FLORIDA POWER & LIGHT CO
Form 10-Q
May 03, 2010

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 March 31, 2010

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

State or other jurisdiction of incorporation or organization: Florida

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

FPL Group, Inc. Yes þ No ¨ Florida Power & Light Company Yes þ No ¨

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

FPL Group, Inc. Yes þ No ¨ Florida Power & Light

Company 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 þ	Accelerated Filer ¨	Non-Accelerated Filer ¨	Smaller Reporting Company ¨
Florida Power & Light Company	Large Accelerated Filer ¨	Accelerated Filer ¨	Non-Accelerated Filer þ	Smaller Reporting Company ¨

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 þ

The number of shares outstanding of FPL Group, Inc. common stock, as of the latest practicable date: common stock, $0.01 par value, outstanding as of March 31, 2010: 414,672,538 shares.

As of March 31, 2010, 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 in General Instruction H.(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

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FPL Group, Inc., Florida Power & Light Company, FPL Group Capital Inc and NextEra Energy Resources, LLC each has subsidiaries and affiliates with names that may include FPL, NextEra Energy Resources, NextEra Energy, FPL Energy, FPLE and similar references. For convenience and simplicity, in this report the terms FPL Group, FPL, FPL Group Capital and NextEra Energy Resources 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, strategies, future events or performance (often, but not always, through the use of words or phrases such as will, will likely result, are expected to, will continue, is anticipated, aim, 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, important factors included in Part II, Item 1A. Risk 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 or implied 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.

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, unless otherwise required by law. 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 or implied 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 combined Form 10-Q. The SEC maintains an internet website at www.sec.gov that contains reports, proxy statements and other information about FPL Group and FPL filed electronically with the SEC.

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 March 31, 2010	2009
OPERATING REVENUES	$3,622	$3,705
OPERATING EXPENSES		
Fuel, purchased power and interchange	1,349	1,811
Other operations and maintenance	659	618
Depreciation and amortization	414	409
Taxes other than income taxes and other	261	284
Total operating expenses	2,683	3,122
OPERATING INCOME	939	583
OTHER INCOME (DEDUCTIONS)		
Interest expense	(238)	(211)
Equity in earnings of equity method investees	7	7
Allowance for equity funds used during construction	7	15
Interest income	18	27
Gains on disposal of assets - net	39	7
Other than temporary impairment losses on securities held in nuclear decommissioning funds	(1)	(53)
Other - net	(1)	8
Total other deductions - net	(169)	(200)
INCOME BEFORE INCOME TAXES	770	383
INCOME TAXES	214	19
NET INCOME	$556	$364
Earnings per share of common stock:		
Basic	$1.36	$0.90
Assuming dilution	$1.36	$0.90
Dividends per share of common stock	$0.5000	$0.4725

Weighted-average number of common shares outstanding:		
Basic	407.5	402.3
Assuming dilution	410.1	404.8

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 FPL Group's and FPL's Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K).

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

	March 31, 2010	December 31, 2009
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	$46,586	$ 46,330
Nuclear fuel	1,406	1,414
Construction work in progress	3,275	2,425
Less accumulated depreciation and amortization	(14,413)	(14,091)
Total property, plant and equipment - net ($1,176 related to VIEs at March 31, 2010)	36,854	36,078
CURRENT ASSETS		
Cash and cash equivalents	1,215	238
Customer receivables, net of allowances of $14 and $23, respectively	1,174	1,431
Other receivables, net of allowances of $1 and $1, respectively	772	816
Materials, supplies and fossil fuel inventory	852	877
Regulatory assets:		
Deferred clause and franchise expenses	86	69
Securitized storm-recovery costs	71	69
Derivatives	430	68
Other	3	3
Derivatives	611	357
Other	343	409
Total current assets	5,557	4,337
OTHER ASSETS		
Special use funds	3,509	3,390
Other investments	970	935
Prepaid benefit costs	1,204	1,184
Regulatory assets:		
Securitized storm-recovery costs ($381 related to a VIE at March 31, 2010)	617	644
Deferred clause expenses	23	-
Other	336	265
Other	1,872	1,625
Total other assets	8,531	8,043
TOTAL ASSETS	$50,942	$ 48,458
CAPITALIZATION		
Common stock	$4	$ 4
Additional paid-in capital	5,084	5,055
Retained earnings	8,091	7,739
Accumulated other comprehensive income	157	169
Total common shareholders' equity	13,336	12,967
Long-term debt ($810 related to VIEs at March 31, 2010)	16,601	16,300
Total capitalization	29,937	29,267

CURRENT LIABILITIES		
Commercial paper	2,517	2,020
Notes payable	418	-
Current maturities of long-term debt	977	569
Accounts payable	937	992
Customer deposits	628	613
Accrued interest and taxes	461	466
Regulatory liabilities:		
Deferred clause and franchise revenues	24	377
Pension	2	2
Derivatives	772	221
Other	1,046	1,189
Total current liabilities	7,782	6,449
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	2,413	2,418
Accumulated deferred income taxes	5,083	4,860
Regulatory liabilities:		
Accrued asset removal costs	2,249	2,251
Asset retirement obligation regulatory expense difference	714	671
Pension	15	16
Other	278	244
Derivatives	369	170
Other ($697 related to a VIE at March 31, 2010)	2,102	2,112
Total other liabilities and deferred credits	13,223	12,742
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$50,942	$ 48,458

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2009 Form 10-K for FPL Group and FPL.

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$556	$364
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	414	409
Nuclear fuel amortization	72	60
Unrealized gains on marked to market energy contracts	(324)	(75)
Deferred income taxes	270	(18)
Cost recovery clauses and franchise fees	(392)	266
Change in prepaid option premiums and derivative settlements	164	47
Equity in earnings of equity method investees	(7)	(7)
Changes in operating assets and liabilities:		
Customer receivables	257	162
Other receivables	(6)	31
Materials, supplies and fossil fuel inventory	26	97
Other current assets	(12)	(8)
Other assets	(30)	(30)
Accounts payable	(22)	(130)
Customer deposits	15	13
Margin cash collateral	16	(185)
Income taxes	(75)	45
Interest and other taxes	16	72
Other current liabilities	(40)	(100)
Other liabilities	9	(3)
Other - net	(11)	33
Net cash provided by operating activities	896	1,043
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures of FPL	(794)	(575)
Independent power investments	(567)	(422)
Cash grants under the American Recovery and Reinvestment Act of 2009	99	-
Nuclear fuel purchases	(37)	(70)
Other capital expenditures	(15)	(9)
Sale of independent power investments	-	5
Proceeds from sale of securities in special use funds	1,900	875
Purchases of securities in special use funds	(1,937)	(892)
Proceeds from sale of other securities	244	17
Purchases of other securities	(253)	(26)
Other - net	(1)	1
Net cash used in investing activities	(1,361)	(1,096)

CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of long-term debt	800	1,508
Retirements of long-term debt	(102)	(359)
Net change in short-term debt	916	(1,220)
Issuances of common stock	12	49
Dividends on common stock	(204)	(191)
Other - net	20	7
Net cash provided by (used in) financing activities	1,442	(206)
Net increase (decrease) in cash and cash equivalents	977	(259)
Cash and cash equivalents at beginning of period	238	535
Cash and cash equivalents at end of period	$1,215	$276
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued property additions	$571	$610

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2009 Form 10-K for FPL Group and FPL.

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
OPERATING REVENUES	$2,328	$2,573
OPERATING EXPENSES		
Fuel, purchased power and interchange	1,107	1,469
Other operations and maintenance	373	340
Depreciation and amortization	229	251
Taxes other than income taxes and other	226	251
Total operating expenses	1,935	2,311
OPERATING INCOME	393	262
OTHER INCOME (DEDUCTIONS)		
Interest expense	(87)	(77)
Allowance for equity funds used during construction	7	15
Other - net	(1)	(2)
Total other deductions - net	(81)	(64)
INCOME BEFORE INCOME TAXES	312	198
INCOME TAXES	121	71
NET INCOME	$191	$127

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2009 Form 10-K for FPL Group and FPL.

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

	March 31, 2010	December 31, 2009
ELECTRIC UTILITY PLANT		
Plant in service	$28,819	$ 28,677
Nuclear fuel	719	756
Construction work in progress	1,958	1,549
Less accumulated depreciation and amortization	(10,692)	(10,578)
Electric utility plant - net	20,804	20,404
CURRENT ASSETS		
Cash and cash equivalents	590	83
Customer receivables, net of allowances of $12 and $21, respectively	646	838
Other receivables, net of allowances of $1 and $1, respectively	149	182
Materials, supplies and fossil fuel inventory	517	529
Regulatory assets:		
Deferred clause and franchise expenses	86	69
Securitized storm-recovery costs	71	69
Derivatives	430	68
Other	135	123
Total current assets	2,624	1,961
OTHER ASSETS		
Special use funds	2,485	2,408
Prepaid benefit costs	1,031	1,017
Regulatory assets:		
Securitized storm-recovery costs ($381 related to a VIE at March 31, 2010)	617	644
Deferred clause expenses	23	-
Other	285	214
Other	184	164
Total other assets	4,625	4,447
TOTAL ASSETS	$28,053	$ 26,812
CAPITALIZATION		
Common stock	$1,373	$ 1,373
Additional paid-in capital	4,393	4,393
Retained earnings	2,861	2,670
Total common shareholder's equity	8,627	8,436
Long-term debt ($507 related to a VIE at March 31, 2010)	6,275	5,794
Total capitalization	14,902	14,230
CURRENT LIABILITIES		
Commercial paper	994	818
Notes payable	250	-

Current maturities of long-term debt	43	42
Accounts payable	544	539
Customer deposits	621	607
Accrued interest and taxes	298	303
Regulatory liabilities - deferred clause and franchise revenues	24	377
Derivatives	441	77
Other	495	659
Total current liabilities	3,710	3,422
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	1,856	1,833
Accumulated deferred income taxes	3,633	3,509
Regulatory liabilities:		
Accrued asset removal costs	2,249	2,251
Asset retirement obligation regulatory expense difference	714	671
Other	278	244
Other	711	652
Total other liabilities and deferred credits	9,441	9,160
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$28,053	$ 26,812

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2009 Form 10-K for FPL Group and FPL.

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

	Three Months Ended March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$191	$127
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	229	251
Nuclear fuel amortization	36	32
Deferred income taxes	123	183
Cost recovery clauses and franchise fees	(392)	266
Change in prepaid option premiums and derivative settlements	-	(1)
Changes in operating assets and liabilities:		
Customer receivables	192	93
Other receivables	18	55
Materials, supplies and fossil fuel inventory	12	29
Other current assets	(14)	(16)
Other assets	(27)	(16)
Accounts payable	2	(70)
Customer deposits	14	14
Margin cash collateral	(5)	-
Income taxes	(68)	(320)
Interest and other taxes	53	65
Other current liabilities	(25)	(61)
Other liabilities	21	6
Other - net	29	(7)
Net cash provided by operating activities	389	630
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(794)	(575)
Cash grants under the American Recovery and Reinvestment Act of 2009	44	-
Nuclear fuel purchases	(7)	(43)
Proceeds from sale of securities in special use funds	1,608	516
Purchases of securities in special use funds	(1,639)	(524)
Other - net	1	-
Net cash used in investing activities	(787)	(626)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of long-term debt	499	493
Retirements of long-term debt	(22)	(20)
Net change in short-term debt	426	(312)
Dividends	-	(200)
Other - net	2	11

Net cash provided by (used in) financing activities	905	(28)
Net increase (decrease) in cash and cash equivalents	507	(24)
Cash and cash equivalents at beginning of period	83	120
Cash and cash equivalents at end of period	$590	$96
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued property additions	$285	$303

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2009 Form 10-K for FPL Group and FPL.

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

The accompanying condensed consolidated financial statements should be read in conjunction with the 2009 Form 10-K for FPL Group and FPL. In the opinion of FPL Group and FPL management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. Certain amounts included in the prior year's condensed consolidated financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period generally will not give a true indication of results for the year.

1. Employee Retirement Benefits

FPL Group sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of FPL Group and its subsidiaries and has a supplemental executive retirement plan (SERP), which includes a non-qualified supplemental defined benefit pension component that provides benefits to a select group of management and highly compensated employees (collectively, pension benefits). In addition to pension benefits, FPL Group sponsors a contributory postretirement plan for health care and life insurance benefits (other benefits) for retirees of FPL Group and its subsidiaries meeting certain eligibility requirements.

The components of net periodic benefit (income) cost for the plans are as follows:

	Pension Benefits Three Months Ended March 31,		Other Benefits Three Months Ended March 31,	
	2010	2009	2010	2009
	(millions)			
Service cost	$15	$13	$1	$2
Interest cost	26	27	6	6
Expected return on plan assets	(60)	(60)	(1)	(1)
Amortization of transition obligation	-	-	1	1
Amortization of prior service benefit	(1)	(1)	-	-
Amortization of gains	-	(5)	-	-
Net periodic benefit (income) cost at FPL Group	$(20)	$(26)	$7	$8
Net periodic benefit (income) cost at FPL	$(14)	$(18)	$6	$6

2. Derivative Instruments

FPL Group and FPL use derivative instruments (primarily swaps, options, futures and forwards) to manage the commodity price risk inherent in the purchase and sale of fuel and electricity, as well as interest rate and foreign currency exchange rate risk associated with long-term debt, and to optimize the value of NextEra Energy Resources, LLC's (NextEra Energy Resources) power generation assets.

With respect to commodities related to FPL Group's competitive energy business, NextEra Energy Resources employs rigorous risk management procedures in order to optimize the value of its power generation assets, provide full energy and capacity requirements services primarily to distribution utilities, and engage in power and gas marketing and trading activities to take advantage of expected future favorable price movements and changes in the expected volatility of prices in the energy markets. These risk management activities involve the use of derivative instruments executed within prescribed limits to manage the risk associated with fluctuating commodity prices. Transactions in derivative instruments are executed on recognized exchanges or via the over-the-counter markets, depending on the most favorable credit terms and market execution factors. For NextEra Energy Resources' power generation assets, derivative instruments are used to hedge the commodity price risk associated with the fuel requirements of the assets, where applicable, as well as to hedge the expected energy output of these assets for the portion of the output that is not covered by long-term power purchase agreements (PPA). These hedges protect NextEra Energy Resources against adverse changes in the wholesale forward commodity markets associated with its generation assets. With regard to full energy and capacity requirements services, NextEra Energy Resources is required to vary the quantity of energy and related services based on the load demands of the customer served by the distribution utility. For this type of transaction, derivative instruments are used to hedge the anticipated electricity quantities required to serve these customers and protect against unfavorable changes in the forward energy markets. Additionally, NextEra Energy Resources takes positions in the energy markets based on differences between actual forward market levels and management's view of fundamental market conditions. NextEra Energy Resources uses derivative instruments to realize value from these market dislocations, subject to strict risk management limits around market, operational and credit exposure.

Derivative instruments, when required to be marked to market, are recorded on FPL Group's and FPL's condensed consolidated balance sheets as either an asset or liability measured at fair value. At FPL, substantially all changes in the derivatives' fair value are deferred as a regulatory asset or liability until the contracts are settled, and, upon settlement, any gains or losses are passed through the fuel and purchased power cost recovery clause (fuel clause) or the capacity cost recovery clause (capacity clause). For FPL Group's non-rate regulated operations, predominantly NextEra Energy Resources, unless hedge accounting is applied, essentially all changes in the derivatives' fair value for power purchases and sales and trading activities are recognized on a net basis in operating revenues; fuel purchases and sales are recognized on a net basis in fuel, purchased power and interchange expense; and the equity method investees' related activity is recognized in equity in earnings of equity method investees in FPL Group's condensed consolidated statements of income. Settlement gains and losses are included within the line items in the condensed consolidated statements of income to which they relate.

While most of NextEra Energy Resources' derivatives are entered into for the purpose of managing commodity price risk, and to reduce the impact of volatility in interest rates stemming from changes in variable interest rates on outstanding debt, hedge accounting is only applied where specific criteria are met and it is practicable to do so. In order to apply hedge accounting, the transaction must be designated as a hedge and it must be highly effective in offsetting the hedged risk. Additionally, for hedges of commodity price risk, physical delivery for forecasted commodity transactions must be probable. FPL Group believes that, where offsetting positions exist at the same location for the same time, the transactions are considered to have been netted and therefore physical delivery has been deemed not to have occurred for financial reporting purposes. Transactions for which physical delivery is deemed not to have occurred are presented on a net basis in the condensed consolidated statements of income. Generally, FPL Group assesses a hedging instrument's effectiveness by using regression analysis for commodity contracts, and nonstatistical methods including dollar value comparisons of the change in the fair value of the derivative to the change in the fair value or cash flows of the hedged item for interest rate swaps and foreign currency derivative instruments. Hedge effectiveness is tested at the inception of the hedge and on at least a quarterly basis throughout its life. The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is reported as a component of other comprehensive income (OCI) and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings. See Note 6. The ineffective portion of net unrealized gains (losses) on these hedges is reported in earnings in the current period.

In January 2010, FPL Group discontinued hedge accounting for its cash flow hedges related to commodity derivative instruments. FPL Group continues to apply hedge accounting to certain interest rate and foreign currency hedges. At March 31, 2010, FPL Group's accumulated other comprehensive income (AOCI) included amounts related to the discontinued commodity cash flow hedges which have expiration dates through December 2012. Additionally, at March 31, 2010, FPL Group had interest rate cash flow hedges with expiration dates through May 2024 and a foreign currency cash flow hedge that expires in December 2011.

FPL Group's and FPL's mark-to-market derivative instrument assets (liabilities) are included in the condensed consolidated balance sheets as follows:

	FPL Group		FPL	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
	(millions)			
Current derivative assets(a)	$ 611	$ 357	$ 11(b)	$ 10(b)
Noncurrent other assets(c)	563	329	4	4
Current derivative liabilities(d)	(772)	(221)	(441)	(77)
Noncurrent derivative liabilities(e)	(369)	(170)	(47)(f)	(1)(f)

Total mark-to-market derivative instrument assets (liabilities)	$	33	$	295	$	(473)	$	(64)

(a) At March 31, 2010 and December 31, 2009, FPL Group's balances reflect the netting of $55 million and $4 million (none at FPL), respectively, in margin cash collateral received from counterparties.
(b) Included in current other assets on FPL's condensed consolidated balance sheets.
(c) At March 31, 2010 and December 31, 2009, FPL Group's balances reflect the netting of $2 million and $1 million (none at FPL), respectively, in margin cash collateral received from counterparties.
(d) At March 31, 2010 and December 31, 2009, FPL Group's balances reflect the netting of $79 million and $75 million (none at FPL), respectively, in margin cash collateral provided to counterparties.
(e) At March 31, 2010, FPL Group's balance reflects the netting of $70 million (none at FPL), in margin cash collateral provided to counterparties.
(f) Included in noncurrent other liabilities on FPL's condensed consolidated balance sheets.

At March 31, 2010 and December 31, 2009, FPL Group had approximately $26 million and $18 million (none at FPL), respectively, in margin cash collateral received from counterparties that was not offset against derivative assets. These amounts are included in other current liabilities in the condensed consolidated balance sheets. Additionally, at March 31, 2010 and December 31, 2009, FPL Group had approximately $54 million and $95 million (none at FPL), respectively, in margin cash collateral provided to counterparties that was not offset against derivative liabilities. These amounts are included in other current assets in the condensed consolidated balance sheets.

As discussed above, FPL Group uses derivative instruments to, among other things, manage its commodity price risk, interest rate risk and foreign currency exchange rate risk. The table above presents FPL Group's and FPL's net derivative positions at March 31, 2010 and December 31, 2009, which reflect the offsetting of positions of certain transactions within the portfolio, the contractual ability to settle contracts under master netting arrangements and the netting of margin cash collateral. However, disclosure rules require that the following tables be presented on a gross basis.

The fair values of FPL Group's derivatives designated as hedging instruments for accounting purposes are presented below as gross asset and liability values, as required by disclosure rules. However, the majority of the underlying contracts are subject to master netting arrangements and would not be contractually settled on a gross basis.

	March 31, 2010		December 31, 2009	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
	(millions)			
Commodity contracts:				
Current derivative assets	$-	$-	$54	$1
Current derivative liabilities	-	-	45	4
Noncurrent other assets	-	-	44	2
Noncurrent derivative liabilities	-	-	8	13
Interest rate swaps:				
Current derivative liabilities	-	51	-	51
Noncurrent other assets	48	-	61	-
Noncurrent derivative liabilities	-	31	-	27
Foreign currency swap:				
Noncurrent other assets	2	-	5	-
Total	$50	$82	$217	$98

Gains (losses) related to FPL Group's cash flow hedges are recorded on FPL Group's condensed consolidated financial statements (none at FPL) as follows:

	Three Months Ended March 31, 2010				Three Months Ended March 31, 2009		
	Commodity Contracts	Interest Rate Swaps	Foreign Currency Swap	Total	Commodity Contracts	Interest Rate Swaps	Total
	(millions)						
Gains (losses) recognized in OCI	$ 20	$ (34)	$ (4)	$ (18)	$ 152	$ (5)	$ 147
Gains (losses) reclassified from AOCI	$ 36(a)	$ (17)(b)	$ (2)(c)	$ 17	$ 24(a)	$ (9)(b)	$ 15
Gains (losses) recognized in income(d)	$ 1(a)	$ -	$ -	$ 1	$ 11(a)	$ -	$ 11

(a) Included in operating revenues.
(b) Included in interest expense.
(c) $1 million loss is included in interest expense, and the balance is included in other - net.
(d) Represents the ineffective portion of the hedging instrument.

For the three months ended March 31, 2010 and 2009, respectively, FPL Group recorded a gain (loss) of less than $(1) million and $1 million, respectively, on a fair value hedge which is reflected in interest expense in the condensed consolidated statements of income and resulted in a corresponding reduction of, and increase in, the related debt.

The fair values of FPL Group's and FPL's derivatives not designated as hedging instruments for accounting purposes are presented below as gross asset and liability values, as required by disclosure rules. However, the majority of the underlying contracts are subject to master netting arrangements and would not be contractually settled on a gross basis.

	March 31, 2010				December 31, 2009			
	FPL Group		FPL		FPL Group		FPL	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
	(millions)							
Commodity contracts:								
Current derivative assets	$ 1,052	$ 386	$ 11(a)	$ -	$ 611	$ 303	$ 11(a)	$ 1(a)
Current derivative liabilities	2,297	3,097	12	453	1,002	1,288	18	95
Noncurrent other assets	641	126	4	-	921	699	4	-
Noncurrent derivative liabilities	1,448	1,849	-	47(b)	128	260	-	1(b)
Foreign currency swap:								
Noncurrent derivative liabilities	-	7	-	-	-	6	-	-
Total	$ 5,438	$ 5,465	$ 27	$ 500	$ 2,662	$ 2,556	$ 33	$ 97

(a) Included in current other assets on FPL's condensed consolidated balance sheets.
(b) Included in noncurrent other liabilities on FPL's condensed consolidated balance sheets.

Gains (losses) related to FPL Group's derivatives not designated as hedging instruments are recorded on FPL Group's condensed consolidated statements of income (none at FPL) as follows:

	Three Months Ended March 31,	
	2010	2009
	(millions)	
Commodity contracts:		
Operating revenues	$ 269(a)	$ 112(a)
Fuel, purchased power and interchange	68	27
Foreign currency swap:		
Other - net	(2)	(12)
Total	$ 335	$ 127

(a) In addition, for the three months ended March 31, 2010 and 2009, FPL recorded approximately $454 million and $525 million, respectively, of losses related to commodity contracts as regulatory assets on its condensed consolidated balance sheets.

The following table represents net notional volumes associated with derivative instruments that are required to be reported at fair value in FPL Group's and FPL's condensed consolidated financial statements. The table includes significant volumes of transactions that have minimal exposure to commodity price changes because they are variably priced agreements. The table does not present a complete picture of FPL Group's and FPL's overall net economic exposure because FPL Group and FPL do not use derivative instruments to hedge all of their commodity exposures. At March 31, 2010, FPL Group and FPL had derivative commodity contracts for the following net notional volumes:

Commodity Type	FPL Group (millions)		FPL	
Power	(39)	mwh(a)	-	
Natural gas	766	mmbtu(b)	860	mmbtu(b)
Oil	1	barrels	2	barrels

(a) Megawatt-hours
(b) One million British thermal units

At March 31, 2010, FPL Group had fifteen interest rate swaps with a notional amount totaling approximately $2.3 billion and two foreign currency swaps with a notional amount totaling approximately $290 million.

Certain of FPL Group's and FPL's derivative instruments contain credit-risk-related contingent features including, among other things, the requirement to maintain an investment grade credit rating from specified credit rating agencies and certain financial ratios, as well as credit-related cross-default and material adverse change triggers. At March 31, 2010, the aggregate fair value of FPL Group's derivative instruments with credit-risk-related contingent features that were in a liability position was approximately $2.4 billion ($0.5 billion for FPL).

If the credit-risk-related contingent features underlying these agreements and other wholesale commodity contracts were triggered, FPL Group or FPL could be required to post collateral or settle contracts according to contractual terms which generally allow netting of contracts in offsetting positions. Certain contracts contain multiple types of credit-related triggers. To the extent these contracts contain a credit ratings downgrade trigger, the maximum exposure is included in the following credit ratings collateral posting requirements. If FPL Group Capital Inc’s (FPL Group Capital) or FPL’s credit ratings were downgraded to BBB (a two level downgrade for FPL and a one level downgrade for FPL Group Capital from the current lowest applicable rating), FPL Group would be required to post collateral such that the total posted collateral would be approximately $625 million ($265 million at FPL). If FPL Group Capital’s and FPL’s credit ratings were downgraded to below investment grade, FPL Group would be required to post additional collateral such that the total posted collateral would be approximately $2.2 billion ($0.9 billion at FPL). Some contracts at FPL Group, including some FPL contracts, do not contain credit ratings downgrade triggers, but do contain provisions that require certain financial measures be maintained and/or have credit-related cross-default triggers. In the event these provisions were triggered, FPL Group could be required to post additional collateral of up to approximately $500 million ($100 million at FPL).

Collateral may be posted in the form of cash or credit support. At March 31, 2010, FPL Group had posted approximately $330 million ($45 million at FPL) in the form of letters of credit in the normal course of business which could be applied toward the collateral requirements described above. FPL and FPL Group Capital have bank revolving lines of credit in excess of the collateral requirements described above that would be available to support, among other things, derivative activities. Under the terms of the bank revolving lines of credit, maintenance of a specific credit rating is not a condition to drawing on these credit facilities, although there are other conditions to drawing on these credit facilities.

Additionally, some contracts contain certain adequate assurance provisions where a counterparty may demand additional collateral based on subjective events and/or conditions. Due to the subjective nature of these provisions, FPL Group and FPL are unable to determine an exact value for these items and they are not included in any of the quantitative disclosures above.

3. Fair Value Measurements

FPL Group and FPL use several different valuation techniques to measure the fair value of assets and liabilities, relying primarily on the market approach of using prices and other market information for identical and/or comparable assets and liabilities for those assets and liabilities that are measured at fair value on a recurring basis. FPL Group's and FPL's assessment of the significance of any particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

Cash Equivalents - Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. FPL Group and FPL primarily hold investments in money market funds. The fair value of these funds is calculated using current market prices.

Special Use Funds and Other Investments - FPL Group and FPL hold primarily debt and equity securities directly as well as equity securities indirectly through commingled funds. Substantially all equity securities are valued by the custodian at their quoted market prices. Commingled funds, which are similar to mutual funds, are maintained by banks or investment companies and hold certain investments in accordance with a stated set of objectives. The fair value of commingled funds is primarily derived from the quoted prices in active markets of the underlying securities. Because the fund shares are offered to a limited group of investors, they are not considered to be traded in an active market. For debt securities, the custodian obtains multiple prices and price types from pricing vendors whenever possible, which enables cross-provider validations. A primary price source is identified by the custodian based on asset type, class or issue of each security.

Derivative Instruments - FPL Group and FPL measure the fair value of commodity contracts on a daily basis using prices observed on commodities exchanges and in the over-the-counter markets, or through the use of industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs. The resulting measurements are the best estimate of fair value as represented by the transfer of the asset or liability through an orderly transaction in the marketplace at the measurement date. Non-performance risk is also considered in the determination of fair value for all derivative assets and liabilities, including the consideration of a credit valuation adjustment.

Exchange-traded derivative assets and liabilities are valued directly using unadjusted quoted prices. For exchange-traded derivative assets and liabilities where the principal market is deemed to be inactive based on average daily volumes and open interest, the measurement is established using settlement prices from the exchanges, and therefore considered to be valued using significant other observable inputs.

FPL Group and FPL also enter into over-the-counter commodity contract derivatives. The majority of these contracts are transacted at liquid trading points, and the prices for these contracts are verified using quoted prices in active markets from exchanges, brokers or pricing services for similar contracts. In instances where the reference exchange markets are deemed to be inactive or do not have a similar contract that trades on an exchange, the derivative assets and liabilities may be valued using significant other observable inputs and potentially significant unobservable inputs. In such instances, the valuation for these contracts is established using techniques including extrapolation from or interpolation between actively traded contracts, or estimated basis adjustments from liquid trading points.

FPL Group, through NextEra Energy Resources, also enters into load serving contracts, which, in many cases, qualify as derivatives and are measured at fair value. These contracts typically have one or more inputs that are not observable and are significant to the valuation of the contract. In addition, certain exchange and non-exchange traded derivative options at FPL Group have one or more significant inputs that are not observable, and are valued using industry-standard option models.

In all cases where FPL Group and FPL use significant unobservable inputs for the valuation of a commodity contract, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes, but is not limited to, assumptions about market liquidity, volatility and contract duration.

FPL Group uses interest rate and foreign currency swaps to mitigate and adjust interest rate and foreign currency exposure related to certain debt issuances. FPL Group estimates the fair value of these derivatives using a discounted cash flows valuation technique based on the net amount of estimated future cash inflows and outflows related to the swap agreements. Non-performance risk is also considered in the determination of fair value for all derivative assets and liabilities, including the consideration of a credit valuation adjustment.

FPL Group's and FPL's financial assets and liabilities and other fair value measurements made on a recurring basis by fair value hierarchy level are as follows:

	March 31, 2010				
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting(a)	Total
			(millions)		
Assets:					
Cash equivalents:					
FPL Group - equity securities	$ -	$ 650	$ -	$ -	$ 650
FPL - equity securities	$ -	$ 321	$ -	$ -	$ 321
Special use funds:					
FPL Group:					
Equity securities	$ 695	$ 1,081(b)	$ -	$ -	$ 1,776
U.S. Government and municipal bonds	$ 518	$ 132	$ -	$ -	$ 650
Corporate debt securities	$ -	$ 422	$ -	$ -	$ 422
Mortgage-backed securities	$ -	$ 557	$ -	$ -	$ 557
Other debt securities	$ -	$ 45	$ -	$ -	$ 45
FPL:					
Equity securities	$ 135	$ 925(b)	$ -	$ -	$ 1,060
U.S. Government and municipal bonds	$ 461	$ 114	$ -	$ -	$ 575
Corporate debt securities	$ -	$ 323	$ -	$ -	$ 323
Mortgage-backed securities	$ -	$ 443	$ -	$ -	$ 443
Other debt securities	$ -	$ 28	$ -	$ -	$ 28
Other investments:					
FPL Group:					
Equity securities	$ 3	$ 3	$ -	$ -	$ 6
U.S. Government and municipal bonds	$ 17	$ -	$ -	$ -	$ 17
Corporate debt securities	$ -	$ 44	$ -	$ -	$ 44
Mortgage-backed securities	$ -	$ 57	$ -	$ -	$ 57
Other	$ 5	$ 16	$ -	$ -	$ 21
Derivatives:					
FPL Group:					
Commodity contracts	$ 2,372	$ 1,836	$ 1,230	$ (4,314)	$ 1,124(c)
Interest rate swaps	$ -	$ 48	$ -	$ -	$ 48(c)
Foreign currency swaps	$ -	$ 2	$ -	$ -	$ 2(c)
FPL - commodity contracts	$ -	$ 15	$ 13	$ (13)	$ 15(c)
Liabilities:					
Derivatives:					
FPL Group:					
Commodity contracts	$ 2,455	$ 2,323	$ 681	$ (4,407)	$ 1,052(c)

Interest rate swaps	$	-	$	82	$	-	$	-	$	82(c)
Foreign currency swaps	$	-	$	7	$	-	$	-	$	7(c)
FPL - commodity contracts	$	-	$	498	$	3	$	(13)	$	488(c)

(a) Includes the effect of the contractual ability to settle contracts under master netting arrangements and margin cash collateral payments and receipts.

(b) At FPL Group, approximately $978 million ($886 million at FPL) are invested in commingled funds whose underlying investments would be Level 1 if those investments were held directly by FPL Group or FPL.

(c) See Note 2 for a reconciliation of net derivatives to FPL Group's and FPL's condensed consolidated balance sheets.

	December 31, 2009				
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting(a)	Total
			(millions)		
Assets:					
Cash equivalents:					
FPL Group - equity securities	$ -	$ 79	$ -	$ -	$ 79
FPL - equity securities	$ -	$ 43	$ -	$ -	$ 43
Special use funds:					
FPL Group:					
Equity securities	$ 657	$ 1,048(b)	$ -	$ -	$ 1,705
U.S. Government and municipal bonds	$ 275	$ 299	$ -	$ -	$ 574
Corporate debt securities	$ -	$ 452	$ -	$ -	$ 452
Mortgage-backed securities	$ -	$ 618	$ -	$ -	$ 618
Other debt securities	$ -	$ 41	$ -	$ -	$ 41
FPL:					
Equity securities	$ 104	$ 920(b)	$ -	$ -	$ 1,024
U.S. Government and municipal bonds	$ 230	$ 278	$ -	$ -	$ 508
Corporate debt securities	$ -	$ 346	$ -	$ -	$ 346
Mortgage-backed securities	$ -	$ 503	$ -	$ -	$ 503
Other debt securities	$ -	$ 27	$ -	$ -	$ 27
Other investments:					
FPL Group:					
Equity securities	$ 3	$ 4	$ -	$ -	$ 7
U.S. Government and municipal bonds	$ -	$ 38	$ -	$ -	$ 38
Corporate debt securities	$ -	$ 35	$ -	$ -	$ 35
Mortgage-backed securities	$ -	$ 31	$ -	$ -	$ 31
Other	$ 4	$ -	$ -	$ -	$ 4
Derivatives:					
FPL Group	$ 988	$ 1,089	$ 801	$ (2,192)	$ 686(c)
FPL	$ -	$ 20	$ 13	$ (19)	$ 14(c)
Liabilities:					
Derivatives:					
FPL Group	$ 1,110	$ 1,106	$ 437	$ (2,262)	$ 391(c)
FPL	$ -	$ 95	$ 2	$ (19)	$ 78(c)

(a) Includes the effect of the contractual ability to settle contracts under master netting arrangements and margin cash collateral payments and receipts.

(b)

At FPL Group, approximately $918 million ($836 million at FPL) are invested in commingled funds whose underlying investments would be Level 1 if those investments were held directly by FPL Group or FPL.

(c) See Note 2 for a reconciliation of net derivatives to FPL Group's and FPL's condensed consolidated balance sheets.

The reconciliation of changes in the fair value of derivatives that are based on significant unobservable inputs is as follows:

	Three Months Ended March 31,			
	2010		2009	
	FPL Group	FPL	FPL Group	FPL
	(millions)			
Fair value of net derivatives based on significant unobservable inputs at December 31 of prior year	$364	$11	$404	$(1)
Realized and unrealized gains (losses):				
Included in earnings(a)	460	-	338	-
Included in regulatory assets and liabilities	(1)	(1)	5	5
Settlements and net option premiums	(268)	-	(130)	2
Net transfers in/out(b)	(6)	-	(78)	(1)
Fair value of net derivatives based on significant unobservable inputs at March 31	$549	$10	$539	$5
The amount of gains for the period included in earnings attributable to the change in unrealized gains (losses) relating to derivatives still held at the reporting date(c)	$431	$-	$247	$1

(a) For the three months ended March 31, 2010 and 2009, $452 million and $338 million, respectively, of realized and unrealized gains (losses) are reflected in operating revenues in the condensed consolidated statements of income. For the three months ended March 31, 2010, $8 million of realized and unrealized gains (losses) are reflected in fuel, purchased power and interchange in the condensed consolidated statements of income.

(b) For the three months ended March 31, 2010, gross transfers of $1 million into Level 3 were a result of decreased observability of market data, and gross transfers of $7 million from Level 3 to Level 2 were a result of increased observability of market data. FPL Group's and FPL's policy is to recognize all transfers at the beginning of the reporting period.

(c) For the three months ended March 31, 2010 and 2009, $421 million and $247 million, respectively, of unrealized gains (losses) are reflected in operating revenues in the condensed consolidated statements of income. For the three months ended March 31, 2010, $10 million of unrealized gains (losses) are reflected in fuel, purchased power and interchange in the condensed consolidated statements of income.

4. Financial Instruments

FPL Group and FPL adopted new accounting and disclosure provisions related to other than temporary impairments and the fair value of financial instruments beginning April 1, 2009. Under the new accounting provisions, an investment in a debt security is required to be assessed for an other than temporary impairment based on whether the entity has an intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized cost basis. Additionally, if the entity does not expect to recover the amortized cost of a debt security, an impairment is recognized in earnings equal to the estimated credit loss. For debt securities held as of April 1, 2009 for which an other than temporary impairment had been previously recognized but for which assessment under the new accounting provisions indicated the impairment was temporary, FPL Group recorded an adjustment to increase April 1, 2009 retained earnings by approximately $5 million with a corresponding reduction in AOCI.

The carrying amounts of cash equivalents, notes payable and commercial paper approximate their fair values. At March 31, 2010 and December 31, 2009, other investments of FPL Group, not included in the table below, included financial instruments of approximately $38 million and $39 million, respectively, which primarily consist of notes receivable that are carried at estimated fair value or cost, which approximates fair value.

The following estimates of the fair value of financial instruments have been made primarily using available market information. However, the use of different market assumptions or methods of valuation could result in different estimated fair values.

	March 31, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
FPL Group:				
Special use funds	$ 3,509(a)	$ 3,509(b)	$ 3,390(a)	$ 3,390(b)
Other investments:				
Notes receivable	$ 530	$ 573(c)	$ 534	$ 556(c)
Debt securities	$ 134(d)	$ 134(b)	$ 104(d)	$ 104(b)
Equity securities	$ 45	$ 105(e)	$ 45	$ 105(e)
Long-term debt, including current maturities	$ 17,578	$ 17,984(f)	$ 16,869	$ 17,256(f)
Interest rate swaps - net unrealized losses	$ (34)	$ (34)(g)	$ (17)	$ (17)(g)
Foreign currency swaps - net unrealized losses	$ (5)	$ (5)(g)	$ (1)	$ (1)(g)
FPL:				
Special use funds	$ 2,485(a)	$ 2,485(b)	$ 2,408(a)	$ 2,408(b)
Long-term debt, including current maturities	$ 6,318	$ 6,438(f)	$ 5,836	$ 6,055(f)

(a) At March 31, 2010, includes cash of $50 million and loans of $9 million ($50 million and $6 million, respectively, at FPL) not measured at fair value on a recurring basis. For remaining balance, see Note 3 for classification by major security type. The amortized cost of debt and equity securities is $1,664 million and $1,390 million, respectively, at March 31, 2010 and $1,638 million and $1,396 million, respectively, at December 31, 2009 ($1,369 million and $850 million, respectively, at March 31, 2010 and $1,344 million and $873 million, respectively, at December 31, 2009 for FPL).
(b) Based on quoted market prices for these or similar issues.
(c) Classified as held to maturity. Based on market prices provided by external sources. Additionally, notes receivable bear interest at variable rates based on an underlying index plus a margin and mature from 2014 to 2029.
(d) Classified as trading securities.
(e) Modeled internally.
(f) Based on market prices provided by external sources.
(g) Modeled internally based on market values.

Special Use Funds - The special use funds consist of FPL's storm fund assets of $123 million and FPL Group's and FPL's nuclear decommissioning fund assets of $3,386 million and $2,362 million, respectively, at March 31, 2010. Securities held in the special use funds consist of equity and debt securities which are classified as available for sale and are carried at estimated fair value (see Note 3). For FPL's special use funds, consistent with regulatory treatment, market adjustments, including any other than temporary impairment losses, result in a corresponding adjustment to the related regulatory liability accounts. For FPL Group's non-rate regulated operations, market adjustments result in a corresponding adjustment to OCI, except for unrealized losses associated with marketable securities considered to be other than temporary, including any credit losses, which are recognized as a loss in FPL Group's condensed consolidated statements of income. Debt securities included in the nuclear decommissioning funds have a weighted-average maturity at March 31, 2010 of approximately six years at both FPL Group and FPL. FPL's storm fund primarily consists of debt securities with a weighted-average maturity at March 31, 2010 of approximately three years. The cost of securities sold is determined using the specific identification method.

The approximate realized gains and losses and proceeds from the sale of available for sale securities are as follows:

	Three Months Ended March 31, 2010	
	FPL Group	FPL
	(millions)	
Realized gains	$ 44	$ 24
Realized losses	$ 10	$ 8
Proceeds from sale of securities	$ 1,900	$ 1,608

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The total unrealized gains and losses on all available for sale securities and the fair value of available for sale securities in an unrealized loss position are as follows:

	March 31, 2010					
	FPL Group(a)			FPL(a)		
	Unrealized Gains	Unrealized Losses	Fair Value	Unrealized Gains	Unrealized Losses	Fair Value
	(millions)					
Equity securities	$ 463	$ -	$ -	$ 288	$ -	$ -
U.S. Government and municipal bonds	$ 10	$ 2	$ 309	$ 9	$ 2	$ 274
Corporate debt securities	$ 19	$ 1	$ 67	$ 14	$ -	$ 53
Mortgage-backed securities	$ 21	$ 1	$ 171	$ 17	$ 1	$ 142
Other debt securities	$ 2	$ -	$ 14	$ 1	$ -	$ 7

(a) At March 31, 2010, FPL Group had 23 securities in an unrealized loss position for greater than twelve months, including 7 securities for FPL. The total unrealized loss on these securities was less than $1 million and the fair value was approximately $15 million for FPL Group, including less than $1 million of unrealized losses with a fair value of approximately $11 million for FPL. Consistent with regulatory treatment for FPL, marketable securities held in special use funds are classified as available for sale and are carried at market value with market adjustments, including any other than temporary impairment losses, resulting in a corresponding adjustment to the related regulatory liability accounts.

Regulations issued by the Federal Energy Regulatory Commission (FERC) and the U.S. Nuclear Regulatory Commission (NRC) provide general risk management guidelines to protect nuclear decommissioning funds and to allow such funds to earn a reasonable return. The FERC regulations prohibit investments in any securities of FPL Group or its subsidiaries, affiliates or associates, excluding investments tied to market indices or mutual funds. Similar restrictions applicable to the decommissioning funds for NextEra Energy Resources' nuclear plants are contained in the NRC operating licenses for those facilities or in NRC regulations applicable to NRC licensees not in cost-of-service environments. With respect to the decommissioning fund for NextEra Energy Resources' Seabrook Station (Seabrook) nuclear plant, decommissioning fund contributions and withdrawals are also regulated by the Nuclear Decommissioning Financing Committee pursuant to New Hampshire law.

The nuclear decommissioning reserve funds are managed by investment managers who must comply with the guidelines of FPL Group and FPL and rules of the applicable regulatory authorities. The funds' assets are invested giving consideration to taxes, liquidity, risk, diversification and other prudent investment objectives.

Interest Rate and Foreign Currency Swaps - FPL Group and its subsidiaries use a combination of fixed rate and variable rate debt to manage interest rate exposure. Interest rate swaps are used to mitigate and adjust interest rate exposure when deemed appropriate based upon market conditions or when required by financing agreements. In addition, FPL Group Capital entered into a cross currency basis swap to hedge against currency movements with respect to both interest and principal payments on a loan and a cross currency swap to hedge against currency and interest rate movements with respect to both interest and principal payments on a loan.

5. Income Taxes

FPL Group's effective income tax rate for the three months ended March 31, 2010 and 2009 was approximately 27.8% and 4.9%, respectively. The reduction from the federal statutory rate mainly reflects the benefit of wind production tax credits (PTCs) of approximately $75 million and $72 million, respectively, related to NextEra Energy Resources' wind projects. PTCs can significantly affect FPL Group's effective income tax rate depending on the amount of pretax income and wind generation.

FPL Group recognizes PTCs as wind energy is generated and sold based on a per kilowatt-hour (kwh) rate prescribed in applicable federal and state statutes, which may differ significantly from amounts computed, on a quarterly basis, using an overall effective income tax rate anticipated for the full year. FPL Group uses this method of recognizing PTCs for specific reasons, including that PTCs are an integral part of the financial viability of most wind projects and a fundamental component of such wind projects' results of operations.

FPL Group's effective income tax rate for the three months ended March 31, 2010 also reflects a $14 million deferred tax benefit associated with grants (convertible investment tax credits (ITCs)) under the American Recovery and Reinvestment Act of 2009 (Recovery Act) for certain wind projects expected to be placed in service in 2010.

FPL Group's effective income tax rate for the three months ended March 31, 2009 reflected the following:

- an approximately $18 million benefit (foreign tax benefit) reflecting the reduction of previously deferred income taxes resulting from an additional equity investment in Canadian operations;
- a $17 million benefit (state tax benefit) related to a change in state tax law that extended the carry forward period of ITCs on certain wind projects; and
- a $15 million deferred tax benefit associated with convertible ITCs.

6. Comprehensive Income

FPL Group's comprehensive income is as follows:

	Three Months Ended March 31, 2010	2009
	(millions)	
Net income of FPL Group	$556	$364
Net unrealized gains (losses) on commodity cash flow hedges:		
Effective portion of net unrealized gains (net of $8 and $61 tax expense, respectively)	12	90
Reclassification from AOCI to net income (net of $14 and $8 tax benefit, respectively)	(21)	(13)
Net unrealized gains (losses) on interest rate cash flow hedges:		
Effective portion of net unrealized losses (net of $13 and $2 tax benefit, respectively)	(21)	(3)
Reclassification from AOCI to net income (net of $6 and $3 tax expense, respectively)	10	6
Net unrealized gains (losses) on foreign currency cash flow hedge:		
Effective portion of net unrealized losses (net of $1 tax benefit)	(3)	-
Reclassification from AOCI to net income (net of $1 tax expense)	2	-
Net unrealized gains (losses) on available for sale securities:		
Net unrealized gains on securities still held (net of $16 and $1 tax expense, respectively)	19	1
Reclassification from AOCI to net income (net of $7 and $2 tax benefit, respectively)	(9)	(3)
Defined benefit pension and other benefits plans (net of $1 tax benefit)	-	(1)
Net unrealized losses on foreign currency translation (net of $1 and $1 tax benefit, respectively)	(1)	(3)
Comprehensive income of FPL Group	$544	$438

Approximately $28 million of gains included in FPL Group's AOCI at March 31, 2010, related to derivative instruments, are expected to be reclassified into earnings within the next twelve months as either the hedged fuel is consumed, electricity is sold or principal and/or interest payments are made. Such amount assumes no change in fuel prices, power prices, interest rates or scheduled principal payments. AOCI is separately displayed on the condensed consolidated balance sheets of FPL Group. FPL's comprehensive income is the same as its reported net income.

7. Variable Interest Entities

Effective January 1, 2010, FPL Group and FPL adopted new accounting guidance which modified the consolidation model in previous guidance and expanded the disclosures related to variable interest entities (VIE). An entity is considered to be a VIE when its total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support or its equity investors as a group, lack the characteristics of having a controlling financial interest. A reporting company is required to consolidate a VIE as its primary beneficiary when it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The adoption of this new accounting guidance did not result in FPL Group or FPL consolidating any additional VIEs or deconsolidating any VIEs. As of March 31, 2010, FPL Group has four VIEs which it consolidates and has interests in certain other VIEs which it does not consolidate.

FPL - FPL is considered the primary beneficiary of, and therefore consolidates a VIE that is a wholly-owned bankruptcy remote special purpose subsidiary that it formed in 2007 for the sole purpose of issuing storm-recovery bonds pursuant to the securitization provisions of the Florida Statutes and a financing order of the Florida Public Service Commission (FPSC). FPL is considered the primary beneficiary because FPL has the power to direct the significant activities of the VIE, and its equity investment, which is subordinate to the bondholder's interest in the VIE, is at risk. Four hurricanes in 2005 and three hurricanes in 2004 caused major damage in parts of FPL's service territory. Storm restoration costs incurred by FPL during 2005 and 2004 exceeded the amount in FPL's funded storm and property insurance reserve, resulting in a storm reserve deficiency. In 2007, the VIE issued $652 million aggregate principal amount of senior secured bonds (storm-recovery bonds), primarily for the after-tax equivalent of the total of FPL's unrecovered balance of the 2004 storm restoration costs, the 2005 storm restoration costs and approximately $200 million to reestablish FPL's storm and property insurance reserve. In connection with this financing, net proceeds, after debt issuance costs, to the VIE (approximately $644 million) were used to acquire the storm-recovery property, which includes the right to impose, collect and receive a storm-recovery charge from all customers receiving electric transmission or distribution service from FPL under rate schedules approved by the FPSC or under special contracts, certain other rights and interests that arise under the financing order issued by the FPSC and certain other collateral pledged by the VIE that issued the bonds. The storm-recovery bonds are payable only from and secured by the storm-recovery property. The bondholders have no recourse to the general credit of FPL. The assets of the VIE were approximately $451 million at March 31, 2010 and consisted primarily of storm-recovery property, which is included in securitized storm-recovery costs on FPL Group's and FPL's condensed consolidated balance sheets. The liabilities of the VIE were approximately $555 million at March 31, 2010 and consisted primarily of storm-recovery bonds, which is included in long-term debt on FPL Group's and FPL's condensed consolidated balance sheets.

FPL identified one potential VIE, which is considered a qualifying facility as defined by the Public Utility Regulatory Policies Act of 1978, as amended (PURPA). PURPA requires utilities, such as FPL, to purchase the electricity output of a qualifying facility. FPL entered into a PPA effective in 1994 with this 250 megawatt (mw) coal-fired qualifying facility to purchase substantially all of the facility's electrical output over a substantial portion of its estimated useful life. FPL absorbs a portion of the facility's variability related to changes in the market price of coal through the price it pays per mwh (energy payment). After making exhaustive efforts, FPL was unable to obtain the information from the facility necessary to determine whether the facility is a VIE or whether FPL is the primary beneficiary of the facility. The PPA with the facility contains no provision which legally obligates the facility to release this information to FPL. The energy payments paid by FPL will fluctuate as coal prices change. This fluctuation does not expose FPL to losses since the energy payments paid by FPL to the facility are passed on to FPL's customers through the fuel clause as approved by the FPSC. Notwithstanding the fact that FPL's energy payments are recovered through the fuel clause, if the facility was determined to be a VIE, the absorption of some of the facility's fuel price variability might cause FPL to be considered the primary beneficiary. During the three months ended March 31, 2010 and 2009, FPL purchased 362,390 mwh and 473,765 mwh, respectively, from the facility at a total cost of approximately $45 million and $42 million, respectively.

Additionally, FPL entered into a PPA effective 1995 with a 330 mw coal-fired qualifying facility to purchase substantially all of the facility's electrical output over a substantial portion of its estimated useful life. The facility is considered a VIE because FPL absorbs a portion of the facility’s variability related to changes in the market price of coal through the energy payment. Since FPL does not control the most significant activities of the facility, including operations and maintenance, FPL is not the primary beneficiary and does not consolidate this VIE. The energy payments paid by FPL will fluctuate as coal prices change. This fluctuation does not expose FPL to losses since the energy payments paid by FPL to the facility are passed on to FPL’s customers through the fuel clause as approved by the FPSC.

In March 2010, FPL terminated its nuclear fuel lease agreements with a VIE from which it had previously leased nuclear fuel. Upon termination of the lease agreements, FPL no longer consolidates the VIE since it no longer has a variable interest in the lessor. Upon deconsolidation, FPL did not recognize any gain or loss and there was no significant effect on FPL Group's and FPL's condensed consolidated balance sheets.

NextEra Energy Resources - FPL Group consolidates three NextEra Energy Resources' VIEs. NextEra Energy Resources is considered the primary beneficiary of these VIEs since NextEra Energy Resources controls the most significant activities of these VIEs, including operations and maintenance, and through its 100% equity ownership has the obligation to absorb expected losses of these VIEs.

Two of NextEra Energy Resources' VIEs consolidate several entities which own and operate natural gas and/or oil electric generating facilities with the capability of producing a total of 778 mw. These VIEs sell their electric output under power sales contracts to third parties, with expiration dates ranging from 2018 through 2022. The power sales contracts provide the offtaker the ability to dispatch the facilities and require the offtaker to absorb the cost of fuel. These VIEs use both third party debt and equity to finance their operations. The debt is secured by liens against the generating facilities and the other assets of these entities. The debt holders have no recourse to the general credit of NextEra Energy Resources. The assets and liabilities of these VIEs totaled approximately $310 million and $222 million respectively, at March 31, 2010 and consisted primarily of property, plant and equipment and long-term debt.

The other NextEra Energy Resources' VIE consolidates several entities which own and operate wind electric generating facilities with the capability of producing a total of 598 mw and an entity which owns and operates a 78 mile, 230 kilovolt transmission line. This VIE sells its electric output under power sales contracts to third parties with expiration dates ranging from 2026 through 2032. The VIE uses both third-party debt and equity to finance its operations. Certain investors that hold no equity interest in the VIE hold differential membership interests, which give them the right to receive a portion of the economic attributes of the generating facilities, including certain tax attributes. The debt is secured by liens against the generating facilities and the other assets of these entities. The debt holders have no recourse to the general credit of NextEra Energy Resources. The assets and liabilities of this VIE totaled approximately $928 million and $921 million, respectively, at March 31, 2010, and consisted primarily of property, plant and equipment, and a deferred liability associated with the differential membership interest (recorded in other liabilities on FPL Group's condensed consolidated balance sheet) and long-term debt.

Other - As of March 31, 2010, several FPL Group subsidiaries have investments totaling approximately $632 million ($446 million at FPL) in certain special purpose entities, including but not limited to, investments in mortgage-backed securities, asset-backed securities and collateralized mortgage and debt obligations. These investments are included in special use funds and other investments on FPL Group's and FPL's condensed consolidated balance sheets. Since FPL Group's subsidiaries do not control any of the ongoing activities of these entities, were not involved in the initial design of these entities and do not have a controlling financial interest in these entities, FPL Group is not the primary beneficiary and therefore does not consolidate these entities.

8. Common Stock

Earnings Per Share - The reconciliation of FPL Group's basic and diluted earnings per share of common stock is as follows:

	Three Months Ended March 31,	
	2010	2009
	(millions, except per share amounts)	
Numerator - net income	$556	$364
Denominator:		
Weighted-average number of common shares outstanding - basic	407.5	402.3
Restricted stock, performance share awards, options and warrants(a)	2.6	2.5
Weighted-average number of common shares outstanding - assuming dilution	410.1	404.8
Earnings per share of common stock:		
Basic	$1.36	$0.90
Assuming dilution	$1.36	$0.90

(a) Performance share awards are included in diluted weighted-average number of common shares outstanding based upon what would be issued if the end of the reporting period was the end of the term of the award. Restricted stock, performance share awards, options, warrants and equity units are included in diluted weighted-average number of common shares outstanding by applying the treasury stock method.

Restricted stock, performance share awards and common shares issuable upon the exercise of stock options and equity units which were not included in the denominator above due to their antidilutive effect were approximately 8.3 million and 1.1 million for the three months ended March 31, 2010 and 2009, respectively.

9. Debt

As of April 30, 2010, long-term debt issuances and borrowings by subsidiaries of FPL Group during 2010 were as follows:

Date Issued	Company	Debt Issued	Interest Rate	Principal Amount (millions)	Maturity Date
February 2010	FPL	First mortgage bonds	5.69%	$ 500	2040
March 2010	NextEra Energy Resources subsidiary	Limited-recourse senior secured notes	6.56%	$ 305	2030
April 2010	FPL Group Capital	Term loan	Variable(a)	$ 100	2013
April 2010	FPL Group Capital	Term loan	Variable(a)	$ 100	2013
April 2010	NextEra Energy Resources subsidiary	Limited-recourse senior secured notes	Variable(a)	$ 255	2027

(a) Variable rate is based on an underlying index plus a margin. Interest rate swap agreements were entered into with respect to the limited-recourse senior secured notes.

10. Commitments and Contingencies

Commitments - FPL Group and its subsidiaries have made commitments in connection with a portion of their projected capital expenditures. Capital expenditures at FPL include, among other things, the cost for construction or acquisition of additional facilities and equipment to meet customer demand, as well as capital improvements to and maintenance of existing facilities. At NextEra Energy Resources, capital expenditures include, among other things, the cost, including capitalized interest, for construction of wind and solar projects and the procurement of nuclear fuel. FPL FiberNet, LLC's (FPL FiberNet) capital expenditures primarily include costs to meet customer-specific requirements and maintain its fiber-optic network.

At March 31, 2010, estimated planned capital expenditures for the remainder of 2010 through 2014 were as follows:

	2010	2011	2012	2013	2014	Total
			(millions)			
FPL:						
Generation:(a)						
New(b)(c)	$845	$1,430	$1,720	$460	$160	$4,615
Existing	480	545	490	490	465	2,470
Transmission and distribution	480	600	695	710	545	3,030
Nuclear fuel	85	200	175	250	205	915
General and other	65	100	120	60	125	470
Total	$1,955	$2,875	$3,200	$1,970	$1,500	$11,500
NextEra Energy Resources:						
Wind(d)	$300	$25	$10	$10	$10	$355
Nuclear(e)	375	440	315	250	230	1,610
Natural gas	70	75	70	45	20	280
Solar(f)	150	435	460	90	-	1,135
Other(g)	55	70	40	50	50	265
Total	$950	$1,045	$895	$445	$310	$3,645
Corporate and Other(h)	$20	$20	$20	$20	$20	$100

(a) Includes allowance for funds used during construction (AFUDC) of approximately $39 million, $48 million, $77 million, $81 million and $30 million in 2010 to 2014, respectively.
(b) Includes land, generating structures, transmission interconnection and integration and licensing.
(c) Includes projects that have received FPSC approval. Includes pre-construction costs and carrying charges (equal to a pretax AFUDC rate) on construction costs recoverable through the capacity clause of approximately $66 million, $72 million, $60 million and $24 million in 2010 to 2013, respectively. Excludes capital expenditures for the construction costs for the two additional nuclear units at FPL's Turkey Point site beyond what is required to receive an NRC license for each unit.
(d) Consists of capital expenditures for planned new wind projects that have received applicable internal approvals, and related transmission. NextEra Energy Resources plans to add new wind generation of approximately 3,500 mw to 5,000 mw in 2010 through 2014, including 600 mw to 850 mw in 2010, at a total cost of approximately $7 billion to $10 billion.
(e) Includes nuclear fuel.
(f) Consists of capital expenditures for planned new solar projects that have received applicable internal approvals. NextEra Energy Resources plans to add new solar generation of

approximately 400 mw to 600 mw in 2010 through 2014 at a total cost of approximately $3 billion to $4 billion.

(g) Consists of capital expenditures that have received applicable internal approvals. Excludes capital expenditures for planned gas infrastructure projects totaling approximately $400 million to $600 million in 2010 through 2014.

(h) Consists of capital expenditures that have received applicable internal approvals. Excludes capital expenditures for a transmission line in Texas totaling approximately $800 million by 2014.

FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most payment obligations under FPL Group Capital's debt and guarantees. Additionally, at March 31, 2010, subsidiaries of FPL Group, other than FPL, in the normal course of business, have guaranteed certain debt service and fuel payments of non-consolidated entities of NextEra Energy Resources. The terms of the guarantees relating to the non-consolidated entities are equal to the terms of the related agreements/contracts, with remaining terms ranging from one year to eight years. The maximum potential amount of future payments that could be required under these guarantees at March 31, 2010 was approximately $54 million. At March 31, 2010, FPL Group did not have any liabilities recorded for these guarantees. In certain instances, FPL Group can seek recourse from third parties for amounts paid under the guarantees. At March 31, 2010, the fair value of these guarantees was not material.

Contracts - In addition to the estimated planned capital expenditures included in the table in Commitments above, FPL has commitments under long-term purchased power and fuel contracts. FPL is obligated under take-or-pay purchased power contracts with JEA and with subsidiaries of The Southern Company (Southern subsidiaries) to pay for approximately 1,300 mw of power annually through mid-2010, approximately 1,330 mw annually from mid-2010 to mid-2015 and 375 mw annually thereafter through 2021, and one of the Southern subsidiaries' contracts is subject to minimum capacity and energy purchase obligations. FPL also has various firm pay-for-performance contracts to purchase approximately 650 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from December 2010 through 2032. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. FPL has one agreement with an electricity supplier to purchase approximately 155 mw of power with an expiration date of 2012. In general, the agreement requires FPL to make a capacity payment and supply the fuel consumed by the plant under the contract. FPL has contracts with expiration dates through 2032 for the purchase and transportation of natural gas and coal, and storage of natural gas.

NextEra Energy Resources has entered into contracts primarily for the purchase of wind turbines and towers, solar reflectors, steam turbine generators and heat collection elements and related construction activities, as well as for the supply, conversion, enrichment and fabrication of nuclear fuel, with expiration dates ranging from June 2010 through 2022, approximately $885 million of which is included in the estimated planned capital expenditures table in Commitments above. In addition, NextEra Energy Resources has contracts primarily for the purchase, transportation and storage of natural gas and firm transmission service with expiration dates ranging from October 2010 through 2033.

The required capacity and/or minimum payments under the contracts discussed above as of March 31, 2010 were estimated as follows:

	2010	2011	2012	2013	2014	Thereafter
FPL:			(millions)			
Capacity payments:(a)						
JEA and Southern subsidiaries(b)	$ 190	$ 215	$ 215	$ 215	$ 195	$ 365
Qualifying facilities(b)	$ 230	$ 270	$ 290	$ 270	$ 270	$ 2,890
Other electricity suppliers(b)	$ 10	$ 10	$ 5	$ -	$ -	$ -
Minimum payments, at projected prices:						
Southern subsidiaries - energy(b)	$ 10	$ -	$ -	$ -	$ -	$ -
Natural gas, including transportation and storage(c)	$ 1,520	$ 1,480	$ 605	$ 395	$ 385	$ 4,465
Oil(c)	$ -	$ 60	$ -	$ -	$ -	$ -
Coal(c)	$ 55	$ 25	$ 10	$ -	$ -	$ -
NextEra Energy Resources(d)	$ 850	$ 245	$ 215	$ 80	$ 65	$ 800

(a) Capacity payments under these contracts, substantially all of which are recoverable through the capacity clause, totaled approximately $149 million and $153 million for the three months ended March 31, 2010 and 2009, respectively.
(b) Energy payments under these contracts, which are recoverable through the fuel clause, totaled approximately $99 million and $96 million for the three months ended March 31, 2010 and 2009, respectively.
(c) Recoverable through the fuel clause.
(d)

Includes termination payments associated with wind turbine contracts for projects that have not yet received applicable internal approvals.

In addition, FPL has entered into several long-term agreements for storage capacity and transportation of natural gas from facilities that have not yet started construction or, if started, have not yet completed construction. These agreements range from 15 to 25 years in length and contain firm commitments by FPL totaling up to approximately $175 million annually or $4.3 billion over the terms of the agreements. These firm commitments are contingent upon the occurrence of certain events, including completion of construction of the facilities in 2011.

Insurance - Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with this Act, FPL Group 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 $12.6 billion of liability insurance coverage per incident at any nuclear reactor in the United States. Under the secondary financial protection system, FPL Group is subject to retrospective assessments of up to $940 million ($470 million for FPL), plus any applicable taxes, per incident at any nuclear reactor in the United States, payable at a rate not to exceed $140 million ($70 million for FPL) per incident per year. FPL Group and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook, Duane Arnold Energy Center (Duane Arnold) and St. Lucie Unit No. 2, which approximates $14 million, $35 million and $18 million, plus any applicable taxes, per incident, respectively.

FPL Group participates in nuclear insurance mutual companies that provide $2.75 billion of limited insurance coverage per occurrence per site for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL Group also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service for an extended period of time because of an accident. In the event of an accident at one of FPL Group's or another participating insured's nuclear plants, FPL Group could be assessed up to $164 million ($95 million for FPL), plus any applicable taxes, in retrospective premiums. FPL Group and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook, Duane Arnold and St. Lucie Unit No. 2, which approximates $2 million, $4 million and $3 million, plus any applicable taxes, respectively.

Due to the high cost and limited coverage available from third-party insurers, FPL does not have insurance coverage for a substantial portion of its transmission and distribution property and FPL Group has no insurance coverage for FPL FiberNet's fiber-optic cable located throughout Florida. Should FPL's future storm restoration costs exceed the reserve amount established through the issuance of storm-recovery bonds by a VIE in 2007, FPL may recover storm restoration costs, subject to prudence review by the FPSC, either through securitization provisions pursuant to Florida law or through surcharges approved by the FPSC.

In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered from customers in the case of FPL, would be borne by FPL Group and FPL and could have a material adverse effect on FPL Group's and FPL's financial condition and results of operations.

Legal Proceedings - In November 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA), brought an action in the U.S. District Court for the Northern District of Georgia against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged violations of the Prevention of Significant Deterioration (PSD) provisions and the New Source Performance Standards (NSPS) of the Clean Air Act. In May 2001, the EPA amended its complaint to allege, among other things, that Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining a PSD permit, without complying with NSPS requirements, and without applying best available control technology for nitrogen oxides, sulfur dioxides and particulate matter as required by the Clean Air Act. It also alleges that unspecified major modifications have been made at Scherer Unit No. 4 that require its compliance with the aforementioned Clean Air Act provisions. The EPA seeks injunctive relief requiring the installation of best available control technology and civil penalties of up to $25,000 per day for each violation from an unspecified date after June 1, 1975 through January 30, 1997. The EPA has made revisions to its civil penalty rule such that the maximum penalty is $27,500 per day for each violation from January 31, 1997 through March 15, 2004, $32,500 per day for each violation from March 16, 2004 through January 12, 2009 and $37,500 per day for each violation thereafter. Georgia Power Company has answered the amended complaint, asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses. In June 2001, a federal district court stayed discovery and administratively closed the case and the EPA has not yet moved to reopen the case. In April 2007, the U.S. Supreme Court in a separate unrelated case rejected an argument that a "major modification" occurs at a plant only when there is a resulting increase in the hourly rate of air emissions. Georgia Power Company has made a similar argument in defense of its case, but has other factual and legal defenses that are unaffected by the Supreme Court's decision.

In February 2009, Florida Municipal Power Agency (FMPA) filed a petition for review with the U.S. Court of Appeals for the District of Columbia (DC Circuit) asking the DC Circuit to reverse and remand orders of the FERC denying FMPA's request for certain credits for transmission facilities owned by FMPA members. This matter arose from a 1993 FPL filing of a comprehensive restructuring of its then-existing tariff structure. FMPA's position is that

FPL's rates should be reduced by an additional $0.20 per kilowatt per month. All issues in this case have been closed by the FERC. In April 2010, the DC Circuit denied FMPA's petition for review. FMPA may petition the DC Circuit for rehearing of its decision and/or the U.S. Supreme Court for review of the D.C. Circuit's decision.

In 1995 and 1996, FPL Group, through an indirect subsidiary, purchased from Adelphia Communications Corporation (Adelphia) 1,091,524 shares of Adelphia common stock and 20,000 shares of Adelphia preferred stock (convertible into 2,358,490 shares of Adelphia common stock) for an aggregate price of approximately $35,900,000. On January 29, 1999, Adelphia repurchased all of these shares for $149,213,130 in cash. In June 2004, Adelphia, Adelphia Cablevision, L.L.C. and the Official Committee of Unsecured Creditors of Adelphia filed a complaint against FPL Group and its indirect subsidiary in the U.S. Bankruptcy Court, Southern District of New York. The complaint alleges that the repurchase of these shares by Adelphia was a fraudulent transfer, in that at the time of the transaction Adelphia (i) was insolvent or was rendered insolvent, (ii) did not receive reasonably equivalent value in exchange for the cash it paid, and (iii) was engaged or about to engage in a business or transaction for which any property remaining with Adelphia had unreasonably small capital. The complaint seeks the recovery for the benefit of Adelphia's bankruptcy estate of the cash paid for the repurchased shares, plus interest. FPL Group has filed an answer to the complaint. FPL Group believes that the complaint is without merit because, among other reasons, Adelphia will be unable to demonstrate that (i) Adelphia's repurchase of shares from FPL Group, which repurchase was at the market value for those shares, was not for reasonably equivalent value, (ii) Adelphia was insolvent at the time of the repurchase, or (iii) the repurchase left Adelphia with unreasonably small capital. The case is in discovery and has been scheduled for trial in June 2011.

In October 2004, TXU Portfolio Management Company (TXU) served FPL Energy Pecos Wind I, LP, FPL Energy Pecos Wind I GP, LLC, FPL Energy Pecos Wind II, LP, FPL Energy Pecos Wind II GP, LLC and Indian Mesa Wind Farm, LP (NextEra Energy Resources Affiliates) as defendants in a civil action filed in the District Court in Dallas County, Texas. FPL Energy, LLC, now known as NextEra Energy Resources, was added as a defendant in 2005. The petition alleged that the NextEra Energy Resources Affiliates had a contractual obligation to produce and sell to TXU a minimum quantity of renewable energy credits each year and that the NextEra Energy Resources Affiliates failed to meet this obligation. The plaintiff asserted claims for breach of contract and declaratory judgment and sought damages of approximately $34 million. The NextEra Energy Resources Affiliates filed their answer and counterclaim in 2004, denying the allegations. The counterclaim, as amended, asserted claims for conversion, breach of fiduciary duty, breach of warranty, conspiracy, breach of contract and fraud and sought termination of the contract and damages. Following a jury trial in 2007, among other findings, both TXU and the NextEra Energy Resources Affiliates were found to have breached the contract. In August 2008, the judge issued a final judgment pursuant to which the contract was not terminated and neither party would recover any damages. In November 2008, TXU appealed the final judgment to the Fifth District Court of Appeals in Dallas, Texas and the court's decision on the appeal is pending.

FPL Group and FPL are vigorously defending, and believe that they or their affiliates have meritorious defenses to, the lawsuits described above. In addition to the legal proceedings discussed above, FPL Group and its subsidiaries, including FPL, are involved in other legal and regulatory proceedings, actions and claims in the ordinary course of their businesses. Generating plants in which FPL Group or FPL have an ownership interest are also involved in legal and regulatory proceedings, actions and claims, the liabilities from which, if any, would be shared by FPL Group or FPL. In the event that FPL Group and FPL, or their affiliates, do not prevail in the lawsuits described above or these other legal and regulatory proceedings, actions and claims, there may be a material adverse effect on their financial statements. While management is unable to predict with certainty the outcome of the lawsuits described above or these other legal and regulatory proceedings, actions and claims, based on current knowledge it is not expected that their ultimate resolution, individually or collectively, will have a material adverse effect on the financial statements of FPL Group or FPL.

Regulatory Proceedings - On March 17, 2010, the FPSC issued its final order (FPSC rate order) with regard to FPL's March 2009 petition requesting, among other things, a permanent base rate increase for 2010. The FPSC rate order, which established new retail base rates for FPL effective March 1, 2010, included an increase in retail base revenues of approximately $75 million on an annualized basis, established a regulatory return on common equity (ROE) of 10.0% with a range of plus or minus 100 basis points and an adjusted regulatory equity ratio of 59.1%, and shifted certain costs from retail base rates to the capacity clause. The FPSC rate order also directed FPL to reduce depreciation expense related to a depreciation reserve surplus of approximately $895 million over the 2010 to 2013 period.

On April 1, 2010, FPL filed a motion for reconsideration and clarification (FPL motion) asking the FPSC to correct specific computational errors in the FPSC rate order (reconsideration errors) and to clarify an apparent inconsistency relating to the computation of the annual depreciation expense used in setting FPL’s retail base rates (depreciation inconsistency). Regardless of whether the FPSC ultimately concludes that revenue requirements should be higher or lower than the retail base rates implemented on March 1, 2010, the FPL motion requested that the FPSC resolve the reconsideration errors and depreciation inconsistency through an adjustment to depreciation expense which would keep retail base rates and revenues the same as set forth in the FPSC rate order and currently in effect. The FPSC's ruling on the FPL motion is pending. FPL cannot predict the outcome of the FPL motion proceedings before the FPSC, and the outcome could be different than what was requested in the FPL motion.

11. Segment Information

FPL Group's reportable segments include FPL, a rate-regulated utility, and NextEra Energy Resources, a competitive energy business. Beginning in 2010, NextEra Energy Resources' financial statements include non-utility interest expense on a deemed capital structure of 70% debt and allocated shared service costs. These changes were made to reflect an expected average capital structure at FPL Group Capital and more accurately reflect NextEra Energy Resources' operating costs. Corporate and Other represents other business activities, other segments that are not separately reportable and eliminating entries. FPL Group's segment information is as follows:

	Three Months Ended March 31,							
	2010				2009			
	FPL	NextEra Energy Resources(a)	Corporate & Other	FPL Group Consoli-dated	FPL	NextEra Energy Resources(a)(c)	Corporate & Other(c)	FPL Group Consoli-dated
	(millions)							
Operating revenues	$ 2,328	$ 1,247	$ 47	$ 3,622	$ 2,573	$ 1,089	$ 43	$ 3,705
Operating expenses	$ 1,935	$ 711	$ 37	$ 2,683	$ 2,311	$ 776	$ 35	$ 3,122
Net income (loss)(b)	$ 191	$ 367	$ (2)	$ 556	$ 127	$ 228	$ 9	$ 364

	March 31, 2010				December 31, 2009			
	FPL	NextEra Energy Resources	Corporate & Other	FPL Group Consoli-dated	FPL	NextEra Energy Resources	Corporate & Other	FPL Group Consoli-dated
	(millions)							
Total assets	$ 28,053	$ 20,908	$ 1,981	$ 50,942	$ 26,812	$ 20,136	$ 1,510	$ 48,458

(a) NextEra Energy Resources' interest expense is based on a deemed capital structure of 70% debt. For this purpose, the deferred credit associated with differential membership interests sold by a NextEra Energy Resources subsidiary in 2007 is included with debt. Residual non-utility interest expense is included in Corporate and Other.
(b) See Note 5 for a discussion of NextEra Energy Resources' tax benefits related to PTCs.
(c) Segment information restated for the changes listed above.

12. Summarized Financial Information of FPL Group Capital

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

Condensed Consolidating Statements of Income

	Three Months Ended March 31,							
	2010				2009			
	FPL Group	FPL Group	Other(a)	FPL Group	FPL Group	FPL Group	Other(a)	FPL Group

	(Guarantor)	Capital		Consolidated	(Guarantor)	Capital		Consolidated
				(millions)				
Operating revenues	$-	$1,297	$2,325	$3,622	$-	$1,135	$2,570	$3,705
Operating expenses	(1)	(751)	(1,931)	(2,683)	-	(813)	(2,309)	(3,122)
Interest expense	(4)	(151)	(83)	(238)	(4)	(134)	(73)	(211)
Other income (deductions) - net	564	68	(563)	69	373	(9)	(353)	11
Income (loss) before income taxes	559	463	(252)	770	369	179	(165)	383
Income tax expense (benefit)	3	91	120	214	5	(57)	71	19
Net income (loss)	$556	$372	$(372)	$556	$364	$236	$(236)	$364

(a) Represents FPL and consolidating adjustments.

Condensed Consolidating Balance Sheets

	March 31, 2010				December 31, 2009			
	FPL Group (Guarantor)	FPL Group Capital	Other(a)	FPL Group Consolidated	FPL Group (Guarantor)	FPL Group Capital	Other(a)	FPL Group Consolidated
	(millions)							
PROPERTY, PLANT AND EQUIPMENT								
Electric utility plant in service and other property	$ 2	$ 19,770	$ 31,495	$ 51,267	$ 2	$ 19,185	$ 30,982	$ 50,169
Less accumulated depreciation and amortization	-	(3,722)	(10,691)	(14,413)	-	(3,513)	(10,578)	(14,091)
Total property, plant and equipment - net	2	16,048	20,804	36,854	2	15,672	20,404	36,078
CURRENT ASSETS								
Cash and cash equivalents	-	625	590	1,215	-	156	82	238
Receivables	460	1,102	384	1,946	453	1,247	547	2,247
Other	4	1,465	927	2,396	4	1,258	590	1,852
Total current assets	464	3,192	1,901	5,557	457	2,661	1,219	4,337
OTHER ASSETS								
Investment in subsidiaries	13,146	-	(13,146)	-	12,785	-	(12,785)	-
Other	551	3,563	4,417	8,531	557	3,257	4,229	8,043
Total other assets	13,697	3,563	(8,729)	8,531	13,342	3,257	(8,556)	8,043
TOTAL ASSETS	$ 14,163	$ 22,803	$ 13,976	$ 50,942	$ 13,801	$ 21,590	$ 13,067	$ 48,458
CAPITALIZATION								
Common shareholders' equity	$ 13,336	$ 4,519	$ (4,519)	$ 13,336	$ 12,967	$ 4,349	$ (4,349)	$ 12,967
Long-term debt	-	10,326	6,275	16,601	-	10,506	5,794	16,300
Total capitalization	13,336	14,845	1,756	29,937	12,967	14,855	1,445	29,267
CURRENT LIABILITIES								
Debt due within one year	-	2,625	1,287	3,912	-	1,729	860	2,589
Accounts payable	-	392	545	937	-	453	539	992
Other	453	1,325	1,155	2,933	417	1,170	1,281	2,868
Total current liabilities	453	4,342	2,987	7,782	417	3,352	2,680	6,449
OTHER LIABILITIES AND DEFERRED CREDITS								
Asset retirement obligations	-	556	1,857	2,413	-	585	1,833	2,418
Accumulated deferred income taxes	68	1,440	3,575	5,083	94	1,318	3,448	4,860
Regulatory liabilities	15	-	3,241	3,256	16	-	3,166	3,182
Other	291	1,620	560	2,471	307	1,480	495	2,282
Total other liabilities and deferred credits	374	3,616	9,233	13,223	417	3,383	8,942	12,742
COMMITMENTS AND CONTINGENCIES								

TOTAL CAPITALIZATION AND LIABILITIES	$ 14,163	$ 22,803	$ 13,976	$ 50,942	$ 13,801	$ 21,590	$ 13,067	$ 48,458

(a) Represents FPL and consolidating adjustments.

Condensed Consolidating Statements of Cash Flows

	Three Months Ended March 31,	
	2010	2009