



# FPL Energy

## Wind in 2003 and Beyond

September 16, 2003

# Cautionary Statements And Risk Factors That May Affect Future Results

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

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

The following are some important factors that could have a significant impact on FPL Group's and FPL's operations and financial results, and could cause FPL Group's and FPL's actual results or outcomes to differ materially from those discussed in the forward-looking statements:

- FPL Group and FPL are subject to changes in laws or regulations, including the Public Utility Regulatory Policies Act of 1978, as amended (PURPA), and the Public Utility Holding Company Act of 1935, as amended (Holding Company Act), changing governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission (FERC), the Florida Public Service Commission (FPSC) and the utility commissions of other states in which FPL Group has operations, and the U.S. Nuclear Regulatory Commission (NRC), with respect to, among other things, allowed rates of return, industry and rate structure, operation of nuclear power facilities, operation and construction of plant facilities, operation and construction of transmission facilities, acquisition, disposal, depreciation and amortization of assets and facilities, recovery of fuel and purchased power costs, decommissioning costs, return on common equity and equity ratio limits, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs). The FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred.
- The regulatory process generally restricts FPL's ability to grow earnings and does not provide any assurance as to achievement of earnings levels.
- FPL Group and FPL are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, natural resources and health and safety that could, among other things, restrict or limit the output of certain facilities or the use of certain fuels required for the production of electricity and/or 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.



- The operation of power generation facilities involves many risks, including start up risks, breakdown or failure of equipment, transmission lines or pipelines, use of new technology, the dependence on a specific fuel source or the impact of unusual or adverse weather conditions (including natural disasters such as hurricanes), as well as the risk of performance below expected levels of output or efficiency. This could result in lost revenues and/or increased expenses. Insurance, warranties or performance guarantees may not cover any or all of the lost revenues or increased expenses, including the cost of replacement power. In addition to these risks, FPL Group's and FPL's nuclear units face certain risks that are unique to the nuclear industry including the ability to dispose of spent nuclear fuel, as well as additional regulatory actions up to and including shutdown of the units stemming from public safety concerns, whether at FPL Group's and FPL's plants, or at the plants of other nuclear operators. Breakdown or failure of an FPL Energy, LLC (FPL Energy) operating facility may prevent the facility from performing under applicable power sales agreements which, in certain situations, could result in termination of the agreement or incurring a liability for liquidated damages.
- FPL Group's and FPL's ability to successfully and timely complete their power generation facilities currently under construction, those projects yet to begin construction or capital improvements to existing facilities is contingent upon many variables and subject to substantial risks. Should any such efforts be unsuccessful, FPL Group and FPL could be subject to additional costs, termination payments under committed contracts and/or the write-off of their investment in the project or improvement.
- FPL Group and FPL use derivative instruments, such as swaps, options, futures and forwards to manage their commodity and financial market risks, and to a lesser extent, engage in limited trading activities. FPL Group could recognize financial losses as a result of volatility in the market values of these contracts, or if a counterparty fails to perform. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these derivative instruments involves management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the value of the reported fair value of these contracts. In addition, FPL's use of such instruments could be subject to prudence challenges by the FPSC and if found imprudent, cost disallowance.
- There are other risks associated with FPL Group's non-rate regulated businesses, particularly FPL Energy. In addition to risks discussed elsewhere, risk factors specifically affecting FPL Energy's success in competitive wholesale markets include the ability to efficiently develop and operate generating assets, the successful and timely completion of project restructuring activities, the price and supply of fuel, transmission constraints, competition from new sources of generation, excess generation capacity and demand for power. There can be significant volatility in market prices for fuel and electricity, and there are other financial, counterparty and market risks that are beyond the control of FPL Energy. FPL Energy's inability or failure to effectively hedge its assets or positions against changes in commodity prices, interest rates, counterparty credit risk or other risk measures could significantly impair its future financial results. In keeping with industry trends, a portion of FPL Energy's power generation facilities operate wholly or partially without long-term power purchase agreements. As a result, power from these facilities is sold on the spot market or on a short-term contractual basis, which may affect the volatility of FPL Group's financial results. In addition, FPL Energy's business depends upon transmission facilities owned and operated by others; if transmission is disrupted or capacity is inadequate or unavailable, FPL Energy's ability to sell and deliver its wholesale power may be limited.
- FPL Group is likely to encounter significant competition for acquisition opportunities that may become available as a result of the consolidation of the power industry. In addition, FPL Group may be unable to identify attractive acquisition opportunities at favorable prices and to successfully and timely complete and integrate them.
- FPL Group and FPL rely on access to capital markets as a significant source of liquidity for capital requirements not satisfied by operating cash flows. The inability of FPL Group and FPL to maintain their current credit ratings could affect their ability to raise capital on favorable terms, particularly during times of uncertainty in the capital markets which, in turn, could impact FPL Group's and FPL's ability to grow their businesses and would likely increase interest costs.



- FPL Group's and FPL's results of operations can be affected by changes in the weather. Weather conditions directly influence the demand for electricity and natural gas and affect the price of energy commodities, and can affect the production of electricity at wind and hydro-powered facilities. In addition, severe weather can be destructive, causing outages and/or property damage, which could require additional costs to be incurred.
- FPL Group and FPL are subject to costs and other effects of legal and administrative proceedings, settlements, investigations and claims; as well as the effect of new, or changes in, tax rates or policies, rates of inflation, accounting standards, securities laws or corporate governance requirements.
- FPL Group and FPL are subject to direct and indirect effects of terrorist threats and activities. Generation and transmission facilities, in general, have been identified as potential targets. The effects of terrorist threats and activities include, among other things, terrorist actions or responses to such actions or threats, the inability to generate, purchase or transmit power, the risk of a significant slowdown in growth or a decline in the U.S. economy, delay in economic recovery in the U.S., and the increased cost and adequacy of security and insurance.
- FPL Group's and FPL's ability to obtain insurance, and the cost of and coverage provided by such insurance, could be affected by national events as well as company-specific events.
- FPL Group and FPL are subject to employee workforce factors, including loss or retirement of key executives, availability of qualified personnel, collective bargaining agreements with union employees or work stoppage.

The issues and associated risks and uncertainties described above are not the only ones FPL Group and FPL may face. Additional issues may arise or become material as the energy industry evolves. The risks and uncertainties associated with these additional issues could impair FPL Group's and FPL's businesses in the future.



# *FPL Energy Offers*

- Financial strength and discipline
- High-quality operations
- Growing, balanced portfolio (1)
  - 9,836 net MWs in operation
  - 13,004 net MWs by YE 2004
  - 2,579 net MWs of Wind by YE 2003
- A proven track record
- World-class expertise in development, construction and operations



(1) As of Sept. 11, 2003



# Energy From Renewable Sources



Operating the  
two largest  
solar plants  
in the world  
(80 Net MW)



The nation's largest developer,  
owner and operator of wind energy  
generation facilities (2579 Net MW)

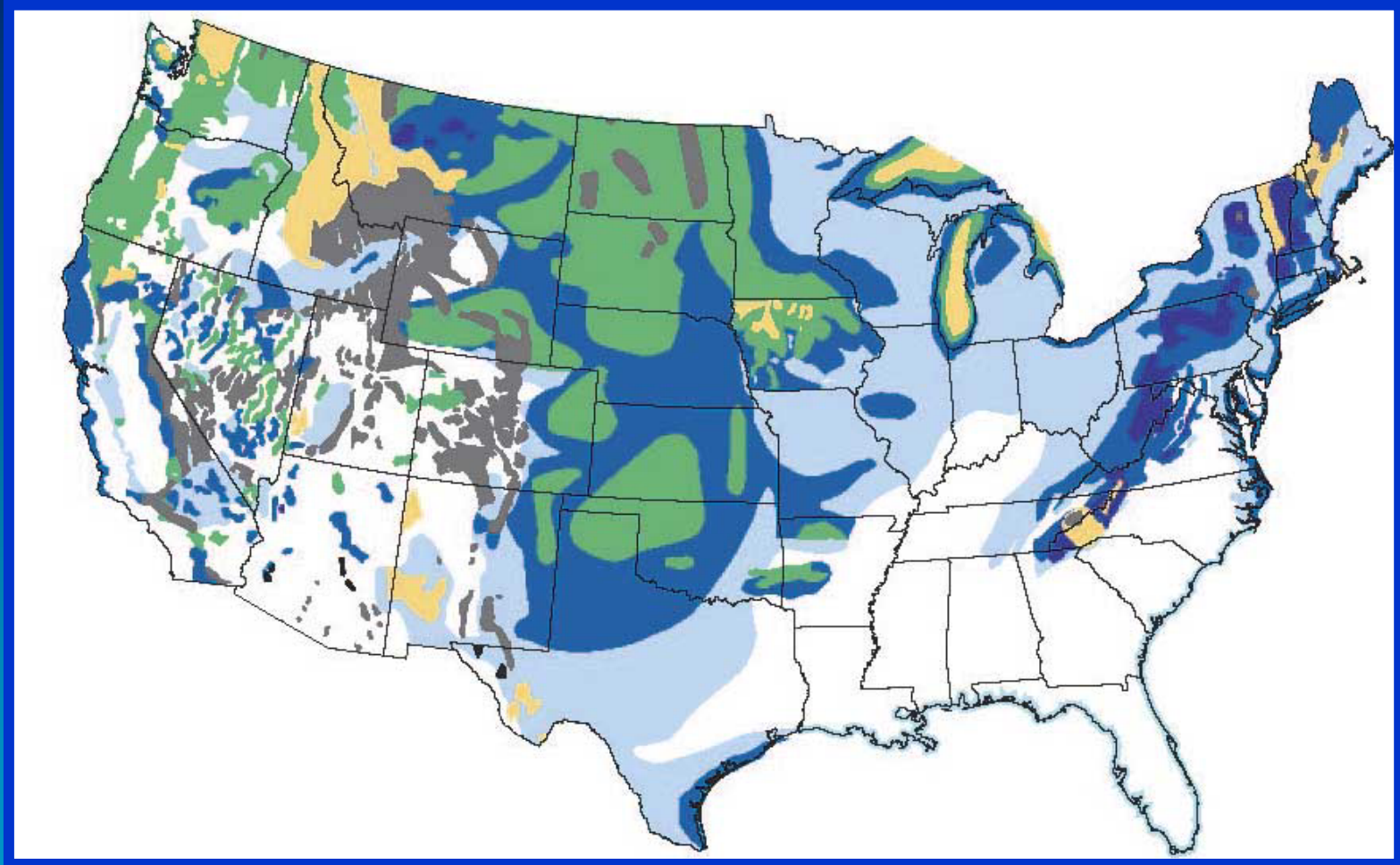


Owner of 29  
hydroelectric  
facilities in Maine  
(370 MW)



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# *Where the Wind Blows*



# Then and Now

*From this . . . . . to this*

**“Old” Oak Creek Wind Farm, CA  
60kW Turbines, 1984**



**Highmore, SD  
GE 1.5 MW Turbines, 2003**

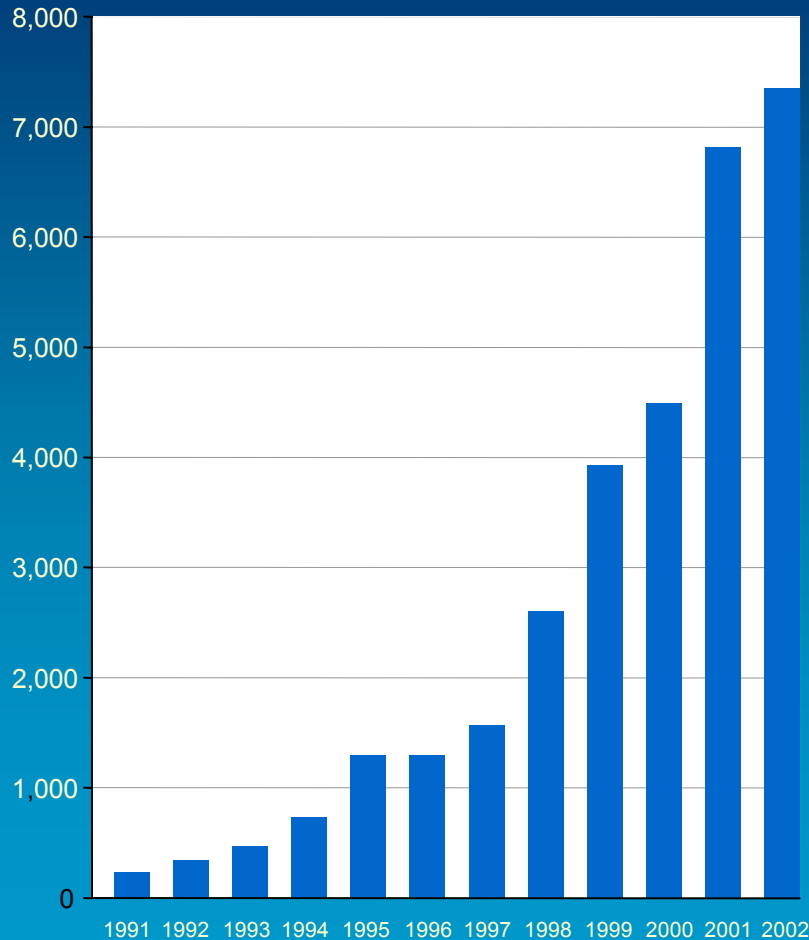


	1980	1990	2003
<b>Rotor Diameter (meters)</b>	12	39	60+
<b>kW Per Turbine</b>	50	500	1,500+
<b>Availability</b>	60%	90%	98%+
<b>Wind Energy Cost ( ¢/kWh)</b>	40	10	2-4

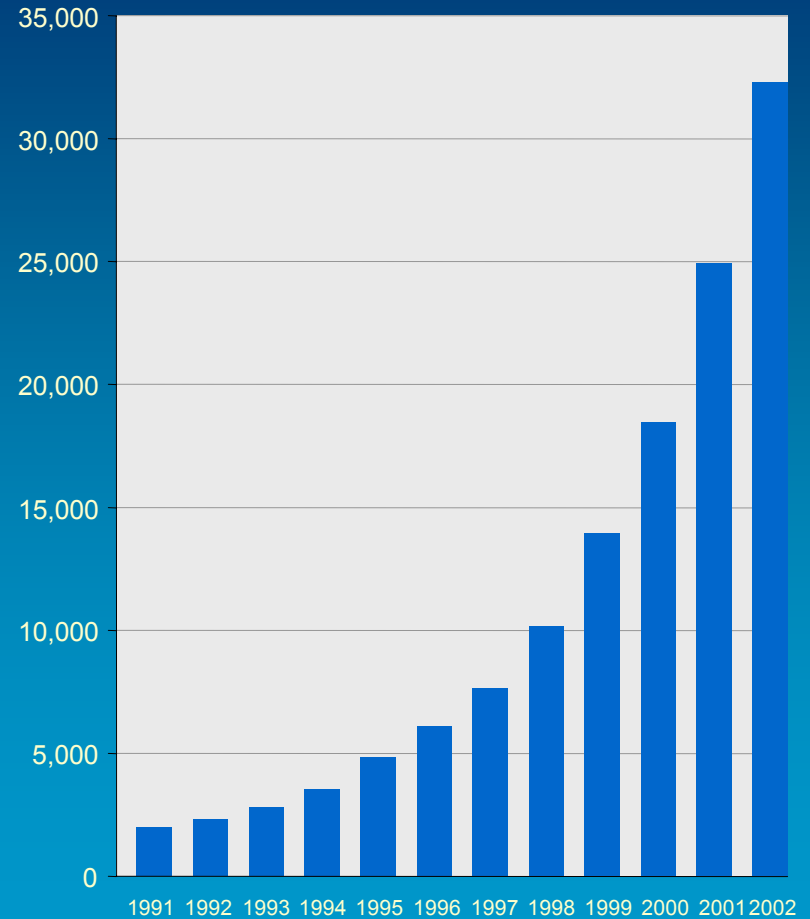


# Not A Niche Industry Anymore

## World Wind Power Capacity Additions (MW)



## World Wind Power Cumulative Capacity (MW)



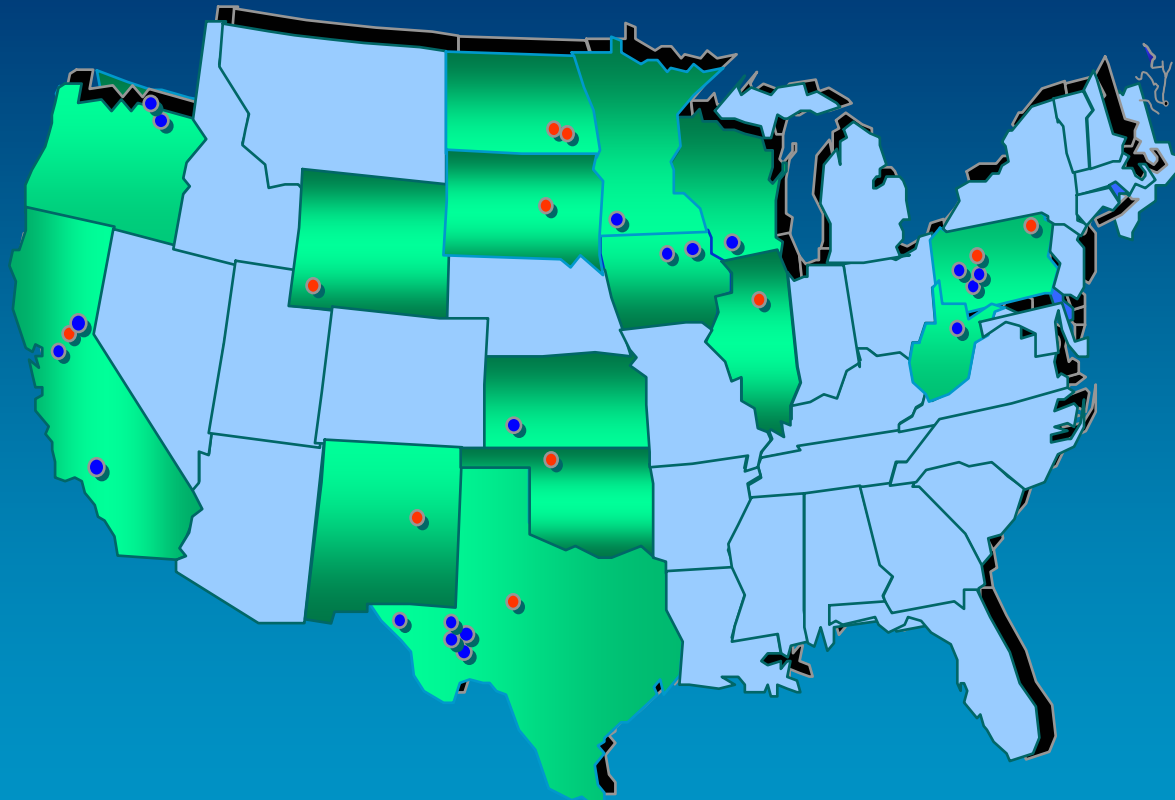
# ***U.S. Leader in Wind Energy***

- U.S. wind capacity = 6200 MW  $\pm$  by YE 2003
  - FPLE will have nearly 2,600 MW by Dec. 2003 (total wind portfolio)
- Will build, own and operate 50-60% of all new U.S. wind in 2003
- At least 836 new MWs in 2003 at 13 sites
- Nearly \$2.5 billion invested in wind by YE 2003



# *Our Wind Portfolio*

**Nearly 2,600 Net MW of Wind YE 2003**



**Presence in 15 states**

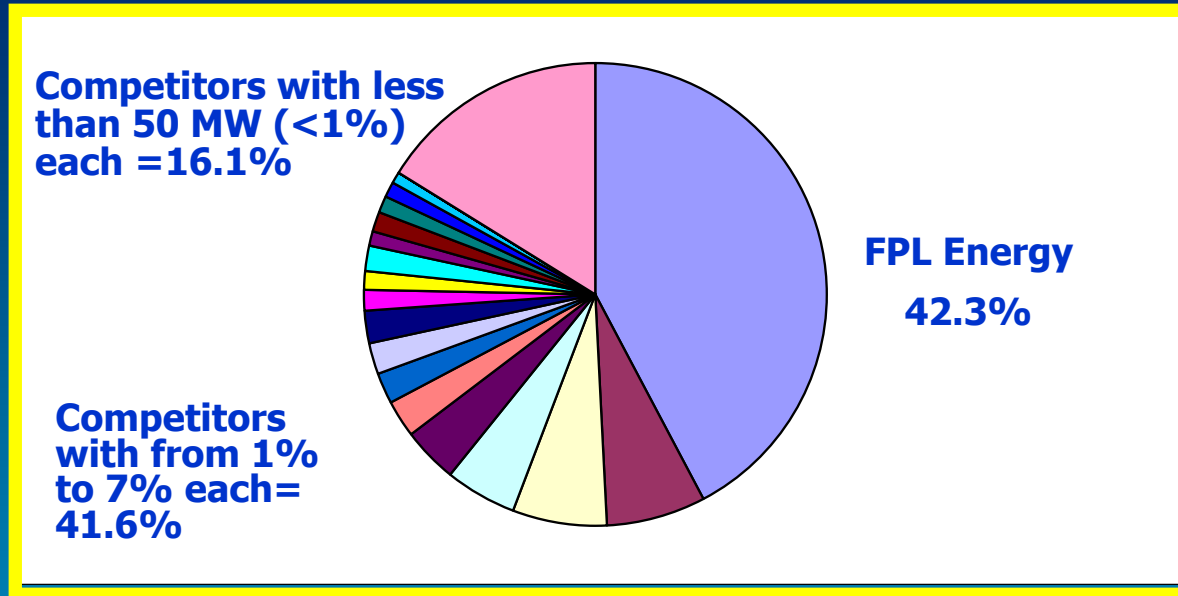
**31 Wind Facilities in Operation**

**10 Under Construction**



**FPL Energy**

# U.S. Wind Market Share (MW)



## Yearly Market Share (MW)

**Total New Capacity Installed**

**FPL Energy Contribution**

	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Total New Capacity Installed	1,697	410	1,534
FPL Energy Contribution	843	201 <sup>†</sup>	812 <sup>††</sup>
	50%	49%	53%

\*Estimate as of 9/11/03

<sup>†</sup>Excludes 123 MW of Acquisitions

<sup>††</sup>Excludes 24 MW of Acquisitions



FPL Energy

# *FPL Energy's Wind Energy Focus*

- Greenfield
- Late stage greenfield
- Acquisitions



# *Key Factors for Success*

- The right site
  - land use and landowners
  - transmission and interconnection
  - wind data
- PPA with the right entity
- Good financials
- Public acceptance
  - local community support
  - political



# *Site Selection*

## *The Right Topography*



Wind is compatible with traditional land usage



# *Good Wind Data*

- Sites in established wind regions
- Solid wind data
  - generally 18-24 months or more of on-site data
  - strong correlation to long term reference tower data
- Rigorous examination of wind data
  - outside consultants
  - in house meteorologist and statisticians



# *Corporate Responsibility*

- Work closely with landowners to assure they are fairly treated
- Locate turbines on as many different properties as possible
  - what's best for the community?
- Communicate with landowners on “process,” to minimize disruption during construction, operations



# *Finding Offtakers*

- Identify appropriate PPA customers
- Determine their interest
  - Size (MW)
  - Price (cents/kwh)
  - Timing (2004, 2005, etc.)
  - Does this plan “fit” with the customer’s long-term plans?
    - Is it competitive with other wholesale choices?



# *PPA Pricing and Credit*

- Must be competitive
  - 2-4 cents (2003 national range)
- Should reflect the realities of the wholesale marketplace
- Captures value at the wholesale and retail level
  - includes green credits
- Buyer must be a “third-party financeable” entity



# *Are The Financials Right?*

- IRR

- ROE

- EPS



- Wind resource analysis



# ***Tax Incentives***

- Often 50% of the financial return
- Essential for wind development
- Available only to companies with appropriate income to offset



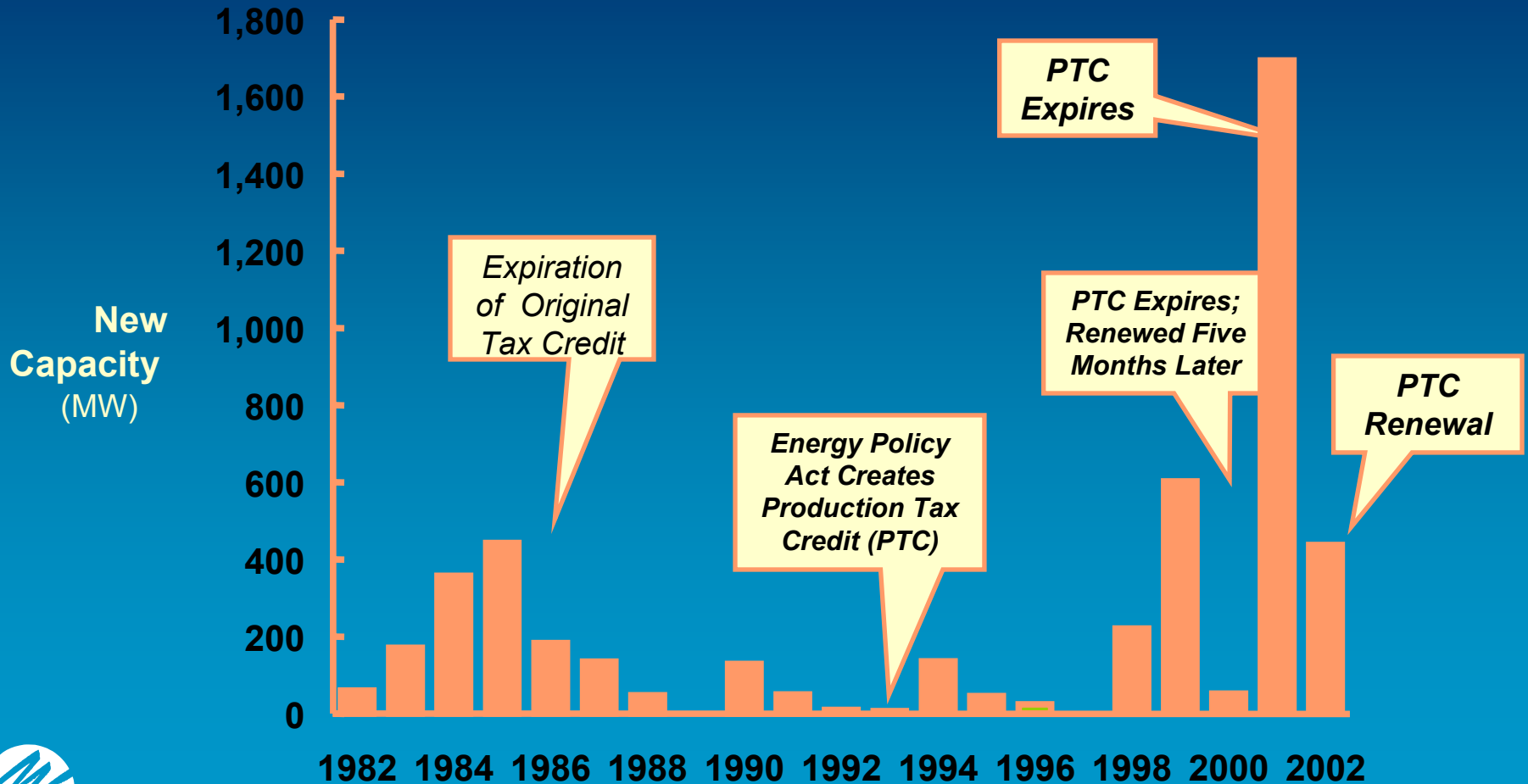
# *More On Wind Financials*

- 1.8 cent federal tax credit for 10 years (Section 45)
- State or local incentives are important
- Accretive earnings profile (book income)
- Long term PPA
- Accelerated/bonus depreciation



# US Annual Installation of New Wind Capacity

## US Annual Installation of New Wind Capacity



Source: Cambridge Energy Research Associates/FPLE



# FPL Energy Wind Financing

FPLE has  
traditionally  
used balance  
sheet  
financing



**\$1,100/ kW average to  
build in 2003**



**FPL Energy**


# *Development of Financing Strategy*

- Examined FPLE wind portfolio
  - narrowed candidates to those wholly owned by FPLE with credit worthy off-takers
- Focused on those with operating histories complimented by larger new projects
- Portfolio seen as the first best opportunity to introduce the wind business to the financial community
  - able to achieve investment grade rating
  - mitigates major risks through diversity



# *FPL Energy*

## *Wind Financing Strategy*

- Wind energy has matured to attract non-recourse financing
  - reliable technology  Availability Factors >97%
  - better understanding of wind resource
  - long term PPA's
- We develop our projects to a “non recourse” financing standard
- FPL Energy is considering “non-recourse” and limited recourse financing for its wind projects
  - bank financing
  - private placements
  - 144A
  - tax driven structures



# ***FPL Energy American Wind***

- The first wind-only 144(a) bond offering
- \$380 million
- Investment-grade credit rating with Moody's, S&P



**FPL Energy**

# Summary of Offering

Issuer:	FPL Energy American Wind, LLC
Credit Rating:	Baa3 / BBB-
Owner:	FPL Energy, LLC
Guarantor:	FPL Group Capital Inc (A2/A-)
Projects:	Seven wind power projects totaling 697.2 MW
Offering:	\$380 million of senior secured bonds due June 20, 2023
Use of Proceeds:	Reimburse advances by Sponsor
Tenor / Average Life:	20 years / 9.0 years
Payment Date:	Annual, each June 20
Debt Service Reserve:	12 months (approximately \$48 million)
Other Reserves:	\$16 million in Operating and Major Maintenance Reserve
Guarantor Support:	Completion Guarantee , Production Tax Credit Agreement
Collateral:	Mortgage; financing and project agreements; collateral accounts



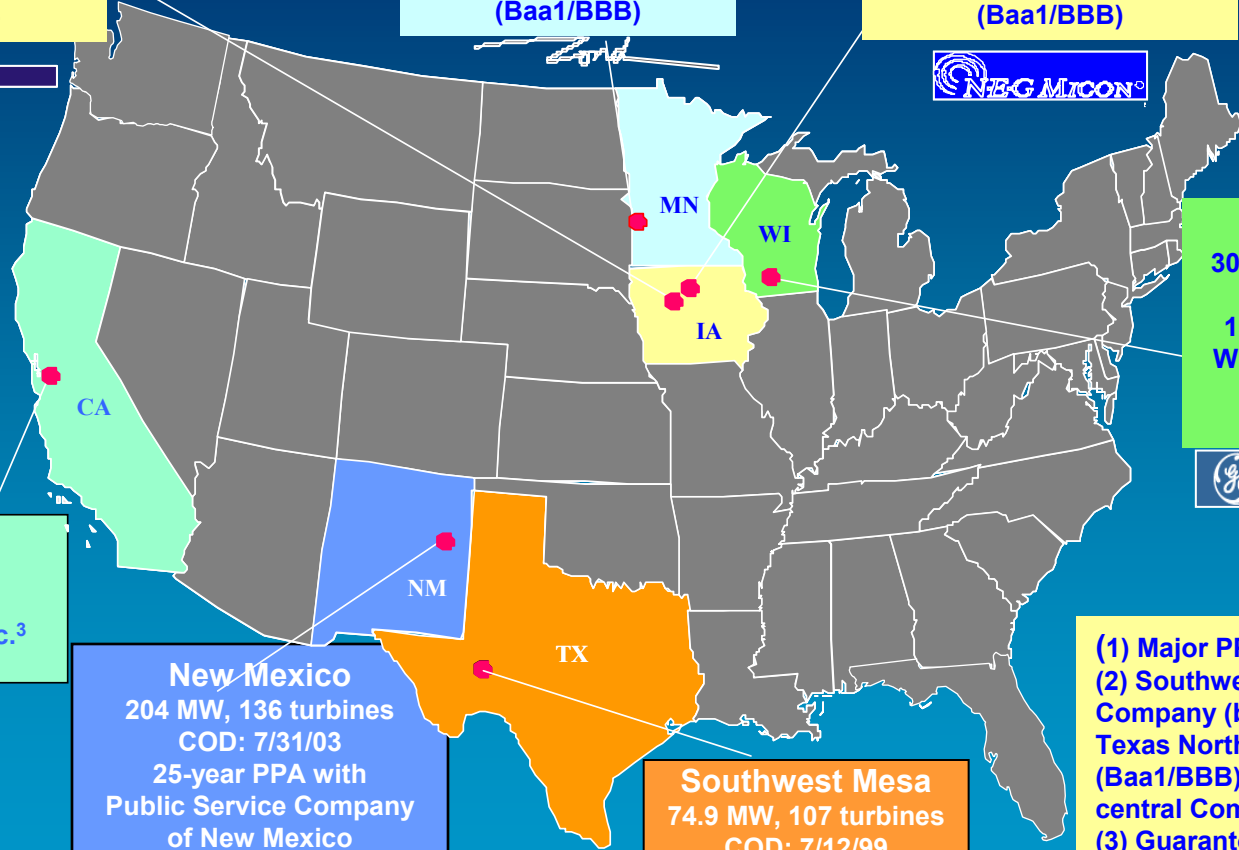
# A Truly Diverse Portfolio

**Hancock<sup>1</sup>**  
 97.7 MW, 148 turbines  
 COD: 12/3/02  
 25-year PPA with  
 Interstate Power & Light  
 (Baa1/BBB)



**Lake Benton II**  
 103.5 MW, 138 turbines  
 COD: 6/99  
 25-year PPA with  
 Northern States Power  
 (Baa1/BBB)

**Cerro Gordo**  
 41.3 MW, 55 turbines  
 COD: 6/30/99  
 25-year PPA with  
 Interstate Power & Light  
 (Baa1/BBB)



**Montfort<sup>1</sup>**  
 30 MW, 20 turbines  
 COD: 6/1/01  
 10-year PPA with  
 Wisconsin Electric  
 Power  
 (Aa3/A-)



**High Winds**  
 145.8 MW, 81 turbines  
 COD: 7/31/03  
 25-year PPA with PPM Inc.<sup>3</sup>  
 (NR/A)



**New Mexico**  
 204 MW, 136 turbines  
 COD: 7/31/03  
 25-year PPA with  
 Public Service Company  
 of New Mexico  
 (baa3/BB-)



**Southwest Mesa**  
 74.9 MW, 107 turbines  
 COD: 7/12/99  
 20-yr PPA with  
 AEP Companies<sup>2</sup>



(1) Major PPA Only  
 (2) Southwestern Electric Power  
 Company (baa1/BBB), AEP  
 Texas North company  
 (Baa1/BBB) and AEP Texas  
 central Company (Baa2/BBB)  
 (3) Guarantor's rating



# ***A Truly Diverse Portfolio***

## **Diversity of Offtakers**

- All energy sold via long-term fixed price PPAs to 12 offtakers
- 9 investment-grade utilities, 3 non-rated cooperative/municipalities
- 24% of projected cash flow guaranteed by FPL Group Capital (A2/A-)

## **Diversity of Technology**

- 685 commercially-proven turbines (5 types from 4 manufacturers)
- World's largest and most experienced turbine manufacturers
- Historical and expected availability averaging 97%

## **Diversity of Wind Regions**

- 6 states in 4 established and independent wind regions
- Wind variability reduced across the portfolio
- Independently developed wind energy projections

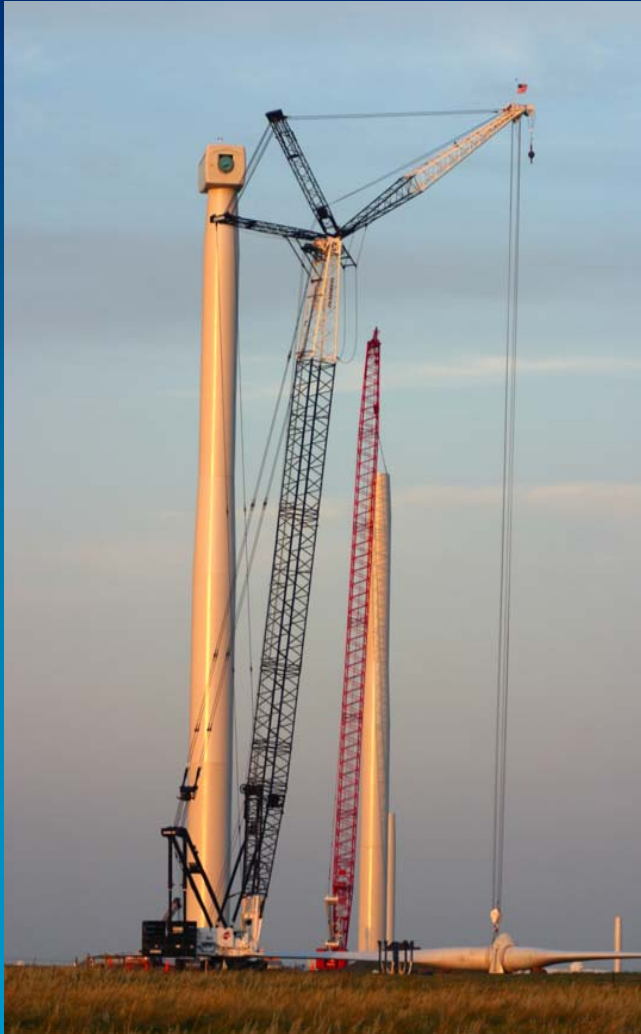


# *Offering Highlights*

- 34 Investors
- Nearly \$900 million in orders for \$380 million of bonds
- Investment grade rating
- Timeliness of offering
  - started in Feb '02 with closing July '02
- Raised the bar for future wind financing by our competitors
- Wind industry now “legit”



# *A Successful Wind Project Needs*



- Construction expertise
- Timing
- Solid financials
- Economies of scale
- Transmission/  
interconnection



# Along With...

- Quick-to-market results
- Financing flexibility and dependability
  - ability to use tax credits
  - competitive PPA price, terms/conditions



# *Typical Results*

- Ground-breaking in May/June
- Turbines in place mid-August
- On-line mid-September
- Commissioning ceremonies early October
- Usually less than 6 months from first groundbreaking to C.O.D.



# *Too Good To Be True?*

## *Why Some Projects Fail*

- Land leases
  - secured before PPA
  - terms and conditions over-promise
- PPA structure, pricing, credit issues
  - not “third-party financeable”
- Transmission challenges
- Wind data does not hold up
- Community commitment lacking

