

FPL GROUP INC
Form 10-Q
August 01, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 2008**

Commission File Number	Exact name of registrants as specified in their charters, address of principal executive offices and registrants' telephone number	IRS Employer Identification Number
1-8841	FPL GROUP, INC. FLORIDA POWER & LIGHT COMPANY	59-2449419
2-27612	700 Universe Boulevard Juno Beach, Florida 33408 (561) 694-4000	59-0247775

State or other jurisdiction of incorporation or organization: Florida

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) have been subject to such filing requirements for the past 90 days.

FPL Group, Florida Power & Light Company Yes No

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Inc. Yes No

Indicate by check mark whether the registrants are a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

FPL Group, Inc.	Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>
Florida Power & Light Company	Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input checked="" type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

The number of shares outstanding of FPL Group, Inc. common stock, as of the latest practicable date: Common Stock, \$0.01 par value, outstanding at June 30, 2008: 408,489,991 shares.

As of June 30, 2008, there were issued and outstanding 1,000 shares of Florida Power & Light Company common stock, without par value, all of which were held, beneficially and of record, by FPL Group, Inc.

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

Florida Power & Light Company meets the conditions set forth under General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with reduced disclosure format.

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FPL Group, Inc., Florida Power & Light Company, FPL Group Capital Inc and FPL Energy, LLC each have subsidiaries and affiliates with names that include FPL, FPL Energy, FPLE and similar references. For convenience and simplicity, in this report the terms FPL Group, FPL, FPL Group Capital and FPL Energy are sometimes used as abbreviated references to specific subsidiaries, affiliates or groups of subsidiaries or affiliates. The precise meaning depends on the context.

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 likely result, are expected to, will continue, is anticipated, aim, believe, could, estimated, may, plan, potential, projection, target, outlook, predict, intend) 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 have a significant impact on FPL Group, Inc.'s (FPL Group) and/or Florida Power & Light Company's (FPL) operations and financial results, and could cause FPL Group's and/or FPL's actual results to differ materially from those contained in forward-looking statements made by or on behalf of FPL Group and/or FPL in this combined Form 10-Q, in presentations, on their respective websites, in response to questions or otherwise.

- FPL Group and FPL are subject to complex laws and regulations and to changes in laws and regulations as well as changing governmental policies and regulatory actions, including, but not limited to, initiatives regarding deregulation and restructuring of the energy industry and environmental matters, including, but not limited to, matters related to the effects of climate change. 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 Group and FPL.

- The operation and maintenance of transmission, distribution and power generation facilities, including nuclear facilities, involve significant risks that could adversely affect the results of operations and financial condition of FPL Group and FPL.
- The construction of, and capital improvements to, power generation facilities, including nuclear facilities, involve substantial risks. Should construction or capital improvement efforts be unsuccessful, the results of operations and financial condition of FPL Group and FPL could be adversely affected.
- The use of derivative contracts by FPL Group and FPL in the normal course of business could result in financial losses that negatively impact the results of operations of FPL Group and FPL.

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- FPL Group's competitive energy business is subject to risks, many of which are beyond the control of FPL Group, including, but not limited to, 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, that may reduce the revenues and adversely impact the results of operations and financial condition of FPL Group.
- FPL Group's ability to successfully identify, complete and integrate acquisitions is subject to significant risks, including, but not limited to, the effect of increased competition for acquisitions resulting from the consolidation of the power industry.
- Because FPL Group and FPL rely on access to capital markets, the inability to maintain current credit ratings and to access capital markets on favorable terms may limit the ability of FPL Group and FPL to grow their businesses and would likely increase interest costs.
- Customer growth in FPL's service area affects FPL Group's and FPL's results of operations.
- Weather affects FPL Group's and 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 Group and FPL are 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 and corporate governance requirements.
- Threats of terrorism and catastrophic events that could result from terrorism, cyber attacks, or individuals and/or groups attempting to disrupt FPL Group's and FPL's business may impact the operations of FPL Group and FPL in unpredictable ways.
- The ability of FPL Group and FPL to obtain insurance and the terms of any available insurance coverage could be adversely affected by national, state or local events and company-specific events.
- FPL Group and FPL are subject to employee workforce factors that could adversely affect the businesses and financial condition of FPL Group and FPL.

These and other risk factors are included in Part I, Item 1A. Risk Factors of FPL Group's and FPL's Annual Report on

Form 10-K for the year ended December 31, 2007 (2007 Form 10-K), and investors should refer to that section of the 2007 Form 10-K. 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, including unanticipated events, after the date on which such statement is made. 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.

Website Access to U.S. Securities and Exchange Commission (SEC) Filings. FPL Group and FPL make their SEC filings, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, available free of charge on FPL Group's internet website, www.fplgroup.com, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Information on FPL Group's website (or any of its subsidiaries' websites) is not incorporated by reference in this Form 10-Q.

PART I

- FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
OPERATING REVENUES	\$ 3,585	\$ 3,929	\$ 7,020	\$ 7,004
OPERATING EXPENSES				
Fuel, purchased power and interchange	1,964	2,106	3,690	3,778
Other operations and maintenance	651	561	1,293	1,077
Storm cost amortization	15	19	25	42
Depreciation and amortization	344	308	677	604
Taxes other than income taxes	298	271	578	541
Total operating expenses	3,272	3,265	6,263	6,042
OPERATING INCOME	313	664	757	962
OTHER INCOME (DEDUCTIONS)				
Interest expense	(195)	(178)	(393)	(358)
Equity in earnings of equity method investees	26	22	40	31
Gains (losses) on disposal of assets	3	(1)	7	-
Allowance for equity funds used during construction	8	5	13	13
Interest income	21	23	36	46

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Other - net	(16)	(3)	(20)	(6)
Total other deductions - net	<u>(153)</u>	<u>(132)</u>	<u>(317)</u>	<u>(274)</u>
INCOME BEFORE INCOME TAXES	160	532	440	688
INCOME TAX EXPENSE (BENEFIT)	<u>(49)</u>	<u>127</u>	<u>(18)</u>	<u>133</u>
NET INCOME	<u>\$ 209</u>	<u>\$ 405</u>	<u>\$ 458</u>	<u>\$ 555</u>
Earnings per share of common stock:				
Basic	\$ 0.52	\$ 1.02	\$ 1.15	\$ 1.40
Assuming dilution	\$ 0.52	\$ 1.01	\$ 1.14	\$ 1.39
Dividends per share of common stock	\$ 0.445	\$ 0.41	\$ 0.89	\$ 0.82
Weighted-average number of common shares outstanding:				
Basic	399.8	397.6	399.5	397.2
Assuming dilution	402.6	400.4	402.3	400.0

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements (Notes) herein and the Notes to Consolidated Financial Statements appearing in the 2007 Form 10-K for FPL Group and FPL.

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FPL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(millions)

(unaudited)

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	\$ 39,637	\$ 38,231
Nuclear fuel	1,145	1,096

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Construction work in progress	2,400	1,713
Less accumulated depreciation and amortization	(12,683)	(12,388)
Total property, plant and equipment - net	<u>30,499</u>	<u>28,652</u>
CURRENT ASSETS		
Cash and cash equivalents	424	290
Customer receivables, net of allowances of \$21 and \$24, respectively	1,680	1,496
Other receivables, net of allowances of \$6 and \$8, respectively	348	225
Materials, supplies and fossil fuel inventory - at average cost	1,096	857
Regulatory assets:		
Deferred clause and franchise expenses	518	103
Securitized storm-recovery costs	61	59
Derivatives	-	117
Other	4	2
Derivatives	1,066	182
Other	291	448
Total current assets	<u>5,488</u>	<u>3,779</u>
OTHER ASSETS		
Special use funds	3,325	3,482
Prepaid benefit costs	1,975	1,911
Other investments	442	391
Regulatory assets:		
Securitized storm-recovery costs	730	756
Deferred clause expenses	-	121
Unamortized loss on reacquired debt	34	36
Other	97	95
Other	1,163	900
Total other assets	<u>7,766</u>	<u>7,692</u>
TOTAL ASSETS	<u>\$ 43,753</u>	<u>\$ 40,123</u>
CAPITALIZATION		
Common stock	\$ 4	\$ 4
Additional paid-in capital	4,737	4,670
Retained earnings	6,060	5,945
Accumulated other comprehensive income (loss)	(187)	116
Total common shareholders' equity	<u>10,614</u>	<u>10,735</u>
Long-term debt	<u>12,057</u>	<u>11,280</u>
Total capitalization	<u>22,671</u>	<u>22,015</u>
CURRENT LIABILITIES		
Commercial paper	1,426	1,017

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Current maturities of long-term debt	1,177	1,401
Accounts payable	1,912	1,204
Customer deposits	559	539
Accrued interest and taxes	474	351
Regulatory liabilities:		
Deferred clause and franchise revenues	10	18
Derivatives	977	-
Pension	24	24
Derivatives	888	289
Other	900	915
Total current liabilities	<u>8,347</u>	<u>5,758</u>
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	2,220	2,157
Accumulated deferred income taxes	3,782	3,821
Regulatory liabilities:		
Accrued asset removal costs	2,114	2,098
Asset retirement obligation regulatory expense difference	770	921
Pension	678	696
Other	271	236
Derivatives	838	351
Other	2,062	2,070
Total other liabilities and deferred credits	<u>12,735</u>	<u>12,350</u>
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 43,753</u>	<u>\$ 40,123</u>

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2007 Form 10-K for FPL Group and FPL.

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

	Six Months Ended June 30,	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 458	\$ 555
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		

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Depreciation and amortization	677	604
Nuclear fuel amortization	91	66
Recoverable storm-related costs of FPL	72	(7)
Storm cost amortization	25	42
Unrealized losses on marked to market energy contracts	334	117
Deferred income taxes	86	302
Cost recovery clauses and franchise fees	(302)	50
Change in prepaid option premiums and derivative settlements	(3)	87
Equity in earnings of equity method investees	(40)	(31)
Distributions of earnings from equity method investees	34	112
Changes in operating assets and liabilities:		
Customer receivables	(183)	(154)
Other receivables	(13)	1
Materials, supplies and fossil fuel inventory	(233)	(29)
Other current assets	(81)	(68)
Other assets	(105)	(82)
Accounts payable	660	183
Customer deposits	20	17
Margin cash collateral	527	122
Income taxes	(115)	(188)
Interest and other taxes	129	115
Other current liabilities	(31)	(39)
Other liabilities	(21)	(19)
Other - net	82	94
Net cash provided by operating activities	<u>2,068</u>	<u>1,850</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures of FPL	(1,161)	(878)