | 10.70 | 51.19 | 12/2006 | 357.24 | Average |
| South Carolina | Duke Energy Carolinas LLC | D-2009-226-E | Electric | 7/27/2009 | 132.9 | 8.83 | 11.50 | 53.00 | 3,285.00 | 1/27/2010 | 74.1 | 8.41 | 10.70 | 53.00 | 12/2008 | 3,189.30 | Year-end |
| South Carolina | South Carolina Electric & Gas | D-2009-489-E | Electric | 1/15/2010 | 197.6 | 9.03 | 11.60 | 52.96 | 4,821.00 | 7/15/2010 | 101.2 | 8.56 | 10.70 | 52.96 | 09/2009 | 4,759.34 | Year-end |
| North Carolina | Virginia Electric & Power Co. | D-E-22, Sub 459 | Electric | 2/15/2010 | 29.1 | 8.98 | 11.90 | 53.09 | 679.34 | 12/13/2010 | 3.1 | 8.22 | 10.70 | 51.00 | 12/2008 | 591.68 | Year-end |
| Minnesota | Otter Tail Power Co. | D-E-017/GR-10-239 | Electric | 4/2/2010 | 11.1 | 8.88 | 11.25 | 51.70 | 218.15 | 4/25/2011 | 5.0 | 8.61 | 10.74 | 51.70 | 12/2009 | 215.09 | Average |
| North Dakota | MDU Resources Group Inc. | C-PU-10-124 | Electric | 4/19/2010 | 8.8 | 8.74 | 10.75 | 53.34 | 265.88 | 6/8/2011 | 7.6 | 8.74 | 10.75 | 53.34 | 12/2010 | NA | NA |
| Iowa | Interstate Power & Light Co. | D-RPU-2009-0002 | Electric | 3/17/2009 | 146.7 | 9.23 | 11.54 | 49.50 | 1,850.84 | 1/4/2010 | 83.7 | 8.91 | 10.80 | 49.52 | 12/2008 | 1,820.88 | Average |
| Virginia | Appalachian Power Co. | C-PUE-2011-00037 | Electric | 3/31/2011 | 126.4 | 8.14 | 11.65 | 42.69 | 2,202.00 | 11/30/2011 | 55.1 | 7.82 | 10.90 | 42.69 | 12/2010 | 2,172.00 | Year-end |
| South Carolina | South Carolina Electric & Gas | D-2010-157-E | Electric | 5/28/2010 | 54.6 | 8.60 | 11.00 | 53.36 | 462.00 | 9/30/2010 | 47.3 | 8.63 | 11.00 | 53.52 | 06/2010 | 399.10 | Year-end |
| South Carolina | South Carolina Electric & Gas | D-2011-207-E | Electric | 5/27/2011 | 58.5 | 8.85 | 11.00 | 54.58 | 484.70 | 9/30/2011 | 52.8 | 8.85 | 11.00 | 54.67 | 06/2011 | 436.73 | Year-end |
| Michigan | Detroit Edison Co. | C-U-15768 | Electric | 1/26/2009 | 377.7 | 7.26 | 11.50 | 39.48 | 9,305.00 | 1/11/2010 | 217.4 | 7.02 | 11.00 | 39.48 | 06/2010 | 9,172.16 | Average |
| Georgia | Georgia Power Co. | D-31958 | Electric | 7/1/2010 | 615.0 | 8.76 | 11.95 | 50.40 | 14,568.00 | 12/29/2010 | 562.3 | NA | 11.15 | NA | NA | NA | NA |
| California | Pacific Gas and Electric Co. | AP-09-12-020 (elec) | Electric | 12/21/2009 | 856.0 | 8.79 | 11.35 | 52.00 | 14,783.00 | 5/13/2011 | 403.0 | 8.79 | 11.35 | 52.00 | 12/2011 | 14,174.95 | Average |
| Virginia | Virginia Electric & Power Co. | C-PUE-2009-00019 | Electric | 3/31/2009 | 250.2 | 9.74 | 14.00 | 47.71 | 8,754.95 | 3/11/2010 | NA | NA | 11.90 | NA | 12/2008 | NA | NA |
| Virginia | Virginia Electric & Power Co. | C-PUE-2010-00054 | Electric | 6/25/2010 | 45.9 | 8.78 | 12.30 | 49.37 | 1,401.57 | 3/22/2011 | 44.7 | 8.76 | 12.30 | 49.37 | 03/2012 | 1,405.73 | Average |
| Virginia | Virginia Electric & Power Co. | C-PUE-2010-00055 | Electric | 6/25/2010 | 13.9 | 8.78 | 12.30 | 49.37 | 449.18 | 3/22/2011 | 13.8 | 8.76 | 12.30 | 49.37 | 03/2012 | 449.18 | Average |
| Virginia | Virginia Electric & Power Co. | C-PUE-2009-00011 | Electric | 3/31/2009 | 99.2 | 10.41 | 14.50 | 52.06 | 1,154.12 | 3/11/2010 | 71.0 | 7.81 | 12.30 | 47.71 | 03/2011 | 1,153.29 | Average |
| Virginia | Virginia Electric & Power Co. | C-PUE-2009-00017 | Electric | 3/31/2009 | 77.3 | 10.41 | 14.50 | 52.06 | 418.70 | 3/11/2010 | 64.4 | 7.81 | 12.30 | 47.41 | 03/2011 | 418.70 | Average |
| Alaska | Alaska Electric Light Power | D-U-10-029 | Electric | 5/3/2010 | 15.8 | 10.39 | 14.75 | 53.80 | 112.47 | 9/2/2011 | 6.7 | 9.38 | 12.88 | 53.80 | 12/2009 | 110.66 | Average |
| Texas | Southwestern Electric Power Co | D-39708 | Electric | 8/31/2011 | 60.3 | 8.21 | 10.33 | 49.70 | 372.90 | 12/21/2011 | NA | NA | NA | NA | NA | NA | NA |
| Idaho | Idaho Power Co. | C-IPC-E-11-08 | Electric | 6/1/2011 | 82.6 | 8.17 | 10.50 | 51.20 | 2,355.91 | 12/30/2011 | 34.0 | 7.86 | NA | NA | 12/2011 | 2,355.91 | NA |
| Utah | PacifiCorp | D-10-035-89 | Electric | 8/3/2010 | 39.0 | 8.34 | 10.60 | 51.00 | 312.85 | 12/21/2010 | 33.3 | NA | NA | NA | NA | NA | NA |
| Missouri | Empire District Electric Co. | C-ER-2011-0004 | Electric | 9/28/2010 | 36.5 | 8.82 | 10.60 | 50.95 | 1,067.91 | 6/1/2011 | 18.7 | NA | NA | NA | 06/2009 | NA | NA |
| Maryland | Delmarva Power & Light Co. | C-9249 | Electric | 12/21/2010 | 18.3 | 8.08 | 10.75 | 49.81 | 344.57 | 7/8/2011 | 12.2 | NA | NA | NA | 12/2010 | NA | NA |
| Idaho | Avista Corp. | C-AVU-E-10-01 | Electric | 3/23/2010 | 32.1 | 8.55 | 10.90 | 50.00 | 607.96 | 9/21/2010 | 21.3 | NA | NA | NA | 12/2009 | NA | NA |
| Idaho | Avista Corp. | C-AVU-E-11-01 | Electric | 7/5/2011 | 9.0 | 8.49 | 10.90 | 50.15 | 627.00 | 9/30/2011 | 2.8 | NA | NA | NA | 12/2010 | NA | NA |
| Washington | Avista Corp. | D-UE-110876 | Electric | 5/16/2011 | 38.3 | 8.23 | 10.90 | 48.04 | 1,127.81 | 12/16/2011 | 20.0 | NA | NA | NA | NA | NA | NA |
| Wyoming | PacifiCorp | D-20000-352-ER-09 | Electric | 10/2/2009 | 62.0 | 8.63 | 11.00 | 52.80 | 1,724.57 | 5/14/2010 | 35.5 | 8.33 | NA | NA | NA | 1,724.57 | NA |
| Utah | PacifiCorp | D-10-035-13 | Electric | 2/1/2010 | 33.7 | 8.54 | 11.00 | 51.00 | 221.32 | 6/15/2010 | 30.8 | NA | NA | NA | NA | NA | NA |
| Missouri | Empire District Electric Co. | C-ER-2010-0130 | Electric | 10/29/2009 | 68.2 | 8.93 | 11.00 | 48.00 | 1,077.38 | 8/18/2010 | 46.8 | NA | NA | NA | 06/2009 | NA | Year-end |
| Montana | MDU Resources Group Inc. | D-D2010.8.82 | Electric | 8/11/2010 | 4.9 | 8.78 | 11.00 | 51.15 | 87.25 | 8/2/2011 | 2.6 | NA | NA | NA | NA | NA | NA |
| South Dakota | Northern States Power Co. - MN | D-EL09-009 | Electric | 6/30/2009 | 18.6 | 9.02 | 11.25 | 51.63 | 282.64 | 1/5/2010 | 10.9 | 8.32 | NA | NA | NA | NA | NA |
| Pennsylvania | Duquesne Light Co. | D-R-2010-2179522 | Electric | 7/23/2010 | 87.3 | 8.78 | 11.25 | 52.42 | 1,439.93 | 2/24/2011 | 45.7 | NA | NA | NA | 03/2011 | NA | NA |
| New Mexico | Southwestern Public Service Co | C-10-00395-UT | Electric | 2/28/2011 | 19.9 | 9.04 | 11.25 | 51.11 | 390.28 | 12/28/2011 | 13.5 | NA | NA | NA | NA | NA | NA |
| Kansas | Empire District Electric Co. | D-10-EPDE-314-RTS | Electric | 11/4/2009 | 5.2 | 8.80 | 11.30 | 48.29 | 69.18 | 6/23/2010 | 2.8 | NA | NA | NA | NA | NA | NA |
| Texas | El Paso Electric Co. | D-37690 | Electric | 12/9/2009 | 50.8 | 9.22 | 11.35 | 51.27 | 969.24 | 7/30/2010 | 17.2 | NA | NA | NA | 06/2009 | NA | NA |
| Texas | Southwestern Public Service Co | D-38147 | Electric | 5/17/2010 | 55.4 | 9.24 | 11.35 | 51.00 | 941.06 | 3/25/2011 | 52.5 | NA | NA | NA | 12/2009 | NA | NA |
| Texas | Southwestern Electric Power Co | D-37364 | Electric | 8/28/2009 | 61.9 | 8.78 | 11.50 | 50.65 | 668.74 | 4/16/2010 | 25.0 | NA | NA | NA | 03/2009 | NA | NA |
| South Dakota | Black Hills Power Inc. | D-EL09-018 | Electric | 9/29/2009 | 38.8 | 9.27 | 11.50 | 52.00 | 393.43 | 7/7/2010 | 22.0 | 8.26 | NA | NA | 06/2009 | 380.53 | Average |
| Kentucky | Kentucky Utilities Co. | C-2009-00548 | Electric | 1/29/2010 | 135.3 | 8.32 | 11.50 | 53.85 | 3,054.54 | 7/30/2010 | 98.0 | NA | NA | NA | 10/2009 | NA | Year-end |
| Kentucky | Louisville Gas & Electric Co. | C-2009-00549 (elec.) | Electric | 1/29/2010 | 94.6 | 8.32 | 11.50 | 53.86 | 1,805.79 | 7/30/2010 | 74.0 | NA | NA | NA | 10/2009 | NA | Year-end |
| Pennsylvania | PECO Energy Co. | D-R-2010-2161575 | Electric | 3/31/2010 | 316.4 | 8.95 | 11.75 | 53.18 | 3,236.00 | 12/16/2010 | 225.0 | NA | NA | NA | 12/2010 | NA | NA |
| Pennsylvania | PPL Electric Utilities Corp. | D-R-2010-2161694 | Electric | 3/31/2010 | 114.7 | 9.11 | 11.75 | 48.37 | 2,244.96 | 12/16/2010 | 77.5 | NA | NA | NA | 12/2010 | NA | NA |
| West Virginia | Monongahela Power Co. | C-09-1352-E-42T | Electric | 8/13/2009 | 122.1 | 9.31 | 12.25 | 41.60 | 1,545.48 | 6/25/2010 | 80.0 | 8.71 | NA | NA | 12/2008 | 1,289.61 | NA |
| Oregon | Portland General Electric Co. | D- UE 204 | Electric | 10/24/2008 | 12.9 | NA | NA | NA | NA | 1/22/2010 | 9.8 | NA | NA | NA | NA | NA | NA |
| Georgia | Georgia Power Co. | D-32539 | Electric | 9/3/2010 | 218.0 | NA | NA | NA | NA | 12/30/2010 | 223.0 | NA | NA | NA | 12/2011 | NA | NA |
| Wisconsin | Wisconsin Electric Power Co. | D-5-UR-105 (WEP-EL) | Electric | 5/26/2011 | 0.0 | NA | NA | NA | NA | 10/6/2011 | 0.0 | NA | NA | NA | 12/2012 | NA | NA |
| Georgia | Georgia Power Co. | D-32539 (2012 Update) | Electric | 11/1/2011 | 35.6 | NA | NA | NA | NA | 12/26/2011 | 35.6 | NA | NA | NA | 12/2012 | NA | NA |

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## Rate Case History

### Past Rate Cases

| State | Company | Case Identification | Service | Increase Requested: Date | Rate Increase ($M) | Return on Rate Base (%) | Return on Equity (%) | Common Equity/Total Cap (%) | Rate Base ($M) | Increase Authorized: Date | Rate Increase ($M) | Return on Rate Base (%) | Return on Equity (%) | Common Equity/Total Cap (%) | Test Year End | Rate Base ($M) | Rate Base Valuation Method |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Massachusetts | Fitchburg Gas & Electric Light | DPU 11-01 | Electric | 1/14/2011 | 7.2 | 8.58 | 10.70 | 42.88 | 57.51 | 8/1/2011 | 3.3 | 7.93 | 9.20 | 42.88 | 12/2009 | 56.33 | Year-end |
| New York | Orange & Rockland Utils Inc. | C-10-E-0362 | Electric | 7/30/2010 | 64.4 | 8.23 | 11.00 | 50.20 | 672.23 | 6/16/2011 | 26.6 | 7.22 | 9.20 | 48.00 | 06/2012 | 629.88 | Average |
| New York | Niagara Mohawk Power Corp. | C-10-E-0050 | Electric | 1/29/2010 | 361.2 | 7.85 | 10.85 | 50.01 | 4,019.30 | 1/20/2011 | 119.3 | 6.51 | 9.30 | 48.00 | 12/2011 | 3,999.50 | Average |
| Connecticut | Connecticut Light & Power Co. | D-09-12-05 | Electric | 1/8/2010 | 177.6 | 8.23 | 10.50 | 49.20 | 2,776.61 | 6/30/2010 | 101.9 | 7.68 | 9.40 | 49.20 | 06/2009 | 2,790.25 | Date Certain |
| Massachusetts | Western Massachusetts Electric | DPU 10-70 | Electric | 7/16/2010 | 28.4 | 8.11 | 10.50 | 50.70 | 381.60 | 1/31/2011 | 16.8 | 7.63 | 9.60 | 50.70 | 12/2009 | 370.44 | Year-end |
| District of Columbia | Potomac Electric Power Co. | F.C. 1076 | Electric | 5/22/2009 | 44.5 | 8.53 | 10.75 | 46.18 | 1,020.10 | 3/2/2010 | 19.8 | 8.01 | 9.63 | 46.18 | 12/2008 | 1,010.26 | Average |
| New Hampshire | Public Service Co. of NH | D-DE-09-035 | Electric | 6/30/2009 | 67.6 | 7.92 | 10.50 | 51.06 | 777.57 | 6/28/2010 | 57.4 | 7.51 | 9.67 | 52.40 | NA | NA | NA |
| New Hampshire | Unitil Energy Systems Inc. | D-DE 10-055 | Electric | 4/15/2010 | 10.1 | 8.83 | 10.70 | 44.18 | 130.36 | 4/26/2011 | 6.6 | 8.39 | 9.67 | 45.45 | NA | NA | NA |
| Arizona | UNS Electric Inc. | D-E-04204A-09-0206 | Electric | 4/30/2009 | 13.5 | 9.04 | 11.40 | 45.76 | 175.82 | 9/30/2010 | 7.4 | 8.28 | 9.75 | 45.76 | 12/2008 | 168.57 | Year-end |
| Washington | PacifiCorp | D-UE-100749 | Electric | 5/4/2010 | 47.7 | 8.34 | 10.60 | 52.10 | 775.00 | 3/25/2011 | 33.5 | 7.81 | 9.80 | 49.10 | 12/2009 | 729.00 | Average |
| Rhode Island | Narragansett Electric Co. | D-4065 | Electric | 6/1/2009 | 67.6 | 8.96 | 11.60 | 50.05 | 580.00 | 2/9/2010 | 25.8 | 7.31 | 9.80 | 48.78 | 12/2008 | 550.87 | Average |
| Maryland | Potomac Electric Power Co. | C-9217 | Electric | 12/30/2009 | 28.2 | 8.63 | 10.75 | 48.87 | 924.12 | 8/6/2010 | 7.8 | 8.18 | 9.83 | 48.87 | 12/2009 | 906.04 | Average |
| Maryland | Baltimore Gas and Electric Co. | C-9230 (elec) | Electric | 5/7/2010 | 92.3 | 8.99 | 11.65 | 51.93 | 2,291.47 | 12/6/2010 | 31.0 | 8.06 | 9.86 | 51.93 | 07/2010 | 2,242.60 | Average |
| Idaho | PacifiCorp | C-PAC-E-10-07 | Electric | 5/28/2010 | 24.9 | 8.34 | 10.60 | 52.10 | 650.60 | 12/27/2010 | 14.4 | 7.98 | 9.90 | 52.10 | 12/2009 | 677.56 | Average |
| Colorado | Black Hills Colorado Electric | D-11AL-387E | Electric | 4/28/2011 | 17.5 | 9.28 | 11.00 | 52.00 | 407.54 | 12/22/2011 | 10.5 | 8.53 | 9.90 | 49.10 | 12/2010 | 405.75 | Average |
| Illinois | Ameren Illinois | D-09-0306 (CILCO) | Electric | 6/5/2009 | 17.1 | 9.62 | 11.70 | 43.62 | 329.28 | 4/29/2010 | 4.9 | 8.05 | 9.90 | 43.61 | 12/2008 | 284.02 | Year-end |
| Indiana | Northern IN Public Svc Co. | Ca-43526 | Electric | 8/29/2008 | 26.3 | 8.36 | 12.00 | 49.95 | 2,639.19 | 8/25/2010 | -48.9 | 7.29 | 9.90 | 49.95 | 12/2007 | 2,639.19 | Year-end |
| Arkansas | Oklahoma Gas and Electric Co. | D-10-067-U | Electric | 9/28/2010 | 17.7 | 6.61 | 11.25 | 38.93 | 443.88 | 6/17/2011 | 8.8 | 5.93 | 9.95 | 34.90 | 12/2009 | 428.86 | Year-end |
| New York | Central Hudson Gas & Electric | C-09-E-0588 | Electric | 7/31/2009 | 26.3 | 7.44 | 10.00 | 48.00 | 694.12 | 6/16/2010 | 11.8 | 7.43 | 10.00 | 48.00 | 06/2011 | 692.91 | Average |
| Oregon | Portland General Electric Co. | D-UE 215 | Electric | 2/16/2010 | 157.8 | 8.29 | 10.50 | 50.00 | 3,243.60 | 12/17/2010 | 100.2 | 8.03 | 10.00 | 50.00 | 12/2011 | 3,150.00 | Average |
| Utah | PacifiCorp | D-10-035-124 | Electric | 1/24/2011 | 188.1 | 8.20 | 10.50 | 51.90 | 5,586.05 | 8/11/2011 | 117.0 | 7.94 | 10.00 | 51.90 | 06/2012 | NA | NA |
| Wyoming | PacifiCorp | D-20000-384-ER-10 | Electric | 11/22/2010 | 80.1 | 8.26 | 10.50 | 52.30 | 1,786.87 | 9/22/2011 | 61.3 | 8.00 | 10.00 | 52.30 | 12/2011 | 1,782.00 | Average |
| Kansas | Kansas City Power & Light | D-10-KCPE-415-RTS | Electric | 12/17/2009 | 50.9 | 8.93 | 10.75 | 46.17 | 1,784.30 | 11/22/2010 | 21.9 | 8.37 | 10.00 | 49.66 | 09/2009 | 1,781.00 | Year-end |
| Delaware | Delmarva Power & Light Co. | D-09-414 | Electric | 9/18/2009 | 24.2 | 7.97 | 10.75 | 47.52 | 461.30 | 1/18/2011 | 16.4 | 7.61 | 10.00 | 47.52 | 03/2009 | 443.26 | Average |
| Missouri | Kansas City Power & Light | C-ER-2010-0355 | Electric | 6/4/2010 | 66.5 | 8.93 | 10.75 | 46.29 | 2,035.80 | 4/12/2011 | 34.8 | 8.58 | 10.00 | 46.30 | 12/2009 | 2,035.82 | Year-end |
| Missouri | KCP&L Greater Missouri Op Co | C-ER-2010-0356 (MPS) | Electric | 6/4/2010 | 65.2 | 8.73 | 10.75 | 46.29 | 1,428.07 | 5/4/2011 | 35.7 | 8.41 | 10.00 | 46.58 | 12/2009 | 1,337.00 | Year-end |
| Missouri | KCP&L Greater Missouri Op Co | C-ER-2010-0356 (L&P) | Electric | 6/4/2010 | 23.2 | 8.73 | 10.75 | 46.29 | 396.28 | 5/4/2011 | 29.8 | 8.41 | 10.00 | 46.58 | 12/2009 | 422.00 | Year-end |
| Ohio | Columbus Southern Power Co. | C-11-0351-EL-AIR | Electric | 2/28/2011 | 34.2 | 8.36 | 11.15 | 50.64 | 910.95 | 12/14/2011 | 0.0 | 7.78 | 10.00 | 50.64 | 05/2011 | 908.00 | Date Certain |
| Texas | CenterPoint Energy Houston | D-38339 | Electric | 6/30/2010 | 92.4 | 9.00 | 11.25 | 50.00 | 2,560.23 | 2/3/2011 | 14.7 | 8.21 | 10.00 | 45.00 | 12/2009 | 2,398.36 | Year-end |
| Hawaii | Hawaiian Electric Co. | D-2008-0083 | Electric | 7/3/2008 | 89.8 | 8.87 | 11.25 | 55.81 | 1,252.80 | 2/25/2011 | 66.4 | 8.16 | 10.00 | 55.81 | 12/2009 | 1,250.49 | Average |
| New York | NY State Electric & Gas Corp. | C-09-E-0715 | Electric | 9/17/2009 | 160.6 | 8.66 | 11.43 | 48.00 | 1,589.01 | 9/16/2010 | 66.8 | 7.46 | 10.00 | 48.00 | 08/2011 | 1,565.82 | Average |
| New York | Rochester Gas & Electric Corp. | C-09-E-0717 | Electric | 9/17/2009 | 82.1 | 9.41 | 11.43 | 48.00 | 968.54 | 9/16/2010 | 33.1 | 8.47 | 10.00 | 48.00 | 08/2011 | 922.88 | Average |
| West Virginia | Appalachian Power Co. | C-10-0699-E-42T | Electric | 5/14/2010 | 223.8 | 8.28 | 11.75 | 42.64 | 2,639.58 | 3/30/2011 | 119.1 | 7.36 | 10.00 | 42.20 | 12/2009 | 2,428.00 | Average |
| New Mexico | Public Service Co. of NM | C-10-00086-UT | Electric | 6/1/2010 | 165.2 | 9.43 | 11.75 | 49.62 | 1,858.51 | 8/8/2011 | 72.1 | 8.41 | 10.00 | 51.28 | 06/2010 | 1,802.31 | Year-end |
| Florida | Florida Power & Light Co. | D-080677-EI | Electric | 3/18/2009 | 1,043.5 | 8.00 | 12.50 | 47.93 | 17,063.59 | 3/17/2010 | 75.5 | 6.65 | 10.00 | 47.00 | 12/2010 | 16,787.43 | Average |
| Wyoming | MDU Resources Group Inc. | D-20004-81-ER-09 | Electric | 8/14/2009 | 5.1 | 9.62 | 12.75 | 49.77 | 71.78 | 4/27/2010 | 2.7 | 8.25 | 10.00 | 49.77 | 12/2008 | 71.86 | Year-end |
| Illinois | Ameren Illinois | D-09-0307 (CIPS) | Electric | 6/5/2009 | 38.0 | 8.68 | 11.30 | 48.67 | 537.24 | 4/29/2010 | 23.7 | 8.02 | 10.06 | 48.67 | 12/2008 | 475.73 | Year-end |
| Washington | Puget Sound Energy Inc. | D-UE-090704 | Electric | 5/8/2009 | 110.3 | 8.50 | 10.80 | 48.00 | 3,805.68 | 4/2/2010 | 74.1 | 8.10 | 10.10 | 46.00 | 12/2008 | 3,796.61 | Average |
| Missouri | Union Electric Co. | C-ER-2010-0036 | Electric | 7/24/2009 | 286.9 | 8.42 | 10.80 | 51.26 | 6,000.00 | 5/28/2010 | 229.8 | 8.06 | 10.10 | 51.26 | 03/2009 | 6,000.00 | Year-end |
| Oregon | PacifiCorp | D-UE-217 | Electric | 3/1/2010 | 130.9 | 8.38 | 10.60 | 53.30 | 3,315.96 | 12/14/2010 | 80.0 | 8.08 | 10.13 | 51.00 | 12/2011 | 3,311.41 | Average |
| Oregon | PacifiCorp | D-UE-210 | Electric | 4/2/2009 | 92.1 | 8.55 | 11.00 | 51.20 | 2,958.31 | 1/26/2010 | 41.5 | 8.08 | 10.13 | 51.00 | 12/2010 | 2,907.83 | Average |
| Texas | Entergy Texas Inc. | D-37744 | Electric | 12/30/2009 | 198.7 | 9.82 | 11.50 | 51.94 | 1,561.00 | 12/1/2010 | 68.0 | 8.52 | 10.13 | NA | 06/2009 | NA | NA |
| Texas | Texas-New Mexico Power Co. | D-36480 | Electric | 8/26/2010 | 16.3 | 10.65 | 11.50 | 50.00 | 332.19 | 1/20/2011 | 8.3 | 9.90 | 10.13 | 45.00 | 03/2010 | 332.13 | Year-end |
| New York | Consolidated Edison Co. of NY | C-09-E-0428 | Electric | 5/8/2009 | 853.0 | 8.29 | 10.90 | 48.00 | 15,107.00 | 3/25/2010 | 540.8 | 7.76 | 10.15 | 48.00 | 03/2011 | 14,887.00 | Average |
| Oklahoma | Public Service Co. of OK | Ca-PUD201000050 | Electric | 7/9/2010 | 82.4 | 8.79 | 11.50 | 45.84 | 1,691.25 | 1/5/2011 | 30.3 | 8.17 | 10.15 | 45.84 | 02/2010 | 1,706.27 | Year-end |
| Oregon | Idaho Power Co. | D-UE-213 | Electric | 7/31/2009 | 7.3 | 8.68 | 11.25 | 49.80 | 110.80 | 2/24/2010 | 5.0 | 8.06 | 10.18 | 49.80 | 12/2009 | 109.60 | Average |
| Nevada | Nevada Power Co. | D-11-06006 | Electric | 6/6/2011 | 249.9 | 8.72 | 11.44 | 44.38 | 5,586.97 | 12/23/2011 | 158.6 | 8.17 | 10.19 | 44.38 | 12/2010 | 5,478.59 | Year-end |
| Arkansas | Entergy Arkansas Inc. | D-09-084-U | Electric | 9/4/2009 | 168.6 | 5.73 | 10.65 | NA | 4,017.95 | 5/28/2010 | 63.7 | 5.04 | 10.20 | 29.32 | 06/2009 | 3,995.61 | Year-end |
| Missouri | Union Electric Co. | C-ER-2011-0028 | Electric | 9/3/2010 | 211.2 | 8.39 | 10.70 | 52.24 | 6,709.66 | 7/13/2011 | 173.2 | 8.13 | 10.20 | 52.24 | 03/2010 | 6,620.00 | Year-end |
| Michigan | Upper Peninsula Power Co. | C-U-16417 | Electric | 6/30/2011 | 7.7 | 6.88 | 10.75 | 45.74 | 176.04 | 12/20/2011 | 4.2 | 6.25 | 10.20 | 45.74 | 12/2012 | NA | NA |
| Washington | Avista Corp. | D-UE-100467 | Electric | 3/23/2010 | 55.3 | 8.33 | 10.90 | 48.39 | 1,075.67 | 11/19/2010 | 29.5 | 7.91 | 10.20 | 46.50 | 12/2009 | 1,056.08 | Average |
| Indiana | Northern IN Public Svc Co. | Ca-43969 | Electric | 11/19/2010 | 75.7 | 7.70 | 11.75 | 46.53 | 2,705.91 | 12/21/2011 | 6.9 | 6.98 | 10.20 | 46.53 | 06/2010 | 2,705.91 | Year-end |
| Michigan | Wisconsin Electric Power Co. | C-U-15981 | Electric | 7/2/2009 | 36.5 | 7.27 | 10.75 | 47.61 | 330.59 | 7/1/2010 | 23.5 | 6.99 | 10.25 | 47.61 | 12/2010 | 324.37 | Average |
| Montana | NorthWestern Energy Division | D-D2009.9.129 (elec) | Electric | 10/16/2009 | 13.6 | 8.30 | 10.90 | 49.45 | 632.39 | 12/9/2010 | 7.0 | 7.92 | 10.25 | 48.00 | 12/2008 | 632.39 | Average |
| Texas | Oncor Electric Delivery Co. | D-38929 | Electric | 1/7/2011 | 352.8 | 8.76 | 11.25 | 45.00 | 8,118.24 | 8/19/2011 | 136.7 | 8.14 | 10.25 | 40.00 | 06/2010 | 8,098.41 | Year-end |
| Illinois | Ameren Illinois | D-09-0308 (IP) | Electric | 6/5/2009 | 59.9 | 9.74 | 11.70 | 44.00 | 1,466.76 | 4/29/2010 | 28.2 | 8.97 | 10.26 | 43.55 | 12/2008 | 1,363.79 | Year-end |
| Wisconsin | Madison Gas and Electric Co. | D-3270-UR-117 (elec) | Electric | 4/22/2010 | 32.8 | 9.17 | 10.40 | 57.27 | 431.39 | 1/12/2011 | 8.0 | 8.77 | 10.30 | 58.06 | 12/2011 | 425.09 | Average |
| New Jersey | Rockland Electric Company | D-ER-09080668 | Electric | 8/17/2009 | 13.7 | 8.57 | 11.00 | 49.85 | 149.53 | 5/12/2010 | 9.8 | 8.21 | 10.30 | 49.85 | 12/2009 | 148.64 | Year-end |
| Virginia | Kentucky Utilities Co. | PUE-2011-00013 | Electric | 4/1/2011 | 9.3 | 7.60 | 11.00 | 52.00 | 190.81 | 10/12/2011 | 6.7 | 7.24 | 10.30 | 53.37 | 12/2010 | 188.65 | Average |
| Ohio | Ohio Power Co. | C-11-0352-EL-AIR | Electric | 2/28/2011 | 59.6 | 8.43 | 11.15 | 53.79 | 1,015.24 | 12/14/2011 | 0.0 | 7.97 | 10.30 | 53.79 | 05/2011 | 1,003.67 | Date Certain |
| New Jersey | Public Service Electric Gas | D-GR09050422 (EL) | Electric | 5/29/2009 | 139.8 | 8.79 | 11.25 | 51.20 | 3,800.00 | 6/7/2010 | 73.5 | 8.21 | 10.30 | 51.20 | 12/2009 | 3,750.00 | Year-end |
| Michigan | Upper Peninsula Power Co. | C-U-16166 | Electric | 6/30/2010 | 15.5 | 7.93 | 11.25 | 50.42 | 168.27 | 12/21/2010 | 8.9 | 7.12 | 10.30 | 50.42 | NA | NA | NA |
| Wisconsin | Wisconsin Public Service Corp. | D-6690-UR-120 (elec) | Electric | 4/1/2010 | 64.2 | 8.67 | 11.25 | 53.62 | 1,296.03 | 1/13/2011 | 21.0 | 7.86 | 10.30 | 51.65 | 12/2011 | 1,294.00 | Average |
| New Jersey | Atlantic City Electric Co. | D-ER-09080664 | Electric | 8/14/2009 | 45.8 | 9.13 | 11.50 | 47.62 | 808.60 | 5/12/2010 | 20.0 | 8.69 | 10.30 | 49.10 | 12/2009 | 761.63 | Year-end |
| Minnesota | Interstate Power & Light Co. | D-E-001/GR-10-276 | Electric | 5/7/2010 | 14.0 | 8.18 | 10.50 | 47.74 | 146.30 | 8/12/2011 | 8.4 | 8.11 | 10.35 | 47.74 | 12/2009 | 125.79 | Average |
| Michigan | Indiana Michigan Power Co. | C-U-16180 | Electric | 1/27/2010 | 62.5 | 8.16 | 11.75 | 44.19 | 600.94 | 10/14/2010 | 35.7 | 7.53 | 10.35 | 44.14 | 12/2010 | 595.44 | Average |
| Minnesota | ALLETE (Minnesota Power) | D-E-015/GR-09-1151 | Electric | 11/2/2009 | 74.5 | 8.18 | 10.38 | 54.29 | 1,043.47 | 11/2/2010 | 67.5 | 8.18 | 10.38 | 54.29 | 12/2010 | 1,043.37 | Average |
| Kansas | Kansas Gas and Electric Co. | D-09-WSEE-925-RTS (KG&E) | Electric | 6/2/2009 | 10.0 | 8.49 | 10.40 | 50.13 | 62.09 | 1/27/2010 | 8.6 | 8.49 | 10.40 | 50.13 | NA | NA | NA |
| Kansas | Westar Energy Inc. | D-09-WSEE-925-RTS (WR) | Electric | 6/2/2009 | 9.7 | 8.49 | 10.40 | 50.13 | 35.39 | 1/27/2010 | 8.6 | 8.49 | 10.40 | 50.13 | NA | NA | NA |
| Indiana | Southern Indiana Gas & Elec Co | Ca-43839 | Electric | 12/11/2009 | 34.0 | 7.42 | 10.70 | 43.46 | 1,300.42 | 4/27/2011 | 28.6 | 7.29 | 10.40 | 43.46 | 06/2009 | 1,295.61 | Year-end |
| Wisconsin | Northern States Power Co - WI | D-4220-UR-117 (elec) | Electric | 6/1/2011 | 17.7 | 8.77 | 10.75 | 52.59 | 718.10 | 12/22/2011 | 12.2 | 8.52 | 10.40 | 52.59 | 12/2012 | 717.91 | Average |
| Iowa | Interstate Power & Light Co. | D-RPU-2010-0001 | Electric | 3/10/2010 | 150.0 | 8.67 | 10.85 | 51.30 | 2,452.18 | 12/15/2010 | 114.0 | 8.06 | 10.44 | 44.24 | 12/2009 | 2,389.65 | Average |
| Michigan | Detroit Edison Co. | C-U-16472 | Electric | 10/29/2010 | 357.3 | 6.87 | 11.13 | 40.26 | 10,075.50 | 10/20/2011 | 167.5 | 6.59 | 10.50 | 40.26 | 03/2012 | 10,016.05 | Average |
| Illinois | Commonwealth Edison Co. | D-10-0467 | Electric | 6/30/2010 | 342.7 | 8.98 | 11.50 | 47.28 | 7,349.23 | 5/24/2011 | 155.7 | 8.51 | 10.50 | 47.28 | 12/2009 | 6,548.59 | Year-end |
| Kentucky | Kentucky Power Co. | C-2009-00459 | Electric | 12/29/2009 | 123.6 | 8.52 | 11.75 | 42.91 | 1,012.69 | 6/28/2010 | 63.7 | NA | 10.50 | NA | 09/2009 | NA | Year-end |
| Colorado | Black Hills Colorado Electric | D-10AL-008E | Electric | 1/5/2010 | 23.0 | 10.00 | 11.80 | 52.00 | 136.00 | 8/4/2010 | 17.9 | 9.32 | 10.50 | 52.00 | 07/2009 | NA | NA |
| Virginia | Kentucky Utilities Co. | C-PUE-2009-00029 | Electric | 6/3/2009 | 12.2 | 8.59 | 12.00 | 53.26 | 155.60 | 3/4/2010 | 10.6 | 7.85 | 10.50 | 53.62 | 12/2008 | 163.60 | Average |
| Florida | Florida Power Corp. | D-090079-EI | Electric | 3/20/2009 | 500.0 | 9.21 | 12.54 | 50.52 | 6,238.62 | 3/5/2010 | 126.2 | 7.88 | 10.50 | 46.74 | 12/2010 | 6,302.28 | Average |
| Virginia | Appalachian Power Co. | C-PUE-2009-00030 | Electric | 7/15/2009 | 167.2 | 9.03 | 13.35 | 41.61 | 2,172.89 | 7/15/2010 | 61.5 | 7.85 | 10.53 | 41.53 | 12/2008 | 2,096.00 | Year-end |
| Utah | PacifiCorp | D-09-035-23 | Electric | 6/23/2009 | 67.2 | 8.54 | 11.00 | 51.00 | 4,627.29 | 2/18/2010 | 32.4 | 8.34 | 10.60 | 51.00 | 06/2010 | 4,628.44 | Average |
| California | PacifiCorp | A-09-11-015 | Electric | 11/20/2009 | 8.4 | 8.69 | 11.00 | 54.41 | 274.80 | 9/3/2010 | 4.1 | 8.37 | 10.60 | 52.20 | 12/2011 | 270.78 | Average |
| Nevada | Sierra Pacific Power Co. | D-10-06001 | Electric | 6/1/2010 | 29.4 | 8.35 | 11.20 | 44.11 | 1,595.77 | 12/20/2010 | 13.1 | 8.06 | 10.60 | 44.11 | 12/2009 | 1,580.15 | Year-end |

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INDUSTRY OUTLOOK

# US Regulated Electric and Gas Utilities: Stable Despite Rising Headline Rhetoric

Our outlook for the investor-owned US regulated electric and gas utility sector is stable. This outlook reflects our expectations for the fundamental business conditions in the industry over the next 12 to 18 months.

» **Our outlook for the US investor-owned regulated electric and gas utility sector is stable.** This outlook is based on our view that supportive regulatory relationships will remain intact, where prudently incurred costs and investments are recovered in a timely manner; that capital markets will remain open and welcoming; and that external cash flow requirements will be financed with a balanced mix of debt and equity.

» **Financing large capital investment programs is a key risk factor to our outlook.** Utilities face a sustained period of outsized capital investment requirements, primarily related to maintenance and environmental compliance. But we've also seen utilities quickly defer or delay discretionary capital investment, in part to mitigate consumer rate shock risks.

» **Capital markets remain open and welcoming.** Utilities continue to enjoy strong access to capital markets, but volatility in the financial institutions sector, and especially European banks, is rising. Should access to capital become limited, it could present a material negative risk to our outlook.

» **The 2012 election cycle will likely bring campaign rhetoric touching on energy policy, infrastructure investment and environmental regulation in the US.** However, we do not expect this to impact credit ratings, as our focus on the political and regulatory environment is primarily at the state and local level.

» **Nevertheless, utilities own and operate critical infrastructure assets, a key ingredient for a functioning economy, and they are major employers in their communities.** This role is not lost on utility management teams whose constituency outreach efforts generally lead to relatively positive regulatory outcomes. Most utilities resemble quasi-governmental tax collecting agents, provide a source of jobs and make timely and sizeable local property tax payments.

*Note: Industry outlooks are not explicit signals of the likely direction of ratings in an industry. They are a view of the business conditions that factor into our ratings.*

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## Supportive regulatory relationships remain intact

Today, the vast majority of utilities continue to enjoy healthy relationships with regulators, under which the timely recovery of prudently incurred costs and investments, at a reasonable rate of return, is the norm. As owners of critical infrastructure assets, utilities maintain effective constituent outreach efforts with both regulators and, more importantly, elected officials. The result is evidenced in the regulatory process, where reasonable outcomes underlie our views for low utility default rates and high recovery rates in the event of default. The table below illustrates selected regulatory decisions in 2011:

FIGURE 1

**Selected examples of 2011 rate case resolutions**

| State | Company | Rate Increase ($M) | Return on Equity (%) | Rate Increase Authorized as % of Rate Increase Requested |
|---|---|---|---|---|
| Missouri | KCP&L Greater Missouri | 29.8 | 10.00 | 128% |
| Virginia | Virginia Electric & Power | 44.7 | 12.30 | 97% |
| Texas | Southwestern Public Service | 52.5 | NA | 82% |
| South Carolina | South Carolina Electric & Gas | 52.8 | 11.00 | 90% |
| Indiana | Southern Indiana Gas & Elec | 28.6 | 10.40 | 84% |
| Missouri | Union Electric | 173.2 | 10.20 | 82% |
| Wyoming | PacifiCorp | 61.3 | 10.00 | 77% |
| Hawaii | Hawaiian Electric | 66.4 | 10.00 | 74% |
| Washington | PacifiCorp | 33.5 | 9.80 | 70% |
| Delaware | Delmarva Power & Light | 16.4 | 10.00 | 68% |

NOTE: Rate increases may include fuel and other rider recovery

*Source: SNL*

We see a sustained pace of more frequent requests for rate relief, and an increasing trend for special, single-issue rate riders and/or trackers as part of the overall rate recovery structure. We view single issue rate riders as a net credit benefit, primarily due to the increased transparency associated with recovery[1].

## Rate shock and consumer affordability still a key risk factor

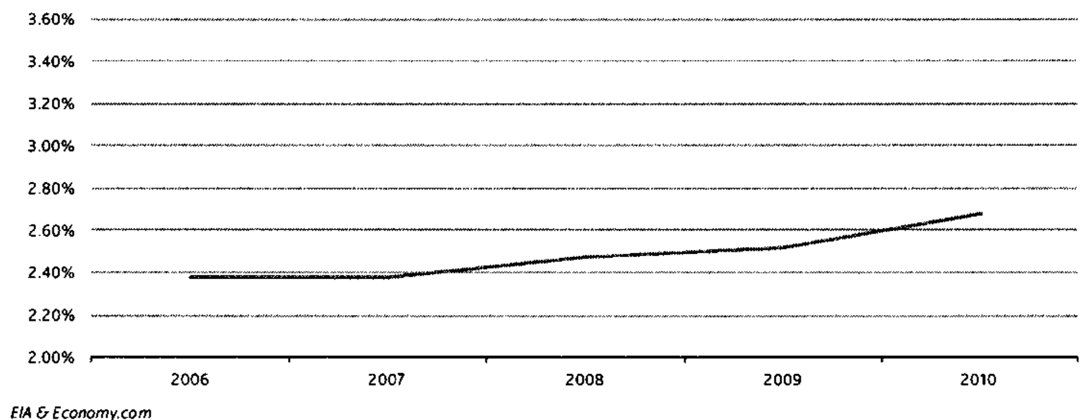
Most utility management teams are very successful in managing consumer rate shock pressures. We see this competency being tested over the next few years, as utilities look to implement annual rate increases of approximately 3% - 5% in the presence of a prolonged weak economy, characterized by high unemployment, low wage inflation and widening income inequality. Should rate increases reach the point where wide-ranging consumer dissatisfaction leads to more contentious regulation (the "inflection point"), the entire sector could be negatively affected. A much larger risk lies in the potential for political intervention, which we see as a more unpredictable and severe event risk, accompanied by material unintended consequences.

[1] See Decoupling and 21st Century Rate Making, November 2011 (136797)

Although we see no signs of wide ranging contentiousness at this time, we have seen recent evidence that our "inflection point" has been breached in several local jurisdictions[2]. To date, utilities have been adept at managing the consequences without materially harming their credit profile.

Prospectively, we will continue to monitor the landscape for signs indicating a rise in regulatory contention. These signs could include a material increase in litigated rate cases (as compared with settlements), more lengthy (or less timely) recovery periods, and sizeable increases in deferred assets. Our assessment is not likely to be materially affected by any heightened political rhetoric emanating from the US presidential election cycle, since we will focus primarily on the local level.

FIGURE 2
**Illustrative Inflection Point Risk**
**(Average US annual residential electric costs / Median income)**




*EIA & Economy.com*

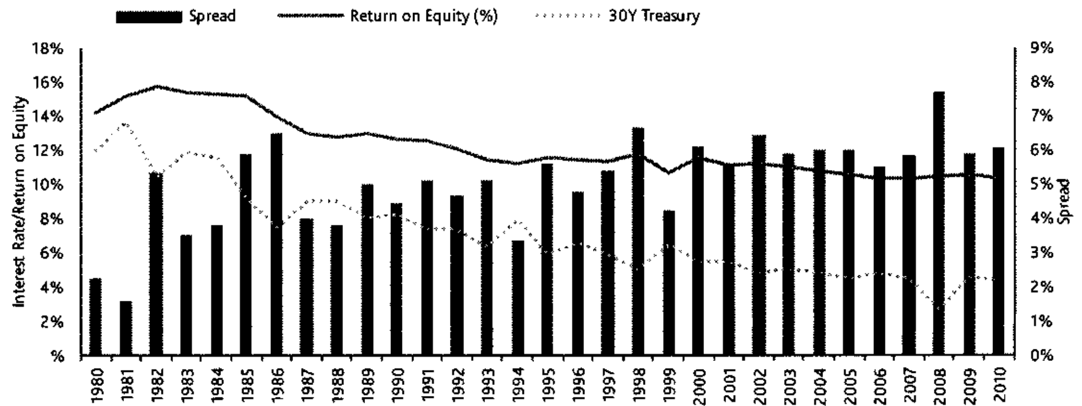
## Declines in authorized return on equity rates expected to accelerate

Over the next two years, we see regulatory commissions scrutinizing authorized returns on equity (ROEs) more closely, in part due to the spread between authorized ROEs and the risk-free, long term US Treasury yield. In addition, many regulators appear to be increasingly questioning the overall risk profile of utilities, which enjoy authorized recovery (through base rates and riders) for the vast majority of their operating costs and infrastructure investment requirements.

We see authorized ROEs continuing a downward trajectory over the next few years, offset by depreciation, amortization, and tax strategies. Although we do not attribute a material weighting in our methodology to authorized ROEs by themselves, they represent a leading indicator of longer-term regulatory support and potential earnings power.

2 Some examples include Virginia, Ohio, Illinois, Maryland, Hawaii

FIGURE 3
**Authorized Return on Equity & 30 Year US Treasury yield**




*SNL & Bloomberg:*

FIGURE 4
**Authorized ROEs Don't Always Correlate to Earnings and Cash Flow**

| | Issuer Rating / Senior Unsecured | Outlook | CFO Pre-W/C / Debt 2010 | CFO Pre-W/C / Debt 2002 - 2010 Average | Latest Authorized ROE | Earned, Adjusted ROEs 2010 | Earned, Adjusted ROEs 2002 - 2010 Average |
|---|---|---|---|---|---|---|---|
| **Historically More Supportive Regulatory Environments** | | | | | | | |
| Florida Power & Light Company | A2 | Stable | 27.5% | 39.6% | 10.00% | 10.32% | 10.14% |
| Virginia Electric and Power Company | A3 | Stable | 21.5% | 21.7% | 10.70% | 10.39% | 9.84% |
| Georgia Power Company | A3 | Stable | 21.5% | 21.3% | 11.15% | 10.30% | 10.69% |
| **Historically Less Supportive Regulatory Environments** | | | | | | | |
| Arizona Public Service Company | Baa2 | Stable | 24.5% | 20.5% | 11.00% | 8.72% | 7.78% |
| Public Service Company of New Mexico | Baa3 | Stable | 17.9% | 16.3% | 10.00% | 4.61% | 2.14% |
| Commonwealth Edison Company | Baa3 | Stable | 19.6% | 18.8% | 10.50% | 4.76% | 5.16% |
| Nevada Power Company | Ba1 | Stable | 15.7% | 12.7% | 10.19% | 6.46% | 3.02% |

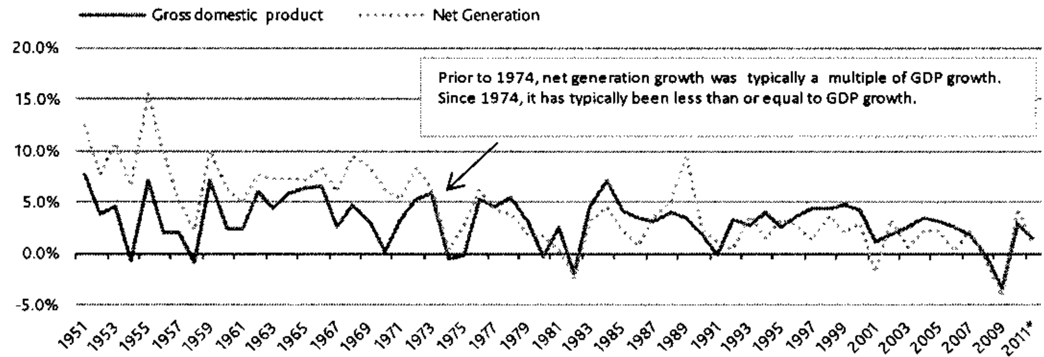
*Source: Moody's MFM (Earned, Adjusted ROEs)*

## Tempered volume growth expectations

A sector-wide reliance on rising volume growth represents a risk factor to individual issuers and the industry as a whole. Specifically, if volume growth does not materialize as projected, utilities will be faced with a more difficult regulatory strategy with respect to their overall rate structure and prospects for recovery of invested capital. This issue of lower volume projections is expected to take on more prominence given the sizeable capital investment decisions that are currently being made, for instance with respect to environmental compliance, replacement of older plants with more efficient/compliant units and transmission upgrades.

While a weak economic scenario is probably the biggest risk to volume growth, we also see risks rising from a steady improvement in energy efficiency programs, which have produced sizeable volume reductions in the public power sector.

FIGURE 5
**Growth in GDP versus Net Generation**

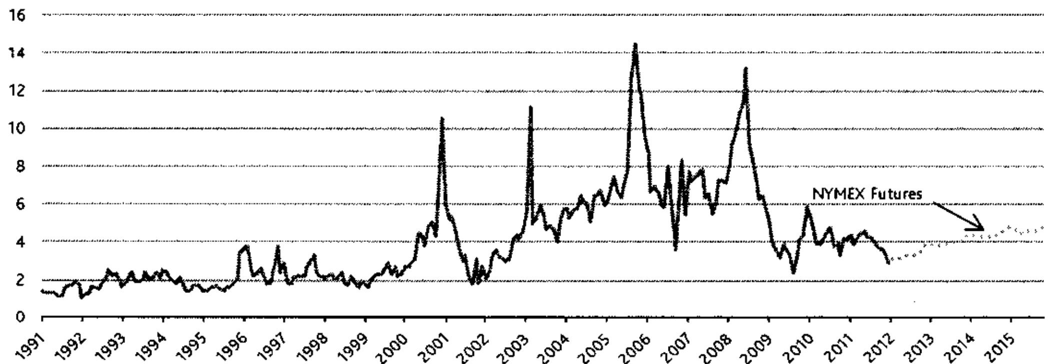



*Source: EIA & U.S. Bureau of Economic Analysis*

## Sustained period of low natural gas and power prices benefit utilities

We see a sustained period of relatively low natural gas and power prices, a material credit positive. Regulated utilities generally benefit from falling fuel and power prices because they may be able to offset base rate or other rate rider increases (which can include a profit margin) with reductions in the fuel cost pass-through trackers (which typically exclude any margin opportunities) while keeping all-in rates relatively steady. Natural gas prices are viewed as a key indicator for power prices in many regions of the US, so the benefit of a sustained period of relatively low natural gas prices will be felt broadly, even in regions which tend to be dominated by coal prices on the margin. In addition, we see good liquidity implications associated with lower fuel and purchased power bills.

FIGURE 6
**Henry Hub Natural Gas Spot Price and NYMEX Futures**




*Source: Bloomberg*

This favorable pricing scenario could have an unpleasant corollary when it reverses. Consumers, who are indifferent to the components of their electric rates, will become accustomed to the size of their monthly bills, which have only increased modestly as large rate base increases have been offset by falling fuel prices. Should fuel and commodity costs rise, utilities will face growing underfunded fuel balances or potential rate shock issues when they seek to recover the higher costs. Liquidity profiles

could become strained. Our 12-18 month view does not incorporate an expectation of such a pricing reversal.

## Environmental compliance mandates will keep capital expenditures high

We see a sustained investment need over the next three to five years, in part to address increasingly stringent environmental compliance mandates associated with fossil-fired generation assets. Regardless of whether the capital investment is required for maintenance, compliance or growth, from a credit perspective the expanded capital investment program will contribute to a more challenging business environment for utilities, especially those issuers that primarily rely on debt financing. Over the longer term horizon, capital investment in utilities' rate base is viewed positively, but the benefits could be offset by a more leveraged capital structure or overly biased shareholder reward programs.

Recent US Environmental Protection Agency (EPA) regulations add to the rising capital investment trajectory, but for regulated utilities we see very little risk associated with recovery at this time. In our opinion, regulated utilities are better positioned to manage the costs associated with increasingly stringent environmental mandates than are unregulated power companies. For example, regulated utilities can address their compliance strategy on a fleet-wide basis, enjoy a more transparent recovery path and can amortize their investment decisions over a longer period of time. In contrast, unregulated power companies are more likely to make plant-by-plant investment decisions, principally based on shorter-term forward commodity curves. They lack the benefit of a regulated generation fleet and are forced to recover their investments through market prices[3].

With respect to recent and pending EPA regulations, we see most utilities as very well positioned to address the increasingly stringent mandates, while others appear more exposed and caught off-guard. Even among the most vocal objectors, we observe that many of their larger, more critical coal-fired generation plants are already compliant, after installation of environmental controls over the past decade.

Given that environmental issues have long been politically divisive, we see the EPA as a reasonably transparent regulatory agency, where regulations have been proposed and implemented on a regular basis over the past few decades. We continue to incorporate a view that utility management teams maintain a deep understanding of environmental regulations, including the potential risks of pending regulations. In addition, we continue to observe that the EPA's increasingly stringent regulations produce a steady stream of rate base growth for utilities, a credit positive. Nevertheless, these regulations are complex, and accompanied by a rising operating cost structure and higher capital investment requirements. These higher costs could pressure consumer affordability risks and our inflection point.

## Consolidation activity poised to increase

Utility consolidation and merger activity will likely increase over the next 2 years. Strategically, the industrial logic behind consolidating a homogenous, highly fragmented sector and spreading fixed costs across a wider asset platform is difficult to challenge. Moreover, regulatory authorities appear more open and willing to facilitate utility consolidation, especially if the merger results in a lower trajectory of rate increases. Today, the biggest regulatory challenges appear to revolve around head-count reductions and the location of the headquarters building. Less critical is the identification and allocation of projected cost synergies[4].

[3] See Credit Implications Associated with Increasingly Stringent Environmental Regulations, November 2011 (136831)

[4] See Credit Quality Emphasized More in Recent US Utility M&A, November 2011 (136790)

The biggest impediment to further consolidation, in our opinion, is the selection of the Chief Executive Officer, followed by the equity accretion analysis. Utilities with older, retiring CEOs or CEOs willing to relinquish their role are considered the most ripe for consolidation activity. We also see consolidation as a means to create scale and scope, and to diversify geographical and industrial exposure and regulatory jurisdictions. Nevertheless, even the largest US utilities pale in comparison to the size of their European counterparts.

FIGURE 7

**Key Financials for Selected US Utilities and EMEA Utilities**

| Company | Rating | Outlook | Assets | Debt | Revenue |
|---|---|---|---|---|---|
| **Largest U.S. Utilities - LTM 9/30/2011** | | | | | |
| Duke Energy / Progress Energy | Baa2 | Stable | 95,794,860 | 35,242,860 | 24,097,000 |
| Exelon Corp. / Constellation Energy | Baa1 | RUR-Down | 75,095,600 | 33,353,700 | 24,287,900 |
| Southern Company | Baa1 | Stable | 58,385,000 | 22,278,000 | 17,732,000 |
| NextEra Energy, Inc. | Baa1 | Stable | 56,510,000 | 21,784,000 | 14,890,000 |
| Edison International | Baa2 | Stable | 53,801,000 | 21,719,000 | 12,816,000 |
| American Electric Power Company | Baa2 | Stable | 53,192,000 | 20,781,000 | 15,106,000 |
| FirstEnergy Corp. | Baa3 | Stable | 48,879,553 | 21,360,553* | 15,528,000 |
| PG&E Corporation | Baa1 | Stable | 47,596,974 | 15,397,724 | 14,762,000 |
| MidAmerican Energy Holdings Co. | Baa1 | Stable | 46,930,000 | 20,934,000 | 11,107,000 |
| Dominion Resources Inc. | Baa2 | Stable | 44,941,000 | 20,326,750 | 14,947,000 |
| **Largest EMEA Utilities - LTM 9/30/2011** | | | | | |
| Company | Rating | Outlook | Assets | Debt | Revenue |
| Electricite de France** | Aa3 | Stable | 327,807,728 | 85,528,388 | 88,773,997 |
| GDF SUEZ SA** | A1 | Stable | 307,718,962 | 86,671,596 | 119,759,315 |
| ENEL S.p.A.** | A2 | RUR-Down | 244,758,094 | 101,152,625 | 102,132,853 |
| E.ON AG | A2 | RUR-Down | 195,553,588 | 44,022,702 | 148,439,207 |
| Iberdrola S.A.* * * | A3 | Stable | 134,722,752 | 73,595,465 | 41,313,682 |
| RWE AG | A2 | Negative | 100,155,710 | 50,020,198 | 70,186,831 |
| Vattenfall AB | A2 | Stable | 77,011,771 | 28,142,162 | 28,655,904 |
| Gas Natural SDG, S.A. | Baa2 | Stable | 61,715,134 | 28,825,906 | 28,808,902 |
| Energias de Portugal, S.A. | Baa1 | Negative | 54,165,269 | 28,731,392 | 21,051,642 |
| Fortum Oyj | A2 | Stable | 28,961,243 | 11,073,625 | 8,920,495 |

* FirstEnergy's consolidated revenue reflects the merger with Allegheny Energy effective 2/25/2011.

** LTM as of 6/30/2011

*** LTM as of 3/31/2011

## Transmission infrastructure remains fragmented, keeping costs high and benefits locked up

The US transmission infrastructure remains disjointed, with multiple oversight authorities and parochial protectionism. As a result, utilities do not fully coordinate their individual transmission investment projects to the benefit of wider audiences. Instead, large high-voltage projects tend to be favored by Regional Transmission Organizations (RTOs) or Independent System Operators (ISOs), while smaller, local solutions tend to be favored by local and state political and regulatory interests. Nevertheless, we believe additional transmission-only activity is poised to become a bigger issue in 2012 and beyond.

The Federal Energy Regulatory Commission (FERC) continues to provide incentive returns for interstate transmission, but we question how long this incentive can last. For example, we believe the recent transaction between Entergy and ITC Holdings could provide a catalyst for more scrutiny regarding the impact on local consumer rates.

But aside from FERC and the larger projects, we have seen a considerable amount of transmission congestion relief, characterized by smaller, local projects emerging from the consolidation of two neighboring systems - such as when FirstEnergy acquired Allegheny. We expect similar benefits to emerge if the merger of Duke Energy and Progress Energy is completed.

## Financial profile benefits from tax policies, but equity needs are calling

Utility financial profiles exhibit good stability, despite the pressures of a weak economic environment. Cash flows have been higher in recent years, even though revenues have yet to return to pre-recession levels. This is primarily due to the windfall benefit of federal tax policies, especially with respect to bonus depreciation[5].

The effects of bonus depreciation are temporary, in our opinion, since they essentially represent a borrowing of future cash flow. As a result, we will continue to analyze the impact of this benefit on utilities' cash flow credit metrics to gain a more accurate view of fundamental performance.

Eventually, all else being equal, utilities will need to inject sizeable amounts of equity into their capital structures. Based on our simple projections for revenue growth, cash flow, capital expenditures and dividends, we see the utility sector remaining in a state of sizeable negative free cash flow for the next several years. If the recently exhibited bias to finance this shortfall primarily through borrowing continues, our key credit metrics will eventually exert pressure on the rating.

5 See US Investor-Owned Utilities: Bonus Depreciation Provides Material Near-Term Benefit For The Sector But Raises Longer-Term Questions, February 2011 (131078) and US Utility Cash Flow Ratios Less Robust Than They First Appear, November 2011 (136794)

## Conclusion

Today, the US investor-owned utility sector benefits from the nature of its critical infrastructure assets; a supportive and constructive regulatory environment; welcoming capital markets; and stable-to-slightly improving financial profiles. Liquidity availability remains strong, evidenced by multi-year syndicated facilities with modest covenant terms replacing expiring facilities, albeit at a slightly higher cost.

We see a headline-heavy year in 2012 due to the expected rhetoric associated with the November elections. With a sputtering economic recovery in the background, the rhetoric is likely to include posturing on increasingly stringent environmental regulations, the need for capital investment to refurbish electricity infrastructure, federal loan guarantees and other tax credit policies, nuclear generation, renewable energy, energy efficiency and cyber security.

We have been highlighting many of these longer-term risks for several years, always focusing on the potential emergence of increased regulatory contention or political intervention. Although these risks have not yet risen to an alarming trend, they are appearing on our radar screen more frequently. To date, the credit implications have been manageable. As always, we will endeavor to look through the rhetoric and remain focused on credit fundamentals.

## Appendices – Select Financial Data by Subsector

### Appendix A: Selected Parent Holding Companies

| Company Name | Issuer or Sen. Unsec. Rating |
|---|---|
| Ameren Corporation | Baa3 |
| CenterPoint Energy, Inc. | Baa3 |
| Consolidated Edison, Inc. | Baa1 |
| Dominion Resources Inc. | Baa2 |
| DTE Energy Company | Baa2 |
| Duke Energy Corporation | Baa2 |
| Edison International | Baa2 |
| Entergy Corporation | Baa3 |
| FirstEnergy Corp. | Baa3 |
| NextEra Energy, Inc. | Baa1 |
| Northeast Utilities | Baa2 |
| Pepco Holdings, Inc. | Baa3 |
| PG&E Corporation | Baa1 |
| PNM Resources, Inc. | Ba1 |
| PPL Corporation | Baa3 |
| SCANA Corporation | Baa3 |
| Sempra Energy | Baa1 |
| Southern Company (The) | Baa1 |
| Wisconsin Energy Corporation | A3 |
| Xcel Energy Inc. | Baa1 |

## Appendix B: Selected Integrated Companies

| Company Name | Issuer or Sen. Unsec. Rating |
|---|---|
| Alabama Power Company | A2 |
| Appalachian Power Company | Baa2 |
| Columbus Southern Power Company | A3 |
| Duke Energy Carolinas, LLC | A3 |
| Duke Energy Indiana, Inc. | Baa1 |
| Entergy Arkansas, Inc. | Baa2 |
| Entergy Mississippi, Inc. | Baa3 |
| Florida Power & Light Company | A2 |
| Georgia Power Company | A3 |
| Indiana Michigan Power Company | Baa2 |
| Kansas City Power & Light Company | Baa2 |
| Mississippi Power Company | A2 |
| Northern States Power Company (M | A3 |
| Oklahoma Gas & Electric Company | A2 |
| Pacific Gas & Electric Company | A3 |
| Portland General Electric Company | Baa2 |
| Public Service Company of New Me | Baa3 |
| Union Electric Company | Baa2 |
| Virginia Electric and Power Company | A3 |
| Wisconsin Electric Power Company | A2 |

## Appendix C: Selected Transmission & Distribution Companies

| Company Name | Issuer or Sen. Unsec. Rating |
|---|---|
| AEP Texas Central Company | Baa2 |
| Ameren Illinois Company | Baa3 |
| Baltimore Gas and Electric Company | Baa2 |
| CenterPoint Energy Houston Elect | Baa2 |
| Cleveland Electric Illuminating | Baa3 |
| Connecticut Light and Power Company | Baa1 |
| Consolidated Edison Company of N | A3 |
| Delmarva Power & Light Company | Baa2 |
| Duquesne Light Company | Baa2 |
| Jersey Central Power & Light Company | Baa2 |
| NSTAR Electric Company | A1 |
| Ohio Edison Company | Baa2 |
| Oncor Electric Delivery Company | Baa1 |
| PECO Energy Company | A3 |
| Pennsylvania Electric Company | Baa2 |
| Potomac Electric Power Company | Baa2 |
| Superior Water, Light and Power | Baa1 |
| Toledo Edison Company | Baa3 |



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## Moody's Related Research

Industry Outlooks:

» U.S. Coal Industry: U.S. Coal Producers Lean on Export Markets Amid Challenges at Home, December 2011 (137742)

» EMEA Electric and Gas Utilities: Industry Outlook 2011, November 2011 (137305)

» Outlook Update: Global Integrated Oil & Gas Industry: Moderation in Oil Prices and Pressure on Downstream Activities are Likely to Dampen Earnings Growth in 2012, September 2011 (136270)

» Six-Month Update: U.S. Regulated Utilities – Stable Outlook But Financial Policy Revisions Increasingly Necessary to Maintain Ratings Amid Persistent Longer-Term Uncertainty, July 2011 (134002)

» Annual Industry Outlook: Global Integrated Oil and Gas Industry: Elevated Crude Oil Prices and Asset Disposals Support Investment Efforts, June 2011 (134051)

» Annual Outlook: U.S. Power Companies – Regulation Provides Stability As Risks Mount, January 2011 (129930)

Special Comments:

» Oil and Natural Gas: High Prices to Keep Oil Production Brisk in 2012, Helping Midstream and OFS Sectors, January 2012 (138669)

» U.S. Utility Cash Flow Ratios Less Robust Than They First Appear, November 2011 (136794)

» Credit Implications Associated with Increasingly Stringent Environmental Regulations, November 2011 (136831)

» Decoupling and 21st Century Rate Making, November 2011 (136797)

» Riders on the Storm: Utility Sector Ratings Well Insulated from Severe Weather Impacts, November 2011 (136820)

» Credit Quality Emphasized More in Recent U.S. Utility M&A, November 2011 (136790)

» Rise in Utility Unfunded Pensions Are Credit Negative, October 2011 (136505)

» Wider Rating Differentials Seen for a Number of U.S. Utility and Parent Companies, October 2011 (136354)

» U.S. Investor-Owned Utilities: Bonus Depreciation Provides Material Near-Term Benefit For The Sector But Raises Longer-Term Questions, February 2011 (131078)

Rating Methodologies:

» Regulated Electric and Gas Utilities, August 2009 (118481)

» Unregulated Utilities and Power Companies, August 2009 (118508)

» Natural Gas Pipelines, December 2009 (121678)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

» contacts continued from page 1

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Report Number: 137878

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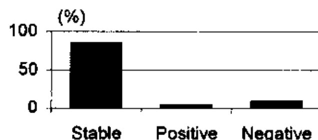
# 2012 Outlook: Utilities, Power, and Gas

Crosscurrents
**Outlook Report**

**Rating Outlook**
**Utility Parent Companies**
**STABLE**

**Investor-Owned Utilities — Electric and Gas**
**STABLE**

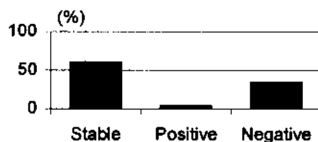
**UPC and IOU Sector Outlooks**




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

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## 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.

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.

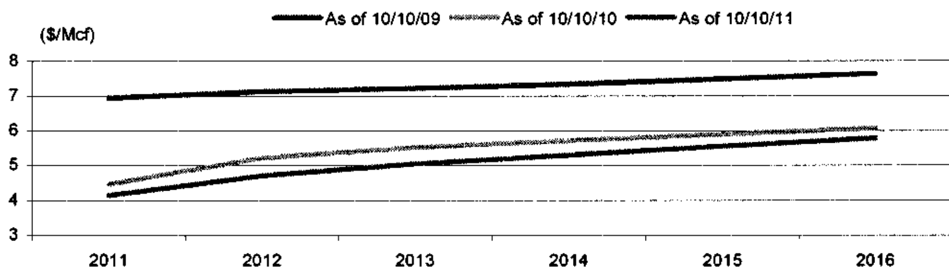
Fitch expects greater divergence for competitive gencos over time, reflecting regional power market, fuel mix, and environmental exposures. Gencos situated in the Electric Reliability Council of Texas (ERCOT) region and operators with natural gas or scrubbed coal fleets are best positioned.

## 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.

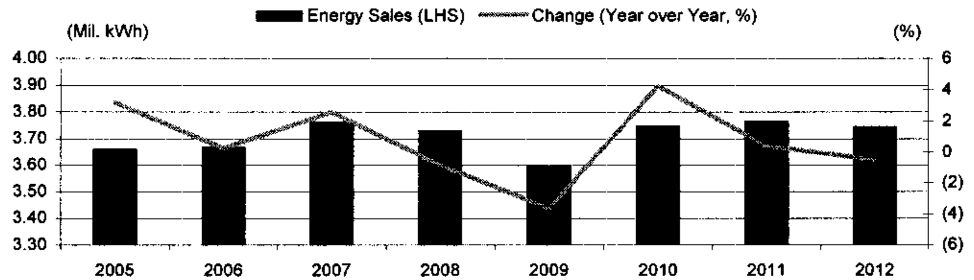
Power prices increase only gradually in Fitch's financial models and forecasts, reflecting the dampening effect of low natural gas prices and excess reserve margins. Fitch's power market consultant, Wood MacKenzie, also projects a slow increase in power price through 2015, although prices remain below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

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**

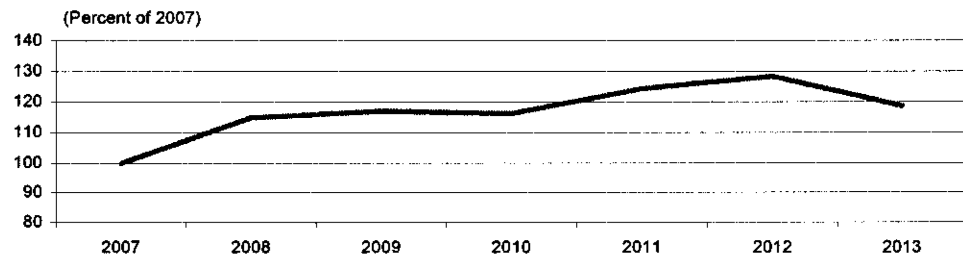



Source: E.I.A.

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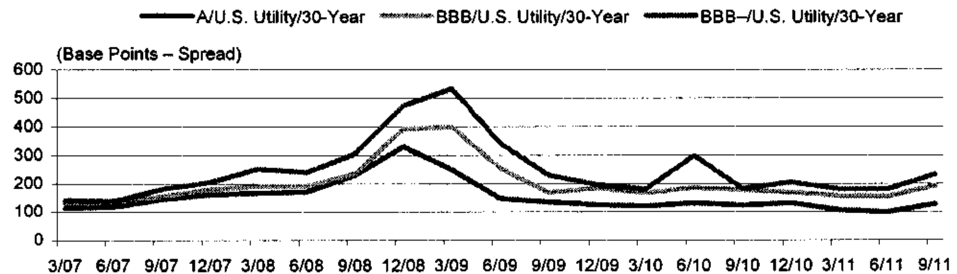
aversion among institutional and retail investors. Gencos face a more challenging environment, particularly high-yield issuers. Fitch expects non-investment grade issuers will face difficult market conditions given continued economic uncertainty.

**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**<br>Median IDR: BBB<br>**Credit Outlook**<br>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.<br>• Capital investment levels for organic growth projects and environmental upgrades remain high, requiring external financing.<br>• Equity issuance needed to maintain balanced capital mix.<br>• Favorable environment for consolidation and M&A activity. |
| **Investor-Owned Electric Utilities**<br>Median IDR Integrated Electric: BBB<br>Median IDR Electric Distribution: BBB<br>**Credit Outlook**<br>Stable | • Fitch assumes electricity sales down less than 1% in 2012 (flat on a weather normalized basis); longer term, flat to +1% weather normalized.<br>• Increased mandates for energy efficiency and conservation to restrict electricity sales growth.<br>• 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.<br>• Relatively low gas and power purchase costs are favorable to utilities, reducing the upward pressures on customer bills.<br>• Sustained high capital spending on infrastructure (environmental compliance, renewables mandates, transmission projects, and automated metering.)<br>• 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)**<br>Median IDR: A–<br>**Credit Outlook**<br>Stable | • Expected low natural gas commodity prices contribute to stable cash flow and improve relations with consumers, politicians, and regulators.<br>• Rate decoupling or fixed/variable tariff structures help to minimize sensitivity to variations in sales volumes.<br>• Pipeline safety issues will be a focus. However, overall, capital expenditures will remain manageable.<br>• Low risk growth potential from optionality of natural gas in new uses (transportation) as well as continued gains from fuel switching.<br>• Expect consistent regulatory treatment and manageable external funding. |
| **Competitive Generation Companies**<br>**Generating Companies and Energy Trading**<br>Median IDR: BB<br>**Credit Outlook**<br>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.<br>• 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.<br>• 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.<br>• The challenges to competitive generators listed above are likely to stimulate an active M&A environment, divestitures, and consolidation.<br>• 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.

## 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

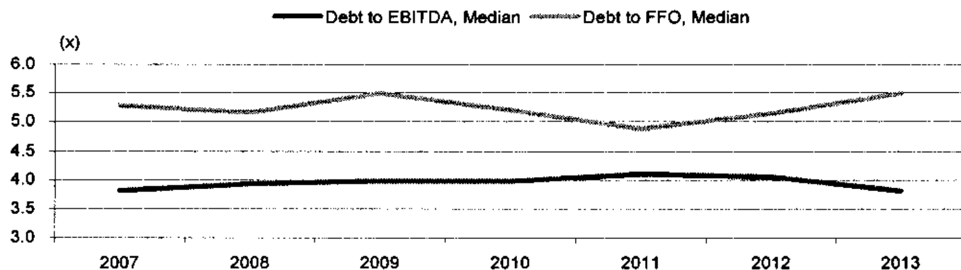
The preferential U.S. tax treatment of dividends and capital gains in effect since 2003, if not extended, would be considered a negative development for UPCs. Lower dividend taxes help utilities attract capital, which is important given their high-capital intensity. If favorable tax treatment of dividends 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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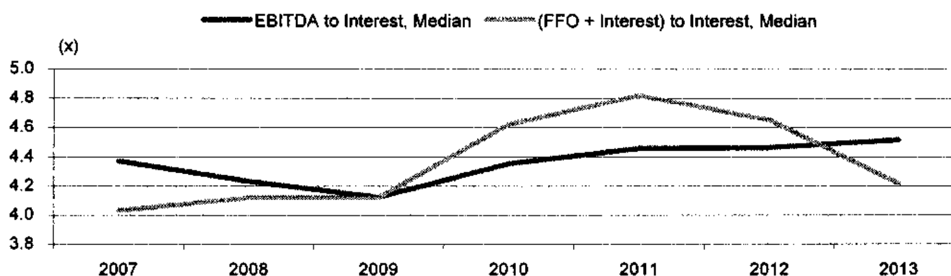
Debt leverage reflects similar divergence as coverage measures. Debt to EBITDA improves, reflecting the higher EBITDA Fitch envisions for the sector, while debt to FFO increases, reflecting the lower FFO levels Fitch expects in the absence of new tax incentives. However, in both cases the baseline returns 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.

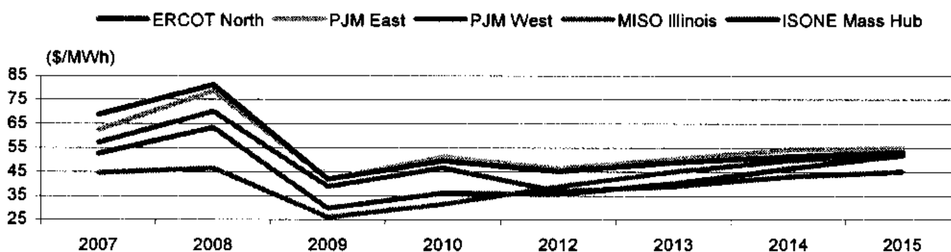
Weather, especially for gas utilities without decoupling mechanisms, is the biggest variable in financial performance.

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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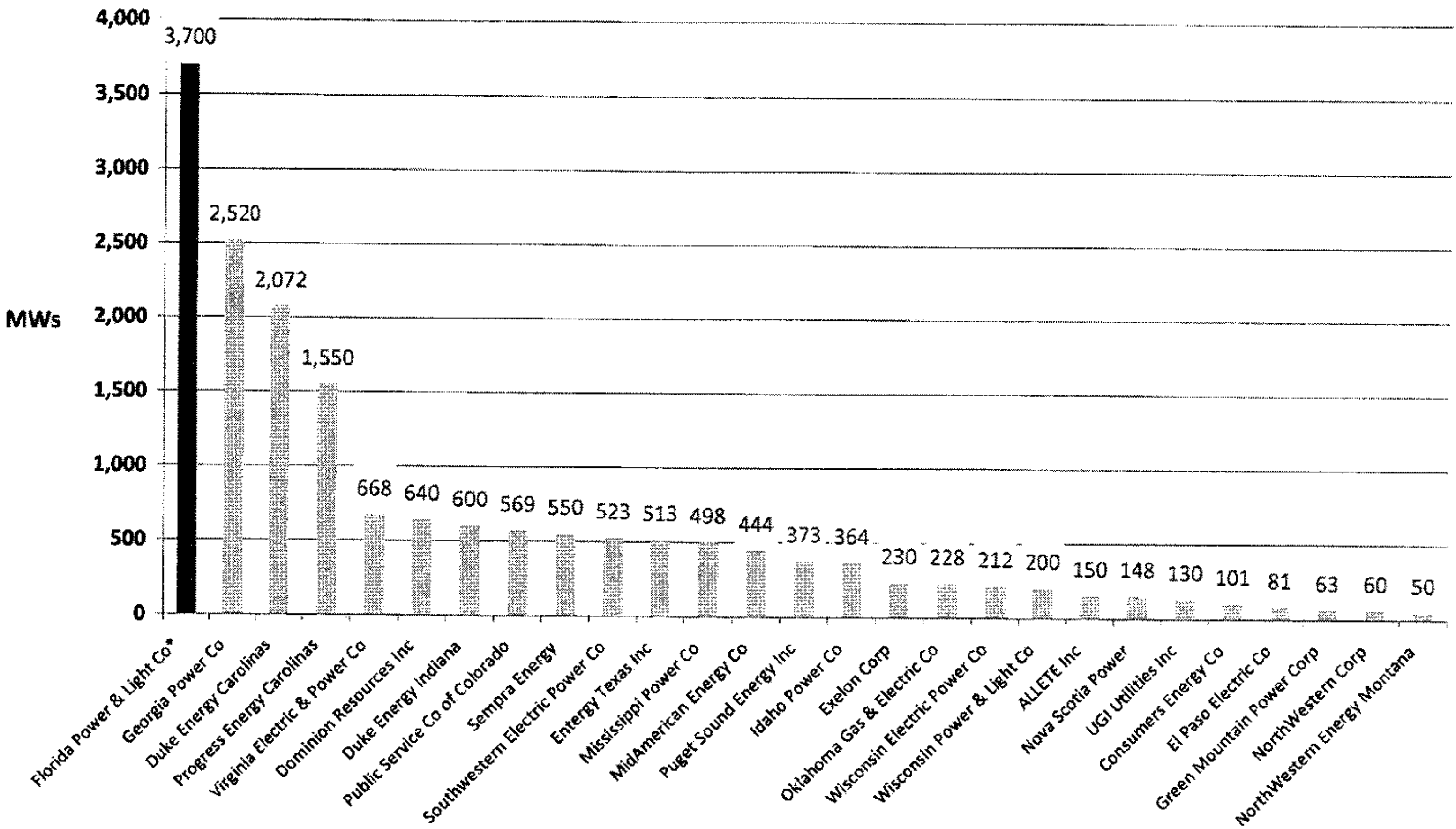


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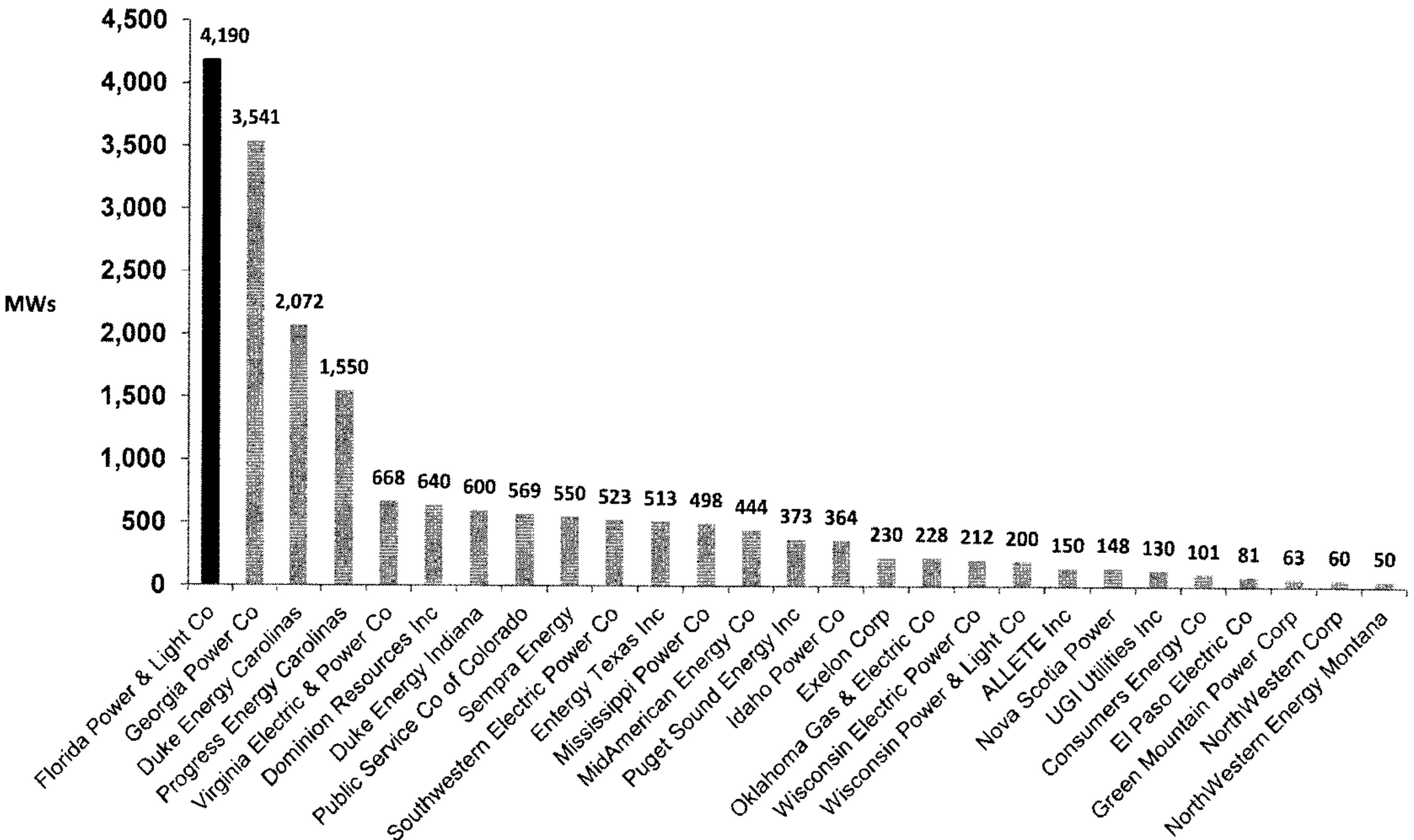


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| Row Labels | Sum of Nameplate Capacity MW |
|---|---|
| Georgia Power Co | 3,541 |
| Florida Power & Light Co | 2,551 |
| Duke Energy Carolinas | 2,072 |
| Progress Energy Carolinas | 1,550 |
| Virginia Electric & Power Co | 668 |
| Dominion Resources Inc | 640 |
| Duke Energy Indiana | 600 |
| Public Service Co of Colorado | 569 |
| Sempra Energy | 550 |
| Southwestern Electric Power Co | 523 |
| Entergy Texas Inc | 513 |
| Mississippi Power Co | 498 |
| MidAmerican Energy Co | 444 |
| Puget Sound Energy Inc | 373 |
| Idaho Power Co | 364 |
| Exelon Corp | 230 |
| Oklahoma Gas & Electric Co | 228 |
| Wisconsin Electric Power Co | 212 |
| Wisconsin Power & Light Co | 200 |
| ALLETE Inc | 150 |
| Nova Scotia Power | 148 |
| UGI Utilities Inc | 130 |
| Consumers Energy Co | 101 |
| El Paso Electric Co | 81 |
| Green Mountain Power Corp | 63 |
| NorthWestern Corp | 60 |
| NorthWestern Energy Montana | 50 |
| Pacific Gas & Electric Co | 23 |
| Nevada Power Co | 20 |
| South Carolina Electric & Gas Co | 20 |
| Ameren Missouri | 15 |
| Taylor Processing Inc | 15 |
| Public Service Co of New Mexico | 5 |
| Kansas City Power & Light Co | 3 |
| Portland General Electric Co | 2 |
| Massachusetts Electric Co | 1 |
| DTE Energy Co | 1 |
| Grand Total | 17,212 |

| | Sum of Nameplate Capacity MW | |
|---|---|---|
| Florida Power & Light Co | 4,190 | Includes CC, Riv, Pt Everglades mods & nuc uprates |
| Georgia Power Co | 3,541 | |
| Duke Energy Carolinas | 2,072 | |
| Progress Energy Carolinas | 1,550 | |
| Virginia Electric & Power Co | 668 | |
| Dominion Resources Inc | 640 | |
| Duke Energy Indiana | 600 | |
| Public Service Co of Colorado | 569 | |
| Sempra Energy | 550 | |
| Southwestern Electric Power Co | 523 | |
| Entergy Texas Inc | 513 | |
| Mississippi Power Co | 498 | |
| MidAmerican Energy Co | 444 | |
| Puget Sound Energy Inc | 373 | |
| Idaho Power Co | 364 | |
| Exelon Corp | 230 | |
| Oklahoma Gas & Electric Co | 228 | |
| Wisconsin Electric Power Co | 212 | |
| Wisconsin Power & Light Co | 200 | |
| ALLETE Inc | 150 | |
| Nova Scotia Power | 148 | |
| UGI Utilities Inc | 130 | |
| Consumers Energy Co | 101 | |
| El Paso Electric Co | 81 | |
| Green Mountain Power Corp | 63 | |
| NorthWestern Corp | 60 | |
| NorthWestern Energy Montana | 50 | |
| Pacific Gas & Electric Co | 23 | |
| Nevada Power Co | 20 | |
| South Carolina Electric & Gas Co | 20 | |
| Ameren Missouri | 15 | |
| Taylor Processing Inc | 15 | |
| Public Service Co of New Mexico | 5 | |
| Kansas City Power & Light Co | 3 | |
| Portland General Electric Co | 2 | |
| Massachusetts Electric Co | 1 | |
| DTE Energy Co | 1 | |

| Owner Name | Owner Ow | Owner ID | Holding Company Name | Holding Co | Plant Oper | Plant Oper | Plant Name | Plant ID | Plant State | Unit | Unit ID | Percent Owned % | Nameplate Capacity MW | Net Summ | Net Winter | Prime Mov | Primary Fu | Unit Status | Commercial Online Da | Owner Cou | Record Count |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALLETE Inc | IOU | 442424 | ALLETE Inc | 442499 | ALLETE Inc | 442424 | Bison Wind Project | 1140217 | North Dak | WT13 27 | 1140219 | 100 | 45 | 45 | 45 | WT | WND | Under Const | 12/31/2011 0:00 | United Stat | 1 |
| ALLETE Inc | IOU | 442424 | ALLETE Inc | 442499 | ALLETE Inc | 442424 | Bison Wind Project | 1140217 | North Dak | WT28 62 | 1140220 | 100 | 105 | 105 | 105 | WT | WND | Permitted | 12/30/2012 0:00 | United Stat | 1 |
| Ameren Missouri | IOU | 1177 | Ameren Corp | 578344 | Ameren Mi | 1177 | Fred Weber Sanitary Landfill | 1195926 | Missouri | IC1 | 1195928 | 100 | 15 | 15 | 15 | IC | LFG | Under Const | 3/31/2012 0:00 | United Stat | 1 |
| Consumers Energy Co | IOU | 1041 | CMS Energy Corp | 578303 | Consumers | 1041 | Lake Winds Energy Park | 1313633 | Michigan | WT1 56 | 1313635 | 100 | 100.8 | 100.8 | 100.8 | WT | WND | Site Prep | 9/30/2012 0:00 | United Stat | 1 |
| Dominion Resources Inc | IOU | 407624 | Dominion Resources Inc | 445772 | Dominion I | 407624 | Warren Power Generating | 73447 | Virginia | CC1 | 606913 | 100 | 640 | 640 | 662 | CC | NG | Site Prep | 1/1/2015 0:00 | United Stat | 1 |
| DTE Energy Co | IOU | 583722 | DTE Energy Co | 578630 | DTE Energy | 583722 | Chevrolet Volt Solar | 1515596 | Michigan | PV1 | 1515598 | 100 | 0.516 | 0.516 | 0.516 | PV | SUN | Under Const | 12/31/2011 0:00 | United Stat | 1 |
| Duke Energy Carolinas | IOU | 1045 | Duke Energy Corp | 386085 | Duke Energ | 1045 | Bridgewater (NC) | [illegible] | North Caro | HY3 | 1574564 | 100 | 15.75 | 15.75 | 15.75 | HY | WAT | Under Const | 2/15/2012 0:00 | United Stat | 1 |
| Duke Energy Carolinas | IOU | 1045 | Duke Energy Corp | 386085 | Duke Energ | 1045 | Bridgewater (NC) | [illegible] | North Caro | HY4 | 1574566 | 100 | 15.75 | 15.75 | 15.75 | HY | WAT | Under Const | 2/15/2012 0:00 | United Stat | 1 |
| Duke Energy Carolinas | IOU | 1045 | Duke Energy Corp | 386085 | Duke Energ | 1045 | Buck Steam Station (NC) | [illegible] | North Caro | CC1 | 914587 | 100 | 620 | 620 | 620 | CC | NG | Under Const | 12/31/2011 0:00 | United Stat | 1 |
| Duke Energy Carolinas | IOU | 1045 | Duke Energy Corp | 386085 | Duke Energ | 1045 | Cliffside | [illegible] | North Caro | 6 | 750634 | 100 | 800 | 800 | 800 | ST | BIT | Under Const | 6/30/2012 0:00 | United Stat | 1 |
| Duke Energy Carolinas | IOU | 1045 | Duke Energy Corp | 386085 | Duke Energ | 1045 | Dan River (NC) | [illegible] | North Caro | CC1 | [illegible] | 100 | 620 | 620 | 620 | CC | NG | Under Const | 12/31/2012 0:00 | United Stat | 1 |
| Duke Energy Indiana | IOU | 1144 | Duke Energy Corp | 386085 | Duke Energ | 1144 | Edwardsport IGCC Station | 613332 | Indiana | IGCC | 613333 | 100 | 600 | 600 | 600 | IG | COL | Under Const | 9/30/2012 0:00 | United Stat | 1 |
| El Paso Electric Co | IOU | 1049 | El Paso Electric Co | 585322 | El Paso Ele | 1049 | Rio Grande | 1437 | New Mexic | 9 | 1504095 | 100 | 81 | 81 | 81 | GT | NG | Permitted | 5/31/2013 0:00 | United Stat | 1 |
| Entergy Texas Inc | IOU | 922878 | Entergy Corp | 386090 | Entergy Te | 922878 | Lewis Creek | 1594 | Texas | CC1 | 1365785 | 100 | 513 | 513 | 513 | CC | NG | Permitted | 6/30/2013 0:00 | United Stat | 1 |
| Exelon Corp | IOU | 732954 | Exelon Corp | 442930 | AV Solar Ra | 1181959 | NextLight Antelope Valley | 1181960 | California | PV1 | 1181962 | 100 | 115 | 115 | 115 | PV | SUN | Under Const | 11/30/2012 0:00 | United Stat | 1 |
| Exelon Corp | IOU | 732954 | Exelon Corp | 442930 | AV Solar Ra | 1181959 | NextLight Antelope Valley | 1181960 | California | PV2 | 1181963 | 100 | 115 | 115 | 115 | PV | SUN | Under Const | 12/31/2013 0:00 | United Stat | 1 |
| Florida Power & Light Co | IOU | [illegible] | NextEra Energy Inc | [illegible] | Florida Pow | [illegible] | Babcock Ranch Solar | [illegible] | Florida | PV1 | [illegible] | 100 | 75 | 75 | 75 | PV | SUN | Permitted | 12/31/2012 0:00 | United Stat | 1 |
| Florida Power & Light Co | IOU | [illegible] | NextEra Energy Inc | [illegible] | Florida Pow | [illegible] | Cape Canaveral | [illegible] | Florida | CC | [illegible] | 100 | 1157 | 1157 | 1157 | CC | NG | Permitted | 6/1/2013 0:00 | United Stat | 1 |
| Florida Power & Light Co | IOU | [illegible] | NextEra Energy Inc | [illegible] | Florida Pow | [illegible] | Kennedy Space Coast Next Ge | [illegible] | Florida | PV3 | [illegible] | 100 | 100 | 100 | 100 | PV | SUN | Site Prep | 12/31/2013 0:00 | United Stat | 1 |
| Florida Power & Light Co | IOU | [illegible] | NextEra Energy Inc | [illegible] | Florida Pow | [illegible] | Riviera | [illegible] | Florida | CC | [illegible] | 100 | 1219 | 1219 | 1343 | CC | NG | Site Prep | 6/1/2014 0:00 | United Stat | 1 |
| Georgia Power Co | IOU | 1057 | Southern Co | 386084 | Georgia Po | 1057 | Jack McDonough | 75132 | Georgia | CC1 | 885933 | 100 | 840 | 840 | 840 | CC | NG | Under Const | 1/31/2012 0:00 | United Stat | 1 |
| Georgia Power Co | IOU | 1057 | Southern Co | 386084 | Georgia Po | 1057 | Jack McDonough | 75132 | Georgia | CC2 | 885934 | 100 | 840 | 840 | 840 | CC | NG | Under Const | 5/31/2012 0:00 | United Stat | 1 |
| Georgia Power Co | IOU | 1057 | Southern Co | 386084 | Georgia Po | 1057 | Jack McDonough | 75132 | Georgia | CC3 | 882551 | 100 | 840 | 840 | 840 | CC | NG | Under Const | 1/31/2013 0:00 | United Stat | 1 |
| Georgia Power Co | IOU | 1057 | Southern Co | 386084 | Southern N | 78743 | Vogtle (GA) | 77351 | Georgia | NB1 | 588613 | 45.7 | 510.469 | 510.469 | 510.469 | NP | URA | Site Prep | 9/30/2016 0:00 | United Stat | 1 |
| Georgia Power Co | IOU | 1057 | Southern Co | 386084 | Southern N | 78743 | Vogtle (GA) | 77351 | Georgia | NB2 | 851528 | 45.7 | 510.469 | 510.469 | 510.469 | NP | URA | Site Prep | 9/30/2017 0:00 | United Stat | 1 |
| Green Mountain Power Corp | IOU | 1061 | Gaz Métropolitain & Co LP | 601098 | Green Mou | 1061 | Kingdom Community Wind | 1160747 | Vermont | WT1 21 | 1160750 | 100 | 63 | 63 | 63 | WT | WND | Site Prep | 12/31/2012 0:00 | United Stat | 1 |
| Idaho Power Co | IOU | 1070 | IDACORP Inc | 445814 | Idaho Pow | 1070 | Langley Gulch Power Plant | 1168279 | Idaho | CC1 | 1168281 | 100 | 300 | 300 | 300 | CC | NG | Under Const | 7/31/2012 0:00 | United Stat | 1 |
| Idaho Power Co | IOU | 1070 | IDACORP Inc | 445814 | Idaho Pow | 1070 | Shoshone Falls | 78063 | Idaho | 4 | 605414 | 100 | 64 | 64 | 64 | HY | WAT | Permitted | 7/1/2015 0:00 | United Stat | 1 |
| Kansas City Power & Light Co | IOU | 1079 | Great Plains Energy Inc | 442864 | Kansas City | 1079 | St Joseph Landfill | 1316144 | Missouri | IC1 | 1316146 | 100 | 1.6 | 1.6 | 1.6 | IC | LFG | Under Const | 12/31/2011 0:00 | United Stat | 1 |
| Kansas City Power & Light Co | IOU | 1079 | Great Plains Energy Inc | 442864 | Kansas City | 1079 | St Joseph Landfill | 1316144 | Missouri | IC2 | 1551808 | 100 | 1.6 | 1.6 | 1.6 | IC | LFG | Under Const | 12/31/2011 0:00 | United Stat | 1 |
| Massachusetts Electric Co | IOU | 1093 | National Grid Plc | 582636 | Massachus | 1093 | Dorchester Solar Site | 1550247 | Massachus | PV1 | 1550258 | 100 | 1 | 1 | 1 | PV | SUN | Under Const | 12/31/2011 0:00 | United Stat | 1 |
| MidAmerican Energy Co | IOU | 1210 | Berkshire Hathaway Inc | 584312 | MidAmeric | 1210 | Rolling Hills Wind (IA) | 1514529 | Iowa | WT1 193 | 1514531 | 100 | 443.9 | 443.9 | 443.9 | WT | WND | Under Const | 12/31/2011 0:00 | United Stat | 1 |
| Mississippi Power Co | IOU | 1099 | Southern Co | 386084 | Mississippi | 1099 | Plant Ratcliffe | 883620 | Mississippi | IGCC | 883622 | 83 | 498 | 498 | 498 | IG | LIG | Under Const | 3/31/2014 0:00 | United Stat | 1 |
| Nevada Power Co | IOU | 1108 | NV Energy | 446361 | Ormat Nev | 406754 | Ormat Salt Wells | 850199 | Nevada | GE1 | 850201 | 50 | 10 | 10 | 10 | GE | GEO | Permitted | 6/30/2013 0:00 | United Stat | 1 |
| Nevada Power Co | IOU | 1108 | NV Energy | 446361 | Ormat Nev | 406754 | Ormat Salt Wells | 850199 | Nevada | GE2 | 1501886 | 50 | 10 | 10 | 10 | GE | GEO | Permitted | 6/30/2013 0:00 | United Stat | 1 |
| NorthWestern Corp | IOU | 1122 | NorthWestern Corp | 445843 | NorthWest | 1122 | Aberdeen CT | 72761 | South Dak | GT2 | 1584642 | 100 | 60 | 60 | 60 | GT | NG | Under Const | 12/1/2012 0:00 | United Stat | 1 |
| NorthWestern Energy Montana | IOU | 732930 | NorthWestern Corp | 445843 | NorthWest | 732930 | Mill Creek (MT) | 1141877 | Montana | GT4 | 1149504 | 100 | 50 | 50 | 50 | GT | NG | Permitted | 12/31/2012 0:00 | United Stat | 1 |
| Nova Scotia Power | IOU | 386098 | Emera Inc | 386097 | Nova Scoti | 386098 | Tufts Cove | 609253 | Nova Scoti | CC1 | 919316 | 100 | 148 | 144 | 148 | CC | NG | Under Const | 12/31/2011 0:00 | Canada | 1 |
| Oklahoma Gas & Electric Co | IOU | 1130 | OGE Energy Corp | 446426 | Oklahoma | 1130 | Crossroads Wind Farm | 1334920 | Oklahoma | WT1 95 | 1334922 | 100 | 218.5 | 218.5 | 218.5 | WT | WND | Under Const | 3/31/2012 0:00 | United Stat | 1 |
| Oklahoma Gas & Electric Co | IOU | 1130 | OGE Energy Corp | 446426 | Oklahoma | 1130 | Crossroads Wind Farm | 1334920 | Oklahoma | WT96 98 | 1369239 | 100 | 9 | 9 | 9 | WT | WND | Under Const | 3/31/2012 0:00 | United Stat | 1 |
| Pacific Gas & Electric Co | IOU | 1133 | PG&E Corp | 386282 | Pacific Gas | 1133 | Chalk Mountain Powerhouse | 1163776 | California | HY1 | 1163778 | 100 | 2.8 | 2.8 | 2.8 | HY | WAT | Site Prep | 12/31/2013 0:00 | United Stat | 1 |
| Pacific Gas & Electric Co | IOU | 1133 | PG&E Corp | 386282 | Pacific Gas | 1133 | Huron Solar Station | 1585144 | California | PV1 | 1585146 | 100 | 20 | 20 | 20 | PV | SUN | Under Const | 6/1/2012 0:00 | United Stat | 1 |
| Portland General Electric Co | IOU | 1141 | Portland General Electric Co | 857467 | Portland Ge | 1141 | Baldock (OR) Rest Area Solar | 1575522 | Oregon | PV1 | 1575526 | 100 | 1.75 | 1.75 | 1.75 | PV | SUN | Under Const | 1/31/2012 0:00 | United Stat | 1 |
| Progress Energy Carolinas | IOU | 1017 | Progress Energy Inc | 386088 | Progress E | 1017 | L V Sutton | 1478 | North Caro | CC1 | 1311350 | 100 | 600 | 600 | 600 | CC | NG | Under Const | 12/31/2013 0:00 | United Stat | 1 |
| Progress Energy Carolinas | IOU | 1017 | Progress Energy Inc | 386088 | Progress E | 1017 | Lee 2 | 1193936 | North Caro | CC1 | 1193938 | 100 | 950 | 950 | 950 | CC | NG | Under Const | 6/1/2013 0:00 | United Stat | 1 |
| Public Service Co of Colorado | IOU | 1145 | Xcel Energy Inc | 386100 | Public Serv | 1145 | Cherokee (CO) | 2315 | Colorado | CC1 | 1368191 | 100 | 569 | 569 | 569 | CC | NG | Permitted | 9/30/2015 0:00 | United Stat | 1 |
| Public Service Co of New Mexico | IOU | 1147 | PNM Resources Inc | 442977 | Public Serv | 1147 | San Miguel County Solar (PNM | 1602698 | New Mexic | 1 | 1602700 | 100 | 5 | 5 | 5 | PV | SUN | Under Const | 12/15/2011 0:00 | United Stat | 1 |
| Puget Sound Energy Inc | IOU | 1150 | Macquarie Power Income Fu | 737246 | Puget Sour | 1150 | Lower Baker | 75589 | Washingto | 4 | 1461105 | 100 | 15 | 15 | 15 | HY | WAT | Under Const | 12/31/2013 0:00 | United Stat | 1 |
| Puget Sound Energy Inc | IOU | 1150 | Macquarie Power Income Fu | 737246 | Puget Sour | 1150 | Lower Baker | 75589 | Washingto | 5 | 1461106 | 100 | 15 | 15 | 15 | HY | WAT | Under Const | 12/31/2013 0:00 | United Stat | 1 |
| Puget Sound Energy Inc | IOU | 1150 | Macquarie Power Income Fu | 737246 | Puget Sour | 1150 | Lower Snake River Wind Ener | 1163488 | Washingto | WT1 149 | 1163490 | 100 | 342.7 | 342.7 | 342.7 | WT | WND | Under Const | 4/1/2012 0:00 | United Stat | 1 |
| Sempra Energy | IOU | 423691 | Sempra Energy | 446379 | Sempra En | 423691 | Mesquite Solar | 1171888 | Arizona | PV2 | 1321329 | 100 | 175 | 175 | 175 | PV | SUN | Permitted | 9/30/2013 0:00 | United Stat | 1 |
| Sempra Energy | IOU | 423691 | Sempra Energy | 446379 | Sempra En | 423691 | Mesquite Solar | 1171888 | Arizona | PV3 | 1321330 | 100 | 175 | 175 | 175 | PV | SUN | Permitted | 3/31/2014 0:00 | United Stat | 1 |
| Sempra Energy | IOU | 423691 | Sempra Energy | 446379 | Sempra En | 423691 | Mesquite Solar | 1171888 | Arizona | PV4 | 1321331 | 100 | 200 | 200 | 200 | PV | SUN | Permitted | 9/30/2014 0:00 | United Stat | 1 |
| South Carolina Electric & Gas Co | IOU | 1159 | SCANA Corp | 582844 | Ameresco I | 1501297 | SRS Biomass Cogeneration Fa | 1181214 | South Caro | AB | 1181219 | 100 | 20 | 20 | 20 | AB | WDS | Testing | 12/31/2011 0:00 | United Stat | 1 |
| Southwestern Electric Power Co | IOU | 1164 | American Electric Power Co | 442978 | Southwest | 1164 | John W Turk Jr Power Plant | 874697 | Arkansas | ST1 | 870624 | 85.94 | 523.375 | 523.375 | 531.109 | ST | SUB | Under Const | 12/15/2012 0:00 | United Stat | 1 |
| Taylor Processing Inc | IOU | 1587572 | AltaGas Income Trust | 839487 | Taylor Proc | 1587572 | Harmattan Cogeneration | 1587573 | Alberta | 2 | 1587576 | 100 | 15 | 15 | 15 | GT | NG | Permitted | 4/30/2012 0:00 | | 1 |
| UGI Utilities Inc | IOU | 63345 | UGI Corp | 582905 | UGI Utilitie | 63345 | Hunlock Power Station | 75016 | Pennsylvar | CC1 | 1199757 | 100 | 130 | 130 | 130 | CC | NG | Testing | 6/30/2012 0:00 | United Stat | 1 |
| Virginia Electric & Power Co | IOU | 1186 | Dominion Resources Inc | 445772 | Virginia Ele | 1186 | Virginia City Hybrid Energy C | 613310 | Virginia | CFB | 613311 | 100 | 668 | 586 | 614 | AB | COL | Testing | 9/1/2012 0:00 | United Stat | 1 |
| Wisconsin Electric Power Co | IOU | 1193 | Wisconsin Energy Corp | 386091 | Wisconsin | 1193 | Domtar Cogen (WE) | 1480262 | Wisconsin | AB | 1480264 | 100 | 50 | 50 | 50 | AB | WDS | Under Const | 12/31/2013 0:00 | United Stat | 1 |
| Wisconsin Electric Power Co | IOU | 1193 | Wisconsin Energy Corp | 386091 | Wisconsin | 1193 | Glacier Hills Wind Park | 1148976 | Wisconsin | WT1 90 | 1148987 | 100 | 162 | 162 | 162 | WT | WND | Under Const | 12/31/2011 0:00 | United Stat | 1 |
| Wisconsin Power & Light Co | IOU | 1194 | Alliant Energy Corp | 446425 | Wisconsin | 1194 | Bent Tree Wind Farm | 1137434 | Minnesota | WT123 24 | 1137437 | 100 | 200 | 200 | 200 | WT | WND | Permitted | 6/30/2012 0:00 | United Stat | 1 |
| | | | | | | | | | | | | | 37,212 | | | | | | | | |
| | | | | | | | | | | | | | 8,551 | | | | | | | | |

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**Q.**
With respect to page 15, lines 7 - 10 of witness Dewhurst's direct testimony, please provide any documentation from independent, third party sources that support the views expressed in the above referenced testimony.

**A.**
Documents provided are the data from Ventyx Generation Unit Capital Dataset. Also, for ease of reference, graphs were provided reflecting the data with and without nuclear exposure.

**Q.**
With respect to page 16, lines 12 – 21 of witness Dewhurst's direct testimony, please provide any documentation from independent, third party sources that support the views expressed in the above referenced testimony.

**A.**
Please see FPL's response to Staff's Ninth Request for Production of Documents No. 65.

# U.S. Nuclear Power Plant Operators, Owners and Holding Companies

| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| Callaway | AmerenUE | AmerenUE | Ameren Corp. | 100.0 | 1,190 |
| Donald C. Cook 1 | American Electric Power Co. Inc. | American Electric Power Co. Inc. | American Electric Power Co. Inc. | 100.0 | 1,009 |
| Donald C. Cook 2 | American Electric Power Co. Inc. | American Electric Power Co. Inc. | American Electric Power Co. Inc. | 100.0 | 1,060 |
| Palo Verde 1 | Arizona Public Service Co. | Southern California Edison Co. | Edison International | 15.8 | 207 |
| Palo Verde 1 | Arizona Public Service Co. | El Paso Electric Co. | El Paso Electric Co. | 15.8 | 207 |
| Palo Verde 1 | Arizona Public Service Co. | Los Angeles Dept. of Water & Power | Los Angeles Dept of Water & Power | 5.7 | 75 |
| Palo Verde 1 | Arizona Public Service Co. | Arizona Public Service Co. | Pinnacle West Capital Corp. | 29.1 | 382 |
| Palo Verde 1 | Arizona Public Service Co. | Public Service Co of New Mexico | PNM Resources, Inc. | 10.2 | 134 |
| Palo Verde 1 | Arizona Public Service Co. | Salt River Project | Salt River Project | 17.5 | 229 |
| Palo Verde 1 | Arizona Public Service Co. | Southern California Public Power Authority | Southern California Public Power Authority | 5.9 | 77 |
| Palo Verde 2 | Arizona Public Service Co. | Southern California Edison Co. | Edison International | 15.8 | 208 |
| Palo Verde 2 | Arizona Public Service Co. | El Paso Electric Co. | El Paso Electric Co. | 15.8 | 208 |
| Palo Verde 2 | Arizona Public Service Co. | Los Angeles Dept. of Water & Power | Los Angeles Dept of Water & Power | 5.7 | 75 |
| Palo Verde 2 | Arizona Public Service Co. | Arizona Public Service Co. | Pinnacle West Capital Corp. | 29.1 | 382 |
| Palo Verde 2 | Arizona Public Service Co. | Public Service Co of New Mexico | PNM Resources, Inc. | 10.2 | 134 |
| Palo Verde 2 | Arizona Public Service Co. | Salt River Project | Salt River Project | 17.5 | 230 |
| Palo Verde 2 | Arizona Public Service Co. | Southern California Public Power Authority | Southern California Public Power Authority | 5.9 | 78 |
| Palo Verde 3 | Arizona Public Service Co. | Southern California Edison Co. | Edison International | 15.8 | 207 |
| Palo Verde 3 | Arizona Public Service Co. | El Paso Electric Co. | El Paso Electric Co. | 15.8 | 207 |
| Palo Verde 3 | Arizona Public Service Co. | Los Angeles Dept. of Water & Power | Los Angeles Dept of Water & Power | 5.7 | 75 |
| Palo Verde 3 | Arizona Public Service Co. | Arizona Public Service Co. | Pinnacle West Capital Corp. | 29.1 | 382 |
| Palo Verde 3 | Arizona Public Service Co. | Public Service Co of New Mexico | PNM Resources, Inc. | 10.2 | 134 |
| Palo Verde 3 | Arizona Public Service Co. | Salt River Project | Salt River Project | 17.5 | 229 |
| Palo Verde 3 | Arizona Public Service Co. | Southern California Public Power Authority | Southern California Public Power Authority | 5.9 | 77 |
| Calvert Cliffs 1 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 50.01 | 428 |
| Calvert Cliffs 1 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 49.99 | 427 |
| Calvert Cliffs 2 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 50.01 | 425 |
| Calvert Cliffs 2 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 49.99 | 425 |
| Ginna | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 50.01 | 291 |
| Ginna | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 49.99 | 290 |
| Nine Mile Point 1 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 50.01 | 315 |
| Nine Mile Point 1 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 49.99 | 315 |
| Nine Mile Point 2 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 41.00 | 469 |
| Nine Mile Point 2 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 40.99 | 469 |
| Nine Mile Point 2 | Constellation Energy Nuclear Group, LLC | Long Island Power Authority | Long Island Power Authority | 18.0 | 206 |
| Fermi 2 | Detroit Edison Co (The) | DTE Energy Co. | DTE Energy Co. | 100.0 | 1,085 |
| Kewaunee | Dominion Generation | Dominion Generation | Dominion Resources, Inc. | 100.0 | 566 |
| Millstone 2 | Dominion Generation | Dominion Resources, Inc. | Dominion Resources, Inc. | 100.0 | 869 |
| Millstone 3 | Dominion Generation | Central Vermont Public Service Corp. | Central Vermont Public Service Corp. | 1.7 | 21 |
| Millstone 3 | Dominion Generation | Dominion Resources, Inc. | Dominion Resources, Inc. | 93.5 | 1,153 |
| Millstone 3 | Dominion Generation | Massachusetts Municipal Wholesale Electric Co. | Massachusetts Municipal Wholesale Electric Co. | 4.8 | 59 |
| North Anna 1 | Dominion Generation | Virginia Electric & Power Co. | Dominion Resources, Inc. | 88.4 | 813 |

| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| North Anna 1 | Dominion Generation | Old Dominion Electric Coop. | Old Dominion Electric Coop. | 11.6 | 107 |
| North Anna 2 | Dominion Generation | Virginia Electric & Power Co. | Dominion Resources, Inc. | 88.4 | 834 |
| North Anna 2 | Dominion Generation | Old Dominion Electric Coop. | Old Dominion Electric Coop. | 11.6 | 109 |
| Surry 1 | Dominion Generation | Dominion Resources, Inc. | Dominion Resources, Inc. | 100.0 | 839 |
| Surry 2 | Dominion Generation | Dominion Resources, Inc. | Dominion Resources, Inc. | 100.0 | 839 |
| Catawba 1 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 38.5 | 435 |
| Catawba 1 | Duke Power | North Carolina Electric Membership Corp. | North Carolina Electric Membership Corp. | 61.5 | 694 |
| Catawba 2 | Duke Power | North Carolina Municipal Power Agency No. 1 | North Carolina Municipal Power Agency No. 1 | 75.0 | 847 |
| Catawba 2 | Duke Power | Piedmont Municipal Power Agency | Piedmont Municipal Power Agency | 25.0 | 282 |
| McGuire 1 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 1,100 |
| McGuire 2 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 1,100 |
| Oconee 1 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 846 |
| Oconee 2 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 846 |
| Oconee 3 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 846 |
| 2 | Energy Northwest | Energy Northwest | Energy Northwest | 100.0 | 1,097 |
| Palisades | Entergy Nuclear | Entergy Nuclear | Entergy Corp. | 100.0 | 793 |
| Cooper | Entergy Nuclear Nebraska | Nebraska Public Power District | Nebraska Public Power District | 100.0 | 767 |
| Indian Point 2 | Entergy Nuclear Northeast | Entergy Nuclear Operations, Inc. | Entergy Corp. | 100.0 | 1,022 |
| Indian Point 3 | Entergy Nuclear Northeast | Entergy Nuclear Operations, Inc. | Entergy Corp. | 100.0 | 1,040 |
| James A. Fitzpatrick | Entergy Nuclear Northeast | Entergy Nuclear Operations, Inc. | Entergy Corp. | 100.0 | 855 |
| Pilgrim 1 | Entergy Nuclear Northeast | Entergy Nuclear Generation Inc. | Entergy Corp. | 100.0 | 685 |
| Arkansas Nuclear One 1 | Entergy Nuclear South | Entergy Arkansas, Inc. | Entergy Corp. | 100.0 | 842 |
| Arkansas Nuclear One 2 | Entergy Nuclear South | Entergy Arkansas, Inc. | Entergy Corp. | 100.0 | 993 |
| Grand Gulf 1 | Entergy Nuclear South | System Energy Resources, Inc. | Entergy Corp. | 90.0 | 1,126 |
| Grand Gulf 1 | Entergy Nuclear South | South Mississippi Electric Power Association | South Mississippi Electric Power Association | 10.0 | 125 |
| River Bend 1 | Entergy Nuclear South | Entergy Gulf States, Inc. | Entergy Corp. | 100.0 | 974 |
| Waterford 3 | Entergy Nuclear South | Entergy Louisiana, Inc. | Entergy Corp. | 100.0 | 1,168 |
| Vermont Yankee 1 | Entergy Nuclear Vermont Yankee, LLC | Entergy Nuclear Operations, Inc. | Entergy Corp. | 100.0 | 620 |
| Braidwood 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,178 |
| Braidwood 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,152 |
| Byron 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,164 |
| Byron 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,136 |
| Clinton | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,065 |
| Dresden 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 867 |
| Dresden 3 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 867 |
| La Salle 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,118 |
| La Salle 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,120 |
| Limerick 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,130 |
| Limerick 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,134 |
| Oyster Creek 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 615 |
| Peach Bottom 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 50.0 | 561 |
| Peach Bottom 2 | Exelon Generation Co, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 50.0 | 561 |
| Peach Bottom 3 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 50.0 | 561 |
| Peach Bottom 3 | Exelon Generation Co, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 50.0 | 561 |
| Quad Cities 1 | Exelon Generation Co, LLC | MidAmerican Energy Co. | Berkshire Hathaway, Inc. | 25.0 | 221 |
| Quad Cities 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 75.0 | 662 |

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| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| Quad Cities 2 | Exelon Generation Co, LLC | MidAmerican Energy Co. | Berkshire Hathaway, Inc. | 25.0 | 223 |
| Quad Cities 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 75.0 | 669 |
| Three Mile Island 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 805 |
| Beaver Valley 1 | FirstEnergy Nuclear Operating Co. | Ohio Edison Co. | FirstEnergy Corp. | 35.0 | 312 |
| Beaver Valley 1 | FirstEnergy Nuclear Operating Co. | Pennsylvania Power Co. | FirstEnergy Corp. | 65.0 | 580 |
| Beaver Valley 2 | FirstEnergy Nuclear Operating Co. | Cleveland Electric Illuminating Co. (The) | FirstEnergy Corp. | 19.9 | 176 |
| Beaver Valley 2 | FirstEnergy Nuclear Operating Co. | Ohio Edison Co. | FirstEnergy Corp. | 41.9 | 371 |
| Beaver Valley 2 | FirstEnergy Nuclear Operating Co. | Pennsylvania Power Co. | FirstEnergy Corp. | 13.7 | 122 |
| Beaver Valley 2 | FirstEnergy Nuclear Operating Co. | Toledo Edison Co. (The) | FirstEnergy Corp. | 24.5 | 217 |
| Davis Besse | FirstEnergy Nuclear Operating Co. | Cleveland Electric Illuminating Co. (The) | FirstEnergy Corp. | 51.4 | 459 |
| Davis Besse | FirstEnergy Nuclear Operating Co. | Toledo Edison Co. (The) | FirstEnergy Corp. | 48.6 | 435 |
| Perry 1 | FirstEnergy Nuclear Operating Co. | Cleveland Electric Illuminating Co. (The) | FirstEnergy Corp. | 44.9 | 556 |
| Perry 1 | FirstEnergy Nuclear Operating Co. | Ohio Edison Co. | FirstEnergy Corp. | 30.0 | 372 |
| Perry 1 | FirstEnergy Nuclear Operating Co. | Pennsylvania Power Co. | FirstEnergy Corp. | 5.2 | 65 |
| Perry 1 | FirstEnergy Nuclear Operating Co. | Toledo Edison Co. (The) | FirstEnergy Corp. | 19.9 | 247 |
| St. Lucie 1 | Florida Power & Light Co. | Florida Power & Light Co. | NextEra Energy, Inc. | 100.0 | 839 |
| St. Lucie 2 | Florida Power & Light Co. | Florida Municipal Power Agency | Florida Municipal Power Agency | 8.8 | 74 |
| St. Lucie 2 | Florida Power & Light Co. | Florida Power & Light Co. | NextEra Energy, Inc. | 85.1 | 714 |
| St. Lucie 2 | Florida Power & Light Co. | Orlando Utilities Commission | Orlando Utilities Commission | 6.1 | 51 |
| Turkey Point 3 | Florida Power & Light Co. | Florida Power & Light Co. | NextEra Energy, Inc. | 100.0 | 693 |
| Turkey Point 4 | Florida Power & Light Co. | Florida Power & Light Co. | NextEra Energy, Inc. | 100.0 | 693 |
| Comanche Peak 1 | Luminant Generation | Luminant Generation | Luminant Holdco | 100.0 | 1,209 |
| Comanche Peak 2 | Luminant Generation | Luminant Generation | Luminant Holdco | 100.0 | 1,197 |
| Duane Arnold | NextEra Energy Resources Duane Arnold, LLC | Central Iowa Power Coop. | Central Iowa Power Coop. | 20.0 | 120 |
| Duane Arnold | NextEra Energy Resources Duane Arnold, LLC | Corn Belt Power Coop. | Corn Belt Power Coop. | 10.0 | 60 |
| Duane Arnold | NextEra Energy Resources Duane Arnold, LLC | NextEra Energy Resources, LLC | NextEra Energy, Inc. | 70.0 | 421 |
| Point Beach 1 | NextEra Energy Resources Point Beach, LLC | NextEra Energy Resources, LLC | NextEra Energy, Inc. | 100.0 | 506 |
| Point Beach 2 | NextEra Energy Resources Point Beach, LLC | NextEra Energy Resources, LLC | NextEra Energy, Inc. | 100.0 | 586 |
| Seabrook 1 | NextEra Energy Resources Seabrook, LLC | Hudson Light & Power Dept. | Hudson Light & Power Dept. | 0.1 | 1 |
| Seabrook 1 | NextEra Energy Resources Seabrook, LLC | Massachusetts Municipal Wholesale Electric Co. | Massachusetts Municipal Wholesale Electric Co. | 11.6 | 145 |
| Seabrook 1 | NextEra Energy Resources Seabrook, LLC | NextEra Energy Resources, LLC | NextEra Energy, Inc. | 88.2 | 1,100 |
| Seabrook 1 | NextEra Energy Resources Seabrook, LLC | Taunton Municipal Lighting Plant | Taunton Municipal Lighting Plant | 0.1 | 1 |
| Monticello | Northern States Power Company | Xcel Energy, Inc. | Xcel Energy, Inc. | 100.0 | 554 |
| Prairie Island 1 | Northern States Power Company | Xcel Energy, Inc. | Xcel Energy, Inc. | 100.0 | 521 |
| Prairie Island 2 | Northern States Power Company | Xcel Energy, Inc. | Xcel Energy, Inc. | 100.0 | 519 |
| Fort Calhoun | Omaha Public Power District | Omaha Public Power District | Omaha Public Power District | 100.0 | 478 |
| Diablo Canyon 1 | Pacific Gas & Electric Co. | PG&E Corp. | PG&E Corp. | 100.0 | 1,122 |
| Diablo Canyon 2 | Pacific Gas & Electric Co. | PG&E Corp. | PG&E Corp. | 100.0 | 1,118 |
| Susquehanna 1 | PPL Susquehanna, LLC | Allegheny Electric Coop, Inc. | Allegheny Electric Coop, Inc. | 10.0 | 126 |
| Susquehanna 1 | PPL Susquehanna, LLC | PPL Corp. | PPL Corp. | 90.0 | 1,134 |
| Susquehanna 2 | PPL Susquehanna, LLC | Allegheny Electric Coop, Inc. | Allegheny Electric Coop, Inc. | 10.0 | 126 |
| Susquehanna 2 | PPL Susquehanna, LLC | PPL Corp. | PPL Corp. | 90.0 | 1,134 |
| Brunswick 1 | Progress Energy | North Carolina Eastern Municipal Power Agency | North Carolina Eastern Municipal Power Agency | 18.3 | 172 |
| Brunswick 1 | Progress Energy | Progress Energy Carolinas | Progress Energy, Inc. | 81.7 | 766 |
| Brunswick 2 | Progress Energy | North Carolina Eastern Municipal Power Agency | North Carolina Eastern Municipal Power Agency | 18.3 | 169 |
| Brunswick 2 | Progress Energy | Progress Energy Carolinas | Progress Energy, Inc. | 81.7 | 751 |

| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| Crystal River 3 | Progress Energy | Alachua FL (City of) | Alachua FL (City of) | 0.1 | 1 |
| Crystal River 3 | Progress Energy | Bushnell FL (City of) | Bushnell FL (City of) | 0.0 | 0 |
| Crystal River 3 | Progress Energy | Gainesville Regional Utilities | Gainesville Regional Utilities | 1.4 | 12 |
| Crystal River 3 | Progress Energy | Kissimmee Utility Authority | Kissimmee Utility Authority | 0.7 | 6 |
| Crystal River 3 | Progress Energy | Leesburg Electric Dept | Leesburg FL (City of) | 0.8 | 7 |
| Crystal River 3 | Progress Energy | Ocala FL (City of) | Ocala FL (City of) | 1.3 | 11 |
| Crystal River 3 | Progress Energy | Orlando Utilities Commission | Orlando Utilities Commission | 1.6 | 14 |
| Crystal River 3 | Progress Energy | Progress Energy Florida | Progress Energy, Inc. | 91.8 | 789 |
| Crystal River 3 | Progress Energy | Seminole Electric Coop. | Seminole Electric Coop. | 1.7 | 15 |
| Crystal River 3 | Progress Energy | Utilities Commission New Smyrna Beach | Utilities Commission New Smyrna Beach | 0.6 | 5 |
| H.B. Robinson 2 | Progress Energy | Progress Energy Carolinas | Progress Energy, Inc. | 100.0 | 724 |
| Shearon Harris 1 | Progress Energy | North Carolina Eastern Municipal Power Agency | North Carolina Eastern Municipal Power Agency | 16.2 | 146 |
| Shearon Harris 1 | Progress Energy | Progress Energy Carolinas | Progress Energy, Inc. | 83.8 | 754 |
| Hope Creek 1 | PSEG Nuclear, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 100.0 | 1,161 |
| Salem 1 | PSEG Nuclear, LLC | Exelon Corp. | Exelon Corp. | 42.6 | 500 |
| Salem 1 | PSEG Nuclear, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 57.4 | 674 |
| Salem 2 | PSEG Nuclear, LLC | Exelon Corp. | Exelon Corp. | 42.6 | 493 |
| Salem 2 | PSEG Nuclear, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 57.4 | 665 |
| V.C. Summer | South Carolina Electric & Gas Co. | Santee Cooper | Santee Cooper | 33.3 | 322 |
| V.C. Summer | South Carolina Electric & Gas Co. | South Carolina Electric & Gas Co. | SCANA Corp. | 66.7 | 644 |
| San Onofre 2 | Southern California Edison Co. | Anaheim Public Utilities Dept. | Anaheim CA (City of) | 3.2 | 34 |
| San Onofre 2 | Southern California Edison Co. | Southern California Edison Co. | Edison International | 75.1 | 803 |
| San Onofre 2 | Southern California Edison Co. | Riverside Public Utilities | Riverside Public Utilities | 1.8 | 19 |
| San Onofre 2 | Southern California Edison Co. | San Diego Gas & Electric Co. | Sempra Energy | 20.0 | 214 |
| San Onofre 3 | Southern California Edison Co. | Anaheim Public Utilities Dept. | Anaheim CA (City of) | 3.2 | 34 |
| San Onofre 3 | Southern California Edison Co. | Southern California Edison Co. | Edison International | 75.1 | 811 |
| San Onofre 3 | Southern California Edison Co. | Riverside Public Utilities | Riverside Public Utilities | 1.8 | 19 |
| San Onofre 3 | Southern California Edison Co. | San Diego Gas & Electric Co. | Sempra Energy | 20.0 | 216 |
| Edwin I. Hatch 1 | Southern Nuclear Operating Co. | Dalton GA (City of) | Dalton GA (City of) | 2.2 | 19 |
| Edwin I. Hatch 1 | Southern Nuclear Operating Co. | Municipal Electric Authority of Georgia | Municipal Electric Authority of Georgia | 17.7 | 155 |
| Edwin I. Hatch 1 | Southern Nuclear Operating Co. | Oglethorpe Power Corp. | Oglethorpe Power Corp. | 30.0 | 263 |
| Edwin I. Hatch 1 | Southern Nuclear Operating Co. | Georgia Power Co. | Southern Co. | 50.1 | 439 |
| Edwin I. Hatch 2 | Southern Nuclear Operating Co. | Dalton GA (City of) | Dalton GA (City of) | 2.2 | 19 |
| Edwin I. Hatch 2 | Southern Nuclear Operating Co. | Municipal Electric Authority of Georgia | Municipal Electric Authority of Georgia | 17.7 | 156 |
| Edwin I. Hatch 2 | Southern Nuclear Operating Co. | Oglethorpe Power Corp. | Oglethorpe Power Corp. | 30.0 | 265 |
| Edwin I. Hatch 2 | Southern Nuclear Operating Co. | Georgia Power Co. | Southern Co. | 50.1 | 442 |
| Joseph M. Farley 1 | Southern Nuclear Operating Co. | Alabama Power | Southern Co. | 100.0 | 874 |
| Joseph M. Farley 2 | Southern Nuclear Operating Co. | Alabama Power | Southern Co. | 100.0 | 860 |
| Vogtle 1 | Southern Nuclear Operating Co. | Dalton GA (City of) | Dalton GA (City of) | 1.6 | 18 |
| Vogtle 1 | Southern Nuclear Operating Co. | Municipal Electric Authority of Georgia | Municipal Electric Authority of Georgia | 22.7 | 261 |
| Vogtle 1 | Southern Nuclear Operating Co. | Oglethorpe Power Corp. | Oglethorpe Power Corp. | 30.0 | 345 |
| Vogtle 1 | Southern Nuclear Operating Co. | Georgia Power Co. | Southern Co. | 45.7 | 526 |
| Vogtle 2 | Southern Nuclear Operating Co. | Dalton GA (City of) | Dalton GA (City of) | 1.6 | 18 |
| Vogtle 2 | Southern Nuclear Operating Co. | Municipal Electric Authority of Georgia | Municipal Electric Authority of Georgia | 22.7 | 262 |
| Vogtle 2 | Southern Nuclear Operating Co. | Oglethorpe Power Corp. | Oglethorpe Power Corp. | 30.0 | 346 |
| Vogtle 2 | Southern Nuclear Operating Co. | Georgia Power Co. | Southern Co. | 45.7 | 526 |

| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| South Texas Project 1 | STP Nuclear Operating Co. | Austin Energy | Austin Energy | 16.0 | 205 |
| South Texas Project 1 | STP Nuclear Operating Co. | CPS Energy | CPS Energy | 40.0 | 512 |
| South Texas Project 1 | STP Nuclear Operating Co. | NRG Energy | NRG Energy, Inc. | 44.0 | 563 |
| South Texas Project 2 | STP Nuclear Operating Co. | Austin Energy | Austin Energy | 16.0 | 205 |
| South Texas Project 2 | STP Nuclear Operating Co. | CPS Energy | CPS Energy | 40.0 | 512 |
| South Texas Project 2 | STP Nuclear Operating Co. | NRG Energy | NRG Energy, Inc. | 44.0 | 563 |
| Browns Ferry 1 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,101 |
| Browns Ferry 2 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,104 |
| Browns Ferry 3 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,105 |
| Sequoyah 1 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,152 |
| Sequoyah 2 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,126 |
| Watts Bar 1 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,123 |
| Wolf Creek 1 | Wolf Creek Nuclear Operations Corp. | Kansas City Power & Light Co. | Great Plains Energy, Inc. | 47.0 | 545 |
| Wolf Creek 1 | Wolf Creek Nuclear Operations Corp. | Kansas Electric Power Coop. | Kansas Electric Power Coop, Inc. | 6.0 | 70 |
| Wolf Creek 1 | Wolf Creek Nuclear Operations Corp. | Kansas Gas & Electric Co. | Westar Energy, Inc. | 47.0 | 545 |

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The holding company is the corporate parent, if any, of the owner.

# U.S. Nuclear Power Plant Operators, Owners and Holding Companies

| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| Crystal River 3 | Progress Energy | Alachua FL (City of) | Alachua FL (City of) | 0.1 | 1 |
| Susquehanna 1 | PPL Susquehanna, LLC | Allegheny Electric Coop, Inc. | Allegheny Electric Coop, Inc. | 10.0 | 126 |
| Susquehanna 2 | PPL Susquehanna, LLC | Allegheny Electric Coop, Inc. | Allegheny Electric Coop, Inc. | 10.0 | 126 |
| Callaway | AmerenUE | AmerenUE | Ameren Corp. | 100.0 | 1,190 |
| Donald C. Cook 1 | American Electric Power Co. Inc. | American Electric Power Co. Inc. | American Electric Power Co. Inc. | 100.0 | 1,009 |
| Donald C. Cook 2 | American Electric Power Co. Inc. | American Electric Power Co. Inc. | American Electric Power Co. Inc. | 100.0 | 1,060 |
| San Onofre 2 | Southern California Edison Co. | Anaheim Public Utilities Dept. | Anaheim CA (City of) | 3.2 | 34 |
| San Onofre 3 | Southern California Edison Co. | Anaheim Public Utilities Dept. | Anaheim CA (City of) | 3.2 | 34 |
| South Texas Project 1 | STP Nuclear Operating Co. | Austin Energy | Austin Energy | 16.0 | 205 |
| South Texas Project 2 | STP Nuclear Operating Co. | Austin Energy | Austin Energy | 16.0 | 205 |
| Quad Cities 1 | Exelon Generation Co, LLC | MidAmerican Energy Co. | Berkshire Hathaway, Inc. | 25.0 | 221 |
| Quad Cities 2 | Exelon Generation Co, LLC | MidAmerican Energy Co. | Berkshire Hathaway, Inc. | 25.0 | 223 |
| Crystal River 3 | Progress Energy | Bushnell FL (City of) | Bushnell FL (City of) | 0.0 | 0 |
| Duane Arnold | NextEra Energy Resources Duane Arnold, LLC | Central Iowa Power Coop. | Central Iowa Power Coop. | 20.0 | 120 |
| Millstone 3 | Dominion Generation | Central Vermont Public Service Corp. | Central Vermont Public Service Corp. | 1.7 | 21 |
| Duane Arnold | NextEra Energy Resources Duane Arnold, LLC | Corn Belt Power Coop. | Corn Belt Power Coop. | 10.0 | 60 |
| South Texas Project 1 | STP Nuclear Operating Co. | CPS Energy | CPS Energy | 40.0 | 512 |
| South Texas Project 2 | STP Nuclear Operating Co. | CPS Energy | CPS Energy | 40.0 | 512 |
| Edwin I. Hatch 1 | Southern Nuclear Operating Co. | Dalton GA (City of) | Dalton GA (City of) | 2.2 | 19 |
| Edwin I. Hatch 2 | Southern Nuclear Operating Co. | Dalton GA (City of) | Dalton GA (City of) | 2.2 | 19 |
| Vogtle 1 | Southern Nuclear Operating Co. | Dalton GA (City of) | Dalton GA (City of) | 1.6 | 18 |
| Vogtle 2 | Southern Nuclear Operating Co. | Dalton GA (City of) | Dalton GA (City of) | 1.6 | 18 |
| Kewaunee | Dominion Generation | Dominion Generation | Dominion Resources, Inc. | 100.0 | 566 |
| Millstone 2 | Dominion Generation | Dominion Resources, Inc. | Dominion Resources, Inc. | 100.0 | 869 |
| Millstone 3 | Dominion Generation | Dominion Resources, Inc. | Dominion Resources, Inc. | 93.5 | 1,153 |
| North Anna 1 | Dominion Generation | Virginia Electric & Power Co. | Dominion Resources, Inc. | 88.4 | 813 |
| North Anna 2 | Dominion Generation | Virginia Electric & Power Co. | Dominion Resources, Inc. | 88.4 | 834 |
| Surry 1 | Dominion Generation | Dominion Resources, Inc. | Dominion Resources, Inc. | 100.0 | 839 |
| Surry 2 | Dominion Generation | Dominion Resources, Inc. | Dominion Resources, Inc. | 100.0 | 839 |
| Fermi 2 | Detroit Edison Co (The) | DTE Energy Co. | DTE Energy Co. | 100.0 | 1,085 |
| Catawba 1 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 38.5 | 435 |
| McGuire 1 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 1,100 |
| McGuire 2 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 1,100 |
| Oconee 1 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 846 |
| Oconee 2 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 846 |
| Oconee 3 | Duke Power | Duke Energy Corp. | Duke Energy Corp. | 100.0 | 846 |
| Palo Verde 1 | Arizona Public Service Co. | Southern California Edison Co. | Edison International | 15.8 | 207 |
| Palo Verde 2 | Arizona Public Service Co. | Southern California Edison Co. | Edison International | 15.8 | 208 |
| Palo Verde 3 | Arizona Public Service Co. | Southern California Edison Co. | Edison International | 15.8 | 207 |
| San Onofre 2 | Southern California Edison Co. | Southern California Edison Co. | Edison International | 75.1 | 803 |
| San Onofre 3 | Southern California Edison Co. | Southern California Edison Co. | Edison International | 75.1 | 811 |
| Palo Verde 1 | Arizona Public Service Co. | El Paso Electric Co. | El Paso Electric Co. | 15.8 | 207 |

| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| Palo Verde 2 | Arizona Public Service Co. | El Paso Electric Co. | El Paso Electric Co. | 15.8 | 208 |
| Palo Verde 3 | Arizona Public Service Co. | El Paso Electric Co. | El Paso Electric Co. | 15.8 | 207 |
| Calvert Cliffs 1 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 49.99 | 427 |
| Calvert Cliffs 2 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 49.99 | 425 |
| Ginna | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 49.99 | 290 |
| Nine Mile Point 1 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 49.99 | 315 |
| Nine Mile Point 2 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Électricité de France | 40.99 | 469 |
| 2 | Energy Northwest | Energy Northwest | Energy Northwest | 100.0 | 1,097 |
| Arkansas Nuclear One 1 | Entergy Nuclear South | Entergy Arkansas, Inc. | Entergy Corp. | 100.0 | 842 |
| Arkansas Nuclear One 2 | Entergy Nuclear South | Entergy Arkansas, Inc. | Entergy Corp. | 100.0 | 993 |
| Grand Gulf 1 | Entergy Nuclear South | System Energy Resources, Inc. | Entergy Corp. | 90.0 | 1,126 |
| Indian Point 2 | Entergy Nuclear Northeast | Entergy Nuclear Operations, Inc. | Entergy Corp. | 100.0 | 1,022 |
| Indian Point 3 | Entergy Nuclear Northeast | Entergy Nuclear Operations, Inc. | Entergy Corp. | 100.0 | 1,040 |
| James A. Fitzpatrick | Entergy Nuclear Northeast | Entergy Nuclear Operations, Inc. | Entergy Corp. | 100.0 | 855 |
| Palisades | Entergy Nuclear | Entergy Nuclear | Entergy Corp. | 100.0 | 793 |
| Pilgrim 1 | Entergy Nuclear Northeast | Entergy Nuclear Generation Inc. | Entergy Corp. | 100.0 | 685 |
| River Bend 1 | Entergy Nuclear South | Entergy Gulf States, Inc. | Entergy Corp. | 100.0 | 974 |
| Vermont Yankee 1 | Entergy Nuclear Vermont Yankee, LLC | Entergy Nuclear Operations, Inc. | Entergy Corp. | 100.0 | 620 |
| Waterford 3 | Entergy Nuclear South | Entergy Louisiana, Inc. | Entergy Corp. | 100.0 | 1,168 |
| Braidwood 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,178 |
| Braidwood 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,152 |
| Byron 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,164 |
| Byron 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,136 |
| Calvert Cliffs 1 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 50.01 | 428 |
| Calvert Cliffs 2 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 50.01 | 425 |
| Clinton | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,065 |
| Dresden 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 867 |
| Dresden 3 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 867 |
| Ginna | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 50.01 | 291 |
| La Salle 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,118 |
| La Salle 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,120 |
| Limerick 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,130 |
| Limerick 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 1,134 |
| Nine Mile Point 1 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 50.01 | 315 |
| Nine Mile Point 2 | Constellation Energy Nuclear Group, LLC | Constellation Energy Nuclear Group, LLC | Exelon Corp. | 41.00 | 469 |
| Oyster Creek 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 615 |
| Peach Bottom 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 50.0 | 561 |
| Peach Bottom 3 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 50.0 | 561 |
| Quad Cities 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 75.0 | 662 |
| Quad Cities 2 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 75.0 | 669 |
| Salem 1 | PSEG Nuclear, LLC | Exelon Corp. | Exelon Corp. | 42.6 | 500 |
| Salem 2 | PSEG Nuclear, LLC | Exelon Corp. | Exelon Corp. | 42.6 | 493 |
| Three Mile Island 1 | Exelon Generation Co, LLC | Exelon Corp. | Exelon Corp. | 100.0 | 805 |
| Beaver Valley 1 | FirstEnergy Nuclear Operating Co. | Ohio Edison Co. | FirstEnergy Corp. | 35.0 | 312 |
| Beaver Valley 1 | FirstEnergy Nuclear Operating Co. | Pennsylvania Power Co. | FirstEnergy Corp. | 65.0 | 580 |
| Beaver Valley 2 | FirstEnergy Nuclear Operating Co. | Cleveland Electric Illuminating Co. (The) | FirstEnergy Corp. | 19.9 | 176 |

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| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| Beaver Valley 2 | FirstEnergy Nuclear Operating Co. | Ohio Edison Co. | FirstEnergy Corp. | 41.9 | 371 |
| Beaver Valley 2 | FirstEnergy Nuclear Operating Co. | Pennsylvania Power Co. | FirstEnergy Corp. | 13.7 | 122 |
| Beaver Valley 2 | FirstEnergy Nuclear Operating Co. | Toledo Edison Co. (The) | FirstEnergy Corp. | 24.5 | 217 |
| Davis Besse | FirstEnergy Nuclear Operating Co. | Cleveland Electric Illuminating Co. (The) | FirstEnergy Corp. | 51.4 | 459 |
| Davis Besse | FirstEnergy Nuclear Operating Co. | Toledo Edison Co. (The) | FirstEnergy Corp. | 48.6 | 435 |
| Perry 1 | FirstEnergy Nuclear Operating Co. | Cleveland Electric Illuminating Co. (The) | FirstEnergy Corp. | 44.9 | 556 |
| Perry 1 | FirstEnergy Nuclear Operating Co. | Ohio Edison Co. | FirstEnergy Corp. | 30.0 | 372 |
| Perry 1 | FirstEnergy Nuclear Operating Co. | Pennsylvania Power Co. | FirstEnergy Corp. | 5.2 | 65 |
| Perry 1 | FirstEnergy Nuclear Operating Co. | Toledo Edison Co. (The) | FirstEnergy Corp. | 19.9 | 247 |
| St. Lucie 2 | Florida Power & Light Co. | Florida Municipal Power Agency | Florida Municipal Power Agency | 8.8 | 74 |
| Crystal River 3 | Progress Energy | Gainesville Regional Utilities | Gainesville Regional Utilities | 1.4 | 12 |
| Wolf Creek 1 | Wolf Creek Nuclear Operations Corp. | Kansas City Power & Light Co. | Great Plains Energy, Inc. | 47.0 | 545 |
| Seabrook 1 | NextEra Energy Resources Seabrook, LLC | Hudson Light & Power Dept. | Hudson Light & Power Dept. | 0.1 | 1 |
| Wolf Creek 1 | Wolf Creek Nuclear Operations Corp. | Kansas Electric Power Coop. | Kansas Electric Power Coop, Inc. | 6.0 | 70 |
| Crystal River 3 | Progress Energy | Kissimmee Utility Authority | Kissimmee Utility Authority | 0.7 | 6 |
| Crystal River 3 | Progress Energy | Leesburg Electric Dept | Leesburg FL (City of) | 0.8 | 7 |
| Nine Mile Point 2 | Constellation Energy Nuclear Group, LLC | Long Island Power Authority | Long Island Power Authority | 18.0 | 206 |
| Palo Verde 1 | Arizona Public Service Co. | Los Angeles Dept. of Water & Power | Los Angeles Dept of Water & Power | 5.7 | 75 |
| Palo Verde 2 | Arizona Public Service Co. | Los Angeles Dept. of Water & Power | Los Angeles Dept of Water & Power | 5.7 | 75 |
| Palo Verde 3 | Arizona Public Service Co. | Los Angeles Dept. of Water & Power | Los Angeles Dept of Water & Power | 5.7 | 75 |
| Comanche Peak 1 | Luminant Generation | Luminant Generation | Luminant Holdco | 100.0 | 1,209 |
| Comanche Peak 2 | Luminant Generation | Luminant Generation | Luminant Holdco | 100.0 | 1,197 |
| Millstone 3 | Dominion Generation | Massachusetts Municipal Wholesale Electric Co. | Massachusetts Municipal Wholesale Electric Co. | 4.8 | 59 |
| Seabrook 1 | NextEra Energy Resources Seabrook, LLC | Massachusetts Municipal Wholesale Electric Co. | Massachusetts Municipal Wholesale Electric Co. | 11.6 | 145 |
| Edwin I. Hatch 1 | Southern Nuclear Operating Co. | Municipal Electric Authority of Georgia | Municipal Electric Authority of Georgia | 17.7 | 155 |
| Edwin I. Hatch 2 | Southern Nuclear Operating Co. | Municipal Electric Authority of Georgia | Municipal Electric Authority of Georgia | 17.7 | 156 |
| Vogtle 1 | Southern Nuclear Operating Co. | Municipal Electric Authority of Georgia | Municipal Electric Authority of Georgia | 22.7 | 261 |
| Vogtle 2 | Southern Nuclear Operating Co. | Municipal Electric Authority of Georgia | Municipal Electric Authority of Georgia | 22.7 | 262 |
| Cooper | Entergy Nuclear Nebraska | Nebraska Public Power District | Nebraska Public Power District | 100.0 | 767 |
| Duane Arnold | NextEra Energy Resources Duane Arnold, LLC | NextEra Energy Resources, LLC | NextEra Energy, Inc. | 70.0 | 421 |
| Point Beach 1 | NextEra Energy Resources Point Beach, LLC | NextEra Energy Resources, LLC | NextEra Energy, Inc. | 100.0 | 506 |
| Point Beach 2 | NextEra Energy Resources Point Beach, LLC | NextEra Energy Resources, LLC | NextEra Energy, Inc. | 100.0 | 586 |
| Seabrook 1 | NextEra Energy Resources Seabrook, LLC | NextEra Energy Resources, LLC | NextEra Energy, Inc. | 88.2 | 1,100 |
| St. Lucie 1 | Florida Power & Light Co. | Florida Power & Light Co. | NextEra Energy, Inc. | 100.0 | 839 |
| St. Lucie 2 | Florida Power & Light Co. | Florida Power & Light Co. | NextEra Energy, Inc. | 85.1 | 714 |
| Turkey Point 3 | Florida Power & Light Co. | Florida Power & Light Co. | NextEra Energy, Inc. | 100.0 | 693 |
| Turkey Point 4 | Florida Power & Light Co. | Florida Power & Light Co. | NextEra Energy, Inc. | 100.0 | 693 |
| Brunswick 1 | Progress Energy | North Carolina Eastern Municipal Power Agency | North Carolina Eastern Municipal Power Agency | 18.3 | 172 |
| Brunswick 2 | Progress Energy | North Carolina Eastern Municipal Power Agency | North Carolina Eastern Municipal Power Agency | 18.3 | 169 |
| Shearon Harris 1 | Progress Energy | North Carolina Eastern Municipal Power Agency | North Carolina Eastern Municipal Power Agency | 16.2 | 146 |
| Catawba 1 | Duke Power | North Carolina Electric Membership Corp. | North Carolina Electric Membership Corp. | 61.5 | 694 |
| Catawba 2 | Duke Power | North Carolina Municipal Power Agency No. 1 | North Carolina Municipal Power Agency No. 1 | 75.0 | 847 |
| South Texas Project 1 | STP Nuclear Operating Co. | NRG Energy | NRG Energy, Inc. | 44.0 | 563 |
| South Texas Project 2 | STP Nuclear Operating Co. | NRG Energy | NRG Energy, Inc. | 44.0 | 563 |
| Crystal River 3 | Progress Energy | Ocala FL (City of) | Ocala FL (City of) | 1.3 | 11 |
| Edwin I. Hatch 1 | Southern Nuclear Operating Co. | Oglethorpe Power Corp. | Oglethorpe Power Corp. | 30.0 | 263 |

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| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| Edwin I. Hatch 2 | Southern Nuclear Operating Co. | Oglethorpe Power Corp. | Oglethorpe Power Corp. | 30.0 | 265 |
| Vogtle 1 | Southern Nuclear Operating Co. | Oglethorpe Power Corp. | Oglethorpe Power Corp. | 30.0 | 345 |
| Vogtle 2 | Southern Nuclear Operating Co. | Oglethorpe Power Corp. | Oglethorpe Power Corp. | 30.0 | 346 |
| North Anna 1 | Dominion Generation | Old Dominion Electric Coop. | Old Dominion Electric Coop. | 11.6 | 107 |
| North Anna 2 | Dominion Generation | Old Dominion Electric Coop. | Old Dominion Electric Coop. | 11.6 | 109 |
| Fort Calhoun | Omaha Public Power District | Omaha Public Power District | Omaha Public Power District | 100.0 | 478 |
| Crystal River 3 | Progress Energy | Orlando Utilities Commission | Orlando Utilities Commission | 1.6 | 14 |
| St. Lucie 2 | Florida Power & Light Co. | Orlando Utilities Commission | Orlando Utilities Commission | 6.1 | 51 |
| Diablo Canyon 1 | Pacific Gas & Electric Co. | PG&E Corp. | PG&E Corp. | 100.0 | 1,122 |
| Diablo Canyon 2 | Pacific Gas & Electric Co. | PG&E Corp. | PG&E Corp. | 100.0 | 1,118 |
| Catawba 2 | Duke Power | Piedmont Municipal Power Agency | Piedmont Municipal Power Agency | 25.0 | 282 |
| Palo Verde 1 | Arizona Public Service Co. | Arizona Public Service Co. | Pinnacle West Capital Corp. | 29.1 | 382 |
| Palo Verde 2 | Arizona Public Service Co. | Arizona Public Service Co. | Pinnacle West Capital Corp. | 29.1 | 382 |
| Palo Verde 3 | Arizona Public Service Co. | Arizona Public Service Co. | Pinnacle West Capital Corp. | 29.1 | 382 |
| Palo Verde 1 | Arizona Public Service Co. | Public Service Co of New Mexico | PNM Resources, Inc. | 10.2 | 134 |
| Palo Verde 2 | Arizona Public Service Co. | Public Service Co of New Mexico | PNM Resources, Inc. | 10.2 | 134 |
| Palo Verde 3 | Arizona Public Service Co. | Public Service Co of New Mexico | PNM Resources, Inc. | 10.2 | 134 |
| Susquehanna 1 | PPL Susquehanna, LLC | PPL Corp. | PPL Corp. | 90.0 | 1,134 |
| Susquehanna 2 | PPL Susquehanna, LLC | PPL Corp. | PPL Corp. | 90.0 | 1,134 |
| Brunswick 1 | Progress Energy | Progress Energy Carolinas | Progress Energy, Inc. | 81.7 | 766 |
| Brunswick 2 | Progress Energy | Progress Energy Carolinas | Progress Energy, Inc. | 81.7 | 751 |
| Crystal River 3 | Progress Energy | Progress Energy Florida | Progress Energy, Inc. | 91.8 | 789 |
| H.B. Robinson 2 | Progress Energy | Progress Energy Carolinas | Progress Energy, Inc. | 100.0 | 724 |
| Shearon Harris 1 | Progress Energy | Progress Energy Carolinas | Progress Energy, Inc. | 83.8 | 754 |
| Hope Creek 1 | PSEG Nuclear, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 100.0 | 1,161 |
| Peach Bottom 2 | Exelon Generation Co, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 50.0 | 561 |
| Peach Bottom 3 | Exelon Generation Co, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 50.0 | 561 |
| Salem 1 | PSEG Nuclear, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 57.4 | 674 |
| Salem 2 | PSEG Nuclear, LLC | PSEG Power | Public Service Enterprise Group, Inc. | 57.4 | 665 |
| San Onofre 2 | Southern California Edison Co. | Riverside Public Utilities | Riverside Public Utilities | 1.8 | 19 |
| San Onofre 3 | Southern California Edison Co. | Riverside Public Utilities | Riverside Public Utilities | 1.8 | 19 |
| Palo Verde 1 | Arizona Public Service Co. | Salt River Project | Salt River Project | 17.5 | 229 |
| Palo Verde 2 | Arizona Public Service Co. | Salt River Project | Salt River Project | 17.5 | 230 |
| Palo Verde 3 | Arizona Public Service Co. | Salt River Project | Salt River Project | 17.5 | 229 |
| V.C. Summer | South Carolina Electric & Gas Co. | Santee Cooper | Santee Cooper | 33.3 | 322 |
| V.C. Summer | South Carolina Electric & Gas Co. | South Carolina Electric & Gas Co. | SCANA Corp. | 66.7 | 644 |
| Crystal River 3 | Progress Energy | Seminole Electric Coop. | Seminole Electric Coop. | 1.7 | 15 |
| San Onofre 2 | Southern California Edison Co. | San Diego Gas & Electric Co. | Sempra Energy | 20.0 | 214 |
| San Onofre 3 | Southern California Edison Co. | San Diego Gas & Electric Co. | Sempra Energy | 20.0 | 216 |
| Grand Gulf 1 | Entergy Nuclear South | South Mississippi Electric Power Association | South Mississippi Electric Power Association | 10.0 | 125 |
| Palo Verde 1 | Arizona Public Service Co. | Southern California Public Power Authority | Southern California Public Power Authority | 5.9 | 77 |
| Palo Verde 2 | Arizona Public Service Co. | Southern California Public Power Authority | Southern California Public Power Authority | 5.9 | 78 |
| Palo Verde 3 | Arizona Public Service Co. | Southern California Public Power Authority | Southern California Public Power Authority | 5.9 | 77 |
| Edwin I. Hatch 1 | Southern Nuclear Operating Co. | Georgia Power Co. | Southern Co. | 50.1 | 439 |
| Edwin I. Hatch 2 | Southern Nuclear Operating Co. | Georgia Power Co. | Southern Co. | 50.1 | 442 |
| Joseph M. Farley 1 | Southern Nuclear Operating Co. | Alabama Power | Southern Co. | 100.0 | 874 |

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| Reactor Name | Operator | Owner (s) | Holding Company | Owned % | Owned MW |
|---|---|---|---|---|---|
| Joseph M. Farley 2 | Southern Nuclear Operating Co. | Alabama Power | Southern Co. | 100.0 | 860 |
| Vogtle 1 | Southern Nuclear Operating Co. | Georgia Power Co. | Southern Co. | 45.7 | 526 |
| Vogtle 2 | Southern Nuclear Operating Co. | Georgia Power Co. | Southern Co. | 45.7 | 526 |
| Seabrook 1 | NextEra Energy Resources Seabrook, LLC | Taunton Municipal Lighting Plant | Taunton Municipal Lighting Plant | 0.1 | 1 |
| Browns Ferry 1 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,101 |
| Browns Ferry 2 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,104 |
| Browns Ferry 3 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,105 |
| Sequoyah 1 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,152 |
| Sequoyah 2 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,126 |
| Watts Bar 1 | Tennessee Valley Authority | Tennessee Valley Authority | Tennessee Valley Authority | 100.0 | 1,123 |
| Crystal River 3 | Progress Energy | Utilities Commission New Smyrna Beach | Utilities Commission New Smyrna Beach | 0.6 | 5 |
| Wolf Creek 1 | Wolf Creek Nuclear Operations Corp. | Kansas Gas & Electric Co. | Westar Energy, Inc. | 47.0 | 545 |
| Monticello | Northern States Power Company | Xcel Energy, Inc. | Xcel Energy, Inc. | 100.0 | 554 |
| Prairie Island 1 | Northern States Power Company | Xcel Energy, Inc. | Xcel Energy, Inc. | 100.0 | 521 |
| Prairie Island 2 | Northern States Power Company | Xcel Energy, Inc. | Xcel Energy, Inc. | 100.0 | 519 |

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The holding company is the corporate parent, if any, of the owner.

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**Q.**
With respect to page 17, lines 1 – 2 of witness Dewhurst's direct testimony, please provide any documentation from independent, third party sources that compares FPL's relative reliance on nuclear power to other IOUs that operate nuclear power plants in the U.S.

**A.**
Please see data provided that was available from NEI, the Nuclear Energy Institute.

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SPECIAL COMMENT

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*contacts continued on the last page*

# Re-evaluating Creditworthiness for Global Nuclear Generators:

Post Fukushima political intervention depends largely on society's willingness to accept risks

» Japan's Fukushima nuclear accident creates a material credit negative for all issuers that own and operate nuclear generation due to increased political intervention; emboldened opposition forces; intensified regulatory scrutiny and higher costs.

» None of our rated nuclear issuers will escape from the negative implications associated with this accident, but most issuer ratings and rating outlooks appear well positioned at this time.

» The principal credit risk relates to political intervention, which creates unpredictable unintended consequences with contagion effects that can last for years. Political intervention is influenced by society's willingness to accept nuclear risks. We believe the sentiment is turning more negative.

» From a credit perspective, the causes that triggered the Fukushima accident represent low probability but high severity event risk. We see little rationale to change our view that nuclear accidents are remote probability events, but we are reevaluating whether our views adequately capture their high severity nature and we do not anticipate any rating changes solely related to event risk.

» We see meaningful differences between countries in the degree to which the nuclear operating environment becomes more difficult, although the impact will be negative in all cases. Some issuers will need to increase revenues to compensate for this more challenging environment in order to hold their current ratings.

» The magnitude of the liabilities unfolding at Fukushima create near-term credit pressure on two sectors: issuers with high ratings and weak financials, where strong governmental support and rate setting autonomy exists (e.g., Japanese utilities; US municipal utilities; US Generation & Transmission Cooperatives ), and; issuers with unregulated nuclear generation where cost recovery is more uncertain (e.g., European unregulated utilities, US unregulated power companies).

» We still see a strong suite of fundamental benefits associated with nuclear generation, most notably its ability to reliably produce large quantities of base-load power without producing the air and water emission pollution on the same scale as other fossil-powered plants. Notwithstanding the current situation in Japan, nuclear generation also has a very impressive long-term safety record.

» In this Special Comment, Moody's elaborates on how we are revising our thoughts with respect to creditworthiness for owners and operators of nuclear generating facilities in a post Fukushima environment.

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## Overview

The Fukushima nuclear power accident continues to unfold and will have negative credit implications for operators of nuclear generation in many countries, not just Japan. The cause of the accident is irrelevant to our credit analysis, what matters is event risk. Event risk can be associated with earthquakes, tsunamis, hurricanes, cyber-attacks, equipment failure or operator error, but we continue to ascribe a low probability to event risk occurrence for this power sector. In addition, we do not anticipate any rating changes solely related to remote probability but high severity event risk.

What is changing is our view of the sheer magnitude of liability associated with an event risk occurrence. For companies with nuclear activities, Fukushima highlights two important fundamental assumptions incorporated into our credit analysis: an assumption that a population is willing to accept the costs of radiation and that its government will stand behind long-term liabilities. These assumptions are expected to be tested over the next 12 to 18 months.

Today, we see increased political intervention across many regions and intensified regulatory scrutiny across all jurisdictions. More importantly, emboldened opposition forces are mobilizing their arguments against nuclear power, a material wildcard for the US, where a presidential election cycle in about to commence. We expect delays in the permitting and licensing process for both new reactors as well as those looking to extend their license. These delays are partly a function of more regulatory scrutiny, but are also caused by increased social opposition.

We see many governments intervening into their nuclear generation sectors, an easy step given the highly regulated nature of these critical infrastructure assets. While the level of intervention varies by country, in all instances the credit implication is negative.

In our opinion, all of these reactions will combine to invariably lead to higher costs for generators and higher electricity costs for consumers. A struggling global economy exacerbates the risk of consumer tolerance to absorb higher utility costs. Delays in cost recovery can contribute to financial metric deterioration, a credit negative when accompanied by a higher business and operating risk profile.

We still view nuclear power as a key source of electricity for many countries. Nuclear power plants provide large quantities of base-load electricity, 24-hours a day for hundreds of days in a row without producing any of the air and water emission pollutants of alternative forms of generation, including coal and natural gas. The countries with the largest amount of nuclear generating capacity also tend to have sizable, developed economies which are better positioned to absorb potential large liabilities.

In Japan, government intervention to absorb the Fukushima-related liabilities is actively being considered. The ratings for Tokyo Electric Power Company (TEPCO), the owner of the Fukushima nuclear station, has already been downgraded by 5-notches, to Baa1 from Aa2 and remains on review for further downgrade. We are concerned with statements from some government officials that appear to indicate that TEPCO may need to shoulder a portion of the liabilities.

The resolution regarding Japan's government support for liabilities can have contagion effects on other jurisdictions. For example, in the United States, the Price Anderson Act limits liability to nuclear operators at only $12.5 billion, a figure which now appears relatively low. Any liabilities above that level are expected to be absorbed by both state and federal governments, a concept that could create a political backlash for the sector due to the weak economic recovery and deteriorating state of

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government finances. At this time, we would not rule out the potential for significant changes to the US nuclear sector's liability insurance framework.

Still, we take some comfort in the fact that the majority of operating nuclear plants are located in large, industrialized economies. As noted in the table below, the top 10 largest nuclear countries (measured by capacity) represent approximately 84% of the total worldwide nuclear generation capacity and 52% of the total worldwide estimated GDP.

TABLE 1

**Largest nuclear generation capacity, by country**

| Country | Gigawatt Capacity | GW % of worldwide total | 2011 Est. GDP ($T US Equivalent) | GDP % of worldwide total |
|---|---|---|---|---|
| United States | 100.7 | 27% | $15.1 | 24% |
| France | 53.3 | 14% | $2.6 | 4% |
| Japan | 46.8 | 13% | $5.7 | 9% |
| Russia | 24.0 | 6% | $1.7 | 3% |
| Germany | 20.5 | 6% | $3.4 | 5% |
| South Korea | 20.5 | 6% | $1.1 | 2% |
| Ukraine | 13.1 | 4% | $0.2 | 0% |
| Canada | 12.6 | 3% | $1.6 | 3% |
| China | 10.1 | 3% | $6.4 | 10% |
| United Kingdom | 10.1 | 3% | $2.4 | 4% |
| **Top 10 total** | **311.7** | **84%** | **$32.2** | **52%** |
| **Total worldwide** | **370.1** | | **$62.0** | |

*Source: IAEA, International Monetary Fund World Economic Outlook, October 2010.*

## Event risk remains remote possibility but financial implications upon occurrence revisited

From a credit perspective, the events that triggered Fukushima (an earthquake and a tsunami) are irrelevant. We see the accident as event risk, which despite its extremely low probability of occurring, occurred. For our purposes, event risk can represent almost anything, but for purposes of this report, event risk is defined as a reactor that ignores the instructions from its control room. This can be triggered by an earthquake, tsunami, hurricane, cyber-attack, equipment failure or operator error. We will, most likely, continue to view the potential occurrence of nuclear accident event risk as a remote probability. However, we are now re-evaluating the impact on creditworthiness when an event does occur.

Any changes to our perception of business and operating risk will be made on an issuer-specific basis. In some cases, a higher risk profile will need to be mitigated by stronger financial metrics in order to maintain a given rating. Nevertheless, we do not anticipate any rating changes solely related to remote probability but high severity event risk.

Our views are still developing, in part due to the continued unfolding of events in Japan and the related reactions of governments. In the table below, we summarize our initial reactions:

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TABLE 2

**Current status of developing views incorporated into credit analysis**

| | Previous View | Emerging View | Rationale for changing view |
|---|---|---|---|
| Event risk occurrence | Remote probability | Remote probability | "Black swan" event risk is not zero probability |
| Financial impact upon event risk occurrence | Manageable over long-term horizon | Manageable over long-term horizon but sustained financial weakness | Potential size of liabilities appear larger than initially expected raising need for government support and backstop |
| Regulatory oversight | Material oversight | More intrusive oversight likely to be temporary | Increasing scrutiny results in delays and higher costs, but result will be strengthened systems and emergency response |
| Government support | Strong | Strong; varies by region | Support influenced by social priorities; support expected to be tested |
| Population acceptance | Growing more supportive | Growing less supportive, but varies by region | Increasing concerns over radiation; costs; conclusion of Fukushima likely to influence level of tolerance |

## Initial impact on issuer creditworthiness

At this time, we still feel it is premature to make any definitive conclusions regarding creditworthiness for nuclear generators, in part due to the still unfolding events in Japan and the uncertainty that may follow in other regions. We continue to incorporate a relatively positive view of the science and engineering that stands behind nuclear power, and we expect a thorough review and assessment of potential reactor vulnerabilities once Fukushima is ultimately resolved, a process that is likely to take several months (to stabilize and contain) and several years (to clean up).

Nevertheless, our initial assessment includes the following:

» Issuers with high credit ratings but weak financial profiles, where reliance on strong government support or rate setting autonomy is critical, appear most at risk over the near-term horizon. A material strengthening of the financial profile for some issuers may be in order to justify existing credit ratings. This could become a more important consideration as government support is tested in Japan. In the US, several municipal electric utility issuers and a few G&T cooperatives are potentially exposed.

» Issuers that own nuclear generating assets within the unregulated power market frameworks are more exposed than issuers operating within a traditionally regulated market framework. Recovery of increased costs associated with political intervention and heightened regulatory scrutiny are more assured in a regulated framework. Similarly, the US municipal electric utility and G&T cooperative issuers, virtually all of whom have full rate setting autonomy, can recover increased costs provided they fully exercise that autonomy even in the face of a potential consumer backlash.

» Issuers pursuing the construction of new nuclear generation are already being ascribed a higher risk profile. The potential for delays during construction can increase costs, which could raise regulatory prudency/disallowance risks. This scenario was last evidenced in the US in the 1980's, post the Three Mile Island accident.

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- Issuers pursuing operating license extensions are exposed to higher risks, especially for reactors that share the same design as the Fukushima nuclear power station or are located near earthquake prone regions or along coast-lines. This concern is comparable to the US Davis-Besse reactor vessel head experience, but we note that all operating licenses are equally exposed, regardless of reactor design or geographic location. More intensive regulatory reviews and organized local opposition are expected.

## Highly rated issuers with weak financials that rely on government support and rate setting autonomy

Prior to the 11 March incident, Japanese utilities had the same above average credit quality as U.S. municipal electric and G&T cooperative utilities - Aa2 stable for Japan, an average A1 stable for U.S. municipal electric utilities and an average A3 stable for US G&T cooperatives. In these cases, strong ratings rely heavily on governmental support and rate setting autonomy in tandem with strong contractual relationships with customers. Combined, these factors represent good mitigants against financial profiles that compare weakly with peers in Europe and the US. The Japanese, US municipal utility and US G&T cooperative sectors have financial profiles characterized by higher leverage ratios, lower cash flow metrics, and weaker liquidity profiles[1].

In addition to the rating actions taken on TEPCO, Moody's placed on review for possible downgrade the long-term ratings for nine other Japanese utilities. The review is prompted by the lasting consequences of the earthquake and tsunami for the nation's power and utility sector; the challenging economic environment which increases the risk of recovery delays and; their comparatively weak financial profiles and limited financial flexibility relative to their rating category.

In the US, there are 20 municipal electric utilities and a few of the rated US G&T cooperatives that have direct ownership interest in existing nuclear assets. To date, we have taken no rating action on any of these issuers as a result of the Fukushima incident.

[1] For many municipal utilities, we acknowledge that liquidity is evaluated under a different methodology than corporate issuers. For the municipal utilities, many issuers have self-liquidity provisions and sizeable cash balances.

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TABLE 3

**Selected nuclear operators with high credit ratings, weak financial profiles and reliance on government support and rate setting autonomy with strong contractual relationships with customers**

($ Billions)

| Region | Issuer | Rating | Outlook | Revenue | Debt | Assets |
|---|---|---|---|---|---|---|
| Japan: regulated utility | Chubu | Aa2 | RUR – down | $24.1 | $34.7 | $56.5 |
| Japan: regulated utility | Chugoku | Aa2 | RUR – down | $11.2 | $20.1 | $30.0 |
| US: municipal utility | CPS San Antonio | Aa1 | Stable | $2.2 | $4.2 | $8.7 |
| Europe: unregulated power | EdF | A2 | Stable | $86.5 | $103.5 | $326.5 |
| Japan: regulated utility | Hokkaido | Aa2 | RUR – down | $5.9 | $12.4 | $17.9 |
| Japan: regulated utility | Hokuriku | Aa2 SS. | RUR – down | $5.1 | $10.6 | $15.4 |
| Japan: unregulated power | J-Power* | Aa2 | RUR – down | 626.5 | 662.9 | 2027.0 |
| Japan: regulated utility | Kansai | Aa2 | RUR – down | $28.1 | $48.5 | $73.4 |
| Japan: regulated utility | Kyushu | Aa2 | RUR – down | $15.6 | $29.4 | $43.8 |
| US: municipal utility | MEAG | A1 | Stable | $0.7 | $4.0 | $5.0 |
| US: G&T cooperative | Oglethorpe | Baa2 | Stable | $1.3 | $5.5 | $6.9 |
| US: municipal utility | Santee Cooper | Aa2 | Stable | $1.7 | $4.9 | $7.5 |
| Japan: regulated utility | TEPCO | Baa1 | RUR - down | $54.0 | $101.1 | $138.5 |
| US: regulated utility | TVA | Aaa | Stable | $10.9 | $27.4 | $43.0 |

* JPY ¥

## Un-regulated nuclear generation issuers

Issuers that own nuclear generating assets within the unregulated power market frameworks are more exposed than issuers operating within a traditionally regulated market framework. Recovery of increased costs associated with political intervention and heightened regulatory scrutiny are more assured in a regulated framework.

In the US, Exelon Corp. (Baa1 stable), Entergy Corp. (Baa3 stable), Constellation Energy (Baa3 stable), and Public Service Enterprise Group (Baa2 stable) are the most exposed.

Other unregulated companies that operate nuclear power plants are capitalized with higher levels of debt and are, therefore, even more sensitive to absorbing higher costs. These include NRG Energy (Ba3 negative) and Energy Future Holdings Corp. (Caa2 negative), which has a whopping $37 billion in outstanding debt.

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TABLE 4

**Selected unregulated nuclear power operators**

($ Billions)

| Region | Issuer | Rating | Outlook | Revenue | Debt | Assets |
|---|---|---|---|---|---|---|
| Europe: unregulated power | CEZ | A2 | Stable | $10.4 | $9.9 | $28.3 |
| US: unregulated power | Constellation | Baa3 | Stable | $15.6 | $5.5 | $23.8 |
| US: unregulated power | Dominion | Baa2 | Stable | $15.2 | $18.7 | $43.7 |
| Europe: unregulated power | E.ON | A2 | Stable | $111.5 | $73.3 | $219.9 |
| Europe: unregulated power | EDF | Aa3 | Stable | $82.4 | $116.6 | $350.0 |
| US: unregulated power | EFH | Caa2 CFR | Negative | $9.5 | $37.0 | $60.3 |
| Europe: unregulated power | EnBW | A2 | Stable | $21.7 | $22.4 | $50.3 |
| Europe: unregulated power | Endesa | A3 | RUR - down | $34.1 | $32.4 | $86.5 |
| Europe: unregulated power | ENEL | A2 | RUR - down | $86.7 | $103.6 | $234.7 |
| US: unregulated power | Entergy | Baa3 | Stable | $10.8 | $14.1 | $38.0 |
| US: unregulated power | Exelon | Baa1 | Stable | $17.3 | $16.9 | $52.9 |
| US: unregulated power | First Energy | Baa3 | Stable | $13.3 | $18.5 | $37.0 |
| Europe: unregulated power | Fortum | A2 | Stable | $7.6 | $10.9 | $29.4 |
| Europe: unregulated power | GDF SUEZ | A1 | Stable | $111.4 | $76.4 | $251.2 |
| Europe: unregulated power | Iberdrola | A3 | Negative | $36.1 | $45.2 | $124.6 |
| US: unregulated power | Nextera | Baa1 | Stable | $15.3 | $19.4 | $52.9 |
| US: unregulated power | NRG | Ba3 CFR | Negative | $9.0 | $10.0 | $24.1 |
| US: unregulated power | PPL | Baa3 | Stable | $8.5 | $15.0 | $33.6 |
| US: unregulated power | PSEG | Baa2 | Stable | $11.8 | $9.8 | $29.9 |
| Europe: unregulated power | RWE | A2 | Negative | $64.4 | $46.3 | $116.1 |
| Europe: unregulated power | Vattenfall | A2 | Stable | $27.0 | $33.7 | $84.8 |

## Issuers pursuing new nuclear construction

In the US, we believe the Nuclear Regulatory Commission (NRC) will cast a closer eye on applications for new nuclear reactors, particularly with respect to their safety and emergency response systems but also on all aspects of the new nuclear projects.

For example, while promoted as a significant advancement in the safety of nuclear reactors, the two new nuclear projects in the US will utilize the AP 1000 reactor design which uses passive safety features such as gravity and natural processes such as condensation to cool the reactor vessel and fuel. The design is touted as being able to eliminate the dependence upon mechanical and electrical support to keep the fuel cool during an event. The AP 1000 design is not in operation anywhere in the world and, therefore, has first-in-kind engineering risk and we expect additional questions will be raised about what happens should the passive system fail and under what conditions could that occur. We expect there could be a delay in the issuance of the new plant license as the public demands further assurances about safety.

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We currently see two new nuclear generating facilities with potential exposure, both of which are in the early stages of construction. These potential new reactors will be operated by regulated utilities, which can recover their operating expenses through customer rates, and are therefore less vulnerable to cost increases than their unregulated peers. The two new reactors are the Vogtle station in Georgia, owned by Southern Co. (Baa1 stable) and its subsidiary Georgia Power Co. (A3 stable); Oglethorpe Power (Baa2 stable); City of Dalton, Georgia (Aa3 stable) and the Municipal Electric Authority of Georgia (A1 stable).

The other two reactors are slated for the VC Summer station in South Carolina, owned by SCANA Corp. (Baa2 negative), its subsidiary South Carolina Electric and Gas (Baa1 negative), and the South Carolina Public Service Authority (Aa2 stable).

Prospects for the development of a third nuclear facility, South Texas Project 3 & 4 (STP 3&4), appear less likely as one of the potential major investors of STP 3&4 is Tokyo Electric Power, the owner of the affected Fukushima Daiichi and Daini nuclear plants. NRG is the primary owner and developer of this project.

TABLE 5

**Selected new nuclear generation construction exposure**

($ Billions)

| Region | Issuer | Rating | Outlook | Revenue | Debt | Assets |
|---|---|---|---|---|---|---|
| Asia: regulated utility | KHNP | A1 | Stable | Private | Private | Private |
| US: municipal utility | MEAG | A1 | Stable | $0.7 | $4.0 | $5.0 |
| US: unregulated power | NRG | Ba3 CFR | Negative | $9.0 | $10.0 | $24.1 |
| US: G&T cooperative | Oglethorpe | Baa2 | Stable | $1.3 | $5.5 | $6.9 |
| US: municipal utility | Santee Cooper | Aa2 | Stable | $1.7 | $4.9 | $7.5 |
| US: regulated utility | SCANA | Baa2 | Negative | $4.6 | $4.9 | $13.1 |
| US: regulated utility | Southern | Baa1 | Stable | $15.7 | $22.1 | $56.1 |

## US issuers pursuing an operating license extension

We anticipate a material increase in regulatory scrutiny and believe it is likely that numerous governments and regulators will establish various panels or commissions to review the status of their nuclear fleet and reconsider the fleet's role. Regulators are likely to impose more stringent safety, evacuation, and emergency response measures, which will increase operating costs for nuclear reactors.

In the US, we believe the NRC will take a closer look at both existing US nuclear operating plants, many of which are about the same age as Japan's Fukushima Daiichi and Daini plants and have similar overall reactor and safety designs, as well as the new reactor designs being reviewed for next-generation nuclear plants.

Nevertheless, all operating reactors in the US are subject to increased regulatory scrutiny and organized local opposition. From a cost perspective, we are especially focused on waste management issues, including the spent fuel cooling pools.

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TABLE 6

**Selected issuers seeking nuclear operating license extensions**

($ Billions)

| Region | Issuer | Rating | Outlook | Revenue | Debt | Assets |
|---|---|---|---|---|---|---|
| US: unregulated power | Constellation | Baa3 | Stable | $16.0 | $5.5 | $20.2 |
| US: municipal utility | CPS San Antonio | Aa1 | Stable | $2.2 | $4.2 | $8.7 |
| US: municipal utility | Energy Northwest | Aaa | Negative | $0.5 | $6.4 | $6.7 |
| US: unregulated power | Entergy | Baa3 | Stable | $10.8 | $14.1 | $39.1 |
| US: unregulated power | Exelon | Baa1 | Stable | $17.8 | $17.1 | $52.9 |
| US: unregulated power | First Energy | Baa3 | Stable | $13.3 | $18.5 | $37.0 |
| US: unregulated power | NRG | Ba3 CFR | Negative | $9.0 | $10.0 | $8.8 |
| US: unregulated power | PSEG | Baa2 | Stable | $12.4 | $9.9 | $29.9 |
| US: regulated utility | Southern | Baa1 | Stable | $15.7 | $22.1 | $56.1 |
| US: regulated utility | TVA | Aaa | Stable | $10.9 | $27.4 | $43.0 |

## Increased political and regulatory intervention create uncertainty

We believe government support will be tested in Japan, Europe and in the U.S. as the aftermath of the Fukushima nuclear crisis yields political and regulatory scrutiny over fleet safety. Evaluation of backup safety systems, security of spent fuel storage and safe location of nuclear generation sites will be some of the items reviewed.

In Europe, Moody's notes that the European Union's Energy Commissioner has called for all nuclear plants across the EU and in neighboring countries to undergo stress tests to prove their safety. Moody's will monitor the outcome of these tests and safety reviews, and the implications they may have for nuclear plants across Europe, including the additional costs from more stringent safety measures, which at this stage seems a likely outcome.

If significant costs are mandated by new regulations, the willingness of utilities and regulators to pass on those costs, despite legal precedents, could create consumer backlash issues. While Moody's still expects operators will maintain a profile that ensures timely payment of debt service, heightened political opposition to nuclear generation could place significant pressure on a governing board's supportiveness of nuclear asset ownership.

Already, we see a number of governments asserting their rights to intervene in the sector. As critical infrastructure assets, governments can easily move to slow the construction plans for new nuclear plants, halt the extension of expiring plant licenses, or close certain operating plants while the ramifications of events in Japan are evaluated.

The nature of government reactions to the nuclear accident to date varies substantially, but in all instances are viewed to be negative for credit. Several jurisdictions have already indicated a moratorium, delay or review of proposed new nuclear developments. These includes countries such as China and India, which represent the largest new nuclear construction opportunities. Other jurisdictions have reiterated their support, such as South Africa and France. The most severe reaction has emerged in Germany, which has traditionally been a heavily anti-nuclear jurisdiction.

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TABLE 7

| More supportive: Strong statements of continued support; no immediate actions taken that reduces timeliness of licensing / permitting procedures | Directionality of support still developing: Too early to conclude due to either conflicting statements regarding support or no clear directionality | Less supportive: Statements indicate a reduced timeliness for licensing / permitting procedures or other increases in regulatory scrutiny. |
|---|---|---|
| France | United States | Germany |
| South Africa | United Kingdom | India |
| | Sweden | South Korea |
| | Finland | |
| | China | |

## Past experiences of US governmental support

A reliable supply of electricity represents a critical infrastructure asset for all economies, so some degree of evidence associated with governmental support and intervention in times of stress can be expected. But in all cases, the magnitude of the response and scope of support remains uncertain. Nevertheless, over the past few decades, there have been examples of support and intervention in the US that demonstrates federal or state government willingness to step forward to mitigate worst case scenarios.

» In 2000 - 2001, California experienced an energy crisis where electric utilities encountered a material amount of financial distress. Two of the larger investor-owned utilities experienced a default. Arguably, the situation could have gotten worse if the state didn't take direct action. So, in 2001, due to the absence of credit worthy counter parties (the utilities), the State of California stepped in with its General Fund and purchased power on behalf of the utilities. The State then issued $11 billion of municipal revenue bonds to reimburse the fund. Regulators also took action to restructure and stabilize the power market.

» Related to this crises, Seattle Light (the Aaa-rated City of Seattle electric utility), faced some financial distress when low water levels combined with the enormous rise in the price of energy during the 2001 Power Crisis. Seattle Light had to procure replacement energy at prices well above their forecasted level which created a significant budget gap. Seattle Light had authorization to utilize the city's $1 billion liquidity pool to assist in cash flow until water flows improved hydroelectric production and market pricing improved.

» During the last nuclear build cycle, Duke Power experienced some financial distress as it was burdened with significant new post-Three Mile Island regulatory costs and a high interest rate environment. The State of North Carolina intervened by creating two joint municipal power agencies, North Carolina Municipal Power Agency No.1 and North Carolina Eastern Municipal Power Agency, that issued over $5 billion of tax-exempt bonds to assist in the completion of the nuclear units.

» After the 1973 Mideast oil embargo and a four-fold increase in oil prices, Con Edison experienced some financial distress. The State of New York intervened by directing the New York State Power Authority (NYPA) to buy, complete and operate two nuclear power plants that Con Edison was building.

» In a similar natural disaster experience, Entergy New Orleans experienced some financial distress following the devastation caused by Hurricane Katrina. The utility recovered with the support of government. The company's financial and operational recovery was partly attributable to the receipt of community development block grant funds, insurance proceeds following the storm, as well as the credit supportive regulatory decisions on the part of the New Orleans City Council.

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## Potential scenarios to consider

When considering the creditworthiness of our rated issuers, we incorporate a view regarding various factors, such as event risk and government support. In addition, our ratings take into consideration our expectations regarding the longer-term prospects for the sector in general, as well as for nuclear power specifically. We acknowledge that the unfolding events in Japan are likely to influence the ultimate implications for other jurisdictions, especially with respect to political intervention, regulatory scrutiny and, most importantly, the general public's sentiment.

Today, we see two principal scenarios related to the longer term prospect for nuclear power, both of which are biased to the negative side. The first scenario is our base case scenario, where the reduction in public sentiment and government support for nuclear power as a result of the Fukushima incident is temporary, even though the overall cost structure for nuclear operators changes. The second scenario is our downside case, where there is a material and more permanent decrease in both public sentiment and political support for nuclear power.

TABLE 8

**Illustrative scenarios**

| | Base case | Downside Case |
|---|---|---|
| Fukushima resolution | Situation stabilizes and is contained over near-term; radiation leakage and contamination is controlled with little additional impact on region; government supports TEPCO with costs / liabilities. | Situation remains uncontrolled for an extended period; radiation and contamination spreads across wider regions; TEPCO experiencesless than full government support. |
| Public sentiment | Less supportive but no material increase in organized opposition. | Material swell of organized anti-nuclear sentiment; increased NIMBY exposure; highly politicized issue for government elections. |
| Political intervention | Increased, but temporary. Commissions and studies provide political cover but most governments remain supportive over longer-term. | Increased for prolonged period of time; significant legislation thwarts new nuclear development plans and creates material unintended consequences regarding higher cost structure, making older plants uneconomical. Elected officials abandon previously supportive positions. |
| Regulatory scrutiny | Reviews and assessments aimed at lessons learned; vulnerability mitigation based on science and facts. | Reviews and assessments aimed at lessons learned; vulnerability mitigation based on science and facts, but forced to implement new legislation which creates material oversight burdens. |

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## The Davis-Besse reactor vessel head replacement reaction

In the US, we view the experience that occurred in 2004 at the Davis-Besse reactor (owned by First Energy Baa3 senior unsecured / stable outlook) as providing guidance as to possible regulatory responses to the Fukushima incident and the financial and operational implications for nuclear generators. First Energy notified the US Nuclear Regulatory Commission (NRC) of significant corrosion in its Davis-Besse reactor vessel head. The NRC promptly ordered all comparably designed reactors to assess the status of their reactor vessel heads. Material costs were then incurred to replace, often well in advance of any planned replacement, reactor vessel heads. Davis-Besse was off line for approximately 22 months.

We believe it is conceivable that a similar review of reactor vulnerabilities could be ordered post Fukushima, starting with the 35 GE boiling water reactors that share Fukushima's design characteristics and; reactors located on active fault lines or near coastlines or flood areas and with a focus on spent fuel cooling pools. However, we also not that all operating reactors will be exposed to increased regulatory scrutiny and, more importantly, potentially organized local opposition groups.

TABLE 9

**Selected issuers with increased exposure to regulatory scrutiny and the estimated number of GW's exposed****

| Reactors comparable to Fukushima design | Reactors located near earthquake fault lines | Reactors located near coasts |
|---|---|---|
| Exelon (~6.3 GW's) | PG&E (~2.2 GW's) | Dominion (~3.6 GW's) |
| TVA (~3.4 GW's) | Edison Intl (~1.8 GW's) | NextEra (~2.8 GW's) |
| Progress (~1.9 GW's) | Entergy (~2.0 GW) | Progress (~2.7 GW's) |
| Southern (~1.8 GW's) | | Entergy (~2.7 GW) |
| Entergy (~1.5 GW's) | | PG&E (~2.2 GW's) |
| DTE (~1.1 GW's) | | Edison Intln (~1.8 GW's) |
| PSEG (~1.2 GW's) | | Constellation (~1.7 GW's) |
| NextEra (~0.6 GW's) | | Exelon (~1.6 GW's) |
| Constellation (~0.6 GW's) | | PSEG (~1.3 GW's) |
| Xcel (~0.6 GW's) | | |

** GW capacity can be repeated across columns. For example, PE&G Diabolo Canyon nuclear generation station is located near an earthquake fault line and sea-level, whereas only some of Exelon's plants are similar reactor designs and some are located near sea-level.

## The Three Mile Island reaction

We recall that after the Three Mile Island accident, the population quickly turned against nuclear generation's benefits in exchange for more safety assurances. Significant political and regulatory intervention resulted, and many utilities, which were in the middle of reactor construction, found themselves being forced to redesign their plants. The impact on both utility ratepayers and investors was material due to the delays and additional costs, significant portions of which were ultimately not recoverable as regulators deemed them imprudent.

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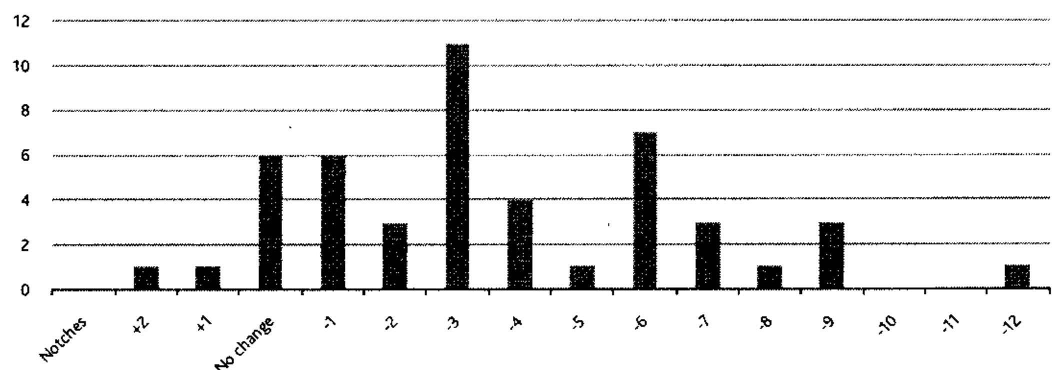
Moody's also expects that it is possible the government support model that was used in the U.S. during the last building cycle could reappear should nuclear expansion in the U.S. falter. During the 1970s and 1980s several new state agencies were created to assist in the development of new nuclear generation as their investor-owned counterparts were buried under cost overruns caused by the significant cost increases blamed on the regulatory reaction to Three Mile Island.

For example, the two agencies in North Carolina (North Carolina Eastern Municipal Power Agency and North Carolina Municipal Power Agency No . 1) were established to assist then beleaguered Duke Power using tax-exempt debt to complete several nuclear plants. It is not surprising that in the U.S. thus far, the two new nuclear projects that remain scheduled for a construction and operating license (COL) in 2011 include municipal agencies.

From a credit rating perspective, the impact of the shift in public sentiment, the increase in political and regulatory scrutiny and implications for financial metrics was severe. Although credit rating downgrades can not be directly tied to nuclear implications in all cases, we observe that on average, credit ratings for US utilities exposed to new nuclear development fell by 4-notches. In the chart below, we show the number of issuers that were exposed to this negative rating activity and the number of credit rating notch changes during the period of 1970 – 1990.

CHART 1

**Rating changes for nuclear-exposed issuers between 1970 - 1990**




## Conclusion

The nuclear generation sector operates within a "fraternity" structure, both globally and nationally, where an operating system is viewed to be only as good as its weakest link. This collaborative approach was born out of the Chernobyl and Three Mile Island accidents, when the sector realized a strong safety record, which was a key ingredient to achieving a population's acceptance of radiation risk.

Today, one of the largest and more respected members of that fraternity, Tokyo Electric Power Company (TEPCO), represents the weakest link. All nuclear operators, whether regulated utilities or un-regulated power companies, will suffer the consequences that emerge from a post Fukushima environment.

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Nevertheless, we believe our ratings and rating outlooks for the vast majority of affected issuers are appropriate at this time. However, the accident at Fukushima represents a stark reminder of the unpredictable liabilities that can result from nuclear-related misfortunes. Some issuers might require stronger balance sheets and bolstered liquidity sources to maintain a given rating. Governmental support arrangements and the benefits of rate setting autonomy and strong contractual relationships with customers might also be revisited.

We see the Fukushima accident creating a material amount of contagion risk which is now reverberating across the global regulated utility and un-regulated power industry sectors. These risks include:

» increased political intervention;

» an expectation for increased regulatory scrutiny;

» potential delays (which are highly correlated to increased costs) associated with established licensing and permitting protocols; and

» emboldened opposition groups.

Once the events unfolding in Japan are stabilized, extensive technical and engineering reviews to assess all reactor vulnerabilities are likely. But the magnitude of any assessment is highly subject to political influences which, in turn, are highly susceptible to changing social demands. We believe Fukushima could ignite a popular backlash against nuclear generation, the implications of which should not be taken lightly. New nuclear generation is already more expensive to build than most other sources of electricity, its liability insurance is effectively socialized and material questions are being raised regarding its waste products.

The benefits of nuclear power include competitive margin power costs, strong base-load operating characteristics and a favorable environmental footprint. But Fukushima is a sobering reminder of the downside characteristics related to nuclear power, primarily accidental releases of radiation and challenges in managing spent fuel wastes. Prospectively, we expect delays and increased scrutiny for issuers in the process of obtaining new operating licenses or operating license extensions.

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## Appendix A: Assessing the implications of event risk for Japanese electric utilities

Tokyo Electric Power Co. (TEPCO, Baa1- on review for possible downgrade), as the owner of the troubled Fukushima nuclear power plant, is the company most clearly exposed to increased costs associated with rebuilding currently lost generating capacity, decommissioning its damaged reactors and replacing those power supplies. Even if TEPCO is able to bring the Fukushima Daiichi plant under control without further damage and environmental contamination, the company's cash outflows will be greater than they otherwise would be for several years owing to the high costs for replacement power and higher capital spending for repairs and new generating plants. Other utilities in Japan may also be affected by greater government scrutiny, tighter power supplies, and regulatory lag for rate increases to recover higher costs for fuel and purchased power. Nevertheless, we expect strong government support to continue, which includes the liquidity support provided by the Japanese megabanks.

Prior to the crisis, all Japanese electric utilities were rated Aa2 stable, even though their financial profiles compared weakly with peers in Europe and the US, as they are characterized by higher leverage ratios, lower cash flow credit metrics, and weaker internal liquidity profiles. These weaknesses were offset by greater government support, more sure cost recovery mechanisms, and the monopoly business framework established under Japan's Electric Utility Law.

Today, all of the Japanese electric utilities and one gas distribution utility (Tokyo Gas Company Aa1) are under review for possible downgrade. Another Japanese gas distribution utility, Osaka Gas Co. Ltd., had its rating outlook to negative from stable.

TEPCO's credit quality depends on the near and longer-term financial impact of the disaster, and the company's ability to sufficiently raise rates to recover its elevated expenses. While we believe that TEPCO will eventually recover its costs, we expect a sustained period of weaker financial performance. Moreover, TEPCO will be heavily reliant on external liquidity sources from the Japanese banking system and/or the Japanese government. Most importantly, a full recovery is not necessarily assured. Aside from the risk that the company may need to permanently absorb some costs, TEPCO could also be exposed to additional liabilities.

TABLE 10

**Japanese utility ratings, rating outlooks and selected financial metrics (3-yr average)**

| Issuer | Rating | Outlook | Debt / Cap. | CFO pre-w/c / Debt |
|---|---|---|---|---|
| TEPCO | Baa1 | RUR - down | 79% | 8% |
| Chubu | Aa2 | RUR - down | 64% | 14% |
| Kansai | Aa2 | RUR - down | 70% | 14% |
| Chugoku | Aa2 | RUR - down | 74% | 7% |
| Hokuriku | Aa2 | RUR - down | 75% | 11% |
| Kyushu | Aa2 | RUR - down | 71% | 11% |
| Hokkaido | Aa2 | RUR - down | 71% | 4% |
| Okinawa | Aa2 | RUR - down | 64% | 12% |
| J-Power | Aa2 | RUR - down | 78% | 11% |
| Tokyo Gas | Aa1 | RUR – down | 47% | 28% |
| Osaka Gas | Aa2 | Negative | 47% | 26% |

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The full extent of infrastructure damage within Japan is unknown, and the government's ultimate response to TEPCO's situation is unknown. From a credit rating perspective, the electric utility sector in Japan has benefitted from the strong and consistent support provided by the government. The sector operates under the Electric Utility Law, which provides strong assurance for cost recovery under a vertically integrated (generation, transmission and distribution), monopoly utility framework.

We continue to incorporate a view that government support will remain strong, but we are also mindful of the government re-assessing its own internal policies and agenda given the enormity of this natural disaster. While we understand that utilities are compensated for damages caused by nuclear reactor operations through an indemnity agreement with the government, we are concerned with the scope of the infrastructure damage and how TEPCO will be able to raise its rates (on its remaining customers) to ensure financial recovery on a timely basis.

We see a prolonged period of rolling power outages and grid reliability problems. This risk is not a primary credit rating consideration, but it will impact near-term cash flows and could contribute to increased complaints from consumers and industry, and potentially hamper the long-term recovery effort. A less reliable electric grid could contribute to supply chain issues and impact other important exporting sectors, such as automobile manufacturing, technology, chemicals, pharmaceuticals and steel[2].

A weakening of the political and regulatory support framework or cost recovery mechanisms in Japan could create negative credit pressure on the other Japanese electric utilities, all of which are currently under review for possible downgrade.

[2] Recall, Japan is home to the Japan Steel Works, one of the few manufacturers of ultra-heavy forgings, which are critical for developing large generation assets, such as nuclear and coal plants.

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## Appendix B: Initial Examples of Political Intervention

### Germany's nuclear power moratorium

In Germany, the government ordered a three-month moratorium on lifetime extensions of nuclear power stations and a temporary shutdown of seven nuclear plants. This is credit negative for the four owners and operators of German nuclear generation facilities, E.ON (A2 stable), RWE (A2 negative) EnBW (A2 stable),and Vattenfall (A2 stable).

» The order partially reverses October 2010 legislation permitting the lifetime extension of Germany's 17 nuclear power plants as a way to reduce carbon emissions.

» The seven affected plants were commissioned before 1980. EnBW owns two plants (GKN 1 and KKP1), RWE owns two plants (Biblis A and B), and E.ON owns two plants outright (Isar 1 and Unterweser), and has a minority stake in a third, Brunsbuttel, which is controlled by Vattenfall.

» The temporary shutdown will immediately impact the utilities' cash flows, as actual power generation will fall short of plan. Aggregate cash flow lost by E.ON, RWE, and EnBW from the three-month suspension will be roughly 1.6% of the approximately €20 billion in funds from operations they generated in aggregate in 2010.

» The aggregate shortfall in output will be approximately 11 terawatt hours, just under 2% of the country's annual energy consumption. The utilities will need either to increase output at other plants, or make up the difference through purchases in the market. Neither offers any upside for the utilities: in cases where such market purchases are made at prices above the forward sale price achieved, the utility will incur a loss; additional power produced in-house is likely to be at a lower margin.

The moratorium and safety review declared in Germany will likely presage substantial changes in the shape and scale of nuclear power generation in the country. Following the three-month moratorium and review, it is possible that previously approved lifetime extensions of these plants are rescinded, which would increase the credit negative impact on nuclear power plant operators. This would also have a significant effect on the generation mix in Germany, and the price of power and carbon dioxide.

The actions of the German government highlight differences in the social and political acceptance of nuclear generation across Europe. While stressing an intent to learn from the implications of the disaster in Japan, neither UK or French authorities seem likely to call for near-term power plant shutdowns. In the meantime, the European Union's Energy Commissioner has called for all nuclear plants across the EU and in neighboring states to undergo stress tests to prove their safety. These are likely to result in additional costs from more stringent safety measures, a somewhat more manageable (?)credit negative for the industry.

### South Korea's evaluation of safety procedures

In Korea, the president ordered inspections for all four of Korea Hydro and Nuclear Power's (KHNP: A1 stable) nuclear-power plants (approximately 20GW's total capacity) to quell rising public anxiety. In addition, the Korean government is requiring all new plants to cope with more powerful earthquakes.

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» Nuclear power accounts for only about 4% of Korea's total fuel costs but generates nearly one-third of its electricity.

» The Korean government has plans to reduce its dependence on fuel imports and meet its goals for reduced emissions by increasing the share of nuclear energy in its total fuel consumption.

» The generation targets are 39% by 2015, 46% in 2020, and 48% in 2022.

» Nuclear's share of generation was 31% in 2010.

KHNP is Korea's only nuclear-power generating company and a wholly owned subsidiary of state-run Korea Electric Power Company (KEPCO, A1 stable). KHNP has plans to build seven new nuclear reactors.

KHNP said strengthening its new nuclear reactors as protection against large earthquakes will raise its design costs alone by at least KRW100 billion ($90 billion). KNHP estimated the cost of changing a planned reactor's blueprint to withstand a 7.0-magnitude earthquake rather than the existing 6.5-magnitude specifications would be "considerable." Japan's earthquake on 11 March measured 9.0.

It is not yet clear whether Korea will slow or curtail its future nuclear development, but costs to ensure compliance with more stringent safety regulations will only increase. Moreover, KHNP has been active in exporting its nuclear know-how and has won bids to construct or refurbish plants in Finland, Romania, and the United Arab Emirates.

### Other country responses

China has significantly stepped up its investment in nuclear plants over the past few years, as an alternative to its current highly polluting coal-fired generation and to help it meet its commitments to reduce $CO_2$ emissions. For the most part, China has essentially exhausted most of its hydropower development opportunities (they have development projects underway or already identified) and other sources of clean energy still have reliability and intermittency challenges.

» Today, nuclear generation accounts for about 2% of total power generation in the country.

» These are the projects scheduled to be launched in 2012 and 2013 (none in 2011)

- 2012:
  - Hongyanhe 4 X 1110MW
  - Ningde 4 X 1000MW
- 2013:
  - Sanmun Phase 1 2 X 1250MW
  - Fuqing Phase 1 2 X 1080MW
  - Fangjiashan 2 X 1080MW
  - Yangjiang 6 X 1000MW
  - Taishan 2 X 1750MW
  - Shidaowan 1 X 2000MW?

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Even if these projects commence operations, nuclear power will account for about 5% to 6% of total power generated. So, putting all of them on hold will not affect power supply much. Although the Chinese power groups are reluctant to halt or delay the launch given the huge investments, the Premier ordered a review of the operating plants and projects under construction, and suspended new projects applications.

Separately, the prime ministers of both Thailand and Indonesia said the Japanese catastrophe would affect their decisions on whether to build nuclear power plants.

## Appendix C: U.S. Municipal electric utility systems with nuclear exposure

TABLE 11

| Municipal Participant | Senior Muni Debt Rating | Name Of Plant | Operator | Net Mw | %Muni Ownership(1) |
|---|---|---|---|---|---|
| Austin | A1 | South Texas Project 1 | STP Nuclear Opco | 1,280 | 16.0 |
| | | South Texas Project 2 | STP Nuclear Opco | 1,280 | 16.0 |
| Dalton | Aa3 | Hatch 1 | Georgia Power | 776 | 2.2 |
| | | Vogtle 1 | Georgia Power | 1,169 | 1.4 |
| Florida Municipal Power Agency(2) | A2 | St.Lucie 2 | Florida P&L | 839 | 8.8 |
| Gainesville ,Fl. | Aa2 | Crystal River3 | Florida P&L | 825 | 1.4 |
| Long Island Power Authority | A3 | Nine Mile Point 2 | Constellation Generation | 1,148 | 18.0 |
| Los Angeles (LADWP) | Aa3 | Palo Verde | Arizona Public Service | 3,872 | 5.7 |
| SCPPA(5) | A1 | Palo Verde | Arizona Public Service | 3,872 | 5.9 |
| Salt River Project | Aa1 | Palo Verde | Arizona Public Service | 3,872 | 17.5 |
| Massachusetts Municipal Wholesale | A3 | Seabrook | FPL Group, Inc. | 1,245 | 11.6 |
| | | Millstone 3 | Dominion | 1,233 | 4.8 |
| Municipal Electric Auth of Georgia | A1 | Vogtle 1 | Georgia Power | 1,152 | 22.7 |
| | | Vogtle 2 | Georgia Power | 1,159 | 22.7 |
| | | Hatch 1 | Georgia Power | 876 | 17.7 |
| | | Hatch 2 | Georgia Power | 883 | 17.7 |
| Nebraska Public Power District | A1 | Cooper | NPPD (Entergy) | 767 | 100.0 |
| North Carolina Municipal Power Agency 1 | A2 | Catawba 1 | Duke | 1,145 | 75.0 |
| | | McGuire 1 | Duke | 1,180 | 4.0 |
| | | McGuire 2 | Duke | 1,180 | 4.0 |
| N.C. Eastern Municipal Power Agency | Baa1 | Brunswick 1 | Progress Energy | 821 | 18.3 |
| | | Brunswick 2 | Progress Energy | 821 | 18.3 |
| | | Harris 1 | Progress Energy | 900 | 16.2 |
| Omaha Public Power District | Aa1 | Fort Calhoun | OPPD | 484 | 100.0 |
| Orlando Utilities Commission | Aa1 | Crystal River3 | Progress Energy Energy | 825 | 1.5 |
| | | St.Lucie 2 | Florida Power & Light | 839 | 6.0 |
| Piedmont Municipal Power Agency (4) | Baa1 | Catawba 1 | Duke | 1,129 | 5.0 |
| | | Catawba 2 | Duke | 1,129 | 25.0 |
| | | McGuire 1 | Duke | 1,129 | 5.0 |
| | | McGuire 2 | Duke | 1,129 | 5.0 |
| South Carolina Public Service Authority | Aa2 | Summer | South Carolina Electric & Gas | 660 | 33.3 |
| San Antonio | Aa1 | South Texas Project 1 | South Texas Operating Co. | 1,251 | 40.0 |
| | | South Texas Project 2 | South Texas Operating Co. | 1,251 | 40.0 |
| Energy Northwest | Aaa | Columbia River -2 | ENW | 1,190 | 100.0 |

1. Net investments in ownership listed as % total utility investments.
2. FMPA has several different project bonds; FMPA's St. Lucie project bonds represent purchase of ownership interest in St. Lucie
3. NCMPA No. 1 has 75% ownership interest in Catawba No. 2; also agency has reliability exchange agreements to provide equal participation
4. Piedmont Municipal Power Agency has a 25% ownership interest in Catawba 2; and a similar reliability exchange with Duke for an equal amount of power from McGuire 1 & 2 and Catawba 1.
5. SCPPA has several different project bonds with different participants and different percentage ownerships in each project.

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## Appendix D: Boiling Water Reactors in the U.S.

| No | Plant Name | Age | License Expires | Issuer Owner |
|---|---|---|---|---|
| 1 | Browns Ferry 1 | 37 | 12/20/2033 | TVA |
| 2 | Browns Ferry 2 | 36 | 6/28/2034 | TVA |
| 3 | Browns Ferry 3 | 34 | 7/2/2036 | TVA |
| 4 | Brunswick 1 | 34 | 9/8/2036 | Progress |
| 5 | Brunswick 2 | 36 | 12/27/2034 | Progress |
| 6 | Clinton 1 | 23 | 9/29/2026 | Exelon |
| 7 | Columbia Generating Station | 26 | 12/20/2023 | Energy North |
| 8 | Cooper | 37 | 1/18/2034 | NPPD |
| 9 | Dresden 2 | 20 | 12/22/2029 | Exelon |
| 10 | Dresden 3 | 40 | 1/12/2031 | Exelon |
| 11 | Duane Arnold | 37 | 2/21/2034 | NextEra |
| 12 | Fermi 2 | 25 | 3/20/2025 | DTE |
| 13 | FitzPatrick | 37 | 10/17/2034 | Entergy |
| 14 | Grand Gulf 1 | 27 | 11/1/2024 | Entergy |
| 15 | Hatch 1 | 37 | 8/6/2034 | Southern |
| 16 | Hatch 2 | 36 | 6/13/2038 | Southern |
| 17 | Hope Creek 1 | 24 | 4/11/2026 | PSEG |
| 18 | La Salle 1 | 28 | 4/17/2022 | Exelon |
| 19 | La Salle 2 | 27 | 12/16/2023 | Exelon |
| 20 | Limerick 1 | 25 | 10/26/2024 | Exelon |
| 21 | Limerick 2 | 21 | 6/22/2029 | Exelon |
| 22 | Monticello | 40 | 9/8/2030 | Xcel |
| 23 | Nine Mile Point 1 | 36 | 8/22/2029 | Constellation |
| 24 | Nine Mile Point 2 | 23 | 10/31/2046 | Constellation |
| 25 | Oyster Creek | 20 | 4/9/2029 | Exelon |
| 26 | Peach Bottom 2 | 37 | 8/8/2033 | Exelon |
| 27 | Peach Bottom 3 | 37 | 7/2/2034 | Exelon |
| 28 | Perry 1 | 24 | 3/18/2026 | First Energy |
| 29 | Pilgrim 1 | 38 | 6/8/2012 | Nextera |
| 30 | Quad Cities 1 | 38 | 12/14/2032 | Exelon |
| 31 | Quad Cities 2 | 38 | 12/14/2032 | Exelon |
| 32 | River Bend 1 | 25 | 8/29/2025 | Entergy |
| 33 | Susquehanna 1 | 28 | 7/17/2042 | PPL |
| 34 | Susquehanna 2 | 27 | 3/23/2044 | PPL |
| 35 | Vermont Yankee | 39 | 3/21/2012 | Entergy |

*Source: http://www.nrc.gov/reactors/operating/list-power-reactor-units.html NRC Information Digest (NUREG-1350, Volume 22), Appendix A: U.S. Commercial Nuclear Power Reactors*

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## Moody's Related Research

Industry Outlook:

» Regulation Provides Stability as Risks Mount, January 2011 (129930)

Rating Methodologies:

» Regulated Electric and Gas Utilities, August 2009 (118481)
» Unregulated Utilities and Power Companies, August 2009 (118508)
» Natural Gas Pipelines, December 2009 (121678)
» U.S. Electric Generation & Transmission Cooperatives, December 2009 (121189)

Special Comments on Nuclear Generation:

» New Nukes in Texas Get a Jolt from Tokyo Electric, May 2010 (125233)
» Nuclear Extension in Germany: Positive Overall But Ratings Neutral, March 2010 (123203)
» New Nuclear Generation: Ratings Pressure Increasing, June 2009 (117883)
» New Nuclear Generating Capacity: Potential Credit Implications for U.S. Investor Owned Utilities, May 2008 (109152)
» Decommissioning and Waste Costs for a New Generation of Nuclear Power Stations, May 2008 (109086)
» Moody's Analytical Adjustments for Nuclear Energy Liabilities in EMEA, December 2007 (106604)
» New Nuclear Generation in the United States: Keeping Options Open vs Addressing An Inevitable Necessity, October 2007 (104977)

Special Comments:

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» Investment-Grade, Unregulated Power: Not Immune to Rating Pressures, November 2010 (128985)
» U.S. Electric Utilities: Uncertain Times Ahead; Strengthening Balance Sheet Now Would Protect Credit, October 2010 (128462)
» Key Drivers for Utility and Power Sector Rating Actions in 2010, October 2010 (128381)
» Regulatory Frameworks – Ratings and Credit Quality for Investor-Owned Utilities, June 2010 (125664)
» Cost Recovery Provisions Key to Investor Owned Utility Ratings and Credit Quality, June 2010 (122304)
» U.S. Wholesale Merchant Energy: Bigger is Better, April 2010 (124300)

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» U.S. Electric G&T Cooperatives Not Immune to Liquidity Concerns, February 2010 (123245)

» Investor-Owned Utilities Face Significant Bank Facility Refinancing Risk as Substantial 2011-2012 Maturities Approach, October 2009 (120596)

» Right-Way Hedging for Power Companies, June 2009 (117978)

Special Comments on Natural Gas:

» Marcellus Stokes Pipeline Competition for the New York Gas Market, June 2010 (125833)

» Low Natural Gas Prices Chill North American Energy Sectors, While Others See Some Gains, April 2010, (124884)

» Evaluating Natural Gas Companies, February 2010 (123063)

» Oil and natural gas outlook: Supply and demand pressures persist, January 2010 (122453)

Special Comments on Environmental Risks:

» The 21st Century Electric Utility: Substantial uncertainties exist when assessing long-term credit implications, May 2010 (124891)

» U.S. Electric Utilities See Some Clarity in Evolving Federal Energy Policies, February 2010 (123062)

» Carbon Risks Becoming More Imminent for U.S. Electric Utility Sector, March 2009 (115175)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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» contacts continued from page 1

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FPL RC-12

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March 11, 2010

**Research Update:**

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

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FPL RC-12

**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'.



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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



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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.



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**FPL RC-12**

120015 Hearing Exhibits - 01707

## 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 |

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Analysis

UNITED STATES
Americas

*December 2004*


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# Entergy Corporation

## Risks/Weaknesses

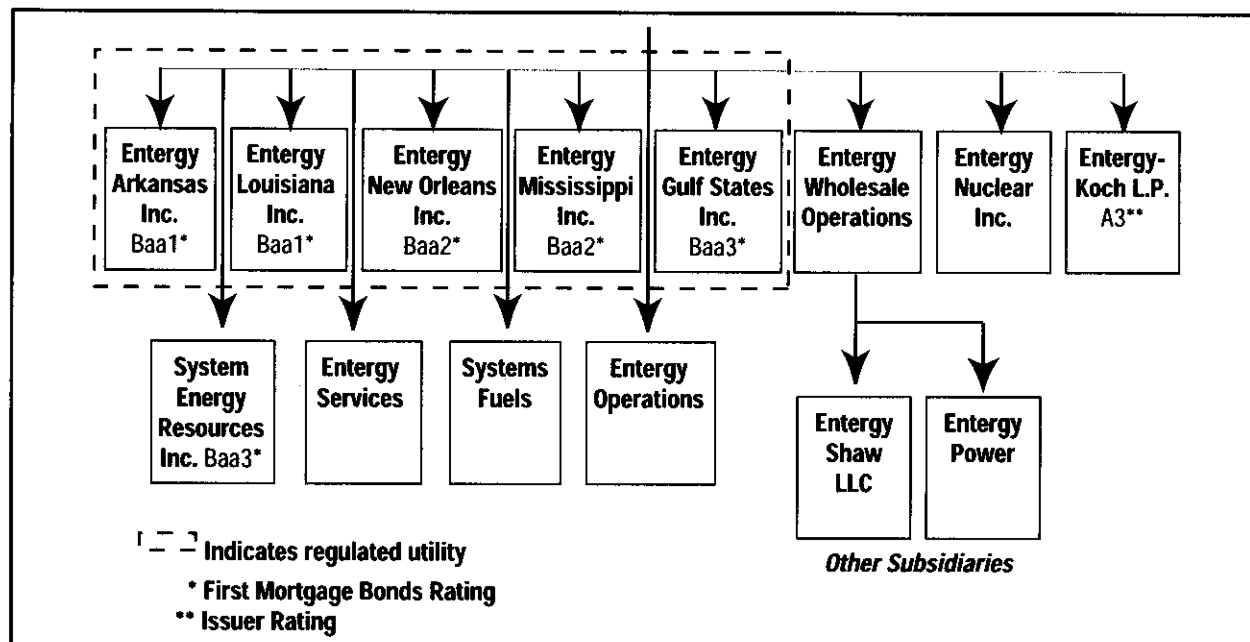
- Recently announced stock buyback program will increase leverage over the near term.
- Domestic utility rate proceedings entail regulatory risk, most recently demonstrated by dismissal of an Entergy Gulf States rate case by the Texas Commission.
- FERC investigations of Entergy affiliate transactions and past wholesale power transactions, and new FERC tests for market power, heighten regulatory uncertainty at the federal level.
- Disputes over production cost allocation among the utilities and initial Administrative Law Judge decision raise questions about Entergy's System Agreement.
- Substantial capital spending will be required to meet capacity needs throughout service territory.
- A concentration of industrial customers, particularly in the chemical, refining, and oil & gas sectors, and below average demographics, make Entergy more susceptible to economic cycles. Entergy has also experienced the loss of some industrial customers to cogeneration.
- High cost power purchase agreements in place at some utility subsidiaries with affiliate System Energy Resources Inc (SERI).

## Opportunities/Strengths

- Strong balance sheet, moderate leverage, stable cash flows, and improved financial metrics.
- Most major utility subsidiaries exhibit strong financials and solid debt service coverage ratios, particularly Entergy Arkansas and Entergy Louisiana, both recently upgraded.
- The company maintains a stable rating outlook at the parent and all of its rated subsidiaries.
- Regulated businesses provide the predominant component of overall earnings and cash flow.
- Competitive businesses, including unregulated nuclear business and Entergy-Koch joint venture, have been successful and have substantially contributed to consolidated cash flow in recent years.
- Sale of Entergy-Koch Trading and the Gulf South Pipeline will reduce volatility of earnings and cash flow.
- Since 1998, Entergy management has successfully executed its strategy of exiting international businesses and terminating greenfield power development, positioning the company well and enabling it to focus on improving its domestic utilities and growing its competitive nuclear business.

## Company Fundamentals

Entergy Corporation (Entergy) is an integrated energy holding company registered under the Public Utility Holding Company Act (PUHCA) that operates through three business segments: U.S. Utility, Non-Utility Nuclear and Energy Commodity Services (Entergy-Koch, LP and non-nuclear wholesale assets). On November 1, 2004, Entergy-Koch sold its energy trading business to Merrill Lynch and on November 22 agreed to sell Gulf South Pipeline, LP to Loews Corporation. Entergy's U.S. Utility business remains the predominant contributor to cash flows from operations.




### U.S. UTILITY (82% OF REVENUE, 52% OF NET INCOME IN 2003)

Entergy's domestic utility business consists of five wholly-owned domestic retail electric utility subsidiaries: Entergy Arkansas (EAI), Entergy Gulf States (EGSI), Entergy Louisiana (ELI), Entergy Mississippi (EMI), and Entergy New Orleans (ENOI). Combined, these regulated utilities provide retail electric service to approximately 2.6 million customers in portions of Arkansas, Louisiana, Mississippi, and Texas. In addition, Entergy Gulf States and Entergy New Orleans provide natural gas service in Baton Rouge and New Orleans, respectively. Entergy's domestic electric utility business derived 36.3% of its revenue from residential customers, 28.1% from industrial customers, 25.5% from commercial customers, and the remainder from wholesale and governmental customers in 2003.

Entergy also owns 100% of the voting stock of System Energy Resources Inc. (SERI), an Arkansas company that owns and leases an aggregate 90% undivided interest in the Grand Gulf One nuclear station. SERI sells all of the capacity and energy from its interest in Grand Gulf One at wholesale rates to its only customers: EAI, ELI, EMI, and ENOI. Because these utilities are interconnected, generation is jointly dispatched to make the most efficient use of their assets. SERI's wholesale power sales are subject to the jurisdiction of FERC. SERI's creditworthiness is for the most part dependent on the creditworthiness of the operating subsidiaries to which it provides power under purchased power agreements. In addition, Entergy also provides financial support to SERI through a Capital Funds Agreement in which Entergy agrees to provide SERI with sufficient capital to maintain SERI's equity at a level of at least 35% of total capitalization, permit the continued commercial operation of Grand Gulf One, and pay in full all indebtedness for borrowed money at SERI when due. Additional details on SERI are provided in the Appendix.

### NON-UTILITY NUCLEAR (14% OF REVENUE, 32% OF NET INCOME IN 2003)

Through its unregulated subsidiaries, Entergy engages in domestic non-utility nuclear generation. With ownership of five nuclear generating facilities in the northeastern part of the U.S., the non-utility nuclear business has an aggregate generating capacity of 4,001 MW. All of the power generated is sold to wholesale customers. To mitigate power price risk, Entergy Nuclear enters into short-term and long-term power purchase agreements with third parties for much of this power. The percentages of planned generation sold forward from 2005-2007 are 95%, 79% and 51% respectively.

## ENERGY COMMODITY SERVICES (2% OF REVENUE, 19% OF NET INCOME IN 2003)

The Energy Commodity Services business includes the Entergy-Koch LP joint venture (A3 senior unsecured), which is 50% owned by Entergy and 50% owned by subsidiaries of Koch Industries, Inc. The joint venture commenced operations in 2001 and had been engaged in energy marketing and trading and gas transportation and storage services. The company's commodity trading operations traded power, gas, weather derivatives, and other energy related commodities and services, while its gas transportation and storage business was carried out through Gulf South Pipeline. In addition to Entergy-Koch, Energy Commodity Services consists of the company's non-nuclear wholesale asset business, which owns and operates unregulated power plants with generating capacity of approximately 1,647 MW for sale in the wholesale power market. The percentages of this capacity sold forward for 2004-2007 are 62%, 58%, 42% and 33%, respectively. The joint venture had performed well through 2003; however, beginning in 2004 Entergy no longer received a preferred return from the joint venture, but instead shared the earnings on a 50/50 split with Koch. In November 2004, Entergy-Koch, LP sold its energy trading business as well as the Gulf South Pipeline.

## ENTERGY'S CORE DOMESTIC UTILITY BUSINESS CONTINUES TO PROVIDE STABILTY AND REMAINS THE MAJOR SOURCE OF OPERATING INCOME AND INTERNALLY GENERATED FUNDS

Entergy's domestic utilities continue to be the company's predominant business, accounting for approximately 82% of consolidated revenue, 88% of operating income and 79% of total assets in 2003. Earnings for the utility segment only accounted for 52% of consolidated earnings in 2003, however, down from 97% the previous year. This significant drop was due in part to a $107.7 million accrual of a loss associated with the disallowance of an abeyance of River Bend plant costs, $99.8 million of charges recorded in connection with a voluntary severance program, and a $21.3 million net of tax cumulative effect of a change in accounting principle. In addition, the competitive businesses contributed a larger share of the consolidated earnings. Nonetheless, the utility segment provided a substantial $1.7 billion or 84% of Entergy's consolidated cash flows from operations during the year.

### Revenue Breakdown of Business Segments

| | % of Revenue | | | % of Operating Income | | | % of Net Income | | | % of Operating Cash Flows | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Segment | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| U.S. Utility | 82 | 82 | 77 | 88 | 117 | 89 | 52 | 97 | 77 | 84 | 107 | 74 |
| Non-Utility Nuclear | 14 | 14 | 8 | 16 | 29 | 14 | 32 | 32 | 17 | 9 | 13 | 12 |
| Energy Commodity Service | 2 | 4 | 14 | (3) | (42) | 1 | 19 | (23) | 14 | (6) | (17) | (6) |
| Parent & Other | 2 | - | 1 | (1) | (4) | (4) | (3) | (6) | (8) | 13 | (3) | 20 |

## CONCENTRATION OF COMMERCIAL AND INDUSTRIAL CUSTOMERS EXPOSES ENTERGY TO ECONOMIC CYCLES

The high proportion of commercial and industrial customers continues to be a risk factor in Entergy's overall credit profile, as such customers are generally the most sensitive to economic conditions. Industrial customers are also more likely to consider alternative energy sources such as cogeneration.

EGSI and ELI have the highest percentage of industrial customers in their overall business mix, and both have been negatively affected by sluggish economic conditions in recent years. Their major industrial customers are in the chemical, petroleum refining, paper, and food products industries. EGSI lost two large industrial customers in 2003 to cogeneration and expects to lose one in 2005. Entergy management believes that these losses are declining and they hope to be able to get back a few of their lost customers. For Entergy overall, commercial and industrial customers accounted for a significant 53.6% of 2003 electric revenues. Going forward, Entergy's financial results will continue to be influenced by local economic growth and the overall economic conditions in the states in which it operates.

In areas where competition is allowed, industrial customers attract competing suppliers because they are generally more price conscious, utilize larger amounts of power, and are more economical to serve than are dispersed commercial or residential customers. Moody's believes that the lack of deregulation in the states in which it operates has reduced the importance of competition as a risk factor for Entergy in recent years.

## SERI POWER PURCHASE COSTS HIGH, BUT MANAGEABLE

SERI makes capacity available and sells energy generated by Grand Gulf 1 to EAI, ELI, EMI and ENOI under the Availability Agreement and Unit Power Sales Agreement. These Agreements with the four Entergy utilities support SERI's credit quality, as well as SERI's position as part of the Entergy system, which has significant nuclear experience. However, credit challenges include the high production costs and power sales rates as well as the single asset nature of the company. The costs associated with these power purchases are generally recovered through rates charged to retail customers and have traditionally been high partly because of the high cost of operations at Grand Gulf 1. In addition, for EAI and ELI, a portion of these costs is not recovered through regulated rates, exposing the utilities to ongoing regulatory risk. In recent years, however, operational improvements and lower production costs at Grand Gulf 1 have made power generated from the plant more competitive and less of a burden on the utilities than in prior years. In addition, the lack of competition in these utilities service territories limits the impact of these costs on utility credit quality.

## WELL RUN NUCLEAR PLANTS PROVIDE LOW-COST GENERATION AND THE OPPORTUNITY FOR UPRATES

Entergy has substantial nuclear operations both on the regulated and unregulated sides of its business, with roughly a third of its total generating capacity derived from its nuclear generating assets. With numerous acquisitions over the past few years, Entergy has become the second largest nuclear generator in the U.S. after Exelon, and the largest in the Northeast. Entergy has for the most part been successful at operating these plants more efficiently than their prior owners and has uprated plant capacity in a number of instances. Entergy has also been one of only a handful of U.S. utility companies to focus on nuclear power plant ownership and operation as a key strategic unregulated activity. Entergy is also a participant in NuStart Energy Development, a consortium of major utilities and other companies considering the development of an entirely new nuclear plant, the first in over twenty years.

Entergy's nuclear generation is less concentrated on the regulated side of its business, representing only 22.7% of total net dependable capacity at year end 2003. In addition to SERI's Grand Gulf 1 nuclear plant (net 1,086 MW), Entergy subsidiaries own and operate four other nuclear plants as part of their regulated utility operations: Arkansas Nuclear One or ANO (two reactor units with a net capacity of 1,694 MW); River Bend (966 MW); and Waterford 3 (1,075 MW). Net capacity of the five plants totals 4,821 MW. In general, the plants have achieved above average capacity factors in recent years coinciding with Entergy's emergence as one of the leading operators of nuclear plants in the U.S. The average capacity factor of the five regulated units for 2003 was 96.4%, and all five plants operated at 90% or above. The Nuclear Regulatory Commission conducts periodic assessments of the plants, which have operated with good safety records.

On the regulatory front, the Nuclear Regulatory Commission approved a 20-year license renewal for ANO 1 (through 2034) and the company is considering the license extension of the four other plants as well. Decommissioning, the re-licensing of the other nuclear plants, and the storage of spent nuclear fuel continue to represent long-term issues facing the company. Entergy is presently recovering decommissioning costs for Grand Gulf, the Texas portion of River Bend and Waterford 3 in rates.

A key capital project associated with Entergy's regulated nuclear operations is the replacement of the ANO 1 steam generator and reactor vessel closure head at EAI. The cost is expected to be approximately $235 million, of which $135 million will be incurred through 2004. Replacement is expected to occur during a refueling outage in 2005. In May 2003, the Arkansas Public Service Commission issued a declaratory order indicating that replacement is in the public interest, similar to the declaratory order issued in connection with the replacement of the ANO 2 steam generator a few years ago.

While the company has been able to improve the operation of a number of these plants, particularly River Bend, the company's nuclear asset concentration has increased as it has purchased additional plants on the unregulated side. Nuclear power contributes approximately one third of total system requirements, in addition to comprising the bulk of the company's exposure to stranded costs. The company is recognized for its nuclear expertise and last year was awarded a contract to manage the Cooper nuclear plant in Nebraska.

Entergy's unregulated nuclear business consists of the following operating nuclear plants:

| Power Plant | Acquired | Total Capacity (MW) | Ownership | Location |
|---|---|---|---|---|
| Pilgrim | July 1999 | 688 | 100% | Plymouth, MA |
| Fitzpatrick | Nov 2000 | 825 | 100% | Oswego, NY |
| Indian Point 3 | Nov 2000 | 994 | 100% | Buchanan, NY |
| Indian Point 2 | Sept 2001 | 984 | 100% | Buchanan, NY |
| Vermont Yankee | July 2002 | 510 | 100% | Vernon, VT |



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## OPERATIONS AT INDIAN POINT STRONG, BUT PLANT REMAINS POLITICALLY SENSITIVE

Particularly since the events of September 11, 2001, Entergy's two Indian Point nuclear units have been at the center of a political debate regarding nuclear plant safety and their vulnerability to terrorist threats. This debate followed years of operational problems at the plants before they were purchased by Entergy. Entergy has responded to the debate with assurances that the plants are safe and secure and provide critical, low-priced electric power to a large part of New York State, including New York City. However, there continues to be pressure from local communities, residents and some politicians to shut down the plants due to concerns of a potential terrorist attack or for other safety or environmental related reasons. The Federal Energy Management Agency (FEMA) has indicated in the past that it had reasonable assurance that appropriate measures to protect the health and safety of surrounding communities had been taken and are capable of being implemented in the event of a radiological incident at Indian Point. After reviewing FEMA's report, the Nuclear Regulatory Commission (NRC) similarly stated that it believes Indian Point's emergency preparedness is satisfactory and provides reasonable assurance of adequate protection.

## MINIMAL EXPOSURE TO MARKET PRICES IN 2005

In order to mitigate power price risk and its effect on the company's operating performance, Entergy's unregulated nuclear business for the most part enters into multi-year power purchase agreements (PPAs). Currently, 100% of Entergy's unregulated nuclear generating output is contracted under PPAs through 2004. As of September 30, 2004, planned generation sold forward from 2005 through 2008 is 95%, 79%, 51% and 29%, respectively. Entergy continues to pursue opportunities to extend the existing PPAs and to enter into new arrangements with other parties. While market price volatility risk remains as long as the generation remains under relatively short-term contracts, because of the baseload nature and low cost of these plants, Moody's expects that the company will likely re-up most of the existing PPAs at acceptable pricing levels.

To a lesser extent, the non-nuclear plants of Energy Commodity Services could have some price exposure as well. Approximately 70% of generation from the other plants in ECS is sold forward until 2005, while in 2006 and 2007 approximately 53% and 41%, respectively, is sold forward. ELI and ENOI have entered into affiliate power purchase arrangements with Entergy affiliates which have been challenged by various merchant generators in the region and are currently being investigated by the FERC. Should the FERC find these agreements unreasonable, the contracts entered into among the Entergy affiliates could potentially be revisited. This is particularly important to ENOI, as continued collection of rates approved as part of its 2003 rate settlement will be important in maintaining the subsidiary's credit quality.

### Entergy Wholesale Non-Nuclear Generation

| Investments | Capacity (MW) | Ownership | State | Type | Status |
|---|---|---|---|---|---|
| Ritchie Unit 2 | 544 | 100% | AR | Gas / Oil | Operational |
| Independence Unit 2 | 842 | 15% | AR | Coal | Operational |
| Warren Power | 300 | 100% | MS | Gas | Operational |
| Top of Iowa | 80 | 50% | IA | Wind | Operational |
| RS Cogen | 425 | 50% | LA | Gas / Steam | Operational |
| Harrison County | 550 | 70% | TX | Gas | Operational |
| White Deer | 80 | 50% | TX | Wind | Operational |

# Management Strategy and Competitive Position

## MANAGEMENT SUCCESSFUL IN EXECUTING STRATEGIC PLAN ANNOUNCED IN 1998, ALTHOUGH ONE OF THE KEY ARCHITECTS OF THE PLAN DEPARTED IN 2004

In 1998, Entergy experienced a significant shift in management and overall strategic direction following several years of aggressive asset acquisitions and below average performance. The new management team led by CEO Wayne Leonard took over the reins at Entergy, significantly shifting the company's overall strategic direction. By implementing a refocused strategy called "Divest to Invest" since that time, the company has since delivered solid results, with operational earnings growing at an average rate of almost 18% from 1999 through 2003. In addition, Moody's recently upgraded the credit ratings at two of the larger utility subsidiaries and assigned a first time Baa3 Issuer Rating to the parent.


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The new strategy entailed the divestiture of several underperforming businesses that the previous management had acquired over the years including London Electricity, CitiPower, Edesur, Entergy Integrated Solutions, Hyperion, and various Latin American investments. Proceeds from these asset sales were used to improve the overall balance sheet and to finance acquisitions and other growth-oriented investments, which have included five nuclear units, selective additions to the North American & European generation portfolio, and the formation of Entergy-Koch Trading and Gulf South Pipeline.

In February 2004, Entergy announced that its highly regarded Chief Financial Officer John Wilder had resigned to take over the CEO role at TXU Corp. Along with Leonard, Wilder had been instrumental in changing the direction of Entergy over the last several years and in implementing the company's strategic plan. Wilder was replaced by Leo Denault, who joined Entergy in 1999 as Vice President of Corporate Development after spending much of his career at Cinergy, where he had previously worked with Leonard.

In general, Moody's views management's refocused strategy over the past several years as a positive development, as a portion of the proceeds from these asset divestitures was used to repay debt and to improve the balance sheet. Management has more recently expressed an interest in potentially making new investments in the domestic energy sector, partly to meet capacity needs in its service territory. These may include additional nuclear and/or other generation asset purchases, which would take advantage of the large number of asset sales being announced by many of the merchant energy and independent power producers in the U.S., including some of the excess merchant capacity in its service territory. In January 2004, Entergy Louisiana signed an agreement to purchase the Perryville power plant from a subsidiary of Cleco Corporation. The company expects the acquisition to close in mid-2005, contingent on the ability to include it in rate base.

## ENTERGY AND KOCH DECIDE TO SELL ENTERGY-KOCH TRADING AND GULF SOUTH PIPELINE

On November 1, 2004, Entergy-Koch sold its energy trading business to Merrill Lynch & Co, after having performed a review of strategic alternatives for enhancing the value of the enterprise. After considering a number of offers, management concluded that the trading business should be sold. On November 22, Entergy and Koch Industries reached an agreement to sell the Gulf South Pipeline to TGT Pipeline, LLC, a subsidiary of Loews Corporation for a purchase price of $1.136 billion. The sale is expected to be consummated prior to year end.

Entergy anticipates that it will receive its share of sale proceeds from the Entergy-Koch energy trading business sale and the sale of Gulf South Pipeline as cash distributions from Entergy-Koch over a time period from the closing dates of such sales through 2006, with the majority of the distributions occurring by the end of the first quarter of 2005. The Entergy-Koch business sales are expected to ultimately result in net cash distributions to Entergy of about $1 billion, comprised of the after- tax cash from the distributions of the sale proceeds and the eventual liquidation of Entergy-Koch.

## IMPLEMENTATION OF SUBSTANTIAL STOCK BUYBACK PROGRAM AND SIGNIFICANT DIVIDEND INCREASE WILL INCREASE DEBT TO CAPITALIZATION

A substantial stock repurchase program has been put in place whereby Entergy will buy back up to $1.5 billion of its common stock over the next several quarters, mostly with the proceeds of the Entergy-Koch sales. The amount of repurchases under the program may vary if there is a material changes in business results or capital spending needs, or if new investment opportunities arise. In addition, Entergy's Board of Directors approved a 20% increase in the common stock dividend effective for the December 1, 2004 payment. This follows a 29% increase in dividend that was approved in July 2003. The stock repurchase program is likely to increase Entergy's consolidated leverage by between 1% and 2% to slightly over 50% in the near term, which has been incorporated into the recently assigned Baa3 Issuer Rating.

## UNREGULATED NUCLEAR BUSINESS REMAINS A KEY MANAGEMENT STRATEGY

Entergy's unregulated nuclear business is focused on owning, operating, and selling power from its own nuclear power plants while also providing operations and management services to nuclear power plants owned by other utilities in the United States. Entergy has been one of only a handful of U.S. utility companies to focus on nuclear power plant ownership and management as a key strategic unregulated activity. Expansion in this area has given the company control over low-cost power sources, and Entergy has been successful at uprating capacity at most of the units. This business segment currently owns five plants in the northeast region of the country for a total of 4,001 MW as of December 31, 2003, and may expand this number as additional nuclear plants become available in the market.

Since Entergy consolidated its regulated nuclear fleet in the 1980s, the improved performance and cost reductions experienced by the plants have been beneficial to the unregulated nuclear arena as well. Since acquiring the first nuclear plant put up for sale in the industry, Pilgrim in mid-1999, the company gained experience in navigating the onerous regulatory approval process often involved in such acquisitions. Management also believes that the economies of scale derived from owning and operating a number of nuclear facilities gives the company an inherent advantage over those utilities that own only one or two nuclear plants. The company's several additional acquisitions after the Pilgrim purchase makes Entergy second only to Exelon in the number of nuclear plants owned and operated.

Finally, Entergy has extended the wide range of services it offers in the nuclear power sector by partnering with Framatome Technologies to include operating license renewal and plant life extension for nuclear plants worldwide. Entergy has also acquired TLG Services, which added decommissioning, engineering and other related services to its overall nuclear power product mix.

## Regulation, Rates, and Restructuring

### MULTIPLE JURISDICTIONS ADD TO REGULATORY COMPLEXITY, ALTHOUGH DEREGULATION NO LONGER LIKELY OVER THE NEAR TERM

Entergy operates in four states with five regulatory jurisdictions, adding a high degree of regulatory complexity to the company's overall credit profile. In addition, Entergy's operating utilities are subject to a System Agreement, which coordinates the integrated operations of its electric generation and transmission assets throughout the retail service territories.

With the collapse of Enron Corp. and the electric market failure in California attributed by many to problems with deregulation, retail competition and deregulation initiatives in the electric sector have slowed significantly throughout the U.S., including in much of Entergy's service territory, as many of the states have deferred or delayed retail open access to varying degrees. Little regulatory or legislative support exists for deregulation in Arkansas, Louisiana, Mississippi or New Orleans. Although Texas enacted retail open access laws and deregulation appeared to be finally moving forward, in July 2004, the Public Utilities Commission of Texas (PUCT) issued a written order that further delayed retail open access in Entergy Gulf States' Texas service territory.

**Pending Retail Regulatory Activity at a Glance**

| Utility | Authorized ROE | Retail Open Access Status | Pending Proceedings/Events | Upcoming Cases/Events |
|---|---|---|---|---|
| **Entergy Arkansas** | 11.0% | Legislation repealed Feb 2003 | No cases pending | Filing to recover $235 mil in connection with steam generator replacement at ANO likely in 2005 |
| **Entergy Gulf States - Texas** | 10.95% | Delayed until FERC-approved RTO in place | Rate case filed 8.25.04 for $68 mil increase dismissed 9.30.04 | Motion for Rehearing on the dismissal of 9.30.04 filed 11.9.04 |
| **Entergy Gulf States - Louisiana** | 11.1% | Deferred indefinitely, pending developments at federal level and in other states | 9th Earnings Review underway, including $11.5 mil rate reduction (implemented in Jun 2002) and $22 mil prospective revenue deficiency based on 2002 test year; Mar 2004, LPSC staff testimony recommended refund of at least $29 mil and prospective reduction of about $50 mil; Mar 2004 separate filing proposed $32 mil pro forma adjustment related to Perryville PPA | |
| **Entergy Louisiana** | 9.7%-11.3% | Deferred indefinitely, pending developments at federal level and in other states | In Jan 2004, request for $167 mil base rate increase filed based on ROE of 11.4%; offsetting fuel savings of $147 mil due to supply plan | Hearings to be held in December 2004 |
| **Entergy Mississippi** | 9.5%-12.1% | MPSC recommendation not to pursue retail open access | No cases pending | |
| **Entergy New Orleans** | 10.25%-13.25% | Unlikely in near to medium term; no action taken by City Council on ENOI's proposal filed in 1997 | No cases pending | |


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## DETAILS OF RETAIL RATE PROCEEDINGS

### Arkansas

In February 2003, both the Arkansas State Senate and the House of Representatives voted to repeal the Arkansas deregulation law, thereby prohibiting implementation of retail open access. This eliminated the risk that EAI will experience significant competition or customer choice over the near term.

EAI's expects that its next filing is likely to be in connection with the replacement of both steam generators and the reactor vessel closure head at ANO Unit 1 in mid-2005. The estimated cost is $235 million, $135 million of which will be incurred in 2004. The replacement is expected to occur during a planned refueling outage in the fall of 2005. Replacing the steam generators should result in efficiency gains and improved equipment reliability in the future and a new reactor vessel head will resolve the unit's potential susceptibility to the industry's generic Alloy 600 reliability issues.

### *Texas*

EGSI reached a settlement agreement with the PUCT in June 1999, which provided for a base rate freeze that has remained in effect pending the implementation of retail open access in EGSI's Texas service territory. In 2001, the PUCT indefinitely delayed implementation of retail access in some sections of Texas, including EGS' service territory. In June 2004, the PUCT further delayed retail open access when it rejected Entergy's proposed Independent Transmission Organization (ITO) and indicated that implementation would only occur if a FERC-approved Regional Transmission Organization or some other certified independent transmission entity is established.

On September 30, 2004, the PUCT dismissed the $68 million rate case filed in response to the Commission's July 2004 order on retail open access, based on the view that the rate freeze in effect precluded a rate case filing prior to the implementation of competition. EGSI appealed the Commission's decision on November 9, 2004 and intends to pursue other available remedies.

### New Orleans

ENOI currently operates under the terms of a settlement agreement approved by the New Orleans City Council in June 2003. The settlement provided for a $30.2 million rate increase and a two year prospective Formula Rate Plan (FRP) with an ROE midpoint of 11.25% and an ROE bandwidth from 10.25% to 12.25%. The electric FRP allows for up to 13.25% ROE based on a Generation Performance-Based Rate plan. The new rate plan has improved the utility's financial performance, although the City Council may open an investigation if a FERC order materially changes the power purchase agreements entered into by ENOI at the time of the settlement. Such an investigation would be aimed at determining what actions, in any, would be warranted to preserve the benefits that otherwise would have accrued to ENOI ratepayers under the settlement.

In August 2004, the City Council approved a settlement between ENOI and Council Advisors that resulted in no rate adjustment from levels set in 2003.

### Louisiana

#### *Entergy Louisiana:*

ELI filed for a $167 million base rate increase in January 2004 on the basis of an 11.4% allowed ROE. The requested increase is expected to be largely mitigated by fuel savings of $147 million resulting from the generation supply plan, including the acquisition of the Perryville plant. In August 2004, the Louisiana Public Service Commission staff recommended only a $19.5 million increase, assuming that the Perryville acquisition is approved in time for the related costs to be included in rates set in this rate case.

#### *Entergy Gulf States - Louisiana:*

EGSI's filings in its 9th review (2002) and prospective revenue study still pending before the Louisiana Public Service Commission included an $11.5 million rate reduction implemented in June 2002 and a $22 million prospective revenue deficiency based on a 2002 test year. The most recent LPSC staff testimony filed in March 2004 recommended a refund of at least $29 million and a prospective rate reduction of approximately $50 million. In a separate filing, EGSI proposed a $32 million pro forma adjustment to include revenue requirements associated with the Perryville power purchase agreement.

In June 2004, EGSI filed a settlement offer with the LPSC to resolve EGSI's ninth post-merger analysis and established dockets to consider issues concerning power purchases for the summers of 2001, 2002, and 2003. The proposed settlement includes an offer to refund $64 million to EGSI's Louisiana customers, with no change in base rates, and includes a performance based rate structure.



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## Mississippi

EMI currently operates under a base rate agreement that has been in effect since January 2003. The agreement provided for a $48.2 million rate increase, which was based on an ROE midpoint of 11.75%. EMI has an annual formula rate plan in place with its authorized ROE adjusting each year based on this filing. EMI also has a fuel and purchased power cost recovery mechanism, reset quarterly based on forecasted costs plus a fuel balance. In May 2003, EMI's energy cost recovery rider was changed such that EMI deferred collection of a portion of 2003 fuel under-recoveries until 2004. The deferred amount of $77.6 million is being collected over the twelve-month period beginning January 2004.

EMI made a formula rate plan filing in March 2004. The performance-adjusted benchmark ROE set forth in the filing was 10.77%, establishing a bandwidth of 9.3% to 12.2%. EMI's actual earned ROE for 2003 was 10.97%. In April 2004, the MPSC approved a joint stipulation between the MPU Staff and EMI. The settlement calls for no change in rates based on an adjusted ROE midpoint of 10.77%, establishing an allowed annual regulatory earnings range of 9.5% to 12.1%.

### FERC INVESTIGATION OF AFFILIATE TRANSACTIONS

Various merchant power interests have challenged the process used by Entergy to award Power Purchase Agreements among certain Entergy affiliates. Currently, eight PPAs covering five generating sources from Entergy affiliates for supplies of power to ELI and ENOI are being reviewed by the FERC. FERC trial testimony filed in March 2004 claimed Entergy conveyed undue preference to its affiliates in the bidding process. Hearings began in June 2004 and are ongoing, with an initial Administrative Law Judge (ALJ) decision expected in the first quarter of 2005.

### DISPUTE OVER ALLOCATION OF PRODUCTION COSTS AMONG ENTERGY UTILTIY SUBSIDIARIES

Proceedings initiated by the Louisiana Public Service Commission requested a reallocation of production costs among the utility operating subsidiaries. The FERC ALJ issued an initial decision in February 2004 concluding that rough production cost equalization no longer exists on the Entergy system. The ALJ recommended a bandwidth approach be applied to reallocate production costs. Entergy opposes the bandwidth approach and certain findings related to the purchase of power from the Vidalia hydroelectric facility. Exception briefs were filed by all parties in March and a FERC decision is expected in late 2004, with court appeals of any decision likely. The outcome of this case is unlikely to have an impact on Entergy's consolidated financial condition, but will affect the cost allocation among the utility subsidiaries. Entergy management believes that any changes in the allocation of production costs resulting from the FERC decision and related retail proceedings should result in similar rate changes for retail customers and will thus not have a material effect on the financial condition of any of the utilities.

## Financial Analysis

Entergy Corporation (Baa3 Issuer Rating, stable outlook) is the parent company of Entergy Arkansas (Baa1 senior secured, stable outlook), Entergy Gulf States (Baa3 senior secured, stable outlook), Entergy Louisiana (Baa1 senior secured, stable outlook), Entergy New Orleans (Baa2 senior secured, stable outlook), Entergy Mississippi (Baa2 senior secured, stable outlook), and System Energy Resources (Baa3 senior secured, stable outlook). The stable rating outlooks generally reflect the solid financial performance of the utility subsidiaries, moderate leverage, the lack of deregulation in most of Entergy's service territory, and complex but manageable regulatory proceedings.

### RESULTS AT THE NON-UTILITY NUCLEAR BUSINESS AND ENERGY COMMODITY SERVICES NEGATIVELY AFFECT OVERALL EARNINGS IN 2004

Entergy's consolidated earnings for the first nine months of 2004 were 21.5% lower than in the first nine months of 2003, driven largely by lower earnings at the non-utility nuclear business and at Energy Commodity Services. These were only partially offset by higher earnings at the domestic utilities, although the mild weather impacted the third quarter results. This increase in earnings for the domestic utilities was primarily due to the $107.7 million ($65 million net-of-tax) 2003 accrual of the loss that would be associated with a final decision disallowing abeyed River Bend plant costs. Also contributing to the increase was the $21.3 million net-of-tax cumulative effect of a change in accounting principle that reduced earnings at Entergy Gulf States in the first quarter of 2003, higher miscellaneous income and a decrease in interest charges. A reduction in net revenue and an increase in other O&M expenses partially offset the increase in earnings.

The decrease in earnings at the non-utility nuclear business was primarily due to the $160.3 million net-of-tax cumulative effect of a change in accounting principle that increased earnings in the first quarter of 2003. Earnings before the effect of the accounting change actually increased by $54.3 million, due to higher revenues from increased generation in 2004, fewer outages in 2004, power uprates completed in 2003, higher contract pricing, and the addition of a support services contract for the Cooper Nuclear Station.



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At Energy Commodity Services, earnings decreased from $178.7 million for the nine months ended September 2003 to a $19.6 million loss for the same period in 2004 primarily due to lower earnings from Entergy's investment in Entergy-Koch. Lower earnings at Entergy-Koch Trading resulted mainly from the inability to apply hedge accounting and from reduced volatility, which contributed to lower point-of-view trading profits. Part of this decrease can be attributed to the pending sale of Entergy-Koch's trading operations.

In 2005, Entergy expects approximately 73% of earnings to come from its domestic utilities and 27% from the competitive businesses.

## FINANCIAL MEASURES SHOW IMPROVEMENT, ALTHOUGH STOCK BUYBACK WILL INCREASE CONSOLIDATED LEVERAGE

For the past four years, Entergy's cash flow from operating activities has consistently been in the range of $2 billion. This stable cash flow generation and successful debt reduction program over the past few years resulted in improved cash flow interest coverage ratios at the consolidated entity. Funds from Operations to Adjusted Interest improved from 3.1 times in 2002 to 6.1 times in 2003, and it was 5.4 times for the last twelve month period ended September 30, 2004. Leverage as a percentage of total capitalization has declined moderately as the company has redeemed some long-term debt and refinanced other long-term debt at lower interest rates. Adjusted Debt to Capitalization has fallen steadily over the last several years from 57% in 2000 to 49% at the end of the third quarter of 2004, although this is expected to increase to slightly above 50% following completion of the recently announced stock buyback program. The company has refinanced significant amounts of debt at the utilities over the last several years, lowering interest costs and extending maturities. Because of this refinancing program, long-term debt maturities are more manageable at each of the utilities over the next several years. While cash flow was adequate, total free cash flow was not sufficient to prevent the company from needing external financing to meet its capital expenditures. Utility capital expenditures are expected to remain high to meet capacity needs in its service territory for the next several years.

For the years 2004 through 2006, Entergy plans to spend $3.8 billion on total capital investment. Approximately $2.6 billion will be used for maintenance capital (including $2.3 billion at the utility and $200 million at Entergy Nuclear), and $1.2 billion will be used for other capital commitments. Approximately $500 million in debt comes due by the end of 2004 and as of September 30, 2004, $460 million of this amount had already been retired. Entergy also made several discretionary debt redemptions during the year totaling approximately $252 million. Entergy plans to meet its obligations primarily with internally generated funds and cash on hand, although the balance will be met through external financings.

## MONEY POOL, BANK LINES, AND CASH SUPPORT SOLID LIQUIDITY PROFILE

In order to supplement operating cash flow, Entergy's domestic utilities borrow from both commercial banks and the Entergy System Money Pool, an inter-company borrowing arrangement used to better manage short-term working capital throughout the organization.

In May 2004, Entergy Corporation renewed its 364-day bank credit facility with two separate facilities, a 364-day credit facility and a 3-year credit facility. The 364-day credit facility has a borrowing capacity of $485 million and expires in May 2005. However, it has a one year term out provision, enhancing financial flexibility. As of September 30, 2004, no borrowings were outstanding on this facility. The 3-year credit facility has a borrowing capacity of $965 million and expires in May 2007. As of September 30, 2004, $100 million in borrowings were outstanding on this facility. Entergy also has the ability to issue letters of credit against the 3-year credit facility and its $965 million borrowing capacity, and $40 million had been issued against this facility at September 30, 2004.

EAI, ELI, EMI and ENOI also maintain small 364-day bank credit facilities:

| Company | Expiration Date | Amount of Facility ($MM) | Amount Drawn as of 9.30.04 ($MM) |
|---|---|---|---|
| Entergy Arkansas | April 2005 | 85 | 85 |
| Entergy Louisiana / Entergy New Orleans* | April 2005 | 15 | - |
| Entergy Mississippi | May 2005 | 25 | 25 |

** Entergy New Orleans can draw up to $14 million from this facility.*

Short-term borrowings of the domestic utility companies and SERI are limited to amounts authorized by the SEC. These companies cannot incur any additional short-term indebtedness if the issuer's equity would comprise less than 30% of its capital. In addition, the SEC order restricts the use of long-term debt if that debt were to be rated less than investment grade. Entergy has historically maintained substantial cash balances; which have averaged in excess of $1.0 billion over the past two fiscal periods.



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## Appendix: System Energy Resources, Inc. (SERI)

### SERI CREATED IN 1974

Entergy owns the common stock of System Energy Resources Inc. (SERI), a generating company that has a 90% ownership and leasehold interest in the Grand Gulf One nuclear station. The other owners of Grand Gulf are South Mississippi Power Agency and equity investors in the sale and leaseback (SLOB) described below. SERI was established in 1974 in order to finance and construct generating facilities for the Entergy System. Grand Gulf Unit One, a 1,207 MW nuclear power plant placed into service in 1985 comprises substantially all of the company's assets.

### THE UPSA IS KEY TO SERI CREDIT QUALITY

SERI sells 36% of this power to Entergy Arkansas, 14% to Entergy Louisiana, 33% to Entergy Mississippi, and 17% to Entergy New Orleans pursuant to a Federal Energy Regulatory Commission (FERC) regulated Unit Power Sales Agreement (UPSA). Payments under the UPSA are SERI's sole revenue source. The agreement has withstood numerous legal challenges and U.S. Supreme Court upheld it in 1988. The Supreme Court ruled the UPSA is enforceable and that as long as Grand Gulf is running, the operating companies are obligated to meet its costs, including principal and interest payments on outstanding debt. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered so long as the unit remains in commercial operation. The agreement will remain in effect until terminated by the parties and termination is approved by the FERC, most likely upon Grand Gulf One's retirement from service. Monthly payment obligations are approximately $17 million for Entergy Arkansas; $7 million for Entergy Louisiana; $16 million for Entergy Mississippi, and $8 million for Entergy New Orleans.

### SLOB RELATED AGREEMENTS SUPPORT CREDIT QUALITY

In December 1988, SERI entered into two separate, but identical arrangements, for the sale and leaseback of an approximate 11.5% ownership interest in Grand Gulf 1 for $500 million. The SLOB transactions were structured as capital leases extending for a period of 26.5 years, including options to repurchase the plant at various intervals. In connection with the equity funding of the SLOB, letters of credit are maintained to secure certain amounts payable for the benefit of the equity investors by SERI under the leases. Under the provisions of the related reimbursement agreement, SERI agrees to a number of covenants relating to the maintenance of certain capitalization and fixed-charge coverage ratios. SERI agrees to maintain equity at not less than 33% of adjusted capitalization (as defined in the reimbursement agreement). Additionally, SERI must maintain, with respect to each fiscal quarter, a ratio of adjusted net income to interest expense (calculated as defined in the reimbursement agreement) of at least 1.6 times earnings.

### TWO ADDITIONAL AGREEMENTS PROVIDE CREDIT SUPPORT

The 1974 Availability Agreement (AA) provided for System Energy to join the System Agreement on or before the date of Grand Gulf One's commercial operation. EAI, ELI, EMI, and ENO agreed severally to pay SERI monthly for the right to receive capacity and energy from Grand Gulf in amounts that would at least equal SERI's total operating expenses for Grand Gulf. The subsidiaries are obligated to make these payments or subordinated advances to SERI when funds received under the UPSA are inadequate to cover SERI's operating expenses. However, since commercial operation of Grand Gulf, payments under the UPSA have exceeded amounts payable under the AA. The AA remains in effect to insure that each operating company will assume direct responsibility for meeting SERI debt obligations in the event that payments are not made under UPSA.

SERI assigned its rights to payments and advances under the AA as security for its first mortgage bonds and reimbursement obligations to certain banks that provided letters of credit in connection with the SLOB. In the assignments, the subsidiaries agreed that in the event they were prohibited from making payments under the AA by government action, they would make subordinated advances to SERI in the same amounts as the prohibited payments. Each of the assignments provides that the subsidiaries will make payments to SERI, or in the event of default, directly to the holders of indebtedness that are the beneficiaries of such assignment agreements. The AA may be terminated, amended or modified by mutual agreement of the parties without consent of assignees or creditors.

SERI and Entergy also entered into the Capital Funds Agreement (CFA) whereby Entergy agrees to supply SERI with sufficient capital to: 1) maintain SERI's equity capital at a minimum of 35%of total capital (excluding short term debt), and 2) permit the continued operation of Grand Gulf and pay in full all indebtedness for borrowed money of SERI when due. In various supplements to the CFA, SERI has assigned its rights as security for the first mortgage bonds and for reimbursement obligations to letter of credit banks in connection with the equity funding of the SLOB. The mechanics of the assignments are similar to those of the AA, and like the AA, the CFA may be terminated, amended or modified by mutual agreement of the parties. Unlike the AA, consent may be required of holders of indebtedness who have received assignments of the CFA.


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## Related Research

**Financial Reporting Assessment:**

Entergy Corporation, August 2004 (#88103)

**Corporate Governance Assessment - Update:**

Entergy Corporation, August 2004 (#88355)

**Corporate Governance Assessment:**

Entergy Corporation, December 2003 (#80370)

*To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.*

## Financial Statement Ratios

Financial Statement Ratios: Entergy Corporation

*To access any Financial Statement Ratios or to download them in .csv format, click on the link above.*

*To order reprints of this report (100 copies minimum), please call 1.212.553.1658.*
Report Number: 90157


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April 7, 2005

# Entergy Corp.

**Primary Credit Analyst:**
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# Entergy Corp.

| ISSUER CREDIT RATINGS | |
|---|---|
| **Entergy Corp.** | |
| Corporate Credit Rating | BBB/Stable/-- |
| **Entergy Arkansas Inc.** | |
| Corporate Credit Rating | BBB/Stable/-- |
| **Entergy Gulf States Inc.** | |
| Corporate Credit Rating | BBB/Stable/-- |
| **Entergy Louisiana Inc.** | |
| Corporate Credit Rating | BBB/Stable/-- |
| **Entergy Mississippi Inc.** | |
| Corporate Credit Rating | BBB/Stable/-- |
| **Entergy New Orleans Inc.** | |
| Corporate Credit Rating | BBB/Stable/-- |
| **System Energy Resources Inc.** | |
| Corporate Credit Rating | BBB-/Stable/-- |
| **Entergy Louisiana Capital I** | |
| Corporate Credit Rating | BBB/Stable/-- |
| **GG1B Funding Corp.** | |
| Corporate Credit Rating | BBB-/Stable/-- |

| AFFIRMED RATINGS | |
|---|---|
| **Entergy Corp.** | |
| Sr unsecd debt | |
| *Local currency* | BBB |
| **Entergy Arkansas Inc.** | |
| Sr unsecd debt | |
| *Local currency* | BBB- |
| Sr secd debt | |
| *Local currency* | A- |
| Pfd stk | |
| *Local currency* | BB+ |
| **Entergy Gulf States Inc.** | |
| Sr unsecd debt | |
| *Local currency* | BBB- |
| Sr secd debt | |
| *Local currency* | BBB+ |
| Pfd stk | |
| *Local currency* | BB+ |
| **Entergy Louisiana Inc.** | |
| Sr unsecd debt | |
| *Local currency* | BBB- |
| Sr secd debt | A- |



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| | |
|---|---|
| *Local currency* | |
| Pfd stk | |
| *Local currency* | BB+ |
| **Entergy Mississippi Inc.** | |
| Sr secd debt | |
| *Local currency* | A- |
| Pfd stk | |
| *Local currency* | BB+ |
| **Entergy New Orleans Inc.** | |
| Sr secd debt | |
| *Local currency* | A- |
| Pfd stk | |
| *Local currency* | BB+ |
| **System Energy Resources Inc.** | |
| Sr unsecd debt | |
| *Local currency* | BBB- |
| Sr secd debt | |
| *Local currency* | BBB |
| **Entergy Louisiana Capital I** | |
| Pfd stk | |
| *Local currency* | BB+ |
| **GG1B Funding Corp.** | |
| Sr unsecd debt | |
| *Local currency* | BBB- |

**Business profile:**

6

**Financial policy:**

Moderate

**Debt maturities:**

2005 $496 mil.
2006 $103 mil.
2007 $228 mil.
2008 $747 mil.
2009 $513 mil.

**Bank lines/Liquid assets:**

As of Dec. 31, 2004, Entergy had $807 million in cash and cash equivalents and $1.54 billion in unused bank capacity available. The Entergy family has $1.59 billion in syndicated credit facilities, of which $1.46 billion resides at Entergy and had about $50 million drawn at year-end. The remaining $125 million in credit is at Entergy Arkansas Inc., Entergy Mississippi Inc., Entergy New Orleans and Entergy Louisiana Inc., which were undrawn as of Dec. 31, 2004.

**Total rated debt:**

$7.017 billion



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**Corporate credit rating history:**

| June 21, 2001 | BBB |
|---|---|

## Major Rating Factors

### Strengths:

- Ownership of a multi-state utility system helps to mitigate market risk;
- The utility subsidiaries' business risk profiles are supported by improved system reliability;
- Entergy Arkansas Inc. benefits from supportive legislation and regulation, which eliminated uncertainty regarding regulation and recovery of fuel costs;
- Entergy Gulf States-Texas' competitive residential and commercial rates are at the lower end of the range for the Southeastern Electric Reliability Council (SERC) region;
- All-in production costs are comparable with the SERC regional average; and
- Purchased power costs are recoverable through rates.

### Weaknesses:

- The growth of Entergy's nonregulated energy wholesale operations power development and nuclear acquisitions businesses expose the company to greater business risks;
- Uncertainty regarding the outcome of a number of regulatory issues related to the utilities' system agreement for production costs, control of transmission assets, and the ability to charge market rates;
- Joint assets owned in Louisiana and Texas will force Louisiana's regulatory framework to address issues created by Texas electric restructuring; and
- The company's stock repurchase plan could strain its financial profile.

## Rationale

The ratings on Entergy Corp. reflect the credit strength of the entire Entergy family of companies, incorporating the business and financial positions of the regulated U.S. electric utility operations, nonregulated nuclear operations, and nonregulated independent power-development business. Entergy sold its investment in the Entergy-Koch L.P. marketing and trading and pipeline business in two transactions. The company expects to receive cash of about $1 billion (pretax basis) as a result of the sale and received $862 million (pretax basis) in cash distributions in 2004. The company will receive the remaining proceeds in 2006 and 2007. Entergy announced that it will use most of the proceeds to support a stock repurchase program; Standard & Poor's expects a portion will be used to reduce short-term debt.

The utility subsidiaries' business risk profile is supported by Entergy's improved system reliability and customer responsiveness. Higher customer satisfaction and better regulatory treatment in some of the jurisdictions, notably Louisiana, have strengthened its utility operations, which currently account for about 72% of total consolidated earnings and about 85% of capital expenditures. Uncertainty surrounding restructuring treatment has diminished as deregulation has slowed in Louisiana, Mississippi, and New Orleans, while deregulation in Arkansas has been repealed.

These strengths are offset by comparatively lower credit protection measures at Entergy Arkansas Inc. (about 20% of total consolidated earnings) and several jurisdictions' desire to soften the blow of higher fuel prices, which has resulted in protracted recovery periods. Furthermore, Entergy's service territories are characterized by economies



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that are somewhat weaker than average.

Entergy's business strategy is to build on core capabilities in its regulated utility operations and broaden its power generation expertise through strategic alliances. Entergy engages in nonregulated operations, such as the Entergy and Framatome Technologies Group agreement for nuclear life extension capability and TLG Services Inc., a nuclear plant decommissioning firm. Nuclear power tends to have higher asset-concentration risk. However, Entergy's nonregulated nuclear business has contributed to cash flow, and with the renewal of its power contracts, should continue its success.

In addition, some of Entergy's exposure to nonregulated power development has decreased as a result of the company's decision to discontinue development of additional greenfield power plants in the U.S. and Europe, where overbuilt power markets are expected to continue to result in depressed power prices, and its Latin American generation-asset sale.

Entergy's credit metrics are appropriate for the ratings. Expectations are that management will continue its commitment to fortify credit quality and anticipated consolidated debt to total capital of 50%, with funds flow from operations (FFO) interest coverage exceeding 4.0x and adjusted FFO to total debt approaching 25% in the near term.

### Liquidity

As of Dec. 31, 2004, Entergy had $807 million in cash and cash equivalents and $1.54 billion in unused bank capacity available. The Entergy family has $1.59 billion in syndicated credit facilities, of which $1.46 billion resides at Entergy and had about $50 million drawn at year-end. The remaining $125 million in credit is at Entergy Arkansas Inc., Entergy Mississippi Inc., Entergy New Orleans Inc. and Entergy Louisiana Inc., which were undrawn as of Dec. 31, 2004.

In addition to their bank borrowing capacity, Entergy's subsidiaries are permitted to borrow from the Entergy system money pool. This pool provides intercompany borrowing and alleviates the need for external short-term financing. The authorized limit for this pool and external short-term borrowing totals $1.6 billion. As of Dec. 31, 2004, pool borrowings were about $150 million, and there were no external short-term borrowings.

## Outlook

The stable outlook incorporates management's continued commitment to financial measures that are commensurate with the ratings. Upward credit momentum is predicated on sustained favorable regulatory rulings and reliable cash flow from nonregulated activities that produce financial metrics in line with the upper band of the 'BBB' category. An unexpected weakening in credit protection measures could precipitate an adverse rating action.

## Business Description

Entergy has about $10 billion in annual revenues, controls or has interests in about 30,000 MW of electricity, and serves about 2.7 million customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy focuses on the following businesses: utility operations, wholesale energy, nuclear generation, and nuclear operating services.



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## Major Rated Subsidiaries

**Table 1**

| Entergy Corp. Subsidiaries | |
|---|---|
| | Rating |
| Entergy Arkansas Inc. | BBB/Stable/-- |
| Entergy Gulf States Inc. | BBB/Stable/-- |
| Entergy Louisiana Inc. | BBB/Stable/-- |
| Entergy Mississippi Inc. | BBB/Stable/-- |
| Entergy New Orleans Inc. | BBB/Stable/-- |
| System Energy Resources Inc. | BBB-/Stable/-- |

**Table 2**

| Entergy Corp. Subsidiaries' Assets And Capital Expenditures | | |
|---|---|---|
| | 2004 | |
| (% of total) | Assets | Future capital expenditures |
| Entergy Arkansas Inc. | 15.6 | 24.6 |
| Entergy Gulf States Inc. (Texas/Louisiana) | 22.9 | 20.5 |
| Entergy Louisiana Inc. | 17.1 | 17.1 |
| Entergy Mississippi Inc. | 6.3 | 11.4 |
| Entergy New Orleans Inc. | 2.0 | 4.5 |
| System Energy Resources Inc. | 10.6 | 1.2 |
| Nonregulated | 27.5 | 20.7 |

## Rating Methodology

The ratings on Entergy reflect a consolidated rating methodology that incorporates the regulated U.S. electric utility operations, nonregulated nuclear operations, and nonregulated independent power-development business. Because no regulatory or other structural barrier exists that sufficiently restricts access by the parent to the assets and cash flow of its subsidiaries, in Standard & Poor's view, resources can flow freely throughout the organization. Typically, the corporate credit rating on the subsidiaries would be at the same as the parent, which is the case with Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. However, the corporate credit rating on System Energy Resources Inc. (SERI) is lower than the corporate credit rating on the operating companies that purchase the output from SERI's Grand Gulf nuclear power plant under the unit power sales agreement.

The debt ratings on Entergy's operating subsidiaries are determined by Entergy's consolidated financial and business profiles. The senior secured debt ratings on Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are notched up two levels from the subsidiaries' respective corporate credit ratings because of overcollateralization considerations while SERI and Entergy Gulf States are notched up one level. The lower debt rating at SERI recognizes the structural subordination of that debt, which is serviced by the cash flow provided by the operating companies that use the power generated by SERI's Grand Gulf plant. The lower debt rating on Entergy Gulf States is derived from the corporate credit rating and also recognizes the company's relatively weaker financial profile.



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# Business Profile

## Utility operations

The utility operating subsidiaries account for about 80% of company assets, contribute more than 72% of earnings, and represent a stable source of cash.

## Federal-level regulation

The multi-state service territory of the Entergy subsidiaries creates extra layers of complicated regulation. First, the issue of cross-state borders facilitate more regulation from the FERC. Second, the FERC's objectives may not necessarily converge with those of state regulators that oversee the subsidiaries. Finally, the interests or intentions of each state regulator may not be collectively aligned.

This complexity has resulted in number of issues that have become difficult to resolve. Standard & Poor's analysis has determined that some outcomes may not be supportive of credit quality but should not have an affect on current ratings.

***Mainly, FERC's preference for utilities to transfer the operation of their transmission assets to an independent system operator.***

In 2000, FERC issued an order encouraging utilities to voluntarily place transmission assets under the control of an independent operator (RTO). Since Entergy has not joined an RTO, in April 2004, Entergy filed a proposal with the FERC to have an independent coordinator of transmission (ICT) to oversee the operation of its transmission assets. On March 22, 2005, FERC issued an order accepting Entergy's proposal to establish the ICT. In its order, FERC indicated that it expects Entergy to make a market power filing by the end of the second quarter of 2005.

Standard & Poor's does not see this issue in and of itself as a credit driver; however, it has caused some consequences on other regulatory fronts. First, FERC's new market power screens are more difficult to pass for non-RTO members. Second, the Texas Public Utility Commission has halted open access in Entergy Gulf States' service territory until an RTO is approved by the FERC or Texas state law certifies another independent entity as an operator. This has kept rates frozen at 2000 levels and does not permit any rate increases until the matter is resolved. However, legislative bills have been introduced to essentially allow rate increases and enforces the commission stance on the timing of open access. Standard & Poor's expects that the final outcome of these regulatory proceedings will allow for rate reviews and be credit neutral to Entergy.

***Uncertainty regarding the ability to charge market-based wholesale power rates.***

In August 2004, Entergy, along with some other large utilities, stated that it would fail the FERC's new "market-share" test, indicating that the company has more than 20% of market share during the year and thus could prompt the FERC to rule the company has market power. On Dec. 15, 2004 the FERC decided to formally investigate whether or not Entergy has generation market power under Section 206 of the Federal Power Act.

An unfavorable ruling could require Entergy to sell into the wholesale market at cost-of-service rates rather than currently permitted market-based rates. If this occurred, Standard & Poor's initial assessment has determined that the potential effect on the company's cash flow would be minimal, given the current price environment for Entergy's control area. But the impact could be greater if regional wholesale prices rise. However, if formally deemed to have market power, Entergy could maintain its ability to charge market-based rates by mitigating its market power through a FERC-approved plan.



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***Contention by the Louisiana commission regarding the FERC approved cost allocation system agreement.***
The utilities have planned, built, and operated generation and transmission assets under a system agreement that has been approved by FERC. The Louisiana Public Service Commission (LPSC) is pursuing litigation at the FERC level involving the agreement regarding:

- Allocation of production costs,
- Imprudence in the execution of the agreement, and
- Support for local regulatory oversight of the agreement.

This action was facilitated by the disparity between production costs at Entergy Louisiana and Entergy Arkansas.

If the FERC grants the LPSC's request, the result could be a material increase in Entergy Arkansas' cost and a material decrease in Entergy Louisiana's costs. Also, if these concessions are granted, further increases in natural gas prices could cause Entergy Arkansas' cost to be even lower than the system average, causing more reallocation of costs to that utility. However, as mentioned earlier, Standard & Poor's looks at the Entergy family on a consolidated basis with less emphasis on individual costs and more on an overall production costs. Therefore, Standard & Poor's does not expect the outcome of the proceedings to affect the ratings on the company.

## State-level regulation

Overall regulation is generally supportive of Entergy's credit quality. Arkansas, Louisiana, and Mississippi help to support the company's credit profile as each state has stayed away from deregulation. This is offset by the relatively less supportive regulatory environment and the uncertainty regarding how the Texas portion of Gulf States will address deregulation in that service territory.

Key strengths regarding regulation are as follows:

- Arkansas Electric Consumer Choice Act was repealed, eliminating uncertainty regarding deregulation in Arkansas.
- Entergy Mississippi benefits from a stalled sentiment toward deregulation in Mississippi. Furthermore, the commission has showed support with an approved return on equity with a midpoint of 10.77%.
- Somewhat offsetting these factors is the challenging New Orleans regulatory environment. However, positive progress has been made, evidenced by a $30.2 million rate base increase.

Key weaknesses regarding regulation are as follows:

- Multi-state and Federal regulatory oversight complicates the process and causes delays in the resolution of many issues.
- Uncertainty regarding the outcome a number of regulatory issues related to the utilities' system agreement for production costs, control of transmission assets, and the ability to charge market rates.
- Texas regulatory environment is less supportive to credit quality for Entergy Gulf States because there is no clarity as to the progression of open access in Entergy Gulf States' territory. Also, this has caused a recent rate request to be dismissed based on a 2001 agreement that froze rates until open access occurs.

**Table 3**

**Entergy Corp. Subsidiaries Regulation**

| Unit | Allowed ROE | Last rate case/events |
|---|---|---|
| Entergy Arkansas Inc. | 11.0 | No cases pending. |



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**Table 3**

| Entergy Corp. Subsidiaries Regulation (cont.) | | |
|---|---|---|
| Entergy Gulf States Inc. (Texas/Louisiana) | 11.0/11.1 | Base rates frozen. Timing is uncertain for retail open access. |
| Entergy Louisiana Inc. | 9.7-11.3 | Awaiting a decision on a $167 million base rate increase. Decision is expected in the second quarter of 2005. |
| Entergy Mississippi Inc. | 10.6-12.9 | No cases pending. |
| Entergy New Orleans Inc. | 11.4 | Received approval for a rate restructuring plan. |
| System Energy Resources Inc. | 10.9 | No cases pending. |

## Markets

The market area is weak. The markets of Entergy Arkansas and Entergy Gulf States tend to be slow growth. Entergy Louisiana has a high concentration of industrial customers. These factors are slightly offset by a higher residential and commercial customer mix at Entergy New Orleans and Entergy Mississippi.

The company's market strengths include the following:

- Entergy Mississippi has a high concentration of residential and commercial customers, which constitute about 75% of retail megawatt-hour sales and revenues in 2004, enhancing the company's profile.
- Entergy New Orleans' customer base is heavily dependent on the more stable retail and commercial customer classes. In 2004, residential and commercial customers accounted for more than 75% of megawatt-hour sales and revenues (excluding wholesale sales).

The company's market weaknesses include the following:

- Entergy Arkansas' modest market growth averages about 1%, and the company has a somewhat heavy reliance on industrial customers (36% of sales).
- Entergy Gulf States' market position has historically been below average, reflecting a high fixed-cost structure and a heavy dependence on industrial customers for sales and revenues. The company also has a high reliance on industrial customers, which constituted about 45% of retail megawatt-hour sales in 2004.
- Entergy Louisiana's weak customer diversification, with approximately 50% of total sales and revenues attributable to industrial customers, leaves the company vulnerable.

## Operations

Entergy's operations have performed in-line with expectations. The utilities operate a total of 36 plants with a capacity of about 25,000 MW. Slightly offsetting its operating strength is a 25% concentration of nuclear plant capacity, which brings a higher element of risk to the generation portfolio. However, Entergy has a proven record as a top-tier nuclear operator, evidenced by 2004 capacity factors averaging 92%, which included three planned refueling outages and production costs that are consistently lower than the industry average.

SERI has a 90% ownership/lease interest in the 1,210 MW Grand Gulf Nuclear Unit 1 and its output sold under a unit power sales agreement. All of SERI's portion of the plant's output is sold to the following affiliated companies under a unit power sales agreement in varying shares: Entergy Arkansas (36%), Entergy Mississippi (33%), Entergy New Orleans (17%), and Entergy Louisiana (14%). Another Entergy subsidiary, Entergy Operations Inc., operates the system's nuclear units subject to oversight from the affiliated operating utilities that own the facilities.

Grand Gulf decommissioning is expected to cost about $336 million, and $205.1 million was funded as of December 2004. Entergy's subsidiaries are responsible for these costs as follows: Entergy Arkansas (36%), Entergy



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Mississippi (33%), Entergy Louisiana (14%), and Entergy New Orleans (17%). Grand Gulf is estimated to have spent fuel pool storage capacity until 2007. Funding is sufficient given the utilities' ability to recover these costs in rates and that its operating license extends to June 2024.

Entergy Arkansas owns Arkansas Nuclear One units 1 and 2, which operated at a combined capacity factor of 96.2% in 2004. At fiscal year-end 2004, the estimated decommissioning cost was $492.7 million.

Entergy Gulf States has exposure to risks associated with nuclear plant operations. The company owns the River Bend Station, which operated at a capacity factor of 86.7% in 2004. At fiscal year-end 2004, the estimated decommissioning cost was $152.1 million.

Entergy Louisiana has exposure to risks associated with nuclear plant operations through its ownership in Waterford 3, which operated at a capacity factor of 101% in 2004. At fiscal year-end 2004, the estimated decommissioning cost was $347.3 million.

### Competitiveness

Rates for residential customers of Entergy Arkansas, Entergy Louisiana, Entergy Gulf States, and Entergy Mississippi are competitive, while residential rates for Entergy New Orleans' customers are higher than state and regional averages. Although industrial load is concentrated in several jurisdictions, the threat of continued cogeneration efforts has slowed. This is attributed to the cancellation of projects from distressed power producers and thinning margins because of higher gas prices. The majority of losses due to customers pursuing a cogeneration alternative have largely been experienced.

### Nonregulated operations

Standard & Poor's considers the nonregulated operations to be riskier than regulated utility operations, and nonregulated operations have been the catalyst for the credit deterioration in many industry firms. Standard & Poor's analysis determined that the company's expansion and acquisition pace and associated risk must be balanced by continued improvement in credit protection measures.

### Entergy nonregulated nuclear

Nuclear power tends to have higher asset-concentration risk; however, Entergy's nonregulated nuclear business has consistently contributed to cash flow and promises to gain regional efficiencies and greater asset value through life extension. Recently renegotiated power contracts should help to bolster the financial performance of these units.

The company has expanded its nonregulated nuclear generation in the Northeast. The company generates savings by sharing resources in the implementation of best practices, and overhead that can be spread over more assets in the areas of licensing and environmental, training, purchasing, and performance management. In addition, Entergy has performed decommissioning services for Maine Yankee in Wiscasset, Me. and Millstone Unit 1 in Waterford, Conn.

Entergy's assets in the Northeast total about 4,058 MW and include:

- 1,028 MW Indian Point 2 facility in Westchester County, N.Y., which was purchased from Consolidated Edison Co. of New York Inc.,
- The 994 MW Indian Point 3 facility in Westchester County, N.Y. and the 825 MW James A. Fitzpatrick nuclear plant in Oswego, N.Y. on Lake Ontario, which were purchased from the New York Power Authority,
- The 688 MW Pilgrim Station in Plymouth, Mass., which was purchased from Boston Edison Co., and
- The 510 MW Vermont Yankee facility, which was purchased in July 2002 for $180 million.

The following positive credit attributes mitigate the impact of a higher-risk nonregulated business enterprise:

- Entergy's nuclear expertise spans five regulated reactors in four locations in Arkansas, Mississippi, and Louisiana and more than 20 years of operations,
- The Northeast nuclear strategy targets capacity constrained areas, assuring demand,
- Nuclear decommissioning expertise was augmented by acquiring TLG Services,
- The nonutility fleet operated at a 92.0% capacity factor in 2004,
- The company has experience with all reactor types, solid operations and safety track record, and proven plant-turnaround capabilities,
- Proven ability to complete acquisitions in the marketplace mitigates financing risk,
- Entergy exercised restraint in the nuclear bidding process when pricing exceeded valuation, thereby reducing the likelihood that Entergy might overpay for assets, and
- Quick turn-around time on refueling (evidenced by the recent 24-day refueling outage, down from the previous record of 57 days, at the Pilgrim station) provides additional revenue opportunities.

The company's challenges regarding this business segment are as follows:

- Bidding wars for the Indian Point 3 and Fitzpatrick plants caused a run-up in the prices bid for nuclear units and has pressured Entergy in achieving cost savings,
- Expected continued improvements in operations and costs of nuclear plants are aggressive and will challenge management,
- After 2008 and 2009, some of the nuclear units will not have the existing firm contracts in place, which makes the amount of future demand uncertain, and
- Contract roll-off in the 2009 time frame, coupled with a potential increase in generation development in the immediate area, could pressure margins in the intermediate term.

**Table 4**

**Entergy Corp.'s Nonnuclear Business--Capacity Sold Forward**

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| **Capacity sold forward** | | | | | |
| Bundled capacity and energy contracts (%) | 13 | 13 | 13 | 13 | 13 |
| Capacity contracts (%) | 58 | 67 | 36 | 22 | 10 |
| Total (%) | 71 | 80 | 49 | 35 | 23 |
| Planned net MW in operation | 4,155 | 4,200 | 4,200 | 4,200 | 4,200 |
| Average capacity contract (price per kW per month) | 1.20 | 1.10 | 1.10 | 1.00 | 0.90 |
| **Blended capacity and energy (based on revenues)** | | | | | |
| % of planned generation and capacity sold forward | 93 | 87 | 65 | 36 | 12 |
| Average contract revenue per megawatt-hour ($) | 40.00 | 42.00 | 43.00 | 44.00 | 43.00 |

**Table 5**

**Entergy Corp.'s Nonutility Nuclear Operations--Generation Sold Forward**

| **Planned generation sold forward** | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Unit contingent (%) | 36.0 | 20.0 | 17.0 | 1.0 | 0.0 |
| Unit contingent with availability guarantees (%) | 54.0 | 52.0 | 38.0 | 25.0 | 0.0 |



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**Table 5**

| Entergy Corp.'s Nonutility Nuclear Operations--Generation Sold Forward (cont.) | | | | | |
|---|---|---|---|---|---|
| Firm liquidated damages (%) | 4.0 | 4.0 | 2.0 | 0.0 | 0.0 |
| Total (%) | 94.0 | 76.0 | 57.0 | 26.0 | 0.0 |
| Planned generation (TWh) | 34 | 35 | 34 | 34 | 35 |
| Average contracted price per MWh | 39 | 41 | 42 | 44 | N.A. |

N.A.--Not available. TWh--Terawatt-hours.

### Other nonregulated businesses

Entergy engages in other nonregulated operations, such as the Entergy and Framatome Technologies Group agreement for nuclear life extension capability, TLG Services, a nuclear plant decommissioning firm, and some 1,500 MW in wholesale generation.

Some of Entergy's exposure to nonregulated power development has decreased as a result of the company's decision to discontinue development of additional greenfield power plants in the U.S. and Europe, where overbuilt power markets are expected to continue to result in depressed power prices, and its Latin American generation assets sale.

## Financial Policy: Moderate

## Financial Profile

Entergy's financial strategy establishes each business as an independent, stand-alone entity, which imposes capital market discipline and competition for capital.

Consolidated financials are pressured by:

- Higher capital spending needs of the nonregulated nuclear and independent power development businesses,
- Increased operations expenses associated with increased nuclear expenses, including significant major maintenance for replaced steam generators, and
- Increased spending for generation and distribution facilities to enhance reliability to meet peak summer demand.

Entergy's management is fortifying the company's credit quality and managing consolidated credit protection measures. Consolidated debt to total capital is expected to be 50%, with funds flow from operations interest coverage exceeding 4.0x and adjusted FFO to total debt approaching 25% in the near term. Entergy's capital management sourcing preferences for the near and intermediate term include internally generated funds (majority), asset sales and or equity sell-downs, asset-based nonrecourse financing, long-term financing, and public equity issuance.

### Accounting

Entergy's financial statements are in accordance with U.S. GAAP and are audited by Deloitte and Touche LLP. The financial statements include Entergy's own accounts and the accounts of its majority-owned direct and indirect subsidiaries. The company has adopted the provisions of the following accounting standards, which resulted in the changes noted below:

- SFAS 143 (accounting for asset retirement obligations)--The company restated assets and liabilities for its nonregulated nuclear business and recorded a net increase in earnings of $134 million due to a one-time



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cumulative effect of accounting change in 2003.

- FIN 46 (consolidation of variable interest entities)--Entergy deconsolidated its interests in three trusts that were used as financing subsidiaries. This occurred because the expected losses were limited to the company's initial investment and therefore not considered the primary beneficiary from an economic perspective. This application had no significant impact on financials.

The company has also adopted SFAS 150 (accounting for certain financial instruments with characteristics of both liabilities and equity), SFAS 133 (accounting for derivative instruments and hedging activities), EITF 02-03 (issues involved in accounting for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities), and SFAS 149 (amendment to SFAS 133 on derivative instruments and hedging activities). The adoption of these standards had no material impact on the company's financial statements.

Standard & Poor's adjusts Entergy's reported financials for debt (about $800 million to $850 million), interest ($80 million to $85 million), and cash flow to reflect operating leases, sale leaseback transactions, purchase-power agreements and shortfalls in asset retirement obligations.

### Profitability and cash flow

Entergy's 2004 net income remained somewhat flat compared with 2003 due to increased earnings at its utilities that were slightly offset by a decrease in nonutility nuclear earnings due to refueling outages. Standard & Poor's expects sustained improvement in utility earnings due to some favorable base rate increases and lower interest expenses. Furthermore, Standard & Poor's will monitor the financial performance at the riskier nonregulated ventures since the nature of this business can produce volatile results and earnings could decrease due to thinning margins from increased competition.

Higher returns on capital are expected in the company's nonregulated wholesale and nuclear operations as a result of greater asset value afforded to existing and acquired assets, as the renewed power supply contracts are all at higher rates. Over time, a more supportive regulatory environment is expected in response to the company's improvements.

FFO interest coverage is appropriate for the current rating at about 4.0x. The improvement is primarily due to the nonregulated units' better performance. Although FFO interest coverage has experienced pressure in recent years, coverage should remain 4.0x in the near term, which is more appropriate for the current rating level. This should be aided in part by increased revenue from new nonutility nuclear contracts, depreciation and amortization associated with nuclear plant acquisitions, and higher levels of net income.

### Capital structure and financial flexibility

Over the past five years, Entergy has reduced its debt to total capital to just under 50%, down from about 57%. This was achieved through a combination of asset sale proceeds and cash FFO. Entergy also took advantage of the low interest rate environment in 2003 and refinanced $1.8 billion in debt. Furthermore, Standard & Poor's expects the company to reduce its interest expense given that the utilities' average cost of debt is down to about 6.0% from 6.5%.

Over the next three years, capital expenditures for regulated and nonregulated operations are expected to average about $1.2 billion. Still, the company has committed to keep consolidated debt to total capital in the 50% area.

As of Dec. 31, 2004, Entergy had $807 million in cash and cash equivalents and $1.54 billion in unused bank



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capacity available. The Entergy family has $1.59 billion in syndicated credit facilities, of which $1.46 billion resides at Entergy and had about $50 million drawn at year-end. The remaining $125 million in credit is at Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, and Entergy Louisiana, which were undrawn as of Dec. 31, 2004.

In addition to their bank borrowing capacity, Entergy's subsidiaries are permitted to borrow from the Entergy system money pool. This pool provides intercompany borrowing and alleviates the need for external short-term financing. The authorized limit for this pool and external short-term borrowing totals $1.6 billion. As of Dec. 31, 2004, pool borrowings were about $160 million, and there were no external short-term borrowings.

**Table 6**

**Entergy Corp. Peer Comparison**

| | --Average of past three fiscal years-- | | |
|---|---|---|---|
| | **Entergy Corp.** | **FPL Group Inc.** | **Southern Co.** |
| Rating | BBB/Stable/-- | A/Negative/-- | A/Stable/A-1 |
| **(Mil. $)** | | | |
| Sales | 9,207.9 | 8,805.3 | 11,234.0 |
| Net income from cont. oper. | 789.8 | 789.7 | 1,441.3 |
| Funds from oper. (FFO) | 2,232.3 | 2,251.3 | 2,916.2 |
| Capital expenditures | 1,424.3 | 1,253.0 | 2,224.7 |
| Cash and equivalents | 961.8 | 159.0 | 319.0 |
| Total debt | 8,264.2 | 7,516.7 | 12,845.0 |
| Preferred stock | 352.8 | 150.7 | 1,234.0 |
| Common equity | 8,279.5 | 6,817.7 | 9,545.3 |
| Total capital | 16,896.6 | 14,485.0 | 23,624.3 |
| **Ratios** | | | |
| Adj. EBIT interest coverage (x) | 3.0 | 3.3 | 4.2 |
| Adj. FFO interest coverage (x) | 4.3 | 5.8 | 5.5 |
| Adj. FFO/avg. total debt (%) | 25.0 | 27.2 | 23.0 |
| Net cash flow/capital expenditures (%) | 129.6 | 148.6 | 86.0 |
| Adj. total debt/capital (%) | 51.1 | 55.6 | 55.6 |
| Return on common equity (%) | 8.6 | 11.6 | 17.4 |
| Common dividend payout (%) | 47.4 | 49.6 | 69.5 |

**Table 7**

**Entergy Corp. Financial Summary**

| | --Fiscal year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| | **2004** | **2003** | **2002** | **2001** | **2000** |
| Rating history | BBB/Stable/-- | BBB/Stable/-- | BBB/Stable/-- | BBB/Stable/-- | N.A. |
| **(Mil. $)** | | | | | |
| Sales | 10,123.7 | 9,194.9 | 8,305.0 | 9,620.9 | 10,016.1 |
| Net income from cont. oper. | 933.0 | 813.4 | 623.1 | 727.0 | 710.9 |
| Funds from oper. (FFO) | 2,660.9 | 2,739.2 | 1,296.8 | 1,332.4 | 1,726.9 |
| Capital expenditures | 1,305.7 | 1,493.0 | 1,474.1 | 1,332.8 | 1,437.6 |



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**Table 7**

| Entergy Corp. Financial Summary (cont.) | | | | | |
|---|---|---|---|---|---|
| Cash and equivalents | 807.7 | 742.2 | 1,335.3 | 901.6 | 1,382.4 |
| Total debt | 7,806.9 | 8,182.4 | 8,803.4 | 8,900.3 | 9,158.1 |
| Preferred stock | 365.4 | 334.3 | 358.7 | 360.5 | 400.4 |
| Common equity | 8,296.7 | 8,703.7 | 7,838.2 | 7,456.0 | 7,003.7 |
| Total capital | 16,468.9 | 17,220.4 | 17,000.3 | 16,716.8 | 16,562.2 |
| **Ratios** | | | | | |
| Adj. EBIT interest coverage (x) | 3.2 | 3.0 | 2.9 | 2.4 | 2.9 |
| Adj. FFO interest coverage (x) | 4.7 | 5.5 | 2.9 | 2.6 | 3.7 |
| Adj. FFO/avg. total debt (%) | 31.0 | 30.3 | 14.2 | 14.4 | 19.8 |
| Net cash flow/capital expenditures (%) | 169.2 | 157.6 | 66.1 | 78.0 | 99.0 |
| Adj. total debt/capital (%) | 49.8 | 49.8 | 53.8 | 55.0 | 57.0 |
| Return on common equity (%) | 9.9 | 8.6 | 7.1 | 9.1 | 8.8 |
| Common dividend payout (%) | 47.0 | 45.9 | 49.9 | 38.3 | 39.9 |

N.A.--Not applicable.



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**Q.**
With respect to page 29, lines 14 – 22 of witness Dewhurst's direct testimony, please provide any documentation from independent, third party sources that support the views expressed in the above referenced testimony.

**A.**
Please see FPL's response to Staff's Ninth Request for Production of Documents No. 61.

**Q.**
With respect to page 29, line 18 – page 30, line 3 of witness Dewhurst's direct testimony, please provide any documentation from independent, third party sources that explicitly supports the opinion that the decisions discussed in the above referenced testimony "contributed materially to FPL's credit downgrade."

**A.**
Please see documents provided. Also, please see FPL's response to Staff's Ninth Request for Production of Documents No. 59.

# 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

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## 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.



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## 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.

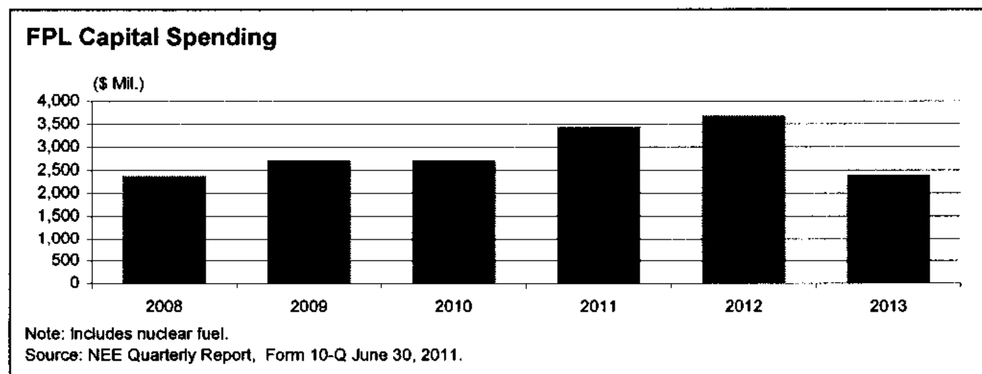
Approximately $3 billion in unsecured revolving credit facilities extend until April 2013, and a $250 million revolving term loan facility runs to May 2014. As of June 30, 2011, FPL reported $2.6 billion of net available liquidity, after allocating $655 million to back-up outstanding commercial paper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



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## 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%)

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.



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## 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)** | **(176)** | **(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** | **13,826** | **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.



**STAFF 005323**
**FPL RC-12**

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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.

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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).

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FitchRatings

# 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'.

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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
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# FitchRatings

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Paul Cutler
Treasurer
NextEra Energy, Inc.
700 Universe Blvd
Juno Beach, Florida 33408

May 14, 2012

Dear Mr. Cutler,

**Re: Florida Power & Light's $600 Million 4.05% First Mortgage Bonds Series due June 1, 2042**

Fitch (see definition below) assigns the following ratings:

'AA-' with a Stable Rating Outlook to the securities referenced above.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent

auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws. Fitch does not consent to the inclusion of its ratings nor this letter communicating our rating action in any offering document.

The ratings described above are point-in-time. Unless you request these ratings to be made public as described above, they will not be monitored by Fitch and therefore will not be updated to reflect any changed circumstances or information that may affect the ratings assigned. In the event the

rating becomes a monitored rating, it will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between Fitch and any user of the ratings.

In this letter, "**Fitch**" means Fitch, Inc. and any subsidiary or successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact Shalini Mahajan at 212 908 0351.

Sincerely,

Glen Grabelsky
Managing Director

**PROSPECTUS SUPPLEMENT**
**(To prospectus dated August 3, 2009)**

# Florida Power & Light Company

## First Mortgage Bonds,

## $600,000,000 4.05% Series due June 1, 2042

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Florida Power & Light Company will pay interest on the first mortgage bonds on June 1 and December 1 of each year, beginning December 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-17 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.**

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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.

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| | Per First Mortgage Bond | Total |
|---|---|---|
| Price to Public | 99.860% | $599,160,000 |
| Underwriting Discount | 0.875% | $ 5,250,000 |
| Proceeds to Florida Power & Light Company (before expenses) | 98.985% | $593,910,000 |

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 May 15, 2012.

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*Joint Book-Running Managers*

**BofA Merrill Lynch** **Credit Suisse** **J.P. Morgan**
**Mitsubishi UFJ Securities** **RBC Capital Markets** **RBS**

*Co-Managers*

**BNP PARIBAS** **BNY Mellon Capital Markets, LLC** **CIBC** **Credit Agricole CIB**
**Lloyds Securities** **TD Securities** **US Bancorp**

The date of this prospectus supplement is May 10, 2012.

**STAFF 005389**
**FPL RC-12**

**You should rely only on the information incorporated by reference or provided in this prospectus supplement and in the accompanying prospectus and in any written communication from Florida Power & Light Company ("FPL") or the underwriters specifying the final terms of the offering. Neither FPL nor the underwriters have authorized anyone else to provide you with additional or different information. Neither FPL nor the underwriters are making an offer of these first mortgage bonds in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus supplement or in the accompanying prospectus is accurate as of any date other than the date on the front of those documents or that the information incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.**

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## RISK FACTORS

The information in this section replaces the information in the "Risk Factors" section beginning on page 2 of the accompanying prospectus.

*Before purchasing the first mortgage bonds, investors should carefully consider the following risk factors together with the risk factors and other information incorporated by reference or provided in the accompanying prospectus or in this prospectus supplement in order to evaluate an investment in the first mortgage bonds.*

**Regulatory, Legislative and Legal Risks**

**FPL's business, financial condition, results of operations and prospects may be adversely affected by the extensive regulation of its business.**

FPL's operations are subject to complex and comprehensive federal, state and other regulation. This extensive regulatory framework, portions of which are more specifically identified in the following risk factors, regulates, among other things and to varying degrees, FPL's industry, rates and cost structures, operation of nuclear power facilities, construction and operation of generation, transmission and distribution facilities, transmission and fuel storage facilities, acquisition, disposal, depreciation and amortization of facilities and other assets, decommissioning costs and funding, service reliability, wholesale and retail competition, and commodities trading and derivatives transactions. In its business planning and in the management of its operations, FPL must address the effects of regulation on its business and any inability or failure to do so adequately could have a material adverse effect on its business, financial condition, results of operations and prospects.

**FPL's business, financial condition, results of operations and prospects could be materially adversely affected if it is unable to recover in a timely manner any significant amount of costs, a return on certain assets or an appropriate return on capital through base rates, cost recovery clauses, other regulatory mechanisms or otherwise.**

FPL is a regulated entity subject to the jurisdiction of the Florida Public Service Commission ("FPSC") over a wide range of business activities, including, among other items, the retail rates charged to its customers through base rates and cost recovery clauses, the terms and conditions of its services, procurement of electricity for its customers, issuance of securities, and aspects of the siting and operation of its generating plants and transmission and distribution systems for the sale of electric energy. The FPSC has the authority to disallow recovery by FPL of costs that it considers excessive or imprudently incurred and to determine the level of return that FPL is permitted to earn on its investments. The regulatory process, which may be adversely affected by the political, regulatory and economic environment in Florida and elsewhere, limits FPL's ability to increase earnings and does not provide any assurance as to achievement of authorized or other earnings levels. FPL's business, financial condition, results of operations and prospects could be materially adversely affected if any material amount of costs, a return on certain assets or an appropriate return on capital cannot be recovered through base rates, cost recovery clauses, other regulatory mechanisms or otherwise.

**Regulatory decisions that are important to FPL may be materially adversely affected by political, regulatory and economic factors.**

The local and national political, regulatory and economic environment has had, and may in the future have, an adverse effect on FPSC decisions with negative consequences for FPL. These decisions may require, for example, FPL to cancel or delay planned development activities, to reduce or delay other planned capital expenditures or to pay for investments or otherwise incur costs that it may not be able to recover through rates, each of which could have a material adverse effect on the business, financial condition, results of operations and prospects of FPL.

**FPL's use of derivative instruments could be subject to prudence challenges and, if found imprudent, could result in disallowances of cost recovery for such use by the FPSC.**

In the event that the FPSC engages in a prudence review of FPL's use of derivative instruments and finds such use to be imprudent, the FPSC could deny cost recovery for such use by FPL. Such an outcome could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**FPL's business, financial condition, results of operations and prospects could be materially adversely affected as a result of new or revised laws, regulations or interpretations or other regulatory initiatives.**

FPL's business is influenced by various legislative and regulatory initiatives, including, but not limited to, initiatives regarding deregulation or restructuring of the energy industry, regulation of the commodities trading and derivatives markets, and environmental regulation, such as regulation of air emissions, regulation of water consumption and water discharges, and regulation of gas and oil infrastructure operations, as well as associated environmental permitting. Changes in the nature of the regulation of FPL's business could have a material adverse effect on FPL's results of operations. FPL is unable to predict future legislative or regulatory changes, initiatives or interpretations, although any such changes, initiatives or interpretations may increase costs and competitive pressures on FPL, which could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

FPL has limited competition in the Florida market for retail electricity customers. Any changes in Florida law or regulation which introduce competition in the Florida retail electricity market could have a material adverse effect on FPL's business, financial condition, results of operations and prospects. There can be no assurance that FPL will be able to respond adequately to such regulatory changes, which could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**FPL's business, financial condition, results of operations and prospects could be materially adversely affected if the rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") broaden the scope of its provisions regarding the regulation of over-the-counter ("OTC") financial derivatives and make them applicable to FPL.**

The Dodd-Frank Act, enacted into law in July 2010, among other things, provides for the regulation of the OTC derivatives market. The Dodd-Frank Act includes provisions that will require certain OTC derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading platform. While the legislation is broad and detailed, substantial portions of the legislation require implementing rules to be adopted by federal governmental agencies including, but not limited to, the U.S Securities and Exchange Commission ("SEC"), and the U.S. Commodity Futures Trading Commission.

FPL cannot predict the final rules that will be adopted to implement the OTC derivatives market provisions of the Dodd-Frank Act. Those rules could negatively affect FPL's ability to hedge its commodity and interest rate risks, which could have a material adverse effect on FPL's results of operations. FPL may have portions of its business that may be required to register as swap dealers or major swap participants and submit to extensive regulation if it wishes to continue certain aspects of its derivative activities. In addition, if the rules require FPL to post significant amounts of cash collateral with respect to swap transactions, FPL's liquidity could be materially adversely affected, and its ability to enter into OTC derivatives to hedge commodity and interest rate risks could be significantly limited. Reporting and compliance requirements of the rules also could significantly increase operating costs and expose FPL to penalties for non-compliance. The Dodd-Frank Act or other initiatives also could impede the efficient operation of the commodities trading and derivatives markets, which could also materially adversely affect FPL's business, financial condition, results of operations and prospects.

**FPL is subject to numerous environmental laws and regulations that require capital expenditures, increase its cost of operations and may expose it to liabilities.**

FPL is subject to environmental laws and regulations, including, but not limited to, extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality and usage, climate change, emissions of greenhouse gases, including, but not limited to, carbon dioxide ("$CO_2$"), waste management, hazardous wastes, marine, avian and other wildlife mortality and habitat protection, historical artifact preservation, natural resources, health (including, but not limited to, electric and magnetic fields from power lines and substations) and safety standards that could, among other things, prevent or delay the development of power generation, power or natural gas transmission, or other infrastructure projects, restrict the output of some existing facilities, limit the use of some fuels required for the production of electricity, require additional pollution control equipment, and otherwise increase costs, increase capital expenditures and limit or eliminate certain operations.

There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations, and those costs could be even more significant in the future as a result of new legislation, the current trend toward more stringent standards, and stricter and more expansive application of existing environmental regulations.

Violations of current or future laws, rules and regulations could expose FPL to regulatory and legal proceedings, disputes with, and legal challenges by, third parties, and potentially significant civil fines, criminal penalties and other sanctions.

**FPL's business could be negatively affected by federal or state laws or regulations mandating new or additional limits on the production of greenhouse gas emissions.**

Federal or state laws or regulations may be adopted that would impose new or additional limits on the emissions of greenhouse gases, including, but not limited to, $CO_2$ and methane, from electric generating units using fossil fuels like coal and natural gas. The potential effects of such greenhouse gas emission limits on FPL's electric generating units are subject to significant uncertainties based on, among other things, the timing of the implementation of any new requirements, the required levels of emission reductions, the nature of any market-based or tax-based mechanisms adopted to facilitate reductions, the relative availability of greenhouse gas emission reduction offsets, the development of cost-effective, commercial-scale carbon capture and storage technology and supporting regulations and liability mitigation measures, and the range of available compliance alternatives.

While FPL's electric generating units emit greenhouse gases at a lower rate of emissions than most of the U.S. electric generation sector, the results of operations of FPL could be adversely affected to the extent that new federal or state legislation or regulators impose any new greenhouse gas emission limits. Any future limits on greenhouse gas emissions could:

- create substantial additional costs in the form of taxes or emission allowances;
- make some of FPL's electric generating units uneconomical to operate in the long term;
- require significant capital investment in carbon capture and storage technology, fuel switching, or the replacement of high-emitting generation facilities with lower-emitting generation facilities; or
- affect the availability or cost of fossil fuels.

There can be no assurance that FPL would be able to completely recover any such costs or investments, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

**Extensive federal regulation of the operations of FPL exposes FPL to significant and increasing compliance costs and may also expose it to substantial monetary penalties and other sanctions for compliance failures.**

FPL is subject to extensive federal regulation, which imposes significant and increasing compliance costs on its operations. Additionally, any actual or alleged compliance failures could result in significant costs and other potentially adverse effects of regulatory investigations, proceedings, settlements, decisions and claims, including, among other items, potentially significant monetary penalties. As an example, under the Energy Policy Act of 2005, FPL, as an owner and operator of bulk power transmission systems and/or electric generation facilities, is subject to mandatory reliability standards. Compliance with these mandatory reliability standards may subject FPL to higher operating costs and may result in increased capital expenditures. If FPL is found not to be in compliance with these standards, it may incur substantial monetary penalties and other sanctions. Both the costs of regulatory compliance and the costs that may be imposed as a result of any actual or alleged compliance failures could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**Changes in tax laws, as well as judgments and estimates used in the determination of tax-related asset and liability amounts, could adversely affect FPL's business, financial condition, results of operations and prospects.**

FPL's provision for income taxes and reporting of tax-related assets and liabilities requires significant judgments and the use of estimates. Amounts of tax-related assets and liabilities involve judgments and estimates of the timing and probability of recognition of income, deductions and tax credits, including, but not limited to, estimates for potential adverse outcomes regarding tax positions that have been taken and the ability to utilize tax benefit carryforwards, such as net operating loss and tax credit carryforwards. Actual income taxes could vary significantly from estimated amounts due to the future impacts of, among other things, changes in tax laws, regulations and interpretations, the financial condition and results of operations of FPL, and the resolution of audit issues raised by taxing authorities. Ultimate resolution of income tax matters may result in material adjustments to tax-related assets and liabilities, which could negatively affect FPL's business, financial condition, results of operations and prospects.

**FPL's business, financial condition, results of operations and prospects may be materially adversely affected due to adverse results of litigation.**

FPL's business, financial condition, results of operations and prospects may be materially affected by adverse results of litigation. Unfavorable resolution of legal proceedings in which FPL is involved or other future legal proceedings, including, but not limited to, class action lawsuits, may have a material adverse effect on the business, financial condition, results of operations and prospects of FPL.

**Operational Risks**

**FPL's business, financial condition, results of operations and prospects could suffer if FPL does not proceed with projects under development or is unable to complete the construction of, or capital improvements to, electric generation, transmission and distribution facilities or other facilities on schedule or within budget.**

FPL's ability to complete construction of, and capital improvement projects for, its electric generation, transmission and distribution facilities and other facilities on schedule and within budget may be adversely affected by escalating costs for materials and labor and regulatory compliance, inability to obtain or renew necessary licenses, rights-of-way, permits or other approvals on acceptable terms or on schedule, disputes involving contractors, labor organizations, land owners, governmental entities, environmental groups, Native American and aboriginal groups, and other third parties, negative publicity, transmission interconnection issues and other factors. If any development project or construction or capital improvement project is not completed, is delayed or is subject to cost overruns, certain associated costs may not be approved for recovery or recoverable through regulatory mechanisms that may otherwise be available, and FPL could become obligated to make delay or termination payments or become obligated for other damages under contracts, could experience the loss of tax credits or tax incentives and could be required to write-off all or a portion of its investments in the project. Any of

these events could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**FPL may face risks related to project siting, financing, construction, permitting, governmental approvals and the negotiation of project development agreements that may impede its development and operating activities.**

FPL owns, develops, constructs, manages and operates electric-generating and transmission facilities. A key component of FPL's growth is its ability to construct and operate generation and transmission facilities to meet customer needs. As part of these operations, FPL must periodically apply for licenses and permits from various local, state, federal and other regulatory authorities and abide by their respective conditions. Should FPL be unsuccessful in obtaining necessary licenses or permits on acceptable terms, should there be a delay in obtaining or renewing necessary licenses or permits or should regulatory authorities initiate any associated investigations or enforcement actions or impose related penalties or disallowances on FPL, FPL's business, financial condition, results of operations and prospects could be materially adversely affected. Any failure to negotiate successful project development agreements for new facilities with third parties could have similar results.

**The operation and maintenance of FPL's electric generation, transmission and distribution facilities and other facilities are subject to many operational risks, the consequences of which could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.**

FPL's electric generation, transmission and distribution facilities and other facilities are subject to many operational risks. Operational risks could result in, among other things, lost revenues due to prolonged outages, increased expenses due to monetary penalties or fines for compliance failures, liability to third parties for property and personal injury damage, a failure to perform under applicable power sales agreements and associated loss of revenues from terminated agreements or liability for liquidated damages under continuing agreements, and replacement equipment costs or an obligation to purchase or generate replacement power at potentially higher prices.

Uncertainties and risks inherent in operating and maintaining FPL's facilities include, but are not limited to:

- risks associated with facility start-up operations, such as whether the facility will achieve projected operating performance on schedule and otherwise as planned;
- failures in the availability, acquisition or transportation of fuel or other necessary supplies;
- the impact of unusual or adverse weather conditions, including, but not limited to, natural disasters such as hurricanes, floods, earthquakes and droughts;
- performance below expected or contracted levels of output or efficiency;
- breakdown or failure, including, but not limited to, explosions, fires or other major events, of equipment, transmission and distribution lines or pipelines;
- availability of replacement equipment;
- risks of property damage or human injury from energized equipment, hazardous substances or explosions, fires or other events;
- availability of adequate water resources and ability to satisfy water intake and discharge requirements;
- inability to manage properly or mitigate known equipment defects in FPL's facilities;

- use of new or unproven technology;
- risks associated with dependence on a specific fuel source, such as commodity price risk and lack of available alternative fuel sources; and
- insufficient insurance, warranties or performance guarantees to cover any or all lost revenues or increased expenses from the foregoing.

**FPL's business, financial condition, results of operations and prospects may be negatively affected by a lack of growth or slower growth in the number of customers or in customer usage.**

Growth in customer accounts and growth of customer usage each directly influence the demand for electricity and the need for additional power generation and power delivery facilities. Customer growth and customer usage are affected by a number of factors outside the control of FPL, such as mandated energy efficiency measures, demand side management goals, and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity. A lack of growth, or a decline, in the number of customers or in customer demand for electricity may cause FPL to fail to fully realize the anticipated benefits from significant investments and expenditures and could have a material adverse effect on FPL's own growth, business, financial condition, results of operations and prospects.

**FPL's business, financial condition, results of operations and prospects can be materially adversely affected by weather conditions, including, but not limited to, the impact of severe weather.**

Weather conditions directly influence the demand for electricity and natural gas and other fuels and affect the price of energy and energy-related commodities. In addition, severe weather, such as hurricanes, floods and earthquakes, can be destructive and cause power outages and property damage, reduce revenue, affect fuel supply, and require FPL to incur additional costs, for example, to restore service and repair damaged facilities, obtain replacement power and access available financing sources. Furthermore, FPL's physical plant could be placed at greater risk of damage should changes in global climate produce unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events, abnormal levels of precipitation and a change in sea level. FPL operates in the east and lower west coasts of Florida, an area that historically has been prone to severe weather events, such as hurricanes. A disruption or failure of electric generation, transmission or distribution systems or natural gas production, transmission, storage or distribution systems in the event of a hurricane, tornado or other severe weather event, or otherwise, could prevent FPL from operating its business in the normal course and could result in any of the adverse consequences described above. Any of the foregoing could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

At FPL, recovery of costs to restore service and repair damaged facilities is or may be subject to regulatory approval, and any determination by the regulator not to permit timely and full recovery of the costs incurred could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**Threats of terrorism and catastrophic events that could result from terrorism, cyber attacks, or individuals and/or groups attempting to disrupt FPL's business, or the businesses of third parties, may materially adversely affect FPL's business, financial condition, results of operations and prospects.**

FPL is subject to the potentially adverse operating and financial effects of terrorist acts and threats, as well as cyber attacks and other disruptive activities of individuals or groups. FPL's generation, transmission and distribution facilities, fuel storage facilities, information technology systems and other infrastructure facilities and systems could be direct targets of, or be indirectly affected by, such activities.

Terrorist acts or other similar events affecting FPL's systems and facilities, or those of third parties on which FPL relies, could harm FPL's business, for example, by limiting its ability to generate, purchase or transmit power, by limiting its ability to bill customers and collect and process payments, and by delaying its development and construction of new generating facilities or capital improvements to existing facilities. These events, and

governmental actions in response, could result in a material decrease in revenues, significant additional costs (for example, to repair assets, implement additional security requirements or maintain or acquire insurance), and reputational damage, could adversely affect FPL's operations (for example, by contributing to disruption of supplies and markets for natural gas, oil and other fuels), and could impair FPL's ability to raise capital (for example, by contributing to financial instability and lower economic activity).

**The ability of FPL to obtain insurance and the terms of any available insurance coverage could be adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers. FPL's insurance coverage does not provide protection against all significant losses.**

Insurance coverage may not continue to be available or may not be available at rates or on terms similar to those presently available to FPL. The ability of FPL to obtain insurance and the terms of any available insurance coverage could be adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers. If insurance coverage is not available or obtainable on acceptable terms, FPL may be required to pay costs associated with adverse future events. FPL generally is not fully insured against all significant losses. For example, FPL is not fully insured against hurricane-related losses, but would instead seek recovery of such uninsured losses from customers subject to approval by the FPSC, to the extent losses exceed restricted funds set aside to cover the cost of storm damage. A loss for which FPL is not fully insured could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**If price movements significantly or persistently deviate from historical behavior, FPL's hedging and trading procedures and associated risk management tools may not protect against significant losses.**

FPL has hedging and trading procedures and associated risk management tools, such as separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. FPL is unable to assure that such procedures and tools will be effective against all potential risks. Additionally, risk management tools and metrics such as daily value at risk, earnings at risk, stop loss limits and liquidity guidelines are based on historical price movements. Due to the inherent uncertainty involved in price movements and potential deviation from historical pricing behavior, FPL is unable to assure that its risk management tools and metrics will be effective to protect against adverse effects on its business, financial condition, results of operations and prospects. Such adverse effects could be material.

**If power transmission or natural gas, nuclear fuel or other commodity transportation facilities are unavailable or disrupted, FPL's ability to sell and deliver power or natural gas may be limited.**

FPL depends upon power transmission and natural gas, nuclear fuel and other commodity transportation facilities, many of which it does not own. Occurrences affecting the operation of these facilities that may or may not be beyond FPL's control (such as severe weather or a generator or transmission facility outage or pipeline rupture) may limit or halt the ability of FPL to sell and deliver power and natural gas, or to purchase necessary fuels and other commodities, which could materially adversely impact FPL's business, financial condition, results of operations and prospects.

**FPL is subject to credit and performance risk from customers, hedging counterparties and vendors.**

FPL is exposed to risks associated with the creditworthiness and performance of its customers, hedging counterparties and vendors under contracts for the supply of equipment, materials, fuel and other goods and services required for its business operations and for the construction and operation of, and for capital improvements to, its facilities. Adverse conditions in the energy industry or the general economy, as well as circumstances of individual customers, hedging counterparties and vendors, may affect the ability of some customers, hedging counterparties and vendors to perform as required under their contracts with FPL.

If any hedging, vending or other counterparty fails to fulfill its contractual obligations, FPL may need to make arrangements with other counterparties or vendors, which could result in financial losses, higher costs, untimely completion of power generation facilities and other projects, and/or a disruption of its operations. If a

defaulting counterparty is in poor financial condition, FPL may not be able to recover damages for any contract breach.

**FPL could recognize financial losses or a reduction in operating cash flows if a counterparty fails to perform or make payments in accordance with the terms of derivative contracts or if FPL is required to post margin cash collateral under derivative contracts.**

FPL uses derivative instruments, such as swaps, options, futures and forwards, some of which are traded in the OTC markets or on exchanges, to manage its commodity and financial market risks. Any failures by FPL's counterparties to perform or make payments in accordance with the terms of those transactions could have a material adverse effect on FPL's business, financial condition, results of operations and prospects. Similarly, any requirement for FPL to post margin cash collateral under its derivative contracts could have a material adverse effect on its business, financial condition, results of operations and prospects.

**FPL is highly dependent on sensitive and complex information technology systems, and any failure or breach of those systems could have a material adverse effect on its business, financial condition, results of operations and prospects.**

FPL operates in a highly regulated industry that requires the continuous functioning of sophisticated information technology systems and network infrastructure. Despite FPL's implementation of security measures, all of its technology systems are vulnerable to disability, failures or unauthorized access due to such activities. If FPL's information technology systems were to fail or be breached, and FPL was unable to recover in a timely way, FPL would be unable to fulfill critical business functions, and sensitive confidential and other data could be compromised.

FPL's business is highly dependent on its ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex and cross numerous and diverse markets. Due to the size, scope and geographical reach of FPL's business, and due to the complexity of the process of power generation, transmission and distribution, the development and maintenance of information technology systems to keep track of and process this information is both critical and extremely challenging. FPL's operating systems and facilities may fail to operate properly or become disabled as a result of events that are either within, or wholly or partially outside, its control, such as operator error, severe weather or terrorist activities. Any such failure or disabling event could adversely affect FPL's ability to process transactions and provide services, and its financial results and liquidity.

FPL adds, modifies and replaces information systems on a regular basis. Modifying existing information systems or implementing new or replacement information systems is costly and involves risks, including, but not limited to, integrating the modified, new or replacement system with existing systems and processes, implementing associated changes in accounting procedures and controls, and ensuring that data conversion is accurate and consistent. Any disruptions or deficiencies in existing information systems, or disruptions, delays or deficiencies in the modification or implementation of new information systems, could result in increased costs, the inability to track or collect revenues, the diversion of management's and employees' attention and resources, and could negatively impact the effectiveness of the company's control environment, and/or the company's ability to timely file required regulatory reports.

FPL also faces the risks of operational failure or capacity constraints of third parties, including, but not limited to, those who provide power transmission and natural gas transportation services.

**FPL's retail business is subject to the risk that sensitive customer data may be compromised, which could result in an adverse impact to its reputation and/or the results of operations of the retail business.**

FPL's retail business requires access to sensitive customer data in the ordinary course of business. FPL's retail business may also need to provide sensitive customer data to vendors and service providers who require access to this information in order to provide services, such as call center services, to the retail business. If a significant breach occurred, the reputation of FPL could be adversely affected, customer confidence

could be diminished, or customer information could be subject to identity theft. FPL would be subject to costs associated with the breach and/or FPL could be subject to fines and legal claims, any of which may have a material adverse effect on the business, financial condition, results of operations and prospects of FPL.

**FPL could recognize financial losses as a result of volatility in the market values of derivative instruments and limited liquidity in OTC markets.**

FPL executes transactions in derivative instruments on either recognized exchanges or via the OTC markets, depending on management's assessment of the most favorable credit and market execution factors. Transactions executed in OTC markets have the potential for greater volatility and less liquidity than transactions on recognized exchanges. As a result, FPL may not be able to execute desired OTC transactions due to such heightened volatility and limited liquidity.

In the absence of actively quoted market prices and pricing information from external sources, the valuation of derivative instruments involves management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these derivative instruments and have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**FPL may be adversely affected by negative publicity.**

From time to time, political and public sentiment may result in a significant amount of adverse press coverage and other adverse public statements affecting FPL. Adverse press coverage and other adverse statements, whether or not driven by political or public sentiment, may also result in investigations by regulators, legislators and law enforcement officials or in legal claims. Responding to these investigations and lawsuits, regardless of the ultimate outcome of the proceeding, can divert the time and effort of senior management from FPL's business.

Addressing any adverse publicity, governmental scrutiny or enforcement or other legal proceedings is time consuming and expensive and, regardless of the factual basis for the assertions being made, can have a negative impact on the reputation of FPL, on the morale and performance of its employees and on its relationships with its regulators. It may also have a negative impact on FPL's ability to take timely advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**FPL's business, financial condition, results of operations and prospects may be materially adversely affected if FPL is unable to maintain, negotiate or renegotiate franchise agreements on acceptable terms with municipalities and counties in Florida.**

FPL must negotiate franchise agreements with municipalities and counties in Florida to provide electric services within such municipalities and counties, and electricity sales generated pursuant to these agreements represent a very substantial portion of FPL's revenues. If FPL is unable to maintain, negotiate or renegotiate such franchise agreements on acceptable terms, it could contribute to lower earnings and FPL may not fully realize the anticipated benefits from significant investments and expenditures, which could materially adversely affect FPL's business, financial condition, results of operations and prospects.

**Increasing costs associated with health care plans may materially adversely affect FPL's results of operations.**

The costs of providing health care benefits to employees and retirees have increased substantially in recent years. FPL anticipates that its employee benefit costs, including, but not limited to, costs related to health care plans for employees and former employees, will continue to rise. The increasing costs and funding requirements associated with FPL's health care plans may materially adversely affect FPL's business, financial condition, results of operations and prospects.

**FPL's business, financial condition, results of operations and prospects could be negatively affected by the lack of a qualified workforce or the loss or retirement of key employees.**

FPL may not be able to service customers, grow its business or generally meet its other business plan goals effectively and profitably if it does not attract and retain a qualified workforce. Additionally, the loss or retirement of key executives and other employees may materially adversely affect service and productivity and contribute to higher training and safety costs.

Over the next several years, a significant portion of FPL's workforce, including, but not limited to, many workers with specialized skills maintaining and servicing the nuclear generation facilities and electrical infrastructure, will be eligible to retire. Such highly skilled individuals may not be able to be replaced quickly due to the technically complex work they perform. If a significant amount of such workers retire and are not replaced, the subsequent loss in productivity and increased recruiting and training costs could result in a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**FPL's business, financial condition, results of operations and prospects could be materially adversely affected by work strikes or stoppages and increasing personnel costs.**

Employee strikes or work stoppages could disrupt operations and lead to a loss of revenue and customers. Personnel costs may also increase due to inflationary or competitive pressures on payroll and benefits costs and revised terms of collective bargaining agreements with union employees. These consequences could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

Nuclear Generation Risks

**The construction, operation and maintenance of FPL's nuclear generation facilities involve environmental, health and financial risks that could result in fines or the closure of the facilities and in increased costs and capital expenditures.**

FPL's nuclear generation facilities are subject to environmental, health and financial risks, including, but not limited to, those relating to site storage of spent nuclear fuel, the disposition of spent nuclear fuel, leakage and emissions of tritium and other radioactive elements in the event of a nuclear accident or otherwise, the threat of a terrorist attack and other potential liabilities arising out of the ownership or operation of the facilities. FPL maintains decommissioning funds and external insurance coverage which are intended to reduce the financial exposure to some of these risks; however, the cost of decommissioning nuclear generation facilities could exceed the amount available in FPL's decommissioning funds, and the exposure to liability and property damages could exceed the amount of insurance coverage. If FPL is unable to recover the additional costs incurred through insurance or regulatory mechanisms, its business, financial condition, results of operations and prospects could be materially adversely affected.

**In the event of an incident at any nuclear generation facility in the U.S. or at certain nuclear generation facilities in Europe, FPL could be assessed significant retrospective assessments and/or retrospective insurance premiums as a result of its participation in a secondary financial protection system and nuclear insurance mutual companies.**

Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with this Act, FPL maintains $375 million of private liability insurance per site, which is the maximum obtainable, and participates in a secondary financial protection system, which provides up to $12.2 billion of liability insurance coverage per incident at any nuclear reactor in the U.S. Under the secondary financial protection system, FPL is subject to retrospective assessments and/or retrospective insurance premiums of up to $470 million, plus any applicable taxes, per incident at any nuclear reactor in the U.S. or at certain nuclear generation facilities in Europe, regardless of fault or proximity to the incident, payable at a rate not to

exceed $70 million per incident per year. Such assessments, if levied, could materially adversely affect FPL's business, financial condition, results of operations and prospects.

**Nuclear Regulatory Commission ("NRC") orders or new regulations related to increased security measures and any future safety requirements promulgated by the NRC could require FPL to incur substantial operating and capital expenditures at its nuclear generation facilities.**

The NRC has broad authority to impose licensing and safety-related requirements for the operation and maintenance of nuclear generation facilities, the addition of capacity at existing nuclear generation facilities and the construction of nuclear generation facilities, and these requirements are subject to change. In the event of non-compliance, the NRC has the authority to impose fines or shut down a nuclear generation facility, or to take both of these actions, depending upon its assessment of the severity of the situation, until compliance is achieved. Any of the foregoing events could require FPL to incur increased costs and capital expenditures, and could reduce revenues.

Any serious nuclear incident occurring at a FPL plant could result in substantial remediation costs and other expenses. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear generation facility. An incident at a nuclear facility anywhere in the world also could cause the NRC to impose additional conditions or other requirements on the industry, which could increase costs, reduce revenues and result in additional capital expenditures.

**The inability to operate any of FPL's nuclear generation units through the end of their respective operating licenses could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.**

The operating licenses for FPL's nuclear generation facilities extend through at least 2032. If the facilities cannot be operated for any reason through the life of those operating licenses, FPL may be required to increase depreciation rates, incur impairment charges and accelerate future decommissioning expenditures, any of which could materially adversely affect its business, financial condition, results of operations and prospects.

**Various hazards posed to nuclear generation facilities, along with increased public attention to and awareness of such hazards, could result in increased nuclear licensing or compliance costs which are difficult or impossible to predict and could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.**

The threat of terrorist activity, as well as recent international events implicating the safety of nuclear facilities, could result in more stringent or complex measures to keep facilities safe from a variety of hazards, including, but not limited to, natural disasters such as earthquakes and tsunamis, as well as terrorist or other criminal threats. This increased focus on safety could result in higher compliance costs which, at present, cannot be assessed with any measure of certainty and which could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**FPL's nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, and for other purposes. If planned outages last longer than anticipated or if there are unplanned outages, FPL's results of operations and financial condition could be materially adversely affected.**

FPL's nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, including, but not limited to, inspections, repairs and certain other modifications. In addition, outages may be scheduled, often in connection with a refueling outage, to replace equipment, to increase the generation capacity at a particular nuclear unit, or for other purposes, and those planned activities increase the time the unit is not in operation. In the event that a scheduled outage lasts longer than anticipated or in the event of an unplanned outage due to, for example, equipment failure, such outages could materially adversely affect FPL's business, financial condition, results of operations and prospects.

**Liquidity, Capital Requirements and Common Stock Risks**

**Disruptions, uncertainty or volatility in the credit and capital markets may negatively affect FPL's ability to fund its liquidity and capital needs and to meet its growth objectives, and can also adversely affect the results of operations and financial condition of FPL.**

FPL relies on access to capital and credit markets as significant sources of liquidity for capital requirements and other operations requirements that are not satisfied by operating cash flows. Disruptions, uncertainty or volatility in those capital and credit markets, including, but not limited to, the conditions of the most recent financial crises in the U.S. and abroad, could increase FPL's cost of capital. If FPL is unable to access regularly the capital and credit markets on terms that are reasonable, it may have to delay raising capital, issue shorter-term securities and incur an unfavorable cost of capital, which, in turn, could adversely affect its ability to grow its business, could contribute to lower earnings and reduced financial flexibility, and could have a material adverse effect on its business, financial condition, results of operations and prospects.

**FPL's inability to maintain its current credit ratings may adversely affect FPL's liquidity and results of operations, limit the ability of FPL to grow its business, and increase interest costs.**

The inability of FPL to maintain its current credit ratings could adversely affect its ability to raise capital or obtain credit on favorable terms, which, in turn, could impact FPL's ability to grow its business and service indebtedness and repay borrowings, and would likely increase its interest costs. Some of the factors that can affect credit ratings are cash flows, liquidity, the amount of debt as a component of total capitalization, and political, legislative and regulatory actions. There can be no assurance that one or more of the ratings of FPL will not be lowered or withdrawn entirely by a rating agency.

**FPL's liquidity may be impaired if its creditors are unable to fund their credit commitments to FPL or to maintain their current credit ratings.**

The inability of FPL's credit providers to fund their credit commitments or to maintain their current credit ratings could require FPL, among other things, to renegotiate requirements in agreements, find an alternative credit provider with acceptable credit ratings to meet funding requirements, or post cash collateral and could have a material adverse effect on FPL's liquidity.

**Poor market performance and other economic factors could affect FPL's defined benefit pension plan's funded status, which may materially adversely affect FPL's liquidity and results of operations.**

NextEra Energy, Inc. ("NEE"), FPL's parent company, sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of NEE and its subsidiaries. A decline in the market value of the assets held in the defined benefit pension plan due to poor investment performance or other factors may increase the funding requirements for this obligation.

NEE's defined benefit pension plan is sensitive to changes in interest rates, since, as interest rates decrease the funding liabilities increase, potentially increasing benefits costs and funding requirements. Any increase in benefits costs or funding requirements may have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

**Poor market performance and other economic factors could adversely affect the asset values of FPL's nuclear decommissioning funds, which may materially adversely affect FPL's liquidity and results of operations.**

FPL is required to maintain decommissioning funds to satisfy its future obligations to decommission its nuclear power plants. A decline in the market value of the assets held in the decommissioning funds due to poor investment performance or other factors may increase the funding requirements for these obligations. Any increase in funding requirements may have a material adverse effect on FPL's business, financial condition, results of operations and prospects.



**STAFF 005402**
**FPL RC-12**

120015 Hearing Exhibits - 01772

## FLORIDA POWER & LIGHT COMPANY

The information in this section replaces the information in the "Florida Power & Light Company" section on page 6 of the accompanying prospectus.

FPL is a rate-regulated electric utility engaged primarily in the generation, transmission, distribution and sale of electric energy in Florida. FPL is the largest electric utility in the state of Florida and one of the largest electric utilities in the U.S based on generation. FPL, with 24,460 mw of generating capacity at December 31, 2011, supplies electric service throughout most of the east and lower west coasts of Florida, serving nearly 8.9 million people through approximately 4.6 million customer accounts. FPL is a wholly-owned subsidiary of NEE. FPL was incorporated under the laws of Florida in 1925.

## USE OF PROCEEDS

The information in this section supplements the information in the "Use of Proceeds" section on page 6 of the accompanying prospectus. Please read these two sections together.

The $600,000,000 aggregate principal amount of First Mortgage Bonds, 4.05% Series due June 1, 2042 offered by this prospectus supplement and the accompanying prospectus are referred to in this prospectus supplement as the "Offered Bonds." FPL will add the net proceeds from the sale of the Offered Bonds, which are expected to be approximately $591.0 million (after deducting the underwriting discount and other offering expenses), to its general funds. FPL expects to use its general funds to repay a portion of FPL's total outstanding commercial paper obligations and for other general corporate purposes. As of May 9, 2012, FPL had approximately $1.02 billion of outstanding commercial paper obligations which had maturities of up to 34 days and which had annual interest rates ranging from 0.28% to 0.35%. FPL will temporarily invest in short-term instruments any proceeds that are not immediately used for these purposes.

## CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

The information in this section supplements the information in the "Consolidated Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends" section on page 7 of the accompanying prospectus.

FPL's consolidated ratio of earnings to fixed charges for the three months ended March 31, 2012 was 4.50, and for the years ended December 31, 2011, 2010 and 2009 was 5.18, 4.95 and 4.73, respectively.



**STAFF 005403**
**FPL RC-12**

120015 Hearing Exhibits - 01773

## CONSOLIDATED CAPITALIZATION OF FPL AND SUBSIDIARIES

The following table shows FPL's consolidated capitalization as of March 31, 2012, and as adjusted to reflect the issuance of the Offered Bonds. This table, which is presented in this prospectus supplement solely to provide limited introductory information, is qualified in its entirety by, and should be considered in conjunction with, the more detailed information incorporated by reference or provided in this prospectus supplement or in the accompanying prospectus.

| | March 31, 2012 | Adjusted[(a)] | |
|---|---|---|---|
| | | Amount | Percent |
| | (In Millions) | | |
| Common shareholder's equity | $11,129 | $ 11,129 | 59.2% |
| Long-term debt (excluding current maturities) | 7,056 | 7,656 | 40.8% |
| Total capitalization | $18,185 | $18,785 | 100.0% |

(a) To give effect to the issuance of the Offered Bonds offered by this prospectus supplement. Adjusted amounts do not reflect the addition of any premiums or deduction of any discounts or commissions in connection with the issuance of the Offered Bonds. Adjusted amounts do not reflect principal repayments of loans, principal repayments on storm-recovery bonds or the effect of adjustments related to premiums and discounts. Adjusted amounts also do not reflect any possible additional borrowings or issuance and sale of additional securities by FPL from time to time after the date of this prospectus supplement.

## CERTAIN TERMS OF THE OFFERED BONDS

The information in this section supplements the information in the "Description of Bonds" section beginning on page 10 of the accompanying prospectus. Please read these two sections together.

**General.** FPL will issue $600,000,000 aggregate principal amount of the Offered Bonds as a new series of First Mortgage Bonds under the Mortgage (as defined in the accompanying prospectus). The One Hundred Nineteenth Supplemental Indenture, dated as of May 1, 2012, supplements the Mortgage and establishes the specific terms of the Offered Bonds.

**Interest and Payment.** FPL will pay interest semi-annually on the Offered Bonds at the rate of 4.05% per year. The Offered Bonds will mature on June 1, 2042. FPL will pay interest on the Offered Bonds on June 1 and December 1 of each year, each an "Interest Payment Date," until maturity or earlier redemption. The first Interest Payment Date will be December 1, 2012. The record date for interest payable on any Interest Payment Date on the Offered Bonds shall be the close of business (1) on the business day immediately preceding such Interest Payment Date so long as all of the Offered Bonds remain in book-entry only form, or (2) on the 15th calendar day immediately preceding each Interest Payment Date if any of the Offered Bonds do not remain in book-entry only form. See "—Book-Entry Only Issuance."

Interest on the Offered Bonds will accrue from and including the date of original issuance to but excluding the first Interest Payment Date. Starting on the first Interest Payment Date, interest on each Offered Bond will accrue from and including the last Interest Payment Date to which FPL has paid, or duly provided for the payment of, interest on that Offered Bond to but excluding the next succeeding Interest Payment Date. No interest will accrue on an Offered Bond for the day that the Offered Bond matures. The amount of interest payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of interest payable for any period shorter than a full semi-annual period for which interest is computed will be computed on the basis of the number of days in the period using 30-day calendar months. If any date on which interest, principal or premium is payable on the Offered Bonds falls on a day that is not business day, then payment of the interest, principal or premium payable on that date will be made on the next succeeding day which is a business day, and no

interest or payment will be paid in respect of the delay. A "business day" is any day that is not a Saturday, a Sunday, or a day on which banking institutions or trust companies in New York City are generally authorized or required by law or executive order to remain closed.

FPL will pay interest on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest on the Offered Bonds at the rate of 6% per year.

**Issuance of Additional Bonds.** As of March 31, 2012, FPL could have issued under the Mortgage in excess of $9.4 billion of additional First Mortgage Bonds based on unfunded Property Additions (as defined in the accompanying prospectus) and in excess of $5.8 billion of additional First Mortgage Bonds based on retired First Mortgage Bonds.

**Dividend Restrictions.** As of March 31, 2012, no retained earnings were restricted by provisions of the Mortgage described in the accompanying prospectus which restrict the amount of retained earnings that FPL can use to pay cash dividends on its common stock.

**Redemption.** FPL may redeem any of the Offered Bonds at its option or if and when required by the Mortgage. FPL may redeem any of the Offered Bonds at any time or from time to time, on any date prior to their maturity (each a "Redemption Date"). FPL will give notice of its intent to redeem any of the Offered Bonds at least 30 days prior to a Redemption Date. If FPL redeems all or any part of the Offered Bonds at any time prior to December 1, 2041, it will pay a redemption price ("Redemption Price") equal to the sum of:

(1) 100% of the principal amount of the Offered Bonds being redeemed plus

(2) accrued and unpaid interest thereon, if any, to but excluding the Redemption Date plus

(3) any applicable "make-whole premium."

The Redemption Price for the Offered Bonds will never be less than 100% of the principal amount of those Offered Bonds plus accrued and unpaid interest on those Offered Bonds to but excluding the Redemption Date.

The amount of the make-whole premium with respect to any Offered Bonds to be redeemed in accordance with the foregoing paragraph will be equal to the excess, if any, of:

(1) the sum of the present values (calculated as of the Redemption Date) of:

 (a) each interest payment that, but for such redemption, would have been payable on the Offered Bonds being redeemed on each Interest Payment Date occurring after the Redemption Date (excluding any accrued interest for the period prior to the Redemption Date); and

 (b) the principal amount that, but for such redemption, would have been payable at the final maturity of the Offered Bonds being redeemed; over

(2) the principal amount of the Offered Bonds being redeemed.

The present values of interest and principal payments referred to in clause (1) above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to but excluding the Redemption Date at a discount rate equal to the Treasury Yield (as defined below) plus 15 basis points.

If FPL redeems all or any part of the Offered Bonds at any time on or after December 1, 2041, it will pay a redemption price equal to 100% of the principal amount of the Offered Bonds being redeemed, plus accrued and unpaid interest thereon, if any, to but excluding the Redemption Date.

FPL will appoint an independent investment banking institution of national standing to calculate the make-whole premium; provided that Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., RBC Capital Markets, LLC or RBS Securities Inc. will make such calculation if (1) FPL fails to make such appointment at least 30 days prior to the Redemption Date, or (2) the institution so appointed is unwilling or unable to make such calculation. If Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., RBC Capital Markets, LLC or RBS Securities Inc. is to make such calculation but if none is willing or able to do so, then the Trustee (as defined in the accompanying prospectus) will appoint an independent investment banking institution of national standing, in consultation with FPL, to make such calculation. In any case, the institution making such calculation is referred to in this prospectus supplement as an "Independent Investment Banker."

For purposes of determining the make-whole premium, "Treasury Yield" means a rate of interest per year equal to the weekly average yield to maturity of United States Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Offered Bonds to be redeemed, calculated to the nearest 1/12th of a year (the "Remaining Term"). The Independent Investment Banker will determine the Treasury Yield as of the third business day immediately preceding the applicable Redemption Date.

The Independent Investment Banker will determine the weekly average yields of United States Treasury Notes by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for United States Treasury Notes having a constant maturity that is the same as the Remaining Term, then the Treasury Yield will be equal to such weekly average yield. In all other cases, the Independent Investment Banker will calculate the Treasury Yield by interpolation, on a straight-line basis, between the weekly average yields on the United States Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the United States Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). The Independent Investment Banker will round any weekly average yields so calculated to the nearest 1/100th of 1%, and will round upward for any figure of 1/200th of 1% or above. If weekly average yields for United States Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the Independent Investment Banker will select comparable rates and calculate the Treasury Yield by reference to those rates.

The Mortgage provides that if FPL at any time elects to redeem some but not all of the Offered Bonds, the Trustee will select the particular Offered Bonds to be redeemed by proration among registered holders of the Offered Bonds or, in some cases, by such other method that it deems proper as provided in the Mortgage. However, if the Offered Bonds are solely registered in the name of Cede & Co. and traded through The Depository Trust Company, or "DTC," then DTC will select the Offered Bonds to be redeemed in accordance with its practices as described below in "—Book-Entry Only Issuance."

The consummation of the redemption shall be subject to the Trustee's receipt of the required redemption moneys before the Redemption Date (and no such redemption shall occur unless such moneys have been received by the Trustee before such date).

Cash deposited under any provisions of the Mortgage (with certain exceptions) may be applied to the purchase of First Mortgage Bonds of any series.

**Book-Entry Only Issuance.** The Offered Bonds will trade through DTC. The Offered Bonds will be represented by one or more global certificates and registered in the name of Cede & Co., DTC's nominee. Upon issuance of the Offered Bonds, DTC or its nominee will credit, on its book-entry registration and transfer system, the principal amount of the Offered Bonds represented by such global securities to the accounts of institutions that have

an account with DTC or its participants. The accounts to be credited shall be designated by the underwriters. Ownership of beneficial interests in the global securities will be limited to participants or persons that may hold interests through participants. The global certificates will be deposited with the Trustee as custodian for DTC.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Securities Exchange Act of 1934. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Offered Bonds within the DTC system must be made through participants, who will receive a credit for the Offered Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Offered Bonds. Transfers of ownership in the Offered Bonds are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Offered Bonds, except if use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Offered Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Offered Bonds. DTC's records reflect only the identity of the participants to whose accounts such Offered Bonds are credited. These participants may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Offered Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults and proposed amendments to the Offered Bonds. Beneficial owners of the Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Offered Bonds. If less than all of the Offered Bonds are being redeemed, DTC's practice is to determine by lot the amount of Offered Bonds of each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Offered Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to FPL as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Offered Bonds are credited on the record date. FPL believes that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Offered Bonds.

Payments of redemption proceeds, principal of, and interest on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from FPL or its agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices. Payments will be the responsibility of participants and not of DTC, Deutsche Bank Trust Company Americas (the Trustee under the Mortgage) or FPL,

subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is the responsibility of FPL. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Except as provided in this prospectus supplement, a beneficial owner will not be entitled to receive physical delivery of the Offered Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Offered Bonds.

DTC may discontinue providing its services as securities depositary with respect to the Offered Bonds at any time by giving reasonable notice to FPL. In the event no successor securities depositary is obtained, certificates for the Offered Bonds will be printed and delivered. FPL may decide to replace DTC or any successor depositary. Additionally, subject to the procedures of DTC, FPL may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to some or all of the Offered Bonds. In that event, certificates for such Offered Bonds will be printed and delivered. If certificates for Offered Bonds are printed and delivered,

- the Offered Bonds will be issued in fully registered form without coupons;
- a holder of certificated Offered Bonds would be able to exchange those Offered Bonds, without charge, for an equal aggregate principal amount of Offered Bonds of the same series, having the same issue date and with identical terms and provisions; and
- a holder of certificated Offered Bonds would be able to transfer those Offered Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.

However, FPL shall not be required to make transfers or exchanges of certificated Offered Bonds for a period of ten days next preceding any Interest Payment Date or next preceding any designation of Offered Bonds to be redeemed, and FPL shall not be required to make transfers or exchanges of any certificated Offered Bonds designated in whole or in part for redemption.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that FPL believes to be reliable but FPL and the underwriters do not take any responsibility for the accuracy of this information.

## UNDERWRITING

The information in this section supplements the information in the "Plan of Distribution" section beginning on page 41 of the accompanying prospectus. Please read these two sections together.

FPL is selling the Offered Bonds to the underwriters named in the table below pursuant to an underwriting agreement between FPL and the underwriters named below, for whom Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., RBC Capital Markets, LLC and RBS Securities Inc. are acting as representatives. Subject to certain conditions, FPL has agreed to sell to each of the underwriters, and each of the underwriters has severally agreed to purchase, the principal amount of Offered Bonds set forth opposite that underwriter's name in the table below:

| Underwriter | Principal Amount of Offered Bonds |
|---|---|
| Credit Suisse Securities (USA) LLC | $ 85,000,000 |
| J.P. Morgan Securities LLC | 85,000,000 |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | 85,000,000 |
| Mitsubishi UFJ Securities (USA), Inc. | 85,000,000 |
| RBC Capital Markets, LLC | 85,000,000 |
| RBS Securities Inc. | 85,000,000 |
| BNP Paribas Securities Corp. | 12,858,000 |
| BNY Mellon Capital Markets, LLC | 12,857,000 |
| CIBC World Markets Corp. | 12,857,000 |
| Credit Agricole Securities (USA) Inc. | 12,857,000 |
| Lloyds Securities Inc. | 12,857,000 |
| TD Securities (USA) LLC | 12,857,000 |
| U.S. Bancorp Investments, Inc. | 12,857,000 |
| Total | $600,000,000 |

Under the terms and conditions of the underwriting agreement, the underwriters must buy all of the Offered Bonds when and if they buy any of them. The underwriting agreement provides that the obligations of the underwriters pursuant thereto are subject to certain conditions. In the event of a default by an underwriter, the underwriting agreement provides that, in certain circumstances, the purchase commitment of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. The underwriters will sell the Offered Bonds to the public if the underwriters buy the Offered Bonds from FPL.

FPL will compensate the underwriters by selling the Offered Bonds to them at a price that is less than the price to the public by the amount of the "Underwriting Discount" set forth in the table below. The underwriters will sell the Offered Bonds to the public at the price to the public set forth on the cover page of this prospectus supplement and may sell the Offered Bonds to certain dealers at a price that is less than the price to the public by no more than the amount of the "Initial Dealers' Concession" set forth in the table below. The underwriters and such dealers may sell the Offered Bonds to certain other dealers at a price that is less than the price to the public by no more than the amounts of the "Initial Dealers' Concession" and the "Reallowed Dealers' Concession" set forth in the table below.

| | (expressed as a percentage of principal amount) |
|---|---|
| Underwriting Discount | 0.875% |
| Initial Dealers' Concession | 0.500% |
| Reallowed Dealers' Concession | 0.250% |

An underwriter may reject any or all offers for the Offered Bonds. After the initial public offering of the Offered Bonds, the underwriters may change the offering price and other selling terms of the Offered Bonds.

The Offered Bonds are a new issue of securities with no established trading market. FPL does not plan to list the securities on any securities exchange. The underwriters have advised FPL that they intend to make a market in the Offered Bonds but are not obligated to do so and may discontinue such market-making activities at any time without notice. FPL cannot give any assurance as to the maintenance of the trading market for, or the liquidity of, the Offered Bonds.

In connection with the offering, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., RBC Capital Markets, LLC and RBS Securities Inc., on behalf of the underwriters, may purchase and sell the Offered Bonds in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment includes syndicate sales of Offered Bonds in excess of the principal amount of Offered Bonds to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Offered Bonds in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Offered Bonds made for the purpose of preventing or retarding a decline in the market price of the Offered Bonds while the offering is in progress.

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim an initial dealers' concession from a syndicate member when Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., RBC Capital Markets, LLC or RBS Securities Inc., in covering syndicate short positions or making stabilizing purchases, repurchases the Offered Bonds originally sold by that syndicate member.

Any of these activities may cause the price of the Offered Bonds to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be effected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

FPL estimates that its expenses in connection with the sale of the Offered Bonds, other than underwriting discounts, will be $2.9 million. This estimate includes expenses relating to Florida taxes, printing, rating agency fees, trustee's fees and legal fees, among other expenses.

FPL has agreed to indemnify the underwriters against, or to contribute to payments the underwriters may be required to make in respect of, certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters and their affiliates may engage in transactions with, and may perform services for, FPL and its affiliates in the ordinary course of business and have engaged, and may engage in the future, in commercial banking and/or investment banking transactions with FPL and its affiliates.

## EXPERTS

The information in this section replaces the information in the "Experts" section on page 43 of the accompanying prospectus.

The consolidated financial statements incorporated in this prospectus supplement by reference from Florida Power & Light Company's Annual Report on Form 10-K for the year ended December 31, 2011, and the effectiveness of Florida Power & Light Company and subsidiaries' internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

## LEGAL OPINIONS

The information in this section replaces the information in the "Legal Opinions" section on page 43 of the accompanying prospectus.

Morgan, Lewis & Bockius LLP, New York, New York and Squire Sanders (US) LLP, West Palm Beach, Florida, co-counsel to FPL, will pass upon the legality of the Offered Bonds offered by this prospectus supplement for FPL. Hunton & Williams LLP, New York, New York, will pass upon the legality of the Offered Bonds offered by this prospectus supplement for the underwriters. Morgan, Lewis & Bockius LLP and Hunton & Williams LLP may rely as to all matters of Florida law upon the opinion of Squire Sanders (US) LLP. Squire Sanders (US) LLP may rely as to all matters of New York law upon the opinion of Morgan, Lewis & Bockius LLP.

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PROSPECTUS

# FLORIDA POWER & LIGHT COMPANY

**Preferred Stock,**
**Warrants,**
**First Mortgage Bonds,**
**Senior Debt Securities,**
**Subordinated Debt Securities**
**and**
**Junior Subordinated Debentures**

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# FLORIDA POWER & LIGHT COMPANY TRUST I
# FLORIDA POWER & LIGHT COMPANY TRUST II

**Preferred Trust Securities,**

**Guaranteed as described in this prospectus by**

## FLORIDA POWER & LIGHT COMPANY

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Florida Power & Light Company, Florida Power & Light Company Trust I and Florida Power & Light Company Trust II may offer any combination of the securities described in this prospectus in one or more offerings from time to time in amounts authorized from time to time. This prospectus may also be used by a selling securityholder of the securities described herein.

One or more of Florida Power & Light Company, Florida Power & Light Company Trust I and Florida Power & Light Company Trust II will provide specific terms of the securities, including the offering prices, in supplements to this prospectus. The supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any supplements carefully before you invest.

Florida Power & Light Company, Florida Power & Light Company Trust I and Florida Power & Light Company Trust II may offer these securities directly or through underwriters, agents or dealers. The supplements to this prospectus will describe the terms of any particular plan of distribution, including any underwriting arrangements. The "Plan of Distribution" section beginning on page 41 of this prospectus also provides more information on this topic.

**See "Risk Factors" beginning on page 2 of this prospectus to read about certain factors you should consider before purchasing any of the securities being offered.**

Florida Power & Light Company's, Florida Power & Light Company Trust I's and Florida Power & Light Company Trust II's principal executive offices are located at 700 Universe Boulevard, Juno Beach, Florida 33408-0420, telephone number (561) 694-4000, and their mailing address is P.O. Box 14000, Juno Beach, Florida 33408-0420.

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

August 3, 2009

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## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Florida Power & Light Company ("FPL"), Florida Power & Light Company Trust I and Florida Power & Light Company Trust II and certain of their affiliates have filed with the Securities and Exchange Commission ("SEC") using a "shelf" registration process. Florida Power & Light Company Trust I and Florida Power & Light Company Trust II each are referred to in this prospectus as the "Trust."

Under this shelf registration process, FPL and/or the Trust may issue and sell any combination of the securities described in this prospectus in one or more offerings from time to time in amounts authorized by the board of directors of FPL. FPL may offer any of the following securities: preferred stock, warrants to purchase preferred stock, first mortgage bonds, senior debt securities, subordinated debt securities, junior subordinated debentures and guarantees related to the preferred trust securities which the Trust may offer. Unless otherwise stated in a prospectus supplement, the Trust may offer preferred trust securities.

This prospectus provides you with a general description of the securities that FPL and/or the Trust may offer. Each time FPL and/or the Trust sells securities, FPL and/or the Trust will provide a prospectus supplement that will contain specific information about the terms of that offering. Material United States federal income tax considerations applicable to the offered securities will be discussed in the applicable prospectus supplement if necessary. The applicable prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any applicable prospectus supplement together with additional information described under the headings "Where You Can Find More Information" and "Incorporation by Reference."

For more detailed information about the securities, you can read the exhibits to the registration statement. Those exhibits have been either filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement.



**STAFF 005415**
**FPL RC-12**

120015 Hearing Exhibits - 01785

## RISK FACTORS

*Before purchasing the securities, investors should carefully consider the following risk factors together with the risk factors and other information incorporated by reference or provided in this prospectus or in a prospectus supplement in order to evaluate an investment in the securities.*

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

FPL is subject to complex laws and regulations, and to changes in laws or regulations, with respect to, among other things, allowed rates of return, industry and rate structure, operation of nuclear power facilities, construction and operation of generation facilities, construction and operation of transmission and distribution facilities, acquisition, disposal, depreciation and amortization of assets and facilities, recovery of fuel and purchased power costs, decommissioning costs, return on common equity and equity ratio limits, transmission reliability and present or prospective wholesale and retail competition. This substantial and complex framework exposes FPL to increased compliance costs and potentially significant monetary penalties for non-compliance. The Florida Public Service Commission has the authority to disallow recovery by FPL of any and all costs that it considers excessive or imprudently incurred. The regulatory process generally restricts FPL's ability to grow earnings and does not provide any assurance as to achievement of earnings levels.

FPL also is subject to extensive federal, state and local environmental statutes, rules and regulations, as well as the effect of changes in or additions to applicable statutes, rules and regulations that relate to, or in the future may relate to, for example, air quality, water quality, climate change, greenhouse gas emissions, carbon dioxide emissions, waste management, marine and wildlife mortality, natural resources, health, safety and renewable portfolio standards that could, among other things, restrict or limit the output of certain facilities or the use of certain fuels required for the production of electricity and/or require additional pollution control equipment and otherwise increase costs. There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations, and those costs could be even more significant in the future.

FPL operates in a changing market environment influenced by various legislative and regulatory initiatives regarding regulation, deregulation or restructuring of the energy industry, including, for example, deregulation or restructuring of the production and sale of electricity, as well as increased focus on renewable and clean energy sources and reduction of carbon emissions. FPL will need to adapt to these changes and may face increasing costs and competitive pressure in doing so.

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

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

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

fines, replacement equipment costs or an obligation to purchase or generate replacement power at potentially higher prices to meet contractual obligations. Insurance, warranties or performance guarantees may not cover any or all of the lost revenues or increased expenses.

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

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

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

In addition, potential terrorist threats and increased public scrutiny of utilities could result in increased nuclear licensing or compliance costs which are difficult or impossible to predict.

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

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

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

FPL uses derivative instruments, such as swaps, options, futures and forwards, some of which are traded in the over-the-counter markets or on exchanges, to manage its commodity and financial market risks. FPL could suffer a reduction in operating cash flows as a result of the requirement to post margin cash collateral. In the absence of actively quoted market prices and pricing information from

external sources, the valuation of these derivative instruments involves management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these derivative instruments. In addition, FPL's use of such instruments could be subject to prudence challenges and, if found imprudent, cost recovery could be disallowed by the Florida Public Service Commission.

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

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

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

FPL's results of operations are affected by changes in the weather. Weather conditions directly influence the demand for electricity and natural gas, affect the price of energy commodities, and can affect the production of electricity at power generating facilities. FPL's results of operations can be affected by the impact of severe weather which can be destructive, causing outages and/or property damage, may affect fuel supply, and could require additional costs to be incurred. At FPL, recovery of these costs is subject to Florida Public Service Commission approval.

**Adverse capital and credit market conditions may adversely affect FPL's ability to meet liquidity needs, access capital and operate and grow its business, and increase the cost of capital. Disruptions, uncertainty or volatility in the financial markets can also adversely impact the results of operations and financial condition of FPL.**

Having access to the credit and capital markets, at a reasonable cost, is necessary for FPL to fund its operations, including its capital requirements. Those markets have provided FPL with the liquidity to operate and grow its business that is not otherwise provided from operating cash flows. Disruptions, uncertainty or volatility in those markets can increase FPL's cost of capital. If FPL is unable to access the credit and capital markets on terms that are reasonable, it may have to delay raising capital, issue shorter-term securities and/or bear an unfavorable cost of capital, which, in turn, could adversely impact its ability to grow its business, decrease earnings and/or significantly reduce financial flexibility.

**FPL's inability to maintain its current credit ratings may adversely affect FPL's liquidity, limit the ability of FPL to grow its business, and would likely increase interest costs.**

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

**FPL is subject to credit and performance risk from third parties under supply and service contracts.**

FPL relies on contracts with vendors for the supply of equipment, materials, fuel and other goods and services required for the construction and operation of, and for capital improvements to, its facilities, as well as for business operations. If vendors fail to fulfill their contractual obligations, FPL

may need to make arrangements with other suppliers, which could result in higher costs, untimely completion of power generation facilities and other projects, and/or a disruption to its operations.

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

FPL is subject to costs and other potentially adverse effects of legal and regulatory proceedings, settlements, investigations and claims, as well as regulatory compliance and the effect of new, or changes in, tax laws, rates or policies, rates of inflation, accounting standards, securities laws, corporate governance requirements and labor and employment laws.

FPL, as an owner and operator of bulk power transmission systems, is subject to mandatory reliability standards promulgated by the North American Electric Reliability Corporation and enforced by the Federal Energy Regulatory Commission. These standards, which previously were being applied on a voluntary basis, became mandatory in June 2007. Noncompliance with these mandatory reliability standards could result in sanctions, including substantial monetary penalties, which likely would not be recoverable from customers.

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

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

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

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

**FPL is subject to employee workforce factors that could adversely affect the business and financial condition of FPL.**

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



**STAFF 005419**
**FPL RC-12**

120015 Hearing Exhibits - 01789

## FLORIDA POWER & LIGHT COMPANY

FPL was incorporated under the laws of Florida in 1925. FPL is a rate-regulated utility engaged primarily in the generation, transmission, distribution and sale of electric energy. At December 31, 2008, FPL supplied electric service to a population of more than 8.7 million, throughout most of the east and lower west coasts of Florida. During 2008, FPL served approximately 4.5 million customer accounts.

## FLORIDA POWER & LIGHT COMPANY TRUST I AND FLORIDA POWER & LIGHT COMPANY TRUST II

Florida Power & Light Company Trust I and Florida Power & Light Company Trust II are Delaware statutory trusts created pursuant to separate trust agreements among FPL as depositor of the Trust, The Bank of New York Mellon as the Property Trustee, BNY Mellon Trust of Delaware as the Delaware Trustee and one or more Administrative Trustees appointed by FPL. At the time of the issuance of securities by the Trust, the applicable trust agreement will be amended and restated substantially in the form filed as an exhibit to the registration statement. Each trust agreement, as so amended and restated, is referred to in this prospectus as the "Trust Agreement." Unless otherwise stated in a prospectus supplement,

- the Trust exists only to issue its preferred trust securities and common trust securities and to hold the junior subordinated debentures of FPL as trust assets,
- all of the common trust securities will be owned by FPL, and
- the common trust securities will represent at least 3% of the total capital of the applicable Trust.

Payments on any distribution payment date or redemption date will be made on the common trust securities pro rata with the preferred trust securities, except that the common trust securities' right to payment will be subordinated to the rights of the preferred trust securities if there is a default under the Trust Agreement. The Trust will have a term as stated in the applicable prospectus supplement, but may dissolve earlier as provided in the Trust Agreement.

The Trust's business and affairs will be conducted by its Administrative Trustees.

## USE OF PROCEEDS

Unless otherwise stated in a prospectus supplement, FPL will add the net proceeds from the sale of its securities to its general funds. FPL uses its general funds for corporate purposes, including to repay, redeem or repurchase outstanding debt, to repay short-term borrowings and to finance the acquisition or construction of additional electric facilities and capital improvements to and maintenance of existing facilities. FPL will temporarily invest any proceeds that it does not need to use immediately in short-term instruments.

Unless otherwise stated in a prospectus supplement, the Trust will use the proceeds from the sale of preferred trust securities and common trust securities to invest in junior subordinated debentures issued by FPL. FPL will add the net proceeds from the sale of such junior subordinated debentures to its general funds, which will be used as described above.



**STAFF 005420**
**FPL RC-12**

120015 Hearing Exhibits - 01790

## CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table shows FPL's consolidated ratio of earnings to fixed charges for each of its last five fiscal years:

| Years Ended December 31, | | | | |
|---|---|---|---|---|
| 2008 | 2007 | 2006 | 2005 | 2004 |
| 4.43 | 4.96 | 5.14 | 5.74 | 6.74 |

The following table shows FPL's consolidated ratio of earnings to combined fixed charges and preferred stock dividends for each of its last five fiscal years:

| Years Ended December 31, | | | | |
|---|---|---|---|---|
| 2008 | 2007 | 2006 | 2005 | 2004 |
| 4.43 | 4.96 | 5.14 | 5.74 | 6.67 |

FPL's consolidated ratio of earnings to fixed charges and consolidated ratio of earnings to combined fixed charges and preferred stock dividends for the six months ended June 30, 2009 was 4.06.

## WHERE YOU CAN FIND MORE INFORMATION

FPL files annual, quarterly and other reports and other information with the SEC. You can read and copy any information filed by FPL with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain additional information about the Public Reference Room by calling the SEC at 1-800-SEC-0330.

In addition, the SEC maintains an Internet site (*www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including FPL. FPL also maintains an Internet site (*www.fpl.com*). Information on FPL's Internet site is not a part of this prospectus.

FPL and the Trust do not expect the Trust to file reports or other information with the SEC under Sections 13 or 15(d) of the Securities Exchange Act of 1934.



**STAFF 005421**
**FPL RC-12**

120015 Hearing Exhibits - 01791

## INCORPORATION BY REFERENCE

The SEC allows FPL and the Trust to "incorporate by reference" the information that FPL files with the SEC, which means that FPL and the Trust may, in this prospectus, disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Information that FPL files in the future with the SEC will automatically update and supersede this information. FPL and the Trust are incorporating by reference the documents listed below and any future filings FPL makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus (other than any documents, or portions of documents, not deemed to be filed) until FPL and/or the Trust sell all of the securities covered by the registration statement:

(1) FPL's Annual Report on Form 10-K for the year ended December 31, 2008;

(2) FPL's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009; and

(3) FPL's Current Reports on Form 8-K filed with the SEC on January 27, 2009 (with January 22, 2009 earliest report date), March 18, 2009, March 19, 2009 and July 22, 2009 (other than any documents, or portions of documents, not deemed to be filed).

You may request a copy of these documents, at no cost to you, by writing or calling Robert J. Reger, Jr., Esq., Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178, (212) 309-6000. FPL will provide to each person, including any beneficial owner, to whom this prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus but not delivered with this prospectus.

## FORWARD-LOOKING STATEMENTS

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, FPL and the Trust are herein filing cautionary statements identifying important factors that could cause FPL's actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) made by or on behalf of FPL and the Trust in this prospectus or any supplement to this prospectus, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events or performance, climate change strategy or growth strategies (often, but not always, through the use of words or phrases such as "will," "will likely result," "are expected to," "will continue," "aim," "is anticipated," "believe," "could," "should," "would," "estimated," "may," "plan," "potential," "projection," "target," "outlook," "predict," and "intend" or words of similar meaning) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the specific factors discussed in "Risk Factors" herein and in the reports that are incorporated herein by reference (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could have a significant impact on FPL's operations and financial results, and could cause FPL's actual results to differ materially from those contained or implied in forward-looking statements made by or on behalf of FPL or the Trust.

Any forward-looking statement speaks only as of the date on which that statement is made, and neither FPL nor the Trust undertakes any obligation to update any forward-looking statement to reflect events or circumstances, including unanticipated events, after the date on which that statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of those factors, nor can it assess the impact of each of those factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

The issues and associated risks and uncertainties discussed in "Risk Factors" herein and in the reports that are incorporated herein by reference are not the only ones FPL may face. Additional issues may arise or become material as the energy industry evolves. The risks and uncertainties associated with those additional issues could impair FPL's business in the future.

## DESCRIPTION OF PREFERRED STOCK

**General.** The following statements describing FPL's preferred stock are not intended to be a complete description. For additional information, please see FPL's Restated Articles of Incorporation, as amended ("Charter"), and its bylaws, as currently in effect. You should read this summary together with the articles of amendment to the Charter which will describe the terms of any preferred stock to be offered hereby for a complete understanding of all the provisions. Each of these documents has previously been filed, or will be filed, with the SEC and each is an exhibit to the registration statement filed with the SEC of which this prospectus is a part. Reference is also made to the laws of the State of Florida.

The Charter currently authorizes three classes of preferred stock. No shares of preferred stock are presently outstanding. Unless the Charter is amended prior to the offering of the preferred stock offered hereunder to change the class or classes of preferred stock authorized to be issued, the preferred stock offered hereunder will be one or more series of FPL's Preferred Stock, $100 par value per share ("Serial Preferred Stock") and/or one or more series of FPL's Preferred Stock, without par value ("No Par Preferred Stock"). Under the Charter, 10,414,100 shares of Serial Preferred Stock and 5,000,000 shares of No Par Preferred Stock are available for issuance. The Charter also authorizes the issuance of 5,000,000 shares of Subordinated Preferred Stock, without par value ("Subordinated Preferred Stock"). References in this "Description of Preferred Stock" section of this prospectus to preferred stock do not include the Subordinated Preferred Stock.

In the event that the Charter is amended to change its authorized preferred stock, a prospectus supplement will describe the authorized preferred stock.

Some terms of a series of preferred stock may differ from those of another series. A prospectus supplement will describe the terms of any preferred stock being offered. These terms will also be described in articles of amendment to the Charter, which will establish the terms of the preferred stock being offered. These terms will include any of the following that apply to that series:

(1) the class of preferred stock, the number of shares in the series and the title of that series of preferred stock,

(2) the annual rate or rates of dividends payable and the date from which such dividends shall commence to accrue,

(3) the terms and conditions, including the redemption price and the date or dates, on which the shares of the series of preferred stock may be redeemed or converted into another class of security, the manner of effecting such redemption and any restrictions on such redemptions,

(4) any sinking fund or other provisions that would obligate FPL to redeem or repurchase shares of the series of preferred stock, and

(5) with respect to the No Par Preferred Stock only, variations with respect to whole or fractional voting rights and involuntary liquidation values.

In the event the trusts established by FPL issue preferred trust securities and FPL exercises a right to delay interest payments on junior subordinated debentures issued in connection with preferred trust securities, FPL will not be able to pay dividends on its common or preferred stock during the periods when such payments are delayed with certain limited exceptions.

Any shares of preferred stock offered hereunder by FPL will, when issued, be fully paid and non-assessable.

**Voting Rights.** FPL Group, as the owner of all of FPL's common stock, has sole voting power with respect to FPL, except as provided in the Charter or as otherwise required by law. The Charter does not limit the right of any affiliate of FPL to vote any shares of preferred stock owned by it. The

voting rights provided in the Charter relating to the Serial Preferred Stock and the No Par Preferred Stock will be described in the applicable prospectus supplement relating to any particular preferred stock being offered.

**Liquidation Rights.** In the event of any voluntary liquidation, dissolution or winding up of FPL, unless otherwise described in a particular prospectus supplement, the Serial Preferred Stock and No Par Preferred Stock will rank pari passu with all classes of preferred stock then outstanding and shall have a preference over each series of the Subordinated Preferred Stock (none of which has been issued or is currently outstanding) and the common stock until an amount equal to the then current redemption price shall have been paid. In the event of any involuntary liquidation, dissolution or winding up of FPL,

(1) the Serial Preferred Stock will rank pari passu with all classes of preferred stock then outstanding and shall also have a preference over each series of the Subordinated Preferred Stock and the common stock until $100 per share shall have been paid, and

(2) the No Par Preferred Stock will rank pari passu with all classes of FPL's preferred stock then outstanding and shall also have a preference over each series of Subordinated Preferred Stock and the common stock until the full involuntary liquidation value thereof, as established upon issuance of the applicable series of No Par Preferred Stock, shall have been paid,

plus, in each case, all accumulated and unpaid dividends thereon, if any. Any changes to the liquidation rights of the Serial Preferred Stock and the No Par Preferred Stock will be described in the particular prospectus supplement relating to any preferred stock being offered.

## DESCRIPTION OF WARRANTS

FPL may issue warrants to purchase preferred stock. A prospectus supplement will describe the terms of any such warrants being offered and any related warrant agreement between FPL and a warrant agent.

## DESCRIPTION OF BONDS

**General.** FPL will issue first mortgage bonds, in one or more series, under its Mortgage and Deed of Trust dated as of January 1, 1944, with Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as Trustee, which has been amended and supplemented in the past, may be supplemented prior to the issuance of these first mortgage bonds, and which will be supplemented again by one or more supplemental indentures relating to these first mortgage bonds. The Mortgage and Deed of Trust, as amended and supplemented, is referred to in this prospectus as the "Mortgage." The first mortgage bonds offered pursuant to this prospectus and any applicable prospectus supplement are referred to as the "Bonds."

FPL may issue an unlimited amount of First Mortgage Bonds under the Mortgage so long as it meets the issuance tests set forth in the Mortgage, which are generally described below under "—Issuance of Additional Bonds." The Bonds and all other first mortgage bonds issued under the Mortgage are collectively referred to in this prospectus as the "First Mortgage Bonds."

This section briefly summarizes some of the terms of the Bonds and some of the provisions of the Mortgage and uses some terms that are not defined in this prospectus but that are defined in the Mortgage. This summary is not complete. You should read this summary together with the Mortgage and the supplemental indenture creating the Bonds for a complete understanding of all the provisions. The Mortgage and the form of supplemental indenture have previously been filed with the SEC, and are exhibits to the registration statement filed with the SEC of which this prospectus is a part. In addition, the Mortgage is qualified as an indenture under the Trust Indenture Act of 1939 and is therefore subject to the provisions of the Trust Indenture Act of 1939. You should read the Trust Indenture Act of 1939 for a complete understanding of its provisions.



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All Bonds of one series need not be issued at the same time, and a series may be re-opened for issuances of additional Bonds of such particular series. This means that FPL may from time to time, without notice to, or the consent of the existing holders of the previously-issued Bonds of a particular series, create and issue additional Bonds of such series. Such additional Bonds will have the same terms as the Bonds of such series in all respects (except for the payment of interest accruing prior to the issue date of the additional Bonds or except for the first payments of interest following the issue date of the additional Bonds) so that the additional Bonds may be consolidated and form a single series with the previously-issued Bonds of such series.

Each series of Bonds may have different terms. FPL will include some or all of the following information about a specific series of Bonds in the particular prospectus supplement relating to that specific series of Bonds:

(1) the designation and series of those Bonds,

(2) the aggregate principal amount of those Bonds,

(3) the offering price of those Bonds,

(4) the date(s) on which those Bonds will mature,

(5) the interest rate(s) for those Bonds, or how the interest rate(s) will be determined,

(6) the dates on which FPL will pay the interest on those Bonds,

(7) the denominations in which FPL may issue those Bonds, if other than denominations of $1,000 or multiples of $1,000,

(8) the place where the principal of and interest on those Bonds will be payable, if other than at Deutsche Bank Trust Company Americas in New York City,

(9) the currency or currencies in which payment of the principal of and interest on those Bonds may be made, if other than U.S. dollars,

(10) the terms pursuant to which FPL may redeem any of those Bonds,

(11) whether all or a portion of those Bonds will be in global form, and

(12) any other terms or provisions relating to those Bonds that are not inconsistent with the provisions of the Mortgage.

FPL will issue the Bonds in fully registered form without coupons, unless otherwise stated in a prospectus supplement. A holder of Bonds may exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds of the same series, having the same issue date and with identical terms and provisions, unless otherwise stated in a prospectus supplement. A holder of Bonds may transfer those Bonds without cost to the holder, other than for applicable stamp taxes or other governmental charges, unless otherwise stated in a prospectus supplement.

**Special Provisions for Retirement of Bonds.** If, during any 12 month period, any governmental body orders FPL to dispose of mortgaged property, or buys mortgaged property from FPL, and FPL receives $10 million or more from the sale or disposition, then, in most cases, FPL must use that money to redeem First Mortgage Bonds. If this occurs, FPL may redeem First Mortgage Bonds of any series that are redeemable for such reason at the redemption prices applicable to those First Mortgage Bonds. If any Bonds are so redeemable, the redemption prices applicable to those Bonds will be set forth in a prospectus supplement.

**Security.** The Mortgage secures the Bonds as well as all other First Mortgage Bonds already issued under the Mortgage and still outstanding. FPL may issue more First Mortgage Bonds in the

future and those First Mortgage Bonds will also be secured by the Mortgage. The Mortgage constitutes a first mortgage lien on all of the properties and franchises that FPL owns, except as discussed below.

The lien of the Mortgage is or may be subject to the following:

(1) leases of minor portions of FPL's property to others for uses that do not interfere with FPL's business,

(2) leases of certain property that is not used in FPL's electric business,

(3) Excepted Encumbrances, which include certain tax and real estate liens, and specified rights, easements, restrictions and other obligations, and

(4) vendors' liens, purchase money mortgages and liens on property that already exist at the time FPL acquires that property.

The Mortgage does not create a lien on the following "excepted property":

(1) cash and securities,

(2) certain equipment, materials or supplies and fuel (including nuclear fuel unless it is expressly subjected to the lien of the Mortgage),

(3) automobiles and other vehicles,

(4) receivables, contracts, leases and operating agreements,

(5) materials or products, including electric energy, that FPL generates, produces or purchases for sale or use by FPL, and

(6) timber, minerals, mineral rights and royalties.

The Mortgage will generally also create a lien on property that FPL acquires after the date of this prospectus, other than "excepted property." However, if FPL consolidates or merges with, or sells substantially all of its assets to, another corporation, the lien created by the Mortgage will generally not cover the property of the successor company, other than the property that it acquires from FPL and improvements, replacements and additions to that property.

The Mortgage provides that the Trustee has a lien on the mortgaged property for the payment of its reasonable compensation and expenses and for indemnity against certain liabilities. This lien takes priority over the lien securing the Bonds.

**Issuance of Additional Bonds.** FPL may issue an unlimited amount of First Mortgage Bonds under the Mortgage so long as it meets the issuance tests set forth in the Mortgage, which are generally described below. FPL may issue Bonds from time to time in an amount equal to:

(1) 60% of unfunded Property Additions after adjustments to offset retirements,

(2) the amount of retired First Mortgage Bonds or Qualified Lien Bonds (as such term is defined in the Mortgage), and

(3) the amount of cash that FPL deposits with the Trustee.

"Property Additions" generally include the following:

(a) plants, lines, pipes, mains, cables, machinery, boilers, transmission lines, pipe lines, distribution systems, service systems and supply systems,

(b) nuclear fuel that has been expressly subjected to the lien of the Mortgage,

(c) railroad cars, barges and other transportation equipment (other than trucks) for the transportation of fuel, and

(d) other property, real or personal, and improvements, extensions, additions, renewals or replacements located within the United States of America or its coastal waters.

FPL may use any property of the type described in (a) through (d) immediately above as Property Additions whether or not that property is in operation and prior to obtaining permits or licenses relating to that property. Securities, fuel (including nuclear fuel unless expressly subjected to the lien of the Mortgage), automobiles or other vehicles, or property used principally for the production or gathering of natural gas will not qualify as Property Additions. The Mortgage contains restrictions on the issuance of First Mortgage Bonds based on Property Additions that are subject to other liens and upon the increase of the amount of those liens.

In most cases, FPL may not issue Bonds unless it meets the "net earnings" test set forth in the Mortgage, which requires, generally, that FPL's adjusted net earnings (before income taxes) for 12 consecutive months out of the 15 months preceding the issuance must have been either:

(1) at least twice the annual interest requirements on all First Mortgage Bonds at the time outstanding, including the Bonds that FPL proposes to issue at the pertinent time, and all indebtedness of FPL that ranks prior or equal to the First Mortgage Bonds, or

(2) at least 10% of the principal amount of all First Mortgage Bonds at the time outstanding, including the Bonds that FPL proposes to issue at the pertinent time, and all indebtedness of FPL that ranks prior or equal to the First Mortgage Bonds.

The Mortgage requires FPL to replace obsolete or worn out property and specifies certain deductions to FPL's adjusted net earnings for property repairs, retirement, additions and maintenance. With certain exceptions, FPL does not need to meet the "net earnings" test to issue Bonds if the issuance is based on retired First Mortgage Bonds or Qualified Lien Bonds.

As of June 30, 2009, FPL could have issued under the Mortgage in excess of $7.2 billion of additional First Mortgage Bonds based on unfunded Property Additions and in excess of $5.8 billion of additional First Mortgage Bonds based on retired First Mortgage Bonds.

**Release and Substitution of Property.** FPL may release property from the lien of the Mortgage if it does any of the following in an aggregate amount equal to the fair value of the property to be released:

(1) deposits with the Trustee, cash or, to a limited extent, purchase money mortgages,

(2) uses unfunded Property Additions acquired by FPL in the last five years, or

(3) waives its right to issue First Mortgage Bonds

in each case without satisfying any net earnings requirement.

If FPL deposits cash so that it may release property from the lien of the Mortgage or so that it may issue additional First Mortgage Bonds, it may withdraw that cash if it uses unfunded Property Additions or waives its right to issue First Mortgage Bonds without satisfying any net earnings requirement in an amount equal to the cash that FPL seeks to withdraw.

When property released from the lien of the Mortgage is not Funded Property (as such term is defined in the Mortgage), then, if FPL acquires new Property Additions within two years:

(1) Property Additions used for the release of that property will not (subject to some exceptions) be considered Funded Property, and

(2) any waiver by FPL of its right to issue First Mortgage Bonds, which waiver is used for the release of that property, will cease to be an effective waiver and FPL will regain the right to issue those First Mortgage Bonds.

The Mortgage contains provisions relating to cash proceeds of property that is not Funded Property that are similar to the provisions relating to release of that property. The Mortgage contains special provisions relating to pledged Qualified Lien Bonds and the disposition of money received on those Qualified Lien Bonds.

FPL does not need a release from the Mortgage in order to use its nuclear fuel even if that nuclear fuel has been expressly subjected to the lien and operation of the Mortgage.

**Dividend Restrictions.** In some cases, the Mortgage restricts the amount of retained earnings that FPL can use to pay cash dividends on its common stock. The restricted amount may change depending on factors set out in the Mortgage. Other than this restriction on the payment of common stock dividends, the Mortgage does not restrict FPL's use of retained earnings. As of June 30, 2009, no retained earnings were restricted by these provisions of the Mortgage.

**Modification of the Mortgage.** Generally the rights of all of the holders of First Mortgage Bonds may be modified with the consent of the holders of 66⅔% of the principal amount of all of the outstanding First Mortgage Bonds. However, if less than all series of First Mortgage Bonds are affected by a modification, that modification also requires the consent of the holders of 66⅔% of the principal amount of all of the outstanding First Mortgage Bonds of each series affected.

FPL has reserved the right to amend the Mortgage without the consent of the holders of any series of First Mortgage Bonds created after April 30, 1992 (including the Bonds) to permit modification of the Mortgage generally with the consent of the holders of only a majority of the First Mortgage Bonds affected by the modification. Since all of the First Mortgage Bonds issued on or prior to April 30, 1992 have matured or have been redeemed and are no longer outstanding under the Mortgage, FPL may exercise this right to amend the Mortgage at any time.

Notwithstanding the immediately preceding paragraph, in most cases, the following modifications will not be effective against any holder of First Mortgage Bonds affected by the modification unless that holder consents:

(1) modification of the terms of payment of principal and interest payable to that holder,

(2) modification creating an equal or prior lien on the mortgaged property or depriving that holder of the benefit of the lien of the Mortgage, and

(3) modification reducing the percentage vote required for modification (except as described above).

**Default and Notice Thereof.** The following are defaults under the Mortgage:

(1) failure to pay the principal of any First Mortgage Bond when due,

(2) failure to pay interest on any First Mortgage Bond for 60 days after that interest is due,

(3) failure to pay principal of or interest on any Qualified Lien Bond beyond any applicable grace period for the payment of that principal or interest,

(4) failure to pay any installments of funds for retirement of First Mortgage Bonds for 60 days after that installment is due,

(5) certain events in bankruptcy, insolvency or reorganization pertaining to FPL, and

(6) the expiration of 90 days following notice by the Trustee or the holders of 15% of the First Mortgage Bonds relating to any failure by FPL to perform its other covenants under the Mortgage.

Except in the case of failure to pay principal, interest or any installment for retirement of First Mortgage Bonds, the Trustee may withhold notice of default if it believes that withholding the notice is in the interests of the holders of First Mortgage Bonds.

Holders of 25% of the First Mortgage Bonds may declare the principal and the interest due on default. A majority of the holders of First Mortgage Bonds may annul that declaration if the default has been cured. No holder of First Mortgage Bonds may enforce the lien of the Mortgage unless the following things have occurred:

(1) the holder has given the Trustee written notice of a default,

(2) the holders of 25% of the First Mortgage Bonds have requested the Trustee to act and offered it reasonable opportunity to act and indemnity satisfactory to the Trustee for the costs, expenses and liabilities that the Trustee may incur by acting, and

(3) the Trustee has failed to act.

Notwithstanding the foregoing, a holder of First Mortgage Bonds has the right to sue FPL if FPL fails to pay, when due, interest or principal on those First Mortgage Bonds, unless that holder gives up that right.

The Trustee is not required to risk its funds or incur personal liability if there is reasonable ground for believing that the repayment is not reasonably assured. The holders of a majority of the First Mortgage Bonds may direct the time, method, and place of conducting any proceedings for any remedy available to the Trustee, or exercising any of the Trustee's powers.

**Satisfaction and Discharge of Mortgage.** The Mortgage may be satisfied and discharged if and when FPL provides for the payment of all of the First Mortgage Bonds and all other sums due under the Mortgage.

**Evidence to be Furnished to the Trustee.** FPL furnishes written statements of FPL's officers, or persons selected or paid by FPL, annually (and when certain events occur) to the Trustee to show that FPL is in compliance with Mortgage provisions and that there are no defaults under the Mortgage. In some cases, these written statements must be provided by an independent accountant, appraiser, engineer or counsel.

## DESCRIPTION OF SENIOR DEBT SECURITIES AND SUBORDINATED DEBT SECURITIES

FPL may issue its debt securities (other than (i) the Bonds and (ii) the FPL Junior Subordinated Debentures (as defined below under "Description of Junior Subordinated Debentures")), in one or more series, under one or more Indentures, between FPL and The Bank of New York Mellon, as trustee. The terms of any offered debt securities will be described in a supplement to this prospectus.

## DESCRIPTION OF PREFERRED TRUST SECURITIES

**General.** The Trust may issue preferred trust securities and common trust securities under the Trust Agreement.

The agreements pursuant to which the preferred trust securities of the Trust will be issued are substantially the same; each of these agreements is referred to in this prospectus as the "Trust Agreement." The preferred trust securities and common trust securities issued by the Trust are referred to in this prospectus as "Preferred Trust Securities" and "Common Trust Securities," respectively, and collectively as "Trust Securities." These Trust Securities will represent undivided beneficial interests in the assets of the Trust. Unless otherwise specified in a prospectus supplement, the Junior Subordinated Debentures (as defined below under "Description of Junior Subordinated Debentures") will be held by



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the Trust. This section briefly summarizes some of the provisions of the Trust Agreement. This summary does not contain a complete description of the Trust Agreement. You should read this summary together with the Trust Agreement for a complete understanding of all the provisions. The form of the Trust Agreement has previously been filed with the SEC and is an exhibit to the registration statement filed with the SEC of which this prospectus is a part. In addition, each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939 and is therefore subject to the provisions of the Trust Indenture Act of 1939. You should read the Trust Indenture Act of 1939 for a complete understanding of its provisions.

In this section, any discussion of the Trust, Preferred Trust Securities and Common Trust Securities relate only to the applicable Trust. Holders of Preferred Trust Securities of the Trust will be entitled to any of the benefits and protections contained in the Trust Agreement applicable to the particular Trust which issued the relevant Trust Securities and not with respect to any other Trust.

The Preferred Trust Securities and Common Trust Securities issued by the Trust will be substantially the same except that, if there is an event of default under the Trust Agreement, as described below, that results from an event of default under the Subordinated Indenture (as such term is defined below under "Description of Junior Subordinated Debentures—General"), the right of FPL, as holder of the Common Trust Securities, to payment of distributions and upon liquidation or redemption will be subordinated to the rights of the holders of the Preferred Trust Securities. (Trust Agreement, Section 4.03). All of the Common Trust Securities will be owned by FPL. (Trust Agreement, Section 5.10).

The following obligations and rights, in combination, have the effect of providing a full and unconditional guarantee of payments due on the Preferred Trust Securities issued by the Trust:

(1) FPL's obligations under the Junior Subordinated Debentures;

(2) the rights of holders of Preferred Trust Securities to enforce those obligations;

(3) FPL's agreement to pay the expenses of the Trust; and

(4) FPL's guarantee (the "Preferred Trust Securities Guarantee") of payments due on the Preferred Trust Securities to the extent of the Trust's legally available assets.

No single one of the rights and obligations listed above standing alone or operating in conjunction with fewer than all of the other applicable rights and obligations constitutes a full and unconditional guarantee by FPL of the Preferred Trust Securities. It is only the combined operation of these rights and obligations that has the effect of providing a full and unconditional, but subordinated, guarantee as to payment by FPL of the Preferred Trust Securities.

The Trust will use the proceeds from its sale of the Trust Securities to purchase Junior Subordinated Debentures from FPL. (Trust Agreement, Section 2.05). The Junior Subordinated Debentures will be issued under a subordinated indenture between FPL and The Bank of New York Mellon, as trustee. The Junior Subordinated Debentures will be held in trust for the benefit of holders of the applicable Preferred Trust Securities and Common Trust Securities. (Trust Agreement, Section 2.09).

A prospectus supplement relating to the Preferred Trust Securities will include specific terms of those securities and of the Junior Subordinated Debentures issued in connection therewith. For a description of some specific terms that will affect both the Preferred Trust Securities and the Junior Subordinated Debentures, and holders' rights under each, see "Description of Junior Subordinated Debentures" below.

**Distributions.** The only income of the Trust available for distribution to the holders of Preferred Trust Securities will be payments on the applicable Junior Subordinated Debentures. (Trust Agreement,



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Section 8.01). If FPL does not make interest payments on the Junior Subordinated Debentures, the Trust will not have funds available to pay distributions on Preferred Trust Securities. The payment of distributions, if and to the extent the Trust has sufficient funds available for the payment of such distributions, is guaranteed on a limited basis by FPL as described under "Description of Preferred Trust Securities Guarantee."

If so specified in the related prospectus supplement, FPL will have the option to defer the payment of interest from time to time on the Junior Subordinated Debentures for one or more periods, in which case, distributions on the Preferred Trust Securities would be deferred during any such period. Unless otherwise provided in the related prospectus supplement, distributions would, however, continue to accumulate. (Trust Agreement, Section 4.01). Unless otherwise provided in the related prospectus supplement, during any optional deferral period, or for so long as an "Event of Default" under the Subordinated Indenture resulting from a payment default or a payment default under the Preferred Trust Securities Guarantee has occurred and is continuing, FPL may not:

(1) declare or pay any dividend or distribution on its capital stock;

(2) redeem, purchase, acquire or make a liquidation payment with respect to any of its capital stock;

(3) pay any principal, interest or premium on, or repay, repurchase or redeem any debt securities that are equal or junior in right of payment with the Junior Subordinated Debentures; or

(4) make any payments with respect to any guarantee of debt securities if such guarantee is equal or junior in right of payment to the Junior Subordinated Debentures,

other than

(a) purchases, redemptions or other acquisitions of its capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or agents or a stock purchase or dividend reinvestment plan, or the satisfaction of its obligations pursuant to any contract or security outstanding on the date that the payment of interest is deferred requiring it to purchase, redeem or acquire its capital stock;

(b) any payment, repayment, redemption, purchase, acquisition or declaration of dividend listed as restricted payments in clauses (1) and (2) above as a result of a reclassification of its capital stock or the exchange or conversion of all or a portion of one class or series of its capital stock for another class or series of its capital stock;

(c) the purchase of fractional interests in shares of its capital stock pursuant to the conversion or exchange provisions of its capital stock or the security being converted or exchanged, or in connection with the settlement of stock purchase contracts;

(d) dividends or distributions paid or made in its capital stock (or rights to acquire its capital stock), or repurchases, redemptions or acquisitions of capital stock in connection with the issuance or exchange of capital stock (or of securities convertible into or exchangeable for shares of its capital stock) and distributions in connection with the settlement of stock purchase contracts;

(e) redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a shareholder rights plan or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future; or

(f) payments under any preferred trust securities guarantee or guarantee of subordinated debentures executed and delivered by FPL concurrently with the issuance by a Trust of any preferred trust securities, so long as the amount of payments made with respect to

any preferred trust securities or subordinated debentures (as the case may be) is paid on all preferred trust securities or subordinated debentures (as the case may be) then outstanding on a pro rata basis in proportion to the full distributions to which each series of preferred trust securities or subordinated debentures (as the case may be) is then entitled if paid in full.

Unless otherwise provided in the related prospectus supplement, (i) before an optional deferral period ends, FPL may further defer the payment of interest and (ii) after any optional deferral period and the payment of all amounts then due, FPL may select a new optional deferral period. No interest period may be deferred beyond the maturity of the Junior Subordinated Debentures.

**Redemption.** Whenever Junior Subordinated Debentures are repaid, whether at maturity or earlier redemption, the Property Trustee will apply the proceeds to redeem a like amount of Preferred Trust Securities and Common Trust Securities. (Trust Agreement, Section 4.02(a)).

Preferred Trust Securities will be redeemed at the redemption price plus accrued and unpaid distributions with the proceeds from the contemporaneous redemption or repayment of Junior Subordinated Debentures. Redemptions of the Preferred Trust Securities will be made on a redemption date only if the Trust has funds available for the payment of the redemption price plus accrued and unpaid distributions. (Trust Agreement, Section 4.02(c)).

Holders of Preferred Trust Securities will be given not less than 30 nor more than 60 days' notice of any redemption. (Trust Agreement, Section 4.02(b)). On or before the redemption date, the Trust will irrevocably deposit with the paying agent for Preferred Trust Securities sufficient funds and will give the paying agent irrevocable instructions and authority to pay the redemption price plus accrued and unpaid distributions to the holders upon surrender of their Preferred Trust Securities. Distributions payable on or before a redemption date will be payable to the holders on the record date for the distribution payment. If notice is given and funds are deposited as required, then on the redemption date all rights of holders of the Preferred Trust Securities called for redemption will cease, except the right of the holders to receive the redemption price plus accrued and unpaid distributions, and the Preferred Trust Securities will cease to be outstanding. No interest will accrue on amounts payable on the redemption date. In the event that any date fixed for redemption of Preferred Trust Securities is not a business day, then payment will be made on the next business day, except that, if such business day falls in the next calendar year, then payment will be made on the immediately preceding business day. No interest will be payable because of any such delay. If payment of Preferred Trust Securities called for redemption is improperly withheld or refused and not paid either by the Trust or by FPL pursuant to the Preferred Trust Securities Guarantee, distributions on such Preferred Trust Securities will continue to accrue to the date of payment. In that event, the actual payment date will be considered the date fixed for redemption for purposes of calculating the redemption price plus accrued and unpaid distributions. (Trust Agreement, Section 4.02(d)).

Subject to applicable law, including United States federal securities laws, FPL or its affiliates may at any time and from time to time purchase outstanding Preferred Trust Securities by tender, in the open market or by private agreement.

If Preferred Trust Securities are partially redeemed on a redemption date, a corresponding percentage of the Common Trust Securities will be redeemed. The particular Preferred Trust Securities to be redeemed will be selected not more than 60 days prior to the redemption date by the Property Trustee by such method as the Property Trustee shall deem fair, taking into account the denominations in which they were issued. The Property Trustee will promptly notify the Preferred Trust Security registrar in writing of the Preferred Trust Securities selected for redemption and, where applicable, the partial amount to be redeemed. (Trust Agreement, Section 4.02(f)).

**Subordination of Common Trust Securities.** Payment of distributions on, and the redemption price, plus accrued and unpaid distributions, of, the Preferred Trust Securities and Common Trust Securities shall be made pro rata based on the liquidation preference amount of such securities. However, if on any distribution payment date or redemption date an event of default under the Trust Agreement resulting from an event of default under the related Subordinated Indenture has occurred and is continuing, no payment on any Common Trust Security shall be made until all payments due on the Preferred Trust Securities have been made. In that case, funds available to the Property Trustee shall first be applied to the payment in full of all distributions on, or the redemption price plus accrued and unpaid distributions of, Preferred Trust Securities then due and payable. (Trust Agreement, Section 4.03(a)).

If an event of default under the Trust Agreement results from an event of default under the related Subordinated Indenture, the holder of Common Trust Securities cannot take action with respect to the Trust Agreement default until the effect of all defaults with respect to the Preferred Trust Securities has been cured, waived or otherwise eliminated. Until the event of default under the Trust Agreement with respect to Preferred Trust Securities has been cured, waived or otherwise eliminated, the Property Trustee shall, to the fullest extent permitted by law, act solely on behalf of the holders of Preferred Trust Securities and not the holder of the Common Trust Securities, and only the holders of Preferred Trust Securities will have the right to direct the Property Trustee to act on their behalf. (Trust Agreement, Section 4.03(b)).

**Liquidation Distribution upon Dissolution.** The Trust will be dissolved and liquidated by the Property Trustee on the first to occur of:

(1) the expiration of the term of the Trust;

(2) the bankruptcy, dissolution or liquidation of FPL;

(3) the redemption of all of the Preferred Trust Securities of the Trust;

(4) the entry of an order for dissolution of the Trust by a court of competent jurisdiction; or

(5) at any time, at the election of FPL. (Trust Agreement, Sections 9.01 and 9.02).

If a dissolution of the Trust occurs, the Trust will be liquidated by the Property Trustee as expeditiously as the Property Trustee determines to be appropriate. If a dissolution of the Trust occurs other than by redemption of all the Preferred Trust Securities, the Property Trustee will provide for the satisfaction of liabilities of creditors, if any, and distribute to each holder of the Preferred Trust Securities and Common Trust Securities a proportionate amount of Junior Subordinated Debentures. If a distribution of Junior Subordinated Debentures is determined by the Property Trustee not to be practical, holders of Preferred Trust Securities will be entitled to receive, out of the assets of the Trust after adequate provision for the satisfaction of liabilities of creditors, if any, an amount equal to the aggregate liquidation preference of the Preferred Trust Securities plus accrued and unpaid distributions thereon to the date of payment. If this liquidation distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate liquidation distribution, then the amounts payable by the Trust on the Preferred Trust Securities shall be paid on a pro rata basis. FPL, as holder of the Common Trust Securities, will be entitled to receive distributions upon any dissolution pro rata with the holders of the Preferred Trust Securities, except that if an event of default (or event that, with the lapse of time or giving of notice, would become such an event of default) has occurred and is continuing under the related Subordinated Indenture, the Preferred Trust Securities will have a preference over the Common Trust Securities. (Trust Agreement, Section 9.04).

**Events of Default; Notice.** Any one of the following events will be an event of default under the Trust Agreement whether it shall be voluntary or involuntary or be effected by operation of law or

pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(1) the occurrence of an event of default as described in the related Subordinated Indenture;

(2) default by the Trust in the payment of any distribution when it becomes due and payable, and continuation of that default for a period of 30 days;

(3) default by the Trust in the payment of any redemption price, plus accrued and unpaid distributions, of any Preferred Trust Security or Common Trust Security when it becomes due and payable;

(4) default in the performance, or breach, in any material respect, of any covenant or warranty of the trustees in the Trust Agreement which is not dealt with above, and continuation of that default or breach for a period of 90 days after written notice to the Trust, the defaulting trustee under the Trust Agreement and FPL by the holders of Preferred Trust Securities having at least 33% of the total liquidation preference amount of the outstanding Preferred Trust Securities. However, the holders of Preferred Trust Securities will be deemed to have agreed to an extension of the 90 day period if corrective action is initiated by any of the trustees within such period and is diligently pursued in good faith; or

(5) the occurrence of certain events of bankruptcy or insolvency with respect to the Trust. (Trust Agreement, Section 1.01).

Within 90 days after the occurrence of any default known to the Property Trustee, the Property Trustee shall transmit to the holders of Preferred Trust Securities, FPL and the Administrative Trustees notice of any such default, unless that default shall have been cured or waived. (Trust Agreement, Section 8.02).

A holder of Preferred Trust Securities may directly institute a proceeding to enforce payment when due to the holder of the Preferred Trust Securities of the principal of or interest on Junior Subordinated Debentures having a principal amount equal to the aggregate liquidation preference amount of the holder's Preferred Trust Securities. The holders of Preferred Trust Securities have no other rights to exercise directly any other remedies available to the holder of the Junior Subordinated Debentures unless the trustees under the Trust Agreement fail to do so. (Trust Agreement, Section 6.01(a)).

**Removal of Trustees.** Unless an event of default under the related Subordinated Indenture has occurred and is continuing, the holder of the Common Trust Securities may remove any trustee under the Trust Agreement at any time. If an event of default under the Subordinated Indenture has occurred and is continuing, the holders of a majority of the total liquidation preference amount of the outstanding Preferred Trust Securities may remove the Property Trustee or the Delaware Trustee, or both of them. The holder of the Common Trust Securities may remove any Administrative Trustee at any time. Any resignation or removal of a trustee under the Trust Agreement will take effect only on the acceptance of appointment by the successor trustee. (Trust Agreement, Section 8.10).

Holders of Preferred Trust Securities will have no right to appoint or remove the Administrative Trustees of the Trust, who may be appointed, removed or replaced solely by FPL as the holder of the Common Trust Securities. (Trust Agreement, Section 8.10).

**Voting Rights.** Except as provided below and under "Description of Preferred Trust Securities Guarantee—Modification and Assignment," and as otherwise required by law or the Trust Agreement, the holders of Preferred Trust Securities will have no voting rights.



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While Junior Subordinated Debentures are held by the Property Trustee, the Property Trustee shall not:

(1) direct the time, method and place to conduct any proceeding for any remedy available to the Subordinated Indenture Trustee (as such term is defined below under "Description of Junior Subordinated Debentures—General"), or execute any trust or power conferred on the Subordinated Indenture Trustee with respect to the Junior Subordinated Debentures;

(2) waive any past default under the related Subordinated Indenture;

(3) exercise any right to rescind or annul a declaration that the principal of all the Junior Subordinated Debentures will be due and payable; or

(4) consent to any amendment, modification or termination of the related Subordinated Indenture or the Junior Subordinated Debentures, where that consent will be required,

without, in each case, obtaining the prior approval of the holders of Preferred Trust Securities having at least a majority of the aggregate liquidation preference amount of all outstanding Preferred Trust Securities of the Trust. Where a consent of each holder of Junior Subordinated Debentures affected is required, no consent shall be given by the Property Trustee without the prior consent of each holder of the Preferred Trust Securities affected. The Property Trustee shall not revoke any action previously authorized or approved by a vote of the holders of Preferred Trust Securities, except pursuant to the subsequent vote of the holders of Preferred Trust Securities. (Trust Agreement, Section 6.01(b)). If the Property Trustee fails to enforce its rights, as holder, under the Junior Subordinated Debentures or the Trust Agreement, a holder of the Preferred Trust Securities may institute a legal proceeding directly against FPL to enforce the Property Trustee's rights under the Junior Subordinated Debentures or the Trust Agreement without first instituting any legal proceeding against the Property Trustee or anyone else. (Trust Agreement, Section 6.01(a)). The Property Trustee shall notify all holders of Preferred Trust Securities of any notice of default received from the Subordinated Indenture Trustee. The Property Trustee shall not take any action approved by the consent of the holders of Preferred Trust Securities without an opinion of counsel experienced in those matters to the effect that the Trust will be classified as a grantor trust and not as an association taxable as a corporation for United States federal income tax purposes on account of that action. (Trust Agreement, Section 6.01(b)).

Holders of Preferred Trust Securities may give any required approval at a meeting convened for such purpose or by written consent without prior notice. (Trust Agreement, Section 6.06). The Administrative Trustees will give notice of any meeting at which holders of Preferred Trust Securities are entitled to vote. (Trust Agreement, Section 6.02).

No vote or consent of the holders of Preferred Trust Securities will be required for the Trust to redeem and cancel Preferred Trust Securities in accordance with the Trust Agreement.

Notwithstanding that holders of Preferred Trust Securities are entitled to vote or consent under any of the circumstances described above, any Preferred Trust Securities that are owned by FPL, any Administrative Trustee or any affiliate of any of them, shall be treated as if they were not outstanding for purposes of such vote or consent. (Trust Agreement, Section 1.01).

**Amendments.** The Trust Agreement may be amended from time to time by a majority of its Administrative Trustees and FPL, without the consent of any holders of Preferred Trust Securities or the other trustees under the Trust Agreement in order to:

(1) cure any ambiguity; correct or supplement any provision that may be inconsistent with any other provision of the Trust Agreement or amendment to the Trust Agreement; or make any other provisions with respect to matters or questions arising under the Trust Agreement;

(2) change the name of the Trust; or

(3) modify, eliminate or add to any provisions of the Trust Agreement to the extent necessary to ensure that the Trust will not be classified for United States federal income tax purposes other than as a grantor trust (and not an association taxable as a corporation) at any time that any Preferred Trust Securities and Common Trust Securities are outstanding or to ensure the Trust's exemption from the status of an "investment company" under the Investment Company Act of 1940.

No amendment described above may materially adversely affect the interests of any holder of Preferred Trust Securities or Common Trust Securities without the applicable consents required pursuant to the following two paragraphs. Any of the amendments of the Trust Agreement described in paragraph (1) above shall become effective when notice of the amendment is given to the holders of Preferred Trust Securities and Common Trust Securities in accordance with the provisions of the Trust Agreement. (Trust Agreement, Section 10.03(a)).

Except as provided below, any provision of the Trust Agreement may be amended by the Administrative Trustees and FPL with:

(1) the consent of holders of Preferred Trust Securities and Common Trust Securities representing not less than a majority in aggregate liquidation preference amount of the Preferred Trust Securities and Common Trust Securities then outstanding; and

(2) receipt by the trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the trustees in accordance with the amendment will not affect the Trust's status as a grantor trust for federal income tax purposes (and not an association taxable as a corporation) or affect the Trust's exemption from the status of an "investment company" under the Investment Company Act of 1940. (Trust Agreement, Section 10.03(b)).

Each affected holder of Preferred Trust Securities must consent to any amendment to the Trust Agreement that:

(1) adversely changes the amount or timing of any distribution with respect to Preferred Trust Securities or otherwise adversely affects the amount of any distribution required to be made in respect of Preferred Trust Securities as of a specified date;

(2) restricts the right of a holder of Preferred Trust Securities to institute suit for the enforcement of any such payment on or after that date; or

(3) modify the provisions described in clauses (1) and (2) above. (Trust Agreement, Section 10.03(c)).

**Form, Exchange and Transfer.** Preferred Trust Securities may be exchanged for other Preferred Trust Securities in any authorized denomination and of like tenor and aggregate liquidation preference. (Trust Agreement, Section 5.04).

Subject to the terms of the Trust Agreement, Preferred Trust Securities may be presented for exchange as provided above or for registration of transfer, duly endorsed or accompanied by a duly executed instrument of transfer, at the office of the Preferred Trust Security registrar. The Administrative Trustees may designate FPL or any affiliate of FPL as the Preferred Trust Security registrar. The Property Trustee will initially act as the Preferred Trust Security registrar and transfer agent. (Trust Agreement, Section 5.08). No service charge will be made for any registration of transfer or exchange of Preferred Trust Securities, but the Preferred Trust Security registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange. A transfer or exchange will be made when the Preferred Trust Security registrar and Administrative Trustees are satisfied with the documents of title and identity of the person making the request. (Trust Agreement, Section 5.04). The Administrative Trustees may at any time

designate another transfer agent and registrar or rescind the designation of any transfer agent and registrar or approve a change in the office through which any transfer agent and registrar acts, except that FPL will, or will cause the Preferred Trust Security registrar to, maintain an office or agency in The City of New York where Preferred Trust Securities may be transferred or exchanged. (Trust Agreement, Sections 2.07(a) and 5.08).

The Trust will not be required to:

(1) issue, register the transfer of, or exchange any Preferred Trust Securities during the period beginning at the opening of business 15 calendar days before the mailing of a notice of redemption of any Preferred Trust Securities called for redemption and ending at the close of business on the day the notice is mailed; or

(2) register the transfer of or exchange any Preferred Trust Securities so selected for redemption, in whole or in part, except the unredeemed portion of any Preferred Trust Securities being redeemed in part. (Trust Agreement, Section 5.04).

**Payment on Preferred Trust Securities and Paying Agent.** Unless otherwise stated in a prospectus supplement, payments in respect of the Preferred Trust Securities will be made on the applicable distribution dates by check mailed to the address of the holder entitled thereto as such address appears on the Preferred Trust Security register. (Trust Agreement, Section 4.04). The paying agent shall initially be the Property Trustee and any co-paying agent chosen by the Property Trustee that is acceptable to the Administrative Trustees and FPL. The paying agent may resign upon 30 days' written notice to the Administrative Trustees, the Property Trustee and FPL. In the event that the Property Trustee shall no longer be the paying agent, the Administrative Trustees shall appoint a successor, which shall be a bank, trust company or affiliate of FPL reasonably acceptable to the Property Trustee and FPL, to act as paying agent. (Trust Agreement, Section 5.09).

**Duties of the Trustees.** The Delaware Trustee will act as the resident trustee in the State of Delaware and will have no other significant duties. The Property Trustee will hold the Junior Subordinated Debentures on behalf of the Trust and will maintain a payment account with respect to the Preferred Trust Securities and Common Trust Securities, and will also act as trustee under the Trust Agreement for the purposes of the Trust Indenture Act of 1939. (Trust Agreement, Sections 2.06 and 2.07(b)).

The Administrative Trustees of the Trust are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that

(1) the Trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act of 1940,

(2) the Trust will not be taxed as a corporation, and

(3) the Junior Subordinated Debentures will be treated as indebtedness of FPL for United States federal income tax purposes.

In this regard, FPL and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust or the Trust Agreement, that FPL and the Administrative Trustees determine in their discretion to be necessary or desirable for those purposes, as long as the action does not materially adversely affect the interests of the holders of the Preferred Trust Securities. (Trust Agreement, Section 2.07(d)).

**Miscellaneous.** Holders of the Preferred Trust Securities have no preemptive or similar rights. (Trust Agreement, Section 5.13).

**Notices.** Notices to holders of Preferred Trust Securities will be sent by mail to the addresses of those holders as they appear in the security register for those Preferred Trust Securities. (Trust Agreement, Section 6.02).

**Title.** The Property Trustee, the Delaware Trustee, the Administrative Trustees, and the Preferred Trust Security registrar and transfer agent, and any agent of the Property Trustee, the Delaware Trustee, the Administrative Trustees, or the Preferred Trust Security registrar and transfer agent, may treat the person in whose name a Preferred Trust Security is registered as the absolute owner of that Preferred Trust Security for the purpose of receiving distributions and all other purposes, regardless of any notice to the contrary. (Trust Agreement, Section 5.06).

**Governing Law.** The Trust Agreement, the Preferred Trust Securities and the Common Trust Securities will be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of laws principles thereunder, except to the extent that the law of any other jurisdiction is mandatorily applicable. (Trust Agreement, Section 10.05).

## DESCRIPTION OF PREFERRED TRUST SECURITIES GUARANTEE

**General.** This section briefly summarizes some of the provisions of the Preferred Trust Securities Guarantee Agreement that FPL will execute and deliver for the benefit of the holders of the Preferred Trust Securities issued by the Trust. The terms of these agreements are substantially the same, and they are referred to in this prospectus as the "Preferred Trust Securities Guarantee Agreement." This summary does not contain a complete description of the Preferred Trust Securities Guarantee Agreement. You should read this summary together with the Preferred Trust Securities Guarantee Agreement for a complete understanding of all the provisions. The form of the Preferred Trust Securities Guarantee Agreement has previously been filed with the SEC and is an exhibit to the registration statement filed with the SEC of which this prospectus is a part. In addition, the Preferred Trust Securities Guarantee Agreement will be qualified as an indenture under the Trust Indenture Act of 1939 and is therefore subject to the provisions of the Trust Indenture Act of 1939. You should read the Trust Indenture Act of 1939 for a complete understanding of its provisions.

The Bank of New York Mellon will act as Preferred Trust Securities Guarantee Trustee under the Preferred Trust Securities Guarantee Agreement and will hold the Preferred Trust Securities Guarantee for the benefit of the holders of the Preferred Trust Securities.

**General Terms of the Preferred Trust Securities Guarantee.** FPL will absolutely, irrevocably and unconditionally agree to make the guarantee payments listed below in full to the holders of the Preferred Trust Securities if they are not made by the Trust, as and when due, regardless of any defense, right of set-off or counterclaim that the Trust may have or assert. (Preferred Trust Securities Guarantee Agreement, Section 5.01). The following payments will be subject to the Preferred Trust Securities Guarantee (without duplication):

(1) any accrued and unpaid distributions required to be paid on Preferred Trust Securities, to the extent the Trust has funds in the payment account maintained by the Property Trustee legally available for these payments at such time;

(2) the redemption price, plus all accrued and unpaid distributions to the redemption date, for any Preferred Trust Securities called for redemption by the Trust, to the extent the Trust has funds in the payment account maintained by the Property Trustee legally available for these payments at such time; and

(3) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (except in connection with the distribution of Junior Subordinated Debentures to the holders in exchange for Preferred Trust Securities as provided in the Trust Agreement or upon a redemption of all of the Preferred Trust Securities upon maturity or redemption of the Junior Subordinated Debentures as provided in the Trust Agreement), the lesser of:

   (a) the aggregate of the liquidation preference amount and all accrued and unpaid distributions on Preferred Trust Securities to the date of payment, to the extent the Trust has funds in the payment account maintained by the Property Trustee legally available for these payments at such time; and

   (b) the amount of assets of the Trust remaining available for distribution to holders of Preferred Trust Securities in liquidation of the Trust after satisfaction of liabilities to creditors of the Trust as required by applicable law.

(Preferred Trust Securities Guarantee Agreement, Section 1.01). FPL's obligation to make a guarantee payment may be satisfied by either making a direct payment of the required amounts by FPL to the holders of Preferred Trust Securities or causing the Trust to pay such amounts to those holders. (Preferred Trust Securities Guarantee Agreement, Section 5.01).

The Preferred Trust Securities Guarantee will be a guarantee, subject to certain subordination provisions, as to payment with respect to the Preferred Trust Securities, but will not apply to any



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payment of distributions if and to the extent that the Trust does not have funds legally available to make those payments. (Preferred Trust Securities Guarantee Agreement, Sections 1.01 and 5.05). If FPL does not make interest payments on the Junior Subordinated Debentures held by a Trust, the applicable Trust will not have funds available to pay distributions on the Preferred Trust Securities.

The following obligations and rights, in combination, have the effect of providing a full and unconditional guarantee of payments due on the Preferred Trust Securities issued by the Trust:

(1) FPL's obligations under the Junior Subordinated Debentures;

(2) the rights of holders of Preferred Trust Securities to enforce those obligations;

(3) FPL's agreement to pay the expenses of the Trust; and

(4) the Preferred Trust Securities Guarantee.

No single one of the rights and obligations listed above standing alone or operating in conjunction with fewer than all of the other applicable rights and obligations constitutes a full and unconditional guarantee by FPL of the Preferred Trust Securities. It is only the combined operation of these rights and obligations that has the effect of providing a full and unconditional, but subordinated, guarantee as to payment by FPL of the Preferred Trust Securities.

Except as otherwise stated in the related prospectus supplement, the covenants in the Preferred Trust Securities Guarantee Agreement would not give holders of the Preferred Trust Securities protection in the event of a highly-leveraged transaction involving FPL.

**Security and Ranking.** The Preferred Trust Securities Guarantee will be an unsecured obligation of FPL and will rank:

(1) subordinate and junior in right of payment to all other liabilities of FPL (except those made pari passu or subordinate by their terms);

(2) equal in right of payment with the most senior preferred or preference stock that may be issued by FPL and with any guarantee that may be entered into by FPL in respect of any preferred or preference stock of any affiliate of FPL; and

(3) senior to FPL common stock. (Preferred Trust Securities Guarantee Agreement, Section 6.01).

The Preferred Trust Securities Guarantee Agreement does not limit the amount of other indebtedness, including guarantees, that FPL may issue or incur or the amount of preferred or preference stock it may issue.

The Trust Agreement provides that by accepting Preferred Trust Securities, a holder agrees to the subordination provisions and other terms of the Preferred Trust Securities Guarantee. (Trust Agreement, Section 5.02).

The Preferred Trust Securities Guarantee will be a guarantee of payment and not of collection, that is, the guaranteed party may institute a legal proceeding directly against FPL to enforce its rights under the Preferred Trust Securities Guarantee without first instituting a legal proceeding against anyone else. (Preferred Trust Securities Guarantee Agreement, Sections 5.04 and 5.05).

**Events of Default.** An event of default under the Preferred Trust Securities Guarantee Agreement will occur upon failure of FPL to perform any of its payment obligations under the Preferred Trust Securities Guarantee Agreement, which failure has not been cured within 90 days of receipt of notice thereof. (Preferred Trust Securities Guarantee Agreement, Section 1.01). Upon an

event of default, the holders of the Preferred Trust Securities having a majority of the aggregate liquidation preference of the Preferred Trust Securities have the right to:

(1) direct the time, method and place of conducting any proceeding for any remedy available to the Preferred Trust Securities Guarantee Trustee under the Preferred Trust Securities Guarantee Agreement, or

(2) direct the exercise of any trust or power conferred upon the Preferred Trust Securities Guarantee Trustee under the Preferred Trust Securities Guarantee Agreement. (Preferred Trust Securities Guarantee Agreement, Section 5.04).

Any holder of the Preferred Trust Securities may enforce the Preferred Trust Securities Guarantee, or institute a legal proceeding directly against FPL to enforce the Preferred Trust Securities Guarantee Trustee's rights under the Preferred Trust Securities Guarantee Agreement without first instituting a legal proceeding against the Trust, the Preferred Trust Securities Guarantee Trustee or anyone else. (Preferred Trust Securities Guarantee Agreement, Section 5.04). The holders of the Preferred Trust Securities having a majority of the aggregate liquidation preference of the Preferred Trust Securities may waive any past event of default and its consequences. (Preferred Trust Securities Guarantee Agreement, Section 2.06).

FPL will be required to deliver to the Preferred Trust Securities Guarantee Trustee an annual statement as to its compliance with all conditions under the Preferred Trust Securities Guarantee Agreement. (Preferred Trust Securities Guarantee Agreement, Section 2.04).

**Modification and Assignment.** No consent of holders of Preferred Trust Securities is required for changes to the Preferred Trust Securities Guarantee Agreement that do not materially adversely affect their rights. Except as provided below, changes to the Preferred Trust Securities Guarantee Agreement that materially adversely affect the rights of Preferred Trust Securities require the prior approval of the holders of Preferred Trust Securities having at least a majority of the aggregate liquidation preference amount of the outstanding Preferred Trust Securities. Each affected holder of Preferred Trust Securities must consent to any amendment to the Preferred Trust Securities Guarantee Agreement that impairs the right of such holder to receive guarantee payments under the Preferred Trust Securities Guarantee Agreement or to institute suit for enforcement of any such payment. (Preferred Trust Securities Guarantee Agreement, Section 8.01).

All guarantees and agreements contained in the Preferred Trust Securities Guarantee Agreement will bind the successors, assigns, receivers, trustees and representatives of FPL and will inure to the benefit of the holders of the Preferred Trust Securities then outstanding. (Preferred Trust Securities Guarantee Agreement, Section 8.02).

**Termination of the Preferred Trust Securities Guarantee.** The Preferred Trust Securities Guarantee Agreement will terminate and be of no further force and effect upon:

(1) full payment of the redemption price, plus accrued and unpaid distributions to the redemption date, for all the Preferred Trust Securities;

(2) the distribution of Junior Subordinated Debentures to holders of the Preferred Trust Securities in exchange for all of the Preferred Trust Securities; or

(3) full payment of the amounts payable upon liquidation of the Trust.

However, the Preferred Trust Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time, as result of the subordination provisions or any mistake or any judicial proceeding or otherwise, any holder of Preferred Trust Securities must return any sums paid under the Preferred Trust Securities or the Preferred Trust Securities Guarantee. (Preferred Trust Securities Guarantee Agreement, Section 7.01).

**Governing Law.** The Preferred Trust Securities Guarantee Agreement provides that it is to be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of laws principles thereunder, except to the extent that the law of any other jurisdiction is mandatorily applicable. (Preferred Trust Securities Guarantee Agreement, Section 8.06).

## DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES

**General.** The junior subordinated debentures issued by FPL are referred to in this prospectus as the "Junior Subordinated Debentures." The Junior Subordinated Debentures, which the Property Trustee will hold on behalf of the Trust as trust assets, will be issued by FPL in one or more series under one or more indentures between FPL and The Bank of New York Mellon, as trustee. The indenture or indentures pursuant to which Junior Subordinated Debentures may be issued, as the same may be amended and supplemented from time to time, are referred to in this prospectus as the "Subordinated Indenture." The Bank of New York Mellon, as trustee under the Subordinated Indenture, is referred to in this prospectus as the "Subordinated Indenture Trustee." The Subordinated Indenture provides for the issuance from time to time of subordinated debt in an unlimited amount. The Junior Subordinated Debentures and all other subordinated debt issued previously or hereafter under the Subordinated Indenture are collectively referred to in this prospectus as the "Subordinated Indenture Securities."

This section briefly summarizes some of the terms of the Junior Subordinated Debentures and some of the provisions of the Subordinated Indenture. This summary does not contain a complete description of the Junior Subordinated Debentures or the Subordinated Indenture. You should read this summary together with the Subordinated Indenture and the officer's certificates or other documents creating the Junior Subordinated Debentures for a complete understanding of all the provisions and for the definitions of some terms used in this summary. The form of Subordinated Indenture, the form of officer's certificate that may be used to create a series of Junior Subordinated Debentures and a form of the Junior Subordinated Debentures have previously been filed with the SEC, and are exhibits to the registration statement. In addition, the Subordinated Indenture will be qualified under the Trust Indenture Act of 1939 and is therefore subject to the provisions of the Trust Indenture Act of 1939. You should read the Trust Indenture Act of 1939 for a complete understanding of its provisions.

The Junior Subordinated Debentures issued by FPL to the Trust will constitute a separate series under the Subordinated Indenture and the principal amount of each series will be limited to the sum of the aggregate liquidation preference amount of the related Preferred Trust Securities and the consideration paid by FPL for the related Common Trust Securities.

The Junior Subordinated Debentures will be unsecured, subordinated obligations of FPL which rank junior to all of FPL's Senior Indebtedness. The term "Senior Indebtedness" will be defined in the related prospectus supplement. All Junior Subordinated Debentures issued under the Subordinated Indenture will rank equally and ratably with all other Junior Subordinated Debentures issued under the Subordinated Indenture, except to the extent that FPL elects to provide security with respect to any series of Junior Subordinated Debentures without providing that security to all outstanding Junior Subordinated Debentures in accordance with the Subordinated Indenture.

Each series of Junior Subordinated Debentures may have different terms. FPL will include some or all of the following information about a specific series of Junior Subordinated Debentures in the particular prospectus supplement relating to that specific series of Junior Subordinated Debentures:

(1) the title of those Junior Subordinated Debentures,

(2) any limit upon the aggregate principal amount of those Junior Subordinated Debentures,

(3) the date(s) on which the principal will be paid,

(4) the rate(s) of interest on those Junior Subordinated Debentures, or how the rate(s) of interest will be determined, the date(s) from which interest will accrue, the dates on which interest will be paid and the record date for any interest payable on any interest payment date,



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(5) the person to whom interest will be paid on any interest payment date, if other than the person in whose name those Junior Subordinated Debentures are registered at the close of business on the record date for that interest payment,

(6) the place(s) at which or methods by which payments will be made on those Junior Subordinated Debentures and the place(s) at which or methods by which the registered owners of those Junior Subordinated Debentures may transfer or exchange those Junior Subordinated Debentures and serve notices and demands to or upon FPL,

(7) the security registrar and any paying agent or agents for those Junior Subordinated Debentures,

(8) any date(s) on which, the price(s) at which and the terms and conditions upon which FPL may, at its option, redeem those Junior Subordinated Debentures, in whole or in part, and any restrictions on those redemptions,

(9) any sinking fund or other provisions, including any options held by the registered owners of those Junior Subordinated Debentures, that would obligate FPL to repurchase or redeem those Junior Subordinated Debentures,

(10) the denominations in which those Junior Subordinated Debentures may be issued, if other than denominations of $25 and any integral multiple of $25,

(11) the currency or currencies in which the principal of or premium, if any, or interest on those Junior Subordinated Debentures may be paid (if other than in U.S. dollars),

(12) if FPL or a registered owner may elect to pay, or receive, principal of or premium, if any, or interest on those Junior Subordinated Debentures in a currency other than that in which those Junior Subordinated Debentures are stated to be payable, the terms and conditions upon which that election may be made,

(13) if the principal of or premium, if any, or interest on those Junior Subordinated Debentures may be paid in securities or other property, the type and amount of those securities or other property and the terms and conditions upon which FPL or a registered owner may elect to pay or receive those payments,

(14) if the amount payable in respect of principal of or premium, if any, or interest on those Junior Subordinated Debentures may be determined by reference to an index or other fact or event ascertainable outside of the Subordinated Indenture, the manner in which those amounts will be determined,

(15) the portion of the principal amount of the Junior Subordinated Debentures that FPL will pay upon declaration of acceleration of the maturity of those Junior Subordinated Debentures, if other than the entire principal amount of those Junior Subordinated Debentures,

(16) events of default, if any, with respect to those Junior Subordinated Debentures and covenants, if any, of FPL for the benefit of the registered owners of those Junior Subordinated Debentures, other than those specified in the Subordinated Indenture,

(17) the terms, if any, pursuant to which those Junior Subordinated Debentures may be exchanged for shares of capital stock or other securities of any other entity,

(18) a definition of "Eligible Obligations" under the Subordinated Indenture with respect to the Junior Subordinated Debentures denominated in a currency other than U.S. dollars,

(19) any other provisions for the reinstatement of FPL's indebtedness in respect of those Junior Subordinated Debentures after their satisfaction and discharge,

(20) if those Junior Subordinated Debentures will be issued in global form, necessary information relating to the issuance of those Junior Subordinated Debentures in global form,

(21) if those Junior Subordinated Debentures will be issued as bearer securities, necessary information relating to the issuance of those Junior Subordinated Debentures as bearer securities,

(22) any limits on the rights of the registered owners of those Junior Subordinated Debentures to transfer or exchange those Junior Subordinated Debentures or to register their transfer, and any related service charges,

(23) any exceptions to the provisions governing payments due on legal holidays or any variations in the definition of business day with respect to those Junior Subordinated Debentures,

(24) any collateral security, assurance, or guarantee for those Junior Subordinated Debentures,

(25) the designation of the trust to which the Junior Subordinated Debentures are to be issued,

(26) the terms relating to any additional interest that may be payable as a result of any tax, assessment or governmental charges, and

(27) any other terms of those Junior Subordinated Debentures that are not inconsistent with the provisions of the Subordinated Indenture. (Subordinated Indenture, Section 301).

Except as otherwise stated in the related prospectus supplement, the covenants in the Subordinated Indenture would not give registered owners of Junior Subordinated Debentures protection in the event of a highly-leveraged transaction involving FPL.

**Subordination.** The Junior Subordinated Debentures will be subordinate and junior in right of payment to all Senior Indebtedness of FPL. (Subordinated Indenture, Article Fourteen). No payment of the principal (including redemption and sinking fund payments) of, or interest, or premium, if any, on the Junior Subordinated Debentures may be made by FPL until all holders of Senior Indebtedness of FPL have been paid in full (or provision has been made for such payment), if any of the following occurs:

(1) certain events of bankruptcy, insolvency or reorganization of FPL;

(2) any Senior Indebtedness of FPL is not paid when due (after the expiration of any applicable grace period) and that default continues without waiver; or

(3) any other default has occurred and continues without waiver (after the expiration of any applicable grace period) pursuant to which the holders of Senior Indebtedness of FPL are permitted to accelerate the maturity of such Senior Indebtedness. (Subordinated Indenture, Section 1402).

Upon any distribution of assets of FPL to creditors in connection with any insolvency, bankruptcy or similar proceeding, all principal of, and premium, if any, and interest due or to become due on all Senior Indebtedness of FPL must be paid in full before the holders of the Junior Subordinated Debentures are entitled to receive or retain any payment from such distribution. (Subordinated Indenture, Section 1402).

**Payment and Paying Agents.** Except as stated in the related prospectus supplement, on each interest payment date FPL will pay interest on each Junior Subordinated Debenture to the person in whose name that Junior Subordinated Debenture is registered as of the close of business on the record date relating to that interest payment date. However, on the date that the Junior Subordinated Debentures mature, FPL will pay the interest to the person to whom it pays the principal. Also, if FPL

has defaulted in the payment of interest on any Junior Subordinated Debenture, it may pay that defaulted interest to the registered owner of that Junior Subordinated Debenture:

(1) as of the close of business on a date that the Subordinated Indenture Trustee selects, which may not be more than 15 days or less than 10 days before the date that FPL proposes to pay the defaulted interest, or

(2) in any other lawful manner that does not violate the requirements of any securities exchange on which that Junior Subordinated Debenture is listed and that the Subordinated Indenture Trustee believes is acceptable. (Subordinated Indenture, Section 307).

Unless otherwise stated in the related prospectus supplement, the principal, premium, if any, and interest on the Junior Subordinated Debentures at maturity will be payable when such Junior Subordinated Debentures are presented at the main corporate trust office of The Bank of New York Mellon, as paying agent, in The City of New York. FPL may change the place of payment on the Junior Subordinated Debentures, appoint one or more additional paying agents, including itself, and remove any paying agent. (Subordinated Indenture, Section 602).

**Transfer and Exchange.** Unless otherwise stated in the related prospectus supplement, Junior Subordinated Debentures may be transferred or exchanged at the main corporate trust office of The Bank of New York Mellon, as security registrar, in The City of New York. FPL may change the place for transfer and exchange of the Junior Subordinated Debentures and may designate one or more additional places for that transfer and exchange.

Except as otherwise stated in the related prospectus supplement, there will be no service charge for any transfer or exchange of the Junior Subordinated Debentures. However, FPL may require payment of any tax or other governmental charge in connection with any transfer or exchange of the Junior Subordinated Debentures.

FPL will not be required to transfer or exchange any Junior Subordinated Debenture selected for redemption. Also, FPL will not be required to transfer or exchange any Junior Subordinated Debenture during a period of 15 days before selection of Junior Subordinated Debentures to be redeemed. (Subordinated Indenture, Section 305).

Unless otherwise stated in the related prospectus supplement, if Junior Subordinated Debentures are distributed to holders of Preferred Trust Securities in a dissolution of the Trust, the Junior Subordinated Debentures will be issued in fully registered certificated form in the denominations and integral multiples thereof in which the Preferred Trust Securities have been issued, and they may be transferred or exchanged as described above. (Trust Agreement, Section 9.04).

**Defeasance.** FPL may, at any time, elect to have all of its obligations discharged with respect to all or a portion of any Subordinated Indenture Securities (including the Junior Subordinated Debentures). To do so, FPL must irrevocably deposit with the Subordinated Indenture Trustee or any paying agent, in trust:

(1) money in an amount that will be sufficient to pay all or that portion of the principal, premium, if any, and interest due and to become due on those Subordinated Indenture Securities, on or prior to their maturity, or

(2) in the case of a deposit made prior to the maturity of that series of Subordinated Indenture Securities,

  (a) direct obligations of, or obligations unconditionally guaranteed by, the United States and entitled to the benefit of its full faith and credit that do not contain provisions permitting their redemption or other prepayment at the option of their issuer, and

(b) certificates, depositary receipts or other instruments that evidence a direct ownership interest in those obligations or in any specific interest or principal payments due in respect of those obligations that do not contain provisions permitting their redemption or other prepayment at the option of their issuer,

the principal of and the interest on which, when due, without any regard to reinvestment of that principal or interest, will provide money that, together with any money deposited with or held by the Subordinated Indenture Trustee, will be sufficient to pay all or that portion of the principal, premium, if any, and interest due and to become due on those Subordinated Indenture Securities, on or prior to their maturity, or

(3) a combination of (1) and (2) that will be sufficient to pay all or that portion of the principal, premium, if any, and interest due and to become due on those Subordinated Indenture Securities, on or prior to their maturity. (Subordinated Indenture, Section 701).

**Option to Defer Interest Payments.** If so specified in the related prospectus supplement, FPL will have the option to defer the payment of interest from time to time on the Junior Subordinated Debentures for one or more periods. As a consequence, distributions on the Preferred Trust Securities would be deferred during any optional deferral period. Interest would, however, continue to accrue on the Junior Subordinated Debentures. Unless otherwise provided in the related prospectus supplement, during any optional deferral period, or for so long as an "Event of Default" under the Subordinated Indenture resulting from a payment default or a payment default under the Preferred Trust Securities Guarantee has occurred and is continuing, FPL may not:

(1) declare or pay any dividend or distribution on its capital stock;

(2) redeem, purchase, acquire or make a liquidation payment with respect to any of its capital stock;

(3) pay any principal, interest or premium on, or repay, repurchase or redeem any debt securities that are equal or junior in right of payment with the Junior Subordinated Debentures; or

(4) make any payments with respect to any guarantee of debt securities if such guarantee is equal or junior in right of payment to the Junior Subordinated Debentures,

other than

(a) purchases, redemptions or other acquisitions of its capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or agents or a stock purchase or dividend reinvestment plan, or the satisfaction of its obligations pursuant to any contract or security outstanding on the date that the payment of interest is deferred requiring it to purchase, redeem or acquire its capital stock;

(b) any payment, repayment, redemption, purchase, acquisition or declaration of dividend listed as restricted payments in clauses (1) and (2) above as a result of a reclassification of its capital stock or the exchange or conversion of all or a portion of one class or series of its capital stock for another class or series of its capital stock;

(c) the purchase of fractional interests in shares of its capital stock pursuant to the conversion or exchange provisions of its capital stock or the security being converted or exchanged, or in connection with the settlement of stock purchase contracts;

(d) dividends or distributions paid or made in its capital stock (or rights to acquire its capital stock), or repurchases, redemptions or acquisitions of capital stock in connection with the issuance or exchange of capital stock (or of securities convertible into or exchangeable for



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shares of its capital stock) and distributions in connection with the settlement of stock purchase contracts;

(e) redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a shareholder rights plan or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future; or

(f) payments under any preferred trust securities guarantee or guarantee of subordinated debentures executed and delivered by FPL concurrently with the issuance by a Trust of any preferred trust securities, so long as the amount of payments made with respect to any preferred trust securities or subordinated debentures (as the case may be) is paid on all preferred trust securities or subordinated debentures (as the case may be) then outstanding on a pro rata basis in proportion to the full distributions to which each series of preferred trust securities or subordinated debentures (as the case may be) is then entitled if paid in full. (Subordinated Indenture, Section 608).

Unless otherwise provided in the related prospectus supplement, (i) before an optional deferral period ends, FPL may further defer the payment of interest and (ii) after any optional deferral period and the payment of all amounts then due, FPL may select a new optional deferral period. Unless otherwise provided in the related prospectus supplement, no optional deferral period may exceed the period of time specified in that prospectus supplement. No interest period may be deferred beyond the maturity of the Junior Subordinated Debentures. FPL will give the Trust and the Subordinated Indenture Trustee notice of its election of an optional deferral period prior to the earlier of (i) one business day before the record date for the distribution on the Preferred Trust Securities which would occur if FPL did not make the election to defer or (ii) the date the Administrative Trustees are required to give notice to any securities exchange or any other applicable self-regulatory organization of the record date for such a distribution. The Property Trustee shall send notice of that election to the holders of Preferred Trust Securities.

**Additional Interest.** So long as any Preferred Trust Securities remain outstanding, if the Trust is required to pay any taxes, duties, assessments or governmental charges imposed by the United States or any other taxing authority on income derived from the interest payments on the Junior Subordinated Debentures, then FPL will pay as interest on the Junior Subordinated Debentures any additional interest that may be necessary in order that the net amounts received and retained by the Trust after the payment of those taxes, duties, assessments or governmental charges will be the same as the Trust would have had if such taxes, duties, assessments or other governmental charges had not been imposed. (Subordinated Indenture, Section 313).

**Redemption.** For so long as the Trust is the holder of all of the related Junior Subordinated Debentures, the proceeds of any redemption of Junior Subordinated Debentures will used by the Trust to redeem Preferred Trust Securities and Common Trust Securities in accordance with their terms. (Trust Agreement, Section 4.02(a)). The redemption terms of the Junior Subordinated Debentures, if any, will be set forth in a prospectus supplement. Unless set forth differently in a prospectus supplement, and except with respect to Junior Subordinated Debentures redeemable at the option of the holder, Junior Subordinated Debentures will be redeemable upon notice between 30 and 60 days prior to the redemption date. If less than all of the Junior Subordinated Debentures of any series or any tranche thereof are to be redeemed, the Subordinated Indenture Trustee will select the Junior Subordinated Debentures to be redeemed. In the absence of any provision for selection, the Subordinated Indenture Trustee will choose a method of random selection as it deems fair and appropriate. (Subordinated Indenture, Sections 403 and 404).

Junior Subordinated Debentures selected for redemption will cease to bear interest on the redemption date. The paying agent will pay the redemption price and any accrued interest once the Junior Subordinated Debentures are surrendered for redemption. (Subordinated Indenture,

Section 405). If only part of a Junior Subordinated Debenture is redeemed, the Subordinated Indenture Trustee will deliver a new Junior Subordinated Debenture of the same series for the remaining portion without charge. (Subordinated Indenture, Section 406).

Any redemption at the option of FPL may be conditional upon the receipt by the paying agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price. If the paying agent has not received such money by the date fixed for redemption, FPL will not be required to redeem such Junior Subordinated Debentures. (Subordinated Indenture, Section 404).

Subject to applicable law, including United States federal securities laws, FPL or its affiliates may at any time and from time to time purchase outstanding Junior Subordinated Debentures by tender, in the open market or by private agreement.

**Consolidation, Merger, and Sale of Assets.** Under the Subordinated Indenture, FPL may not consolidate with or merge into any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any entity, unless:

(1) the entity formed by that consolidation, or the entity into which FPL is merged, or the entity that acquires or leases FPL's property and assets, is an entity organized and existing under the laws of the United States, any state or the District of Columbia and that entity expressly assumes FPL's obligations on all Subordinated Indenture Securities and under the Subordinated Indenture,

(2) immediately after giving effect to the transaction, no event of default under the Subordinated Indenture and no event that, after notice or lapse of time or both, would become an event of default under the Subordinated Indenture exists, and

(3) FPL delivers an officer's certificate and an opinion of counsel to the Subordinated Indenture Trustee, as provided in the Subordinated Indenture. (Subordinated Indenture, Section 1101).

The Subordinated Indenture does not prevent or restrict:

(a) any consolidation or merger after the consummation of which FPL would be the surviving or resulting entity;

(b) any consolidation of FPL with any entity all of the outstanding voting securities of which are owned, directly or indirectly, by FPL, or any merger of any such entity into any other of such entities, or any conveyance or other transfer, or lease, of properties or assets by any thereof to any other thereof;

(c) any conveyance or other transfer, or lease, of any part of the properties or assets of FPL which does not constitute the entirety, or substantially the entirety, thereof; or

(d) the approval by FPL of, or the consent by FPL to any consolidation or merger to which any direct or indirect subsidiary or affiliate of FPL may be a party, or any conveyance, transfer or lease by any such subsidiary or affiliate of any or all of its properties or assets. (Subordinated Indenture, Section 1103).

**Events of Default.** Each of the following is an event of default under the Subordinated Indenture with respect to the Subordinated Indenture Securities of any series:

(1) failure to pay interest on the Subordinated Indenture Securities of that series within 30 days after it is due (provided, however, that a failure to pay interest during a valid optional deferral period will not constitute an event of default),

(2) failure to pay principal or premium, if any, on the Subordinated Indenture Securities of that series when it is due,

(3) failure to comply with any other covenant in the Subordinated Indenture, other than a covenant that does not relate to that series of Subordinated Indenture Securities, that continues for 90 days after (i) FPL receive written notice of such failure to comply from the Subordinated Indenture Trustee, or (ii) FPL and the Subordinated Indenture Trustee receive written notice of such failure to comply from the registered owners of at least 33% in principal amount of the Subordinated Indenture Securities of that series,

(4) certain events of bankruptcy, insolvency or reorganization of FPL, or

(5) any other event of default specified with respect to the Subordinated Indenture Securities of that series. (Subordinated Indenture, Section 801).

In the case of the third event of default listed above, the Subordinated Indenture Trustee may extend the grace period. In addition, if holders of a particular series have given a notice of default, then holders of at least the same percentage of Junior Subordinated Debentures of that series, together with the Subordinated Indenture Trustee, may also extend the grace period. The grace period will be automatically extended if FPL has initiated and is diligently pursuing corrective action in good faith. (Subordinated Indenture, Section 801). An event of default with respect to the Subordinated Indenture Securities of a particular series will not necessarily constitute an event of default with respect to Subordinated Indenture Securities of any other series issued under the Subordinated Indenture.

**Remedies.** If an event of default applicable to the Subordinated Indenture Securities of one or more series, but not applicable to all outstanding Subordinated Indenture Securities, exists, then either (i) the Subordinated Indenture Trustee or (ii) the registered owners of at least 33% in aggregate principal amount of the Subordinated Indenture Securities of each of the affected series may declare the principal of and accrued but unpaid interest on all the Subordinated Indenture Securities of that series to be due and payable immediately. (Subordinated Indenture, Section 802).

If the event of default is applicable to all outstanding Subordinated Indenture Securities, then either (i) the Subordinated Indenture Trustee or (ii) the registered owners of at least 33% in aggregate principal amount of all outstanding Subordinated Indenture Securities of all series, voting as one class, and not the registered owners of any one series, may make a declaration of acceleration. (Subordinated Indenture, Section 802). However, the event of default giving rise to the declaration relating to any series of Subordinated Indenture Securities will be automatically waived, and that declaration and its consequences will be automatically rescinded and annulled, if, at any time after that declaration and before a judgment or decree for payment of the money due has been obtained:

(1) FPL deposits with the Subordinated Indenture Trustee a sum sufficient to pay:

  (a) all overdue interest on all Subordinated Indenture Securities of the relevant series,

  (b) the principal of and any premium on any Subordinated Indenture Securities of the relevant series that have become due for reasons other than that declaration, and interest that is then due,

  (c) interest on overdue interest for the relevant series, and

  (d) all amounts then due to the Subordinated Indenture Trustee under the Subordinated Indenture, and

(2) any other event of default with respect to the Subordinated Indenture Securities of the relevant series has been cured or waived as provided in the Subordinated Indenture. (Subordinated Indenture, Section 802).

Other than its obligations and duties in case of an event of default under the Subordinated Indenture, the Subordinated Indenture Trustee is not obligated to exercise any of its rights or powers under the Subordinated Indenture at the request or direction of any of the registered owners of the Subordinated Indenture Securities, unless those registered owners offer reasonable indemnity to the

Subordinated Indenture Trustee. (Subordinated Indenture, Section 903). If they provide this reasonable indemnity, the registered owners of a majority in principal amount of any series of Subordinated Indenture Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Indenture Trustee, or exercising any trust or power conferred on the Subordinated Indenture Trustee, with respect to the Subordinated Indenture Securities of that series. However, if an event of default under the Subordinated Indenture relates to more than one series of Subordinated Indenture Securities, only the registered owners of a majority in aggregate principal amount of all affected series of Subordinated Indenture Securities, considered as one class, will have the right to make that direction. Also, the direction must not violate any law or the Subordinated Indenture, and may not expose the Subordinated Indenture Trustee to personal liability in circumstances where its indemnity would not, in the Subordinated Indenture Trustee's sole discretion, be adequate. (Subordinated Indenture, Section 812).

A registered owner of a Subordinated Indenture Security has the right to institute a suit for the enforcement of payment of the principal of or premium, if any, or interest on that Subordinated Indenture Security on or after the applicable due date specified in that Subordinated Indenture Security. (Subordinated Indenture, Section 808). No registered owner of Subordinated Indenture Securities of any series will have any other right to institute any proceeding under the Subordinated Indenture, or exercise any other remedy under the Subordinated Indenture, unless:

(1) that registered owner has previously given to the Subordinated Indenture Trustee written notice of a continuing event of default with respect to the Subordinated Indenture Securities of that series,

(2) the registered owners of a majority in aggregate principal amount of the outstanding Subordinated Indenture Securities of all series in respect of which an event of default under the Subordinated Indenture exists, considered as one class, have made written request to the Subordinated Indenture Trustee, and have offered reasonable indemnity to the Subordinated Indenture Trustee to institute that proceeding in its own name as trustee, and

(3) the Subordinated Indenture Trustee has failed to institute any proceeding, and has not received from the registered owners of a majority in aggregate principal amount of the outstanding Subordinated Indenture Securities of all series in respect of which an event of default under the Subordinated Indenture exists, considered as one class, a direction inconsistent with that request, within 60 days after that notice, request and offer. (Subordinated Indenture, Section 807).

FPL is required to deliver to the Subordinated Indenture Trustee an annual statement as to its compliance with all conditions and covenants applicable to it under the Subordinated Indenture. (Subordinated Indenture, Section 606).

**Enforcement of Certain Rights by Holders of Preferred Trust Securities.** If there is an event of default with respect to Junior Subordinated Debentures held by the Trust, a holder of Preferred Trust Securities may enforce the Subordinated Indenture directly against FPL to the same extent, and upon the same conditions, as if the holder of Preferred Trust Securities held a principal amount of Junior Subordinated Debentures equal to the aggregate liquidation amount of its Preferred Trust Securities. (Subordinated Indenture, Section 610).

Subject to their right to bring suit to enforce their right to payment, the holders of Preferred Trust Securities would not be able to institute any proceeding with respect to the Subordinated Indenture unless the Subordinated Indenture Trustee has failed to do so for 60 days after a request of the holders of at least a majority of the aggregate liquidation amount of outstanding Preferred Trust Securities. Upon such failure, the holders of a majority of the aggregate liquidation amount of the outstanding Preferred Trust Securities would have the right to directly institute proceedings for enforcement of all



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other rights of the Subordinated Indenture Trustee against FPL to the fullest extent permitted by law. (Subordinated Indenture, Sections 807, 808 and 812).

**Modification and Waiver.** Without the consent of any registered owner of Subordinated Indenture Securities, FPL and the Subordinated Indenture Trustee may amend or supplement the Subordinated Indenture for any of the following purposes:

(1) to provide for the assumption by any permitted successor to FPL of FPL's obligations with respect to the Subordinated Indenture and the Subordinated Indenture Securities in the case of a merger or consolidation or a conveyance, transfer or lease of its properties and assets substantially as an entirety,

(2) to add covenants of FPL or to surrender any right or power conferred upon FPL by the Subordinated Indenture,

(3) to add any additional events of default,

(4) to change, eliminate or add any provision of the Subordinated Indenture, provided that if that change, elimination or addition will materially adversely affect the interests of the registered owners of Subordinated Indenture Securities of any series or tranche, that change, elimination or addition will become effective with respect to that particular series or tranche only

   (a) when the required consent of the registered owners of Subordinated Indenture Securities of that particular series or tranche has been obtained, or

   (b) when no Subordinated Indenture Securities of that particular series or tranche remain outstanding under the Subordinated Indenture,

(5) to provide collateral security for all but not a part of the Subordinated Indenture Securities,

(6) to create the form or terms of Subordinated Indenture Securities of any other series or tranche,

(7) to provide for the authentication and delivery of bearer securities and the related coupons and for other matters relating to those bearer securities,

(8) to accept the appointment of a successor Subordinated Indenture Trustee or co-trustee with respect to the Subordinated Indenture Securities of one or more series and to change any of the provisions of the Subordinated Indenture as necessary to provide for the administration of the trusts under the Subordinated Indenture by more than one trustee,

(9) to add procedures to permit the use of a non-certificated system of registration for all, or any series or tranche of, the Subordinated Indenture Securities,

(10) to change any place where

   (a) the principal of and premium, if any, and interest on all, or any series or tranche of, Subordinated Indenture Securities are payable,

   (b) all, or any series or tranche of, Subordinated Indenture Securities may be transferred or exchanged, and

   (c) notices and demands to or upon FPL in respect of Subordinated Indenture Securities and the Subordinated Indenture may be served, or

(11) to cure any ambiguity or inconsistency or to add or change any other provisions with respect to matters and questions arising under the Subordinated Indenture, provided those changes or additions may not materially adversely affect the interests of the registered owners of Subordinated Indenture Securities of any series or tranche. (Subordinated Indenture, Section 1201).

The registered owners of a majority in aggregate principal amount of the Subordinated Indenture Securities of all series then outstanding may waive compliance by FPL with certain restrictive provisions of the Subordinated Indenture. (Subordinated Indenture, Section 607). The registered owners of a majority in principal amount of the outstanding Subordinated Indenture Securities of any series may waive any past default under the Subordinated Indenture with respect to that series, except a default in the payment of principal, premium, if any, or interest and a default with respect to certain restrictive covenants or provisions of the Subordinated Indenture that cannot be modified or amended without the consent of the registered owner of each outstanding Subordinated Indenture Security of that series affected. (Subordinated Indenture, Section 813). If the Trust holds Subordinated Indenture Securities of any series, the Trust may not waive compliance, or any default in compliance, by FPL with any covenant or term contained in, or any past default under, the Subordinated Indenture or the Subordinated Indenture Securities of such series, without the approval of at least a majority (or such greater percentage required by the Trust Agreement) in aggregate liquidation preference amount of the outstanding Preferred Trust Securities. (Subordinated Indenture, Sections 607 and 813).

In addition to any amendments described above, if the Trust Indenture Act of 1939 is amended after the date of the Subordinated Indenture in a way that requires changes to the Subordinated Indenture or in a way that permits changes to, or the elimination of, provisions that were previously required by the Trust Indenture Act of 1939, the Subordinated Indenture will be deemed to be amended to conform to that amendment of the Trust Indenture Act of 1939 or to make those changes, additions or eliminations. FPL and the Subordinated Indenture Trustee may, without the consent of any registered owners, enter into supplemental indentures to make that amendment. (Subordinated Indenture, Section 1201).

Except for any amendments described above, the consent of the registered owners of a majority in aggregate principal amount of the Subordinated Indenture Securities of all series then outstanding, considered as one class, is required for all other modifications to the Subordinated Indenture. However, if less than all of the series of Subordinated Indenture Securities outstanding are directly affected by a proposed supplemental indenture, then the consent only of the registered owners of a majority in aggregate principal amount of outstanding Subordinated Indenture Securities of all directly affected series, considered as one class, is required. But, if FPL issues any series of Subordinated Indenture Securities in more than one tranche and if the proposed supplemental indenture directly affects the rights of the registered owners of Subordinated Indenture Securities of less than all of those tranches, then the consent only of the registered owners of a majority in aggregate principal amount of the outstanding Subordinated Indenture Securities of all directly affected tranches, considered as one class, will be required. However, none of those amendments or modifications may:

(1) change the dates on which the principal of or interest (except as described above under "—Option to Defer Interest Payments") on a Subordinated Indenture Security is due without the consent of the registered owner of that Subordinated Indenture Security,

(2) reduce any Subordinated Indenture Security's principal amount or rate of interest (or the amount of any installment of that interest) or change the method of calculating that rate without the consent of the registered owner of that Subordinated Indenture Security,

(3) reduce any premium payable upon the redemption of a Subordinated Indenture Security without the consent of the registered owner of that Subordinated Indenture Security,

(4) change the currency (or other property) in which a Subordinated Indenture Security is payable without the consent of the registered owner of that Subordinated Indenture Security,

(5) impair the right to sue to enforce payments on any Subordinated Indenture Security on or after the date that it states that the payment is due (or, in the case of redemption, on or after the redemption date) without the consent of the registered owner of that Subordinated Indenture Security,



**STAFF 005452**
**FPL RC-12**

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(6) reduce the percentage in principal amount of the outstanding Subordinated Indenture Securities of any series or tranche whose owners must consent to an amendment, supplement or waiver without the consent of the registered owner of each outstanding Subordinated Indenture Security of that particular series or tranche,

(7) reduce the requirements for quorum or voting of any series or tranche without the consent of the registered owner of each outstanding Subordinated Indenture Security of that particular series or tranche, or

(8) modify certain of the provisions of the Subordinated Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Subordinated Indenture Securities of any series or tranche, without the consent of the registered owner of each outstanding Subordinated Indenture Security affected by the modification.

A supplemental indenture that changes or eliminates any provision of the Subordinated Indenture that has expressly been included only for the benefit of one or more particular series or tranches of Subordinated Indenture Securities, or that modifies the rights of the registered owners of Subordinated Indenture Securities of that particular series or tranche with respect to that provision, will not affect the rights under the Subordinated Indenture of the registered owners of the Subordinated Indenture Securities of any other series or tranche. So long as any Preferred Trust Securities are outstanding, the Subordinated Indenture Trustee may not consent to any supplemental indenture without the prior consent of (i) the holders of a majority in aggregate liquidation preference of all outstanding Preferred Trust Securities affected or (ii), in the case of changes described in clauses (1) through (8) immediately above, 100% in aggregate liquidation preference of all such outstanding Preferred Trust Securities affected. (Subordinated Indenture, Section 1202).

The Subordinated Indenture provides that, in order to determine whether the registered owners of the required principal amount of the outstanding Subordinated Indenture Securities have given any request, demand, authorization, direction, notice, consent or waiver under the Subordinated Indenture, or whether a quorum is present at the meeting of the registered owners of Subordinated Indenture Securities, Subordinated Indenture Securities owned by FPL or any other obligor upon the Subordinated Indenture Securities or any affiliate of FPL or of that other obligor (unless FPL, that affiliate or that obligor owns all Subordinated Indenture Securities outstanding under the Subordinated Indenture, determined without regard to this provision) will be disregarded and deemed not to be outstanding. (Subordinated Indenture, Section 101).

If FPL solicits any action under the Subordinated Indenture from registered owners of Subordinated Indenture Securities, FPL may, at its option, by signing a written request to the Subordinated Indenture Trustee, fix in advance a record date for determining the registered owners of Subordinated Indenture Securities entitled to take that action. However, FPL will not be obligated to do this. If FPL fixes such a record date, that action may be taken before or after that record date, but only the registered owners of record at the close of business on that record date will be deemed to be registered owners of Subordinated Indenture Securities for the purposes of determining whether registered owners of the required proportion of the outstanding Subordinated Indenture Securities have authorized that action. For these purposes, the outstanding Subordinated Indenture Securities will be computed as of the record date. Any action of a registered owner of any Subordinated Indenture Security under the Subordinated Indenture will bind every future registered owner of that Subordinated Indenture Security, or any Subordinated Indenture Security replacing that Subordinated Indenture Security, with respect to anything that the Subordinated Indenture Trustee or FPL do, fail to do, or allow to be done in reliance on that action, whether or not that action is noted upon that Subordinated Indenture Security. (Subordinated Indenture, Section 104).

**Resignation and Removal of Subordinated Indenture Trustee.** The Subordinated Indenture Trustee may resign at any time with respect to any series of Subordinated Indenture Securities by giving written notice of its resignation to FPL. Also, the registered owners of a majority in principal amount of the outstanding Subordinated Indenture Securities of one or more series of Subordinated Indenture Securities may remove the Subordinated Indenture Trustee at any time with respect to the Subordinated Indenture Securities of that series, by delivering an instrument evidencing this action to the Subordinated Indenture Trustee and FPL. However, so long as any Preferred Trust Securities remain outstanding, the Trust cannot deliver an instrument evidencing this action without the consent of the holders of a majority in aggregate liquidation preference of Preferred Trust Securities outstanding. (Subordinated Indenture, Section 910). The resignation or removal of the Subordinated Indenture Trustee and the appointment of a successor trustee will not become effective until a successor trustee accepts its appointment.

Except with respect to a Subordinated Indenture Trustee appointed by the registered owners of Subordinated Indenture Securities, the Subordinated Indenture Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Subordinated Indenture if:

(1) no event of default under the Subordinated Indenture or event that, after notice or lapse of time, or both, would become an event of default under the Subordinated Indenture exists, and

(2) FPL has delivered to the Subordinated Indenture Trustee resolutions of its Board of Directors appointing a successor trustee and that successor trustee has accepted that appointment in accordance with the terms of the Subordinated Indenture. (Subordinated Indenture, Section 910).

**Notices.** Notices to registered owners of Subordinated Indenture Securities will be sent by mail to the addresses of those registered owners as they appear in the security register for those Subordinated Indenture Securities. (Subordinated Indenture, Section 106).

**Title.** The person in whose name a Subordinated Indenture Security is registered may be treated as the absolute owner of that Subordinated Indenture Security, whether or not that Subordinated Indenture Security is overdue, for the purpose of making payments and for all other purposes, regardless of any notice to the contrary. (Subordinated Indenture, Section 308).

**Governing Law.** The Subordinated Indenture and the Subordinated Indenture Securities will be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflict of laws principles thereunder, except to the extent that the law of any other jurisdiction is mandatorily applicable. (Subordinated Indenture, Section 112).

## INFORMATION CONCERNING THE TRUSTEES

In the regular course of business, FPL may obtain short-term funds from several banks, including Deutsche Bank Trust Company Americas.

FPL and its affiliates, including FPL Group and FPL Group Capital Inc, also maintain various banking and trust relationships with The Bank of New York Mellon. The Bank of New York Mellon would act as (i) Preferred Trust Securities Guarantee Trustee under the Preferred Trust Securities Guarantee Agreement described under "Description of Preferred Trust Securities Guarantee" above, (ii) Property Trustee under the Trust Agreement and (iii) Subordinated Indenture Trustee, security registrar and paying agent under the Subordinated Indenture. BNY Mellon Trust of Delaware acts as the Delaware Trustee under the Trust Agreement.

## PLAN OF DISTRIBUTION

FPL and the Trust may sell the securities offered pursuant to this prospectus ("Offered Securities"):

(1) through underwriters or dealers,

(2) through agents, or

(3) directly to one or more purchasers.

This prospectus may be used in connection with any offering of securities through any of these methods or other methods described in the applicable prospectus supplement.

**Through Underwriters or Dealers.** If FPL and/or the Trust uses underwriters in the sale of the Offered Securities, the underwriters will acquire the Offered Securities for their own account. The underwriters may resell the Offered Securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The underwriters may sell the Offered Securities directly or through underwriting syndicates represented by managing underwriters. Unless otherwise stated in the prospectus supplement relating to the Offered Securities, the obligations of the underwriters to purchase those Offered Securities will be subject to certain conditions, and the underwriters will be obligated to purchase all of those Offered Securities if they purchase any of them. If FPL and/or the Trust uses a dealer in the sale, FPL and/or the Trust will sell the Offered Securities to the dealer as principal. The dealer may then resell those Offered Securities at varying prices determined at the time of resale.

Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

**Through Agents.** FPL and/or the Trust may designate one or more agents to sell the Offered Securities. Unless otherwise stated in a prospectus supplement, the agents will agree to use their best efforts to solicit purchases for the period of their appointment.

**Directly.** FPL and/or the Trust may sell the Offered Securities directly to one or more purchasers. In this case, no underwriters, dealers or agents would be involved.

**General Information.** A prospectus supplement will state the name of any underwriter, dealer or agent and the amount of any compensation, underwriting discounts or concessions paid, allowed or reallowed to them. A prospectus supplement will also state the proceeds to FPL and/or the Trust from the sale of the Offered Securities, any initial public offering price and other terms of the offering of those Offered Securities.

FPL and/or the Trust may authorize underwriters, dealers or agents to solicit offers by certain institutions to purchase the Offered Securities from FPL and/or the Trust at the public offering price and on the terms described in the related prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future.

The Offered Securities may also be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more firms, which are referred to herein as the "remarketing firms," acting as principals for their own accounts or as agent for FPL or the Trust, as applicable. Any remarketing firm will be identified and the terms of its agreement, if any, with FPL and/or the Trust, and its compensation will be described in the applicable prospectus supplement. Remarketing firms may be deemed to be underwriters, as that term is defined in the Securities Act of 1933, in connection with the securities remarketed thereby.

In compliance with guidelines of the Financial Industry Regulatory Authority, Inc. ("FINRA"), the maximum consideration or discount to be received by any FINRA member or independent broker may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus and any applicable prospectus supplement.

FPL and/or the Trust may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by FPL and/or the Trust or borrowed from any of them or others to settle those sales or to close out any related open borrowings of securities, and may use securities received from FPL and/or the Trust in settlement of those derivatives to close out any related open borrowings of securities. The third party in such sale transactions will be an underwriter and, if not identified in this prospectus, will be identified in the applicable prospectus supplement.

FPL and/or the Trust may have agreements to indemnify underwriters, dealers and agents against, or to contribute to payments which the underwriters, dealers and agents may be required to make in respect of, certain civil liabilities, including liabilities under the Securities Act of 1933.

## EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from FPL's Annual Report on Form 10-K for the year ended December 31, 2008, and the effectiveness of FPL's internal control over financial reporting, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

## LEGAL OPINIONS

Morgan, Lewis & Bockius LLP, New York, New York and Squire, Sanders & Dempsey L.L.P., West Palm Beach, Florida, co-counsel to FPL, Florida Power & Light Company Trust I and Florida Power & Light Company Trust II, will pass upon the legality of the Offered Securities for FPL, Florida Power & Light Company Trust I and Florida Power & Light Company Trust II. Hunton & Williams LLP, New York, New York, will pass upon the legality of the Offered Securities for any underwriter, dealer or agent. Certain matters of Delaware law relating to the validity of the Preferred Trust Securities, the enforceability of the Trust Agreement and the creation of the Trust will be passed upon by Morris James LLP, special Delaware counsel to FPL, Florida Power & Light Company Trust I and Florida Power & Light Company Trust II. Morgan, Lewis & Bockius LLP and Hunton & Williams LLP may rely as to all matters of Florida law upon the opinion of Squire, Sanders & Dempsey L.L.P., and on the opinion of Morris James LLP, as to matters involving the law of the State of Delaware in connection with the Preferred Trust Securities. Squire, Sanders & Dempsey L.L.P. may rely as to all matters of New York law upon the opinion of Morgan, Lewis & Bockius LLP, and on the opinion of Morris James LLP, as to matters involving the law of the State of Delaware in connection with the Preferred Trust Securities.

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**You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement or in any written communication from FPL or the Trust specifying the final terms of a particular offering of securities. Neither FPL nor the Trust has authorized anyone else to provide you with additional or different information. Neither FPL nor the Trust is making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents or that the information incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.**



**STAFF 005457**
**FPL RC-12**

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# Florida Power & Light Company

**First Mortgage Bonds,**

**$600,000,000 4.05% Series due June 1, 2042**

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**PROSPECTUS SUPPLEMENT**

**May 10, 2012**

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**BofA Merrill Lynch**

**Credit Suisse**

**J.P. Morgan**

**Mitsubishi UFJ Securities**

**RBC Capital Markets**

**RBS**

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**BNP PARIBAS**

**BNY Mellon Capital Markets, LLC**

**CIBC**

**Credit Agricole CIB**

**Lloyds Securities**

**TD Securities**

**US Bancorp**

**STAFF 005460**
**FPL RC-12**

MOODY'S
INVESTORS SERVICE

Moody's Investors Service, Inc.
7 World Trade Center at
250 Greenwich Street
New York, NY 10007
+1.212.553.0300 tel
+1.212.553.4820 fax
www.moodys.com

May 14th, 2012

Paul I. Cutler
Florida Power & Light Company
700 Universe Boulevard
P.O. Box 14000
Juno Beach, FL 33408-0420

Re: USD 600,000,000 Fixed Rate (4.05%) Senior Secured First Mortgage Bonds due June 1st, 2042

Dear Mr. Cutler:

At your request and based on the Prospectus Supplement dated May 10th, 2012, which we understand is in final form, Moody's has assigned a **Aa3** to the above referenced obligation.

The obligation was issued under the Florida Power & Light Company, USD Shelf Program.

Moody's monitoring of the rating is dependent upon receipt of all relevant information, financial or otherwise, from the issuer or its agents. Failure to submit such information in a timely manner may result in the withdrawal of the rating.

In accordance with our usual policy, assigned ratings are subject to revision or withdrawal by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current rating, please visit www.moodys.com.

This letter is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents, acting in their capacity as such; (iii) as required by the law or regulation; or (iv) with the prior written consent of Moody's, in which case Moody's reserves the right to impose conditions upon such consent such as requiring that you only disclose this letter in its entirety and/or requiring any third party to sign a confidentiality and/or non-reliance agreement.

Yours faithfully,

*Moody's Investors Service, Inc.*

Moody's Investors Service, Inc.

cc: DH, Global Middle Office

**STAFF 005461**
**FPL RC-12**

STANDARD
& POOR'S
RATINGS SERVICES

55 Water Street
New York, NY 10041
212 438 2000 Tel
212 438 5075 Fax

May 14, 2012

Mr. Paul Cutler
Treasurer
Florida Power & Light Co.
700 Universe Boulevard,
P.O. Box 1400
Juno Beach, FL 33408-2657

**Re: Florida Power & Light Company**
**$600,000,000 4.05% First Mortgage Bonds, Due June 1,2042**

Dear Mr. Cutler:

Pursuant to your request for a rating on the above-referenced securities, Standard & Poor's Ratings Services ("Ratings Services") has assigned an issue credit rating of "**A**" and a recovery rating of "**1+**".

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we've released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, Ratings Services may choose to acknowledge such a rating and denote such acknowledgement on www.standardandpoors.com with an alphabetic or other identifier affixed to such rating or by other means.

To maintain the rating, Ratings Services must receive all information as indicated in the applicable Terms and Conditions. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to:Todd_Shipman@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website, please send hard copies to: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041-0003, Attention: Todd Shipman.

The rating is subject to the Terms and Conditions attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

Standard & Poor's Ratings Services

Analytical Contact:
Name: Todd Shipman
Telephone #: 212-438-7676

**Q.**
With respect to page 42, lines 18 – 21 of witness Dewhurst's direct testimony, please provide copies of any reports, reviews, or other documentation from independent, third party sources that witness Dewhurst relied upon in his consideration of "the current allowed ROE for other regulated utilities."

**A.**
Please see FPL's response to Staff's Ninth Request for Production of Documents No. 61.

**Q.**

With respect to page 43, lines 9 – 14 of witness Dewhurst's direct testimony, please provide copies of any reports, reviews, or other documentation that witness Dewhurst relied upon in his comparison of "the average allowed ROEs of other utilities in Florida and in southeastern states." For purposes of this response, provide any documentation from independent, third party sources that identifies the IOUs "with which FPL is frequently compared by investors," their authorized ROEs, and the dates these returns were set.

**A.**

Please see FPL's reponse to Staff's Ninth Request for Production of Documents No. 61.

**Q.**
With respect to page 45, lines 7 – 9 of witness Dewhurst's direct testimony, please provide any documentation from independent, third party sources that support the views expressed in the above referenced testimony.

**A.**
Please see FPL's reponse to Staff's Ninth Request for Production of Documents No. 61.