August 1, 2005

NG-05-0419
10 CFR 50.80
10 CFR 50.90
10 CFR 72.210

Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

Duane Arnold Energy Center
Docket Nos. 50-331 and 72-32
License No. DPR-49

Subject: Application for Order and Conforming Amendments for License Transfer

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended ("AEA") and 10 CFR 50.80, Nuclear Management Company, LLC ("NMC"), Interstate Power and Light Company ("IPL"), and FPL Energy Duane Arnold, LLC ("FPLE Duane Arnold") (collectively, "the parties"), hereby submit the enclosed application to the Nuclear Regulatory Commission ("NRC") for an order consenting to the transfer of Facility Operating License No. DPR-49 (the "License") for Duane Arnold Energy Center ("DAEC"). This Application seeks NRC's consent to the transfer by NMC of its operating authority and by IPL of its ownership interests under the License for DAEC to FPLE Duane Arnold. This Application also requests conforming administrative amendments to the License to delete references to IPL and NMC and to authorize FPLE Duane Arnold to possess, use, and operate DAEC at its location near Palo in Linn County, Iowa, and to receive, possess, or use related licensed materials under the same conditions and authorizations included in the License. Affirmations by NMC, IPL and FPLE Duane Arnold are included at the end of the Application.

Transfer of the License will also result in FPLE Duane Arnold being authorized pursuant to the general license in 10 CFR § 72.210 to store spent fuel in the Independent Spent Fuel Storage Installation at DAEC. FPLE Duane Arnold will assume all of NMC's obligations and commitments under this general license and under all NRC orders pertaining thereto.

FPLE Duane Arnold is a for-profit Delaware Limited Liability Company created to hold the DAEC ownership and operating interests being transferred. FPLE Duane Arnold is an indirect, wholly-owned subsidiary of FPL Energy, LLC ("FPLE"), one of the nation's largest independent power producers. FPLE is a wholly-owned subsidiary of FPL Group Capital, Inc., which in turn is a wholly-owned subsidiary of FPL Group, Inc. ("FPL Group"). Through

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its affiliates, FPL Group is a major producer of electrical energy, with over 30,000 MW of generation capacity in operation in the United States and substantial nuclear experience through the operation of five nuclear units by its subsidiaries Florida Power & Light Company ("FP&L") and FPLE. As of December 31, 2004, FPL Group reported assets exceeding $28 billion and recorded annual revenues for its 2004 fiscal year greater than $10.5 billion. FPL Group's regulated utility, FP&L, has been in business for more than 75 years, and FPL Group has leveraged its expertise in generation to build a rapidly growing independent power production business with facilities in operation, construction, or advanced stages of development in 26 states.

The information included in the Application demonstrates the technical and financial qualifications of FPLE Duane Arnold with respect to the DAEC operating and ownership interests being acquired, as well as FPLE Duane Arnold's method for decommissioning funding assurance for those interests.

The Application references separately bound Enclosures 6P and 8P, which contain confidential information proprietary to FPLE Duane Arnold. Proprietary Enclosures 6P and 8P will be submitted directly from FPLE Duane Arnold with a request that they be withheld from public disclosure pursuant to the regulations set forth in 10 CFR 2.390 on the basis that they contain confidential commercial and financial information. Non-proprietary versions of these enclosures, suitable for public disclosure, are provided as Enclosures 6NP and 8NP with the Application.

The parties expect to receive all required regulatory approvals and close this transaction on or before December 30, 2005. Accordingly, FPLE Duane Arnold, IPL, and NMC request that the NRC review this application on a schedule that will permit the issuance of the NRC order consenting to the transfer and the approval of the conforming administrative license amendments as promptly as possible and in any event by December 15, 2005. Such consent should be immediately effective upon issuance and should permit the transfer and implementation of the conforming license amendments to occur up to one year after issuance or such later date as the NRC may permit. The parties will inform the NRC of any significant changes in the status of other required regulatory approvals or other developments that affect the schedule.

This letter contains no new commitments and no revisions to existing commitments.

In accordance with 10 CFR 50.91, a copy of this application, with Enclosure, is being provided to DAEC's designated State Official.

If the NRC requires additional information concerning this Application, please contact Mr. Steve Catron, DAEC Nuclear Safety Assurance Manager, at 319-851-7234.

Service upon the applicants of any comments, hearing requests, intervention petitions, or other pleadings should be made to:

For FPLE Duane Arnold:

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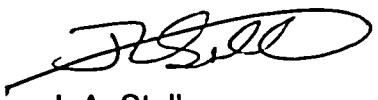
In addition, please place Messrs. Helfrich, Behrends, Ragsdale, and Rogoff on the NRC correspondence distribution list for all correspondence related to this application.

Very truly yours,

Gary Van Middlesworth
Site Vice President, Duane Arnold Energy Center
Nuclear Management Company, LLC

Very truly yours,



J. A. Stall
Senior Vice President, Nuclear and
Chief Nuclear Officer
FPL Energy Duane Arnold, LLC

Attachment

cc: Administrator, Region III, USNRC
Project Manager, Duane Arnold Energy Center, USNRC
Resident Inspector, Duane Arnold Energy Center, USNRC
Director, Spent Fuel Project Office
State of Iowa - D. McGhee

ATTACHMENT TO
NG-05-0419

APPLICATION FOR ORDER AND CONFORMING LICENSE AMENDMENTS TO TRANSFER FACILITY OPERATING LICENSE DPR-49

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	Docket Nos. 50-331
Duane Arnold Energy Center	)	72-32

APPLICATION FOR ORDER AND CONFORMING LICENSE AMENDMENTS TO TRANSFER FACILITY OPERATING LICENSE DPR-49

I. Introduction/Overview

Pursuant to 10 CFR 50.80, Nuclear Management Company, LLC ("NMC"), Interstate Power and Light Company ("IPL"), and FPL Energy Duane Arnold, LLC ("FPLE Duane Arnold") hereby apply to the Nuclear Regulatory Commission ("NRC") for an order consenting to the transfer of Facility Operating License DPR-49 (the "License") for Duane Arnold Energy Center ("DAEC"). This application seeks NRC's consent to the transfer by NMC of its operating authority and by IPL of its ownership interest under the License to FPLE Duane Arnold. This application also requests conforming amendments to the License to delete references to IPL and NMC, and to authorize FPLE Duane Arnold to possess, use, and operate DAEC, and to receive, possess, or use related licensed materials under the applicable conditions and authorizations included in the License.

This application does not request any amendments to the License other than those administrative amendments necessary to reflect FPLE Duane Arnold as the new operator and as an owner, and to delete provisions dealing solely with the transferring entities. This application does not request approval of any physical changes in DAEC or any changes to the conduct of operations. After transfer of the License, DAEC will continue to be operated and maintained in accordance with DAEC's current licensing bases.

Marked-up pages showing the requested changes to the License are provided as Enclosure 1 to this Application. Pursuant to 10 CFR 2.1315, these license amendments involve no significant hazards consideration, because the application does nothing more than conform the License to reflect the transfer action.

The proposed license transfer involves only IPL's 70% ownership interest in DAEC, and does not affect the remaining 30% interest in the facility, collectively held by Central Iowa Power Cooperative ("CIPCO") and Corn Belt Power Cooperative ("Corn Belt").

Transfer of the License will also result in FPLE Duane Arnold being authorized pursuant to the general license in 10 CFR § 72.210 to store spent fuel in the Independent Spent Fuel Storage Installation at DAEC. FPLE Duane Arnold will assume all of NMC's obligations and commitments under this general license and all NRC orders pertaining thereto.

In summary, the proposed license transfer will be consistent with the requirements set forth in the Atomic Energy Act of 1954, as amended ("AEA"), NRC regulations, and the relevant NRC licenses and orders. No physical changes will be made to DAEC, and there will be no changes in the day-to-day operation of the facility. The proposed license transfer and conforming administrative amendments will not involve any changes to the current DAEC design or licensing bases, and will not have any adverse impact on the public health and safety nor be inimical to the common defense and security. This Application therefore requests that the NRC consent to the transfer in accordance with 10 CFR 50.80 and approve the conforming administrative amendments pursuant to 10 CFR 50.92.

II. Statement of Purpose of the License Transfer and the Nature of the Transaction Making the Transfer Desirable

The parties are requesting this license transfer to enable FPLE Duane Arnold's purchase of IPL's 70% interest in DAEC. A copy of the Asset Sale Agreement ("ASA") is provided as

Enclosure 2.[1] This transaction will enable FPLE Duane Arnold to leverage existing Florida Power & Light Company/FPL Energy Seabrook, LLC nuclear fleet resources and expertise in the operation of DAEC. In turn, IPL will have access to a reliable source of energy pursuant to a long-term power purchase agreement, while reducing customer and shareowner financial and operational uncertainty associated with the ownership and operation of a single nuclear generating facility. FPLE Duane Arnold expects to extend the life of the plant through license renewal, and the additional operating period will also add value.

DAEC is located in Palo, Iowa, near Cedar Rapids. DAEC, which commenced commercial operation in 1975, consists of one fully licensed and operational General Electric Mark 1 Boiling Water Reactor ("BWR") and associated electrical generation equipment. The facility has an average monthly net capability of 598 MWe. DAEC's license, issued pursuant to section 104(b) of the Atomic Energy Act (the "Act"), expires in 2014.

The current owners of DAEC and their respective interests are as follows:

IPL	70%
CIPCO	20%
Corn Belt	10%

Upon closing (and subject to the NRC's consent for transfer of the DAEC License and issuance of appropriate license amendments), FPLE Duane Arnold will assume title to IPL's 70% interest in the facility, including all equipment, spare parts, fixtures, inventory, and other property necessary for the operation and maintenance of DAEC. FPLE Duane Arnold will take title to the acquired interest in the Independent Spent Fuel Storage Installation and all spent nuclear fuel and other licensed materials at or associated with, as well as nuclear fuel procured

[1] The schedules and exhibits to the ASA have not been included in Enclosure 2 because of their size, but will be made available to the NRC upon request.

for DAEC. FPLE Duane Arnold will also assume responsibility for the operation, maintenance, and eventual decommissioning of the facility. The assets to be transferred will include all records and documents necessary for operation, maintenance, and decommissioning of DAEC, including all documents comprising the current licensing basis of the unit. Certain transmission and distribution assets on the site will continue to be owned by IPL and will be operated under an Interconnection Agreement between IPL and FPLE Duane Arnold, which will assure compliance with NRC requirements. FPLE Duane Arnold will own the real property on which all transmission and distribution assets are located, and will grant IPL appropriate easements for operation and maintenance of the assets retained by IPL.

At closing, IPL will cause to be transferred to the trustee of FPLE Duane Arnold's post-closing decommissioning trust agreement all of IPL's qualified and non-qualified decommissioning funds, or in the event that these funds have an aggregate value in excess of $188.3 million at closing, all of the qualified funds and such portion of the non-qualified funds having this aggregate value. Following the closing, FPLE Duane Arnold will be responsible for all DAEC decommissioning activities, as well as the decommissioning costs associated with its ownership interest, and the decommissioning obligations of IPL shall be extinguished. The non-selling owners will remain responsible for their proportionate share of the decommissioning costs.

FPLE Duane Arnold will make offers of employment to employees of NMC who are employed at DAEC, or whose work responsibilities are involved principally in the operation of DAEC assets. As part of this requirement, FPLE Duane Arnold will assume the two collective bargaining agreements covering represented members of NMC's workforce at DAEC.

No physical changes to the plant are being proposed as part of this application. The conforming amendments that are being requested are limited to those amendments necessary to reflect the new owner and its organization, and to delete references to IPL and NMC. FPLE Duane Arnold will assume all regulatory commitments and will continue to comply with the current licensing basis of the facility.

III. General Information Regarding Transferee

The information required in an application for the transfer of licenses pursuant to 10 C.F.R. § 50.80 is set forth below. This information demonstrates that the requested transfer complies with the requirements of the AEA and applicable NRC regulations.

A. Name and Address

The name and registered office of the transferee/proposed licensee currently is:

FPLE Duane Arnold, LLC
700 Universe Blvd.
Juno Beach, Florida 33408

B. Description of Business

FPLE Duane Arnold is a Delaware limited liability company formed to acquire and operate DAEC. FPLE Duane Arnold will be an Exempt Wholesale Generator.

C. Organization and Management

FPLE Duane Arnold is a Delaware limited liability company. Its principal place of business will be Iowa.

As a limited liability company, FPLE Duane Arnold has no directors or management committee. The names and addresses of the principal officers of FPLE Duane Arnold, all of whom are U.S. citizens, are listed below:

Michael L. Leighton – President

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

F. Mitchell Davidson – Vice President

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

Charles J. Muoio – Vice President

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

Michael O'Sullivan – Vice President

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

Ronald L. Scheirer – Vice President

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

J. Art Stall – Senior Vice President, Nuclear, and Chief Nuclear Officer

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

Mark R. Sorenson – Treasurer

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

Charles R. Schultz – Secretary

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

Rita W. Costantino – Assistant Secretary

Citizenship:	United States
Business address:	700 Universe Boulevard Juno Beach, FL 33408

D. No Foreign Ownership or Control

FPLE Duane Arnold is not owned, controlled or dominated by an alien, a foreign corporation, or a foreign government.

E. No Agency

In seeking to become the licensed owner and operator of DAEC, FPLE Duane Arnold is not acting as the agent or representative of another person. As the licensed operator of DAEC after the license transfer, FPLE Duane Arnold will act for itself and on behalf of the other co-owners.

F. Relationship to Shareholders

FPLE Duane Arnold is a direct, wholly owned subsidiary of ESI Energy, LLC, which is a direct, wholly-owned subsidiary of FPL Energy, LLC ("FPL Energy"). FPL Energy is in turn a direct, wholly-owned subsidiary of FPL Group Capital, Inc., which is a direct, wholly-owned subsidiary of FPL Group. FPL Group is a public utility holding company incorporated in 1984 under the laws of the state of Florida. This corporate relationship is depicted in Enclosure 3 to this Application.

FPL Group Capital will at closing enter into a Support Agreement with FPLE Duane Arnold to make funding of up to $35 million available to FPLE Duane Arnold. FPL Group Capital is also providing a decommissioning funding guaranty in the amount of $75 million. These agreements are discussed in more detail later in this application and are attached. Pursuant to an existing guaranty between FPL Group and FPL Group Capital, FPL Group "absolutely and unconditionally guarantees" certain obligations of FPL Group Capital, and these guaranteed obligations encompass both the Support Agreement with FPLE Duane Arnold and the decommissioning funding guaranty.

Through its affiliates Florida Power & Light Company ("FP&L") and FPL Energy, FPL Group is a major producer of electric energy, with over 30,000 MWe of generation capacity in operation in the United States. FPL Group has been in business for more than 20 years and has leveraged its expertise in generation to build a rapidly growing independent power producer business with facilities in operation, construction, or advanced stages of development in 26 states. FPL Group is a publicly traded company with shares trading on the New York Stock Exchange. Further information on FPL Group is provided below and in enclosures to this Application.

FPL Group Capital has senior unsecured debt ratings of A- and A2 by Standard & Poor's and Moody's, respectively. In addition, FPL Group Capital, as a wholly-owned subsidiary, benefits from the financial strength of FPL Group. The FPL Group Annual Report for 2004 is provided in Enclosure 4. FPL Group enjoys a corporate credit rating of "A" by Standard & Poor's. Through its wholly-owned subsidiaries, FPL Group serves more than four million retail electric customers throughout the South and Northeast regions of the country, and produces more than 30,000 MW of electricity by operating fossil, hydroelectric, and nuclear units in an efficient

mix of generation technologies. As of December 31, 2004, FPL Group reported assets exceeding $28 billion and recorded annual revenues for its 2004 fiscal year greater than $10.5 billion. Thus, there is reasonable assurance that FPL Group Capital can meet its commitments to FPLE Duane Arnold.

G. Technical Qualifications

FPLE Duane Arnold will make offers of employment with comparable compensation and benefits to employees of NMC who are employed at DAEC, or whose work responsibilities involve principally the operation of any DAEC assets. Thus, substantially all of DAEC's plant staff and on-site operating organization, as well as off-site employees involved principally in DAEC operation, are expected to become FPLE Duane Arnold employees after the license transfer. Therefore, the technical qualifications of the organization operating DAEC will be essentially unaffected.

The DAEC on-site nuclear organization will report operationally through the Site Vice President to William E. Webster, Jr., who will be joining FPL Group in September, 2005 for a two-year assignment as an industry loaned executive from the Institute for Nuclear Power Operations ("INPO"). Mr. Webster will be the Vice President of Operations, and will report directly to J.A. Stall, who is FP&L and FPL Energy's Senior Vice President, Nuclear and Chief Nuclear Officer. Mr. Stall is responsible for all nuclear activities at FPL Group, including the safe operation and maintenance of the St. Lucie Nuclear Plant, Units 1 and 2, the Turkey Point Nuclear Plant, Units 3 and 4, and Seabrook Station. Upon transfer of the DAEC license, Mr. Stall will assume, in addition to his current duties, the position of Senior Vice President, Nuclear and Chief Nuclear Officer for FPLE Duane Arnold. Mr. Stall is a career nuclear professional with 28 years of nuclear operating experience. Prior to joining FP&L in 1996 as the Site Vice

President at the St. Lucie Nuclear Plant, he spent 19 years with Virginia Power Company at the North Anna Nuclear Plant. Mr. Stall was also Vice President, Nuclear Engineering at FP&L from 2000 to 2001. A statement of the education and experience of Mr. Stall is provided as Enclosure 5.

The on-site organization and plant staff, including senior managers, will remain essentially unchanged by the transfer. Similarly, other than possible realignment of administrative and support services (such as accounting, business services, and information technology), the organizational structure of the onsite organization, including lines of authority and communication, is not expected to be changed by the transfer. Certain offsite support services currently being performed by NMC will be assumed by FPLE Duane Arnold. If FPLE Duane Arnold determines that any other senior management changes will be made contemporaneously with the transfer, FPLE Duane Arnold will ensure that the new individuals meet all existing qualification requirements and will inform the NRC and provide the NRC with their resumes prior to the license transfer.

While FPLE Duane Arnold will not be relying on other organizations to establish its technical qualifications, the extensive experience and technical capabilities of FP&L and FPLE Seabrook are a valuable resource available to FPLE Duane Arnold. FP&L has an exemplary safety and operational record at its Turkey Point and St. Lucie plants, having, for example, achieved high rankings for performance and safety from the World Association of Nuclear Operators ("WANO") and the NRC, while also achieving a capacity factor in excess of 90 percent. FPLE Seabrook has also successfully operated the Seabrook Station since its acquisition of the controlling interest in Seabrook in 2002. FPLE Duane Arnold will operate DAEC under the same safe, conservative operating philosophies that have resulted in the

successful operation of the plants currently owned and operated by FP&L and FPLE Seabrook. This level of experience and capability in an affiliated company provides added assurance that FPLE Duane Arnold will have the technical qualifications necessary to safely and reliably conduct licensed activities at DAEC.

H. Financial Qualifications

In accordance with 10 CFR 50.33(f) and the Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance (NUREG-1577, Rev. 1), a projected income statement for the five-year period from January 1, 2006, until December 31, 2010, is provided in Enclosure 6P, which will be submitted under separate cover from FPLE Duane Arnold. (Enclosure 6P is proprietary to FPLE Duane Arnold; Enclosure 6NP, attached hereto, is a redacted, non-proprietary version suitable for public disclosure).[2] The Projected Income Statement shows that FPLE Duane Arnold's anticipated revenues from sales of energy and capacity from DAEC provide reasonable assurance of an adequate source of funds to meet FPLE Duane Arnold's anticipated expenses.

The revenues in the Projected Income Statement are based on FPLE Duane Arnold's sale of its 70 percent of generation, at prices established under a long-term power purchase agreement between IPL and FPLE Duane Arnold. The projected revenues assume a capacity factor corresponding to the average achieved over the last five years.

FPLE Duane Arnold has entered into a Power Purchase Agreement with IPL providing for the sale of all FPLE Duane Arnold's percentage share of the net energy output of the facility through license expiration on February 21, 2014. A copy of the PPA is provided as Enclosure 7.[3]

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[2] An affidavit regarding proprietary treatment of Enclosure 6P will be included with the separate transmittal of the proprietary enclosure.

[3] The exhibits to the PPA have not been included in Enclosure 7 because they include proprietary information, but will be made available to the NRC upon request subject to the provisions of 10 CFR 2.390.

Operating expenses, with the exception of depreciation, are based on forecasted generation costs developed by FPL Energy, which are also included as part of the business plan. Depreciation expense is based on FPLE Duane Arnold's actual purchase price. The Projected Income Statement shows that there is reasonable assurance that FPLE Duane Arnold will have sufficient funds to cover its share of operating costs.

In addition to the Projected Income Statement, FPLE Duane Arnold is providing as Enclosure 8P (under separate cover) a projected opening balance sheet showing its anticipated assets, liabilities, and capital structure as of the closing date. (Enclosure 8P is proprietary to FPLE Duane Arnold; Enclosure 8NP, attached hereto, is a redacted, non-proprietary version suitable for public disclosure).[4] Further, to provide added assurance that FPLE Duane Arnold will have sufficient funds available to meet its operating expenses for DAEC, FPL Group Capital will at closing enter into a Support Agreement with FPLE Duane Arnold to make funding of up to $35 million available to FPLE Duane Arnold. Under the terms of the Support Agreement, a form of which is attached as Enclosure 9 hereto, FPLE Duane Arnold will have the right to obtain such funds from FPL Group Capital to the extent FPLE Duane Arnold determines necessary to pay the expenses of safely operating and maintaining DAEC, protect the public health and safety, and meet NRC requirements. This funding assurance will, if necessary, also meet any obligations associated with nuclear liability premiums, including FPLE Duane Arnold's share of retrospective premiums pursuant to 10 CFR 140.21, and required nuclear property insurance. Absent a further sale or transfer requiring NRC approval, the Support Agreement will not terminate until DAEC permanently ceases commercial operation, and may not be modified or amended without 30 days prior written notice to the NRC.

[4] An affidavit regarding proprietary treatment of Enclosure 8P will be included with the separate transmittal of the proprietary enclosure.

The level of funding provided by the Support Agreement covers the approximate O&M costs that DAEC would expect to incur over a six-month outage, as suggested by the NRC's Standard Review Plan (NUREG-1577, Rev. 1, at p. 5), and provides added assurance that FPLE Duane Arnold is financially qualified to conduct licensed activities at DAEC.

I. Decommissioning Funding Assurance

As stated earlier, all of IPL's qualified and non-qualified decommissioning funds, or in the event that these funds have an aggregate value in excess of $188.3 million at closing, all of the qualified funds and such portion of the non-qualified funds having this aggregate value, will be transferred to FPLE Duane Arnold's decommissioning trust fund at closing. It is currently estimated that the value of the funds transferred at closing will be $186 million. These funds will be held in external trust funds segregated from FPLE Duane Arnold assets and outside its administrative control. Investment of the funds will be managed in accordance with applicable requirements in 10 CFR § 50.75(h)(1).

The NRC-required decommissioning funding amount for DAEC is $436.7 million, as calculated in accordance with 10 CFR § 50.75(c), NRC Regulatory Guide 1.159, and NUREG-1307, Rev. 11. Enclosure 10 provides a worksheet showing this calculation. FPLE Duane Arnold's 70% share of this required amount is $305.7 million. When 2% real earnings are credited through license expiration in 2014, as permitted by 10 CFR § 50.75(e)(1)(i), the amount required to satisfy the prepayment method of funding is $260.2 million. Therefore, FPL Group Capital will provide a parent guaranty in the amount of $75 million, representing the difference between the estimated value of the decommissioning funds at transferred closing ($186 million) and FPLE Duane Arnold's share of the prepayment amount required by NRC regulations when 2 percent real earnings are credited ($260.2 million).

The form of this parent guaranty is provided as Enclosure 11 hereto. Enclosure 12 provides a worksheet demonstrating compliance with the NRC's financial test for parent guarantees, in accordance with 10 CFR § 50.75(e)(1)(iii)(B) and 10 CFR Part 30, App. A. FPLE Duane Arnold has chosen to demonstrate compliance using the test in section II.A.2 of Appendix A.

Absent a further sale or transfer requiring NRC approval, this parent guaranty will not terminate until DAEC permanently ceases commercial operation or unless terminated in accordance with the cancellation provisions specified in the NRC rules, and may not be modified or amended without 30 days prior written notice to the NRC. FPLE Duane Arnold will recalculate the required decommissioning funding assurance level each year, as required by 10 CFR § 50.75(b)(2), and if necessary each year will obtain an appropriate adjustment in the amount of the parent guarantee or otherwise provide for decommissioning funding assurance in the amount required.

J. Antitrust Review

The NRC has determined that antitrust reviews of post-operating license transfer applications are neither required nor authorized by the AEA, and therefore no antitrust information is required in connection with this Application.[5]

K. Other Licensing Considerations

1. Spent Fuel Contracts and Spent Fuel Management

Upon closing, FPLE Duane Arnold will assume title to and financial responsibility for spent nuclear fuel at or associated with DAEC to the same extent as presently held by IPL. IPL

[5] Final Rule, Antitrust Review authority: Clarification, 65 Fed. Reg. 44,649 (July 19, 2000); *see also Kansas Gas and Electric Co.* (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441 (June 18, 1999).

will assign or convey and FPLE Duane Arnold will assume IPL's rights and obligations under the Standard Contract with the Department of Energy ("DOE"), including any claims of IPL related to or pertaining to DOE defaults under the Standard Contract, accrued prior to, on, or after the closing date, whether relating to periods prior to, on, or after the closing date, and all other rights of IPL against DOE with respect to, arising out of, or in connection with DAEC. IPL will remain liable for fees payable to DOE under the Standard Contract accrued or related to electricity generated and sold prior to closing.

Transfer of the License will result in FPLE Duane Arnold being authorized pursuant to the general license in 10 CFR § 72.210 to store spent fuel in the Independent Spent Fuel Storage Installation at DAEC. FPLE Duane Arnold will assume all of NMC's obligations and commitments under this general license and all NRC orders pertaining thereto. FPLE Duane Arnold will provide an update of registrations required by 10 CFR § 72.212(b)(1)(ii) for casks in use within 30 days after the closing.

2. Nuclear Insurance

In accordance with Article IV of the NRC Indemnity Agreement for DAEC, the parties request NRC approval of the assignment and transfer of the Price Anderson Indemnity Agreement for DAEC to FPLE Duane Arnold upon consent to the proposed license transfer. FPLE Duane Arnold's Projected Income Statements and financial arrangements with FPL Group Capital provides adequate assurance that FPLE Duane Arnold will be able to pay its proportionate share of the annual retrospective premium for DAEC, pursuant to 10 CFR 140.21(e)-(f). Prior to the license transfer, FPLE Duane Arnold will obtain all required nuclear property damage insurance pursuant to 10 CFR 50.54(w) and nuclear energy liability insurance pursuant to Section 170 of the AEA and 10 CFR Part 140.

3. Offsite Power

IPL currently provides off-site power to DAEC over transmission and distribution facilities owned by IPL. As part of the sale of DAEC, IPL has entered into a Large Generator Interconnection Agreement with FPLE Duane Arnold (the "LGIA") to continue to provide interconnection services for the facility. A copy of the LGIA is attached as Enclosure 13.[6] As part of this LGIA, IPL agrees that it will operate its interconnection facilities in compliance with NRC's maintenance rule and other NRC requirements and licensee commitments. This LGIA will enable FPLE Duane Arnold to have a reliable interconnection to and source of offsite power meeting all NRC requirements. As the licensee, FPLE Duane Arnold will remain responsible for ensuring compliance with all applicable NRC requirements.

4. Control of Exclusion Area

FPLE Duane Arnold will own or control all real property within the exclusion area of DAEC. While IPL will retain easements allowing access to the transmission and distribution facilities at the site and a communications tower, FPLE Duane Arnold will maintain the right to control activities and remove or exclude personnel in these areas.

5. Continuation of the Current Licensing Basis

This application does not request approval of or involve any physical changes in the facility, in plant configuration, or to the conduct of operations. After the transfer of the license, the facility will continue to be operated and maintained in accordance with its licensing basis, and FPLE Duane Arnold will assume all regulatory commitments. Other than the change in licensee and the few related organizational changes described in this Application, there will be no change in the current licensing basis for DAEC associated with this license transfer.

[6] The exhibits to the LGIA have not been included in Enclosure 13, but will be made available to the NRC upon request.

Pursuant to the ASA, FPLE Duane Arnold will acquire all documents, correspondence, books, records, medical records, operating, safety and maintenance manuals, inspection reports, drawings, models, engineering designs, blueprints, as-built plans, specifications, procedures, studies, reports, quality assurance records, purchasing records and equipment repair, data, safety, maintenance or service records relating to the design, construction, licensing, regulation, operation or decommissioning of the facility. FPLE Duane Arnold will also acquire any rights to any documents owned by third parties and licensed to the current operator which are used in or necessary to the licensing, operation, or decommissioning of the facility.

a. Quality Assurance Program

Upon transfer, FPLE Duane Arnold will adopt the current 10 CFR Part 50, Appendix B Quality Assurance (QA) Program that is implemented by NMC. FPLE Duane Arnold anticipates that no substantive changes will be made to the existing QA organization as a result of the transfer of the license to FPLE Duane Arnold. FPLE Duane Arnold anticipates that no changes will be made as a result of the transfer of the license that will result in a reduction in the commitments in the QA Program descriptions previously accepted by the NRC.

Any future changes that may be made to the existing DAEC QA Program developed and implemented by the current licensees will be made in accordance with 10 CFR 50.54(a). If FPLE Duane Arnold or NMC identify any changes to the QA Program that would result in a reduction in commitments, application to the NRC will be made, and such proposed changes will not be implemented until approved by the NRC. Determinations as to whether any proposed change(s) would result in a reduction in commitments will be made in accordance with DAEC's currently approved plans, programs and procedures.

b. Emergency Preparedness

Upon transfer, FPLE Duane Arnold will assume the authority and responsibility for functions necessary to fulfill the emergency planning and preparedness requirements specified in 10 CFR 50.47(b) and 10 CFR Part 50, Appendix E, and will assume the existing DAEC emergency plan developed and implemented by the current licensees. FPLE Duane Arnold anticipates that no changes to the emergency plan will be made that will result in a decrease in the effectiveness of the plan, and that the plan will continue to meet the standards of 10 CFR 50.47(b) and the requirements of 10 CFR Part 50, Appendix E. The license transfer will not adversely affect the effectiveness of the emergency planning organization or compliance with emergency preparedness requirements.

Any changes made to the existing DAEC emergency plan will be made in accordance with 10 CFR 50.54(q). Any specific emergency plan changes will be submitted to the NRC within 30 days after the changes are made, pursuant to 10 CFR 50.54(q) and 10 CFR Part 50, Appendix E, Section IV. If NMC or FPLE Duane Arnold identify any proposed changes that would decrease the effectiveness of the approved emergency plan, application to the NRC will be made and such proposed changes will not be implemented until approved by the NRC. Determinations as to whether any proposed change(s) would result in a decrease in effectiveness will be made in accordance with DAEC's currently approved plan, programs, and procedures.

FPLE Duane Arnold anticipates that no substantive changes will be made to the existing emergency organization. Ownership of off-site emergency sirens and other off-site emergency response equipment will be transferred to FPLE Duane Arnold, and any easements and contracts for the siren locations and leases for off-site emergency response facilities will be assigned to FPLE Duane Arnold. Existing agreements for support from organizations and agencies not

affiliated with IPL will be assigned to FPLE Duane Arnold. IPL and FPLE Duane Arnold plan to notify the parties to such agreements in advance of the transfer of DAEC to FPLE Duane Arnold and advise those parties of FPLE Duane Arnold's responsibility for management and operation of DAEC, effective as of the transfer date.

In sum, the license transfer will not adversely affect compliance with emergency preparedness requirements.

c. Security Plan

Upon transfer, FPLE Duane Arnold will assume the authority and responsibility for the functions necessary to fulfill the security planning requirements specified in 10 CFR Part 73, and will assume the existing NRC-approved physical security, guard training and qualification, and safeguards contingency plans developed and implemented by the current licensee, as well as all commitments in response to the NRC's Security Orders pertaining to DAEC. FPLE Duane Arnold anticipates that no changes will be made as a result of the license transfer that will result in a decrease in the effectiveness of the plans, and that the plans will continue to meet existing regulatory standards.

Any changes made to the plans will be made in accordance with 10 CFR 50.54(p). Any specific security plan changes will be submitted to the NRC within two months after the changes are made, pursuant to 10 CFR 50.54(p)(2). If FPLE Duane Arnold, IPL or NMC identify any proposed change that would decrease the effectiveness of the approved security plans, application to the NRC will be made, and such proposed changes will not be implemented until approved by the NRC. Determination as to whether any proposed change(s) would result in a decrease in effectiveness will be made in accordance with DAEC's currently approved security plan, programs, and procedures.

d. Updated Final Safety Analysis Report

The proposed license transfer and conforming administrative license amendments will not change or invalidate information presently appearing in the Updated Final Safety Analysis Report ("UFSAR") for DAEC, with the exception of the information changed as a result of this application. Changes necessary to accommodate the proposed transfer and conforming administrative license amendments will be incorporated into the UFSAR in accordance with 10 CFR 50.71(e) following NRC approval of the request for consent to transfer the license.

L. Restricted Data and Classified Nuclear Security Information

This Application does not contain any Restricted Data or other classified defense information, and it is not expected that any such information will be required by the licensed activities at DAEC. In the event that licensed activities do involve Restricted Data in the future, FPLE Duane Arnold agrees that it will appropriately safeguard such information and it will not permit any individual to have access to Restricted Data or National Security Information until the Office of Personnel Management investigates and reports to the NRC on the character, associations and loyalty of such individual, and the NRC determines that permitting such person to have access to Restricted Data will not endanger the common defense and security of the United States.

M. Environmental Considerations

The proposed license transfer will not result in any change in the types, or any increase in the amounts, of any effluents that may be released offsite, and will not cause any increase in individual or cumulative occupational radiation exposure. Further, as specified in 10 CFR 51.22(c)(21), the NRC has determined that license transfers are categorically exempted from

further environmental review. Accordingly, the license transfer will involve no significant environmental impact.

IV. Schedule

The parties are seeking to complete the proposed transaction promptly, consistent with receipt of all required regulatory approvals. The parties to the transaction anticipate closing on or before December 30, 2005. Accordingly, they request that the NRC complete its review and issue the transfer consent and conforming license amendments expeditiously, with a target date of December 15, 2005. This date would be consistent with the NRC's stated objective of completing uncontested license transfer reviews in three to four months.[7]

The parties request and expect that, consistent with past NRC practice, the NRC's consent will be effective immediately upon issuance and will permit the transfer and implementation of the conforming license amendments at any time within twelve months following the date of issuance by the NRC.

The sale and purchase of DAEC also requires approvals or actions from other federal agencies, including the Federal Energy Regulatory Commission, Federal Trade Commission or Department of Justice, Federal Communications Commission, and Environmental Protection Agency, and from several state public utility commissions and environmental agencies. The parties will keep the NRC staff informed as to the status of these necessary approvals and will notify the NRC staff when they are ready for the conforming license amendments to be issued.

[7] *See, e.g.*, 63 Fed. Reg. 66,721, 66,727 col. 3 (Dec. 3, 1998).

V. Conclusions

For the foregoing reasons, the proposed license transfer will not: (1) have any adverse impact on the operation of DAEC; (2) affect the managerial, technical or financial qualifications of the licensed operator of the facility; (3) impair any licensee's financial qualifications; (4) result in foreign ownership, control or domination over any NRC licensee; or (5) require any additional NRC reviews. In conclusion, the proposed transfer will not be inimical to the common defense and security or result in any undue risk to public health and safety, and will be consistent with the requirements of the AEA and the NRC regulations.

Accordingly, and based on the foregoing information, the parties respectfully request that the NRC issue (1) an Order approving the transfer of IPL's ownership interest in DAEC and NMC's operating authority to FPLE Duane Arnold, and (2) the associated conforming administrative license amendments to Facility Operating License No. DPR-49.

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
Duane Arnold Energy Center	)	Docket Nos. 50-331
	)	72-32

AFFIRMATION

I, Thomas L. Aller, being duly sworn, hereby depose and state that I am President of Interstate Power and Light Company (IPL); that I am duly authorized to file with the Nuclear Regulatory Commission the attached Application for Order and Conforming Amendments for License Transfer; that I am familiar with the content thereof; and that the matters set forth therein pertaining to IPL are true and correct to the best of my knowledge and belief.

Thomas L. Aller

Thomas L. Aller
President

STATE OF IOWA)
COUNTY OF LINN)

Subscribed and sworn to before me, a Notary Public in the State of Iowa, this 28th day of July 2005.

Linda L. Kipp

LINDA L. KIPP
Commission Number 157599
MY COMMISSION EXPIRES
7-6-2005

Notary Public in and for the State of Iowa

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
Duane Arnold Energy Center	)	Docket Nos. 50-331
	)	72-32

AFFIRMATION

I, Gary Van Middlesworth, being duly sworn, hereby depose and state that I am Site Vice President, Duane Arnold Energy Center, for Nuclear Management Company, LLC (NMC); that I am duly authorized to file with the Nuclear Regulatory Commission the attached Application for Order and Conforming Amendments for License Transfer; that I am familiar with the content thereof; and that the matters set forth therein with pertaining to NMC and the Duane Arnold Energy Center (DAEC) are true and correct to the best of my knowledge and belief.

Gary Van Middlesworth
Site Vice President, Duane Arnold Energy Center

STATE OF IOWA)
COUNTY OF LINN)

Subscribed and sworn to before me, a Notary Public in the State of Iowa, this 1st day of August 2005.

Nancy S Franck
Notary Public in and for the State of Iowa

My Commission Expires:

NANCY S. FRANCK
Commission Number 011041
MY COMMISSION EXPIRES
9-28-07

9-28-07

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
Duane Arnold Energy Center	)	Docket Nos. 50-331
	)	72-32

AFFIRMATION

I, J. A. Stall, being duly sworn, hereby depose and state that I am Senior Vice President, Nuclear and Chief Nuclear Officer of FPL Energy Duane Arnold, LLC, that I am duly authorized to file with the Nuclear Regulatory Commission the attached Application for Order and Conforming Amendments for License Transfer; that I am familiar with the content thereof; and that the matters set forth therein pertaining to FPLE Duane Arnold, including the information in Enclosures 6P and 8P provided under separate cover, are true and correct to the best of my knowledge and belief.

J. A. Stall
Senior Vice President, Nuclear and
Chief Nuclear Officer

STATE OF FLORIDA)
COUNTY OF PALM BEACH)

Subscribed and sworn to before me, a Notary Public in the State of Florida, this 29 day of July 2005.

Notary Public in and for the State of Florida

Roberta S. Economy
Commission # DD415603
Expires June 1, 2009
Bonded Troy Fain - Insurance, Inc. 800-365-7019

List of Enclosures

Enclosure 1:	Proposed Changes to the Facility Operating License Associated with the Proposed Transfer of Duane Arnold Energy Center (DAEC) from Nuclear Management Company and Interstate Power & Light to FPL Energy Duane Arnold, LLC (FPLE Duane Arnold)
Enclosure 2:	Asset Sale Agreement
Enclosure 3:	FPLE Duane Arnold, LLC Corporate Structure
Enclosure 4:	FPL Group, Inc. Annual Report for 2004
Enclosure 5:	Resume of J. A. Stall
Enclosure 6P:	Projected Income Statement for FPLE Duane Arnold (Proprietary - under separate cover)
Enclosure 6NP:	Projected Income Statement for FPLE Duane Arnold (Non-Proprietary)
Enclosure 7:	Power Purchase Agreement
Enclosure 8P:	FPLE Duane Arnold Projected Opening Balance Sheet (Proprietary – under separate cover)
Enclosure 8NP:	FPLE Duane Arnold Projected Opening Balance Sheet (Non-Proprietary)
Enclosure 9:	Form of Support Agreement between FPL Group Capital Inc. and FPLE Duane Arnold
Enclosure 10:	Decommissioning Funding Worksheet
Enclosure 11:	Form of FPLE Duane Arnold, LLC Parent Guaranty
Enclosure 12:	Financial Test for Parent Guaranty
Enclosure 13:	Large Generator Interconnection Agreement

Enclosure 1

Proposed Changes to the Facility Operating License Associated with the Proposed Transfer of Duane Arnold Energy Center from Nuclear Management Company and Interstate Power & Light to FPL Energy Duane Arnold, LLC

I. Reason for the Change

A majority of the ownership interest (70%) in Duane Arnold Energy Center, located in Palo, Iowa ("DAEC"), is being sold to FPL Energy Duane Arnold, LLC ("FPLE Duane Arnold"), necessitating the submittal of a conforming change to the Facility Operating License (including appendices) for the unit. The proposed changes delete references to Nuclear Management Company ("NMC") as the operator of DAEC and Interstate Power and Light Company ("IPL"), as an owner of DAEC, and replace them with references to "FPLE Duane Arnold." Other minor administrative changes are also being implemented as shown below to facilitate the license transfer.

II. Basis for the Change

After the license transfer, NMC and IPL will retain no responsibility for the regulatory obligations contained in License No. DPR-49 for DAEC. Accordingly, the entity to which that responsibility is being transferred, FPLE Duane Arnold, must be identified in the Facility Operating License.

III. Safety Assessment

The proposed changes to the Facility Operating License for DAEC identify FPLE Duane Arnold as the operator and a new owner of the facility and make minor changes that support the license transfer. No physical modifications are being made to plant systems or components nor are any significant changes in day-to-day operation of the unit being made. Therefore, the proposed changes are administrative in nature and will not adversely affect nuclear safety or safe plant operation.

IV. Description of the Proposed Changes

The proposed changes to the Facility Operating License for DAEC include the following: (1) the deletion of references to IPL and NMC as owner and operator of DAEC, respectively, and (2) the authorization of FPLE Duane Arnold, to possess, use, and operate DAEC under essentially the same conditions and authorization included in the existing license.

Both "pen & ink" markups of the Facility Operating License pages and clean, typed versions of those pages follow.

~~Amdt. # 198, 5-13-94~~

FPL ENERGY DUANE ARNOLD, LLC~~INTERSTATE POWER AND LIGHT COMPANY~~
CENTRAL IOWA POWER COOPERATIVE
CORN BELT POWER COOPERATIVE
~~NUCLEAR MANAGEMENT COMPANY, LLC~~
DOCKET 50-331
DUANE ARNOLD ENERGY CENTER
FACILITY OPERATING LICENSE

License No. DPR-49

1. The Atomic Energy Commission (the Commission) having found that:

   A. The application for license filed by FPL Energy Duane Arnold, LLC,~~Nuclear Management Company, LLC (NMC), Interstate Power and Light Company,~~ Central Iowa Power Cooperative and Corn Belt Power Cooperative (the licensees) complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I and all required notifications to other agencies or bodies have been duly made; ~~Amdt. # 198, 5-13-94~~

   B. Construction of the Duane Arnold Energy Center (facility) has been substantially completed in conformity with Construction Permit No. DPPR-70; the application, as amended; the provisions of the Act; and the rules and regulations of the Commission;

   C. The facility will operate in conformity with the application, as amended; the provisions of the Act; and the rules and regulations of the Commission;

   D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public; and (ii) that such activities will be conducted in compliance with the rules and regulations of the Commission;

   E. FPL Energy Duane Arnold, LLC~~NMC~~ is technically qualified and FPL Energy Duane Arnold, LLC~~Interstate Power and Light Company, ,~~ Central Iowa Power Cooperative and Corn Belt Power Cooperative are financially qualified to engage in the activities authorized by this operating license in accordance with the rules and regulations of the Commission; ~~Amdt. # 198, 5-13-94~~

   F. The licensees have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements", of the Commission's regulations;

G. The issuance of this operating license will not be inimical to the common defense and security or to the health and safety of the public;

H. After weighing the environmental, economic, technical, and other benefits of the facility against environmental costs and considering available alternatives, the issuance of Facility Operating License No. DPR-49 is in accordance with 10 CFR Part 50, Appendix D, of the Commission's regulations and all applicable requirements of said Appendix D have been satisfied;

I. The receipt, possession, and use of source, by-product and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Part 30 and 70, including 10 CFR Section 30.33, 70.23 and 70.31.

2. Facility Operating License No. DPR-49 is hereby issued to FPL Energy Duane Arnold, LLC~~NMC, Interstate Power and Light Company~~, Central Iowa Power Cooperative (CIPCO) and Corn Belt Power Cooperative (Corn Belt) to read as follows: ~~Amdt. 198, 5-13-94~~

A. This license applies to the Duane Arnold Energy Center, a boiling water reactor and associated equipment (the facility), owned by FPL Energy Duane Arnold, LLC~~Interstate Power and Light Company~~, Central Iowa Power Cooperative and Corn Belt Power Cooperative and operated by FPL Energy Duane Arnold, LLC~~Nuclear Management Company, LLC~~. The facility is located on FPL Energy Duane Arnold, LLC's~~Interstate Power and Light Company's~~, Central Iowa Power Cooperative's and Corn Belt Power Cooperative's site near Palo in Linn County, Iowa. This site consists of approximately 500 acres adjacent to the Cedar River and is described in the "Final Safety Analysis Report" as supplemented and amended (Amendments 1 through 14) and the Environmental Report as supplemented and amended (Supplements 1 through 5).

B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

(1) FPL Energy Duane Arnold, LLC~~NMC~~, pursuant to Section 104b of the Act and 10 CFR Part 50, "Licensing of Production and Utilization Facilities," to possess, use and operate the facility; and~~IES Utilities Inc.,~~ CIPCO and Corn Belt to possess the facility at the designated location in Linn County, Iowa, in accordance with the procedures and limitations set forth in this license; ~~Amdt. # 198, 5-13-94~~

2.B.(2) FPL Energy Duane Arnold, LLC~~NMC~~, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Updated Final Safety Analysis Report, as supplemented and amended as of June 1992 and as supplemented by letters dated March 26, 1993, and November 17, 2000.

2.B.(3) FPL Energy Duane Arnold, LLC~~NMC~~, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;

2.B.(4) FPL Energy Duane Arnold, LLC~~NMC~~, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated radioactive apparatus components;

2.B.(5) FPL Energy Duane Arnold, LLC~~NMC~~, pursuant to the Act and 10 CFR Parts 30 and 70, to possess, but not to separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

C. This license shall be deemed to contain and is subject to the conditions specified in the following Commission regulations in 10 CFR Chapter I; Part 20, Section 30.34 of Part 30, Section 40.41 of Part 40, Sections 50.54 and 50.59 of Part 50, and Section 70.32 of Part 70; is subject to all applicable provisions of the Act and to the rules, regulations, and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:

Maximum Power Level

2.C.(1) FPL Energy Duane Arnold, LLC~~NMC~~ is authorized to operate the Duane Arnold Energy Center at steady state reactor core power levels not in excess of 1912 megawatts (thermal).

(2) Technical Specifications

The Technical Specifications contained in Appendix A, as revised through Amendment No. ~~258~~___, are hereby incorporated in the license. FPL Energy Duane Arnold, LLC~~NMC~~ shall operate the facility in accordance with the Technical Specifications.

(a) For Surveillance Requirements (SRs) whose acceptance criteria are modified, either directly or indirectly, by the increase in authorized maximum power level in 2.C.(1) above, in accordance with Amendment No. 243 to Facility Operating License DPR-49, those SRs are not required to be performed until their next scheduled performance, which is due at the end of the first surveillance interval that begins on the date the Surveillance was last performed prior to implementation of Amendment No. 243.

(b) The licensee will perform the generator load reject transients test required by the General Electric Licensing Topical Report for Extended Power Uprate (NEDC-32424P-A) - ELTR-1, including the allowances described in Section L.2.4 (2) of ELTR-1 regarding credit for unplanned plant transient events, using the thermal power level (1658 MWt) to establish the ELTR-1 power level limit. The testing shall be performed at an initiating power level greater than the steady-state operation power level exceeding the ELTR-1 power level limit for the generator load reject transient.

(3) Fire Protection

FPL Energy Duane Arnold, LLC~~NMC~~ shall implement and maintain in effect all provisions of the approved fire protection program as described in the Final Safety Analysis Report for the Duane Arnold Energy Center and as approved in the SER dated June 1, 1978, and Supplement dated February 10, 1981, subject to the following provision:

FPL Energy Duane Arnold, LLC~~NMC~~ may make changes to the approved fire protection program without prior approval of the Commission only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

(4) The licensee is authorized to operate the Duane Arnold Energy Center following installation of modified safe-ends on the eight primary recirculation system inlet lines which are described in the licensee letter dated July 31, 1978, and supplemented by letter dated December 8, 1978.

(5) Physical Protection

FPL Energy Duane Arnold, LLC~~NMC~~ shall fully implement and maintain in effect all provisions of the Commission-approved physical security, training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10 CFR 73.55 (51 FR 27817and 27822) and to the authority of 10 CFR 50.90 and 10 CFR 50.54(p). The combined set of plans, which contains Safeguards Information protected under10 CFR 73.21, is entitled: "Nuclear Management Company Duane Arnold Energy Center Physical Security Plan, Revision 0" submitted by letter dated October 18, as supplemented by letter dated October 21, 2004.

2.C.(6) Deleted

2.C.(7) Additional Conditions

The Additional Conditions contained in Appendix B, as revised through Amendment No. ___~~251~~, are hereby incorporated into this license. FPL Energy Duane Arnold, LL~~CNMC~~ shall operate the facility in accordance with the Additional Conditions.

2.C.(8) The License is authorized to revise the Updated Final Safety Analysis Report by deleting the footnote for Section 9.1.4.4.5 which states: "*The NRC has not endorsed the reactor building crane as single-failure proof (Reference 9)," and by deleting Reference 9 of the references for Section 9.1.

D. This license is effective as of the date of issuance and shall expire at midnight February 21, 2014.

FOR THE ATOMIC ENERGY COMMISSION

Original signed by Roger Boyd for

A. Giambuso, Deputy Director
for Reactor Projects
Directorate of Licensing

Enclosures:

Appendix A Technical Specifications

Appendix B Additional Conditions

Date of Issuance: February 22, 1974

APPENDIX B

ADDITIONAL CONDITIONS

OPERATING LICENSE NO. DPR-49

FPL Energy Duane Arnold, LLC~~NMC~~ (the term licensee in Appendix B refers to ~~NMC~~FPL Energy Duane Arnold, LLC) shall comply with the following conditions on the schedule noted below:

Amendment Number	Additional Conditions	Implementation Date
223	FPL Energy Duane Arnold, LLC~~NMC~~ is authorized to relocate certain requirements included in Appendix A to licensee-controlled documents. Implementation of this amendment shall include the relocation of these requirements to the appropriate documents, as described in the licensee's application dated October 30, 1996, as supplemented, and consolidated in its March 31, 1998, submittal. These relocations were evaluated in the NRC staff's Safety Evaluation enclosed with this amendment.	This amendment is effective immediately and shall be implemented within 180 days of the date of this amendment.

FPL ENERGY DUANE ARNOLD, LLC
CENTRAL IOWA POWER COOPERATIVE
CORN BELT POWER COOPERATIVE
DOCKET 50-331
DUANE ARNOLD ENERGY CENTER
FACILITY OPERATING LICENSE

License No. DPR-49

1. The Atomic Energy Commission (the Commission) having found that:

   A. The application for license filed by FPL Energy Duane Arnold, LLC, Central Iowa Power Cooperative and Corn Belt Power Cooperative (the licensees) complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I and all required notifications to other agencies or bodies have been duly made;

   B. Construction of the Duane Arnold Energy Center (facility) has been substantially completed in conformity with Construction Permit No. DPPR-70; the application, as amended; the provisions of the Act; and the rules and regulations of the Commission;

   C. The facility will operate in conformity with the application, as amended; the provisions of the Act; and the rules and regulations of the Commission;

   D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public; and (ii) that such activities will be conducted in compliance with the rules and regulations of the Commission;

   E. FPL Energy Duane Arnold, LLC is technically qualified and FPL Energy Duane Arnold, LLC, Central Iowa Power Cooperative and Corn Belt Power Cooperative are financially qualified to engage in the activities authorized by this operating license in accordance with the rules and regulations of the Commission;

   F. The licensees have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements", of the Commission's regulations;

G. The issuance of this operating license will not be inimical to the common defense and security or to the health and safety of the public;

H. After weighing the environmental, economic, technical, and other benefits of the facility against environmental costs and considering available alternatives, the issuance of Facility Operating License No. DPR-49 is in accordance with 10 CFR Part 50, Appendix D, of the Commission's regulations and all applicable requirements of said Appendix D have been satisfied;

I. The receipt, possession, and use of source, by-product and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Part 30 and 70, including 10 CFR Section 30.33, 70.23 and 70.31.

2. Facility Operating License No. DPR-49 is hereby issued to FPL Energy Duane Arnold, LLC, Central Iowa Power Cooperative (CIPCO) and Corn Belt Power Cooperative (Corn Belt) to read as follows:

A. This license applies to the Duane Arnold Energy Center, a boiling water reactor and associated equipment (the facility), owned by FPL Energy Duane Arnold, LLC, Central Iowa Power Cooperative and Corn Belt Power Cooperative and operated by FPL Energy Duane Arnold, LLC. The facility is located on FPL Energy Duane Arnold, LLC's, Central Iowa Power Cooperative's and Corn Belt Power Cooperative's site near Palo in Linn County, Iowa. This site consists of approximately 500 acres adjacent to the Cedar River and is described in the "Final Safety Analysis Report" as supplemented and amended (Amendments 1 through 14) and the Environmental Report as supplemented and amended (Supplements 1 through 5).

B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

(1) FPL Energy Duane Arnold, LLC, pursuant to Section 104b of the Act and 10 CFR Part 50, "Licensing of Production and Utilization Facilities," to possess, use and operate the facility; and CIPCO and Corn Belt to possess the facility at the designated location in Linn County, Iowa, in accordance with the procedures and limitations set forth in this license;

2.B.(2) FPL Energy Duane Arnold, LLC, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Updated Final Safety Analysis Report, as supplemented and amended as of June 1992 and as supplemented by letters dated March 26, 1993, and November 17, 2000.

2.B.(3) FPL Energy Duane Arnold, LLC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;

2.B.(4) FPL Energy Duane Arnold, LLC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated radioactive apparatus components;

2.B.(5) FPL Energy Duane Arnold, LLC, pursuant to the Act and 10 CFR Parts 30 and 70, to possess, but not to separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

C. This license shall be deemed to contain and is subject to the conditions specified in the following Commission regulations in 10 CFR Chapter I; Part 20, Section 30.34 of Part 30, Section 40.41 of Part 40, Sections 50.54 and 50.59 of Part 50, and Section 70.32 of Part 70; is subject to all applicable provisions of the Act and to the rules, regulations, and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:

Maximum Power Level

2.C.(1) FPL Energy Duane Arnold, LLC is authorized to operate the Duane Arnold Energy Center at steady state reactor core power levels not in excess of 1912 megawatts (thermal).

(2) Technical Specifications

The Technical Specifications contained in Appendix A, as revised through Amendment No. ___, are hereby incorporated in the license. FPL Energy Duane Arnold, LLC shall operate the facility in accordance with the Technical Specifications.

(a) For Surveillance Requirements (SRs) whose acceptance criteria are modified, either directly or indirectly, by the increase in authorized maximum power level in 2.C.(1) above, in accordance with Amendment No. 243 to Facility Operating License DPR-49, those SRs are not required to be performed until their next scheduled performance, which is due at the end of the first surveillance interval that begins on the date the Surveillance was last performed prior to implementation of Amendment No. 243.

(b) The licensee will perform the generator load reject transients test required by the General Electric Licensing Topical Report for Extended Power Uprate (NEDC-32424P-A) - ELTR-1, including the allowances described in Section L.2.4 (2) of ELTR-1 regarding credit for unplanned plant transient events, using the thermal power level (1658 MWt) to establish the ELTR-1 power level limit. The testing shall be performed at an initiating power level greater than the steady-state operation power level exceeding the ELTR-1 power level limit for the generator load reject transient.

(3) Fire Protection

FPL Energy Duane Arnold, LLC shall implement and maintain in effect all provisions of the approved fire protection program as described in the Final Safety Analysis Report for the Duane Arnold Energy Center and as approved in the SER dated June 1, 1978, and Supplement dated February 10, 1981, subject to the following provision:

FPL Energy Duane Arnold, LLC may make changes to the approved fire protection program without prior approval of the Commission only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

(4) The licensee is authorized to operate the Duane Arnold Energy Center following installation of modified safe-ends on the eight primary recirculation system inlet lines which are described in the licensee letter dated July 31, 1978, and supplemented by letter dated December 8, 1978.

(5) Physical Protection

FPL Energy Duane Arnold, LLC shall fully implement and maintain in effect all provisions of the Commission-approved physical security, training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10 CFR 73.55 (51 FR 27817and 27822) and to the authority of 10 CFR 50.90 and 10 CFR 50.54(p). The combined set of plans, which contains Safeguards Information protected under 10 CFR 73.21, is entitled: "Nuclear Management Company Duane Arnold Energy Center Physical Security Plan, Revision 0" submitted by letter dated October 18, as supplemented by letter dated October 21, 2004.

2.C.(6) Deleted

2.C.(7) Additional Conditions

The Additional Conditions contained in Appendix B, as revised through Amendment No. ___, are hereby incorporated into this license. FPL Energy Duane Arnold, LLC shall operate the facility in accordance with the Additional Conditions.

2.C.(8) The License is authorized to revise the Updated Final Safety Analysis Report by deleting the footnote for Section 9.1.4.4.5 which states: "*The NRC has not endorsed the reactor building crane as single-failure proof (Reference 9)," and by deleting Reference 9 of the references for Section 9.1.

D. This license is effective as of the date of issuance and shall expire at midnight February 21, 2014.

FOR THE ATOMIC ENERGY COMMISSION

Original signed by Roger Boyd for

A. Giambuso, Deputy Director
for Reactor Projects
Directorate of Licensing

Enclosures:

Appendix A Technical Specifications

Appendix B Additional Conditions

Date of Issuance: February 22, 1974

APPENDIX B

ADDITIONAL CONDITIONS

OPERATING LICENSE NO. DPR-49

FPL Energy Duane Arnold, LLC (the term licensee in Appendix B refers to FPL Energy Duane Arnold, LLC) shall comply with the following conditions on the schedule noted below:

Amendment Number	Additional Conditions	Implementation Date
223	FPL Energy Duane Arnold, LLC is authorized to relocate certain requirements included in Appendix A to licensee-controlled documents. Implementation of this amendment shall include the relocation of these requirements to the appropriate documents, as described in the licensee's application dated October 30, 1996, as supplemented, and consolidated in its March 31, 1998, submittal. These relocations were evaluated in the NRC staff's Safety Evaluation enclosed with this amendment.	This amendment is effective immediately and shall be implemented within 180 days of the date of this amendment.

Enclosure 2

Asset Sale Agreement

EXECUTION COPY

DUANE ARNOLD ENERGY CENTER

ASSET SALE AGREEMENT

BY AND AMONG

INTERSTATE POWER AND LIGHT COMPANY,
AS SELLER

FPL ENERGY DUANE ARNOLD, LLC, AS BUYER

AND

FPL GROUP CAPITAL INC., AS BUYER'S PARENT

DATED AS OF JULY 2, 2005

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ASSET SALE AGREEMENT

ASSET SALE AGREEMENT, dated as of July 2, 2005 (the "Agreement"), by and among Interstate Power and Light Company, an Iowa corporation ("Seller" or "IP&L"), FPL Energy Duane Arnold, LLC, a Delaware limited liability company ("Buyer"), and FPL Group Capital Inc., a Florida corporation and the parent company of Buyer ("Buyer's Parent"). Seller, Buyer and Buyer's Parent are referred to individually as a "Party," and collectively as the "Parties."

WITNESSETH:

WHEREAS, Seller owns a seventy percent (70%) undivided interest in the Duane Arnold Energy Center ("DAEC"), located in Palo, Iowa, and certain facilities and other assets associated therewith and ancillary thereto, in accordance with NRC Operating License No. DPR-49;

WHEREAS, in addition to Seller's ownership interest in DAEC, a twenty percent (20%) undivided interest is owned by Central Iowa Power Cooperative, an Iowa corporation ("CIPCO"), and a ten percent (10%) undivided interest is owned by Corn Belt Power Cooperative, an Iowa corporation ("Corn Belt"), pursuant to that certain Duane Arnold Energy Center Ownership Participation Agreement, dated June 1, 1970, among IP&L, CIPCO and Corn Belt, as amended (the "Ownership Agreement"), that certain Duane Arnold Energy Center Operating Agreement, dated June 1, 1970, among IP&L, CIPCO and Corn Belt, as amended (the "Operating Agreement"), and that certain Duane Arnold Energy Center Agreement for Transmission, Transformation, Switching and Related Facilities, dated June 1, 1970, among IP&L, CIPCO and Corn Belt, as amended (the "Transmission Agreement");

WHEREAS, the Ownership Agreement, the Operating Agreement and the Transmission Agreement govern the relationship between IP&L, CIPCO and Corn Belt as it relates to the ownership and operation of DAEC, and the allocation of certain risks and responsibilities relating to DAEC among the parties thereto;

WHEREAS, the authority to operate DAEC is vested in IP&L pursuant to the Operating Agreement;

WHEREAS, as agent for IP&L, Nuclear Management Company, LLC, a Wisconsin limited liability company ("NMC"), has operational responsibility with respect to DAEC pursuant to a Nuclear Power Plant Operating Services Agreement, dated as of November 22, 1999, by and between NMC and IP&L (as successor to IES Utilities, Inc.) (the "NPPOSA") and NRC Operating License No. DPR-49;

WHEREAS, Alliant Energy Nuclear LLC, an Affiliate of IP&L, owns a membership interest in NMC (the "NMC Membership Interest");

WHEREAS, Buyer desires to purchase and assume, and Seller desires to sell and assign, all of Seller's interest in the DAEC Assets (as defined below) and certain associated liabilities, upon the terms and conditions hereinafter set forth in this Agreement;

WHEREAS, Buyer may enter into agreements with one or both of the Other Owners to purchase such Other Owners' interests in DAEC and to assume certain associated liabilities of such Other Owners; and

WHEREAS, the Parties desire that Buyer's Parent support certain of the obligations of Buyer hereunder.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

1. DEFINITIONS

1.1. Definitions.

As used in this Agreement, the following terms have the meanings specified in this Section 1.1.

(1) "Actual Amount" has the meaning set forth in Section 6.10(g).

(2) "Affiliate" has the meaning set forth in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(3) "Agreement" means this Asset Sale Agreement together with the Schedules and Exhibits hereto, as the same may be from time to time amended.

(4) "Allocation" has the meaning set forth in Section 3.4(b).

(5) "Ancillary Agreements" means the Bill of Sale, Assignment and Assumption Agreement, the Deed, the Easement and Access Agreement, the Interconnection Agreement, the Emergency and Environmental Equipment Easements, the Emergency Operations Facility Lease, the Power Purchase Agreement and the Buyer's Parent Guaranty, as the same may be amended from time to time.

(6) "ANI" means American Nuclear Insurers, or any successors thereto.

(7) "Assignment and Assumption Agreement" means the Assignment and Assumption Agreement between Seller and Buyer in the form of Exhibit A hereto, by which Seller, subject to the terms and conditions hereof, shall assign Seller's interest in and rights under the Seller's Agreements, the Ownership Agreement, the Operating Agreement, the Transmission Agreement, the Fuel Contracts, the Non-material Contracts, the Real Property Agreements, the Transferable Permits, certain intangible assets and other DAEC Assets to Buyer and whereby Buyer shall assume the Assumed Liabilities and Obligations.

(8) "Assumed Liabilities and Obligations" has the meaning set forth in Section 2.3.

(9) "Atomic Energy Act" means the Atomic Energy Act of 1954, as amended, 42 U.S.C. Section 2011 et seq.

(10) "Benefit Plans" has the meaning set forth in Section 4.12(a).

(11) "Bill of Sale" means the Bill of Sale, in the form of Exhibit B hereto, to be delivered at the Closing, with respect to Seller's interests in the Tangible Personal Property included in the DAEC Assets to be transferred to Buyer at the Closing.

(12) "Business Books and Records" has the meaning set forth in Section 2.1(g).

(13) "Business Day" shall mean any day other than Saturday, Sunday and any day on which banking institutions in the State of Iowa are authorized by law or other governmental action to close.

(14) "Buyer" has the meaning set forth in the preamble.

(15) "Buyer Indemnitee" has the meaning set forth in Section 8.1(b).

(16) "Buyer Material Adverse Effect" has the meaning set forth in Section 5.3(a).

(17) "Buyer's Parent" has the meaning set forth in the preamble.

(18) "Buyer's Parent Guaranty" shall mean a guaranty executed by Buyer's Parent in the form of Exhibit I hereto.

(19) "Buyer's Required Regulatory Approvals" has the meaning set forth in Section 5.3(b).

(20) "Byproduct Material" means any radioactive material (except Special Nuclear Material) yielded in, or made radioactive by, exposure to the radiation incident to the process of producing or utilizing Special Nuclear Material.

(21) "Capital Budget" means the budget established for capital projects for the DAEC Assets as set forth in Schedule 6.1(a), as such budget may be amended by agreement of the Parties.

(22) "Capital Expenditures" has the meaning set forth in Section 3.3(a)(iv).

(23) "CIPCO" means Central Iowa Power Cooperative, an Iowa corporation.

(24) "Closing" has the meaning set forth in Section 3.1.

(25) "Closing Date" has the meaning set forth in Section 3.1.

(26) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and the rules and regulations promulgated thereunder.

(27) "Code" means the Internal Revenue Code of 1986, as amended.

(28) "Collective Bargaining Agreements" mean (a) that certain Agreement between NMC and Local Union 214 of the Security, Police and Fire Professionals of America, dated as of August 1, 2002, and (b) that certain Agreement between IP&L (as successor to IES Utilities Inc.), and Local Union 204 of the International Brotherhood of Electric Workers, dated as of June 1, 1999, each as amended from time to time.

(29) "Commercially Reasonable Efforts" mean efforts which are designed to enable a Party, directly or indirectly, to expeditiously satisfy a condition to, or otherwise assist in the consummation of, the transactions contemplated by this Agreement and which do not require the performing Party to expend any funds or assume Liabilities other than expenditures and Liability assumptions which are customary and reasonable in nature and amount in the context of the transactions contemplated by this Agreement.

(30) "Confidentiality Agreement" means the letter agreement, dated March 7, 2005, between Seller and Buyer's Parent.

(31) "Corn Belt" means Corn Belt Power Cooperative, an Iowa corporation.

(32) "DAEC" has the meaning set forth in the recitals.

(33) "DAEC Assets" has the meaning set forth in Section 2.1.

(34) "DAEC Defined Benefit Plans" has the meaning set forth in Section 6.10(g).

(35) "DAEC Employee" means an hourly-paid or salaried employee of NMC or an Affiliate of NMC, who receives an Internal Revenue Service Form W-2 from NMC or an Affiliate of NMC, employed as of the Closing Date who is employed at DAEC, or whose work responsibilities involve principally the operation of any of the DAEC Assets, which employees shall be set forth in Schedule 6.10(a) (which shall be updated as of the Closing Date as provided for herein). "DAEC Employee" does not mean or include any worker, working at or on the Facilities or the DAEC Assets, who is compensated directly by an entity other than NMC or an Affiliate of NMC and/or for whom NMC or an Affiliate of NMC issues an Internal Revenue Service Form 1099.

(36) "DAEC Retiree Coverages" has the meaning set forth in Section 6.10(l).

(37) "Decommission" means to completely retire and remove the Facilities from service and to restore the Site, as well as any planning and administrative activities incidental thereto, including but not limited to (a) the dismantlement and removal of the Facilities and any reduction or removal of radioactivity at the Site to a level that permits termination of the NRC License and unrestricted use of the Site, (b) all other activities necessary for the retirement, dismantlement, decontamination and/or storage of the Facilities to comply with all applicable Nuclear Laws and Environmental Laws, including the applicable requirements of the Atomic Energy Act and the NRC's rules, regulations, orders and pronouncements thereunder, and (c) once the Site is no longer utilized either for power

generation of any kind or for any storage of Spent Nuclear Fuel or other Nuclear Material, restoration of the Site to an appropriately graded and vegetated condition.

(38) "Decommissioning Funds" means the Nonqualified Decommissioning Funds and the Qualified Decommissioning Funds set forth on Schedule 1.1(38).

(39) "Decommissioning Target" means an amount equal to Two Hundred Three Million Three Hundred Thousand Dollars ($203,300,000).

(40) "Deed" has the meaning set forth in Section 3.6(c).

(41) "Department of Energy" means the United States Department of Energy and any successor agency thereto.

(42) "Department of Energy Claim" means the action previously commenced by Seller for damages resulting from the Department of Energy's failure to commence the removal, transportation, acceptance or any delay in accepting Spent Nuclear Fuel for disposal pursuant to the Standard Spent Fuel Disposal Contract.

(43) "Department of Energy Decommissioning and Decontamination Fees" means all fees related to the Department of Energy's Special Assessment of utilities for the Uranium Enrichment Decontamination and Decommissioning Funds pursuant to Sections 1801, 1802 and 1803 of the Atomic Energy Act and the Department of Energy's implementing regulations at 10 C.F.R. Part 766, as those statutes and regulations exist at the time of execution of this Agreement, applicable to separative work units purchased from the Department of Energy in order to decontaminate and decommission the Department of Energy's gaseous diffusion enrichment facilities.

(44) "Department of Justice" means the United States Department of Justice and any successor agency thereto.

(45) "Direct Claim" has the meaning set forth in Section 8.2(c).

(46) "Downgrade Event" means, as to any Party, any period of time when such Party is rated below Baa3 by Moody's Investment Services, Inc. (or its successor), or rated below BBB- by Standard and Poor's Rating Group (or its successor).

(47) "Easement and Access Agreement" means the Easement and Access Agreement between Seller and Buyer, dated as of the date of this Agreement and in the form of Exhibit C.

(48) "Easements" mean, with respect to the DAEC Assets, the easements, licenses and access rights to be granted by the appropriate party by or pursuant to the Interconnection Agreement, the Deed, the Emergency and Environmental Equipment Easements or the Easement and Access Agreement, including, without limitation, easements authorizing access, use, maintenance, construction, repair, replacement and other activities by the parties thereto.

(49) "Emergency and Environmental Equipment Easements" means the easements, leases or other occupancy agreements between Seller and Buyer, each in the form of Exhibit G or of Seller's standard form of pole attachment agreement, with respect to each siren, environmental air sampler or environmental or post-accident thermoluminescent dosimeter (a) constituting part of the DAEC Assets, (b) located on property owned or co-owned by Seller immediately after the Closing Date and (c) not located on land that is subject to the Easement and Access Agreement, which Emergency and Environmental Equipment Easements shall be granted by Seller without any rent charge unless such charge is required by Law.

(50) "Emergency Operations Facilities" means the facility owned by IP&L located in Cedar Rapids, Iowa and utilized as the emergency operations facility and joint news center for DAEC, and the ORAL-ODEF labs of DAEC located in Cedar Rapids, Iowa.

(51) "Emergency Operations Facilities Lease" means the lease in the form of Exhibit H to be entered into between Buyer and IP&L as of the Closing Date with respect to the Emergency Operations Facilities.

(52) "Encumbrances" means any mortgages, pledges, liens, security interests, conditional and installment sale agreements, conservation easements, deed restrictions, easements, encumbrances and charges of any kind.

(53) "Energy Reorganization Act" means the Energy Reorganization Act of 1974, as amended.

(54) "Environment" means all soil, real property, air, water (including surface waters, streams, ponds, drainage basins and wetlands), groundwater, water body sediments, drinking water supply, stream sediments or land, including land surface or subsurface strata, including all fish, plant, wildlife, and other biota and any other environmental medium or natural resource.

(55) "Environmental Claim" means any and all written communications alleging potential Liability, administrative or judicial actions, suits, orders, liens, notices alleging Liability, notices of violation, investigations which have been disclosed in writing to Seller, complaints, requests for information relating to the Release or threatened Release into the Environment of Hazardous Substances, proceedings, or other written communication, whether criminal or civil, pursuant to or relating to any applicable Environmental Law by any Person (including any Governmental Authority) based upon, alleging, asserting, or claiming any actual or potential (a) violation of, or Liability under any Environmental Law, (b) violation of any Environmental Permit, or (c) Liability for investigatory costs, cleanup costs, removal costs, remedial costs, response costs, monitoring costs, natural resource damages, property damage, personal injury, fines, or penalties arising out of, based on, resulting from, or related to the presence, Release, or threatened Release into the Environment of any Hazardous Substances at any location related to the DAEC Assets, including, but not limited to, any off-Site location to which Hazardous Substances, or materials containing Hazardous Substances, were sent.

(56) "Environmental Clean-up Site" means any location which is listed or formally proposed for listing on the National Priorities List, the Comprehensive Environmental

Response, Compensation and Liability Information System, or on any similar state list of sites requiring investigation or cleanup, or which is the subject of any action, suit, proceeding or investigation which has been disclosed in writing to Seller for any alleged violation of any Environmental Law, or at which there has been a Release, or, to the Knowledge of Seller, a threatened or suspected Release, of a Hazardous Substance.

(57) "Environmental Laws" means all Laws regarding pollution or protection of the Environment, the conservation and management of land, natural resources and wildlife or human health and safety or the Occupational Safety and Health Act (only as it relates to Hazardous Substances), including, without limitation, Laws regarding Releases or threatened Releases of Hazardous Substances (including, without limitation, Releases to ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport, disposal or handling of Hazardous Substances. "Environmental Laws" include, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. §§ 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.), the Clean Air Act (42 U.S.C. §§ 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the Oil Pollution Act (33 U.S.C. §§ 2701 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. §§ 11001 et seq.), the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.) only as it relates to Hazardous Substances, and all other Laws (including common law) analogous to any of the above. Notwithstanding the foregoing, Environmental Laws do not include Nuclear Laws.

(58) "Environmental Permit" means any federal, state or local permits, licenses, approvals, consents, registrations or authorizations required by any Governmental Authority under or in connection with any Environmental Law including any and all orders, consent orders or binding agreements issued or entered into by a Governmental Authority under any applicable Environmental Law.

(59) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the applicable rules and regulations promulgated thereunder.

(60) "ERISA Affiliate" has the meaning set forth in Section 2.4(h).

(61) "Estimated Allocation" has the meaning set forth in Section 3.4(a).

(62) "Estimated Closing Statement" has the meaning set forth in Section 3.3(b).

(63) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(64) "Excluded Assets" has the meaning set forth in Section 2.2.

(65) "Excluded Liabilities" has the meaning set forth in Section 2.4.

(66) "Exempt Wholesale Generator" means an exempt wholesale generator as defined in Section 32 of the Holding Company Act and the regulations promulgated thereunder.

(67) "Facilities" means the plant, facilities, equipment, supplies and improvements in which Seller has an ownership interest and which are included in the DAEC Assets, constituting the nuclear power plant known as the Duane Arnold Energy Center.

(68) "Federal Power Act" means the Federal Power Act, as amended.

(69) "Federal Trade Commission" means the United States Federal Trade Commission or any successor agency thereto.

(70) "FERC" means the United States Federal Energy Regulatory Commission or any successor agency thereto.

(71) "Final Determination" has the meaning set forth in section 1313(a) of the Code (or any similar provision of state or local law).

(72) "Fuel Contracts" has the meaning set forth in Section 4.14(a).

(73) "Good Utility Practices" means any of the practices, methods and activities generally accepted in the electric utility industry in the United States of America as good practices applicable to nuclear generating facilities of similar design, size and capacity and consistent with past practice at the Facilities or any of the practices, methods or activities which, in the exercise of reasonable judgment by a prudent nuclear operator in light of the facts known at the time the decision was made (other than the fact that such operator is in the process of selling the facility), could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, expedition and applicable Laws including Nuclear Laws and Laws relating to the protection of public health and safety. Good Utility Practices are not intended to be limited to the optimal practices, methods or acts to the exclusion of all others, but rather to be practices, methods or acts generally accepted in the electric utility industry in the United States of America.

(74) "Governmental Authority" means any federal, state, local, provincial, foreign, international or other governmental, regulatory or administrative agency, taxing authority, commission, department, board, or other governmental subdivision, court, tribunal, arbitrating body or other governmental authority.

(75) [Reserved.]

(76) "Greater Than Class C Waste" means radioactive waste that contains a radionuclide whose concentration exceeds the value in Table 1 or Table 2 of 10 C.F.R. 61.55, and therefore is currently not generally acceptable for disposal at existing (near surface) low level radioactive waste disposal facilities.

(77) "GUST" means: (a) the Uruguay Round Agreements Act, Pub. L. 103-465; (b) the Uniformed Services Employment and Reemployment Rights Act of 1994, Pub. L. 103-353; (c) the Small Business Job Protection Act of 1996, Pub. L. 104-188; (d) the Taxpayer Relief Act of 1997, Pub. L. 105-34; (e) the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. 105-206; and (f) the Community Renewal Tax Relief Act of 2000, Pub. L. 106-554.

(78) "Hazardous Substances" means (a) any petroleum, asbestos, asbestos-containing material, and urea formaldehyde foam insulation and transformers or other equipment that contains polychlorinated biphenyls; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "contaminants," "pollutants," "toxic pollutants," "hazardous air pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Law; and (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law; excluding, however, any Nuclear Material.

(79) "High Level Waste Repository" means a facility which is designed, constructed and operated by or on behalf of the Department of Energy for the storage and disposal of Spent Nuclear Fuel in accordance with the requirements set forth in the Nuclear Waste Policy Act.

(80) "Holding Company Act" means the Public Utility Holding Company Act of 1935, as amended.

(81) "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(82) "ICC" means the Illinois Commerce Commission or any successor agency thereto.

(83) "Income Tax" means any Tax (a) based upon, measured by or calculated with respect to net income, profits or receipts (including, without limitation, capital gains Taxes and minimum Taxes), or (b) based upon, measured by or calculated with respect to multiple bases (including, without limitation, corporate franchise Taxes) if one or more of the bases on which such Tax may be based, measured by or calculated with respect to, is described in clause (a), in each case together with any interest, penalties or additions to such Tax.

(84) "Indemnifiable Loss" has the meaning set forth in Section 8.1(a).

(85) "Indemnifying Party" has the meaning set forth in Section 8.1(d).

(86) "Indemnitee" means either a Seller Indemnitee or a Buyer Indemnitee.

(87) "Independent Accounting Firm" means such independent accounting firm of national reputation as is mutually appointed by Seller and Buyer.

(88) [Reserved.]

(89) "Initial Transfer" has the meaning set forth in Section 6.10(g).

(90) "Intellectual Property" means all patents and patent rights, trademarks and trademark rights, service marks and service mark rights, inventions, trade names, copyrights and copyright rights owned or licensed by Seller and necessary for the operation and maintenance of

the DAEC Assets, and all pending applications for registrations of patents, trademarks, service marks and copyrights, as set forth in Schedule 2.1(j).

(91) "Interconnection Agreement" means the Interconnection Agreement, in the form of Exhibit D hereto, between Seller and Buyer, under which DAEC will be provided after the Closing Date with interconnection services consistent with FERC regulations and precedent and NRC requirements relating to offsite power availability and grid reliability.

(92) "IP&L" has the meaning set forth in the preamble.

(93) "IRS" means the United States Internal Revenue Service or any successor agency thereto.

(94) "IUB" means the Iowa Utilities Board or any successor agency thereto.

(95) "Knowledge" means (i) with respect to Buyer, the actual knowledge (based on a reasonable inquiry of appropriate employees of Buyer and Buyer's Parent) of the corporate officers who are charged with responsibility for the particular function relating to the specific matter of the inquiry and (ii) with respect to Seller, the actual knowledge (based on a reasonable inquiry of appropriate employees of Seller and NMC) of the (a) executive officers of Seller who are charged with responsibility for the particular function relating to the specific matter of the inquiry and (b) Seller's Nuclear Business Asset Manager.

(96) "Law or Laws" means all laws, rules, regulations, codes, statutes, ordinances, decrees, treaties, and/or administrative orders of any Governmental Authority.

(97) "Liability" or "Liabilities" means any liability or obligation (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due) other than any liability for Taxes. Without limiting the generality of the foregoing, in the case of the NRC License, "Liabilities" shall include the NRC Commitments.

(98) "Licenses" has the meaning set forth in Section 4.17(a).

(99) "Loss" or "Losses" means any and all damages, fines, fees, penalties, deficiencies, losses and expenses (including without limitation all Remediation costs, fees of attorneys, accountants and other experts, or other expenses of litigation or proceedings or of any claim, default or assessment).

(100) "Low Level Waste" means radioactive material that: (a) is neither Spent Nuclear Fuel as defined herein, nor byproduct material (as defined in Section 11e.(2) of the Atomic Energy Act (42 U.S.C. 2014(e)(2)); and (b) the NRC, consistent with existing Law and in accordance with clause (a), classifies as low-level radioactive waste.

(101) "Material Adverse Effect" means any change in, or effect on, the DAEC Assets (including the operations or condition (financial or otherwise) thereof) that is or reasonably could be materially adverse to the value of the DAEC Assets, taken as a whole, resulting in (i) shutdown of the Facilities, (ii) a material diminution of the full licensed thermal

power or the full rated electrical output of the Facilities, or (iii) any Loss or claim related to the Facilities that could reasonably be expected to cause a Loss and/or the expenditure by Buyer within one year following the Closing Date in excess of Five Million Dollars ($5,000,000) individually, or in excess of Twenty Million Dollars ($20,000,000) in the aggregate. Notwithstanding the foregoing, a "Material Adverse Effect" shall not include (A) any change (or changes taken together) generally affecting the international, national, regional or local electric industry as a whole, or the nuclear power industry as a whole, including changes in local wholesale or retail markets for electric power or Nuclear Fuel, national, regional or local electric transmission systems or operations thereof, (B) any change in any Law generally applicable to similarly situated Persons, (C) any change in the application or enforcement of any Law, by any Governmental Authority, with respect to the Facilities or to similarly situated Persons, unless such change in application or enforcement prohibits consummation of the transactions contemplated by this Agreement, (D) any changes resulting from or associated with acts of war or terrorism or changes imposed by a Governmental Authority associated with additional security to address concerns of terrorism, arising out of the events of September 11, 2001, or otherwise, or (E) any change or effect resulting from action or inaction by a Governmental Authority with respect to an independent system operator or retail access in Iowa; provided that such case does not affect the Facilities or the Parties in any manner or degree significantly different than the industry as a whole; and provided, further, that any loss, claim, occurrence, change or effect that is cured prior to the Closing Date shall not be considered a Material Adverse Effect.

(102) "MISO" means Midwest Independent Transmission System Operator, Inc.

(103) "Mortgage Indenture" means, collectively, (a) the Indenture of Mortgage and Deed of Trust, dated as of September 1, 1993, between IP&L and J.P. Morgan Trust Company, N.A., as successor in interest to Bank One Trust Company, N.A., successor Trustee, and all supplemental indentures thereto, and (b) the Indenture of Mortgage and Deed of Trust, dated as of August 1, 1940, between IP&L and J.P. Morgan Trust Company, N.A., as successor in interest to Bank One Trust Company, N.A., successor Trustee, and all supplemental indentures thereto, as further amended and/or supplemented from time to time.

(104) "MPUC" means the Minnesota Public Utilities Commission or any successor agency thereto.

(105) "NEIL" means Nuclear Electric Insurance Limited, or any successor thereto.

(106) "NMC" has the meaning set forth in the recitals.

(107) "NMC Membership Interest" has the meaning set forth in the recitals.

(108) "NMC Money Purchase Plan" has the meaning set forth in Section 6.10(f).

(109) "NMC Savings Plan" has the meaning set forth in Section 6.10(f).

(110) "Non-Nuclear Fuel Inventories" means materials, spare parts, consumable supplies, diesel and other fuel supplies (other than Nuclear Fuel) and chemical and gas

inventories relating to the operation of the Facilities located at, or in transit to, the Facilities and the interests of Seller in spare parts located off-Site.

(111) "Non-material Contracts" means those contracts, agreements, personal property leases or other commitments incidental to the operation or maintenance of the DAEC Assets that have been entered into by Seller or by NMC in its capacity as Seller's agent in the ordinary course of business prior to the Closing which either (i) are terminable, without penalty or any other termination related Liability, upon notice of ninety (90) days or less by Seller or (ii) require the payment or delivery of goods or services with a value of less than One Hundred Thousand Dollars ($100,000) per annum in the case of any individual contract or commitment.

(112) "Nonqualified Decommissioning Funds" means, with respect to Seller, Seller's external trust fund for purposes of Decommissioning which does not meet the requirements of Code Section 468A and Treas. Reg. § 1.468A-5, maintained by Seller with respect to the Facilities prior to the Closing pursuant to the Seller's Decommissioning Trust Agreement, and established and maintained by the Trustee after the Closing pursuant to the Post-Closing Decommissioning Trust Agreement to the extent assets are transferred to such trust pursuant to Section 6.12.

(113) "Non-union Transferred Employee" means any Transferred Employee whose employment is not covered by a Collective Bargaining Agreement.

(114) "NPPOSA" has the meaning set forth in the recitals.

(115) "NRC" means the United States Nuclear Regulatory Commission and any successor agency thereto.

(116) "NRC Commitments" means all written regulatory commitments identified as such by Seller to the NRC.

(117) "NRC License" means Operating License No. DPR-49, Transportation of Radioactive Material License No. 0296, and Independent Spent Fuel Storage Installation License No. SFGL-18, on the basis of which Seller is authorized to possess the Facilities and Nuclear Material and NMC is authorized to use, possess and operate the Facilities and Nuclear Material prior to the Closing Date, and on the basis of which Buyer will be authorized to use, possess and operate the Facilities and Nuclear Material after the Closing Date.

(118) "Nuclear Fuel" means all nuclear fuel assemblies in the Facility reactor on the Closing Date and any irradiated fuel assemblies that have been temporarily removed from the Facilities reactor as of the Closing Date and are capable of reinsertion into the Facilities reactor without modification or additional cost, and all unirradiated fuel assemblies awaiting insertion into the Facilities reactor, as well as all nuclear fuel constituents (including uranium in any form and separative work units) in any stage of the fuel cycle that are in process of production, conversion, enrichment or fabrication for use in the Facilities and which are owned by Seller, or in which Seller has any right, title or interest, on the Closing Date.

(119) "Nuclear Fuel Inventories" means Nuclear Fuel or alternative fuel inventories relating to the operation of the Facilities located at, or in transit to, the Facilities and the interests of Seller in spare parts located off-Site.

(120) "Nuclear Insurance Policies" means all nuclear insurance policies carried by or for the benefit of Seller with respect to the ownership, operation or maintenance of the Facilities, including all nuclear liability, property damage and business interruption policies in respect thereof. Without limiting the generality of the foregoing, the term "Nuclear Insurance Policies" includes all policies issued or administered by ANI or NEIL.

(121) "Nuclear Laws" means all Laws relating to the regulation of nuclear power plants, Source Material, Byproduct Material and Special Nuclear Materials; the regulation of Low Level Waste and Spent Nuclear Fuel; the transportation and storage of Nuclear Materials; the regulation of Safeguards Information; the regulation of Nuclear Fuel; the enrichment of uranium; the disposal and storage of Spent Nuclear Fuel; contracts for and payments into the Nuclear Waste Fund; and as applicable, the antitrust laws and the Federal Trade Commission Act to specified activities or proposed activities of certain licensees of commercial nuclear reactors, but shall not include Environmental Laws. "Nuclear Laws" include the Atomic Energy Act of 1954, as amended (42 U.S.C. Section 2011 et seq.), the Price-Anderson Act (Section 170 of the Atomic Energy Act of 1954, as amended); the Energy Reorganization Act of 1974 (42 U.S.C. Section 5801 et seq.); Convention on the Physical Protection of Nuclear Material Implementation Act of 1982 (Public Law 97 -351; 96 Stat. 1663); the Foreign Assistance Act of 1961 (22 U.S.C. Section 2429 et seq.); the Nuclear Non-Proliferation Act of 1978 (22 U.S.C. Section 3201); the Low-Level Radioactive Waste Policy Act (42 U.S.C. Section 2021b et seq.); the Nuclear Waste Policy Act (42 U.S.C. Section 10101 et seq. as amended); the Low-Level Radioactive Waste Policy Amendments Act of 1985 (42 U.S.C. Section 2021d, 471); the Energy Policy Act of 1992 (4 U.S.C. Section 13201 et seq.); the provisions of 10 CFR Section 73.21, and any state or local Laws analogous to the foregoing.

(122) "Nuclear Material or Materials" means Source Material, Special Nuclear Material, Low Level Waste, Byproduct Material and Spent Nuclear Fuel.

(123) "Nuclear Waste Fund" means the fund established by Section 302(c) of the Nuclear Waste Policy Act in which the Spent Nuclear Fuel Fees to be used for the design, construction and operation of a High Level Waste Repository and other activities related to the storage and disposal of Spent Nuclear Fuel is deposited.

(124) "Nuclear Waste Policy Act" means the Nuclear Waste Policy Act of 1982, as amended.

(125) "Observers" has the meaning set forth in Section 6.1(c).

(126) "Operating Agreement" has the meaning set forth in the recitals.

(127) "Other Owners" means CIPCO and Corn Belt.

(128) "Ownership Agreement" has the meaning set forth in the recitals.

(129) "Party" (and the corresponding term "Parties") has the meaning set forth in the preamble.

(130) "PBGC" means the Pension Benefit Guaranty Corporation established by ERISA.

(131) "Permits" has the meaning set forth in Section 4.16(a).

(132) "Permitted Encumbrances" means: (i) the Easements; (ii) those exceptions to title to the DAEC Assets listed in Schedule 4.7(a)(i) with respect to Real Property; (iii) with respect to any date before the Closing Date, Encumbrances created by the Mortgage Indenture which will be released at Closing; (iv) statutory liens for Taxes or other governmental charges or assessments not yet due or delinquent or the validity of which are being contested in good faith by appropriate proceedings; (v) mechanics', materialmen's, carriers', workers', repairers' and other similar liens arising or incurred in the ordinary course of business relating to obligations as to which there is no default on the part of Seller or the validity of which are being contested in good faith, and which do not, individually or in the aggregate, exceed Five Hundred Thousand Dollars ($500,000); (vi) zoning, entitlement, conservation restriction and other land use and environmental regulations imposed by Governmental Authorities; (vii) those Encumbrances set forth in the Title Commitment (other than those Encumbrances listed in Schedule 4.7(a)(ii)), and the covenants and restrictions set forth in this Agreement or in any of the Ancillary Agreements; (viii) the rights and easement to be retained by Seller following the Closing Date pursuant to the Easement and Access Agreement and (ix) such other liens, imperfections in or failures of title, easements, leases, licenses, restrictions, activity and use limitations, conservation easements, encumbrances and encroachments, as do not, individually or in the aggregate, detract from the value of the DAEC Assets in an amount in excess of One Hundred Thousand Dollars ($100,000).

(133) "Person" means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, association, or governmental entity or any political subdivision, department or agency thereof.

(134) "Plans" has the meaning set forth in Section 2.4(h).

(135) "Post-Closing Adjustment" has the meaning set forth in Section 3.3(c).

(136) "Post-Closing Decommissioning Trust Agreement" means the decommissioning trust agreement between Buyer and the Trustee pursuant to which any assets of any of the Decommissioning Funds to be transferred by Seller at Closing pursuant to Section 6.12 hereof will be held in trust.

(137) "Post-Closing Statement" has the meaning set forth in Section 3.3(c).

(138) "Power Purchase Agreement" means the Power Purchase Agreement between Seller and Buyer, dated as of the date of this Agreement and in the form of Exhibit F hereto.

(139) "Price-Anderson Act" means Section 170 of the Atomic Energy Act and related provisions of Section 11 of the Atomic Energy Act.

(140) "Proposed Post-Closing Adjustment" has the meaning set forth in Section 3.3(c).

(141) "Proprietary Information" means (i) with respect to information provided by Seller to Buyer, has the meaning as set forth in the Confidentiality Agreement, and (ii) with respect to information provided by Buyer to Seller, shall mean information relating to the financing or operation and maintenance, actual or proposed, of the DAEC Assets and any financial, operational or other information concerning Buyer or its Affiliates or their respective assets and properties furnished by Buyer or its Representatives to Seller or its Representatives, whether furnished before or after the date hereof, whether oral or written, and regardless of the manner in which it is furnished; but does not include information which (a) is or becomes generally available to the public other than as a result of a disclosure by Seller or its Representatives, (b) was available to Seller or its Representatives on a non-confidential basis prior to its disclosure by Buyer or its Representatives or (c) becomes available on a non-confidential basis from a person other than Buyer or its Representatives who is not otherwise bound by a confidentiality agreement with Buyer or its Representatives, or is otherwise not under any obligation to Buyer or its Representatives not to transmit the information to Seller or its Representatives.

(142) "PSCW" means the Public Service Commission of Wisconsin or any successor agency thereto.

(143) "Purchase Price" has the meaning set forth in Section 3.2.

(144) "Qualified Decommissioning Funds" means, with respect to Seller, Seller's external trust funds for purposes of Decommissioning that meet the requirements of Code Section 468A and Treas. Reg. § 1.468A-5, maintained by Seller with respect to the Facilities prior to Closing pursuant to Seller's Decommissioning Trust Agreement and, with respect to Buyer, Buyer's external trust funds for purposes of Decommissioning that meet the requirements of Code Section 468A and Treas. Reg. § 1.468A-6(b)(2), maintained by Buyer after the Closing pursuant to the Post-Closing Decommissioning Trust Agreement to the extent assets are transferred to such fund by Seller pursuant to Section 6.12.

(145) "Real Property" has the meaning set forth in Section 2.1(a).

(146) "Real Property Agreements" has the meaning set forth in Section 4.8.

(147) "Release" means any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Substance into the Environment or within any building, structure, facility or fixture; provided, however, that "Release" shall not include any release that is permissible under applicable Environmental Permits.

(148) "Remediation" means action of any kind required by any applicable Law or order of a Governmental Authority to address a Release, the threat of a Release or the presence of Hazardous Substances at the Site or an off-Site location including, without limitation, any or all of the following activities to the extent they relate to or arise from the presence of a Hazardous Substance at the Site or an off-Site location: (a) monitoring,

investigation, assessment, treatment, cleanup, containment, removal, mitigation, response or restoration work; (b) obtaining any permits, consents, approvals or authorizations of any Governmental Authority necessary to conduct any such activity; (c) preparing and implementing any plans or studies for any such activity; (d) obtaining a written notice from a Governmental Authority with jurisdiction over the Site or an off-Site location under Environmental Laws that no material additional work is required by such Governmental Authority; (e) the use, implementation, application, installation, operation or maintenance of remedial action on the Site or an off-Site location, remedial technologies applied to the surface or subsurface soils, excavation and off-Site treatment or disposal of soils, systems for long term treatment of surface water or ground water, engineering controls or institutional controls; and (f) any other activities required under Environmental Laws to address the presence or Release of Hazardous Substances at the Site or an off-Site location.

(149) "Replacement Benefit Plans" has the meaning set forth in Section 6.10(e).

(150) "Replacement Defined Benefit Plans" has the meaning set forth in Section 6.10(g).

(151) "Replacement Retiree Coverages" has the meaning set forth in Section 6.10(l).

(152) "Replacement Welfare Plans" has the meaning set forth in Section 6.10(d).

(153) "Representatives" of a Party means the Party and its Affiliates and their directors, officers, employees, agents, partners, advisors (including, without limitation, accountants, counsel, environmental consultants, financial advisors and other authorized representatives) and parents and other controlling Persons.

(154) "Requested Rulings" has the meaning set forth in Section 6.17.

(155) "Safeguards Information" means information that is required to be protected under the terms of 10 C.F.R. § 73.21.

(156) "SEC" means the United States Securities and Exchange Commission and any successor agency thereto.

(157) "Securities Act" means the Securities Act of 1933, as amended.

(158) "Seller" has the meaning set forth in the preamble.

(159) "Seller Indemnitee" has the meaning set forth in Section 8.1(a).

(160) "Seller's Agent(s)" has the meaning set forth in Section 6.1(c).

(161) "Seller's Agreements" means those contracts, agreements, licenses and leases relating to the ownership, operation and maintenance of the DAEC Assets, as more particularly described on Schedule 4.14(a)(i), as such schedule is supplemented and amended in accordance with the provisions of this Agreement.

(162) "Seller's Decommissioning Trust Agreement" means the Decommissioning Trust Agreement, dated May 23, 1994, by and between IES Utilities Inc. and Mellon Bank, N.A., as amended, regarding the Nonqualified Decommissioning Fund and the Qualified Decommissioning Fund of Seller.

(163) "Seller's Percentage Share" shall mean seventy percent (70%).

(164) "Seller's Required Regulatory Approvals" has the meaning set forth in Section 4.3(b).

(165) "Site" means the parcels of land included in the Real Property. Any reference to the Site shall include, by definition, the surface and subsurface elements, including the soils and groundwater present at the Site and any references to items "at the Site" shall include all items "at, in, on, upon, over, across, under, and within" the Site.

(166) "Source Material" means: (1) uranium or thorium; or any combination thereof, in any physical or chemical form, or (2) ores which contain by weight one-twentieth of one percent (0.05%) or more of (i) uranium, (ii) thorium, or (iii) any combination thereof. Source Material does not include Special Nuclear Material.

(167) "Special Nuclear Material" means plutonium, uranium-233, uranium enriched in the isotope-233 or in the isotope-235, and any other material that the NRC determines to be "Special Nuclear Material," but does not include Source Material.. Special Nuclear Material also refers to any material artificially enriched by any of the above-listed materials or isotopes, but does not include Source Material.

(168) "Spent Nuclear Fuel" means fuel that has been permanently withdrawn from a nuclear reactor following irradiation, and has not been chemically separated into its constituent elements by reprocessing. Spent Nuclear Fuel includes the Special Nuclear Material, Byproduct Material, Source Material, Greater Than Class C Waste, and other radioactive materials associated with Nuclear Fuel assemblies.

(169) "Spent Nuclear Fuel Fees" means those fees assessed on electricity generated at DAEC and sold pursuant to the Standard Spent Fuel Disposal Contract, as provided in Section 302 of the Nuclear Waste Policy Act and 10 C.F.R. Part 961, as the same may be amended from time to time.

(170) "Standard Spent Fuel Disposal Contract" means the Contract for Disposal of Spent Nuclear Fuel and/or High Level Radioactive Waste, No. DE-CR01-83NE44390, dated June 17, 1983, entered into between a predecessor to IP&L and the United States of America, represented by the Department of Energy, as amended.

(171) "Tangible Personal Property" has the meaning set forth in Section 2.1(c).

(172) "Tax" or "Taxes" means, all taxes, charges, fees, levies, penalties or other assessments imposed by any federal, state, local, provincial or foreign taxing authority, including but not limited to, income, gross receipts, excise, real or personal property, sales, transfer, customs, duties, franchise, payroll, withholding, social security, receipts, license, stamp,

occupation, employment, the Iowa Replacement tax imposed pursuant to Iowa Code Section 437A.19(2)(b) or other taxes, including any interest, penalties or additions attributable thereto, and any payments to any state, local, provincial or foreign taxing authorities in lieu of any such taxes, charges, fees, levies or assessments.

(173) "Tax Return" means any return, report, information return, declaration, claim for refund or other document (including any schedule or related or supporting information) required to be supplied to any Governmental Authority with respect to Taxes including amendments thereto, including any information return filed by a tax exempt organization and any return filed by a nuclear decommissioning trust.

(174) "Termination Date" has the meaning set forth in Section 9.1(b).

(175) "Third Party Claim" has the meaning set forth in Section 8.2(a).

(176) "Title Commitment" means that certain Commitment for Title Insurance Number H2422-S (as revised as of June 1, 2005) prepared by Fidelity National Title Insurance Company ("Fidelity").

(177) "Total Compensation" has the meaning set forth in Section 6.10(c).

(178) "Transferable Permits" means those Permits and Environmental Permits identified in Schedule 1.1(178), which are transferable to Buyer without application to, a filing with, notice to, consent or approval of any Governmental Authority.

(179) "Transferred Employee Records" means all records related to Transferred Employees, including but not limited to the following information: (i) skill and development training, (ii) seniority histories, (iii) salary and benefit information, (iv) Occupational, Safety and Health Administration reports, (v) active medical restriction forms, (vi) fitness for duty, (vii) disciplinary actions, (viii) job performance appraisals and/or evaluations, (ix) employment applications, (x) bonuses, (xi) job history, (xii) access authorization records, and (xiii) radiation exposure records.

(180) "Transferred Employees" has the meaning set forth in Section 6.10(b).

(181) "Transfer Taxes" means any real property transfer, sales, use, value added, stamp, documentary, recording, registration, conveyance , stock transfer, intangible property transfer, personal property transfer, gross receipts, registration, duty, securities transactions or similar fees or Taxes or governmental charges (together with any interest or penalty, addition to Tax or additional amount imposed) as levied by any Governmental Authority in connection with the transactions contemplated by this Agreement, including, without limitation, any payments made in lieu of any such Taxes or governmental charges which become payable in connection with the transactions contemplated by this Agreement.

(182) "Transition Committee" has the meaning set forth in Section 6.1(b).

(183) "Transmission Agreement" has the meaning set forth in the recitals.

(184) "Transmission Assets" has the meaning set forth in Section 2.2(a).

(185) "Trustee" means with respect to Seller prior to the Closing the trustee of the Decommissioning Funds appointed by Seller pursuant to Seller's Decommissioning Trust Agreement and after the Closing to the extent any assets of the Decommissioning Funds are transferred by Seller pursuant to Section 6.12 hereof, the trustees appointed pursuant to the Post-Closing Decommissioning Trust Agreement.

(186) "WARN Act" means the Worker Adjustment and Retraining Notification Act of 1988, as amended.

(187) "WARN Certificate" has the meaning set forth in Section 6.10(h).

1.2. Certain Interpretive Matters.

(a) Unless otherwise required by the context in which any term appears:

(i) Capitalized terms used in this Agreement shall have the meanings specified in this Article.

(ii) The singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine and neuter.

(iii) References to "Articles", "Sections", "Schedules" or "Exhibits" shall be to articles, sections, schedules or exhibits of or to this Agreement, and references to "paragraphs" or "clauses" shall be to separate paragraphs or clauses of the section or subsection in which the reference occurs.

(iv) The words "herein", "hereof" and "hereunder" shall refer to this Agreement as a whole and not to any particular section or subsection of this Agreement; and the words "include", "includes" or "including" shall mean "including, but not limited to."

(v) The term "day" shall mean a calendar day, commencing at 12:00 a.m. (Central Time). The term "week" shall mean any seven consecutive day period commencing on a Sunday, and the term "month" shall mean a calendar month; provided that when a period measured in months commences on a date other than the first day of a month, the period shall run from the date on which it starts to the corresponding date in the next month and, as appropriate, to succeeding months thereafter. Whenever an event is to be performed or a payment is to be made by a particular date and the date in question falls on a day which is not a Business Day, the event shall be performed, or the payment shall be made, on the next succeeding Business Day; provided, however, that all calculations shall be made regardless of whether any given day is a Business Day and whether or not any given period ends on a Business Day.

(vi) All references to a particular entity shall include such entity's permitted successors and permitted assigns unless otherwise specifically provided herein.

(vii) All references herein to any Law or to any contract or other agreement shall be to such Law, contract or other agreement as amended, supplemented or modified from time to time unless otherwise specifically provided herein.

(b) The titles of the articles, sections and schedules herein have been inserted as a matter of convenience of reference only, and shall not control or affect the meaning or construction of any of the terms or provisions hereof.

(c) This Agreement was negotiated and prepared by all Parties with advice of counsel to the extent deemed necessary by each Party; the Parties have agreed to the wording of this Agreement; and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Agreement or any part hereof.

(d) The Exhibits hereto are incorporated in and are intended to be a part of this Agreement; provided, however, that in the event of a conflict between the terms of any Exhibit and the terms of the remainder of this Agreement, the terms of the remainder of this Agreement shall take precedence.

2. PURCHASE AND SALE

2.1. DAEC Assets.

Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, at the Closing, Seller will sell, assign, convey, transfer and deliver to Buyer, and Buyer will purchase, assume and acquire from Seller, free and clear of all Encumbrances on Seller's interest therein (except for Permitted Encumbrances), all of Seller's right, title and interest in and to the assets (other than the Excluded Assets), wherever located, to the extent those assets relate exclusively to the ownership, use or operation of the Facilities (collectively, the "DAEC Assets"). For the avoidance of doubt, Seller and the Other Owners hold undivided interests in the DAEC Assets. The interests in the DAEC Assets to be acquired by Buyer from Seller hereunder shall consist of the following: (i) all of the assets owned or leased by Seller and exclusively used in, held for use, constituting, or necessary in the ordinary course of business to operate and maintain DAEC (but excluding such assets that are not necessary for the operation of DAEC as a generating station and/or are used predominantly elsewhere in the operation of Seller's business), including, without limitation, Seller's interest in those assets identified in Schedule 2.1(j) and Schedules 4.13(a) and (b), and (ii) those assets specifically described below (but excluding the Excluded Assets):

(a) Seller's interest in the land described on Schedule 4.13(a) (which land, together with the interests of the Other Owners, comprises the Site) together with Seller's interest in all buildings, facilities and other improvements thereon including the Facilities (but excluding any personal property of Seller thereon) and Seller's interest in all appurtenances thereto, including, without limitation, all related rights of ingress and egress (collectively, the "Real Property");

(b) All Nuclear Materials, Nuclear Fuel Inventories and Non-Nuclear Fuel Inventories relating to the operation of the Facilities that are owned by Seller, or in which Seller has any right, title or interest, on the Closing Date;

(c) Seller's interest in all machinery, mobile or otherwise, equipment (including computer hardware and software and transferable rights thereto and communications equipment), vehicles, tools, spare parts, materials, works in progress, fixtures, furniture and furnishings and other personal property relating to or used in the ordinary course of business to operate and maintain the Facilities, including, without limitation, all emergency warning property and assets and the items of personal property included in Schedule 4.13(b), other than property used primarily as part of the Transmission Assets or otherwise constituting part of the Excluded Assets (collectively, "Tangible Personal Property");

(d) Subject to the provisions of Section 6.4(d), all rights of Seller under the Ownership Agreement, the Operating Agreement, the Transmission Agreement, the Fuel Contracts, the Non-material Contracts and the Seller's Agreements that have not been identified in Schedule 2.2(l) as Excluded Assets;

(e) Seller's interest in all Real Property Agreements;

(f) Seller's interest in all Transferable Permits;

(g) Seller's interest in all books, operating records, licensing records, quality assurance records, purchasing records, and equipment repair, maintenance or service records relating to the design, construction, licensing, operation or Decommisioning of the Facilities, operating, safety and maintenance manuals, inspection reports, environmental assessments, engineering design plans, documents, blueprints and as built plans, specifications, procedures and other similar items of Seller, wherever located, relating to the Facilities and the other DAEC Assets, whether existing in hard copy or magnetic or electronic form (subject to the right of Seller to retain copies of same for its use) (collectively, the "Business Books and Records");

(h) Seller's interest in all unexpired, transferable warranties and guarantees from third parties with respect to any item of Real Property or Tangible Personal Property constituting part of the DAEC Assets;

(i) Seller's interest in the name "Duane Arnold Energy Center" or "DAEC" as used as a designation attached to or associated with the Facilities, or any related or similar trade names, trademarks, service marks, corporate names or logos, or any part, derivative or combination thereof;

(j) Seller's interest in the Intellectual Property described on Schedule 2.1(j);

(k) Seller's interest in the substation equipment, if any, designated in the Interconnection Agreement or the Easement and Access Agreement as being transferred to Buyer;

(l) Seller's interest in the assets comprising the Decommissioning Funds relating to the Facilities, including all profits, dividends, income, interest and earnings accrued

thereon, together with all related tax accounting and other records for such assets, including all decommissioning studies, analyses, cost estimates and any information relating to the Tax basis of the transferred assets;

(m) Seller's interest in, to the extent transferable, all Nuclear Insurance Policies with ANI relating to the Facilities, except as provided in Section 2.2(c);

(n) Subject to the receipt of approval from the Wireless Bureau of the Federal Communications Commission, Seller's interest in the radio licenses set forth on Schedule 2.1(n);

(o) Subject to Buyer's written commitment to satisfy its indemnification obligations under Section 8.1(a), the rights of Seller in and to any causes of action, claims (including, without limitation, rights under insurance policies to proceeds, refunds or distributions thereunder paid after the Closing Date with respect to periods after the Closing Date) and defenses against third parties (including indemnification and contribution) relating to any Assumed Liabilities and Obligations, including, but not limited to, all rights and duties of Seller (subject to Section 6.13(b)) under the Standard Spent Fuel Disposal Contract, which in turn includes, but is not limited to, the right to prosecute the Department of Energy Claim; provided that Seller will be entitled to a distribution from Buyer of any recovery by Buyer to the extent contemplated by Section 6.13(b); and provided, further, that the obligations as between Seller and Buyer for any fees or obligations shall be in accordance with Section 6.13;

(p) Seller's interest in the Transferred Employee Records, subject to the right of Seller to retain copies of such records for its reasonable and lawful use and subject to the obligation of Buyer to preserve such records and make such records available to Seller as reasonably necessary for Seller's reasonable and lawful purposes following the Closing Date as provided in Section 6.2(c);

(q) All assignable right, title and interest of Seller to the NRC License;

(r) All rights of Seller in property, assets, leases and agreements used or usable in providing emergency warning or associated with emergency preparedness as set forth on Schedule 2.1(r);

(s) Cash in the amount of One Million Eight Hundred Ten Thousand Dollars ($1,810,000), representing the approximate amount expected to be accrued on Seller's behalf on the books of NMC as of the Closing Date that specifically relates to Assumed Liabilities and Obligations;

(t) Cash in the amount of Fifteen Million Dollars ($15,000,000), which funds have been allocated by Seller for Decommissioning; and

(u) Cash in the amount of Thirteen Million One Hundred Sixty Thousand Dollars ($13,160,000), which funds represent the Pension Funding Account to be established by Seller and transferred to the Buyer as provided in Section 6.10(g).

2.2. Excluded Assets.

Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall be construed as conferring on Buyer, and Buyer is not acquiring, any right, title or interest in or to the following specific assets which are associated with the DAEC Assets, but which are hereby specifically excluded from the sale and the definition of DAEC Assets herein (the "Excluded Assets"):

(a) Except as expressly identified in Schedule 4.13(b) or the Interconnection Agreement or the Easement and Access Agreement, the electrical transmission or distribution facilities (as opposed to generation facilities) of Seller or any of its Affiliates relating to the Facilities or the Site, as well as all permits, contracts and warranties, to the extent they relate to such transmission and distribution assets (collectively, the "Transmission Assets"), and those assets and facilities identified on Schedule 2.2(a);

(b) Certificates of deposit, shares of stock, securities, bonds, debentures, evidences of indebtedness, and interests in joint ventures, partnerships, limited liability companies and other entities relating to the Facilities or the Site, except such assets comprising the Decommissioning Funds;

(c) All rights to premium refunds and distributions made on or after the Closing Date with respect to periods on or prior to the Closing Date under Nuclear Insurance Policies of Seller with ANI, including any rights to receive premium refunds, distributions and continuity credits with respect to periods prior to the Closing Date pursuant to the ANI nuclear industry credit rating plan;

(d) Seller's policyholder interest under its NEIL policies, including rights to any premium refunds or other distributions made on or after the Closing Date;

(e) Except as set forth in Sections 2.1(s), 2.1(t) and 2.1(u), Seller's interest in all cash, cash equivalents, bank deposits, accounts and notes receivable (trade or otherwise), and any income, sales, payroll or other receivables relating to Taxes, in each case relating to the DAEC Assets, except to the extent such assets are included in the Decommissioning Funds;

(f) The rights of Seller and its Affiliates to the names "Interstate Power and Light Company" or "IP&L" or any related or similar trade names, trademarks, service marks, corporate names or logos, or any part, derivative or combination thereof (for the avoidance of doubt, Buyer shall not acquire any right to or interest in the name "Alliant Energy" or any related or similar trade names, trademarks, service marks, corporate names or logos, or any part, derivative or combination thereof);

(g) All tariffs, agreements and arrangements to which Seller is a party or has an interest for the purchase or sale of electric capacity and/or energy or for the purchase or sale of transmission or ancillary services;

(h) Other than those contemplated by Section 2.1(o), the rights of Seller in and to any causes of action, claims and defenses against third parties (including indemnification and contribution) arising out of or relating to (i) any Real Property or personal property, Permits,

Taxes, Real Property Agreements, the Operating Agreement, the Ownership Agreement, the Transmission Agreement, Seller's Agreements, Fuel Contracts or the Non-material Contracts, if any, including any claims for refunds (including refunds of previously paid Department of Energy Decommissioning and Decontamination Fees), prepayments, offsets, recoupment, insurance proceeds, condemnation awards, judgments and the like, whether received as payment or credit against future liabilities, relating specifically to the DAEC Assets (including, without limitation, the Facilities and the Site) and to the extent relating to any period prior to the Closing Date, (ii) the Excluded Assets, or (iii) the Excluded Liabilities;

(i) All personnel records of Seller, NMC and their Affiliates relating to the Facilities or the Site, except the Transferred Employee Records;

(j) Any and all of Seller's rights in any contract representing an intercompany transaction between Seller and an Affiliate of Seller, whether or not such transaction relates to the provision of goods and services, payment arrangements, intercompany charges or balances, or the like;

(k) To the extent not otherwise provided for in this Section 2.2, any refund or credit (i) related to Taxes paid by Seller with respect to periods (or portions thereof) that end on or prior to the Closing Date in respect of the DAEC Assets, whether such refund is received as a payment or as a credit against future Taxes, or (ii) arising under any agreement which is part of the DAEC Assets and relating to a period (or portion thereof) ending on or prior to the Closing Date;

(l) All rights of Seller under those contracts, agreements, purchase orders and personal property leases set forth in Schedule 2.2(l);

(m) All books, operating records, licensing records, quality assurance records, purchasing records, and equipment repair, maintenance or service records relating exclusively to the design, construction, licensing or operation of the Facilities, operating, safety and maintenance manuals, inspection reports, environmental assessments, engineering design plans, documents, blueprints and as built plans, specifications, procedures and other similar items of Seller, wherever located, relating exclusively to the Excluded Assets or the Excluded Liabilities, whether existing in hard copy or magnetic or electronic form; and

(n) All other assets of Seller and its Affiliates not constituting an interest in the DAEC Assets.

2.3. Assumed Liabilities and Obligations.

On the Closing Date, Buyer shall deliver to Seller the Assignment and Assumption Agreement pursuant to which Buyer shall assume and agree to discharge when due, all of the Liabilities of Seller that relate to the DAEC Assets or are otherwise specified below, other than the Excluded Liabilities (collectively, "Assumed Liabilities and Obligations"), including:

(a) All Liabilities of Seller arising on or after the Closing Date with respect to the ownership, operation, use or maintenance of the DAEC Assets, and all Liabilities of Seller

arising on or after the Closing Date under the Ownership Agreement, the Operating Agreement, the Transmission Agreement, the Seller's Agreements, the Standard Spent Fuel Disposal Contract, the Fuel Contracts, the Real Property Agreements, the Non-material Contracts and the Transferable Permits in accordance with the terms thereof, including, without limitation, all Liabilities of Seller arising on or after the Closing Date relating to (i) the contracts, licenses, agreements and personal property leases entered into with respect to the DAEC Assets or under Seller's Agreements, the Fuel Contracts or the Non-material Contracts (ii) the Standard Spent Fuel Disposal Contract and (iii) the contracts, licenses, agreements and personal property leases entered into with respect to the DAEC Assets after the date hereof consistent with the terms of this Agreement, except in each case to the extent such Liabilities, but for a breach or default by Seller or a related waiver or extension, would have been paid, performed or otherwise discharged on or prior to the Closing Date or to the extent the same arise out of any such breach or default or out of any event which after the giving of notice or the passage of time would constitute a default by Seller;

(b) All Liabilities or obligations with respect to the Transferred Employees relating to personal injury, discrimination, wrongful discharge, unfair labor practice, or constructive termination of any individual, or similar claim or cause of action attributable to any actions or inactions on or after the Closing Date;

(c) Subject to Section 8.1(c), all Liabilities of Seller under or related to Environmental Laws, with respect to the Site or the operation of the Facilities. For the avoidance of doubt, the Assumed Liabilities shall not by reason of this Section 2.3(c) include those Liabilities set forth in Sections 2.4(d), (e) and (k) hereof.

(d) All Liabilities associated with or arising from the DAEC Assets in respect of Taxes for which Buyer is liable pursuant to Sections 3.5 or 6.8 or Article 8 hereof;

(e) All Liabilities with respect to Transferred Employees for which Buyer is responsible pursuant to Section 6.10;

(f) With respect to the DAEC Assets, all Liabilities for any Taxes that may be imposed by any federal, state or local government on the ownership, sale, operation or use of the DAEC Assets on or after the Closing Date or that relates to or arises from the DAEC Assets with respect to taxable periods (or portions thereof) beginning on or after the Closing Date (except for any Income Taxes imposed upon Seller arising from the sale of the DAEC Assets, any Income Taxes attributable to income actually received and retained by Seller and any Taxes imposed upon Seller under Section 6.8);

(g) All Liabilities of Seller to Decommission the Facilities and the Site;

(h) All Liabilities of Seller associated with (i) the Nuclear Fuel consumed, or to be consumed, at DAEC from and after the Closing Date and (ii) the management, storage, removal, transportation and disposal on and after the Closing Date of all Spent Nuclear Fuel and other Nuclear Materials at or associated with DAEC;

(i) All obligations of Seller arising on or after the Closing Date to pay to ANI any additional premiums due to audit assessments for assessments performed on or after the Closing Date;

(j) All Liabilities of Seller arising under or relating to Nuclear Laws or relating to any claim in respect of Nuclear Fuel or Nuclear Materials arising out of the ownership or operation of the DAEC Assets on or after the Closing Date, including, without limitation, any and all Liabilities to third parties (including employees) for personal injury, property damage or tort, or similar causes of action arising out of the ownership or operation of the DAEC Assets on or after the Closing Date, including, without limitation, Liabilities arising out of or resulting from an "extraordinary nuclear occurrence," a "nuclear incident" or a "precautionary evacuation" (as such terms are defined in the Atomic Energy Act) at the Site, or any other licensed nuclear reactor site in the United States, or in the course of the transportation of radioactive materials to or from the Site or any other site on or after the Closing Date, including, without limitation, Liability for any deferred premiums assessed in connection with such an extraordinary nuclear occurrence, a nuclear incident or precautionary evacuation under any applicable NRC or industry retrospective rating plan or insurance policy, including any mutual insurance pools established in compliance with the requirements imposed under Section 170 of the Atomic Energy Act, 10 C.F.R. Part 140, and 10 C.F.R. § 50.54(w);

(k) Subject to Section 8.1(c), third party Liability of Seller for any claims arising as a result of or in connection with loss of life or injury to persons or damages to property prior to, on or after the Closing Date caused (or allegedly caused) by the presence or Release of Hazardous Substances at, on, in, under, adjacent to or migrating from the DAEC Assets prior to, on or after the Closing Date;

(l) Any Liability of Seller for any Price-Anderson Act secondary financial protection retrospective premium obligations for (i) nuclear worker Liability attributable to employment on or after the Closing Date or (ii) any third-party Liability arising out of any nuclear incident on or after the Closing Date;

(m) Except as otherwise expressly provided herein, Liabilities of Buyer to the extent arising from the execution, delivery or performance of this Agreement and the transactions contemplated hereby;

(n) All other Liabilities of Seller relating to the DAEC Assets, the Facilities or the Site, except to the extent that such Liabilities constitute Excluded Liabilities as defined in Section 2.4; and

(o) All other Liabilities expressly allocated to or assumed by Buyer in this Agreement.

2.4. Excluded Liabilities.

Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall be construed to impose on Buyer, and Buyer shall not assume or be obligated to pay, perform or otherwise discharge, the following Liabilities of Seller (the "Excluded Liabilities"), with all of such Excluded Liabilities remaining as obligations of Seller:

(a) Any Liabilities of Seller in respect of any Excluded Assets or other assets of Seller which are not DAEC Assets;

(b) Any Liabilities of Seller for Taxes attributable to the ownership, sale, operation, maintenance or use of the DAEC Assets (including any withholding Taxes imposed on Seller with respect to the Transferred Employees) for taxable periods, or portions thereof, ending before the Closing Date, and Income Taxes imposed on Seller arising from the transactions contemplated by this Agreement, except for Taxes for which Buyer is liable pursuant to Sections 3.5 or 6.8 or Article 8 hereof;

(c) Any Liabilities of Seller arising under or attributed to any of Seller's Agreements, Fuel Contracts, Real Property Agreements, Transferable Permits or any of the Non-material Contracts prior to the Closing Date;

(d) Any Liabilities of Seller for any monetary fines or penalties (including investigatory or similar costs) imposed by a Governmental Authority with respect to the DAEC Assets to the extent attributed to the period prior to the Closing Date;

(e) Any Liabilities resulting from any knowing and intentional illegal acts or willful misconduct of Seller, Other Owners or NMC or their employees, agents or contractors occurring prior to the Closing;

(f) Subject to Section 3.5, any payment obligations of Seller for goods delivered or services rendered prior to the Closing Date, including, but not limited to, rental or lease payments due and owing prior to the Closing Date pursuant to the Real Property Agreements and any leases relating to Tangible Personal Property;

(g) Any Liabilities arising prior to the Closing Date relating to Seller's operations on, or usage of, the Easements, including, without limitation, Liabilities arising as a result of or in connection with loss of life, injury to persons or property or damage to natural resources, but only to the extent caused by Seller or NMC;

(h) Subject to Section 6.10, any Liabilities of Seller relating to any Benefit Plan, any employee benefit plan as defined in Section 3(3) of ERISA, or any other plan, program, arrangement or policy established or maintained in whole or in part by Seller or NMC or by any trade or business (whether or not incorporated) which is or ever has been under common control, or which is or ever has been treated as a single employer, with Seller or NMC under Section 414(b), (c), (m) or (o) of the Code ("ERISA Affiliate") or to which Seller, NMC or any ERISA Affiliate contributes or contributed, including any multiemployer plan contributed to by Seller, NMC or any ERISA Affiliate or to which Seller, NMC or any ERISA Affiliate is or was obligated to contribute (the "Plans"), including, but not limited to any such Liability of Seller (i) for the termination or discontinuance of, or Seller's, NMC's or an ERISA Affiliate's withdrawal from, any such Plan, (ii) relating to benefits payable under any Plans, (iii) relating to the PBGC under Title IV of ERISA, (iv) relating to a multi-employer plan, (v) with respect to noncompliance with the notice requirements of COBRA, (vi) with respect to any noncompliance with ERISA or any other applicable Laws, and (vii) with respect to any suit, proceeding or claim

which is brought against Buyer, any Plan or any fiduciary or former fiduciary of, any of the Plans;

(i) Any Liabilities of Seller relating to the failure to hire, the employment or services or termination of employment or services of any individual, including wages, compensation, benefits, affirmative action, personal injury, discrimination, harassment, retaliation, constructive termination, wrongful discharge, unfair labor practices, or constructive termination by NMC of any individual, or any similar or related claim or cause of action attributable to any actions or inactions by NMC prior to the Closing Date with respect to the DAEC Assets, the Transferred Employees, independent contractors, applicants, and any other individuals who are determined by a court or by a Governmental Authority to have been applicants or employees of NMC or any Affiliate of NMC, or that are filed with or pending before any court, administrative agency or arbitrator prior to the Closing Date, provided that neither Seller nor NMC will have any Liability for similar actions or inactions by Buyer or any successor thereto on or after the Closing Date;

(j) All Spent Nuclear Fuel Fees and any other fees associated with electricity generated at DAEC and sold on or prior to the Closing Date;

(k) Any Liability under or related to any Environmental Laws arising as a result of or in connection with the disposal, storage, transportation, discharge, Release or recycling of Hazardous Substances off-Site in connection with the ownership or operation of the Facilities prior to the Closing Date, except that for the purpose of this Sections 2.4, "off-Site" does not include any location adjoining the Site to which Hazardous Substances disposed of or Released at the Site have migrated;

(l) Except as otherwise expressly provided herein, Liabilities of Seller to the extent arising from the execution, delivery or performance of this Agreement and the transactions contemplated hereby;

(m) Except as otherwise provided in this Agreement, any Taxes incurred by Seller's Qualified Decommissioning Fund for taxable periods, or portions thereof, ending on or prior to the Closing Date;

(n) All Liabilities of Seller arising as a result of or in connection with the disposal, storage or transportation of Nuclear Materials off-Site prior to the Closing Date in connection with the ownership or operation of the Facilities;

(o) All Liabilities for Department of Energy Decommissioning and Decontamination Fees relating to the Facilities and the Site arising and incurred on, before or after the Closing Date, including the Liabilities described in Section 6.14 hereof;

(p) Any Liability relating to the supplemental employee retirement plan between Gary D. Van Middlesworth and NMC, effective January 1, 2001 and restated January 1, 2005;

(q) Any Liability for a Third Party Claim against or relating to Seller, or the DAEC Assets for personal injury, death or property damage (except for personal injury, death or

property damage relating to Liabilities from Environmental Laws) suffered by such third party arising from or relating to the use, ownership or lease of the DAEC Assets prior to the Closing Date, but only to the extent directly resulting from the negligent acts or omissions of Seller or NMC; and

(r) All other Liabilities expressly allocated to or retained by Seller in this Agreement.

2.5. Control of Litigation.

(a) The Parties agree and acknowledge that, subject to the provisions of Article 8, Seller shall pay for and be entitled exclusively (subject to the then-existing rights of Other Owners) to control, defend and settle any litigation, administrative or regulatory proceeding, and any investigation or other activities arising out of or related to any Excluded Assets or Excluded Liabilities and Buyer agrees to reasonably cooperate, at Seller's expense, with Seller in connection therewith.

(b) The Parties agree and acknowledge that, subject to the provisions of Article 8, Buyer shall pay for and be entitled exclusively to control, defend and settle any litigation, administrative or regulatory proceeding, and any investigation or other activities arising out of or related to any DAEC Assets or Assumed Liabilities and Obligations, and Seller agrees to reasonably cooperate, at Buyer's expense, with Buyer in connection therewith.

3. THE CLOSING

3.1. Closing.

Upon the terms and subject to the satisfaction of the conditions contained in Article 7 of this Agreement, the sale, assignment, conveyance, transfer and delivery of the DAEC Assets to Buyer, the payment of the Purchase Price to Seller, and the consummation of the other respective obligations of the Parties contemplated by this Agreement shall take place at a closing (the "Closing"), to be held at the offices of IP&L in the Alliant Energy Tower, Cedar Rapids, Iowa, at 10:00 a.m. local time, or another mutually acceptable time and location, on the date that is twenty (20) Business Days following the date on which the last of the conditions precedent to Closing set forth in Article 7 of this Agreement have been either satisfied or waived by the Party for whose benefit such conditions precedent exist (except with respect to those conditions which by their terms are to be satisfied at Closing), but in any event not after the Termination Date, unless the Parties mutually agree on another date. The date of Closing is hereinafter called the "Closing Date." The Closing shall be effective for all purposes as of 11:59 p.m. on the Closing Date.

3.2. Payment of Purchase Price.

Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, in consideration of the aforesaid sale, assignment, conveyance, transfer and delivery of the DAEC Assets, Buyer will pay or cause to be paid to Seller at the Closing in consideration of the DAEC Assets the sum of Three Hundred Eighty Million Three Hundred Thousand Dollars

($380,300,000) (the "Purchase Price") plus or minus any adjustments to such Purchase Price pursuant to the provisions of Section 3.3 below, by wire transfer of immediately available funds denominated in U.S. dollars or by such other means as are agreed upon by Seller and Buyer.

3.3. Adjustment to Purchase Price.

(a) Subject to Sections 3.3(b) and 3.3(c), at the Closing, the Purchase Price shall be adjusted, without duplication, to account for the items set forth in this Section 3.3(a):

(i) The Purchase Price shall be adjusted to account for the items prorated as of the Closing Date pursuant to Section 3.5.

(ii) The Purchase Price shall be (A) increased on a dollar-for-dollar basis if and to the extent that the net book value of the Nuclear Fuel owned by Seller as of the Closing Date is greater than Forty Million Three Hundred Five Thousand Dollars ($40,305,000), and (B) decreased on a dollar-for-dollar basis if and to the extent that net book value of the Nuclear Fuel owned by Seller as of the Closing Date is less than Forty Million Three Hundred Five Thousand Dollars ($40,305,000) (all calculations are to be consistent with Seller's past practices).

(iii) The Purchase Price shall be (A) increased on a dollar-for-dollar basis if and to the extent that the net book value of the Non-Nuclear Fuel Inventories on the Closing Date is greater than Twelve Million Dollars ($12,000,000), and (B) decreased on a dollar-for-dollar basis if and to the extent that the net book value of the Non-Nuclear Fuel Inventories on the Closing Date is less than Twelve Million Dollars ($12,000,000) (all calculations are to be consistent with Seller's past practices).

(iv) The Purchase Price shall be increased on a dollar-for-dollar basis by the amount of Seller's Percentage Share of any and all expenditures made with respect to the Facilities or the Site between the date hereof and the Closing Date for capital additions to or replacements of property, plant and equipment and other expenditures or repairs on property, plant and equipment relating to the Facilities or the Site that are capitalized by Seller in accordance with its normal accounting policies; provided, that such expenditures (the "Capital Expenditures") either (1) are described in the Capital Budget limited, without the prior written consent of Buyer (which consent shall not be unreasonably withheld), to the amount budgeted for each such Capital Expenditure in Schedule 6.1(a)), (2) are necessary to comply with changes in applicable Laws effected after the date of this Agreement, (3) have been specifically requested or approved by Buyer in writing, or (4) are made in accordance with Good Utility Practices and do not exceed One Million Five Hundred Thousand Dollars ($1,500,000) in the aggregate. Nothing in this paragraph should be construed to limit Seller's rights and obligations to make all Capital Expenditures necessary to comply with the NRC License, the NRC Commitments and other Permits.

(v) If Seller's Percentage Share of the projected cost to dispose of the Low Level Waste at the Facilities as of the Closing Date is greater than One Million Eight Hundred Ten Thousand Dollars ($1,810,000), the Purchase Price shall be adjusted downward by every dollar that the cost of such Low Level Waste disposal is greater than One Million Eight

Hundred Ten Thousand Dollars ($1,810,000). Conversely, if Seller's Percentage Share of the projected cost to dispose of the Low Level Waste at the Facilities as of the Closing Date is less than One Million Eight Hundred Ten Thousand Dollars ($1,810,000), the Purchase Price shall be adjusted upward by every dollar that the cost of such Low Level Waste disposal is less than One Million Eight Hundred Ten Thousand Dollars ($1,810,000).

(vi) The Purchase Price shall be (A) decreased on a dollar-for-dollar basis if and to the extent that the amount reimbursable by Buyer pursuant to Section 6.3(c) is greater than Seven Million Two Hundred Thousand Dollars ($7,200,000), and (B) increased on a dollar-for-dollar basis if and to the extent that the amount reimbursable by Buyer pursuant to Section 6.3(c) is less than Seven Million Two Hundred Thousand Dollars ($7,200,000).

(vii) The Purchase Price shall be (A) decreased on a dollar-for-dollar basis if and to the extent that the Decommissioning Funds transferred by Seller to Buyer at Closing are less than the Decommissioning Target and (B) increased on a dollar-for-dollar basis if and to the extent that the Decommissioning Funds transferred by Seller to Buyer at Closing are greater than the Decommissioning Target. Solely for the purpose of the calculations contemplated by this Section 3.3(a)(vii), the Decommissioning Funds transferred by Seller to Buyer at Closing shall be deemed to include the contribution of an additional Fifteen Million Dollars ($15,000,000) by Seller to Buyer at Closing.

(viii) The Purchase Price shall be adjusted as provided in Section 6.10(g).

(ix) The Purchase Price shall be adjusted downward in the amount of One Hundred Twenty-Eight Thousand Dollars ($128,000) for each day that the Closing occurs after January 31, 2006.

(x) The Purchase Price shall be adjusted as provided in Section 6.23.

(xi) The Purchase Price shall be adjusted to the extent provided in Section 6.25.

(xii) The Purchase Price shall be adjusted upward in an amount equal to the make-whole payment in connection with Seller's termination of the Fuel Lease, dated as of August 21, 1973, between Arnold Fuel, Inc. and Iowa Electric Light and Power Company, as amended.

(b) No less than five (5) Business Days prior to the Closing Date, Seller shall prepare in good faith and deliver to Buyer an estimated closing statement (the "Estimated Closing Statement") that shall set forth Seller's best estimate of all estimated adjustments to the Purchase Price required by Section 3.3(a).

(c) Within sixty (60) Business Days after the Closing Date, Seller shall prepare and deliver to Buyer a final closing statement (the "Post-Closing Statement") that shall set forth all adjustments to the Purchase Price required by Section 3.3(a) (the "Proposed Post-Closing Adjustment") and all work papers detailing such adjustments. The Post-Closing Statement shall be prepared using the same accounting principles, policies and methods as Seller

has historically used in connection with the calculation of the items reflected on such Post-Closing Statement. Within thirty (30) days after the delivery of the Post-Closing Statement by Seller to Buyer, Buyer may object to the Proposed Post-Closing Adjustment in writing. Seller and Buyer agree to cooperate with one another to provide one another with the information used to prepare the Post-Closing Statement and information relating thereto. If Buyer objects to the Proposed Post-Closing Adjustment, the Parties shall attempt to resolve such dispute by negotiation. If the Parties are unable to resolve such dispute within thirty (30) days after any objection by Buyer, the Parties shall appoint the Independent Accounting Firm, which shall, at Seller's and Buyer's joint expense, review the Proposed Post-Closing Adjustment and determine the appropriate adjustment to the Purchase Price, if any, within thirty (30) days after such appointment. The Parties agree to cooperate with the Independent Accounting Firm and provide it with such information as it reasonably requests to enable it to make such determination. The Independent Accounting Firm shall act as an expert and not as an arbitrator and shall make findings only with respect to the remaining disputes so submitted to it (and not by independent review). The finding of such Independent Accounting Firm shall be binding on the Parties hereto. Upon determination of the appropriate adjustment (the "Post-Closing Adjustment") by agreement of the Parties or by binding determination of the Independent Accounting Firm, the Party owing the difference shall deliver such amount to the other Party no later than two (2) Business Days after such determination, in immediately available funds or in any other manner as reasonably requested by the payee.

3.4. Allocation of Purchase Price.

(a) At least forty-five (45) days prior to the Closing Date, Buyer and Seller shall use Commercially Reasonable Efforts to agree to an estimated allocation among the DAEC Assets of the sum of the Purchase Price and the Assumed Liabilities and Obligations that is consistent with the allocation methodology provided by Section 1060 of the Code and the regulations promulgated thereunder (the "Estimated Allocation"). The Estimated Allocation will be used for transfer tax, bulk sale filings and for all other Closing document purposes.

(b) Within ninety (90) days after the Closing Date, Buyer and Seller shall use Commercially Reasonable Efforts to agree to an allocation among the DAEC Assets of the sum of the Purchase Price (including any adjustments thereto) and the Assumed Liabilities and Obligations (together with any other relevant items) that is consistent with the allocation methodology provided by Section 1060 of the Code and the regulations promulgated thereunder (the "Allocation").

(c) Except to the extent required to comply with a Final Determination, to the extent that the Buyer and Seller reach an agreement with respect to the allocation of the Purchase Price, Buyer and Seller (to the extent Seller is required to make any such reports) shall report the transactions contemplated by this Agreement for Income Tax purposes in a manner consistent with the Allocation. To the extent such filings are required, Buyer and Seller agree to file Internal Revenue Service Form 8594 (Asset Acquisition Statement under Section 1060), and all federal, state, local and foreign Income Tax Returns, in accordance with the Allocation. Subsequent to the preparation of the Estimated Allocation and the Allocation as provided in Sections 3.4(a) and (b), Buyer and Seller agree to provide the other with any information required to complete Form 8594 within ten (10) days of the request for such information. Buyer

and Seller shall notify and provide the other with reasonable assistance in the event of an examination, audit or other proceeding relating to Taxes regarding the allocation of the Purchase Price pursuant to this Section 3.4. Buyer and Seller shall treat the transaction contemplated by this Agreement as the acquisition by Buyer of a trade or business for United States federal income Tax purposes and agree that no portion of the consideration shall be treated in whole or in part as the payment for services or future services.

3.5. Prorations.

(a) Buyer and Seller agree that all of the items normally prorated, including those listed below (but not including Income Taxes and Transfer Taxes), relating to the business and operation of the DAEC Assets shall be prorated as of the Closing Date, with Seller liable (to the extent of Seller's Percentage Share of the DAEC Assets) to the extent such items relate to any time period prior to the Closing Date, and Buyer liable to the extent such items relate to periods commencing with the Closing Date (measured in the same units used to compute the item in question, otherwise measured by calendar days):

(i) Taxes, assessments and other charges, if any, relating to the ownership, use or business of the DAEC Assets;

(ii) Any prepaid expenses (including security deposits) relating to the DAEC Assets;

(iii) Rent, Taxes and all other items (including prepaid services or goods not included in Inventory) payable by or to Seller under any of Seller's Agreements or the Non-material Contracts;

(iv) Any permit, license, registration, compliance assurance fees or other fees with respect to any Transferable Permit;

(v) Sewer rents and charges for water, telephone, electricity and other utilities;

(vi) Fees or charges (other than Taxes) imposed by any Governmental Authority;

(vii) Insurance premiums with respect to the Nuclear Insurance Policies with ANI transferred to Buyer pursuant to Section 2.1(m); and

(viii) Rent and Taxes and other items payable by Seller under the Real Property Agreements assigned to Buyer.

(b) Notwithstanding any other provision of this Agreement, (i) a Tax in the form of interest or penalties shall be allocated (i) to Seller (whether such Taxes accrue or are imposed or assessed on, before or after the Closing Date) to the extent they result from a failure by Seller to pay a Tax or failure by Seller to file a Tax Return, in each case, that was due before the Closing Date and (ii) to Buyer (whether such Taxes accrue or are imposed or assessed on,

before or after the Closing Date) to the extent they result from a failure by Buyer to pay a Tax or failure by Buyer to file a Tax Return, in each case that was due on or after the Closing Date.

(c) In connection with the prorations referred to in (a) above, in the event that actual figures are not available at the Closing Date, the proration shall be based upon the actual Taxes or other amounts accrued through the Closing Date or paid for the most recent year (or other appropriate period) for which actual Taxes or other amounts paid are available. Such prorated Taxes or other amounts shall be re-prorated and paid to the appropriate Party within sixty (60) days of the date that the previously unavailable actual figures become available. Prorations measured by calendar days shall be based on the number of days in a year or other appropriate period (i) before the Closing Date and (ii) including and after the Closing Date. Seller and Buyer agree to furnish each other with such documents and other records as may be reasonably requested in order to confirm all adjustment and proration calculations made pursuant to this Section 3.5.

(d) To the extent that the proration of a Tax under this Section 3.5 allocates such Tax to a period (or portion thereof) ending before the Closing Date, such tax shall constitute an Excluded Liability. To the extent that the proration of a Tax under this Section 3.5 allocates such Tax to a period (or portion thereof) ending on or after the Closing Date, such Tax shall constitute an Assumed Liability.

3.6. Deliveries by Seller.

At the Closing (or, in the case of those items contemplated by paragraph (k) below, at the Facilities on or before the Closing Date), Seller will deliver, or cause to be delivered, the following to Buyer:

(a) The Bill of Sale, duly executed by Seller;

(b) Copies of any and all governmental and other third party consents, waivers or approvals obtained by Seller with respect to the transfer of Seller's interest in the DAEC Assets, or the consummation of the transactions contemplated by this Agreement;

(c) A warranty deed conveying Seller's interest in the Real Property to Buyer, in the form of Exhibit E hereto, duly executed and acknowledged by Seller in recordable form (the "Deed");

(d) All Ancillary Agreements duly executed by Seller, as applicable;

(e) Copies, certified by the Secretary or any Assistant Secretary of Seller, of corporate resolutions authorizing the execution and delivery of this Agreement and all of the agreements and instruments to be executed and delivered by Seller in connection herewith, and the consummation of the transactions contemplated hereby;

(f) A certificate of the Secretary or any Assistant Secretary of Seller identifying the name and title and bearing the signatures of the officers of Seller authorized to execute and deliver this Agreement and the other agreements and instruments contemplated hereby;

(g) A certificate of good standing with respect to Seller, issued by the Secretary of the State of Iowa;

(h) To the extent available, originals of the Ownership Agreement, the Operating Agreement, the Transmission Agreement, the Seller's Agreements, Fuel Contracts, Non-material Contracts, Real Property Agreements, Transferred Employee Records and Transferable Permits and, if not available, true and correct copies thereof, in all cases together with notices to and, if required by the terms thereof and subject to the terms of this Agreement, consents by other Persons which are parties to the Ownership Agreement, the Operating Agreement, the Transmission Agreement, the Seller's Agreements, Fuel Contracts, Non-material Contracts, Real Property Agreements and Transferable Permits;

(i) Seller's interest in the assets of the Decommissioning Funds to be transferred pursuant to Section 6.12 shall be delivered to the Trustee of the Post-Closing Decommissioning Trust Agreement;

(j) All such other instruments of assignment, transfer or conveyance as shall, in the reasonable opinion of Buyer and its counsel, be necessary or desirable to transfer to Buyer Seller's interest in the DAEC Assets, in accordance with this Agreement and where necessary or desirable in recordable form;

(k) Such other agreements, consents, documents, instruments and writings as are required to be delivered by Seller at or prior to the Closing Date pursuant to this Agreement or the Ancillary Agreements or otherwise reasonably required in connection herewith;

(l) Seller's FIRPTA Affidavit in the form of Exhibit J;

(m) Such affidavits, releases, certificates or other evidence required pursuant to the Title Commitment in a form reasonably satisfactory to Fidelity (or such other title company as shall be reasonably acceptable to Buyer) to delete from the Title Commitment and final title insurance policy those matters set forth in Schedule 4.7(a)(ii) and those matters set forth in Schedule B – Section 2, Paragraphs 1-7 and 23 in the Title Commitment;

(n) An assignment to Buyer of all rights of Seller to all off-site emergency equipment related to the DAEC Assets and to all of Seller's interest in the Emergency and Environmental Equipment Easement;

(o) A schedule setting forth Nuclear Materials, Nuclear Fuel Inventories and Non-Nuclear Fuel Inventories as of the Closing Date;

(p) A schedule setting forth the Low Level Waste at the Facilities as of the Closing Date; and

(q) A list of the major equipment components and personal property included in the DAEC Assets, and to which Seller is transferring its interest to Buyer hereunder, as of a date not later than thirty (30) days prior to the Closing.

3.7. Deliveries by Buyer.

At the Closing, Buyer will deliver, or cause to be delivered, the following to Seller:

(a) The Purchase Price, payable pursuant to Section 3.2, as adjusted pursuant to Section 3.3(a);

(b) All Ancillary Agreements, duly executed by Buyer, as applicable;

(c) Copies, certified by the Secretary or any Assistant Secretary of Buyer, of resolutions authorizing the execution and delivery of this Agreement, and all of the agreements and instruments to be executed and delivered by Buyer in connection herewith, and the consummation of the transactions contemplated hereby;

(d) A certificate of the Secretary or any Assistant Secretary of Buyer identifying the name and title and bearing the signatures of the officers of Buyer authorized to execute and deliver this Agreement, and the other agreements contemplated hereby;

(e) A certificate of good standing with respect to Buyer, issued by the Secretary of the State of Delaware;

(f) A certificate of authority of Buyer (or its assignee of this Agreement) to do business in Iowa, issued by the Secretary of State of Iowa;

(g) All such other instruments of assumption as shall, in the reasonable opinion of Seller and its counsel, be necessary for Buyer to assume the Assumed Liabilities and Obligations in accordance with this Agreement;

(h) Copies of any and all governmental and other third party consents, waivers or approvals obtained by Buyer with respect to the transfer of Seller's interest in the DAEC Assets, or the consummation of the transactions contemplated by this Agreement;

(i) A copy of the Post-Closing Decommissioning Trust Agreement; and

(j) Such other agreements, documents, instruments and writings as are required to be delivered by Buyer at or prior to the Closing Date pursuant to this Agreement, or otherwise reasonably required in connection herewith.

4. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

4.1. Organization.

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Iowa and has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as is now being conducted. Copies of the

Articles of Incorporation and By-laws of Seller, each as amended to date, have heretofore been made available to Buyer.

4.2. Authority Relative to this Agreement.

Seller has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action required on the part of Seller and no other corporate proceedings on the part of Seller are necessary to authorize this Agreement or the Ancillary Agreements or to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Seller and at Closing, the Ancillary Agreements will be duly and validly executed and delivered by Seller, and assuming that this Agreement and the applicable Ancillary Agreements constitute valid and binding agreements of Buyer and subject to the receipt of Seller's Required Regulatory Approvals, this Agreement and the Ancillary Agreements constitute the legal, valid and binding agreement of Seller, enforceable against Seller in accordance with their respective terms.

4.3. Consents and Approvals; No Violation.

(a) Subject to the receipt of the third-party consents set forth in Schedule 4.3(a) and the Seller's Required Regulatory Approvals, neither the execution and delivery of this Agreement or the Ancillary Agreements by Seller nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with or result in the breach or violation of any provision of the Articles of Incorporation or By-laws of Seller; (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which Seller is a party or by which Seller, or any of the DAEC Assets, may be bound, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which would not, individually or in the aggregate, create a Material Adverse Effect; or (iii) constitute violations of any order, writ, injunction, decree, statute, rule or regulation applicable to Seller, or any of its assets, which violation, individually or in the aggregate, would create a Material Adverse Effect.

(b) Except as set forth in Schedule 4.3(b) (the filings and approvals referred to in Schedule 4.3(b) are collectively referred to as the "Seller's Required Regulatory Approvals"), no declaration, filing or registration with, or notice to, or authorization, consent or approval of any Governmental Authority is necessary for the execution and delivery of this Agreement or the Ancillary Agreements or the consummation by Seller of the transactions contemplated hereby or thereby, other than (i) such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not obtained or made, will not, individually or in the aggregate, create a Material Adverse Effect, or (ii) such declarations, filings, registrations, notices, authorizations, consents or approvals which become applicable to Seller as a result of the specific regulatory status of Buyer (or any of its Affiliates) or the result of any other facts that specifically relate to the business or activities in which Buyer (or any of its Affiliates) is or proposes to be engaged.

4.4. Reports.

Since January 1, 2005, Seller has filed or caused to be filed with the SEC, the applicable state or local utility commissions or regulatory bodies, the NRC, the Department of Energy and the FERC, as the case may be, all material forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by Seller with respect to Seller's interest in the DAEC Assets or the ownership or operation thereof under each of the Securities Act, the Exchange Act, the applicable state public utility laws, the Federal Power Act, the Holding Company Act, the Atomic Energy Act, the Energy Reorganization Act, and the Price-Anderson Act and the respective rules and regulations thereunder, except for such filings the failure of which to make would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. All such filings complied in all material respects with all applicable requirements of the appropriate act and the rules and regulations thereunder in effect on the date each such report was filed.

4.5. Undisclosed Liabilities.

Except as set forth in Schedule 4.5 and other than Liabilities incurred in the ordinary course of business, Seller's interest in the DAEC Assets is not subject to any Liability constituting a Material Adverse Effect.

4.6. Absence of Material Adverse Effect.

Since January 1, 2005, except as set forth in Schedule 4.6, there has not been any Material Adverse Effect.

4.7. Title and Related Matters.

(a) Except as set forth in Schedule 4.7(a)(i), Seller holds an undivided seventy percent (70%) interest in title to the Real Property. Seller holds an undivided interest in the DAEC Assets not constituting Real Property free and clear of all Encumbrances, except Permitted Encumbrances.

(b) There are no pending or, to Seller's Knowledge, threatened governmental proceedings in eminent domain which would materially affect the Real Property, the Real Property Agreements or any improvements; to Seller's Knowledge, the Real Property and any improvements comply in all material respects with applicable Law (other than Environmental Laws and Nuclear Laws); and to Seller's Knowledge, there are no special assessments or Encumbrances imposed by Governmental Authorities or violations that could be reasonably be expected to result in any material charge being levied or assessed or in the creation of any material Encumbrance.

(c) Seller has not received written notice of, and Seller does not have any Knowledge that there is any defect or condition of the soil or land, including but not limited to any wetlands, which could reasonably be expected to materially impair the use of the Real Property for the operation of the DAEC Assets or any portion thereof.

4.8. Real Property Agreements.

Schedule 4.8 lists, as of the date of this Agreement and other than the Mortgage Indenture, all real property leases, mortgages, deeds of trust, easements, licenses and other rights in real property including all material amendments thereto (exclusive of non-current term extensions) (collectively, the "Real Property Agreements") which affect all or any part of any Real Property and (i) provide for annual payments of more than Fifty Thousand Dollars ($50,000) or (ii) are material to the ownership or operation of the DAEC Assets. Except as set forth in Schedule 4.8, all such Real Property Agreements are valid, binding and enforceable in accordance with their terms, and are in full force and effect; there are no existing material defaults by Seller or, to the Knowledge of Seller, any Other Owner thereunder; and, to the Knowledge of Seller, no event has occurred which (whether with or without notice, lapse of time or both) would constitute a material default by Seller or any Other Owner thereunder. Except as otherwise set forth in Schedule 4.8, Seller's interest in all such Real Property Agreements shall be transferred and assigned by Seller to Buyer on the Closing Date.

4.9. Insurance.

Except as set forth in Schedule 4.9, all material policies of property damage, fire, liability, Nuclear Insurance Policies, worker's compensation and other forms of insurance relating to the DAEC Assets are in full force and effect, all premiums with respect thereto covering all periods up to and including the date as of which this representation is being made have been paid (other than retroactive premiums which may be payable with respect to NEIL policies), and no written notice of cancellation, non-renewal or termination has been received with respect to any such policy which was not replaced on substantially similar terms prior to the date of such cancellation. Except as described in Schedule 4.9, as of the date of this Agreement, to the Knowledge of Seller, no insurance with respect to the DAEC Assets has been refused nor has its coverage been limited by any insurance carrier to which it has applied for any such insurance or with which it has carried insurance during the past three (3) years, and all required notices have been sent to insurers to preserve all material claims under the aforementioned insurance policies.

4.10. Environmental Matters.

With respect to the DAEC Assets and the ownership or operation thereof, except as disclosed in Schedule 4.10:

(a) Seller (alone or together with the Other Owners and/or NMC) has obtained and holds all material Environmental Permits used in or necessary for the ownership and operation of the DAEC Assets as conducted prior to the Closing Date and each such Environmental Permit is in full force and effect, Seller (alone or with the Other Owners and/or NMC, as applicable) is in material compliance with all of its obligations thereunder, there are no proceedings pending, or to the Knowledge of Seller, threatened that would reasonably be expected to result in the revocation, termination, modification or amendment of any such Environmental Permit, and Seller (alone or together with the Other Owners and/or NMC) has not failed to make in a timely fashion any application or other filing required for the renewal of any such Environmental Permit which failure would reasonably be expected to result in such

Environmental Permit's termination or being revoked, terminated, suspended or adversely modified;

(b) The DAEC Assets are in compliance in all material respects with all terms, conditions and provisions of, and have not received any written notice from any Governmental Authority that they are not or have not been in compliance with (i) all applicable Environmental Laws and (ii) all material Environmental Permits;

(c) There are no Environmental Claims pending against Seller or, to the Knowledge of Seller, threatened, with respect to Seller's interest in the DAEC Assets and Seller does not have Knowledge of any facts or circumstances which are reasonably likely to form the basis for any material Environmental Claim against Seller with respect to Seller's interest in the DAEC Assets;

(d) No Releases of Hazardous Substances have occurred at, from, on, or under the DAEC Assets, and no Hazardous Substances are present on or migrating from the DAEC Assets, that are reasonably likely to give rise to a material Environmental Claim against Seller or require any Remediation;

(e) Neither the DAEC Assets nor any portion thereof is an Environmental Clean-up Site and, to the Knowledge of Seller, the Other Owners or NMC have not transported or arranged for treatment, storage, handling, disposal or transportation of any Hazardous Substances or Nuclear Material from the DAEC Assets to any location which is an Environmental Clean-up Site;

(f) There are no (i) underground storage tanks, active or abandoned, or (ii) polychlorinated-biphenyl-containing equipment located at the Site;

(g) There are no Encumbrances arising under or pursuant to an Environmental Law with respect to the DAEC Assets and, to the Knowledge of Seller, there are no facts, circumstances, or conditions that are reasonably likely to materially restrict, encumber or result in the imposition of special conditions under any Environmental Law with respect to the ownership, occupancy, development, use, or transferability, of the DAEC Assets, except those facts, circumstances or conditions relating to the status of the DAEC Assets as a nuclear facility;

(h) There have been no environmental audits or assessments with respect to the DAEC Assets by, on behalf of, or which are in the possession of Seller or the Other Owners or NMC which have not been made available to Buyer prior to the execution of this Agreement; and

(i) There have been no claims by Seller or the Other Owners or NMC against comprehensive general liability or excess insurance carriers for any Loss resulting from, relating to or arising from Environmental Claims with respect to the DAEC Assets.

Except for the representations in Section 4.3 (regarding third-party consents and Seller's Required Regulatory Approvals), Section 4.9 (regarding any insurance issues relating to Environmental Claims or Environmental Laws) and Section 4.16(b) (regarding Environmental

Permits), the representations and warranties made by Seller in this Section 4.10 are the exclusive representations and warranties made to Buyer relating to environmental matters.

4.11. Labor Matters.

Schedule 4.11 sets forth all collective bargaining agreements and other written employment agreements that relate to the DAEC Employees. True, correct and complete copies of all collective bargaining agreements and other written employment agreements, including all amendments thereto, have been made available to Buyer as of the date of this Agreement. To the Knowledge of Seller, each DAEC Employee and each other individual that provides services at the Facilities or otherwise in support of the DAEC Assets is performing, and is qualified, licensed, certified or trained, in accordance with applicable government requirements or standards to perform the duties and responsibilities of their current job assignment, and each has the appropriate nuclear power plant access authorizations, where required.

4.12. ERISA; Benefit Plans.

(a) To the Knowledge of Seller, Schedule 4.12(a) lists (as of the date of this Agreement) each employee benefit plan (other than a supplemental employee retirement plan between Gary D. Van Middlesworth and NMC, effective January 1, 2001 and restated January 1, 2005, the liability for which shall be retained by Seller), including each employee benefit plan as defined in Section 3(3) of ERISA, and each other plan, contract, agreement, arrangement or policy, whether written or oral, qualified or non-qualified, providing for (i) compensation, severance benefits, bonuses, profit-sharing or other forms of incentive compensation; (ii) vacation, holiday, sickness or other time-off; (iii) health, medical, dental, disability, life, accidental death and dismemberment, employee assistance, educational assistance, relocation or fringe benefits or perquisites, including post-employment benefits; and (iv) deferred compensation, defined benefit or defined contribution, retirement or pension benefits, or equity grants that covers any DAEC Employee, or that is maintained, administered or with respect to which contributions are made by NMC, Seller or an ERISA Affiliate in respect of DAEC Employees ("Benefit Plans"). To the Knowledge or Seller, true, correct, and complete copies of all such Benefit Plans, including all amendments thereto and other information regarding benefit changes that have been previously communicated, have been made available to Buyer.

(b) To the Knowledge of Seller, except as set forth in Schedule 4.12(b), NMC, Seller and the ERISA Affiliates have fulfilled their respective obligations under the minimum funding requirements of Section 302 of ERISA and Section 412 of the Code with respect to each Benefit Plan that is an "employee pension benefit plan" as defined in Section 3(2) of ERISA and to which Section 302 of ERISA applies. To Seller's Knowledge, except as set forth in Schedule 4.12(b), neither NMC, Seller nor any ERISA Affiliate has incurred any liability under Sections 4062(b), 4063 or 4064 of ERISA to the PBGC in connection with any Benefit Plan that is subject to Title IV of ERISA, nor any withdrawal liability to any multiemployer pension plan under Section 4201 et. seq. of ERISA or to any multi-employer welfare benefit plan which is a Benefit Plan. To the Knowledge of Seller, each Benefit Plan which is intended to be qualified within the meaning of Code Section 401(a) is so qualified and has received a favorable determination letter as to its qualification under all applicable Laws including GUST (or if no favorable determination letter has yet been issued, such Benefit Plan was timely submitted), and

has timely adopted the requisite amendments under the Economic Growth and Tax Relief Reconciliation Act of 2001; and nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of IRS qualification; and the most recent IRS determination letters have been furnished by Seller to Buyer. To the Knowledge of Seller, there is no reportable event (as described in Section 4043 of ERISA) with respect to any Benefit Plan that is required to be reported to the PBGC and no non-exempt prohibited transaction (as described in Section 406 of ERISA and Section 4975 of the Code) has occurred with respect to any Benefit Plan, except as set forth in Schedule 4.12(b). To the Knowledge of Seller, with respect to each Benefit Plan from which a corresponding plan of Buyer will receive assets in a transaction under Section 414(l) of the Code or receive assets in a trustee-to-trustee transfer or participant rollover under Section 401(a)(31) of the Code: (i) such Benefit Plan has been maintained in material compliance with all applicable Laws, including ERISA, the Code, the Securities Act and the Exchange Act; (ii) subject to applicable collective bargaining agreements such Benefit Plan may be amended, terminated, or otherwise modified by the sponsoring employer to the greatest extent permitted by applicable Laws (including, without limitation, elimination of future accruals under any such Benefit Plan), and no employee communication or provision in any document governing such Benefit Plan has failed to reserve effectively the right of the sponsoring employer (including, after its assumption of such Benefit Plan, Buyer) to terminate, or make any amendment or modification to such Benefit Plan; (iii) subject to applicable collective bargaining agreements or as otherwise permitted by Section 6.1(a), neither NMC nor Seller has made any commitment to establish any new Benefit Plan, to modify any Benefit Plan (except as required under applicable Laws), nor has any intention to do so been communicated to any DAEC Employees; (iv) no actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or threatened; (v) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the PBGC, the IRS or other Governmental Authority are pending, in progress or threatened; (vi) as of the date hereof, neither NMC nor Seller has an application pending to the IRS under the Employee Plans Compliance Resolution System; and (vii) if NMC or Seller has previously made such application and a compliance statement has been issued, NMC or Seller, as applicable, has signed such statement and made the applicable correction or will make the applicable correction within the requisite time period.

(c) To the Knowledge of Seller, neither NMC nor Seller nor any ERISA Affiliate or successor corporation, within the meaning of Section 4069(b) of ERISA, has engaged in any transaction that may be disregarded under Section 4069 or Section 4212(c) of ERISA.

4.13. Real Property; Plant and Equipment.

(a) Schedule 4.13(a) contains a substantially complete and accurate legal description of the part of the Real Property that consists of the land that comprises the Site.

(b) Schedule 4.13(b) contains a list as of May 31, 2005 of the major equipment components and personal property included in the DAEC Assets, and to which Seller is transferring its interest to Buyer hereunder to the extent such DAEC Assets have not been disposed of in the ordinary course of business consistent with Section 6.1.

4.14. Certain Contracts and Arrangements.

(a) Except for Seller's interests in and rights under (i) those purchase orders, contracts, agreements, licenses and leases relating to the ownership, operation and maintenance of the DAEC Assets, which are listed in Schedule 4.14(a)(i) or the other schedules to this Agreement or that are made available to Buyer pursuant to the last sentence of Section 4.12(a), (ii) those contracts, agreements, commitments and understandings relating to the procurement or fabrication of Nuclear Fuel, a complete list of which is included on Schedule 4.14(a)(ii) ("Fuel Contracts"), (iii) contracts, agreements, personal property leases, commitments, understandings or instruments in which all obligations of Seller will be fully performed or terminated prior to the Closing Date, (iv) Non-material Contracts, and (v) the Ancillary Agreements, Seller is not, as of the date of this Agreement, a party to any written contract, agreement, personal property lease, commitment, understanding or instrument which is material to the ownership or operation of Seller's interest in the DAEC Assets or provides for the sale of capacity, energy or ancillary services from any of the DAEC Assets (whether or not entered into in the ordinary course of business).

(b) There is not, under any of the agreements listed on Schedules 4.14(a)(i) and 4.14(a)(ii), any breach, violation, default or event which, with notice or lapse of time or both, would constitute a default on the part of Seller, or to the Knowledge of Seller, on the part of any of the parties thereto, except such events of default and other events as to which requisite waivers or consents have been obtained or which would not, individually or in the aggregate, create a Material Adverse Effect.

4.15. Legal Proceedings, etc.

Except as described in Schedule 4.15, there are no claims, actions, proceedings or investigations pending or, to the Knowledge of Seller, threatened against or relating to Seller before any court, arbitrator, mediator or Governmental Authority which, individually or in the aggregate, would reasonably be expected to (i) result in a Material Adverse Effect, (ii) prohibit or restrain the performance of this Agreement or any of the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby, or (iii) result in a material claim against Buyer for damages as a result of Seller entering into this Agreement or any of the Ancillary Agreements, or of the consummation of the transactions contemplated hereby or thereby. Seller is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any court, arbitrator or Governmental Authority which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

4.16. Permits.

(a) Seller (together with the Other Owners and/or NMC) has all material permits, licenses, registrations, certificates, franchises and other governmental authorizations, consents and approvals, other than with respect to permits under Environmental Laws referred to in Section 4.10 hereof or licenses issued by the NRC referred to in Section 4.17 hereof (collectively, "Permits"), used in, or necessary for the ownership and operation of, the DAEC Assets as presently conducted or as required by Law. To Seller's Knowledge, no such Permit will terminate or be subject to termination or revocation as a result of the transactions

contemplated by this Agreement. Seller has not received any written notification which remains unresolved that it is in violation of any of such Permits, or any Law applicable to the DAEC Assets, except for notifications of violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. DAEC is in compliance with all Permits and Laws of any Governmental Authority applicable to the DAEC Assets, except for violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(b) Schedule 4.16(b) sets forth all material Permits and Environmental Permits other than Transferable Permits (which are set forth on Schedule 1.1(178)) applicable to the DAEC Assets.

4.17. NRC Licenses.

(a) Seller (together with the Other Owners and NMC) has all licenses, permits, and other consents and approvals applicable to DAEC that are issued by the NRC (collectively, "Licenses") and are necessary to the ownership and operation of the DAEC Assets as presently operated, pursuant to the requirements of all Nuclear Laws and all such Licenses are in full force and effect. DAEC has not received any written notification which remains unresolved that it is in violation of any of such Licenses, or any order, rule, regulation, or decision of the NRC with respect to the DAEC Assets, except for notifications of violations which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Seller is in compliance with all Nuclear Laws and all orders, rules, regulations, or decisions of NRC applicable to it with respect to Seller's interest in the DAEC Assets, except for violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(b) Schedule 4.17(b) sets forth all Licenses issued by the NRC applicable to the DAEC Assets.

4.18. Regulation as a Utility.

Seller is an electric utility company within the meaning of the Holding Company Act, a public utility within the meaning of the Federal Power Act and an electric utility within the meaning of the NRC regulations implementing the Atomic Energy Act. Seller is a public utility within the meaning of Iowa Code Section 476.1. Except with respect to local tax and zoning laws, Seller is not, as a result of its ownership or operation of Seller's interest in the DAEC Assets, subject to regulation as a public utility or public service company (or similar designation) by any state of the United States (other than Iowa, Minnesota, Illinois and Wisconsin), any foreign country or any municipality or any political subdivision of the foregoing.

4.19. Tax Matters.

Except as set forth on Schedule 4.19 and except with respect to the portion of the DAEC Assets that are part of the Qualified Decommissioning Funds, with respect to Seller's interest in the DAEC Assets, (i) all material Tax Returns of Seller required to be filed for taxable periods ended prior to the Closing Date regarding the ownership or operation of Seller's interest

in the DAEC Assets have been filed, and (ii) all material Taxes shown to be due on such Tax Returns have been paid, except where such Taxes are being contested in good faith through appropriate proceedings.. No notice of deficiency or assessment has been received from any taxing authority with respect to any material amount of liabilities for Taxes of Seller in respect of Seller's interest in the DAEC Assets that has not been fully paid or finally settled, except for matters that are being contested in good faith through appropriate proceedings. There are no Encumbrances for Taxes upon Seller's interest in the DAEC Assets, except for Encumbrances for Taxes not yet due and payable and Encumbrances for Taxes that are being contested in good faith through appropriate proceedings.

4.20. Qualified Decommissioning Funds.

(a) With respect to all periods prior to the Closing Date: (i) Seller's Qualified Decommissioning Fund is a trust, validly existing under the laws of the State of Iowa with all requisite authority to conduct its affairs as it now does; (ii) Seller's external trust fund for purposes of Decommissioning (other than the Nonqualified Decommissioning Funds) satisfies all requirements necessary for such fund to be treated as a Qualified Decommissioning Fund (iii) except as described on Schedule 4.20, such Fund is in compliance in all material respects with all applicable Laws of the NRC, FERC, IUB and any other Governmental Authority, and Seller's Qualified Decommissioning Fund has not engaged in any acts of "self-dealing" as defined in Treas. Reg. § 1.468A-5(b)(2); (iv) no "excess contribution," as defined in Treas. Reg. § 1.468A-5(c)(2)(ii), has been made to Seller's Qualified Decommissioning Fund which has not been withdrawn within the period provided under Treas. Reg. § 1.468A-5(c)(2)(i); and (v) Seller has timely made valid election to make annual contributions to the Qualified Decommissioning Fund since the first taxable year after the establishment of such fund and has made copies of such elections available to Buyer.

(b) Seller has heretofore delivered to Buyer a copy of Seller's Decommissioning Trust Agreement as in effect on the date of this Agreement. Seller agrees not to amend Seller's Decommissioning Trust Agreement between the date of this Agreement and the Closing Date without Buyer's prior written consent, which shall not be unreasonably withheld, except for any amendment which may be required to be made to the Seller's Decommissioning Trust Agreement by any Law or to permit the transfers referred to in Section 6.12 or to permit return to Seller of Decommissioning Funds in excess of the Decommissioning Target.

(c) Subject only to Seller's Required Regulatory Approvals, Seller and the Trustee have, or as of Closing will have, all requisite authority to cause the assets of the Qualified Decommissioning Fund to be transferred to the Trustee of the Buyer's Post-Closing Decommissioning Trust Agreement.

(d) With respect to all periods prior to the Closing Date, (i) Seller and/or the Trustee of Seller's Qualified Decommissioning Fund has/have filed or caused to be filed with the NRC, FERC, IUB and any other Governmental Authority all material forms, statements, reports, documents (including all exhibits, amendments and supplements thereto) required to be filed by such entities; and (ii) there are no interim rate orders that may be retroactively adjusted or retroactive adjustments to interim rate orders that may affect amounts that Buyer may contribute

to the Qualified Decommissioning Fund or may require distributions to be made from the Qualified Decommissioning Fund. Seller has delivered to Buyer a copy of the schedule of ruling amounts most recently issued by the IRS for the Qualified Decommissioning Fund and a complete copy of the request that was filed with the IRS to obtain such schedule of ruling amounts and a copy of any pending request for revised ruling amounts, in each case together with all exhibits, amendments and supplements thereto. Any amounts contributed to Seller's Qualified Decommissioning Fund while such ruling request is pending before the IRS and which are finally determined to exceed the applicable amounts provided in the schedule of ruling amounts issued by the IRS will be withdrawn from such fund within the period provided in Treasury Reg. 1.468A-5(c)(2)(i).

(e) Seller has made available to Buyer a statement of assets and liabilities verified by the Trustee for the Seller's Qualified Decommissioning Funds as of December 31, 2004 and will make such an unaudited statement as of the last Business Day before Closing available within sixty (60) days after the Closing, and they present fairly in all material respects as of such dates the financial position of each of the Qualified Decommissioning Funds. Seller has disclosed to Buyer that the Decommissioning Funds are insufficient to meet the currently applicable funding requirements of the NRC. There are no Encumbrances for Taxes other than Permitted Encumbrances.

(f) With respect to all taxable periods prior to the Closing Date, Seller's Qualified Decommissioning Fund has filed all material Tax Returns required to be filed, including but not limited to returns for estimated Income Taxes, such Tax Returns are true, correct and complete in all material respects, and all Taxes shown to be due on such Tax Returns have been paid in full. Except as shown in Schedule 4.20, no notice of deficiency or assessment has been received from any taxing authority with respect to any Liability for Taxes of Seller's Qualified Decommissioning Fund which have not been fully paid or finally settled, and any such deficiency shown in such Schedule 4.20 is being contested in good faith through appropriate proceedings.

4.21. Nonqualified Decommissioning Fund.

(a) With respect to all periods prior to the Closing Date, the Seller's Nonqualified Decommissioning Fund is a trust validly existing under the laws of the State of Iowa with all requisite authority to conduct its affairs as it now does. Seller's Nonqualified Decommissioning Fund is in full compliance in all material respects with all applicable Laws of the NRC. The Seller's Nonqualified Decommissioning Fund is classified as a grantor trust owned by Seller under Section 671 to 677 of the Code.

(b) Subject only to the Seller's Required Regulatory Approvals, Seller has or as of the Closing will have all requisite authority to cause all or a portion of the assets of the Seller's Nonqualified Decommissioning Fund to be transferred to the Trustee of the Post-Closing Decommissioning Trust Agreement pursuant to Section 6.12 hereof.

(c) Seller has made available to Buyer a statement of assets and liabilities verified by the trustee of the Seller's Nonqualified Decommissioning Fund as of December 31, 2004 and will make available such an unaudited statement as of the last Business Day before

Closing available within sixty (60) days after the Closing, and they represent fairly in all material respects as of such dates the financial position of the Nonqualified Decommissioning Funds. Seller has disclosed to Buyer that the Decommissioning Funds are insufficient to meet the currently applicable funding requirements of the NRC.

4.22. Intellectual Property.

Except as set forth in Schedule 4.22, Seller, Seller's Affiliates or NMC has ownership of, or license to use, all of the Intellectual Property reasonably necessary for the operation of the DAEC Assets. Seller has not received written notice of any claims or demands of any other Person pertaining to any of the Intellectual Property and no proceedings have been instituted, or are pending or, to Seller's Knowledge, threatened, which challenge the rights of Seller in respect thereof. To the Knowledge of Seller, none of the Intellectual Property infringes any intellectual property of any other Person and Seller is not making unauthorized use of any confidential information or trade secrets of any Person, including without limitation, any former employer of any past or present employee of Seller in connection with the operation of DAEC, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.23. Zoning Classification.

The Real Property is zoned as set forth in Schedule 4.23 and is currently zoned in zoning categories which permit the operation of the Facilities as currently operated, as a matter of right. Except as set forth on Schedule 4.23, Seller has not requested, applied for, or given its consent to, and Seller has no Knowledge of, any pending zoning variance or change with respect to the zoning of the Real Property. To Seller's Knowledge, there exist no outstanding covenants or agreements in connection with the zoning of the Real Property or any portion thereof which would bind or require Buyer to perform any actions or pay any monies in connection therewith.

4.24. Necessary Assets.

Subject to Section 6.4(d) and other than the rights in Intellectual Property referenced in Section 6.6(i) hereof, the DAEC Assets constitute all of the material assets necessary for the operation of DAEC in the manner in which it has been operated during the twelve (12) month period prior to the date of this Agreement and the DAEC Assets are sufficient to operate at 1840 MW reactor thermal power.

4.25. Complete Copies.

Except as set forth in Schedule 4.25 and to the Knowledge of Seller, Buyer has been provided access to true, complete and unredacted copies of the emergency preparedness assets and agreements, Transferable Permits, NRC Commitments, Real Property Agreements and Seller's Agreements.

4.26. One Time Fee.

Seller has paid the "one-time" Spent Nuclear Fuel Fee assessment by the Department of Energy for spent fuel discharged from DAEC prior to 1983, including any interest, late fees and/or penalties relating thereto.

4.27. Buyer's Representations and Warranties.

As of the date hereof, Seller does not have any Knowledge of any breaches of any of Buyer's or Buyer's Parent's representations or warranties.

4.28. Disclaimer.

EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE 4 OR IN THE ANCILLARY AGREEMENTS, THE DAEC ASSETS ARE BEING SOLD AND TRANSFERRED "AS IS, WHERE IS," AND ACCORDINGLY SELLER IS NOT MAKING ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING THE DAEC ASSETS, INCLUDING, IN PARTICULAR, ANY WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR AS TO THE WORKMANSHIP THEREOF OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, OR COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS, OR AS TO THE CONDITION OF THE DAEC ASSETS, OR ANY PART THEREOF, ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED AND DISCLAIMED. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS ARTICLE 4 OR IN THE ANCILLARY AGREEMENTS, SELLER FURTHER SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING THE ABSENCE OF HAZARDOUS SUBSTANCES OR LIABILITY ARISING UNDER ENVIRONMENTAL LAWS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT OR THE ANCILLARY AGREEMENTS, SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF ANY KIND REGARDING THE CONDITION OF THE DAEC ASSETS OR THE SUITABILITY OF THE FACILITIES FOR OPERATION AS A POWER PLANT AND NO OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATION MADE BY SELLER OR ANY OFFICER, EMPLOYEE, CONSULTANT OR AGENT THEREOF, OR ANY BROKER OR INVESTMENT BANKER WILL CAUSE OR CREATE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, CONDITION, VALUE OR QUALITY OF THE DAEC ASSETS OR ANY PART THEREOF.

THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED BY THE PARTIES HERETO AFTER DUE CONSIDERATION AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, OTHER THAN THOSE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT.

5. REPRESENTATIONS AND WARRANTIES OF BUYER AND BUYER'S PARENT

Buyer and, as applicable, Buyer's Parent represents and warrants with respect to itself to Seller as follows:

5.1. Organization; Qualification.

Buyer is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. Buyer's Parent is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Florida. Each of Buyer and Buyer's Parent has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as is now being conducted. Buyer has heretofore delivered to Seller complete and correct copies of its Certificate of Formation and Limited Liability Company Agreement as currently in effect. Buyer's Parent has heretofore delivered to Seller complete and correct copies of its Articles of Incorporation and By-Laws as currently in effect. Buyer is, or on the Closing Date will be, qualified to conduct business in the State of Iowa.

5.2. Authority Relative to this Agreement.

Each of Buyer's Parent and Buyer has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to consummate the transactions contemplated hereby or thereby. The execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby or thereby, have been duly and validly authorized by all necessary corporate action required on the part of each of Buyer's Parent and Buyer and no other corporate proceedings on the part of Buyer's Parent or Buyer are necessary to authorize this Agreement and the Ancillary Agreements or to consummate the transactions contemplated hereby or thereby. This Agreement has been duly and validly executed and delivered by each of Buyer's Parent and Buyer, and assuming that this Agreement constitutes a valid and binding agreement of Seller and subject to the receipt of Buyer's Required Regulatory Approvals, constitutes a valid and binding agreement of each of Buyer's Parent and Buyer, enforceable against each of Buyer's Parent and Buyer in accordance with its terms.

5.3. Consents and Approvals; No Violation.

(a) Subject to the receipt of the third-party consents set forth in Schedule 5.3(a) and the Buyer's Required Regulatory Approvals, neither the execution and delivery of this Agreement and the Ancillary Agreements by Buyer or Buyer's Parent nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with or result in any breach of any provision of the Certificate of Formation or Limited Liability Company Agreement of Buyer or Articles of Incorporation or By-laws of Buyer's Parent, (ii) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, (iii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, agreement, lease or other instrument or obligation to which Buyer or Buyer's Parent is

a party or by which any of its assets may be bound, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which would not, individually or in the aggregate, have a material adverse effect on the business, assets, operational or condition (financial or otherwise) of Buyer's Parent or on the ability of Buyer or Buyer's Parent to perform its obligations hereunder ("Buyer Material Adverse Effect"), or (iv) violate any Laws applicable to Buyer, which violations, individually or in the aggregate, would create a Buyer Material Adverse Effect. Neither Buyer nor Buyer's Parent has Knowledge of any facts or circumstances that make it reasonably likely that Buyer's Required Regulatory Approvals will not be obtained.

(b) Except as set forth in Schedule 5.3(b) (the filings and approvals referred to in such Schedule are collectively referred to as the "Buyer's Required Regulatory Approvals"), no declaration, filing or registration with, or notice to, or authorization, consent or approval of any Governmental Authority is necessary for the consummation by Buyer of the transactions contemplated hereby.

5.4. Availability of Funds.

Buyer and/or Buyer's Parent currently have sufficient funds available to it through corporate funds, credit facilities and access to capital markets to provide sufficient funds to pay the Purchase Price on the Closing Date and to enable Buyer to timely perform all of its obligations under this Agreement.

5.5. Legal Proceedings.

Except as set forth in Schedule 5.5, to the Knowledge of Buyer and Buyer's Parent, there are no claims, actions, proceedings or investigations pending or threatened against Buyer or Buyer's Parent before any court, arbitrator, mediator or Governmental Authority which, individually or in the aggregate, could reasonably be expected to (i) result in a Buyer Material Adverse Effect, (ii) prohibit or restrain the performance of this Agreement or any of the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby, or (iii) result in a material claim against Seller for damages as a result of Buyer or Buyer's Parent entering into this Agreement or any of the Ancillary Agreements, or of the consummation of the transactions contemplated hereby or thereby. Except as set forth in Schedule 5.5, neither Buyer's Parent nor Buyer is subject to any outstanding judgments, rules, orders, writs, injunctions or decrees of any court, arbitrator or Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Buyer Material Adverse Effect.

5.6. WARN Act.

Neither Buyer nor Buyer's Parent intends with respect to the DAEC Assets to engage in a "plant closing" or "mass layoff," as such terms are defined in the WARN Act, within sixty (60) days after the Closing Date.

5.7. Transfer of Decommissioning Funds.

With respect to Seller's transfer of the assets of the Qualified Decommissioning Fund to the Trustee under the Post-Closing Decommissioning Trust Agreement, except for the

fact that DAEC in the hands of Buyer may not be treated as a "nuclear power plant" within the meaning of Treasury Regulations Section 1.468A-1(b)(4) because Buyer's rates for the sale or furnishing of electricity are not established or approved by a public utility commission or under the jurisdiction of the Rural Electric Administration, Buyer will otherwise acquire and own a "qualifying interest" in DAEC within the meaning of Treasury Regulations Section 1.468A-1 and will, as the transferee, satisfy each of the requirements set forth in Treasury Regulations Section 1.468A-6(b)(2). The Post-Closing Decommissioning Trust Agreement satisfies the requirements of Section 468A of the Code and the regulations promulgated thereunder. The Post-Closing Trust Agreement for all of Buyer's Decommissioning Funds satisfies the NRC's requirements for decommissioning trust provisions in 10 C.F.R. 50.75(h)(i).

5.8. Foreign Ownership or Control.

Buyer or, if applicable, Buyer's Parent, will conform to the restrictions on foreign ownership, control or domination contained in Sections 103d and 104d of the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§ 2133(d) and 2134(d), as applicable, and the NRC's regulations in 10 C.F.R. § 50.38. Neither Buyer's Parent nor Buyer is currently owned, controlled or dominated by a foreign entity and neither will become owned, controlled, or dominated by a foreign entity before the Closing Date of this transaction.

5.9. Seller's Representations and Warranties.

As of the date hereof, neither Buyer nor Buyer's Parent has any Knowledge of any breaches of any of Seller's representations or warranties.

5.10. Permit Qualifications.

To the Knowledge of Buyer and Buyer's Parent, Buyer (or its successor or assigns) will be as the owner of DAEC qualified to hold any Permits and Environmental Permits necessary to operate the DAEC Assets.

6. COVENANTS OF THE PARTIES

6.1. Conduct of Business Relating to the DAEC Assets.

(a) Notwithstanding anything in this Agreement to the contrary, Buyer acknowledges that NMC, as the licensed operator of the Facilities, retains the exclusive responsibility for safe operation of the Facilities, and nothing in this Agreement shall in any way alter the licensed operator's duties or obligations under any Law, regulation or its operating license. Except as described in Schedule 6.1(a), during the period from the date hereof to the Closing Date, Seller shall operate and maintain, or cause to be operated and maintained, Seller's interest in the DAEC Assets in the ordinary course consistent with Good Utility Practices; it being understood that any actions deemed reasonably necessary in the operation of the DAEC Assets in accordance with Good Utility Practices shall be deemed to be in the ordinary course unless such actions materially impair the value, rated capacity or operation of the DAEC Assets or the liabilities and obligations of Buyer after the Closing Date, and Buyer expressly acknowledges that the Capital Budget is consistent with this standard. Without limiting the

generality of the foregoing, and, except as contemplated in this Agreement or as described in Schedule 6.1(a), during the period from the date hereof to the Closing Date, without the prior written consent of Buyer (unless such consent would be prohibited by Law), which consent will not be unreasonably withheld, Seller shall not directly do any of the following with respect to Seller's interest in the DAEC Assets, and shall not issue any consent or approval, or otherwise take any action (or refrain from taking any action), which permits NMC to do any of the following on Seller's behalf or otherwise with respect to Seller's interest in the DAEC Assets (Buyer acknowledges, however, that NMC may be permitted to do one or more of the following without Seller's or Buyer's consent or approval under the terms and conditions of the NPPOSA and the NRC License, and if NMC proceeds to do so accordingly, Seller shall not be in violation of this Section 6.1):

(i) make any material change in the levels of Nuclear Fuel Inventories and Non-Nuclear Fuel Inventories customarily maintained by DAEC with respect to Seller's interest in the DAEC Assets, except for such changes as are consistent with Good Utility Practices;

(ii) except for Permitted Encumbrances (including amendments and/or replacements to the Permitted Encumbrances), sell, lease (as lessor), pledge, mortgage, encumber, restrict, transfer or otherwise dispose of, or grant any right, or suffer to be imposed any Encumbrance with respect to, any of Seller's interest in the DAEC Assets, other than assets used, consumed or replaced in the ordinary course of business consistent with Good Utility Practices;

(iii) materially amend, extend or voluntarily terminate prior to the expiration date thereof any of Seller's Agreements or the Real Property Agreements listed in Schedule 4.8 (or any other agreement to the extent any such extension or amendment thereof would require the agreement to be disclosed on Schedule 4.8 or 4.14(a)(i)) or any material Permit or Environmental Permit or waive any default by, or release, settle or compromise any claim against, any other party thereto, other than (a) in the ordinary course of business, to the extent consistent with Good Utility Practices, (b) with cause, to the extent consistent with Good Utility Practices, or (c) as may be required in connection with Seller's obligations to Buyer under this Agreement;

(iv) enter into any new commitment for the purchase of Nuclear Fuel unless (A) the aggregate payments under all such new commitments would not be expected to exceed Five Hundred Thousand Dollars ($500,000) or (B) the commitment is terminable either (x) automatically on the Closing Date or (y) at the option of Buyer at any time after the Closing Date without any penalty or cancellation charge;

(v) enter into any power sales agreement relating to DAEC having a term that extends beyond the later of January 31, 2006 or such other date that the Parties mutually agree to be the date on which the Closing is expected to occur;

(vi) amend in any material respect or cancel any property, liability or casualty insurance policies related thereto, or fail to use Commercially Reasonable Efforts to

maintain by self insurance or with financially responsible insurance companies insurance in such amounts and against such risks and losses as are customary for such assets and businesses;

(vii) enter into any individual requirements contract for goods or any commitment or contract for non-employment related services, in either case not addressed in clauses (i) through (vi) above, that will be delivered or provided after January 31, 2006 or such other date as the Parties mutually agree to be the date on which the Closing is expected to occur that exceeds One Hundred Thousand Dollars ($100,000) per annum, unless such commitment or contract is terminable by Seller (or after the Closing Date by Buyer) upon not more than sixty (60) days notice without penalty or cancellation charge;

(viii) except as required by any Law or accounting principles generally accepted in the United States, change, in any material respect, its Tax practice or policy (including making new Tax Elections or changing Tax elections and settling Tax controversies not in the ordinary course of business) to the extent such change or settlement would be binding on Buyer;

(ix) knowingly engage in any practice, take any action, fail to take any action, or enter into any transaction through the Closing Date that will result or may reasonably be anticipated to result in any misrepresentation or breach of any warranty of Seller hereunder as of the Closing Date;

(x) other than in the ordinary course of business, (a) hire any DAEC Employee (other than to replace a DAEC Employee who may have resigned or been terminated); (b) increase the compensation or benefits payable to any DAEC Employee, except as required under the Collective Bargaining Agreements or other agreements as in existence through the Closing Date; (c) transfer or terminate any DAEC Employee (other than for cause or with consent of the Buyer or through voluntary termination or retirement);

(xi) consent to NMC's replacement of the DAEC Plant Manager or Site Vice President without first providing notice to Buyer;

(xii) initiate any regulatory proceeding that could reasonably be expected to materially increase the amount or rate of the Facilities decommissioning funding; provided, however, that nothing in this subparagraph (xii) shall limit Seller's right to file rate proceedings in the ordinary course of business;

(xiii) enter into any new Collective Bargaining Agreements that will materially increase the cost of operating the Facilities;

(xiv) settle any claim or litigation that results in any material obligation imposed on Seller's interest in the DAEC Assets that could reasonably be likely to continue past the Closing Date; and

(xv) agree to enter into any of the transactions set forth in the foregoing paragraphs (i) through (xiv);

provided, however, that nothing contained in this Agreement shall restrict the ability of Seller at any time to take any and all actions necessary to effect (1) Seller's termination of the NPPOSA as contemplated by Section 6.3(c) or (2) Seller's termination of the Fuel Lease, dated as of August 21, 1973, between Arnold Fuel, Inc. and Iowa Electric Light and Power Company, as amended.

(b) The Parties shall establish, as soon as practicable after the execution of this Agreement, a committee (the "Transition Committee") comprised of four (4) persons, including two (2) persons designated by Seller and two (2) persons designated by Buyer; provided, however, that in the event that Buyer enters into agreements to purchase the interests in the DAEC Assets of the Other Owners, then the Transition Committee shall be expanded to provide participation by at least two (2) representatives of each of the Other Owners from which Buyer has agreed to purchase an interest in the DAEC Assets. The Transition Committee shall remain in existence until the Closing Date and shall oversee and manage the transition process through the Closing Date. Subject to applicable Laws, the Transition Committee will be kept fully apprised of all the Facilities' management and operating developments, including with respect to any pre-closing outage, any repairs to the Facilities and the Capital Expenditures. The Transition Committee shall have no authority to bind or make agreements on behalf of Seller or Buyer or to issue instructions to or direct or exercise authority over Seller or Buyer or any of their respective officers, employees, advisors or agents or to waive or modify any provision of this Agreement. Seller's shall use Commercially Reasonable Efforts (i) to arrange for Buyer's Representatives on the Transition Committee to have access to the management of NMC and (ii) to inform Buyer's representatives of matters relating to the Facilities from the date of this Agreement through Closing.

(c) Between the date of this Agreement and the Closing Date, in the interest of cooperation between Seller and Buyer and to plan for and facilitate an orderly transition of ownership and operation of Seller's interest in the DAEC Assets from Seller to Buyer and to permit informed action by Buyer regarding its rights pursuant to Section 6.1(a), the Parties agree that at the sole responsibility and expense of Buyer, and subject to compliance with all applicable NRC rules and regulations and other applicable Laws, Seller will permit designated Buyer Representatives ("Observers") of Buyer to observe all operations of DAEC that relate to Seller's interest in the DAEC Assets, and such observation will be permitted on a cooperative basis in the presence of one or more individuals designated by Seller together with NMC and the Other Owners (the "Seller's Agent(s)"); provided, however, that such Observers and their actions shall not interfere with the operation of DAEC; and provided, further, that the number of Observers observing at any particular time and the scheduling and duration of their observation shall be subject at all times to the approval of the Seller's Agent(s), which approval shall not be unreasonably withheld. Seller shall use Commercially Reasonable Efforts to provide to the Observers interim furnished office space, utilities and HVAC at the Facilities reasonably necessary to allow Buyer to conduct its transition efforts through the Closing Date; provided that Buyer shall be responsible for all costs relating thereto, including, without limitation, telecommunications expenses and the cost of workers' compensation and employer's liability coverage, which will be maintained by Buyer for its employees.

(d) Buyer's representatives on the Transition Committee and/or the Observers may recommend or suggest to Seller that actions be taken or not be taken to improve or enhance

the operation and maintenance of Seller's interest in the DAEC Assets from the date hereof through the Closing Date; provided, however, that Seller will not be under any obligation to follow any such recommendations or suggestions and Seller shall be entitled, subject to this Agreement, to conduct its business in accordance with its own judgment and discretion. Buyer's Observers shall have no authority to bind or make agreements on behalf of Seller; to conduct discussions with or make representations to third parties on behalf of Seller; or to issue instructions to or direct or exercise authority over Seller or any of Seller's officers, employees, advisors or agents. Notwithstanding anything in this Section 6.1(d) to the contrary, prior to the Closing Date, Buyer shall not have the right to perform or conduct any environmental sampling or testing at, in, on or underneath the DAEC Assets.

6.2. Access to Information.

(a) In addition to the rights granted by Sections 6.1(b), (c) and (d), between the date of this Agreement and the Closing Date, Seller will, during ordinary business hours, upon reasonable notice and subject to compliance with all applicable NRC rules and regulations and other applicable Laws and subject to approval in advance by the Seller's Agent(s) (i) give Buyer and Buyer's Representatives reasonable access to all management personnel engaged in the operation of Seller's interest in the DAEC Assets and all books, documents, records, plants, offices and other facilities and properties constituting Seller's interest in the DAEC Assets; (ii) permit Buyer to make such reasonable inspections thereof as Buyer may reasonably request; (iii) furnish Buyer with such financial and operating data and other information with respect to Seller's interest in the DAEC Assets as Buyer may from time to time reasonably request; (iv) furnish Buyer a copy of each material report, schedule or other document filed or received by it since the date hereof with respect to Seller's interest in the DAEC Assets with the SEC, NRC, FERC or any other Governmental Authority having jurisdiction over the DAEC Assets; provided, however, that (A) any such investigation shall be conducted in such a manner as not to interfere unreasonably with the operation of the DAEC Assets, (B) Seller shall not be required to take any action which would constitute a waiver of the attorney-client privilege, and (C) Seller need not supply Buyer with any information that Seller is legally prohibited from supplying. Seller will use its Commercially Reasonable Efforts to cause NMC to provide Buyer or Buyer's Representatives with access to the Transferred Employee Records that it has, but Seller and NMC shall not be required to provide access to other employee records or medical information unless required by Law or specifically authorized by the affected employee. Notwithstanding anything in this Section 6.2 to the contrary, Seller and NMC will only furnish or provide such access to Transferred Employee Records and personnel and medical records as is permitted by Law or required by legal process or subpoena (other than data concerning salaries and benefits, dates of birth, dates of hire and other information used to calculate pension benefits which shall be provided).

(b) Buyer and Seller acknowledge that all information furnished to or obtained by Buyer or Buyer's Representatives pursuant to either Section 6.1 or this Section 6.2 shall be subject to the provisions of the Confidentiality Agreement and shall be treated as "Proprietary Information" (as defined in Section 1.1(141)).

(c) Following the Closing Date and subject to all applicable NRC rules and regulations, each Party and its respective Representatives shall have reasonable access to all of

the Business Books and Records, including all Transferred Employee Records or other personnel and medical records required to be made available by Law, legal process or subpoena, in the possession of the other Party or Parties to the extent that such access may reasonably be required by such Party in connection with the Assumed Liabilities and Obligations or the Excluded Liabilities, or other matters relating to or affected by the operation of Seller's interest in the DAEC Assets. Such access shall be afforded by the Party or Parties in possession of such books and records upon receipt of reasonable advance notice and during normal business hours. The Party or Parties exercising this right of access shall be solely responsible for any costs or expenses incurred by it or them pursuant to this Section 6.2(c). If the Party or Parties in possession of such books and records shall desire to dispose of any such books and records, such Party or Parties shall, prior to such disposition, give the other Party or Parties a reasonable opportunity at such other Party's or Parties' expense, to segregate and remove such books and records as such other Party or Parties may select. Notwithstanding the foregoing, the right of access to medical records and other confidential employee records shall be subject to all applicable legal requirements.

(d) Seller agrees (i) not to release any Person (other than Buyer) from any confidentiality agreement now existing with respect to Seller's interest in the DAEC Assets, or waive or amend any provision thereof, and (ii) to promptly after the Closing Date assign any rights arising under any such confidentiality agreement (to the extent assignable) to Buyer.

(e) Notwithstanding the terms of the Confidentiality Agreement and Section 6.2(b) above, the Parties agree that prior to the Closing Buyer may reveal or disclose Proprietary Information to any other Persons in connection with Buyer's financing and risk management of Seller's interest in the DAEC Assets, and, to the extent that Seller consents, which consent shall not be unreasonably withheld, to existing and potential customers and suppliers, and to such Persons with whom Buyer expects it may have business dealings regarding Seller's interest in the DAEC Assets from and after the Closing Date; provided, however, that all such Persons agree in writing to maintain the confidentiality of the Proprietary Information on substantially the same terms and conditions as those contained in the Confidentiality Agreement; and provided, further, that Buyer shall be responsible for any breach by any such Persons of such confidentiality obligations.

(f) Buyer agrees that, prior to the Closing Date, it will not contact any vendors, suppliers, employees, or other contracting parties of NMC, Seller or Seller's Affiliates with respect to any aspect of Seller's interest in the DAEC Assets or the transactions contemplated hereby, without the prior written consent of Seller or NMC, as applicable, which consent of Seller shall not be unreasonably withheld.

(g) Upon Buyer's or Seller's (as the case may be) prior written approval (which approval shall not be unreasonably withheld), Seller or Buyer (as the case may be) may provide Proprietary Information of the other Party to the SEC, NRC, FERC or any other Governmental Authority having jurisdiction over Seller's interest in the DAEC Assets or any stock exchange, as may be necessary to obtain Seller's Required Regulatory Approvals or Buyer's Required Regulatory Approvals, respectively. The disclosing Party shall seek confidential treatment for the Proprietary Information provided to any such Governmental

Authority and the disclosing Party shall notify the other Party as far in advance as practical of its intention to release to any Governmental Authority any such Proprietary Information.

(h) Seller or Buyer (as the case may be) may, without the prior consent of the other Party, disclose Proprietary Information of the other Party as may be necessary to comply generally with any applicable Laws or with the rules of any applicable stock exchange. The disclosing Party shall notify the other Party as far in advance as practical of its intention to release to any third party any such Proprietary Information.

(i) The Parties agree that the Confidentiality Agreement shall remain in effect until the Closing Date. Thereafter, the Parties agree that any restrictions contained in the Confidentiality Agreement with respect to Buyer's disclosure of Proprietary Information shall terminate, other than with respect to the Proprietary Information of Seller that does not relate to Seller's interest in the DAEC Assets. The Parties further agree that after the Closing Date, Seller shall keep confidential all Proprietary Information provided by Buyer or which Seller possesses with respect to Seller's interest in the DAEC Assets, to the extent permitted by Law, and to the same extent and under the same conditions applicable to Buyer's obligations with respect to Seller's Proprietary Information as contained in the Confidentiality Agreement between the Parties, but without limitation as to duration.

6.3. Expenses.

(a) Except to the extent specifically provided herein, whether or not the transactions contemplated hereby are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby, including the cost of legal, technical and financial consultants and the cost of filing for and prosecuting applications for Buyer's and Seller's Required Regulatory Approvals, shall be borne by the Party incurring such costs and expenses.

(b) Buyer shall be responsible for all third party vendor costs and expenses incurred and relating to work performed with respect to Seller's interest in the DAEC Assets at the request of Buyer after the date hereof.

(c) Subject to Section 3.3(a)(vi), Buyer shall be responsible for reimbursing Seller for any exit fee payable by Seller or any Affiliate of Seller as a result of the termination of the NPPOSA in connection with the transactions contemplated by this Agreement.

(d) Buyer shall reimburse Seller for all fees and expenses incurred by Seller in connection with obtaining title insurance relating to the Real Property.

6.4. Further Assurances; Cooperation.

(a) Subject to the terms and conditions of this Agreement, each of the Parties hereto will use Commercially Reasonable Efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate and make effective the sale, transfer, conveyance and assignment of Seller's interest in the DAEC Assets and the assignment of the Assumed Liabilities and Obligations or the exclusion of the Excluded Liabilities pursuant to this Agreement, including, without limitation,

using Commercially Reasonable Efforts to ensure satisfaction of the conditions precedent to each Party's obligations hereunder, including, without limitation, all regulatory approvals. Notwithstanding anything in the previous sentence to the contrary, Seller and Buyer shall use Commercially Reasonable Efforts to obtain all Permits and Environmental Permits necessary for Buyer to acquire and operate Seller's interest in the DAEC Assets. Neither Buyer nor Seller will, without the prior written consent of the other, advocate or take any action which would reasonably be expected to prevent or materially impede, interfere with or delay the transactions contemplated by this Agreement or which could reasonably be expected to cause, or to contribute to causing, the other to receive less favorable regulatory treatment than that sought by the other. Buyer further agrees that prior to the Closing Date, neither it nor its Affiliates will enter into any other contract to acquire or market or control the output of, nor acquire or market or control the output of, electric generation facilities or uncommitted generation capacity if the proposed acquisition or the ability to market or control output of such additional electric generation facilities or uncommitted generation capacity would increase the market power attributable to Buyer in a manner materially adverse to approval of the transactions contemplated hereby or would otherwise prevent or materially interfere with the transactions contemplated by this Agreement.

(b) From time to time after the Closing Date, Seller will execute and deliver such documents to Buyer as Buyer may reasonably request, at Buyer's expense, in order to more effectively consummate the sale and purchase, including the transfer, conveyance and assignment, of Seller's interest in the DAEC Assets or to more effectively vest in Buyer such title to Seller's interest in the DAEC Assets (or such rights to use, with respect to Seller's interest in DAEC Assets not owned by Seller), as is provided for in Section 4.7, subject to the Permitted Encumbrances. From time to time after the Closing Date, without further consideration, Buyer will, at its own expense, execute and deliver such documents to Seller as Seller may reasonably request in order to evidence Buyer's assumption of the Assumed Liabilities and Obligations.

(c) The Parties shall use Commercially Reasonable Efforts to cooperate with each other to facilitate the transition of the information systems, computer applications and processing of data at the Facilities.

(d) To the extent that Seller's rights under any Seller's Agreement may not be assigned without the consent of another Person which consent has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense, shall use Commercially Reasonable Efforts to obtain any such required consent(s) as promptly as possible. Seller and Buyer shall cooperate and shall each use Commercially Reasonable Efforts for a reasonable period of time after the Closing to obtain an assignment of such Seller's Agreement to Buyer. In the event that any such consent to assignment has not been obtained, the Parties agree to proceed under this Agreement to the extent permissible. The Parties also agree that NMC is party to certain agreements (not in its capacity as an agent for Seller) that Buyer may deem necessary for the operation of the DAEC Assets. Seller, at its expense, shall use Commercially Reasonable Efforts to obtain any consents required as promptly as possible to provide Buyer with rights under said agreements with respect to the DAEC Assets.

(e) For a reasonable period of time after the Closing Date, Buyer and Seller agree to provide such services to each other as are reasonably required to the extent necessary to ensure the continuity of support for DAEC and Seller's other facilities and the orderly completion of projects or other work in progress that would be adversely affected if those services were interrupted, including mutually acceptable arrangements regarding the lease of the emergency operations facilities from Seller to Buyer pursuant to the Emergency Operations Facilities Lease. Buyer and Seller will agree, as promptly as practicable, following the date hereof, on the nature of such services.

(f) Seller shall, upon Buyer's request, cooperate with Buyer and use Commercially Reasonable Efforts to facilitate a transition services/operating agreement between Buyer and NMC.

(g) Seller shall, upon Buyer's request, cooperate with Buyer and use Commercially Reasonable Efforts to facilitate a transition agreement between Seller and Buyer in the event that Buyer is not considered a "Generation Owner" of the Facility by MISO.

6.5. Public Statements.

The Parties shall not issue any press release or other public disclosure with respect to this Agreement or the transactions contemplated hereby without first affording the non-disclosing Party the opportunity to review and comment on such press release or public disclosure, except as may be required by applicable Law or stock exchange rules.

6.6. Consents and Approvals.

(a) Seller and Buyer shall each file or cause to be filed with the Federal Trade Commission and the Department of Justice any notifications required to be filed under the HSR Act and the rules and regulations promulgated thereunder with respect to the transactions contemplated hereby. The Parties shall consult with each other, and with the Other Owners, as to the appropriate time of filing such notifications and shall agree upon the timing of such filings, and respond promptly to any requests for additional information made by either of such agencies. The Parties shall use their Commercially Reasonable Efforts to cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date after the date of filing. All filing fees under the HSR Act shall be borne by Buyer and each Party will bear its own costs for the preparation of any such filing.

(b) As promptly as practicable after the date of this Agreement and after the receipt of any determinations required to be made by any other Governmental Authority as a condition to Buyer and Seller making the filings contemplated by this paragraph, (i) Buyer shall file with FERC (and if requested by Buyer, Seller shall support) an application requesting Exempt Wholesale Generator status for Buyer, which filing may be made individually by Buyer or jointly with Seller, as reasonably determined by Buyer, and (ii) Buyer shall file with FERC any necessary applications requesting acceptance of the Power Purchase Agreement. In fulfilling its obligations set forth in part (i) of the immediately preceding sentence, Buyer shall use Commercially Reasonable Efforts to effect the referenced filings with FERC within fifteen (15) days of the receipt of the last of any determinations required to be made by any other

Governmental Authority as a condition to Buyer and Seller making the filing. In fulfilling its obligations set forth in part (ii) of the immediately preceding sentence, Buyer shall use Commercially Reasonable Efforts to effect the referenced filings with FERC within thirty (30) days of the date of this Agreement. Prior to submitting such applications with FERC, Buyer shall submit the application to Seller for review and comment, and Buyer shall in good faith consider any revisions reasonably requested by Seller. Buyer shall be solely responsible for its own cost of preparing, reviewing and filing its respective application, responses and any petition(s) for rehearing or any reapplication(s).

(c) As promptly as practicable after the date of this Agreement, Buyer and Seller, as applicable, shall make the filings listed on Schedule 6.6(c). In fulfilling their respective obligations under this Section 6.6(c), Buyer and Seller shall each use Commercially Reasonable Efforts to effect or cause to be effected any such filings within thirty (30) days of the date of this Agreement. Prior to any Party's submission of the applications contemplated by this Section 6.6(c), the submitting Party shall provide a draft of such application to the other Parties for review and comment and the submitting Party shall in good faith consider any revisions reasonably requested by the reviewing Parties. Each Party will bear its own costs of the preparation and review of any such filings.

(d) As promptly as practicable after the date of this Agreement, Buyer shall file with FERC an application requesting authorization under Section 205 of the Federal Power Act to sell electric generating capacity and energy (and, at Buyer's discretion, other services, including, without limitation, ancillary services) at wholesale at market-based rates. In fulfilling its obligations set forth in the immediately preceding sentence, Buyer shall use its Commercially Reasonable Efforts to file the referenced application with FERC within thirty (30) days of the date of this Agreement. Prior to Buyer's submission of such application with FERC, Buyer shall submit such application to Seller for review and comment and Buyer shall consider any revisions reasonably requested by Seller. Buyer shall be solely responsible for the cost of preparing and filing this application, any petition(s) for rehearing, or any reapplication(s). Each Party will bear its own costs of the preparation and review of any such filings.

(e) As promptly as practicable after the date of this Agreement, Buyer and Seller shall file with NRC an application requesting consent under Section 184 of the Atomic Energy Act and 10 C.F.R. § 50.80 for the transfer of the NRC License from Seller to Buyer, and approval of any conforming license amendments or other related approvals. In fulfilling their respective obligations set forth in the immediately preceding sentence, each of Buyer and Seller shall use its Commercially Reasonable Efforts to effect any such filing within thirty (30) days of the date of this Agreement. Each Party will bear its own costs of the preparation of any such filing and NRC fees shall be borne solely by Buyer. Thereafter, Buyer and Seller shall cooperate with one another to facilitate NRC review of the application by providing the NRC staff with such documents or information that the NRC staff may reasonably request or require any of the Parties to provide or generate.

(f) As promptly as practicable after the date of this Agreement, but no later than thirty (30) days after Buyer supplies to Seller all of the information regarding Buyer that is required to be included in the application described in this Section 6.6(f), Seller and Buyer shall jointly prepare as co-applicants, and Seller shall file with FERC, an application for approval of

this transaction under Section 203 of the Federal Power Act. In fulfilling their respective obligations set forth in this Section 6.6(f), Seller and Buyer shall use their Commercially Reasonable Efforts. Prior to Seller's submission of such application with FERC, Seller shall submit such application to Buyer for review and comment and Seller shall consider any revisions reasonably requested by Buyer. Seller and Buyer shall respond promptly to all requests from FERC or its staff for additional information regarding such application and use their respective Commercially Reasonable Efforts to participate in any hearings, settlement proceedings or other proceedings ordered by FERC with respect to the application. Seller shall be solely responsible for the cost of filing this application, any petition(s) for rehearing, or any reapplication(s). Each Party will bear its own costs of the review of such filings.

(g) Seller and Buyer shall cooperate with each other and, as promptly as practicable after the date of this Agreement, (i) prepare and make with FERC or any other Governmental Authority having jurisdiction over Seller, Buyer or the DAEC Assets, all necessary filings required to be made with respect to the transactions contemplated hereby (including those specified above), (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, (iii) use Commercially Reasonable Efforts to obtain the transfer or reissuance to Buyer of all necessary Permits, Environmental Permits, consents, approvals and authorizations of all Governmental Authorities, and (iv) use Commercially Reasonable Efforts to obtain all necessary consents, approvals and authorizations of all other parties, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the transactions contemplated by this Agreement (including, without limitation, Seller's Required Regulatory Approvals and Buyer's Required Regulatory Approvals) or required by the terms of any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument to which Seller or Buyer is a party or by which any of them is bound. The Parties shall respond promptly to any requests for additional information made by such agencies, use their respective Commercially Reasonable Efforts to participate in any hearings, settlement proceedings or other proceedings ordered with respect to the applications, and use their respective Commercially Reasonable Efforts to cause regulatory approval to be obtained at the earliest possible date after the date of filing. Each Party will bear its own costs of the preparation and review of any such filing. Seller and Buyer shall have the right to review in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing made in connection with the transactions contemplated hereby and the filing Party shall consider in good faith any revisions reasonably requested by the non-filing Party.

(h) Buyer shall have the primary responsibility for securing the transfer, reissuance or procurement of the Permits and Environmental Permits (other than Transferable Permits) effective as of the Closing Date. Seller shall cooperate with Buyer's efforts in this regard and assist in any transfer or reissuance of a Permit or Environmental Permit held by Seller or the procurement of any other Permit or Environmental Permit when so requested by Buyer. In the event that Buyer is unable, despite its Commercially Reasonable Efforts, to obtain a transfer or reissuance of one or more of the Permits or Environmental Permits as of the Closing Date, Buyer may use the applicable Permit or Environmental Permit issued to Seller, provided (i) such use is not unlawful, (ii) Buyer notifies Seller prior to the Closing Date, (iii) Buyer continues to make Commercially Reasonable Efforts to obtain a transfer or reissuance of such Permit or Environmental Permit after the Closing Date, and (iv) Buyer indemnifies Seller for any losses,

claims or penalties suffered by Seller in connection with the Permit or Environmental Permit that is not transferred or reissued as of the Closing Date resulting from Buyer's ownership or operation of the DAEC Assets following the Closing Date. In no event shall Buyer use or otherwise rely on a Permit or Environmental Permit issued to Seller beyond one year after the Closing Date.

(i) Seller shall use Commercially Reasonable Efforts to assist Buyer in the transfer or assignment to Buyer of Intellectual Property rights reasonably necessary for the operation of the DAEC Assets.

(j) Seller shall use Commercially Reasonable Efforts to assist Buyer in obtaining an easement (or other agreement) from the State of Iowa granting to Buyer the appropriate land rights to maintain the DAEC Assets on that certain 1.02 acre parcel owned by the State of Iowa abutting the Red Cedar River in accordance with the terms and provisions of that certain agreement, dated April 3, 1973, between the State of Iowa and Iowa Electric Light and Power Company.

(k) Seller shall use Commercially Reasonable Efforts to take such action as may be necessary to allow the term of the Emergency Operations Facility Lease to be extended to a period of two (2) years from the Closing Date or to assist Buyer in locating alternative space for such facility.

(l) In the event that Seller does not have the rights in the Emergency and Environmental Equipment Easements necessary to convey to Buyer in order for Buyer to operate the DAEC Assets, including the Facilities, Seller shall use Commercially Reasonable Efforts to obtain such rights to the Emergency and Environmental Equipment Easements prior to Closing.

6.7. Brokerage Fees and Commissions.

Seller and Buyer each represent and warrant to the other that, other than with respect to fees and commissions of Concentric Energy Advisors Inc., which shall be the sole responsibility of Seller and the Other Owners, and other than with respect to fees and commissions of JP Morgan Securities Inc. which shall be the sole responsibility of Buyer, no broker, finder or other Person is entitled to any brokerage fees, commissions or finder's fees in connection with the transaction contemplated hereby by reason of any action taken by the Party making such representation. Seller and Buyer will pay to the other or otherwise discharge, and will indemnify and hold the other harmless from and against, any and all claims or liabilities for all brokerage fees, commissions and finder's fees incurred by reason of any action taken by the indemnifying party.

6.8. Tax Matters.

(a) All Transfer Taxes incurred in connection with this Agreement and the transactions contemplated hereby shall be shared equally by Buyer and Seller. Buyer and Seller will file, to the extent required by applicable Law, all necessary Tax Returns and other documentation with respect to all such Transfer Taxes, and, if required by applicable Law, will each join in the execution of any such Tax Returns or other documentation. To the extent Buyer and Seller cannot agree with respect to any item to be included on such Tax Return (other than

the Allocation), such dispute shall be resolved in the manner provided for in Section 6.8(e) below. Prior to the Closing Date, Buyer will provide to Seller, to the extent possible, an appropriate exemption certificate in connection with this Agreement and the transactions contemplated hereby, due from each applicable taxing authority, and the Parties shall comply with all requirements and use Commercially Reasonable Efforts to secure applicable sales tax exemptions for the transactions contemplated by this Agreement.

(b) With respect to Taxes to be prorated in accordance with Section 3.5 of this Agreement, Buyer shall prepare and timely file all Tax Returns required to be filed after the Closing with respect to the DAEC Assets, if any, and shall duly and timely pay all such Taxes shown to be due on such Tax Returns. Buyer's preparation of any such Tax Returns shall be subject to Seller's approval to the extent that such Returns relate to any period, allocation or other amount for which Seller is responsible. Buyer shall make such Tax Returns and all schedules and working papers supporting such Tax Returns available for Seller's review and approval no later than thirty (30) Business Days prior to the due date for filing such Tax Return. Seller shall respond no later than ten (10) Business Days prior to the due date for filing such Tax Return. Subject to Section 6.8(e), not less than five (5) Business Days prior to the due date of any such Tax Return, Seller shall pay to Buyer its proportionate share of the amount shown as due on such Tax Return as determined in accordance with Section 3.5 of this Agreement. In the event Buyer and Seller cannot agree as to the preparation or the reporting of any material item on a Tax Return to be filed by Buyer, the dispute shall be settled in the manner provided by Section 6.8(e) and the cost of such Independent Accounting Firm shall be borne equally by the Parties; provided, that if the Independent Accounting Firm has not made a determination as of the date that such Tax Return is required to be filed, such Tax Return shall be filed in a manner consistent with Seller's position; provided, further, that with respect to any such Tax Return that is filed prior to a determination by the Independent Accounting Firm, Seller and Buyer shall take all commercially reasonable steps to amend such Tax Return, if necessary, to reflect any material determination made by the Independent Accounting Firm.

(c) With respect to Seller's Qualified Decommissioning Fund, prior to the Closing Date, Seller shall cause the Trustee of the Qualified Decommissioning Fund to pay estimated Income Taxes for the taxable period that ends on the Closing Date in an amount equal to the estimated Income Tax Liability of Seller's Qualified Decommissioning Fund for the taxable period that ends on the Closing Date. To the extent the amount of estimated Income Taxes paid pursuant to this section is less than the Income Tax Liability of Seller's Qualified Decommissioning Fund for the taxable period that ends on the Closing Date, any such deficiency will be paid by Buyer. To the extent the amount of estimated Income Taxes is greater than the Income Tax Liability of Seller's Qualified Decommissioning Fund for the taxable Period that ends on the Closing Date, any refund of such overpayment will be transferred by Seller or Seller's Qualified Decommissioning Fund to Buyer and treated as additional Decommissioning Funds transferred to Buyer. Such deficiency or overpayment shall be treated as a decrease or increase in the Decommissioning Funds transferred by Seller and shall be a Purchase Price Adjustment for purposes of the calculation of the Purchase Price adjustment pursuant to Section 3.3(a)(vii).

(d) Each of the Parties shall provide the other with such assistance as may reasonably be requested by the other Party in connection with the preparation of any Tax Return,

any audit or other examination by any taxing authority, or any judicial or administrative proceedings relating to Liability for Taxes or effectuating the terms of this Agreement, and each will retain and provide the requesting Party with any records or information which may be relevant to such return, audit or examination, proceedings or determination. Any information obtained pursuant to this Section 6.8(d) or pursuant to any other Section hereof providing for the sharing of information or review of any Tax Return or other schedule relating to Taxes shall be kept confidential by the Parties hereto, except to the extent such information is required to be disclosed by Law.

(e) In the event that a dispute arises between Seller and Buyer as to the preparation or the reporting of any material item on a Tax Return to be filed by Buyer or the allocation of such Taxes between Seller and Buyer, the Parties shall attempt in good faith to resolve such dispute, and any agreed amount shall be paid to the appropriate Party within ten (10) Business Days of the date on which the Parties reach agreement. If a dispute is not resolved within thirty (30) days of a Party having provided the other Party written notice of a dispute, the Parties shall submit the dispute for determination and resolution to the Independent Accounting Firm, which shall be instructed to determine and report to the Parties in writing, within thirty (30) days after such submission, upon such disputed amount, and such written report shall be final, conclusive and binding on the Parties. The Independent Accounting Firm shall act as an expert and not as an arbitrator and shall make findings only with respect to the remaining disputes so submitted to it (and not by independent review). Notwithstanding anything in this Agreement to the contrary, the fees and expenses of the Independent Accounting Firm in resolving the dispute shall be borne equally by Buyer and Seller. Any payment required to be made as a result of the resolution of the dispute by the Independent Accounting Firm shall be made within ten (10) days after such resolution, together with any interest determined by the Independent Accounting Firm to be appropriate. Submission of a dispute to the Independent Accounting Firm shall not relieve any Party from any obligation under this Agreement to timely file a Tax Return or pay a Tax.

6.9. Advice of Changes.

(a) Prior to the Closing Date, each Party will promptly advise the other in writing of any change or discovery occurring after the date hereof that would constitute a material breach of any representation, warranty or covenant of the advising or other Party under this Agreement. If a Party advises the other Party of any such matter with respect to a material breach of the advising Party, the other Party shall have the right to terminate this Agreement in accordance with and subject to the provisions of Sections 9.1(e) or (f) as the case may be. If a Party advises the other Party of any such matter with respect to a material breach by the other Party, the advising Party shall have the right to terminate this Agreement in accordance with and subject to the provisions of Sections 9.1(e) or (f) as the case may be. If a Party fails to exercise its termination right, the written notice under this Section 6.9 will be deemed to have amended this Agreement, including the appropriate schedule, or to have qualified the representations and warranties contained in Articles 4 and 5. In addition to the actions permitted by Section 6.1 hereof, Seller shall be entitled to amend, substitute or otherwise modify any Seller's Agreement to the extent that such Seller's Agreement expires by its terms prior to the Closing Date or is terminable without Liability to Buyer on or after the Closing Date (other than an amendment that would extend the term thereof for a new term of years in excess of the then current term), or if

the terms and conditions of such modified Seller's Agreement constituting the Assumed Liabilities and Obligations are on terms and conditions not less favorable to Buyer than the original Seller's Agreement.

(b) As of a date no more than one (1) Business Day prior to the Closing, each of the Parties shall provide the other Party with any and all revisions, modifications and updates to the Schedules such that the Schedules will be true and correct as of such date. To the extent that such revisions, modifications and updates do not, either individually or in the aggregate, have a Material Adverse Effect or a Buyer Material Adverse Effect, as the case may be, then such revisions, modifications and updates will be deemed to be automatically incorporated into the Schedules.

6.10. Employees.

(a) Buyer shall offer employment, commencing as of the Closing Date, to all DAEC Employees employed as of the Closing Date, which DAEC Employees are set forth on Schedule 6.10(a), as amended between the date of this Agreement and the Closing Date to reflect any changes in the identities of work force personnel. At the Closing, Buyer shall assume the Collective Bargaining Agreements and shall assume all of Seller's or NMC's obligations (with respect to Seller) under the Collective Bargaining Agreements, including the provision of retirement and insurance benefits, for the remainder of the term of the Collective Bargaining Agreements.

(b) Each DAEC Employee who is offered and accepts continued employment with Buyer will be referred to herein as a "Transferred Employee."

(c) For the period commencing on the Closing Date and ending eighteen (18) months thereafter, except as Buyer and any Transferred Employee may otherwise mutually agree, Buyer shall provide Non-union Transferred Employees with total compensation including without limitation base pay, authorized overtime, bonuses, incentive compensation and benefits provided under all applicable employee benefits plans and programs, and fringe benefit arrangements (collectively, "Total Compensation") which in the aggregate is comparable in value and nature to the Non-union Transferred Employees' annualized Total Compensation immediately prior to Closing.

(d) As of the Closing Date, all Transferred Employees shall cease to participate in the employee welfare benefit plans (as such term is defined in ERISA) maintained or sponsored by NMC, Seller or their Affiliates and shall commence participation (if applicable eligibility requirements are satisfied) in the employee welfare benefit plans of Buyer or its Affiliates (the "Replacement Welfare Plans") that for Transferred Employees will provide benefits and coverage that are comparable in the aggregate to the benefits and coverage provided to the Transferred Employees in the aggregate under NMC's, Seller's, or their Affiliates', as the case may be, welfare benefit plans in effect for the Transferred Employees immediately prior to the Closing Date. Buyer shall (i) waive all limitations as to pre-existing condition exclusions and waiting periods with respect to the Transferred Employees under the Replacement Welfare Plans, other than, but only to the extent of, limitations or waiting periods that were in effect with respect to such employees under the corollary welfare plans maintained by NMC, Seller or their

Affiliates and that have not been satisfied as of the Closing Date, and (ii) provide each Transferred Employee with credit for any co-payments and deductibles paid prior to the Closing Date during a plan year under NMC's, Seller's or their Affiliates' plans that have not ended as of the Closing Date, in satisfying any deductible or out-of-pocket requirements under the Replacement Welfare Plans (on a pro-rata basis in the event of a difference in plan years).

(e) Buyer shall give all Transferred Employees credit for all service with NMC, Seller and their Affiliates under all employee welfare benefit plans and arrangements and all fringe benefit plans, programs, and arrangements of Buyer ("Replacement Benefit Plans") in which they become participants. The service credit given is for purposes of eligibility, vesting and service related level of benefits, but not benefit accrual (except as provided in the following sentence). For purposes of benefit accrual, Buyer shall give Transferred Employees credit for all service with NMC, Seller and their Affiliates under all Replacement Benefit Plans, but the ultimate benefits provided under Replacement Benefit Plans may be offset by the corresponding benefits previously provided by NMC, Seller or their Affiliates or benefit plans of NMC, Seller or their Affiliates, or by the corresponding benefits accrued under the benefit plans of Seller or its Affiliates or otherwise committed to be provided by NMC, Seller or their Affiliates in the future; provided, however, that such an offset shall not be permitted with respect to the Replacement Defined Benefit Plans described in Section 6.10(g).

(f) Buyer agrees to allow the Transferred Employees, as of the Closing Date, to be eligible to commence participation in one or more tax-qualified 401(k) plans sponsored by Buyer or its Affiliates that will provide benefits which in the aggregate are comparable in value and nature to the benefits provided to the Transferred Employees under the tax-qualified 401(k) plans sponsored by NMC or its Affiliates in effect for Transferred Employees immediately prior to the Closing Date (the "NMC Savings Plans"). Effective as of the Closing Date, Buyer shall cause to be provided a defined contribution plan to provide benefits that are comparable to those provided under the Nuclear Management Company, LLC Money Purchase Pension Plan (the "NMC Money Purchase Plan"). To the extent allowable by law and the applicable Seller plan, Buyer shall take any and all necessary action to cause the trustee of any tax-qualified 401(k) plan of Buyer or its Affiliates in which any Transferred Employee becomes a participant to accept a direct "rollover" in cash of all or a portion of said employee's "eligible rollover distribution" within the meaning of Section 402 of the Code from the NMC Savings Plans and/or the NMC Money Purchase Plan, if requested to do so by the Transferred Employee. Transferred Employees shall be fully vested under the NMC Savings Plans and the NMC Money Purchase Plan.

(g) Effective as of the Closing Date, Buyer shall cause to be provided one or more defined benefit pension plans for the benefit of the Transferred Employees ("Replacement Defined Benefit Plans"). The Replacement Defined Benefit Plans shall provide benefit formulas and provisions that are identical to the benefit plan formulas and provisions in (i) the Alliant Energy Cash Balance Pension Plan, (ii) the Interstate Power and Light Retirement Plan for IES Bargaining-Unit Employees, and (iii) the Nuclear Management Company, LLC DAEC Union Pension Plan (the "DAEC Defined Benefit Plans") as of the Closing Date. For the purposes of this Section 6.10(g), except as required by an applicable collective bargaining agreement or Law, or as required by the IRS in connection with applications for determination letters for the DAEC Defined Benefit Plans, no improvements shall be made to such benefit formulas and

provisions referenced above in the DAEC Defined Benefit Plans for the Transferred Employees after the date hereof and prior to the Closing Date without the written consent of Buyer, which consent shall not be unreasonably withheld. Buyer agrees to maintain such benefit formulas and provisions for Transferred Employees for a period of at least eighteen (18) months after the Closing Date or for the term of the applicable Collective Bargaining Agreement, (provided, however, that if changes in an applicable collective bargaining agreement or the Law require any such terms to be modified or if any such terms are required by the IRS to be modified in connection with Buyer's application for a determination letter for the Replacement Defined Benefit Plans, Buyer may modify such terms to the extent necessary to comply with such laws).

The Transferred Employees shall be given credit in the Replacement Defined Benefit Plans for all service with and compensation from NMC, Seller, or their Affiliates as if it were service with and compensation from Buyer for purposes of determining eligibility for benefits, the amount of any benefits or benefit accruals, vesting and service related levels of benefits under the Replacement Defined Benefit Plans.

At least thirty (30) days prior to the Closing Date, NMC, Seller and Buyer shall file or cause to be filed any forms 5310-A that may be required to be submitted to the IRS in connection with the transfers described in this Section 6.10(g). The transfers and payments described in this Section 6.10(g) shall in no event be made prior to the thirtieth (30th) day following the filing of such form 5310-A with the IRS. In the event that the IRS, the PBGC or any other Governmental Authority raises any objections to the transfer, NMC, Seller and Buyer shall cooperate in good faith to resolve any such objections.

On the Closing Date, IP&L or NMC, as applicable, shall cause to be transferred from the DAEC Defined Benefit Plans to the corresponding Replacement Defined Benefit Plans, assets equal to Seller's good faith estimate of the amount that is required to be transferred in compliance with the requirements of Section 414(l) of the Code and Treasury Regulation Section 1.414(l)-1 (determined under assumptions used by the PBGC as of the Closing Date) (the "Initial Transfer").

Within sixty (60) days after the Closing Date, Seller shall calculate the actual amount that is required to be transferred in compliance with the requirements of Section 414(l) of the Code and Treasury Regulation Section 1.414(l)-1 (determined under assumptions used by the PBGC as of the Closing Date) (the "Actual Amount"). To the extent that the Actual Amount is less than the Initial Transfer, the amount of such differential (including any applicable interest determined in good faith by Buyer) shall be transferred by the applicable Replacement Defined Benefit Plan to the applicable DAEC Defined Benefit Plan. To the extent that the Actual Amount is greater than the Initial Transfer, IP&L or NMC, as applicable, shall cause to be transferred from the applicable DAEC Defined Benefit Plan to the applicable Replacement Defined Benefit Plan the amount of such differential (including any applicable interest determined in good faith by Seller or NMC, as applicable).

The Parties acknowledge that the obligation to transfer assets and liabilities related to the Nuclear Management Company, LLC DAEC Union Pension Plan may be satisfied, in NMC's discretion, by the transfer of the sponsorship of the entire plan.

All assets transferred under this Section 6.10(g) shall be made in cash, or in marketable securities that are reasonably acceptable to Buyer.

Upon completion of the Initial Transfer under this Section 6.10(g), all benefit payments from the Replacement Defined Benefit Plans shall be the responsibility of Buyer.

The Parties understand that, as a result of the current funding level of the DAEC Defined Benefit Plans, the accrued pension liabilities transferred to Buyer will exceed the Actual Amount. In order to provide Buyer with assets sufficient to cover the accrued pension liabilities which are being transferred, the Parties agree that Seller shall establish an account (referred to herein as the "Pension Funding Account") equal to Thirteen Million One Hundred Sixty Thousand Dollars ($13,160,000), which Buyer and Seller hereby agree is an amount equal to the Parties' best estimate of the difference between the Actual Amount and the accrued pension liabilities that will be transferred to Buyer. At Closing, Seller shall transfer the Pension Funding Account equal to Thirteen Million One Hundred Sixty Thousand Dollars ($13,160,000) to Buyer.

(h) Buyer and Seller do not anticipate the issuance of any notices pursuant to the WARN Act. Notwithstanding the foregoing, Seller agrees to timely perform and discharge all requirements under the WARN Act and under applicable state and local laws and regulations for the notification of employees arising from the sale of the DAEC Assets to Buyer up to the Closing Date for those employees who will not become Transferred Employees effective as of the Closing Date. On or after the Closing Date, Buyer shall be responsible for performing and discharging all requirements under the WARN Act and under applicable state and local laws and regulations for the notification of Transferred Employees with respect to the DAEC Assets. At Closing, Seller shall provide to Buyer a certificate setting forth the number of employees, if any, who suffered an "employment loss," as defined under the WARN Act, at the DAEC Assets in the ninety (90) days immediately preceding the Closing Date (the "WARN Certificate").

(i) Seller shall be responsible for extending COBRA continuation coverage to former employees and qualified beneficiaries of such former employees who become or became entitled to such COBRA continuation coverage on or before the Closing Date by reason of the occurrence of a qualifying event on or before the Closing Date, including those for whom the Closing Date occurs during their COBRA election period. Buyer shall be responsible for providing COBRA continuation coverage only to Transferred Employees and qualified beneficiaries of such employees.

(j) Seller shall remain responsible for paying Transferred Employees for: (a) all salary, wages, Benefit Plan benefits (excluding to the extent provided in Section 6.10(g)), and a pro rata portion of any bonuses or incentive compensation that were earned for time worked for NMC or its Affiliates prior to the Closing Date; and (b) all workers' compensation, disability benefits, or life insurance benefits for which entitlement to payment is based upon events occurring prior to the Closing Date including any incurred but unreported claims under the Benefit Plans. Seller shall pay to Buyer, to the extent payable pursuant to Seller's policies in effect from time to time, the cash equivalent for all vacation time, floating holidays, sick days, personal days and bonuses and incentive compensation for Transferred Employees which have accrued but remain unpaid as of the Closing Date (holiday time shall not be included in such

payment). For purposes hereof, the foregoing calculations shall be determined consistent with NMC's and Seller's past practices, as applicable.

(k) Any individual who is otherwise a "Transferred Employee" but who on the Closing Date is not actively at work due to a leave of absence covered by the Family and Medical Leave Act or similar state or local Law, or due to any other authorized leave of absence, shall nevertheless be treated as a "Transferred Employees" but only if he or she is able to (i) return to work within the protected period under the Family and Medical Leave Act or similar state or local Law or the applicable Collective Bargaining Agreement, or, in the case of any other type of authorized leave, within the period established by Buyer in Buyer's reasonable discretion, and (ii) perform the essential functions of his or her job, with or without a reasonable accommodation.

(l) For at least eighteen (18) months following the Closing Date or for the term of the applicable Collective Bargaining Agreement, Buyer shall provide all Transferred Employees with retiree medical, mental health, prescription drug, and life insurance coverages (the "Replacement Retiree Coverages") that are in the aggregate comparable in value, premium and nature to the retiree medical, mental health, prescription drug, and life insurance coverages available to eligible DAEC Employees who retire from Seller or NMC immediately prior to the Closing Date (the "DAEC Retiree Coverages"). Buyer shall (i) waive all limitations as to pre-existing condition exclusions and waiting periods with respect to the Transferred Employees under the Replacement Retiree Coverages, other than, but only to the extent of limitations or waiting periods that were in effect with respect to such employees under the DAEC Retiree Coverages and that have not been satisfied as of the Closing Date, and (ii) provide each Transferred Employee with credit for any co-payments and deductibles paid prior to the Closing Date during a plan year under each applicable DAEC Retiree Coverage plan that has not ended as of the Closing Date, in satisfying any deductible or out-of-pocket requirements under the Replacement Retiree Coverages (on a pro-rata basis in the event of a difference in plan years). Effective as of the Closing Date, neither Seller nor NMC shall have any responsibility to provide retiree medical, mental health, prescription drug or life insurance coverages for any Transferred Employee.

(m) Except as Buyer and any Transferred Employee may otherwise mutually agree, Buyer shall pay to each Non-union Transferred Employee whose employment is terminated without cause by Buyer or one of its Affiliates within eighteen (18) months of the Closing Date severance payments equal to the Transferred Employee's Total Compensation for the remainder of the eighteen (18) month period as if still employed. Nothing contained herein shall alter the at-will employment relationship of any Non-union Transferred Employee.

6.11. Risk of Loss.

(a) Prior to the Closing, Buyer shall not bear any risk of loss or damage to the property included in Seller's interest in the DAEC Assets. Seller shall replace or repair any damage to Seller's interest in the DAEC Assets in accordance with Good Utility Practices, except as otherwise provided in paragraphs (b) or (c) below.

(b) If, before the Closing, all or any portion of Seller's interest in the DAEC Assets is taken by eminent domain or is the subject of a pending or (to the Knowledge of Seller) contemplated taking which has not been consummated, Seller shall notify Buyer promptly in writing of such fact. Buyer and Seller shall negotiate in good faith to settle the loss resulting from such taking (including, without limitation, by making a fair and equitable adjustment to the Purchase Price) and, upon such settlement, consummate the transactions contemplated by this Agreement pursuant to the terms of this Agreement. If no such settlement is reached within sixty (60) days after Seller has notified Buyer of such taking, then Buyer or Seller may terminate this Agreement pursuant to Section 9.1(g).

(c) If, before the Closing, all or any portion of Seller's interest in the DAEC Assets is damaged or destroyed by fire or other casualty, Seller shall notify Buyer promptly in writing of such fact. If Seller has not notified Buyer within fifteen (15) days after its occurrence of its intention to cure such damage or destruction (such cure to be reasonably satisfactory to Buyer), Buyer and Seller shall negotiate in good faith to settle the loss resulting from such casualty (including, without limitation, by making a fair and equitable adjustment to the Purchase Price) and, upon such settlement, consummate the transactions contemplated by this Agreement pursuant to the terms of this Agreement. If no such settlement is reached within sixty (60) days after Seller has notified Buyer of such casualty, then Buyer or Seller may terminate this Agreement pursuant to Section 9.1(g).

6.12. Decommissioning Funds.

(a) Between the date hereof and the Closing, Seller will make such deposits from time to time to its Qualified Decommissioning Fund and its Nonqualified Decommissioning Fund of the amounts of Decommissioning costs collected from customers as determined by the IUB, ICC, PSCW, MPUC or FERC; provided, however, that any such deposits to Seller's Qualified Decommissioning Fund shall not exceed the maximum amounts permitted to be contributed to Seller's Qualified Decommissioning Fund under Code Section 468A and any tax ruling issued to Seller by the IRS.

(b) On the Closing Date, Seller shall cause to be transferred to the Trustee under the Post-Closing Decommissioning Trust Agreement (i) all of the assets of the Seller's Qualified Decommissioning Fund and (ii) all or a portion of the assets of the Seller's Nonqualified Decommissioning Fund having an aggregate value (when combined with the assets transferred pursuant to Section 6.12(b)(i) and the contribution of an additional Fifteen Million Dollars ($15,000,000) by Seller to Buyer at Closing, which funds have been allocated by Seller for Decommissioning) of an amount equal to the Decommissioning Target, subject to the adjustment to the Purchase Price provided for in Section 3.3(a)(vii). Seller shall retain all assets of Seller maintained for purposes of Decommissioning not required to be transferred under the foregoing sentence.

(c) Buyer shall take all steps necessary to satisfy any requirements imposed by the NRC regarding the decommissioning fund, in a manner sufficient to obtain NRC approval of the transfer of ownership from Seller to Buyer.

(d) The Parties shall not take any actions that would cause the actual Tax consequences of the transactions contemplated by this Agreement to differ from or be inconsistent with the Requested Rulings set forth in Section 6.17.

(e) Seller shall cause the Trustee of Seller's Decommissioning Funds to pay final expenses for trustee and investment management fees and other administrative expenses of Seller's Decommissioning Funds to the extent practicable before the Closing Date. Seller shall cause the Trustee of Seller's Decommissioning Funds to notify Buyer in writing of any such Decommissioning Fund expenses due on or after the Closing Date. Buyer agrees to direct the trustee of Buyer's Decommissioning Funds to pay the Decommissioning Fund expenses identified in the preceding sentence to the extent not paid before the Closing Date. Buyer agrees to ensure that its trust agreements allow for the payment of such expenses.

6.13. Spent Nuclear Fuel Fees.

(a) Except as provided in the third sentence of this paragraph and in Sections 2.1 and 2.3, between the date hereof and the Closing Date, and at all times thereafter, Seller will remain liable, to the extent of Seller's Percentage Share in the DAEC Assets, for all Spent Nuclear Fuel Fees and any other fees associated with electricity generated at DAEC and sold prior to the Closing Date, and Buyer shall have no Liability or responsibility therefor. Buyer shall pay and discharge all Spent Nuclear Fuel Fees and any other fees associated with electricity generated at DAEC and sold from and after the Closing Date, and Seller shall have no Liability or responsibility therefor. On the Closing Date, Buyer shall assume title to, and responsibility for the management, storage, removal, transportation and disposal of all of Seller's interest in the Spent Nuclear Fuel of DAEC. Pursuant to Section 302(b)(3) of the Nuclear Waste Policy Act (42 U.S.C. Section 10222(b)(3)), Seller shall assign to Buyer its undivided rights, duties, title and interest in and to the Standard Spent Fuel Disposal Contract, including, without limitation, the right to prosecute any and all damage claims, whenever incurred, arising under such contract, and shall provide the required notice to the Department of Energy of the assignment of the Standard Spent Fuel Disposal Contract to Buyer within ninety (90) days of Closing, such notice to be in a form reasonably acceptable to Seller and Buyer and to include a copy of this Agreement therewith.

(b) Prior to Closing, Seller shall use Commercially Reasonable Efforts to preserve all rights relating to the Department of Energy Claim for the benefit of Seller and Buyer. As of the Closing Date, Buyer shall assume all of the rights and duties to the Standard Spent Fuel Disposal Contract, including but not limited to the right and obligation, using Commercially Reasonable Efforts, to pursue and recover damages, whenever incurred, resulting from the Department of Energy Claim. In the event that Buyer shall recover any form of monetary relief (including but not limited to monetary damages or relief which is reasonably calculable from economic obligations) as a direct or indirect result of the Department of Energy Claim arising out of the Department of Energy's failure to commence the acceptance, removal, transportation and/or disposal of Spent Nuclear Fuel pursuant to the Standard Spent Fuel Disposal Contract, Buyer shall: (i) be reimbursed for any reasonable and documented costs, fees (including, without limitation, attorney, consultant, engineer and expert fees) and expenses related to the prosecution of the Department of Energy Claim; (ii) pay to Seller the first Ten Million Dollars ($10,000,000) of any remaining monetary relief; (iii) pay to Seller fifty percent

(50%) of any monetary relief in excess of the first Ten Million Dollars ($10,000,000) up to a cap of a total recovery by Seller of Twenty-One Million Dollars ($21,000,000); and (iv) retain for Buyer fifty percent (50%) of any monetary relief in excess of Ten Million Dollars ($10,000,000) and one hundred percent (100%) of any monetary relief in excess of Twenty-One Million Dollars ($21,000,000). In the event a court of competent jurisdiction finally concludes that a claim or claims is not assignable hereunder, then Seller will retain and prosecute such claim or claims using Commercially Reasonable Efforts.

6.14. Department of Energy Decontamination and Decommissioning Fees.

Seller will continue to pay Seller's Percentage Share of all Department of Energy Decontamination and Decommissioning Fees relating to Nuclear Fuel purchased and consumed at DAEC prior to the Closing Date, including but not limited to all annual Special Assessment invoices to be issued after the Closing Date by the Department of Energy, as contemplated by its regulations at 10 C.F.R. Part 766 implementing Sections 1801, 1802, and 1803 of the Atomic Energy Act.

6.15. Cooperation Relating to Insurance and Price-Anderson Act.

Until the Closing, Seller will maintain, or cause to be maintained, in effect (a) insurance in amounts and against such risks and losses as is customary in the commercial nuclear power industry and (b) not less than the level of property damage and liability insurance for the Facilities as in effect on the date hereof. Seller shall cooperate with Buyer's efforts to obtain insurance, including insurance required under the Price-Anderson Act or other Nuclear Laws with respect to Seller's interest in the DAEC Assets. In addition, subject to Buyer's written commitment to satisfy its indemnification obligations under Section 8.1(a), Seller agrees to use Commercially Reasonable Efforts to assist Buyer in making any claims against pre-Closing insurance policies that may provide coverage related to Assumed Liabilities and Obligations. Buyer agrees to indemnify Seller for its reasonable out-of-pocket expenses incurred in providing such assistance and cooperation and not to take any action which shall adversely affect any residual rights of Seller in such insurance policies.

6.16. Release of Seller.

Buyer shall use Commercially Reasonable Efforts to support Seller's efforts to obtain a written release of Seller effective as of the Closing with respect to obligations arising on or after the Closing Date under any of the Seller's Agreements, Fuel Contracts or Non-material Contracts assigned to Buyer hereunder.

6.17. Private Letter Ruling.

The Parties agree to cooperate in good faith in the preparation and joint filing of the private letter ruling request(s) to be made by Buyer and Seller in order to obtain the Requested Rulings. Buyer and Seller shall obtain prior to the Closing Date one or more private letter ruling(s) from the IRS determining that (i) the transfer of assets from the Seller's Qualified Decommissioning Funds to the Buyer's Qualified Decommissioning Fund is a disposition that is treated as satisfying the requirements of Treas. Reg. 1.468A-6(b) pursuant to the IRS's exercise of discretion under Treas. Reg. 1.468A-6(g)(1), and accordingly (ii) none of Seller, Buyer nor

their respective Qualified Decommissioning Funds will recognize gain or loss upon the transfer of assets from the Seller's Qualified Decommissioning Fund to the Buyer's Qualified Decommissioning Fund, (iii) the Buyer's Qualified Decommissioning Fund will be treated as satisfying the requirements of Code Section 468A and (iv) the Buyer's Qualified Decommissioning Fund will have a carryover Tax basis in the assets received from the Seller's Qualified Decommissioning Fund (the "Requested Rulings"). The Requested Rulings shall be modified, as necessary, to take into account any Legislation or Treasury Regulations enacted on or after the date of this Agreement. Neither Buyer nor Seller shall take any action that would cause the transfer of assets from the Seller's Qualified Decommissioning Fund to the Buyer's Qualified Decommissioning Fund to fail to be treated as satisfying the requirements of Treas. Reg. 1.468A-6(b) (assuming solely for purposes of this sentence that DAEC in the hands of Buyer qualifies as a "nuclear power plant" within the meaning of Treasury Regulation Section 1.468A-1(b)(4) because Buyer's rates for the sale or furnishing of electricity are not established or approved by a public utility commission or under the jurisdiction of the Rural Electric Administration), or cause Buyer and Seller to fail to obtain such a private letter ruling. The user fee set forth in the applicable IRS Revenue Procedure for substantially identical letter rulings by a common sponsor shall be shared equally by both Parties. Each Party will bear its own legal fees with respect to any requests. The Parties agree to file the private letter ruling request seeking the Requested Rulings within forty-five (45) days of the date of this Agreement.

6.18. NRC Commitments.

Buyer shall maintain and operate the Facilities in accordance with the NRC Commitments, the NRC License, applicable NRC regulations and policies and with applicable Nuclear Laws.

6.19. Decommissioning.

(a) Buyer hereby agrees to commit to the IUB, MPUC, ICC, and PSCW, to the extent required as part of receiving Buyer's Required Regulatory Approvals, that it will complete, at its expense, the Decommissioning of the Facilities and the Site once the Site is no longer utilized either for power generation of any kind or for any storage of Spent Nuclear Fuel, and that it will complete all Decommissioning activities in accordance with all Nuclear Laws and Environmental Laws, including applicable requirements of the Atomic Energy Act and the NRC's rules, regulations, orders and pronouncements thereunder. The Parties acknowledge that Seller shall have no obligation to audit, monitor or enforce rights and obligations with respect to this Section 6.19.

(b) In the event that (A) the Facilities and the Site are Decommissioned by Buyer and (B) following such Decommissioning, the amount of the Decommissioning Funds transferred by Seller to Buyer as of the Closing pursuant to this Agreement exceeds Seller's Percentage Share of the amount that was necessary to complete such Decommissioning, then Buyer shall pay to Seller the amount by which such Decommissioning Funds exceed Seller's Percentage Share of such Decommissioning requirements.

6.20. Buyer's Parent Guaranty.

(a) Buyer's Parent shall provide on the date hereof, and shall maintain until the Closing Date, the Buyer's Parent Guaranty to provide security for compliance with its and Buyer's payment and performance obligations under this Agreement up to the Closing Date. If at any time there shall occur a Downgrade Event with respect to Buyer's Parent, then Seller may require Buyer's Parent to replace the Buyer's Parent Guaranty with a letter of credit in the amount of the Purchase Price. Any such letter of credit shall be reasonably satisfactory to Seller in form and substance, shall be issued by a financial institution reasonably acceptable to Seller, shall remain in effect until the Closing Date, and shall be subject to all terms and conditions of this Agreement otherwise applicable to the Buyer's Parent Guaranty. In the event Buyer's Parent shall fail to provide such security within five (5) Business Days of receipt of written notice, then a breach of this Agreement by Buyer's Parent shall be deemed to have occurred.

(b) In addition to the Buyer's Parent Guaranty, in the event that the NRC requires Buyer to provide Decommissioning funding assurance in an amount in excess of the Decommissioning Target, Buyer's Parent (or such other entity as shall be acceptable to the NRC) shall post a guaranty or take such other action as is sufficient to cover such excess Decommissioning funding in such form as required by the NRC.

6.21. Nuclear Insurance Policies.

On and after the Closing Date, Buyer shall have and maintain in effect policies of liability and property insurance with respect to the ownership, operation and maintenance of the Facilities which shall afford protection against the insurable hazards and risks with respect to which nuclear facilities of similar size and type to the Facilities customarily maintain insurance, and which meets the requirements of 10 C.F.R. Section 50.54(w) and 10 C.F.R. Part 140. Such coverage shall include nuclear liability insurance from ANI in such form and in such amount as will meet the financial protection requirements of the Atomic Energy Act, and an agreement of indemnification as contemplated by Section 170 of the Atomic Energy Act. In the event that the nuclear liability protection system contemplated by Section 170 of the Atomic Energy Act is repealed or changed, Buyer shall have and maintain in effect, to the extent commercially available on reasonable terms, alternate protection against nuclear liability. In addition, Buyer shall provide the financial assurance that it will be able to pay the retrospective premiums for the Facilities as prescribed by Section 170 of the Atomic Energy Act.

6.22. No Transport or Storage of Waste.

From and after the Closing Date, Buyer shall not permit any Spent Nuclear Fuel generated outside of the State of Iowa to be transported to the Facilities or to be stored at the Facilities for any period of time.

6.23. Monthly Net Capability.

At least three (3) days prior to Closing, Seller and Buyer shall agree to a "Monthly Net Capability" (as defined in applicable Mid-America Interconnected, Inc. regulations) of the Facilities, at the point of Interconnection (as defined in the Interconnection Agreement) as of the Closing Date, and determined in accordance with the standards, procedures

and guidelines set forth in Mid-America Interconnected, Inc. Guide No. 3A, "Procedure for the Uniform Rating of Generating Equipment" (as revised). The Purchase Price shall be decreased by Two Thousand One Hundred Fifty Dollars ($2,150) for each kilowatt by which the Monthly Net Capability of the Facilities as so established is less than 598 megawatts measured based on 1840 megawatt reactor thermal power and increased by Two Thousand One Hundred Fifty Dollars ($2,150) for each kilowatt by which the Monthly Net Capability of the Facilities as so established exceeds 598 megawatts measured based on 1840 megawatt reactor thermal power.

6.24. Reasonable Cooperation Relating to Real Estate Matters.

In addition to its obligation pursuant to Section 3.6(m), Seller agrees to cooperate in a reasonable manner with Buyer to have standard exceptions removed from Buyer's final title insurance policy relating to the Real Property to the extent reasonably requested by Buyer. Seller shall also cooperate in a reasonable manner with Buyer to assist Buyer in obtaining title insurance with respect to Real Property Agreements. In no event, however, shall Seller be obligated to pay any amount to third parties in connection with its reasonable cooperation pursuant to this Section 6.24.

6.25. Sale of Interest in NMC.

Buyer has indicated its intent to purchase the NMC Membership Interest owned by an Affiliate of Seller pursuant to the terms set forth in Exhibit L. To the extent that such transaction is not consummated on or before the Closing Date notwithstanding the good faith actions of Buyer, Seller and Seller's Affiliate, the Purchase Price shall be increased by Three Million Four Hundred Thousand Dollars ($3,400,000) less (but only if the number is a positive number) the difference between (i) any amount said Affiliate of Seller shall have received from NMC as a return of capital related to its NMC Membership Interest and (ii) any amount that said Affiliate of Seller shall have paid after the date hereof to NMC as a capital contribution.

7. CONDITIONS

7.1. Conditions to Obligations of Buyer.

The obligations of Buyer to purchase Seller's interest in the DAEC Assets and to consummate the other transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing Date (or the waiver by Buyer) of the following conditions:

(a) All applicable waiting periods under the HSR Act relating to the consummation of the transactions contemplated hereby shall have expired or been terminated;

(b) No preliminary or permanent injunction or other order or decree by any federal or state court or Governmental Authority which restrains or prevents the consummation of the transactions contemplated hereby shall have been issued and remain in effect (each Party agreeing to cooperate in all efforts to have any such injunction, order or decree lifted) and no statute, rule or regulation shall have been enacted by any state or federal government or Governmental Authority which prohibits the consummation of the transactions contemplated hereby;

(c) Buyer shall have received all of Buyer's Required Regulatory Approvals, in form and substance reasonably satisfactory (including no materially adverse conditions as described in Section 9.1(c)) to Buyer and such approvals shall be in full force and effect and either (i) shall be final and non-appealable or (ii) if not final and non-appealable, shall not be subject to the possibility of appeal, review or reconsideration which, in the reasonable opinion of Buyer is likely to be successful and, if successful, would have a Material Adverse Effect, or a Buyer Material Adverse Effect;

(d) Seller shall have received all of Seller's Required Regulatory Approvals (other than those the failure of which to obtain could not reasonably be expected to result in a Material Adverse Effect or a Buyer Material Adverse Effect), none of such approvals shall contain any conditions that could reasonably be expected to result in a Material Adverse Effect, or a Buyer Material Adverse Effect and such approvals shall be in full force and effect and either (i) shall be final and non-appealable or (ii) if not final and nonappealable, shall not be subject to the possibility of appeal, review or reconsideration which, in the reasonable opinion of Buyer is likely to be successful and, if successful, would have a Material Adverse Effect, or a Buyer Material Adverse Effect;

(e) Seller shall have performed and complied in all material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by Seller on or prior to the Closing Date;

(f) The representations and warranties of Seller set forth in this Agreement that are qualified by materiality shall be true and correct as of the Closing Date and all other representations and warranties of Seller shall be true and correct in all material respects as of the Closing Date, in each case as though made at and as of the Closing Date, except to the extent that the failure of any representation or warranty to be true and correct as specified above would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(g) Buyer shall have received a certificate from an authorized officer of Seller, dated the Closing Date, to the effect that, to such officer's knowledge, the conditions set forth in Section 7.1(e), (f) and (i) have been satisfied by Seller;

(h) Seller shall have delivered, or caused to be delivered, to Buyer at the Closing, Seller's closing deliveries described in Section 3.6;

(i) Since the date hereof, no Material Adverse Effect shall have occurred and be continuing;

(j) The lien of the Mortgage Indenture on Seller's interest in the DAEC Assets shall have been released and any documents necessary to evidence such release shall have been delivered to Buyer;

(k) The Seller shall have transferred to the Trustee of the Post-Closing Decommissioning Trust Agreement a portion or all of the Decommissioning Funds, in accordance with Section 6.12;

(l) The Ancillary Agreements shall be in full force and effect as of the Closing Date;

(m) Fidelity (or such other title insurance company reasonably acceptable to Buyer) shall have made available to Buyer, at Buyer's cost and expense, title insurance policies substantially consistent with the Title Commitment;

(n) The Parties shall have entered into an agreement for supply of station service load to the Facility, during periods when station service load exceeds Facility generation output, at commercially reasonable rates;

(o) Iowa Land and Building Company has executed that certain Purchase and Sale Agreement attached hereto as Exhibit K; and

(p) Receipt from the IRS of one or more private letter rulings providing the Requested Rulings.

7.2. Conditions to Obligations of Seller.

The obligation of Seller to sell Seller's interest in the DAEC Assets and to consummate the other transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing Date (or the waiver by Seller) of the following conditions:

(a) All applicable waiting periods under the HSR Act relating to the consummation of the transactions contemplated hereby shall have expired or been terminated;

(b) No preliminary or permanent injunction or other order or decree by any federal or state court or Governmental Authority which restrains or prevents the consummation of the transactions contemplated hereby shall have been issued and remain in effect (each Party agreeing to use its Commercially Reasonable Efforts to have any such injunction, order or decree lifted) and no statute, rule or regulation shall have been enacted by any state or federal government or Governmental Authority in the United States which prohibits the transactions contemplated hereby;

(c) Seller shall have received all of the Seller's Required Regulatory Approvals, in form and substance reasonably satisfactory (including no materially adverse conditions as described in Section 9.1(d)) to Seller and such approvals shall be in full force and effect and either (i) shall be final and non-appealable or (ii) if not final and non-appealable, shall not be subject to the possibility of appeal, review or reconsideration which, in the reasonable opinion of Seller (A) is likely to be successful and (B), if successful, would have a material adverse effect on the operations or conditions (financial or otherwise) of Seller;

(d) Buyer shall have received all Buyer's Required Regulatory Approvals (other than those the failure of which to obtain could not reasonably be expected to result in a material adverse effect on the business, assets, operations or condition (financial or otherwise) of Seller), none of such approvals shall contain any conditions that could reasonably be expected to result in a material adverse effect on the business, assets, operations or condition (financial or otherwise) of Seller, and such approvals shall be in full force and effect and either (i) shall be

final and non-appealable or (ii) if not final and non-appealable, shall not be subject to the possibility of appeal, review or reconsideration which, in the reasonable opinion of Seller (A) is likely to be successful and (B) if successful, would have a material adverse effect on the business, assets, operations or condition (financial or otherwise) of Seller;

(e) Buyer shall have performed and complied with in all material respects the covenants and agreements contained in this Agreement which are required to be performed and complied with by Buyer on or prior to the Closing Date;

(f) The representations and warranties of Buyer set forth in this Agreement that are qualified by materiality shall be true and correct as of the Closing Date and all other representations and warranties of Buyer shall be true and correct in all material respects as of the Closing Date, in each case as though made at and as of the Closing Date;

(g) Seller shall have received certificates from an authorized officer of Buyer, dated the Closing Date, to the effect that, to the knowledge of such officer the conditions set forth in Sections 7.2(e) and (f) have been satisfied by Buyer;

(h) Buyer shall have delivered, or caused to be delivered, to Seller at the Closing, Buyer's closing deliveries described in Section 3.7;

(i) Receipt from the IRS of one or more private letter rulings providing the Requested Rulings;

(j) The lien of the Mortgage Indenture on Seller's interest in the DAEC Assets shall have been released and any documents necessary to evidence such release in a form reasonably acceptable to Fidelity (or such other title insurance company as shall be reasonably acceptable to Buyer) shall have been delivered to Buyer;

(k) In the event that Buyer will following Closing not be the sole owner of the Facilities, Buyer shall have delivered evidence reasonably satisfactory in form and substance to Seller that Buyer has assumed all of Seller's obligations under the Ownership Agreement, the Operating Agreement and the Transmission Agreement; and

(l) The Ancillary Agreements shall be in full force and effect as of the Closing Date.

8. INDEMNIFICATION

8.1. Indemnification.

(a) Following the Closing, Buyer shall indemnify, defend and hold harmless Seller, its officers, directors, employees, Affiliates, shareholders and agents (each, a "Seller Indemnitee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection

therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by any Seller Indemnitee relating to, resulting from or arising out of (i) any breach by Buyer of the representations and warranties that survive the Closing or any covenants contained in this Agreement; provided, however, that in the case of Indemnifiable Losses arising out of breaches of representations, warranties or covenants contained in Article 5, only to the extent that such Indemnifiable Losses exceed One Million Dollars ($1,000,000) individually or Five Million Dollars ($5,000,000) in the aggregate, (ii) the Assumed Liabilities and Obligations, or (iii) any Third Party Claims against a Seller Indemnitee arising out of or in connection with Buyer's ownership or operation of Seller's interest in the DAEC Assets or the Facilities following the Closing Date (other than any Third Party Claims that are Excluded Liabilities).

(b) Following the Closing, Seller shall indemnify, defend and hold harmless Buyer, its officers, directors, members, employees, shareholders, Affiliates and agents (each, a "Buyer Indemnitee") from and against any and all Indemnifiable Losses asserted against or suffered by any Buyer Indemnitee relating to, resulting from or arising out of (i) any breach by Seller of the representations and warranties that survive the Closing or any covenants contained in this Agreement; provided, however, that in the case of Indemnifiable Losses arising out of breaches of representations, warranties or covenants contained in Article 4, only to the extent that such Indemnifiable Losses exceed One Million Dollars ($1,000,000) individually or Five Million Dollars ($5,000,000) in the aggregate, (ii) the Excluded Liabilities, (iii) any Third Party Claims against a Buyer Indemnitee arising out of or in connection with Seller's ownership or operation of Seller's interest in the DAEC Assets on or prior to the Closing Date (other than any Third Party Claims that are Assumed Liabilities), and (v) any Third Party Claims against a Buyer Indemnitee arising out of or in connection with Seller's ownership or operation of the Excluded Assets.

The indemnification obligations of Seller arising out of this Section 8.1(b) shall be several and not joint or joint and several with the Other Owners (regardless of whether or not one or more of the Other Owners shall have entered into an agreement with Buyer for the purchase of the interest of such Other Owner(s) in the Facilities) and shall be limited to Seller's Percentage Share of any Indemnifiable Loss; provided, however, that Seller alone shall be liable for the full amount of any Indemnifiable Loss arising from any matter involving Seller only and Seller shall not be liable for any portion of any Indemnifiable Loss that is attributable to one or more of the Other Owners.

(c) In addition to Seller's obligation set forth in Section 8.1(b), Seller shall indemnify, defend and hold harmless any Buyer Indemnitee from Indemnifiable Losses under or related to Environmental Laws with respect to the DAEC Assets that were, prior to, on or after the Closing Date, caused (or allegedly caused) by the presence or Release of Hazardous Substances at, on, in, under, adjacent to or migrating from the DAEC Assets on or prior to the Closing Date, but in any event only to the extent that the aggregate of such Indemnifiable Losses exceeds One Million Dollars ($1,000,000). Seller's obligations to indemnify Buyer pursuant to this Section 8.1(c) shall survive the Closing for a period of three (3) years. To the extent that Buyer makes a claim for indemnification pursuant to this Section 8.1(c), Buyer shall be barred from making the same claim for a breach of a representation or warranty pursuant to Section 8.1(b) hereof.

(d) The expiration or termination of any representation or warranty shall not affect the Parties' obligations under this Section 8.1 if the Indemnitee provided the Person required to provide indemnification under this Agreement (the "Indemnifying Party") with proper notice of the claim or event for which indemnification is sought prior to such expiration, termination or extinguishment.

(e) Except to the extent otherwise provided in Article 9 or in Section 6.8(e), the rights and remedies of Seller and Buyer under this Article 8 are exclusive and in lieu of any and all other rights and remedies which Seller and Buyer may have under this Agreement or otherwise for monetary relief, with respect to (i) any breach of or failure to perform any covenant, agreement, or representation or warranty set forth in this Agreement, after the occurrence of the Closing, or (ii) the Assumed Liabilities and Obligations or the Excluded Liabilities, as the case may be. The indemnification obligations of the Parties set forth in this Article 8 apply only to matters arising out of this Agreement, excluding the Ancillary Agreements. Any Indemnifiable Loss arising under or pursuant to an Ancillary Agreement shall be governed by the indemnification obligations, if any, contained in the Ancillary Agreement under which the Indemnifiable Loss arises. The maximum aggregate exposure for indemnity by Seller or Buyer for any and all claims of breaches of the representations or warranties contained in Article 4 or Article 5 (other than Sections 4.20 and 5.7) and indemnification of claims relating thereto shall be Thirty Million Dollars ($30,000,000); provided, however, that any intentional misrepresentation or fraudulent breach of any representation or warranty of Seller or Buyer contained in this Agreement shall not be subject to the foregoing cap on indemnity (it being understood that the Party seeking indemnity in excess of such cap shall bear the burden of proof of establishing the existence of the intentional misrepresentation or fraudulent breach).

(f) Notwithstanding anything to the contrary herein, no Party (including an Indemnitee) shall be entitled to recover from any other Party (including an Indemnifying Party) for any liabilities, damages, obligations, payments, losses, costs or expenses under this Agreement any amount in excess of the actual compensatory damages, court costs and reasonable attorney's and other advisor fees suffered by such Party. Buyer and Seller waive any right to recover punitive, incidental, special, exemplary and consequential damages arising in connection with or with respect to this Agreement including, but not limited to, losses or damages caused by reason of unavailability of DAEC, plant shutdowns or service interruptions, loss of use, profits or revenue, inventory or use charges, cost of purchased or replacement power, interest charges or cost of capital.

(g) The Parties agree to treat all payments relating to indemnifications as adjustments to the Purchase Price to the extent allowed by law.

8.2. Defense of Claims.

(a) If any Indemnitee receives notice of the assertion of any claim or of the commencement of any claim, action, or proceeding made or brought by any Person who is not a Party to this Agreement or any Affiliate of a Party to this Agreement (a "Third Party Claim"), including but not limited to an information document request or a notice of proposed disallowance issued by the IRS relating to a matter covered by Section 5.7, with respect to which indemnification is to be sought from an Indemnifying Party, the Indemnitee shall give such

Indemnifying Party reasonably prompt written notice thereof, but in any event such notice shall not be given later than twenty (20) calendar days after the Indemnitee's receipt of notice of such Third Party Claim. Such notice shall describe the nature of the Third Party Claim in reasonable detail and shall indicate the estimated amount, if practicable, of the Indemnifiable Loss that has been or may be sustained by the Indemnitee. The Indemnifying Party will have the right to participate in or, by giving written notice to the Indemnitee, to elect to assume the defense of any Third Party Claim at such Indemnifying Party's expense and by such Indemnifying Party's own counsel, provided that the counsel for the Indemnifying Party who shall conduct the defense of such Third Party Claim shall be reasonably satisfactory to the Indemnitee. The Indemnitee shall cooperate in good faith in such defense at such Indemnitee's own expense. If an Indemnifying Party elects not to assume the defense of any Third Party Claim, the Indemnitee may compromise or settle such Third Party Claim over the objection of the Indemnifying Party, which settlement or compromise shall conclusively establish the Indemnifying Party's Liability pursuant to this Agreement; provided, however, that the Indemnitee provides written notice to the Indemnifying Party of its intent to settle and such notice reasonably describes the terms of such settlement at least ten (10) Business Days prior to entering into any settlement.

(b) (i) If, within twenty (20) calendar days after an Indemnitee provides written notice to the Indemnifying Party of any Third Party Claims, the Indemnitee receives written notice from the Indemnifying Party that such Indemnifying Party has elected to assume the defense of such Third Party Claim as provided in Section 8.2 (a), the Indemnifying Party will not be liable for any legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof; provided, however, that if the Indemnifying Party shall fail to take reasonable steps necessary to defend diligently such Third Party Claim within twenty (20) calendar days after receiving notice from the Indemnitee that the Indemnitee believes the Indemnifying Party has failed to take such steps, the Indemnitee may assume its own defense and the Indemnifying Party shall be liable for all reasonable expenses thereof.

(ii) Without the prior written consent of the Indemnitee, which consent shall not be unreasonably withheld or delayed, the Indemnifying Party shall not enter into any settlement of any Third Party Claim which would lead to Liability or create any financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification hereunder. If a firm offer is made to settle a Third Party Claim without leading to Liability or the creation of a financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification hereunder and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to the Indemnitee to that effect. If the Indemnitee fails to consent to such firm offer within twenty (20) calendar days after its receipt of such notice, the Indemnifying Party shall be relieved of its obligations to defend such Third Party Claim and the Indemnitee may contest or defend such Third Party Claim. In such event, the maximum Liability of the Indemnifying Party as to such Third Party Claim will be the amount of such settlement offer plus reasonable costs and expenses paid or incurred by Indemnitee up to the date of said notice.

(c) Any claim by an Indemnitee on account of an Indemnifiable Loss which does not result from a Third Party Claim (a "Direct Claim") shall be asserted by giving the Indemnifying Party reasonably prompt written notice thereof, stating the nature of such claim in reasonable detail and indicating the estimated amount, if practicable, but in any event such notice

shall not be given later than twenty (20) calendar days after the Indemnitee becomes aware of such Direct Claim, and the Indemnifying Party shall have a period of twenty (20) calendar days within which to respond to such Direct Claim. If the Indemnifying Party does not respond within such twenty (20) calendar day period, the Indemnifying Party shall be deemed to have accepted such claim. If the Indemnifying Party rejects such claim, the Indemnitee will be free to seek enforcement of its right to indemnification under this Agreement.

(d) The amount of any Indemnifiable Loss shall be reduced to the extent that the Indemnitee receives any insurance proceeds with respect to an Indemnifiable Loss. If the amount of any Indemnifiable Loss, at any time subsequent to the making of an indemnity payment in respect thereof, is reduced by recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by, from or against any other entity, the amount of such reduction, less any costs, expenses or premiums incurred in connection therewith (together with interest thereon from the date of payment thereof to the date or repayment at the "prime rate" as published in *The Wall Street Journal*) shall promptly be repaid by the Indemnitee to the Indemnifying Party.

(e) A failure to give timely notice as provided in this Section 8.2 shall not affect the rights or obligations of any Party hereunder except if, and only to the extent that, as a result of such failure, the Party which was entitled to receive such notice was actually prejudiced as a result of such failure.

9. TERMINATION

9.1. Termination.

(a) This Agreement may be terminated at any time prior to the Closing Date by mutual written consent of Seller and Buyer.

(b) This Agreement may be terminated by Seller or Buyer, if (i) any federal or state court of competent jurisdiction shall have issued an order, judgment or decree permanently restraining, enjoining or otherwise prohibiting the Closing, and such order, judgment or decree shall have become final and nonappealable; (ii) any statute, rule, order or regulation shall have been enacted or issued by any Governmental Authority which, directly or indirectly, prohibits the consummation of the Closing; or (iii) the Closing contemplated hereby shall have not occurred on or before the date that is eighteen (18) months following the date of this Agreement (the "Termination Date"); provided, that the right to terminate this Agreement under this Section 9.1(b)(iii) shall not be available to any Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date and provided, further, that if on the Termination Date the conditions to the Closing set forth in Sections 7.1(c), 7.1(d), 7.2(c) or 7.2(d) shall not have been fulfilled but all other conditions to the Closing shall be fulfilled or shall have been capable of being fulfilled, then the Termination Date shall be the date that is twenty-four (24) months following the date of this Agreement.

(c) This Agreement may be terminated by Buyer if any of Seller's Required Regulatory Approvals or Buyer's Required Regulatory Approvals, the receipt of which is a

condition to the obligation of Buyer to consummate the Closing as set forth in Sections 7.1(c) and 7.1(d), shall have been denied or shall have been granted but are not in form and substance reasonably satisfactory to Buyer because one of such approvals contains a condition that would have a Material Adverse Effect or a Buyer Material Adverse Effect.

(d) This Agreement may be terminated by Seller if any of the Seller's Required Regulatory Approvals or Buyer's Regulatory Approvals, the receipt of which are a condition to the obligation of Seller to consummate the Closing as set forth in Section 7.2(c) and Section 7.2(d), shall have been denied or shall have been granted but are not in form and substance reasonably satisfactory to Seller, because one of such approvals contains a condition that would have a material adverse effect on the business, assets, operations or condition (financial or otherwise) of Seller.

(e) This Agreement may be terminated by Buyer if there has been a violation or breach by Seller of any applicable covenant, representation or warranty contained in this Agreement constituting a Material Adverse Effect and such violation or breach (i) is not cured by the earlier of the Closing Date or thirty (30) days after receipt by Seller (or by Buyer in the case of notice by Seller pursuant to Section 6.9) of written notice specifying particularly such violation or breach (provided that in the event Seller is attempting to cure the violation or breach in good faith, then Buyer may not terminate pursuant to this provision unless the violation or breach is not cured by the earlier of the Closing Date or the Termination Date), and (ii) such violation or breach has not been waived by Buyer.

(f) This Agreement may be terminated by Seller if there has been a material violation or breach by Buyer or Buyer's Parent of any covenant, representation or warranty contained in this Agreement and such violation or breach (i) is not cured by the earlier of the Closing Date or thirty (30) days after receipt by Buyer or Buyer's Parent (or by Seller in the case of notice by Buyer or Buyer's Parent pursuant to Section 6.9) of written notice specifying particularly such violation or breach (provided that in the event Buyer or Buyer's Parent, as the case may be, is attempting to cure the violation or breach in good faith, then Seller may not terminate pursuant to this provision unless the violation or breach is not cured by the earlier of the Closing Date or the Termination Date), and (ii) such violation or breach has not been waived by Seller.

(g) This Agreement may be terminated by Buyer or Seller in accordance with the provisions of Sections 6.11(b) or (c).

Notwithstanding anything to the contrary herein, if either Buyer or Seller is in material breach of any agreement, covenant, representation or warranty in this Agreement, then such Party may not elect to terminate this Agreement until such material breach has been cured.

9.2. Effect of Termination.

In the event of termination of this Agreement by Seller or Buyer pursuant to Section 9.1, written notice thereof shall promptly be given by the terminating Party to the other Party, and this Agreement shall thereupon terminate. In the event a Party terminates this Agreement pursuant to Section 9.1, except as otherwise provided in Section 9.3, such

termination shall be the sole and exclusive remedy of the Parties with respect to breaches of any agreement, covenant, representation or warranty, unless such breach is willful. Following any such termination, Buyer and Seller will continue to be bound by the obligations set forth in Sections 6.2(b) and 6.5. If this Agreement is terminated as provided herein, all filings, applications and other submissions made to any Governmental Authority shall, to the extent practicable, be withdrawn from the Governmental Authority to which they were made.

9.3. Remedies.

(a) In the event that this Agreement is terminated by Seller pursuant to Section 9.1(f), provided that prior to such termination Buyer is afforded a minimum thirty (30) day cure period, Buyer shall pay to Seller, no later than five (5) days after any such termination, by wire transfer of immediately available funds to an account designated in writing by Seller, an amount equal to Two Million Five Hundred Thousand Dollars ($2,500,000).

(b) In the event that this Agreement is terminated by Buyer pursuant to Section 9.1(e), provided that prior to such termination Seller is afforded a minimum thirty (30) day cure period, Seller shall pay to Buyer, no later than five (5) days after any such termination, by wire transfer of immediately available funds to an account designated in writing by Seller, an amount equal to Two Million Five Hundred Thousand Dollars ($2,500,000).

(c) Notwithstanding anything herein to the contrary contained in this Agreement, if Buyer shall terminate this Agreement pursuant to Section 9.1(e), or if Seller shall terminate this Agreement pursuant to Section 9.1(f), then such terminating Party's sole and exclusive remedy shall be pursuant to Section 9.3(a) and 9.3(b), as applicable. Such terminating Party hereby waives the right to recover any additional damages, including but not limited to punitive, special, exemplary, incidental and consequential damages, in connection with the termination of this Agreement.

10. MISCELLANEOUS PROVISIONS

10.1. Amendment and Modification.

Subject to applicable law, this Agreement may be amended, modified or supplemented only by written agreement of Seller and Buyer.

10.2. Waiver of Compliance; Consents.

Except as otherwise provided in this Agreement, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver of such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent failure to comply therewith.

10.3. Survival of Representations, Warranties, Covenants and Obligations.

(a) The representations and warranties given or made by any Party to this Agreement or in the certificates required by Section 7.1(g) or 7.2(g) shall survive the Closing for a period of twelve (12) months except that (i) the representations and warranties in Section 4.11 shall survive the Closing for a period of two (2) years; (ii) the representations and warranties in Section 4.10 shall survive the Closing for a period of three (3) years; (iii) all representations and warranties in Section 4.12 and the representations and warranties relating to Taxes and Tax Returns shall survive the Closing for the period of the applicable statutes of limitation plus any extensions or waivers thereof; and (iv) all representations and warranties set forth in Sections 4.1, 4.2, 4.20, 4.21, 5.1, 5.2, 5.7 and 6.7 hereof shall survive the Closing indefinitely. Notwithstanding the foregoing, no such survival period shall apply in the event of the intentional misrepresentation or fraudulent breach of any representation or warranty of Buyer or Seller contained in this Agreement (it being understood that the Party seeking indemnity shall bear the burden of establishing the existence of the intentional misrepresentation or fraudulent breach). Each Party shall be entitled to rely upon the representations and warranties of the other Party or Parties set forth herein, notwithstanding any investigation or audit conducted before or after the Closing Date or the decision of any Party to complete the Closing.

(b) Except as otherwise expressly provided in this Agreement, the covenants and obligations of the Parties set forth in this Agreement, including without limitation the indemnification obligations of the Parties under Article 8 hereof, shall survive the Closing indefinitely, and the Parties shall be entitled to the full performance thereof by the other Parties hereto without limitation as to time or amount (except as otherwise specifically set forth herein).

10.4. Notices.

All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile transmission, or mailed by overnight courier or registered or certified mail (return receipt requested), postage prepaid, to the recipient Party at its address (or at such other address or facsimile number for a Party as shall be specified by like notice; provided, however, that notices of a change of address shall be effective only upon receipt thereof):

(a) If to Seller, to:

Interstate Power and Light Company
200 First Street SE
P.O. Box 351
Cedar Rapids, IA
Attention: Thomas L. Aller
Facsimile: (319) 786-7720

with copies to:

Interstate Power and Light Company
200 First Street SE
P.O. Box 351

Cedar Rapids, IA
Attention: Jeffrey K. Rosencrants, Esq.
Facsimile: (319) 786-4533

and

Foley & Lardner LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202-5306
Attention: Benjamin F. Garmer, III, Esq.
Jay O. Rothman, Esq.
Facsimile: (414) 297-4900

(b) if to Buyer, to:

FPL Energy Duane Arnold, LLC
700 Universe Boulevard
Juno Beach, FL 33408
Attention: Michael L. Leighton
Facsimile: (561) 691-2988

with a copy to:

FPL Energy, LLC
700 Universe Boulevard
Juno Beach, FL 33408
Attention: Mitchell S. Ross, Esq.
Facsimile: (561) 691-7135

(c) if to Buyer's Parent, to:

FPL Group Capital, Inc.
700 Universe Boulevard
Juno Beach, FL 33408
Attention: Edward F. Tancer, Esq.
Facsimile: (561) 694-4640

with a copy to:

FPL Energy, LLC
700 Universe Boulevard
Juno Beach, FL 33408
Attention: Robert E. Helfrich, Esq.
Facsimile: (561) 691-7135

10.5. Assignment.

This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any Party hereto, including by operation of law, without the prior written consent of each other Party, such consent not to be unreasonably withheld, nor is this Agreement intended (except as specifically provided herein) to confer upon any other Person except the Parties hereto any rights, interests, obligations or remedies hereunder. Any assignment in contravention of the foregoing sentence shall be null and void and without legal effect on the rights and obligations of the Parties hereunder. No provision of this Agreement shall create any third party beneficiary rights in any employee or former employee of Seller (including any beneficiary or dependent thereof) in respect of continued employment or resumed employment, and no provision of this Agreement shall create any rights in any such Persons in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement except as expressly provided for thereunder. Notwithstanding the foregoing, but subject to all applicable legal requirements, (i) Buyer or its permitted assignee may grant a security interest in the rights and interests hereunder to a trustee, lending institution or other party for the purposes of leasing, financing or refinancing Seller's interest in the DAEC Assets, (ii) Buyer or its permitted assignee may assign, transfer, pledge or otherwise dispose of (absolutely or as security) its rights and interests hereunder to a directly or indirectly wholly-owned Affiliate of Buyer; provided, however, that no such assignment shall relieve or discharge Buyer or Buyer's Parent from any of its obligations hereunder or shall be made without Seller's prior written consent if it would reasonably be expected to prevent or materially impede, interfere with or delay the transactions contemplated by this Agreement or increase the costs (to Seller) of the consummation of the transactions contemplated by this Agreement. Seller agrees, at Buyer's expense, to execute and deliver such documents as may be reasonably necessary to accomplish any such assignment, transfer, pledge or other disposition of rights and interests hereunder so long as Seller's rights under this Agreement are not thereby altered, amended, diminished or otherwise impaired. In the event Buyer assigns this Agreement pursuant to this Section 10.5, such assignee shall be defined as "Buyer" for all purposes hereunder thereafter.

10.6. Governing Law.

This Agreement shall be governed by and construed in accordance with the law of the State of Iowa (without giving effect to conflict of law principles) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. THE PARTIES HERETO AGREE THAT VENUE IN ANY AND ALL ACTIONS AND PROCEEDINGS RELATED TO THE SUBJECT MATTER OF THIS AGREEMENT SHALL BE IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF IOWA (EASTERN DIVISION); IN THE EVENT THAT JURISDICTION FOR ANY MATTER CANNOT BE ESTABLISHED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF IOWA (EASTERN DIVISION), THEN JURISDICTION FOR SUCH MATTER SHALL BE IN THE IOWA STATE DISTRICT COURT FOR LINN COUNTY. THE FOREGOING COURTS SHALL HAVE EXCLUSIVE JURISDICTION FOR SUCH PURPOSE AND THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS AND IRREVOCABLY WAIVE THE

DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. SERVICE OF PROCESS MAY BE MADE IN ANY MANNER RECOGNIZED BY SUCH COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

10.7. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.8. Schedules and Exhibits.

Except as otherwise provided in this Agreement, all Exhibits and Schedules referred to herein are intended to be and hereby are specifically made a part of this Agreement. Any fact or item disclosed on any Schedule to this Agreement shall be deemed disclosed on all other Schedules to this Agreement to which such fact or item may reasonably apply so long as such disclosure is in sufficient detail to enable a Party to identify the facts or items to which it applies. Any fact or item disclosed on any Schedule hereto shall not by reason only of such inclusion be deemed to be material and shall not be employed as a point of reference in determining any standard of materiality under this Agreement.

10.9. Entire Agreement.

This Agreement, the Confidentiality Agreement and the Ancillary Agreements, including the Exhibits, Schedules, documents, certificates and instruments referred to herein or therein, and any other documents that specifically reference this Section 10.9, embody the entire agreement and understanding of the Parties hereto in respect of the transactions contemplated by this Agreement and shall supersede all previous oral and written and all contemporaneous oral negotiations, commitments and understandings including, without limitation, all letters, memoranda or other documents or communications, whether oral, written or electronic, submitted or made by (a) Buyer or its representatives to Seller or the Other Owners, Concentric Energy Advisors Inc. or their respective agents or representatives, or (b) Seller or the Other Owners, Concentric Energy Advisors Inc. or their respective agents or representatives to Buyer or any of its representatives, in connection with the sale process that occurred prior to the execution of this Agreement or otherwise in connection with the negotiation and execution of this Agreement. No communications by or on behalf of Seller or the Other Owners, including responses to any questions or inquiries, whether orally, in writing or electronically, and no information provided in any data room or any copies of any information from any data room provided to Buyer or any other information shall be deemed to (i) constitute a representation, warranty, covenant, undertaking or agreement of Seller or (ii) be part of this Agreement.

10.10. Acknowledgment; Independent Due Diligence.

Buyer acknowledges that Seller has not made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Facilities

not included in this Agreement and the schedules hereto. Without limiting the generality of the foregoing, no representation or warranty is made with respect to any information contained in the Confidential Offering Memorandum relating to the Facilities, dated March 2005, or any supplement or amendment thereto provided by Seller or the Other Owners, such information having been provided for the convenience of Buyer in order to assist Buyer in framing its due diligence efforts. Buyer further acknowledges that: (a) Buyer, either alone or together with any individuals or entities that Buyer has retained to advise it with respect to the transactions contemplated by this Agreement, has knowledge and experience in transactions of this type and in the business to which the Facilities relate and is therefore capable of evaluating the risks and merits of acquiring the Facilities; (b) Buyer has relied on its own independent investigation, and has not relied on any information or representations furnished by Seller or any representative or agent of Seller (except as specifically set forth in this Agreement), in determining to enter into this Agreement; (c) neither Seller nor any representative or agent of Seller has given any investment, legal or other advice or rendered any opinion as to whether the purchase of the Facilities is prudent, and Buyer is not relying on any representation or warranty by Seller or any representative or agent of Seller except as set forth in this Agreement; (d) Buyer has made independently and without reliance on Seller (except to the extent that Buyer has relied on the representations and warranties of Seller in this Agreement) its own analysis of the DAEC Assets and of Seller for the purpose of acquiring the DAEC Assets as it considered appropriate to make its evaluation.

10.11. Bulk Sales Laws.

Buyer acknowledges that, notwithstanding anything in this Agreement to the contrary, Seller will not comply with the provision of the bulk sales laws of any jurisdiction in connection with the transactions contemplated by this Agreement. Buyer hereby waives compliance by Seller with the provisions of the bulk sales laws of all applicable jurisdictions.

10.12. No Joint Venture.

Nothing in this Agreement creates or is intended to create an association, trust, partnership, joint venture or other entity or similar legal relationship among the Parties, or impose a trust, partnership or fiduciary duty, obligation, or liability on or with respect to the Parties. Except as expressly provided herein, neither Party is or shall act as or be the agent or representative of the other Party.

10.13. Change in Law.

If and to the extent that any Laws or regulations that govern any aspect of this Agreement shall change, so as to make any aspect of this transaction unlawful, then the Parties agree to make such modifications to this Agreement as may be reasonably necessary for this Agreement to accommodate any such legal or regulatory changes, without materially changing the overall benefits or consideration expected hereunder by any Party.

10.14. Severability.

Any term or provision of this Agreement that is held invalid or unenforceable in any situation shall not affect the validity or enforceability of the remaining terms and provisions

hereof or the validity or enforceability of the offending term or provision in any other situation, provided, however, that the remaining terms and provisions of this Agreement may be enforced only to the extent that such enforcement in the absence of any invalid terms and provisions would not result in (a) deprivation of a Party of a material aspect of its original bargain upon execution of this Agreement or any of the Ancillary Agreements, (b) unjust enrichment of a Party, or (c) any other manifestly unfair or inequitable result.

10.15. Specific Performance.

Each Party acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each Party agrees that the other Parties shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which it may be entitled, at law or in equity.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their respective duly authorized officers as of the date first above written.

INTERSTATE POWER AND LIGHT COMPANY

By: _____
Name: Thomas L. Aller
Title: President

FPL ENERGY DUANE ARNOLD, LLC

By: _____
Name: Michael O'Sullivan
Title: Senior Vice President

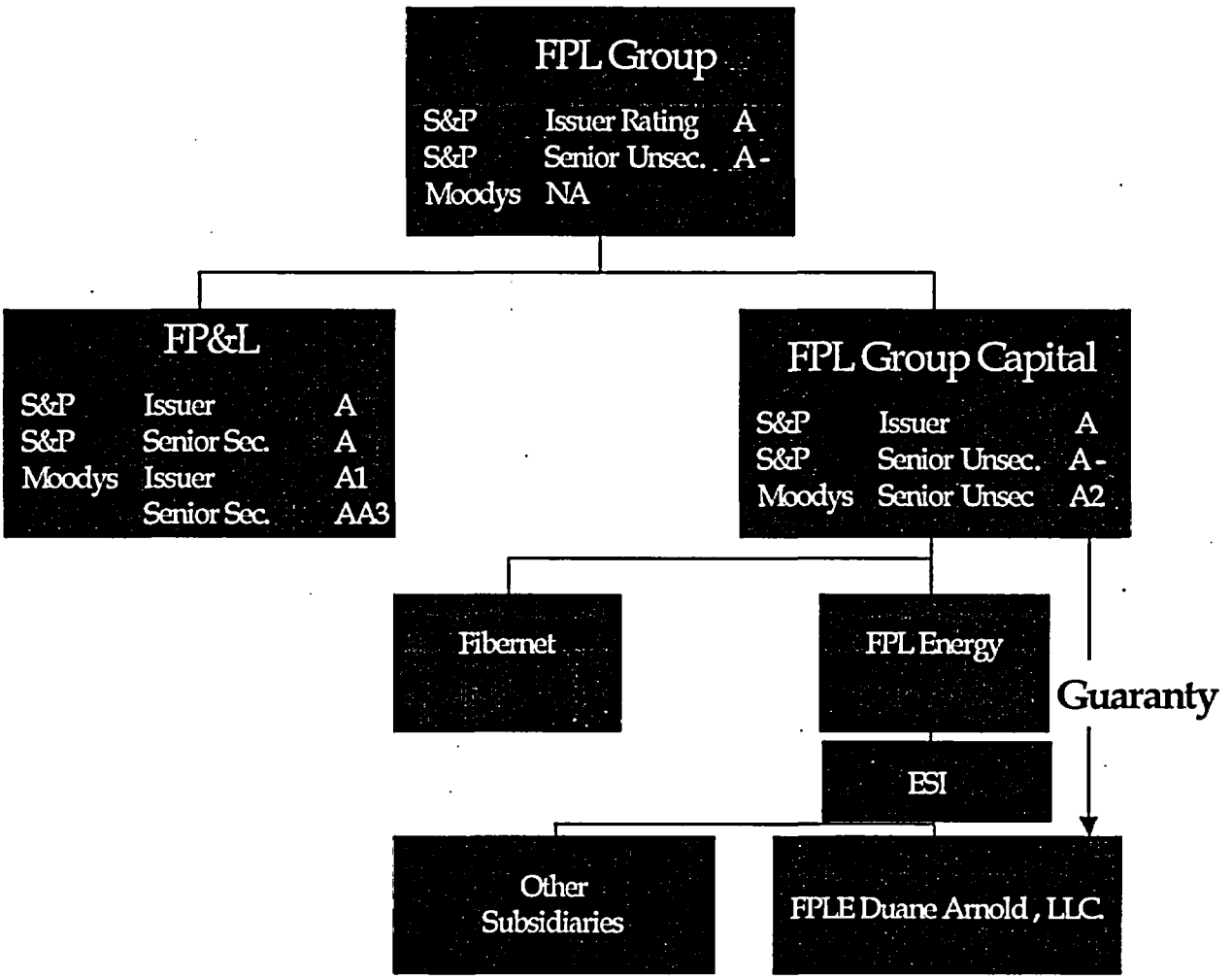
For purposes of Article 5 and Section 6.20, Section 9.1, Section 10.4 and Section 10.5 only:

FPL GROUP CAPITAL INC.

By: _____
Name: JAMES L. ROBO
Title: VICE-PRESIDENT

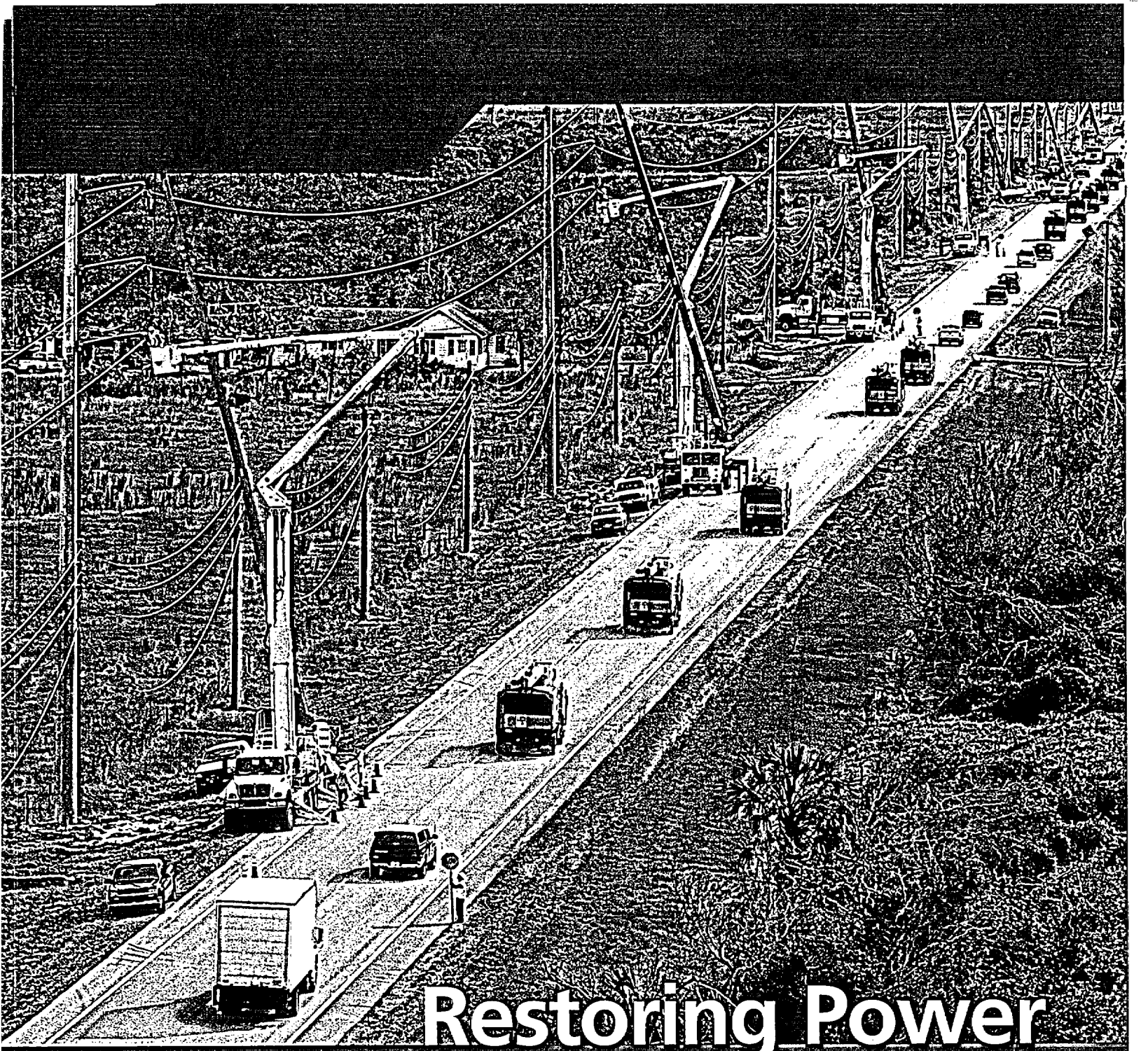
Enclosure 3

FPL Energy Duane Arnold, LLC Corporate Structure



Enclosure 4

FPL Group, Inc. Annual Report for 2004



Restoring Power

Restoring Lives

FPL GROUP : 2004 ANNUAL REVIEW

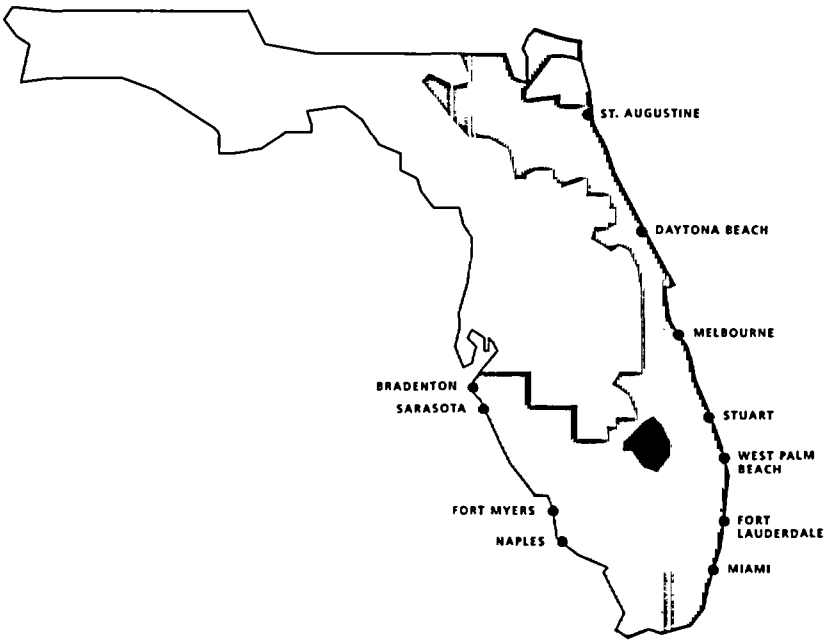
Profile

FPL Group, Inc. is one of the nation's largest providers of electricity-related services and is nationally known as a high-quality, efficient and customer-driven organization. Its principal subsidiary, Florida Power & Light Company, serves more than eight million people along the eastern seaboard and southern portion of Florida. FPL Energy, LLC, FPL Group's wholesale generation subsidiary, is a leader in producing electricity from clean and renewable fuels. Together, FPL's and FPL Energy's generating assets represent more than 30,000 megawatts of capacity. FPL FiberNet provides wholesale fiber-optic services and fiber-optic cable to Internet service providers and telecommunications companies in Florida.

This publication is an annual review of the performance of FPL Group and its subsidiaries in 2004. You may view the company's Consolidated Financial Statements, including the Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, in the 2005 Proxy Statement mailed to all shareholders of record as of March 31, 2005.

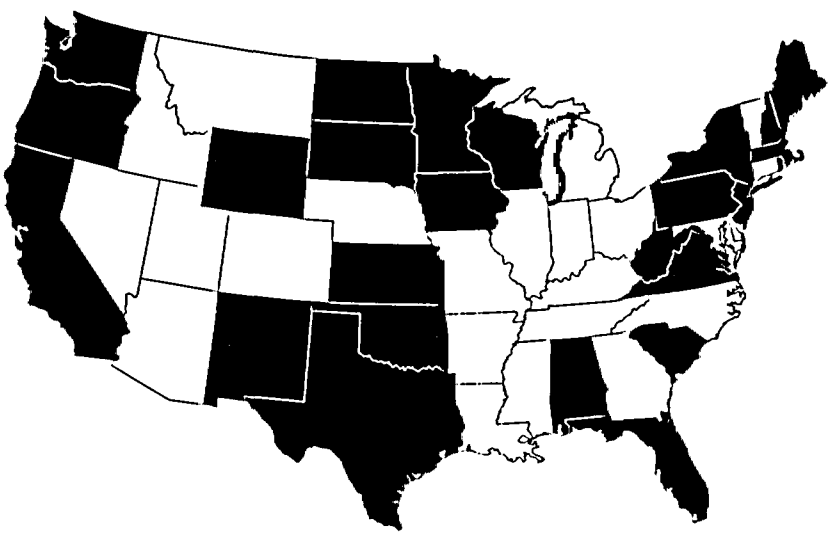
FPL: Serving A Fast-Growing State

Florida Power & Light Company serves more than 4.2 million customer accounts in 35 counties.



FPL Energy: A Leading Clean Energy Provider

With power plants in 24 states, FPL Energy is a leader in producing electricity from clean and renewable fuels (blue areas denote states with FPL Energy projects and offices).



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SAFE HARBOR STATEMENT
Any statements made herein about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ substantially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained on page 27.

Financial Highlights*

Years Ended December 31,	2004	2003	% change
FINANCIAL RESULTS			
(millions, except per share amounts)			
Net Income	**$ 887**	$ 890	(0.3)
Adjustments, net of income taxes:			
Cumulative effect of a change in accounting principle (FIN 46) — FPL Energy	—	3	
Net unrealized mark-to-market losses (gains) associated with non-qualifying hedges — FPL Energy	3	(22)	
Adjusted Earnings	**$ 890**	$ 871	2.2
Earnings Per Share *(assuming dilution)*	**$ 2.45**	$ 2.50	(2.0)
Adjustments:			
Cumulative effect of a change in accounting principle (FIN 46) — FPL Energy	—	0.01	
Net unrealized mark-to-market losses (gains) associated with non-qualifying hedges — FPL Energy	0.01	(0.06)	
Adjusted Earnings Per Share	**$ 2.46**	$ 2.45	0.4
Operating Revenues	**$10,522**	$ 9,630	9.3
Operating Income	**$ 1,472**	$ 1,531	(3.9)
Cash Flows from Operating Activities	**$ 2,650**	$ 2,254	17.6
Total Assets	**$28,333**	$26,935	5.2
COMMON STOCK DATA			
Weighted-Average Shares Outstanding *(assuming dilution – millions)*	**362**	356	1.7
Dividends Per Share	**$ 1.30**	$ 1.20	8.3
Book Value Per Share	**$ 20.83**	$ 19.51	6.8
Market Price Per Share *(high – low)*	**$38.05-$30.10**	$34.04-$26.78	
OPERATING DATA			
Utility Energy Sales *(kwh – millions)*	**103,635**	103,202	0.4
FPL Customer Accounts *(year end – thousands)*	**4,257**	4,167	2.2
Employees *(year end)*	**11,921**	11,501	3.7

** The per share and share information reflect the effect of the two-for-one stock split, effective March 15, 2005, of FPL Group's common stock.*

Thank-you letters, drawings and e-mails poured in from customers, schoolchildren, and businesses large and small complimenting FPL's restoration response following three hurricanes in 2004. Several of those communications were posted on the Wall of Thanks appearing on the facing page. The wall traveled to various FPL work locations to give employees a glimpse of the widespread appreciation for our restoration efforts.

An **Extraordinary** Year

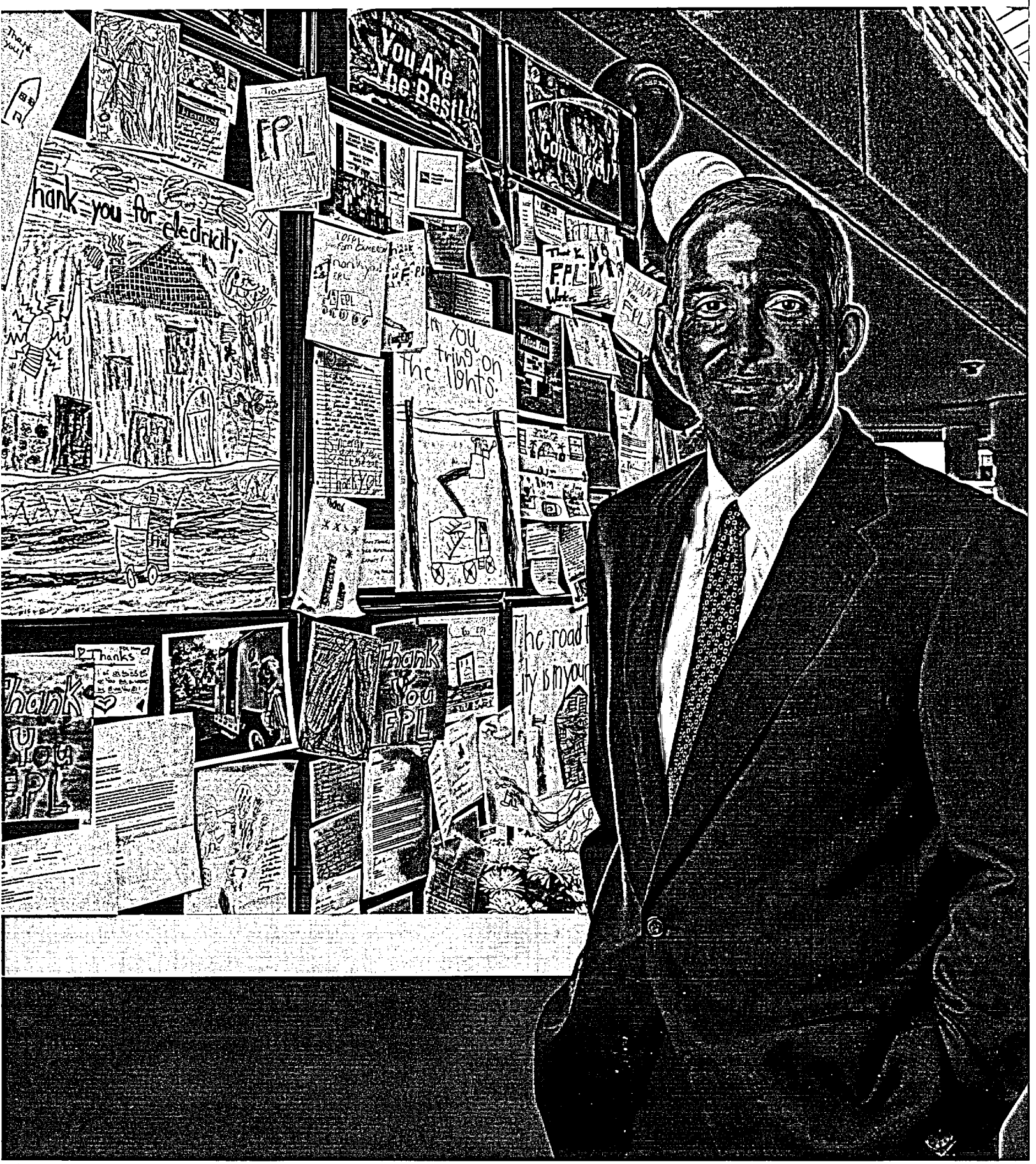
To Our Shareholders:

This past year will be long remembered as an extraordinary year for Florida and FPL Group. It was a year in which three ferocious hurricanes in less than two months pummeled the 27,000-square-mile service territory of Florida Power & Light Company, our regulated electric company subsidiary, causing unprecedented damage and destruction at homes and businesses and nearly 5.4 million power outages.

In my view, it was both the worst of times and the best of times, to paraphrase an old saying. For despite the widespread damage caused by the storms and the disruption it caused in the lives of our customers and employees, the response of the FPL Group workforce showcased what is best about this great company.

We were well prepared with proven restoration plans. Further, these plans were executed with remarkable determination and grit after each hurricane by a dedicated,

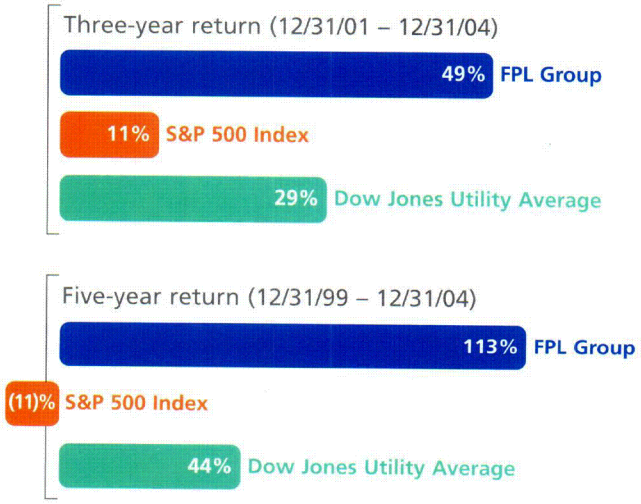
Today's dynamic electric industry is one of ongoing challenge and opportunity... calling for innovative strategies, teamwork and sound execution. Amidst this dynamic market environment, FPL Group recorded another year of outstanding performance.


You Are The Best!
FPL
Thank you for electricity.
Thank You FPL

tireless and committed workforce. Overall, the restoration performance of our team was outstanding. In appreciation of our efforts at not only restoring power but also restoring lives, we were gratified to receive numerous commendations from customers, community leaders, students and others. Among the expressions of recognition was the Emergency Response Award presented to FPL by the Edison Electric Institute (EEI), noteworthy in that EEI is the leading trade association in the electric power industry and is comprised of our peer companies.

At the same time, we at FPL Group believe strongly in continuous improvement. Even though we did better in 2004 than we did after Hurricane Andrew in 1992, we want to do still better the next time we have to face a comparable challenge. Thus, as we do after all extraordinary events, we have been seeking out and applying lessons learned from our hurricane experience of 2004 to further refine our plans and processes. We are committed to doing the very best we can in everything we do.

FPL GROUP COMPARATIVE TOTAL SHAREHOLDER RETURN



FPL Group continues to perform well

Today's dynamic electric industry is one of ongoing challenge and opportunity. Changes in customer preferences, regulation, industry structure and technology — to name just a few areas where transformation is occurring — call for innovative strategies, teamwork and sound execution.

Amidst this dynamic market environment, FPL Group recorded another year of outstanding performance.

> FPL Group generated an impressive 18.7 percent total shareholder return in 2004. In addition, we have outperformed our peers and industry over the last three-year and five-year periods.

> Net income, using generally accepted accounting principles, was $887 million or $2.45* per share in 2004, compared with $890 million or $2.50* per share in 2003. Notably, we estimate that the hurricanes had a negative 7 cents* per share impact on earnings.

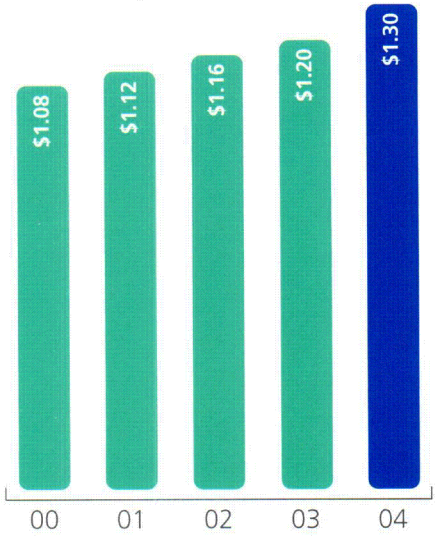
> FPL Group's adjusted net income, which excludes the net unrealized mark-to-market effect associated with non-qualifying hedges and, in 2003, the cumulative effect of a change in accounting principle at FPL Energy (FIN 46), was $890 million or $2.46* per share in 2004, compared with $871 million or $2.45* per share in 2003. (See page 1 for a reconciliation of net income to adjusted earnings and earnings per share to adjusted earnings per share).

> As anticipated, 2004 saw our free cash flow profile shift to positive. I believe this is a great achievement, especially considering the negative impact of the storms. Moreover, this trend was an important factor in the Board's decision to make a mid-year adjustment to our dividend. Combined with the February 2004 increase, the July 2004 increase provided a 13 percent

C01

increase in the quarterly dividend. Our dividend payout ratio and yield are now more in line with some of our peers while still providing us financial flexibility to invest in profitable growth opportunities.

STEADILY GROWING DIVIDEND
Dividends per share*



Importantly, FPL Group continues to be cited as among the very best in our business by important third-party judges.

> In addition to the EEI award noted earlier, FPL Group this year, for the third consecutive time, received the number one ranking in environmental performance among 26 electric utilities in the United States from Innovest, an internationally recognized independent investment research firm specializing in environmental finance and investment opportunities.

> We also scored the highest ranking in the U.S. and second globally in a World Wildlife Fund report that analyzed 72 of the world's leading power companies on current use of available technologies to reduce carbon dioxide emissions, as well as clear commitments made for future improvements.

> And in a recent corporate reputation survey conducted by *The Wall Street Journal* with its readers, FPL Group ranked number one of 37 electric companies in quality of management, number two in investment potential and number three in reputation of company.

Business review and 2004 performance

Both of our businesses have unique strengths and had outstanding years in 2004.

> Florida Power & Light Company is one of America's largest and best performing electric companies. With more than 4.2 million customers, FPL continued during 2004 to benefit from rates of growth in our customer base that are among the highest of any large electric company. Beyond restoring electric service and rebuilding portions of our electric system in the wake of Hurricanes Charley, Frances and Jeanne, FPL in 2004 continued the historical outstanding operational and cost performance that places us among the best in our industry.

> FPL Energy is a disciplined wholesale generator and a leading clean energy provider. During 2004, we continued to build on our strength as a low-cost provider, maintained operational excellence, optimized our asset portfolio, leveraged our position as the U.S. market leader by a large margin in wind power generation and continued carefully managing all forms of risk. We continued our pattern of strong earnings (despite a major contract restructuring described in more detail on page 17), and over the last five years we have achieved average annual growth in adjusted earnings per share at FPL Energy of approximately 23 percent (see page 21 for reconciliation of earnings per share to adjusted earnings per share).

** Per share information reflects the effect of the two-for-one stock split, effective March 15, 2005, of FPL Group's common stock (see page 7).*

C02

2005: A year of both challenge and opportunity

This year will present many challenges for our company, yet I expect we will not only meet them successfully as we've met others in the past but that we will seize new opportunities and continue to demonstrate outstanding performance.

> At Florida Power & Light Company in 2005, beyond the ongoing need to satisfy our customers and maintain excellent operating performance on a daily basis, we will address three major challenges:

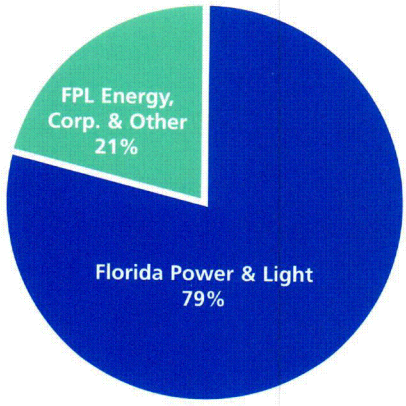
First is to recover the costs expended to restore service after the hurricanes of 2004 and to rebuild our storm reserve. An important first step in this process occurred in January 2005 when the Florida Public Service Commission (PSC) approved our request to begin in February 2005 to recover those storm-related costs, subject to refund, pending a final PSC decision later this year.

Second, December 2005 marks the end of our current rate agreement. The ongoing need to invest billions of dollars in new power plants and power delivery systems to meet continued growth in Florida, coupled with increased costs of doing business, is driving FPL to ask for an increase in 2006 base rates — the first base rate increase FPL has requested in more than 20 years. Though we are hopeful we will achieve a negotiated settlement, we are prepared to undergo a full rate review proceeding during 2005 and expect that by the end of the year we will have a new rate structure approved by the PSC.

Third, we must meet continued growth in demand for electric service in Florida. Though some uncertainty remains as to how the 2004 storm season may affect FPL revenues in the near term, longer term we expect to continue to benefit from strong customer and electric usage growth in our service territory. That being the case, FPL will continue to make significant investments in new generation capacity and related infrastructure. Siting these facilities can be quite challenging at times, but we are committed to listening to the concerns of residents and community leaders in the affected areas and taking their views into consideration as we develop our plans.

> At FPL Energy, we will pursue four major areas of focus in 2005. First, we intend to expand our U.S. market-leading wind energy portfolio. Next, we will continue efforts to extract maximum value from our existing wholesale power generation portfolio. Third, we will be managing a capacity uprate at our Seabrook Station nuclear power plant in New Hampshire that should provide us a major source of additional revenue and earnings. Fourth, we will continue to upgrade our portfolio of assets. This may include divesting power plants that don't fit our strategy and/or acquiring others that do, providing they are financeable and add to shareholder value.

2005 PROJECTED EARNINGS PER SHARE CONTRIBUTION*



*Estimates include share dilution of 3 – 4 percent. Excludes the cumulative effect of adopting new accounting standards as well as the mark-to-market effect of non-qualifying hedges, neither of which can be determined at this time.

C03

Key corporate attributes and 2005 outlook

A number of key attributes continue to form the cornerstones of our success and give me reason for continued confidence in our prospects for 2005 and beyond.

> We continue to maintain financial strength, flexibility and discipline — hallmarks of this company for many years. Our credit ratings are among the best in our industry when compared to other large electric power companies.

> We have long been committed to integrity and accountability in all aspects of our business. Most recently, for example, in compliance with the Sarbanes-Oxley Act we have undergone a comprehensive assessment and testing of our internal controls to ensure their effectiveness. Taken together, in fact, our corporate governance practices continue to be rated among the best in industry by third-party observers.

> We have a demonstrated track record of strong performance. Our earnings growth has been steady, and our operating performance on a variety of metrics is among the best in our industry.

> We are a clean energy company and are committed to continued success in managing our operations with sensitivity to the environment. This could be a major competitive advantage for us in the future, especially if new environmental laws are enacted that recognize the investments FPL Group has already made in clean and renewable energy relative to many of our peers.

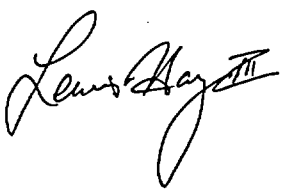
> Going forward, we have attractive growth prospects. We expect continued growth in customers and usage at FPL, in our U.S. market-leading wind generation business at FPL Energy and in other areas served by FPL Energy as certain wholesale power markets continue to recover.

> All this adds up to projected earnings per share in 2005, after the effect of the two-for-one stock split, of $2.50 to $2.60 (see also footnote on page 6).

On February 18, 2005, the board of directors again increased the quarterly common stock dividend, this time by 4.4 percent. In addition, directors that same day approved a two-for-one stock split of the company's common stock. The stock split demonstrates the board's continued confidence in the growth of FPL Group and is intended to increase the liquidity of the stock and create an expanded universe of potential shareholders. The split was set to be effective and shares distributed on March 15.

I would like to thank retired director Alex Dreyfoos for his service on our board and the fine counsel and support he provided me.

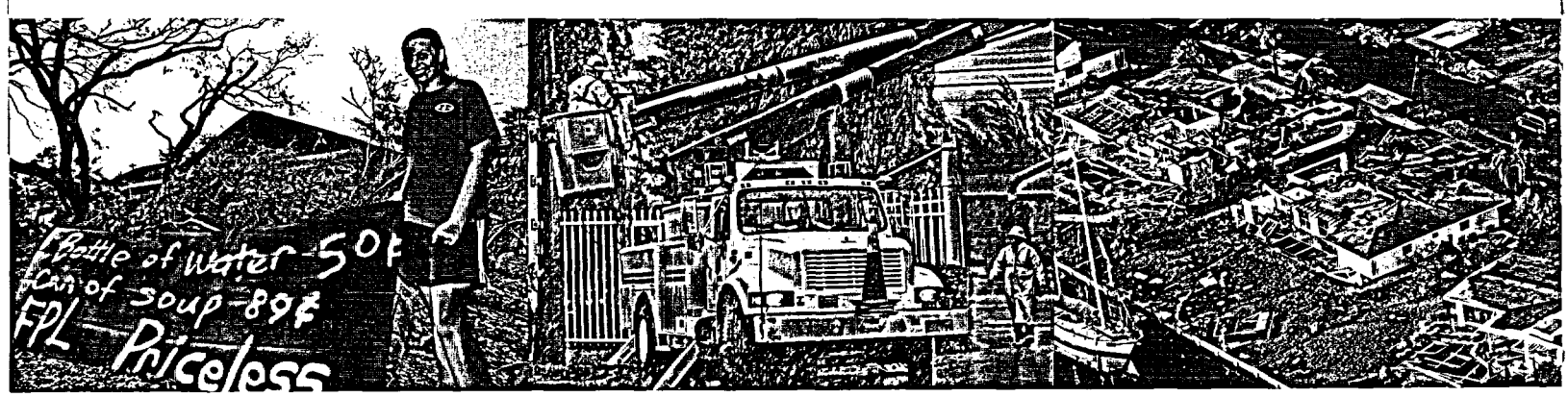
As always, I want to thank our extraordinary employees for their ongoing commitment to our customers, for striving always to do the right things, for their outstanding performance and for continually looking for ways to improve. And I appreciate the continued confidence of you, our shareholders.



Lewis Hay, III
Chairman, President and
Chief Executive Officer
February 28, 2005

Outstanding Response

In August and September 2004, Florida took a beating like no other. During those trying months, four major hurricanes came ashore, casting a pall of darkness and despair over the state best known for its sunshine. Three of the storms — Charley, Frances and Jeanne — rocked FPL's service territory to the core. During this unprecedented hurricane season, the number of outages reached nearly 5.4 million homes and businesses. FPL employees spent much of their summer and fall taking on major roles in a massive effort that would not only restore power, but restore lives.



Hurricanes stretch resources to the limit, but restoration completed in record time

For millions of Floridians, the summer and fall of 2004 were unlike anything they had ever imagined.

Beginning in August on Friday the 13th, four powerful hurricanes struck Florida in rapid succession. Three of the storms roared through FPL's service area, buffeting power plants, downing power poles and electric wires, and resulting in nearly 5.4 million power outages.

Hurricanes Charley, Frances and Jeanne tested FPL's resolve, resources and restoration skills as they have never been tested before, placing the company in a "hurricane restoration mode" almost non-stop for six weeks. FPL responded to the series of catastrophic events by immediately executing a proven and highly efficient storm restoration plan regarded as among the best in the nation. As part of this plan, thousands of FPL employees from every segment of the company came forward to fill a wide variety of roles in a massive power restoration effort unprecedented in the history of the electric industry. They were joined by thousands of other utility workers and contractors from 39 states and Canada.

Although the back-to-back-to-back hurricanes stretched FPL's abilities to the limit, it also revealed the strength and character of its employees during times of crises. Many FPL workers were themselves victims of the storms, but they put aside their own personal losses and stress to work virtually non-stop in helping to restore power.

The magnitude of the hurricane restoration efforts is evident in the numbers. In the aftermath of the storms, more than 2.6 million phone calls were handled by FPL's customer care centers. In the field, under often-adverse conditions, more than 13,000 power poles, 11,000 transformers and 1,700 miles of conductor were replaced to restore the electric system.

The restoration workforce in the aftermath of the storms ranged from more than 13,000 to nearly 17,000. FPL's damaged electrical system was not only repaired but also, in some cases, totally rebuilt. On average, nearly 8,000 trucks and other vehicles were put on the road to make repairs after each storm, and more than 30 truckloads of materials were delivered by FPL suppliers every day.

The restoration of power to millions of customers in record times for such extraordinary circumstances did not go unnoticed. Despite the frustration of being without power for extended periods of time, many customers levied high praise upon FPL employees for their selfless and dedicated service through countless letters and e-mails. Also, FPL was presented the Emergency Response Award by the Edison Electric Institute, the leading trade association of the electric power industry.

In addition to working around the clock to restore power, FPL and its employees and customers also helped to raise nearly $1.4 million toward hurricane relief for the American Red Cross and the Florida Hurricane Relief Fund.

	CHARLEY	FRANCES	JEANNE
Category (Saffir-Simpson Scale)	4	2	3
Max sustained winds at landfall (mph)	150	105	120
Hurricane force wind swath (miles)	60	145	125
Tropical force wind swath (miles)	210	345	315
Customers without power	874,000	2,786,300	1,737,400
Counties impacted	22	35	35
Restoration time (days)	13	12	8
Wire used (miles)	925	575	254
Poles replaced	7,226	3,890	2,390
Transformers replaced	5,159	3,011	3,037
Total restoration personnel (FPL, other utilities/contractors)	13,500	16,738	16,566

A thriving economy and healthy population growth in the Sunshine State make FPL one of the fastest-growing electric utilities in the nation. Besides continued strong electric usage growth, FPL added an average of 107,000 new customer accounts in 2004 — the most since the late 1980s and a 2.6 percent increase over the previous year. To maintain reliable electric service, FPL continues to add power lines and other electric facilities to deliver power to customers, including the homeowners at this Boynton Beach subdivision.

Jeff LaChance, apprentice trainee

Florida Power & Light

Serving a fast-growing state

During an extraordinary year, Florida Power & Light Company demonstrated once again why it is so widely regarded as one of the nation's outstanding electric companies.

Despite an unprecedented series of devastating hurricanes that swept through its service area (see story pages 8 and 9), FPL continued to achieve the high levels of performance that are a hallmark of the organization. At the same time, the ongoing customer growth that has set the utility apart from virtually all of its peers — and made it one of America's largest providers of electricity — continued to accelerate.

FPL added an average of 107,000 new customer accounts in 2004, the most since the late 1980s and a 2.6 percent increase over the previous year. Although the hurricanes clearly had a dampening impact on customer growth during the later part of the year, the company is optimistic that the effect will be moderate and not affect long-term growth. Florida's population continues to increase at a greater rate than any other large state. In addition, Florida created the most jobs in the nation in 2004. Although the state's population is 6 percent of the nation's population, it created 12 percent of the new jobs during the year.

Since the beginning of 2002, the year in which FPL's current rate agreement went into effect, FPL has increased its electric generating capacity by more than 2,300 megawatts, at a cost of over $1.2 billion, and invested more than $1.9 billion in power delivery facilities. This has allowed the company to meet the energy demands of nearly 300,000 additional customer accounts while maintaining an adequate reserve margin for all FPL customers.

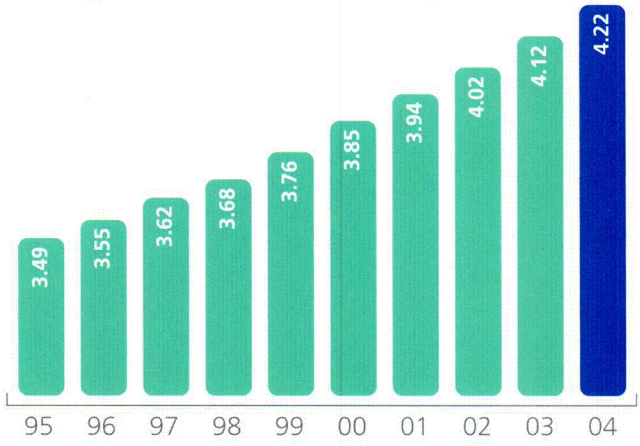
In 2004, expansion projects at FPL's Martin and Manatee power plants continued on track for completion later this year, adding 1,900 megawatts of generating capacity, or enough power to serve about 400,000 customers.

The company also received approvals to build a 1,150-megawatt natural gas-fired power unit at its existing Turkey Point site south of Miami. This will help FPL meet the rapidly increasing demand for electricity in Southeast Florida. Construction began in March 2005 with a projected 2007 completion. Beyond that date, growth forecasts indicate that FPL will need to add the equivalent of three 1,150-megawatt power plants over the next five years.

For many years, FPL's industry-leading energy management and conservation programs have helped defer the building of new power plants. Over the past two decades, more than 1.7 million customers have participated in these programs, reducing electricity demand by more than 4,300 megawatts, or the equivalent of 10 medium-sized power plants.

STEADY CUSTOMER GROWTH

Average customer accounts *(millions)*



C04

Growth, higher costs drive FPL to seek increase in base rates

Continued and long-term growth in FPL's service area will require not only extensive investments in new generation, but in the utility's power delivery system as well. Siting new plants and gaining approvals for additional transmission routes, particularly in well-established and highly populated areas, will present challenges.

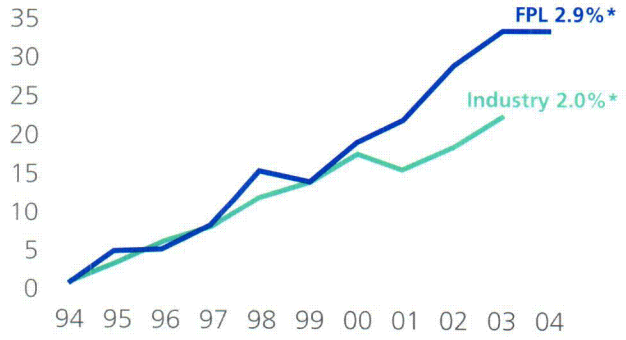
Generating resources are currently being added at three times the rate of previous years, and capital expenditures for power delivery are expected to average approximately $700 million a year going forward. In addition, although its costs are significantly below the industry average, the company is facing higher operating costs and making significant investments to maintain its nuclear units in top shape.

FPL's revenue sharing agreement with the Florida Public Service Commission ends Dec. 31, 2005. In January 2005, the company notified the Commission that it intends to seek an increase in its retail base rates and initiate what would be — barring a negotiated settlement — its first full base rate case since 1984. During the rate case, the PSC staff and commissioners will examine in depth FPL's operations and revenue needs. A final decision on FPL's request for a base rate increase is expected in November 2005. If approved, it would be the first increase in FPL's base rates in more than 20 years.

The current residential base rate is 16 percent lower than when base rates were last increased in 1985. Since that time, FPL has added approximately 1.6 million customers and spent more than $17 billion in capital investments. Since 1999, base rates have been reduced twice, providing savings to customers totaling nearly $4 billion, including revenue sharing refunds. The reductions were possible due largely to FPL's increased productivity and more efficient operations, which has allowed the utility to establish itself as a low-cost provider of high quality electric service.

GROWING FASTER THAN INDUSTRY AVERAGE

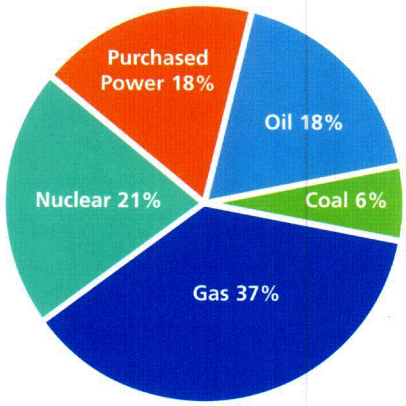
Cumulative kilowatt-hour growth *(percent)*



** Represents compound annual growth rate through periods shown.*
Industry source: Energy Information Administration

DIVERSIFIED ENERGY MIX

Based on megawatt-hours produced in 2004



FPL's successful cost-management efforts have enabled it to maintain costs well below the industry average. In 2004, even as expenses continued to rise in such areas as insurance and security requirements, the company's operating and maintenance (O&M) costs of 1.24 cents per retail kilowatt-hour were slightly lower than the previous year and were approximately 31 percent below the industry average. Over the next several years, however, FPL expects increased upward pressures on O&M expenses, along with smaller incremental gains in productivity, while customer growth and energy usage continue to rise.

As a result, after many years, FPL believes an increase in retail base rates now is necessary to ensure that it can continue to provide reliable, cost-effective electric service at levels its customers have come to expect and that are consistent with the company's past record of performance.

In other PSC-related activities, FPL received regulatory approval in late 2004 to adjust the fuel clause portion of its bill to match more accurately the costs of fuels used to produce its electricity. Since 1999, the fuel costs passed on to customers by FPL, with no profit added, have more than doubled. The increase, which

C05

went into effect in January of 2005, raised a typical FPL residential bill by about four percent.

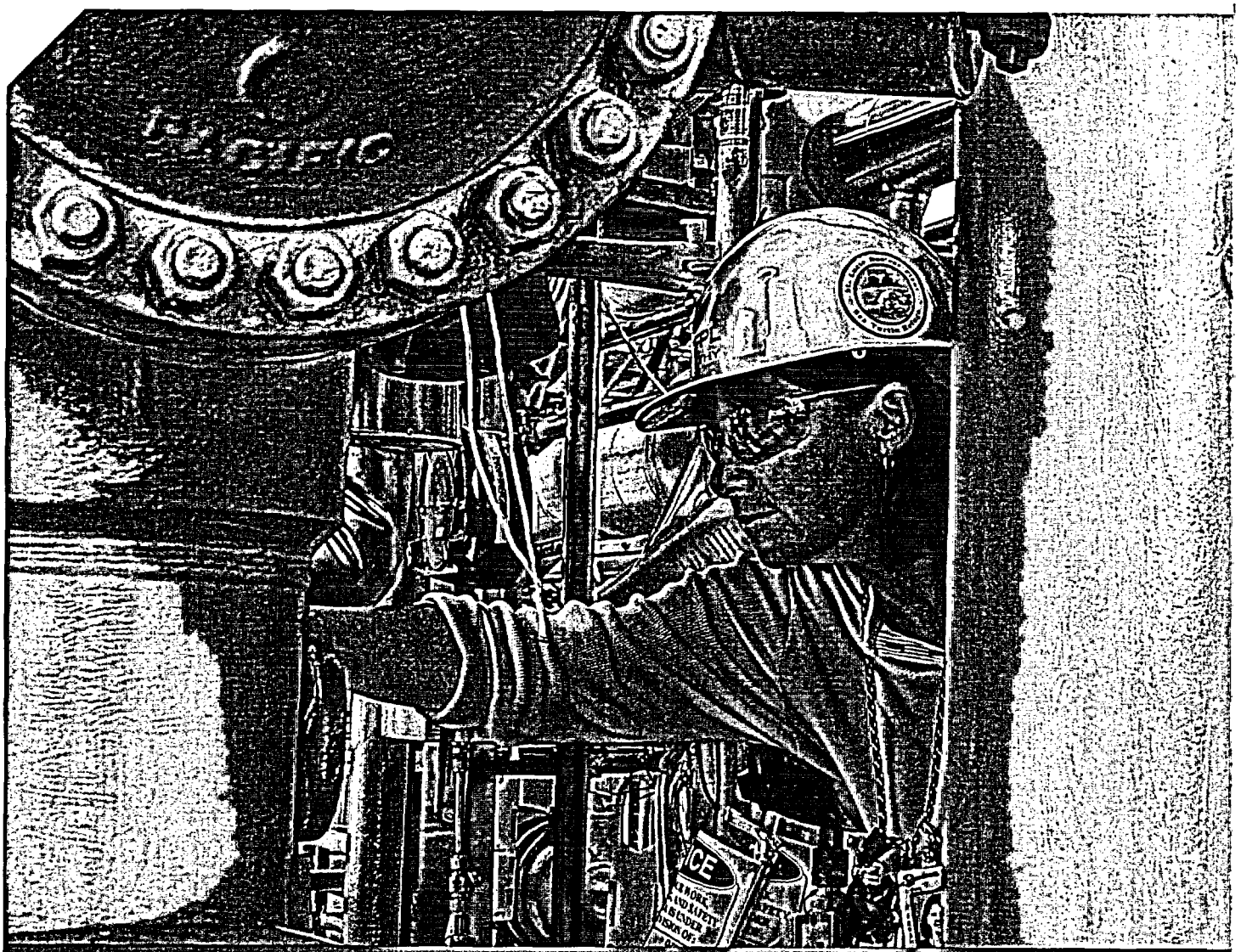
To help prevent dependence on a single fuel and further stabilize fuel costs, FPL utilizes a diverse fuel mix. In addition to using a high percentage of clean-burning natural gas, a large portion of the company's electricity comes from its nuclear plants, which are free from greenhouse gas emissions. This helps make FPL one of the nation's cleanest electric utilities.

To lessen the impact that high oil and gas prices have on customers' bills, FPL may choose the lower-cost fuel at plants with switching capabilities and make economic purchases of power from lower-cost coal-based units of other power producers. FPL issued a request for proposals in 2004 to bring a new source of natural gas to Florida. The natural gas would be delivered via underwater pipeline from a liquefied natural gas (LNG) terminal located offshore. This would help meet Florida's growing demand for clean natural gas and deliver a new reliable source of production with added supply security.

Following the three hurricanes, FPL spent approximately $1 billion repairing and rebuilding its system. Of that amount, $109 million is expected to be covered by insurance on our nuclear plants and approximately

FPL's focus on improving customer satisfaction was reflected by high scores in residential and business surveys conducted in 2004. The J.D. Power and Associates' Electric Utility Customer Satisfaction Study℠ of the nation's largest electric utilities placed FPL tied for second in the Southern region in overall customer satisfaction. This marked the fifth consecutive year that the company ranked above the industry average.

Uzell Freeman, customer service training associate



The operating performance of FPL's nuclear division continues to be among the best in the industry. The World Association of Nuclear Operators rates industry performance for nuclear plants, and FPL's WANO rating of 95.6 for its four nuclear units was comparable to the previous year and above the most recent national average of 91.9. Another notable achievement was the successful replacement of the Turkey Point unit 3 reactor vessel head.

Kathy Getty, senior nuclear analyst

$354 million was paid from FPL storm reserve funds, leaving a deficiency of an estimated $536 million. In January 2005, the PSC approved a monthly storm surcharge to be added to customers' bills to allow recovery of the storm reserve fund shortfall. The final determination of the surcharge rates and the collection period will be made by the PSC during hearings in April 2005. The current surcharge for residential customers is $2.09 per 1,000 kilowatt-hours used and varies for commercial and industrial customers depending on the classification of their service.

A strong operating performance in an unforgettable year

FPL's 2004 operating performance was outstanding; quite an achievement considering that a good portion of the year was dominated by the effects of an unforgettable hurricane season.

Although virtually all of the company's electric plants experienced some storm damage, their availability to produce power remained high. The 93.7 percent availability of FPL's fossil power plants was just under the company's best ever and a best-in-class performance. Indicative of the utility's fossil power plant performance, the Sanford plant was included in the *Power Magazine* list of top 12 power plants in 2004.

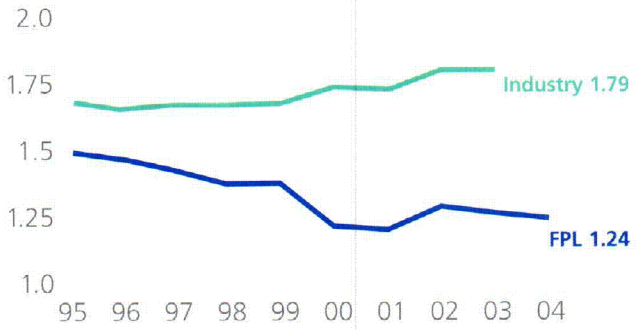
The nuclear plant availability of 87.5 percent was lowered by two refueling outages during the year, one of which was an extended outage due to the replacement of the Turkey Point unit 3 reactor vessel head. The successful replacement was the first of several significant capital projects being undertaken by the nuclear division. In 2005, the reactor vessel heads at Turkey Point unit 4 and St. Lucie unit 1 are scheduled to be replaced. FPL's decision to be pro-active on this issue has allowed it to move to the front of the industry line and order new reactor heads for all four of its nuclear units.

The World Association of Nuclear Operators rates industry performance for nuclear plants, and FPL's WANO rating of 95.6 for its four nuclear units was comparable to the previous year and above the most recent national average of 91.9.

In addition to its impressive power plant performance, FPL also received high marks during 2004 for its transmission control operations. A team of North American Electric Reliability Council (NERC) and Federal Energy Regulatory Commission (FERC) representatives who performed an assessment of the utility's transmission control operations recommended that several FPL practices be considered as "best practices" for other NERC members.

SUPERIOR COST PERFORMANCE

O&M per retail kilowatt-hours *(cents)*

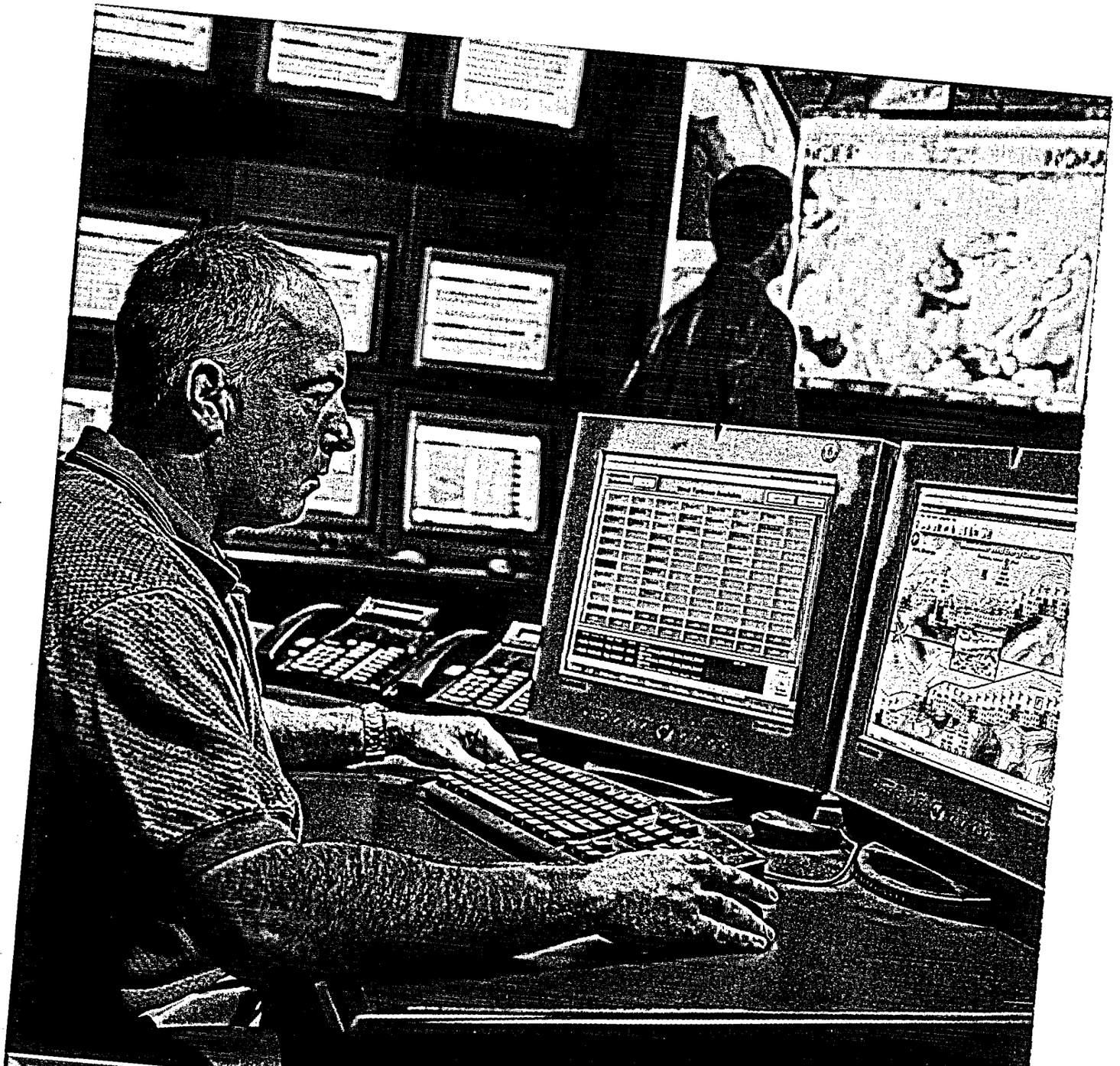


Industry source: FERC Form 1

Since launching an aggressive program in 1997 to improve electric reliability, FPL has achieved outstanding results. The annual average amount of time customers are without power has been reduced by nearly 50 percent, and the frequency and duration of outages have declined as well. Excluding hurricane-related outages, the average number of minutes that FPL customers were without power during 2004 was about half that of the most recent industry average.

The company also has focused on improving customer satisfaction, and this was reflected by high scores in residential and business surveys conducted in 2004. The J.D. Power and Associates' Electric Utility Customer Satisfaction Study™ of the nation's largest electric utilities placed FPL tied for second in the Southern region in overall customer satisfaction. This marked the fifth consecutive year that the company ranked above the industry average. FPL also scored well in the J.D. Power and Associates customer satisfaction survey of midsize businesses, improving to fourth best in the Southern region.

C06



This computerized Wind Fleet Performance and Diagnostic Center became operational in 2004 at FPL Energy's Florida headquarters to better understand wind turbine equipment and how to predict equipment failures so that preventive measures can be taken. The facility acts as a centralized hub for real-time performance information and data for the company's entire wind power fleet on an individual turbine basis. The new center is an expansion of FPL Group's Fleet Performance and Diagnostic Center used to improve the operations of our fossil-fueled power plants.

Jeff Reilley, production manager, Green Ridge Wind Power (standing), and George Greise, plant leader, New Mexico Wind Energy Center.

FPL Energy

A leading clean energy provider

FPL Energy, the wholesale generating subsidiary of FPL Group with a growing presence in 24 states and more than 11,500 megawatts of generation assets in operation, experienced an exceptional year in 2004. By continuing to maximize the value of existing assets and capitalizing on its U.S. market-leading wind portfolio, the company further strengthened its position as one of the nation's leading low-cost wholesale energy providers.

Despite less than favorable conditions in the wholesale energy sector, FPL Energy has achieved average annual growth in its contribution to adjusted earnings per share of approximately 23 percent over the past five years. (See page 21 for reconciliation of earnings per share to adjusted earnings per share.) During this time, the company has successfully added to its asset base and expanded its capabilities, while at the same time effectively managing risk.

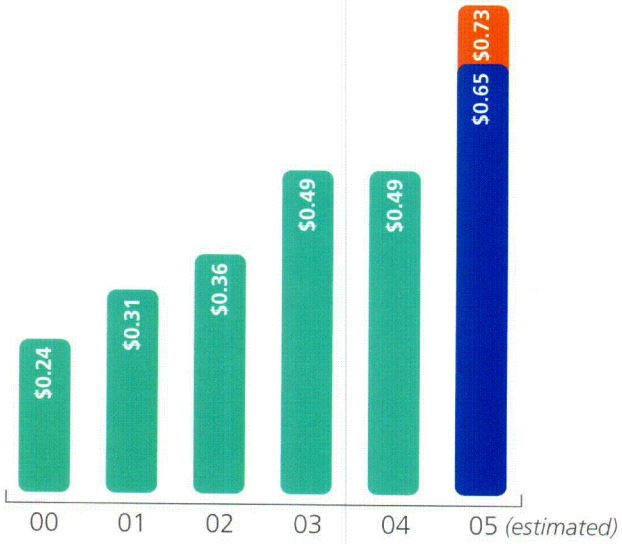
In 2004, FPL Energy benefited from the integration of approximately 1,000 megawatts of wind projects placed into service in 2003. Other factors contributing to the company's performance included improved wholesale market conditions in New England and the absence of an outage at Seabrook. Losses from restructuring activities and higher interest expense negatively impacted FPL Energy's results.

Because of the above-listed factors, FPL Energy was able to take important strategic actions in 2004 that, while collectively having a negative impact on short-term financial results, will benefit the company and FPL Group shareholders in the longer term. As a result, the company's reported financial results obscured to some degree what was perhaps its best year ever. In addition, FPL Energy's performance was stronger than may be apparent because it was achieved despite a year of below-average wind resources, which negatively impacts the performance of its wind fleet.

Foremost among the items affecting FPL Energy's reported earnings was the restructuring of a steam contract related to the Marcus Hook power facility in Pennsylvania, which resulted in a charge against earnings of $48 million after tax. The transaction is expected to improve both cash flow and net income going forward. The 744-megawatt plant, which entered service at the end of 2004, was the company's last fossil-fueled merchant facility under construction.

FPL Energy has a proven record of accomplishment in contract restructurings and, as market conditions change, it seeks out opportunities to modify or restructure existing power sales or fuel contracts. In 2004, the restructuring of a power and gas contract allowed FPL Energy to reduce operating costs. This is expected to

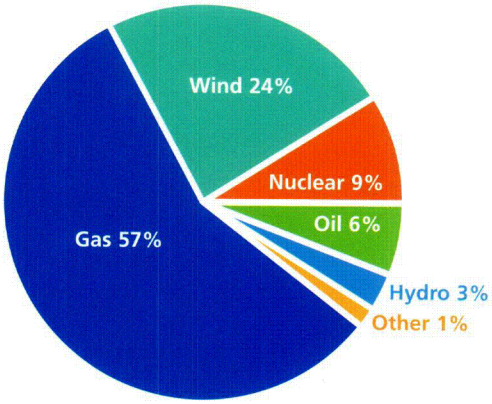
GROWING ADJUSTED EARNINGS PER SHARE CONTRIBUTION AT FPL ENERGY*



** Per share information reflects the effect of the two-for-one stock split, effective March 15, 2005, of FPL Group's common stock. See page 21 for reconciliation of earnings per share to adjusted earnings per share.*

C07

DIVERSIFIED PORTFOLIO PROVIDES BALANCE
11,520 net megawatts in operation at 12/31/04



provide the company with significant positive financial benefits for many years to come.

Effective portfolio management and a continuous evaluation of assets also are important factors in FPL Energy's success. This was reflected in 2004 with the sale of the company's 50 percent interest in the 566-megawatt Bastrop Energy Center in Texas and a waste wood power facility in Virginia.

More than 90 percent of the electricity generated by FPL Energy comes from clean-burning natural gas, nuclear power free from greenhouse gas emissions, and renewable sources including wind, hydro and solar. The company further solidified its position as one of America's leading clean energy providers in January of 2005 with the purchase of a 45 percent ownership interest in 150 megawatts of solar power generation in California. The acquisition makes FPL Energy the largest generator of solar power in the U.S. with 310 megawatts.

Wind continues to drive success

As the nation's leader in wind power, FPL Energy owns and operates wind facilities in 15 states with a capacity of more than 2,700 megawatts of electricity, or about 40 percent of the U.S. wind energy market. At the end of 2004, wind power accounted for nearly one-fourth of FPL Energy's generating capacity.

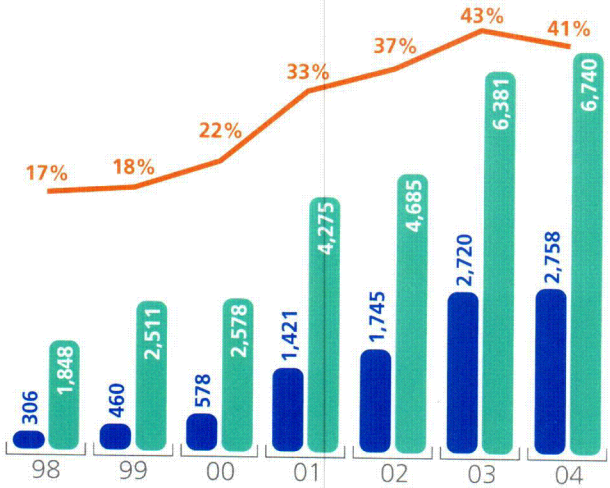
FPL Energy added 39 net-megawatts to its wind portfolio in 2004 after a repowering added 12 net-megawatts in the Altamont region of California and a 27-megawatt acquisition in West Texas. The delay of the extension of the Wind Production Tax Credit (PTC) put much of the wind industry on hold in 2004. However, FPL Energy continued to build relationships with customers and seek contracts for wind energy to ensure that its pipeline of wind projects remained strong.

When the PTC was extended in October 2004, FPL Energy was well prepared to begin construction of approximately 220 megawatts of new wind facilities. These include the 114-megawatt Callahan Wind Energy Center, located outside of Abilene, Texas, and the 106.5-megawatt Weatherford Wind Energy Center in Oklahoma's Custer County.

The extension of the credit through the end of 2005 is expected to produce a large number of wind projects in the United States this year. Since 2000, FPL Energy has expanded its wind market share by adding an annual average of 545 megawatts, and the company is targeting between 250 and 750 megawatts of new wind generation in 2005.

In addition to FPL Energy's wind development activities in 2004, major projects were undertaken to

SIGNIFICANT MARKET SHARE IN U.S. WIND GENERATION
- FPL Energy *(megawatts)*
- Total industry *(megawatts)*
- FPL Energy market share *(percent)*



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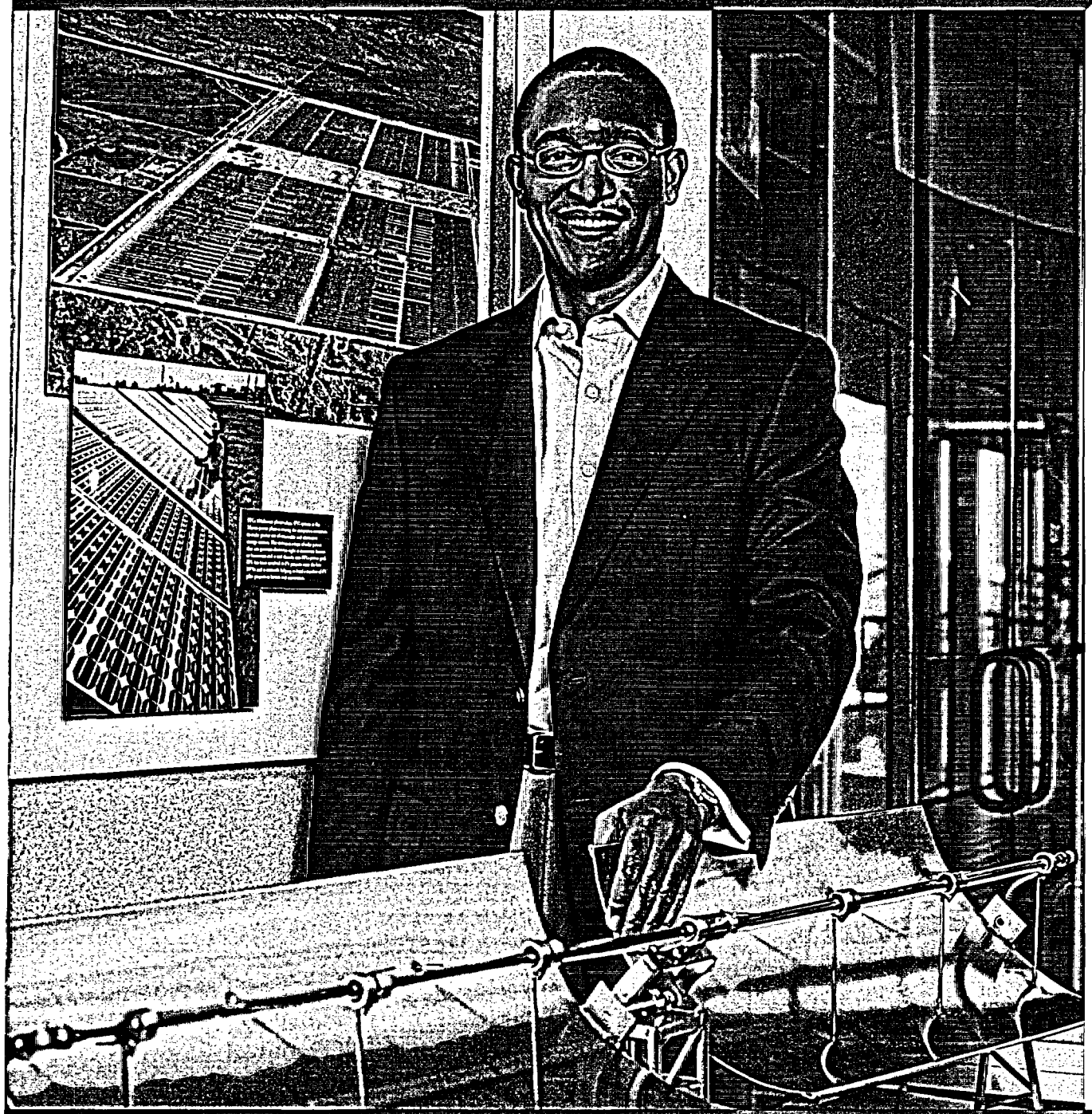
FPL Energy further solidified its position as one of America's leading clean energy providers in January 2005 with the purchase of a 45 percent ownership interest in 150 megawatts of solar power generation in California. An aggressive renewable portfolio standard mandates that all utilities in California generate or receive 20 percent of their output from renewable sources by the year 2017. The acquisition makes FPL Energy the largest generator of solar power in the U.S. with 310 megawatts.



Edouard MacGuffie, development director

improve the efficiency of the company's wind assets and to optimize their value. In addition to repowering, the projects included using surplus turbines and repositioning turbines to allow for greater long-term output.

Due to the company's regional diversity, it is not overly dependent on any particular geographic market segment. During 2004, 34 percent of the company's generation came from its Central Region, 25 percent from the Northeast, 24 percent from the Mid-Atlantic and 17 percent from the West.

Operating performance outstanding across the board

FPL Energy's operating performance across its highly diversified fleet continued to be among the best in the industry. The forced outage rates for the company's fossil and wind facilities were the best ever, and the Seabrook Nuclear Station in New Hampshire achieved an uninterrupted run of 416 days continuing through year-end.

Seabrook is a safe, reliable and cost-effective producer for FPL Energy, and its 2004 performance was especially noteworthy. The plant was available to operate 100.0 percent, up from 91.6 percent the previous year. It also earned a rating of 100 for overall plant performance from the World Association of Nuclear Operators for the third consecutive year, demonstrating sustained outstanding performance

Work also began during 2004 on a program designed to increase the capacity of the 1,024-megawatt Seabrook plant by nearly seven percent. The two-phase program is scheduled to be completed in 2006, and this should provide additional upside earnings potential.

Power marketing grows business

Adding to its outstanding operating performance, FPL Energy continued to expand its capabilities and product offerings to customers in 2004, allowing it to open up new markets and generate new sources of revenue. One of the growth areas for power marketing is "load-following" sales, in which FPL Energy is responsible for meeting the hourly variation in energy demands. After developing its load-following capability in the Northeast, FPL Energy applied its load-following expertise to the Texas market in 2004.

FPL Energy also continued to successfully hedge against commodity price fluctuations. The company's objective is to have roughly 75 percent of capacity hedged for the next 12 months. At the end of 2004, approximately 78 percent of FPL Energy's entire portfolio was hedged. More than 85 percent of the company's expected gross margin from its wholesale generation fleet is now protected against fuel and power market volatility.

Although improved in 2004, conditions in the overall wholesale energy market remain challenging, and the market rules guiding FPL Energy's actions in the regions where it operates continue to evolve. To ensure that the company's voice is heard on important market and regulatory matters, FPL Energy added significant regulatory resources in all of its major markets in 2004. Being more proactive in the regulatory environment has allowed the company to take aggressive steps to meet regulatory requirements while realizing significant savings.

FPL Energy's keys to success for 2005 and beyond are to continue to grow its wind business and remain a low-cost provider, while maintaining its world-class operational performance. In addition, the company remains focused on further optimizing its merchant portfolio and managing effectively, on a daily basis, the risks in its business.

Financial and Operating Statistics[1]

Years Ended December 31,	2004	2003	2002	2001	2000	1999	1994
FPL GROUP, INC. *(millions)*							
Operating Revenues	**$10,522**	$ 9,630	$ 8,173	$ 8,217	$ 6,920	$ 6,438	$ 5,423
Operating Expenses	**$ 9,050**	$ 8,099	$ 6,948	$ 6,808	$ 5,687	$ 5,518	$ 4,274
Operating Income	**$ 1,472**	$ 1,531	$ 1,225	$ 1,409	$ 1,233	$ 920	$ 1,148
Net Income	**$ 887**[2]	$ 890[3]	$ 473[4]	$ 781[5]	$ 704[6]	$ 697[7]	$ 519
Total Assets[8]	**$28,333**	$26,935	$23,185	$20,713	$18,355	$16,220	$12,618
Long-Term Debt[9]	**$ 8,027**	$ 8,723	$ 5,790	$ 4,858	$ 3,976	$ 3,478	$ 3,864
FLORIDA POWER & LIGHT COMPANY							
Operating Revenues *(millions)*	**$ 8,734**	$ 8,293	$ 7,378	$ 7,477	$ 6,361	$ 6,057	$ 5,343
Fuel, Purchased Power and Interchange *(millions)*	**$ 4,467**	$ 4,047	$ 3,306	$ 3,495	$ 2,511	$ 2,232	$ 1,715
Earnings Per Share *(assuming dilution)*	**$ 2.07**	$ 2.06	$ 2.07	$ 2.01	$ 1.78	$ 1.68	$ 1.48
Adjustments:							
Settlement of Litigation	—	—	—	—	—	0.12	—
Merger-Related Expenses	—	—	—	0.05	0.11	—	—
Adjusted Earnings Per Share	**$ 2.07**	$ 2.06	$ 2.07	$ 2.06	$ 1.89	$ 1.80	$ 1.48
Energy Sales *(kwh – millions)*	**103,635**	103,202	98,605	93,488	91,969	88,067	77,096
Customer Accounts — Average *(thousands)*	**4,225**	4,117	4,020	3,935	3,848	3,756	3,422
Peak Load, Winter *(mw 60-minute)*[10]	**18,108**	15,989	20,190	17,585	18,219	17,057	16,563
Peak Load, Summer *(mw 60-minute)*	**20,545**	19,668	19,219	18,754	17,808	17,615	15,179
Reserve Margin *(summer peak, %)*[11]	**19**	18	16	14	13	14	26
Total Capability *(mw)*[11]	**22,412**	22,197	20,938	18,871	19,069	18,649	18,146
FPL ENERGY[12]							
Operating Revenues *(millions)*	**$ 1,705**	$ 1,252	$ 691	$ 611	$ 612	$ 323	
Operating Expenses *(millions)*	**$ 1,541**	$ 1,059	$ 707	$ 487	$ 514	$ 426	
Earnings (Loss) Per Share *(assuming dilution)*	**$ 0.48**	$ 0.54	$ (0.49)	$ 0.33	$ 0.24	$ (0.13)	
Adjustments:							
Impairment Loss	—	—	—	—	—	0.30	
Cumulative Effect of Change in Accounting Principle (FAS 142)	—	—	0.64	—	—	—	
Restructuring and Other Charges	—	—	0.21	—	—	—	
Cumulative Effect of Change in Accounting Principle (FIN 46)	—	0.01	—	—	—	—	
Net Unrealized Mark-to-Market Losses (Gains) Associated with Non-Qualifying Hedges	**0.01**	(0.06)	—	(0.02)	—	—	
Adjusted Earnings Per Share	**$ 0.49**	$ 0.49	$ 0.36	$ 0.31	$ 0.24	$ 0.17	
Total Capability *(mw)*[13]	**11,520**	11,041	7,250	5,063	4,110	3,004	
COMMON STOCK DATA							
Weighted-Average Shares Outstanding *(assuming dilution – millions)*	**362**	356	347	338	340	343	356
Earnings Per Share *(assuming dilution)*							
Earnings Per Share Before Cumulative Effect of Changes in Accounting Principles	**$ 2.45**[2]	$ 2.51[14]	$ 2.01[15]	$ 2.31[5]	$ 2.07[6]	$ 2.03[7]	$ 1.46
Cumulative Effect of Changes in Accounting Principles (FIN 46, FAS 142)	—	(0.01)	(0.64)	—	—	—	—
Earnings Per Share	**$ 2.45**[2]	$ 2.50[3]	$ 1.37[4]	$ 2.31[5]	$ 2.07[6]	$ 2.03[7]	$ 1.46
Dividends Paid Per Share	**$ 1.30**	$ 1.20	$ 1.16	$ 1.12	$ 1.08	$ 1.04	$ 0.94
Book Value Per Share *(year end)*	**$ 20.83**	$ 19.51	$ 18.11	$ 17.80	$ 16.61	$ 15.74	$ 11.91
Market Price Per Share *(year end)*	**$ 37.38**	$ 32.71	$ 30.07	$ 28.20	$ 35.88	$ 21.41	$ 17.57
Market Price Per Share *(high – low)*	**$38.05-30.10**	$34.04-26.78	$32.66-22.50	$35.82-25.61	$36.50-18.19	$30.97-20.57	$19.57-13.44

(1) The per share and share information reflect the effect of the two-for-one stock split, effective March 15, 2005, of FPL Group's common stock.

(2) Includes net unrealized mark-to-market losses associated with non-qualifying hedges.

(3) Includes the cumulative effect of an accounting change and net unrealized mark-to-market gains associated with non-qualifying hedges.

(4) Includes the cumulative effect of an accounting change, impairment and restructuring charges, charges related to certain wind projects and leveraged leases, a favorable settlement of litigation with the Internal Revenue Service (IRS) and net unrealized mark-to-market gains associated with non-qualifying hedges.

(5) Includes merger-related expenses and net unrealized mark-to-market gains associated with non-qualifying hedges.

(6) Includes merger-related expenses.

(7) Includes effects of gains on divestiture of cable investments, impairment loss and litigation settlement.

(8) Reflects the adoption of FAS 142 in January 2002 and FIN 46 in July 2003.

(9) Excludes current maturities. Reflects the adoption of FIN 46 in July 2003.

(10) Winter season includes November and December of the current year and January to March of the following year.

(11) Represents installed capability plus purchased power. Reserve margin is based on peak load net of load management.

(12) FPL Energy was formed in January 1998 as a subsidiary of FPL Group Capital Inc.

(13) Consists of ownership interests in operating independent power projects and, in 2002, includes 550 megawatts of leased capacity.

(14) Includes net unrealized mark-to-market gains associated with non-qualifying hedges.

(15) Includes impairment and restructuring charges, charges related to certain wind projects and leveraged leases, a favorable settlement of litigation with the IRS and net unrealized mark-to-market gains associated with non-qualifying hedges.

Condensed Consolidated Statements of Income

Years Ended December 31, *(millions, except per share amounts)*	2004	2003	2002
OPERATING REVENUES	$10,522	$9,630	$8,173
OPERATING EXPENSES			
Fuel, purchased power and interchange	5,217	4,539	3,576
Other operations and maintenance	1,672	1,626	1,492
Restructuring and impairment charges	81	—	207
Depreciation and amortization	1,198	1,105	952
Taxes other than income taxes	882	829	721
Total operating expenses	9,050	8,099	6,948
OPERATING INCOME	1,472	1,531	1,225
OTHER INCOME (DEDUCTIONS)			
Interest charges	(489)	(379)	(311)
Preferred stock dividends — FPL	—	(13)	(15)
Loss on redemption of preferred stock — FPL	—	(9)	—
Reserve for leveraged leases	—	—	(48)
Equity in earnings of equity method investees	94	89	76
Allowance for equity funds used during construction	37	14	—
Other — net	40	28	12
Total other deductions — net	(318)	(270)	(286)
INCOME FROM OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,154	1,261	939
INCOME TAXES	267	368	244
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	887	893	695
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES			
FAS 142, "Goodwill and Other Intangible Assets," net of income taxes of $143	—	—	(222)
FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," net of income taxes of $2	—	(3)	—
NET INCOME	$ 887	$ 890	$ 473
Earnings per share of common stock[1]:			
Earnings per share before cumulative effect of changes in accounting principles	$ 4.95	$ 5.03	$ 4.02
Cumulative effect of changes in accounting principles	$ —	$ (0.02)	$ (1.28)
Earnings per share	$ 4.95	$ 5.01	$ 2.74
Earnings per share of common stock — assuming dilution[1]:			
Earnings per share before cumulative effect of changes in accounting principles	$ 4.91	$ 5.02	$ 4.01
Cumulative effect of changes in accounting principles	$ —	$ (0.02)	$ (1.28)
Earnings per share	$ 4.91	$ 5.00	$ 2.73
Dividends per share of common stock[1]	$ 2.60	$ 2.40	$ 2.32
Weighted-average number of common shares outstanding[1]:			
Basic	179.3	177.5	172.9
Assuming dilution	180.8	178.2	173.3

(1) The per share and share information do not reflect the effect of the two-for-one stock split, effective March 15, 2005, of FPL Group's common stock.

Condensed Consolidated Balance Sheets

December 31, *(millions)*	2004	2003
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	$29,721	$28,445
Nuclear fuel	504	463
Construction work in progress	1,495	1,364
Less accumulated depreciation and amortization	(10,494)	(9,975)
Total property, plant and equipment — net	21,226	20,297
CURRENT ASSETS		
Cash and cash equivalents	225	129
Customer receivables, net of allowances of $37 and $25, respectively	785	809
Other receivables	259	379
Materials, supplies and fossil fuel inventory — at average cost	394	458
Regulatory assets:		
Deferred clause and franchise expenses	230	348
Storm reserve deficiency	163	—
Derivatives	9	—
Derivative assets	110	188
Other	352	159
Total current assets	2,527	2,470
OTHER ASSETS		
Special use funds	2,271	2,248
Other investments	740	810
Regulatory assets:		
Storm reserve deficiency	373	—
Unamortized loss on reacquired debt	45	48
Litigation settlement	45	89
Other	38	22
Other	1,068	951
Total other assets	4,580	4,168
TOTAL ASSETS	$28,333	$26,935
CAPITALIZATION		
Common shareholders' equity	$ 7,537	$ 6,967
Preferred stock of FPL without sinking fund requirements	—	5
Long-term debt	8,027	8,723
Total capitalization	15,564	15,695
CURRENT LIABILITIES		
Commercial paper	492	708
Notes payable	—	212
Current maturities of long-term debt and preferred stock	1,225	367
Accounts payable	762	542
Customers' deposits	400	357
Accrued interest and taxes	227	226
Regulatory liabilities:		
Deferred clause and franchise revenues	30	48
Derivatives	—	93
Other	1,112	852
Total current liabilities	4,248	3,405
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	2,207	2,086
Accumulated deferred income taxes	2,685	2,103
Regulatory liabilities:		
Accrued asset removal costs	2,012	1,902
Storm and property insurance reserve	—	327
Asset retirement obligation regulatory expense difference	266	180
Unamortized investment tax credits	81	100
Other	106	160
Other	1,164	977
Total other liabilities and deferred credits	8,521	7,835
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$28,333	$26,935

Condensed Consolidated Statements of Cash Flows

Years Ended December 31, *(millions)*	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 887	$ 890	$ 473
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,153	1,060	908
Nuclear fuel amortization	93	58	—
Cumulative effect of changes in accounting principles	—	5	365
Storm-related costs of FPL, net of insurance advances	(627)	—	—
Restructuring and impairment charges	33	—	207
Deferred income taxes and related regulatory credit	428	588	219
Cost recovery clauses and franchise fees	144	(186)	135
Equity in earnings of equity method investees	(94)	(89)	(76)
Distribution of earnings from equity method investees	83	68	96
Changes in operating assets and liabilities:			
Restricted cash	24	(22)	232
Customer receivables	23	(161)	(6)
Other receivables	16	2	15
Material, supplies and fossil fuel inventory	29	1	(56)
Other current assets	(10)	(18)	(86)
Deferred pension cost	(101)	(123)	(63)
Accounts payable	220	104	(15)
Customers' deposits	42	41	31
Income taxes	108	(142)	(95)
Interest and other taxes	(2)	57	9
Other current liabilities	80	90	2
Other liabilities	65	(55)	(32)
Other — net	56	86	75
Net cash provided by operating activities	2,650	2,254	2,338
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures of FPL	(1,394)	(1,383)	(1,256)
Nuclear fuel purchases	(141)	(42)	—
Independent power investments	(476)	(1,461)	(2,103)
Sale of independent power investments	93	—	—
Capital expenditures of FPL FiberNet, LLC	(6)	(8)	(21)
Contributions to special use funds	(148)	(173)	(86)
Reimbursements from special use funds	218	—	—
Sale of Olympus note receivable	126	—	—
Funding of secured loan	(128)	(47)	—
Other — net	(16)	25	199
Net cash used in investing activities	(1,872)	(3,089)	(3,267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	569	2,995	1,770
Retirements of long-term debt	(432)	(431)	(797)
Retirements of preferred stock — FPL	—	(228)	—
Net change in short-term debt	(423)	(1,238)	214
Issuances of common stock	110	73	378
Dividends on common stock	(467)	(425)	(400)
Other — net	(39)	(48)	(52)
Net cash provided by (used in) financing activities	(682)	698	1,113
Net increase (decrease) in cash and cash equivalents	96	(137)	184
Cash and cash equivalents at beginning of year	129	266	82
Cash and cash equivalents at end of year	$ 225	$ 129	$ 266
Supplemental Disclosures of Cash Flow Information			
Cash paid for interest (net of amount capitalized)	$ 460	$ 342	$ 311
Cash received for income taxes — net	$ 254	$ 77	$ 9
Supplemental Schedule of Noncash Investing and Financing Activities			
Additions to capital lease obligations	$ —	$ 41	$ 74
Accrual for premium on publicly-traded equity units known as Corporate Units	$ —	$ —	$ 111
Additions to debt through the adoption of FIN 46	$ —	$ 515	$ —
Additions to property, plant and equipment — net through the adoption of FIN 46	$ —	$ 346	$ —

Condensed Consolidated Statements of Common Shareholders' Equity

(millions)	Common Stock[1] Shares	Common Stock[1] Aggregate Par Value	Additional Paid-In Capital	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)[2]	Retained Earnings	Common Shareholders' Equity
Balances, December 31, 2001	176	$2	$3,025	$(211)	$(8)	$3,207	
Net income	—	—	—	—	—	473	
Issuances of common stock, net of issuance cost of $10	7	—	378	—	—	—	
Exercise of stock options and other incentive plan activity	—	—	5	—	—	—	
Dividends on common stock	—	—	—	—	—	(400)	
Earned compensation under ESOP	—	—	16	16	—	—	
Premium on publicly-traded equity units known as Corporate Units	—	—	(111)	—	—	—	
Unamortized issuance cost on publicly-traded equity units known as Corporate Units	—	—	(29)	—	—	—	
Other comprehensive income	—	—	—	—	24	—	
Other	—	—	—	3	—	—	
Balances, December 31, 2002	183[3]	2	3,284	(192)	16	3,280	$6,390
Net income	—	—	—	—	—	890	
Issuances of common stock, net of issuance cost of less than $1	1	—	73	—	—	—	
Exercise of stock options and other incentive plan activity	—	—	20	—	—	—	
Dividends on common stock	—	—	—	—	—	(425)	
Earned compensation under ESOP	—	—	18	16	—	—	
Other comprehensive loss	—	—	—	—	(12)	—	
Other	—	—	2	(5)	—	—	
Balances, December 31, 2003	184[3]	2	3,397	(181)	4	3,745	$6,967
Net income	—	—	—	—	—	887	
Issuances of common stock, net of issuance cost of less than $1	1	—	83	—	—	—	
Exercise of stock options and other incentive plan activity	1	—	77	—	—	—	
Dividends on common stock	—	—	—	—	—	(467)	
Earned compensation under ESOP	—	—	21	16	—	—	
Other comprehensive loss	—	—	—	—	(50)	—	
Other	—	—	1	2	—	—	
Balances, December 31, 2004	186[3]	$2	$3,579	$(163)	$ (46)	$4,165	$7,537

(1) $0.01 par value, authorized — 400,000,000 shares at December 31, 2004 and 300,000,000 shares at December 31, 2003 and 2002; outstanding 186,175,878, 184,264,127 and 182,754,905 at December 31, 2004, 2003 and 2002, respectively. The share information does not reflect the effect of the two-for-one stock split, effective March 15, 2005, of FPL Group's common stock. In addition, FPL Group's authorized common stock will increase from 400,000,000 to 800,000,000 shares.

(2) Comprehensive income, which includes net income and other comprehensive income (loss), totaled approximately $837 million, $878 million and $497 million for 2004, 2003 and 2002, respectively.

(3) Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled approximately 5 million, 6 million and 6 million at December 31, 2004, 2003 and 2002, respectively.

Management's Report on Internal Control Over Financial Reporting

FPL Group, Inc.'s (FPL Group) management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The consolidated financial statements, which in part are based on informed judgments and estimates made by management, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

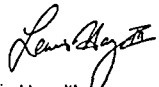
To aid in carrying out this responsibility, we, along with all other members of management, maintain a system of internal accounting control which is established after weighing the cost of such controls against the benefits derived. In the opinion of management, the overall system of internal accounting control provides reasonable assurance that the assets of FPL Group and its subsidiaries are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded for the preparation of financial statements. In addition, management believes the overall system of internal accounting control provides reasonable assurance that material errors or irregularities would be prevented or detected on a timely basis by employees in the normal course of their duties. Any system of internal accounting control, no matter how well designed, has inherent limitations, including the possibility that controls can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation and reporting.

The system of internal accounting control is supported by written policies and guidelines, the selection and training of qualified employees, an organizational structure that provides an appropriate division of responsibility and a program of internal auditing. FPL Group's written policies include a Code of Business Conduct & Ethics that states management's policy on conflict of interest and ethical conduct. Compliance with the Code of Business Conduct & Ethics is confirmed annually by key personnel.

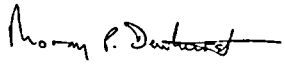
The Board of Directors pursues its oversight responsibility for financial reporting and accounting through its Audit Committee. This Committee, which is comprised entirely of outside directors, meets regularly with management, the internal auditors and the independent auditors to make inquiries as to the manner in which the responsibilities of each are being discharged. The independent auditors and the internal audit staff have free access to the Committee without management's presence to discuss auditing, internal accounting control and financial reporting matters.

Management assessed the effectiveness of FPL Group's internal control over financial reporting as of December 31, 2004, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the Internal Control — Integrated Framework and also the standards of the Public Company Accounting Oversight Board. Based on this assessment, management believes that FPL Group's internal control over financial reporting was effective as of December 31, 2004.

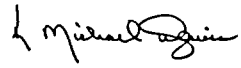
FPL Group's independent registered public accounting firm, Deloitte & Touche LLP, is engaged to express an opinion on FPL Group's consolidated financial statements and an opinion on FPL Group's internal control over financial reporting. Their reports are based on procedures believed by them to provide a reasonable basis to support such opinions. FPL Group's independent registered public accounting firm has issued an attestation report on management's assessment of FPL Group's internal control over financial reporting. That report appears in Appendix A to the 2005 proxy statement.



Lewis Hay, III
Chairman, President and Chief Executive Officer



Moray P. Dewhurst
Vice President, Finance and Chief Financial Officer



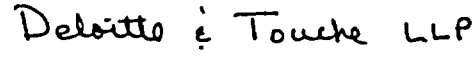
K. Michael Davis
Controller and Chief Accounting Officer

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF FPL GROUP, INC.:

We have audited the consolidated balance sheets of FPL Group, Inc. and subsidiaries (FPL Group) as of December 31, 2004 and 2003, and the related consolidated statements of income, common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. We also have audited management's assessment of the effectiveness of FPL Group's internal control over financial reporting and the effectiveness of FPL Group's internal control over financial reporting as of December 31, 2004. Such consolidated financial statements, management's assessment of the effectiveness of FPL Group's internal control over financial reporting and our reports thereon dated February 24, 2005, expressing unqualified opinions and including explanatory paragraphs relating to FPL Group's changes in 2003 in its methods of accounting for special-purpose entities and for asset retirement obligations and change in 2002 in its method of accounting for goodwill (which are not included herein) are included in Appendix A to the proxy statement for the 2005 annual meeting of shareholders. The accompanying condensed consolidated financial statements are the responsibility of FPL Group's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2004 and 2003, and the related condensed consolidated statements of income, common shareholders' equity, and of cash flows for each of the three years in the period ended December 31, 2004, is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.



DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 24, 2005

Safe Harbor Statement

CAUTIONARY STATEMENTS AND RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

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

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

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

- FPL Group is subject to changes in laws or regulations, including the Public Utility Regulatory Policies Act of 1978, as amended, and the Public Utility Holding Company Act of 1935, as amended, changing governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission, the Florida Public Service Commission (FPSC) and the utility commissions of other states in which FPL Group has operations, and the U.S. Nuclear Regulatory Commission, with respect to, among other things, allowed rates of return, industry and rate structure, operation of nuclear power facilities, operation and construction of plant facilities, operation and construction of transmission facilities, acquisition, disposal, depreciation and amortization of assets and facilities, recovery of fuel and purchased power costs, decommissioning costs, return on common equity and equity ratio limits, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs). The FPSC has the authority to disallow recovery by FPL of costs that it considers excessive or imprudently incurred.
- The regulatory process generally restricts FPL's ability to grow earnings and does not provide any assurance as to achievement of earnings levels.
- FPL Group is subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, wildlife mortality, natural resources and health and safety that could, among other things, restrict or limit the output of certain facilities or the use of certain fuels required for the production of electricity and/or require additional pollution control equipment and otherwise increase costs. There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations, and those costs could be even more significant in the future.
- FPL Group operates in a changing market environment influenced by various legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the energy industry, including deregulation of the production and sale of electricity. FPL Group and its subsidiaries will need to adapt to these changes and may face increasing competitive pressure.
- FPL Group's results of operations could be affected by their ability to renegotiate franchise agreements with municipalities and counties in Florida.
- The operation of power generation facilities involves many risks, including start up risks, breakdown or failure of equipment, transmission lines or pipelines, use of new technology, the dependence on a specific fuel source or the impact of unusual or adverse weather conditions (including natural disasters such as hurricanes), as well as the risk of performance below expected or contracted levels of output or efficiency. This could result in lost revenues and/or increased expenses. Insurance, warranties or performance guarantees may not cover any or all of the lost revenues or increased expenses, including the cost of replacement power. In addition to these risks, FPL Group's nuclear units face certain risks that are unique to the nuclear industry including the ability to store and/or dispose of spent nuclear fuel, as well as additional regulatory actions up to and including shutdown of the units stemming from public safety concerns, whether at FPL Group's plants, or at the plants of other nuclear operators. Breakdown or failure of an FPL Energy operating facility may prevent the facility from performing under applicable power sales agreements which, in certain situations, could result in termination of the agreement or incurring a liability for liquidated damages.
- FPL Group's ability to successfully and timely complete their power generation facilities currently under construction, those projects yet to begin construction or capital improvements to existing facilities is contingent upon many variables and subject to substantial risks. Should any such efforts be unsuccessful, FPL Group could be subject to additional costs, termination payments under committed contracts, and/or the write-off of their investment in the project or improvement.
- FPL Group uses derivative instruments, such as swaps, options, futures and forwards to manage their commodity and financial market risks, and to a lesser extent, engage in limited trading activities. FPL Group could recognize financial losses as a result of volatility in the market values of these contracts, or if a counterparty fails to perform. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these derivative instruments involves management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. In addition, FPL's use of such instruments could be subject to prudency challenges and if found imprudent, cost recovery could be disallowed by the FPSC.
- There are other risks associated with FPL Group's non-rate regulated businesses, particularly FPL Energy. In addition to risks discussed elsewhere, risk factors specifically affecting FPL Energy's success in competitive wholesale markets include the ability to efficiently develop and operate generating assets, the successful and timely completion of project restructuring activities, maintenance of the qualifying facility status of certain projects, the price and supply of fuel, transmission constraints, competition from new sources of generation, excess generation capacity and demand for power. There can be significant volatility in market prices for fuel and electricity, and there are other financial, counterparty and market risks that are beyond the control of FPL Energy. FPL Energy's inability or failure to effectively hedge its assets or positions against changes in commodity prices, interest rates, counterparty credit risk or other risk measures could significantly impair FPL Group's future financial results. In keeping with industry trends, a portion of FPL Energy's power generation facilities operate wholly or partially without long-term power purchase agreements. As a result, power from these facilities is sold on the spot market or on a short-term contractual basis, which may affect the volatility of FPL Group's financial results. In addition, FPL Energy's business depends upon transmission facilities owned and operated by others; if transmission is disrupted or capacity is inadequate or unavailable, FPL Energy's ability to sell and deliver its wholesale power may be limited.
- FPL Group is likely to encounter significant competition for acquisition opportunities that may become available as a result of the consolidation of the power industry. In addition, FPL Group may be unable to identify attractive acquisition opportunities at favorable prices and to successfully and timely complete and integrate them.
- FPL Group relies on access to capital markets as a significant source of liquidity for capital requirements not satisfied by operating cash flows. The inability of FPL Group and its subsidiaries to maintain their current credit ratings could affect their ability to raise capital on favorable terms, particularly during times of uncertainty in the capital markets which, in turn, could impact FPL Group's ability to grow their businesses and would likely increase interest costs.
- FPL Group's results of operations are affected by changes in the weather. Weather conditions directly influence the demand for electricity and natural gas and affect the price of energy commodities, and can affect the production of electricity at wind and hydro-powered facilities. In addition, severe weather can be destructive, causing outages and/or property damage, which could require additional costs to be incurred.
- FPL Group is subject to costs and other effects of legal and administrative proceedings, settlements, investigations and claims, as well as the effect of new, or changes in, tax laws, rates or policies, rates of inflation, accounting standards, securities laws or corporate governance requirements.
- FPL Group is subject to direct and indirect effects of terrorist threats and activities. Generation and transmission facilities, in general, have been identified as potential targets. The effects of terrorist threats and activities include, among other things, terrorist actions or responses to such actions or threats, the inability to generate, purchase or transmit power, the risk of a significant slowdown in growth or a decline in the United States economy, delay in economic recovery in the United States, and the increased cost and adequacy of security and insurance.
- FPL Group's ability to obtain insurance, and the cost of and coverage provided by such insurance, could be affected by national, state or local events as well as company-specific events.
- FPL Group is subject to employee workforce factors, including loss or retirement of key executives, availability of qualified personnel, collective bargaining agreements with union employees or work stoppage.

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

Board of Directors

Listed in order of appearance in photo, from left

H. Jesse Arnelle
Of Counsel, Womble, Carlyle, Sandridge & Rice (law firm) *Director since 1990. Member finance & investment committee, governance & nominating committee.*

Michael H. Thaman
Chairman and Chief Financial Officer, Owens Corning (manufacturer) *Director since 2003. Member finance & investment committee.*

Lewis Hay, III
Chairman, President and Chief Executive Officer, FPL Group, Inc. *Director since 2001. Chairman executive committee.*

J. Hyatt Brown
Chairman and Chief Executive Officer, Brown & Brown, Inc. (insurance broker) *Director since 1989. Chairman compensation committee. Member audit committee, executive committee.*

Robert M. Beall, II
Chairman and Chief Executive Officer, Beall's, Inc. (department stores) *Director since 1989. Chairman audit committee. Member governance & nominating committee, executive committee.*

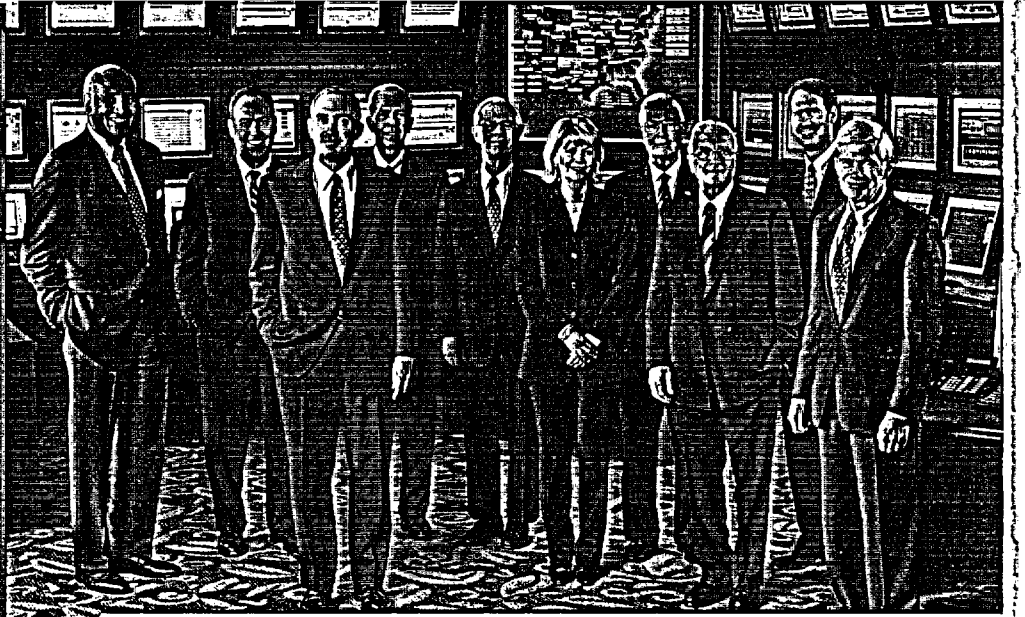
Sherry S. Barrat
Chairman and Chief Executive Officer, Northern Trust Bank of California N.A. (commercial bank) *Director since 1998. Member audit committee, governance & nominating committee, compensation committee.*

Paul R. Tregurtha
Chairman and Chief Executive Officer, Mormac Marine Group, Inc. (maritime shipping company) *Director since 1989. Chairman, governance & nominating committee. Member compensation committee, finance & investment committee, executive committee.*

Frank G. Zarb
Chairman, Frank Zarb Associates, LLC (consulting firm to the financial industry) Retired Chairman and Chief Executive Officer, National Association of Securities Dealers, Inc. (NASD) *Director since 2002. Member compensation committee, audit committee, finance & investment committee.*

James L. Camaren
Chairman and Chief Executive Officer, Utilities, Inc. (water utilities) *Director since 2002. Member compensation committee, finance & investment committee, governance & nominating committee.*

Frederic V. Malek
Chairman, Thayer Capital Partners (merchant bank) Formerly President and Vice Chairman, Northwest Airlines, Inc. *Director since 1987. Chairman finance & investment committee. Member executive committee, audit committee.*



Our board of directors appear in FPL Group's Fleet Performance and Diagnostic Center. See page 16 for more information about this high-tech facility.

Officers

FPL GROUP, INC.

Lewis Hay, III
Chairman, President and Chief Executive Officer

Moray P. Dewhurst
Vice President, Finance and Chief Financial Officer

Edward F. Tancer
Vice President & General Counsel

Robert H. Escoto
Vice President, Human Resources

Paul I. Cutler
Treasurer

K. Michael Davis
Controller and Chief Accounting Officer

James P. Higgins
Vice President, Tax

Robert L. McGrath
Vice President, Engineering, Construction & Corporate Services

Mary Lou Kromer
Vice President, Corporate Communications

FLORIDA POWER & LIGHT COMPANY

Lewis Hay, III
Chairman and Chief Executive Officer

Armando J. Olivera
President

Moray P. Dewhurst
Senior Vice President, Finance and Chief Financial Officer

Edward F. Tancer
Senior Vice President & General Counsel

Robert H. Escoto
Senior Vice President, Human Resources

Robert L. McGrath
Senior Vice President, Engineering, Construction & Corporate Services

Antonio Rodriguez
Senior Vice President, Power Generation Division

John A. Stall
Senior Vice President, Nuclear Division

FPL ENERGY, LLC

Lewis Hay, III
Chairman and Chief Executive Officer

James L. Robo
President

Michael L. Leighton
Senior Vice President and Chief Operating Officer

Mark Maisto
President, Power Marketing, Inc.

Michael O'Sullivan
Senior Vice President, Development

Mark R. Sorensen
Vice President, Finance and Chief Financial Officer

FPL FIBERNET, LLC

TJ Tuscai
President

COMMUNICATIONS WITH THE BOARD: Shareholders may communicate directly with any of the company's directors, including the presiding director, by writing to them c/o FPL Group, Inc., P.O. Box 14000, Juno Beach, FL 33408-0420. Communications intended for the non-management directors should be directed to the presiding director. Employees and others who wish to contact the board or any member of the audit committee to report complaints or concerns with respect to accounting, internal accounting controls or auditing matters, may do so anonymously using this address.

Investor Information

CORPORATE OFFICES
FPL Group, Inc.
700 Universe Blvd.
Juno Beach, FL 33408-0420

EXCHANGE LISTINGS
Common Stock
New York Stock Exchange
Ticker Symbol: FPL

Corporate Unit
New York Stock Exchange
Ticker Symbol: FPLPrB

NEWSPAPER LISTING
Common Stock: FPL Gp
Corporate Unit: FPL Gp (FPLPrB)

REGISTRAR, TRANSFER AND PAYING AGENTS
FPL Group Common Stock
FPL Group, Inc.
c/o Computershare Investor Services
2 N. LaSalle Street
Chicago, IL 60602
(888) 218-4392

Florida Power & Light Co.
First Mortgage Bonds
Deutsche Bank
Corporate Trust & Agency Group
648 Grassmere Park Road
Nashville, TN 37211
(800) 735-7777

FPL Group Capital Debentures
Bank of New York
Corporate Trust Operations
111 Sanders Creek Parkway
East Syracuse, NY 13057
(800) 254-2826

CERTIFICATIONS
FPL Group has included as Exhibits 31(a) and (b) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of FPL Group certifying the quality of FPL Group's public disclosure, and FPL Group has submitted to the New York Stock Exchange a certificate of the chief executive officer of FPL Group certifying that he is not aware of any violation by FPL Group of New York Stock Exchange corporate governance listing standards.

SHAREHOLDER INQUIRIES
Communications concerning transfer requirements, lost certificates, dividend checks, address changes, stock accounts and the dividend reinvestment plan should be directed to **Computershare: (888) 218-4392 or www.computershare.com**

Other shareholder communications to:
Shareholder Services
(800) 222-4511 or (561) 694-4694
(561) 694-4718 (Fax)

DIRECT DEPOSIT OF DIVIDENDS
Cash dividends may be deposited directly to personal accounts at financial institutions. Call Computershare for authorization forms.

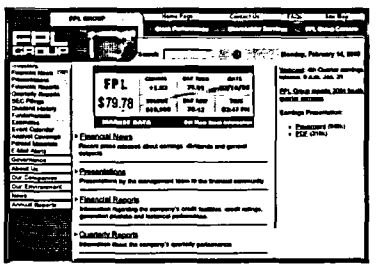
DIVIDEND REINVESTMENT PLAN
FPL Group offers a plan for holders of common stock to reinvest their dividends or make optional cash payments for the purchase of additional common stock. Enrollment materials may be obtained by calling Computershare or by accessing www.computershare.com.

ELECTRONIC PROXY MATERIAL
Registered shareholders may receive proxy materials electronically by accessing **www.computershare.com/us/sc/fpl.** Beneficial shareholders should contact their brokerage firm to determine the availability of electronic proxy material distribution.

DUPLICATE MAILINGS
Financial reports must be mailed to each account unless you instruct us otherwise. If you wish to discontinue multiple mailings to your address, please call Computershare.

ANNUAL MEETING
May 20, 2005, 10 a.m.
FPL Group, Inc. Corporate Headquarters
700 Universe Boulevard
Juno Beach, FL

ONLINE INVESTOR INFORMATION
Visit our investor information site at **www.fplgroup.com/investors** to get stock quotes, earnings reports, financial releases, SEC filings and other news. You can also request and receive information via e-mail. Shareholders of record can receive secure online account access through a link to our transfer agent, Computershare.



SEC FILINGS
All Securities and Exchange Commission filings appear on our Web site at **www.fplgroup.com/investors.** Copies of SEC filings also are available without charge by writing to FPL Group, Shareholder Services.

NEWS AND FINANCIAL INFORMATION
Get the latest news and financial information about FPL Group by calling (866) FPL-NEWS. Besides hearing recorded announcements, you can request information to be sent via fax or mail.

ANALYST INQUIRIES
Investor Relations
(561) 694-4697
(561) 694-4718 (Fax)

NEWS MEDIA INQUIRIES
Media Relations
(305) 552-3888
(305) 552-2144 (Fax)

CERTIFIED PUBLIC ACCOUNTANTS
Deloitte & Touche LLP
200 S. Biscayne Boulevard, Suite 400
Miami, FL 33131-2310

Proposed 2005 Common Stock Dividend Dates*

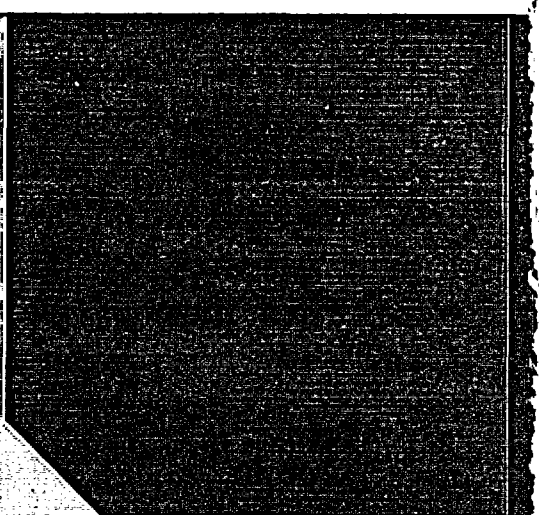
Declaration	Ex-Dividend	Record	Payment
February 18	March 2	March 4	March 15
May 20	June 1	June 3	June 15
July 29	August 24	August 26	September 15
October 14	November 22	November 25	December 15

Optional Cash Payment Dates

Qtr./Yr.	Acceptance begins	Must be received by
2nd/05	May 16	June 8
3rd/05	August 16	September 8
4th/05	November 15	December 8
1st/06	February 13	March 8

**Declaration of dividends and dates shown are subject to the discretion of the board of directors of FPL Group. Dates shown are based on the assumption that past patterns will prevail.*

FPL Group, Inc.
700 Universe Boulevard
Juno Beach, Florida 33408



Our cover depicts the massive restoration effort in southwestern Florida following Hurricane Charley, the first of three punishing storms that struck FPL's service territory in little more than a six-week period in 2004. The most destructive hurricane season in the company's history affected virtually every mile of our 27,000-square-mile service area, disrupting electric service to nearly 5.4 million homes and businesses. Our employees responded — not once, not twice, but three times — to restore power to record numbers of customers in record times.
See special report on pages 8 and 9.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2004**

OR

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

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**	59-0247775
	700 Universe Boulevard Juno Beach, Florida 33408 (561) 694-4000	

State or other jurisdiction of incorporation or organization: Florida

		Name of exchange on which registered
Securities registered pursuant to Section 12(b) of the Act:		
FPL Group, Inc.:	Common Stock, $0.01 Par Value and Preferred Share Purchase Rights	New York Stock Exchange
	8% Corporate Units	New York Stock Exchange
Florida Power & Light Company:	None	

Securities registered pursuant to Section 12(g) of the Act:

FPL Group, Inc.: None

Florida Power & Light Company: None

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. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether FPL Group, Inc. is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes X No___

Indicate by check mark whether Florida Power & Light Company is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ___ No X

Aggregate market value of the voting stock of FPL Group, Inc. held by non-affiliates as of June 30, 2004 (based on the closing market price on the Composite Tape on June 30, 2004) was $11,815,429,818 (determined by subtracting from the number of shares outstanding on that date the number of shares held by directors and officers of FPL Group, Inc.).

There was no voting stock of Florida Power & Light Company held by non-affiliates as of June 30, 2004.

The number of shares outstanding of FPL Group, Inc. common stock, as of the latest practicable date: Common Stock, $0.01 par value, outstanding at January 31, 2005: 186,322,751 shares.

As of January 31, 2005, 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.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of FPL Group, Inc.'s Proxy Statement for the 2005 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

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

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

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DEFINITIONS

Acronyms and defined terms used in the text include the following:

Term	Meaning
Adelphia	Adelphia Communications Corporation
AFUDC	allowance for funds used during construction
ASLB	Atomic Safety and Licensing Board
capacity clause	capacity cost recovery clause, as established by the FPSC
charter	restated articles of incorporation, as amended, of FPL Group or FPL, as the case may be
CRDM	control rod drive mechanism
DOE	U.S. Department of Energy
EMF	electric and magnetic fields
EMT	Energy Marketing & Trading
environmental clause	environmental compliance cost recovery clause, as established by the FPSC
ERCOT	Electric Reliability Council of Texas
EPA	U.S. Environmental Protection Agency
FAS	Statement of Financial Accounting Standards No.
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FGT	Florida Gas Transmission Company
FIN	FASB Interpretation No.
FMPA	Florida Municipal Power Agency
FPL	Florida Power & Light Company
FPL Energy	FPL Energy, LLC
FPL FiberNet	FPL FiberNet, LLC
FPL Group	FPL Group, Inc.
FPL Group Capital	FPL Group Capital Inc
FPSC	Florida Public Service Commission
fuel clause	fuel and purchased power cost recovery clause, as established by the FPSC
GridFlorida	GridFlorida LLC
Gulfstream	Gulfstream Natural Gas System, L.L.C.
Holding Company Act	Public Utility Holding Company Act of 1935, as amended
IARC	International Agency for Research on Cancer
IRS	Internal Revenue Service
ISO	independent system operator
kv	kilovolt
kwh	kilowatt-hour
LIBOR	London InterBank Offered Rate
MACT	Maximum Achievable Control Technology
MAIN	Mid-America Interconnected Network
Management's Discussion	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
MAPP	Mid-Continent Area Power Pool
mortgage	FPL's mortgage and deed of trust dated as of January 1, 1944, as supplemented and amended
mw	megawatt(s)
NEPOOL	New England Power Pool
NERC	North American Electric Reliability Council
Note ___	note ___ to consolidated financial statements
NRC	U.S. Nuclear Regulatory Commission
Nuclear Waste Policy Act	Nuclear Waste Policy Act of 1982
NYPP	New York Power Pool
Olympus	Olympus Communications, L.P.
O&M expenses	other operations and maintenance expenses in the consolidated statements of income
PFS	Private Fuel Storage, LLC
PJM	PJM Interconnection, L.L.C.
PMI	FPL Energy Power Marketing, Inc.
Public Counsel	State of Florida Office of Public Counsel
PURPA	Public Utility Regulatory Policies Act of 1978, as amended
qualifying facilities	non-utility power production facilities meeting the requirements of a qualifying facility under the PURPA
Reform Act	Private Securities Litigation Reform Act of 1995
RFP	request for proposal
ROE	return on common equity
RTO	regional transmission organization
Seabrook	Seabrook Station
SEC	U.S. Securities and Exchange Commission
SERC	Southeastern Electric Reliability Council
SPP	Southwest Power Pool
storm fund	storm and property insurance reserve fund
storm reserve	storm and property insurance reserve
VIE	variable interest entity
WECC	Western Electricity Coordinating Council
White Paper	White Paper on Wholesale Power Market Platform

CAUTIONARY STATEMENTS AND RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

In connection with the safe harbor provisions of the Reform Act, FPL Group and FPL are hereby filing cautionary statements identifying important factors that could cause FPL Group's or FPL's actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) made by or on behalf of FPL Group and FPL in this combined Form 10-K, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, believe, could, estimated, may, plan, potential, projection, target, outlook) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could cause FPL Group's or FPL's actual results to differ materially from those contained in forward-looking statements made by or on behalf of FPL Group and FPL.

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

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

- FPL Group and FPL are subject to changes in laws or regulations, including the PURPA, and the Holding Company Act, changing governmental policies and regulatory actions, including those of the FERC, the FPSC and the utility commissions of other states in which FPL Group has operations, and the NRC, with respect to, among other things, allowed rates of return, industry and rate structure, operation of nuclear power facilities, operation and construction of plant facilities, operation and construction of transmission facilities, acquisition, disposal, depreciation and amortization of assets and facilities, recovery of fuel and purchased power costs, decommissioning costs, return on common equity and equity ratio limits, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs). The FPSC has the authority to disallow recovery by FPL of costs that it considers excessive or imprudently incurred.

- The regulatory process generally restricts FPL's ability to grow earnings and does not provide any assurance as to achievement of earnings levels.

- FPL Group and FPL are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, wildlife mortality, natural resources and health and safety that could, among other things, restrict or limit the output of certain facilities or the use of certain fuels required for the production of electricity and/or require additional pollution control equipment and otherwise increase costs. There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations, and those costs could be even more significant in the future.

- FPL Group and FPL operate in a changing market environment influenced by various legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the energy industry, including deregulation of the production and sale of electricity. FPL Group and its subsidiaries will need to adapt to these changes and may face increasing competitive pressure.

- FPL Group's and FPL's results of operations could be affected by FPL's ability to renegotiate franchise agreements with municipalities and counties in Florida.

- The operation of power generation facilities involves many risks, including start up risks, breakdown or failure of equipment, transmission lines or pipelines, use of new technology, the dependence on a specific fuel source or the impact of unusual or adverse weather conditions (including natural disasters such as hurricanes), as well as the risk of performance below expected or contracted levels of output or efficiency. This could result in lost revenues and/or increased expenses. Insurance, warranties or performance guarantees may not cover any or all of the lost revenues or increased expenses, including the cost of replacement power. In addition to these risks, FPL Group's and FPL's nuclear units face certain risks that are unique to the nuclear industry including the ability to store and/or dispose of spent nuclear fuel, as well as additional regulatory actions up to and including shutdown of the units stemming from public safety concerns, whether at FPL Group's and FPL's plants, or at the plants of other nuclear operators. Breakdown or failure of an FPL Energy operating facility may prevent the facility from performing under applicable power sales agreements which, in certain situations, could result in termination of the agreement or incurring a liability for liquidated damages.

- FPL Group's and FPL's ability to successfully and timely complete their power generation facilities currently under construction, those projects yet to begin construction or capital improvements to existing facilities is contingent upon many variables and subject to substantial risks. Should any such efforts be unsuccessful, FPL Group and FPL could be subject to additional costs, termination payments under committed contracts, and/or the write-off of their investment in the project or improvement.

- FPL Group and FPL use derivative instruments, such as swaps, options, futures and forwards to manage their commodity and financial market risks, and to a lesser extent, engage in limited trading activities. FPL Group could recognize financial losses as a result of volatility in the market values of these contracts, or if a counterparty fails to perform. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these derivative instruments involves management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. In addition, FPL's use of such instruments could be subject to prudency challenges and if found imprudent, cost recovery could be disallowed by the FPSC.

- There are other risks associated with FPL Group's non-rate regulated businesses, particularly FPL Energy. In addition to risks discussed elsewhere, risk factors specifically affecting FPL Energy's success in competitive wholesale markets include the ability to efficiently develop and operate generating assets, the successful and timely completion of project restructuring activities, maintenance of the qualifying facility status of certain projects, the price and supply of fuel, transmission constraints, competition from new sources of generation, excess generation capacity and demand for power. There can be significant volatility in market prices for fuel and electricity, and there are other financial, counterparty and market risks that are beyond the control of FPL Energy. FPL Energy's inability or failure to effectively hedge its assets or positions against changes in commodity prices, interest rates, counterparty credit risk or other risk measures could significantly impair FPL Group's future financial results. In keeping with industry trends, a portion of FPL Energy's power generation facilities operate wholly or partially without long-term power purchase agreements. As a result, power from these facilities is sold on the spot market or on a short-term contractual basis, which may affect the volatility of FPL Group's financial results. In addition, FPL Energy's business depends upon transmission facilities owned and operated by others; if transmission is disrupted or capacity is inadequate or unavailable, FPL Energy's ability to sell and deliver its wholesale power may be limited.

- FPL Group is likely to encounter significant competition for acquisition opportunities that may become available as a result of the consolidation of the power industry. In addition, FPL Group may be unable to identify attractive acquisition opportunities at favorable prices and to successfully and timely complete and integrate them.

- FPL Group and FPL rely on access to capital markets as a significant source of liquidity for capital requirements not satisfied by operating cash flows. The inability of FPL Group, FPL Group Capital and FPL to maintain their current credit ratings could affect their ability to raise capital on favorable terms, particularly during times of uncertainty in the capital markets, which, in turn, could impact FPL Group's and FPL's ability to grow their businesses and would likely increase interest costs.

- FPL Group's and FPL's results of operations are affected by changes in the weather. Weather conditions directly influence the demand for electricity and natural gas and affect the price of energy commodities, and can affect the production of electricity at wind and hydro-powered facilities. In addition, severe weather can be destructive, causing outages and/or property damage, which could require additional costs to be incurred.

- FPL Group and FPL are subject to costs and other effects of legal and administrative proceedings, settlements, investigations and claims, as well as the effect of new, or changes in, tax laws, rates or policies, rates of inflation, accounting standards, securities laws or corporate governance requirements.

- FPL Group and FPL are subject to direct and indirect effects of terrorist threats and activities. Generation and transmission facilities, in general, have been identified as potential targets. The effects of terrorist threats and activities include, among other things, terrorist actions or responses to such actions or threats, the inability to generate, purchase or transmit power, the risk of a significant slowdown in growth or a decline in the U.S. economy, delay in economic recovery in the United States, and the increased cost and adequacy of security and insurance.

- FPL Group's and FPL's ability to obtain insurance, and the cost of and coverage provided by such insurance, could be affected by national, state or local events as well as company-specific events.

- FPL Group and FPL are subject to employee workforce factors, including loss or retirement of key executives, availability of qualified personnel, collective bargaining agreements with union employees or work stoppage.

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

PART I

Item 1. Business

FPL GROUP

FPL Group is a public utility holding company, as defined in the Holding Company Act, exempt from substantially all of the provisions of the Holding Company Act. It was incorporated in 1984 under the laws of Florida. FPL Group's principal subsidiary, FPL, is a rate-regulated utility engaged in the generation, transmission, distribution and sale of electric energy. FPL Group Capital, a wholly-owned subsidiary of FPL Group, holds the capital stock and provides funding for FPL Group's operating subsidiaries other than FPL. The business activities of these operating subsidiaries primarily consist of FPL Energy's wholesale generation business. At December 31, 2004, FPL Group and its subsidiaries employed approximately 11,900 people. For financial information regarding FPL Group's business segments, see Note 17.

Website Access to SEC Filings. FPL Group and FPL make their 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 the internet website, www.fplgroup.com, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC.

FPL OPERATIONS

General. FPL was incorporated under the laws of Florida in 1925 and is a wholly-owned subsidiary of FPL Group. FPL supplies electric service to a population of more than eight million throughout most of the east and lower west coasts of Florida. During 2004, FPL served approximately 4.2 million customer accounts. The percentage of FPL's operating revenues by customer class was as follows:

	Years Ended December 31,		
	2004	2003	2002
Residential	54%	56%	55%
Commercial	37	37	36
Industrial	3	3	3
Other, including deferred or recovered clause revenues, the net change in unbilled revenues and any provision for retail rate refund	6	4	6
	100%	100%	100%

FPL currently holds 173 franchise agreements to provide electric service in various municipalities and counties in Florida with varying expiration dates through 2034. Of the 173 franchise agreements one expires in August 2005, six expire in 2006 and 104 expire in 2007 through 2014. Ongoing negotiations are taking place to renew franchises with upcoming expirations. FPL considers its franchises to be adequate for the conduct of its business.

Regulation. FPL's retail operations provided approximately 99% of FPL's 2004 operating revenues. Retail operations are regulated by the FPSC which has jurisdiction over retail rates, service territory, issuances of securities, planning, siting and construction of facilities and other matters. FPL is also subject to regulation by the FERC in various respects, including the acquisition and disposition of facilities, interchange and transmission services and wholesale purchases and sales of electric energy.

FPL's nuclear power plants are subject to the jurisdiction of the NRC. NRC regulations govern the granting of licenses for the construction, operation and retirement of nuclear power plants and subject these plants to continuing review and regulation.

Environmental. Federal, state and local environmental laws and regulations cover air and water quality, land use, power plant and transmission line siting, EMF from power lines and substations, oil discharge from transformers, lead paint, asbestos, noise and aesthetics, solid waste, natural resources, wildlife mortality and other environmental matters. Compliance with these laws and regulations increases the cost of electric service by requiring, among other things, changes in the design and operation of existing facilities and changes or delays in the location, design, construction and operation of new facilities. During 2004, FPL spent approximately $61 million on capital additions to comply with environmental laws and regulations. FPL's capital expenditures to comply with environmental laws and regulations are estimated to be $198 million for 2005 through 2007, including approximately $69 million in 2005, and are included in estimated capital expenditures set forth in Capital Expenditures below. Environmental regulations are subject to change. The following is a discussion of emerging federal initiatives and rules that could potentially affect FPL. FPL would generally seek recovery under its environmental clause for compliance costs associated with any new environmental laws and regulations.

Climate Change – In 2002, President Bush announced new climate change initiatives for the United States, among which is a voluntary commitment to reduce the greenhouse gas intensity in the United States by 18% by 2012. The Bush Administration is currently seeking commitments from various industrial sectors and individual companies to reach this goal. FPL Group has responded to the administration's request by becoming a charter signatory to the Administration's Climate Leaders Program. As a participant in this voluntary program, FPL Group has inventoried its greenhouse gas emission rates and has committed to a 2008 reduction target of 18% below a 2001 baseline emission rate measured in pounds per megawatt-hour. FPL Group believes that the planned operation of its generating portfolio, along with its current efficiency initiatives, greenhouse gas management efforts and increased use of renewable energy, will allow it to achieve this target.

In addition to the voluntary initiative, the U.S. Congress is considering several legislative proposals that would establish new mandatory regulatory requirements and reduction targets for greenhouse gases. Based on the most current reference data available from government sources, FPL Group is among the lowest emitters of greenhouse gases measured by its rate of emissions to generation in pounds per megawatt-hour. However, these legislative proposals have differing methods of implementation and the impact on FPL Group's generating units and/or the financial impact (either positive or negative) to FPL Group and FPL could be material, depending on the eventual structure of a mandatory program.

Multi-Pollutant Legislation – The U.S. Congress and the Bush Administration are considering several legislative proposals that would establish new regulatory requirements and reduction targets for sulfur dioxide, nitrogen oxide, mercury, and in some proposals, carbon dioxide. Based on the most current reference data available from government sources, FPL Group is among the lowest generators of these emissions when measured by its rate of emissions to generation in pounds per megawatt-hour. However, these multi-pollutant proposals have differing methods of implementation and the impact on FPL Group's generating units and/or the financial impact (either positive or negative) to FPL Group and FPL could be material, depending on the eventual structure of any legislation enacted.

Clean Air Act Mercury/Nickel Rule – In 2004, the EPA published a proposed rule pursuant to Section 112 of the Clean Air Act to set MACT standards for the emissions of mercury from coal-fired electric utility steam generating units to be met by the end of 2007. In March 2004, the EPA published a Supplemental Notice of Proposed Rulemaking to propose a mercury emissions cap and trade program requiring reductions in 2010 and 2018 as an alternative to the proposed MACT rule. The EPA is taking comments on these alternatives and plans to issue a final rule by March 2005. There is considerable opposition to the proposed rule and supplemental notice from some environmental groups, which contend that there should be more stringent control of mercury emissions. While the final requirements are uncertain, it is possible that Scherer Unit No. 4 and St. Johns River Power Park Units Nos. 1 and 2, as well as certain coal-fired units from which FPL purchases power, may be required to add additional pollution control equipment or purchase emission allowances in order to achieve compliance with the mercury emission limits.

In addition to the mercury MACT standards for coal-fired facilities, in 2004 the EPA also proposed MACT standards for nickel emissions from oil-fired electric generating facilities to be met by the end of 2007. While the final requirements are uncertain, it is possible that the rule may apply to FPL's residual oil-fired units and may require additional pollution control equipment at these facilities or may dictate changes in operational parameters. Some in the electric industry believe that the EPA does not have sufficient data to support this rulemaking. The proposed nickel MACT rule is anticipated to be final during the second quarter of 2005.

Clean Air Act Interstate Air Quality Rule – In 2004, the EPA proposed the Interstate Air Quality Rule, which is designed to bring into compliance the majority of areas in the United States that are not currently expected to meet new air quality standards for fine particulates (PM 2.5) and ozone. The proposed rule requires sulfur dioxide (SO_2) and nitrogen oxide (NOx) emissions reductions from electric generating units in 28 states where their emissions are transported to downwind states resulting in an adverse impact to air quality. The proposed rule requires reductions in SO_2 and NOx by 2010 and by 2015, respectively, eventually reaching a nationwide reduction of 65% below a 2002 baseline emission rate for each. In the proposed rule, Florida and Georgia were determined to be contributors of PM 2.5 to downwind states through modeling. However, FPL believes that the emissions from its Florida generating facilities are not affecting the non-attainment status of downwind areas. While the final requirements are uncertain, it is possible that FPL generating facilities in Florida and Georgia may be required to add additional SO_2 and NOx controls or purchase emission allowances to meet the compliance requirements of the final rule.

Clean Water Act Section 316(b) – In 2004, the EPA issued a rule under Section 316(b) of the Clean Water Act to address intake structures at existing power plants with once-through cooling water systems. The rule requires FPL to demonstrate that it has met or will meet new impingement mortality (the loss of organisms against screens and other exclusion devices) and/or entrainment (the loss of organisms by passing them through the cooling system) reductions by complying with one of five alternatives, including the authorized use of technology, operational measures or restoration measures, and may involve the performance of biological studies. The new rules will impact eight of FPL's generating facilities (Cape Canaveral, Cutler, Fort Myers, Lauderdale, Port Everglades, Sanford, Riviera and St. Lucie). FPL will be conducting the necessary studies/analyses over the next several years and implementing solutions based upon regulatory approvals. The cost of these solutions, as well as any ongoing biological monitoring that may be required, has not yet been determined.

Retail Ratemaking. The underlying concept of utility ratemaking is to set rates at a level that allows the utility the opportunity to collect from customers total revenues (revenue requirements) equal to its cost of providing service, including a reasonable rate of return on invested capital. To accomplish this, the FPSC uses various ratemaking mechanisms.

The basic costs of providing electric service, other than fuel and certain other costs, are recovered through base rates, which are designed to recover the costs of constructing, operating and maintaining the utility system. These basic costs include O&M expenses, depreciation and taxes, as well as a return on FPL's investment in assets used and useful in providing electric service (rate base). The rate of return on rate base approximates FPL's weighted-average cost of capital, which includes its costs for debt and preferred stock and, typically, an allowed ROE. The FPSC monitors FPL's actual ROE through a surveillance report that is filed monthly by FPL with the FPSC. The FPSC does not provide assurance that an allowed ROE will be achieved. Base rates are determined in rate proceedings or through negotiations, which occur at irregular intervals at the initiative of FPL, the FPSC, Public Counsel or a substantially affected party.

In 2002, the FPSC approved a rate agreement regarding FPL's retail base rates, which became effective April 15, 2002 and expires December 31, 2005. The agreement includes a revenue sharing mechanism for each of the twelve-month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold are required to be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold are required to be refunded 100% to retail customers.

The rate agreement provides for a $250 million annual reduction in retail base revenues allocated to all customers by reducing customers' base rates and service charges by approximately 7%. The revenue sharing thresholds specified in the rate agreement are as follows:

	Years Ended December 31,			
	2002[a]	2003	2004	2005
	(millions)			
66 2/3% to customers	$ 3,580	$ 3,680	$ 3,780	$ 3,880
100% to customers	$ 3,740	$ 3,840	$ 3,940	$ 4,040

[a] Refund was limited to 71.5% (representing the period April 15 through December 31, 2002) of the revenues from base rate operations exceeding the thresholds.

During the term of the rate agreement, FPL does not have an authorized regulatory ROE range for the purpose of addressing earnings levels. However, FPL continues to file monthly earnings surveillance reports with the FPSC and if the reported ROE falls below 10% during the term of the rate agreement, FPL may petition the FPSC to amend its base rates. The rate agreement would terminate on the effective date of any final order issued in a proceeding that changes FPL's base rates. See Note 1 – Revenues and Rates. Under the rate agreement, depreciation was and will be reduced on FPL's plant in service by $125 million in each year 2002 through 2005. See Note 1 – Electric Plant, Depreciation and Amortization.

On January 21, 2005, FPL notified the FPSC that it intends to initiate a base rate proceeding in March 2005. Although FPL has not finalized its 2006 and 2007 revenue requirements, it expects to request a $400 million to $450 million annual increase in base rates beginning on January 1, 2006 and an additional annual base rate increase of approximately $130 million in mid-2007 to cover the costs associated with the 1,150 mw natural gas-fired unit at Turkey Point expected to be placed in service in mid-2007. Hearings on the base rate proceeding are expected during the third quarter of 2005 and a final decision is expected by the end of 2005.

During the third quarter of 2004, FPL was impacted by Hurricanes Charley, Frances and Jeanne, each of which did major damage in parts of FPL's service territory and collectively resulted in over 5.4 million customer power outages with approximately three-quarters of FPL's customers losing power during at least one hurricane. At December 31, 2004, storm costs expected to be recoverable from customers exceeded the balance of the storm reserve by approximately $536 million. See Note 1 – Storm Fund and Storm Reserve Deficiency. During February 2005, pursuant to an FPSC order, FPL began recovering storm restoration costs from customers, subject to refund, pending the outcome of a hearing in April 2005 to determine the amount of storm restoration costs that FPL will be allowed to recover from customers.

Fuel costs are recovered from customers through levelized charges per kwh established under the fuel clause. These charges are calculated annually based on estimated fuel costs and estimated customer usage for the following year, plus or minus a true-up adjustment to reflect the variance of actual costs and usage from the estimates used in setting the fuel adjustment charges for prior periods. An adjustment to the levelized charges may be approved during the course of a year to reflect a projected variance based on actual costs and usage. In 2004, approximately $3.7 billion of costs were recovered through the fuel clause. The FPSC has approved a risk management fuel procurement program which is intended to reduce the risk of unexpected fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. The results of the program are reviewed by the FPSC as part of the annual review of fuel costs. See Energy Marketing and Trading, Management's Discussion – Results of Operations, Note 1 – Regulation and Note 3.

Capacity payments to other utilities and generating companies for purchased power are recovered from customers through the capacity clause and base rates. In 2004, approximately $578 million of costs were recovered through the capacity clause. Costs associated with implementing energy conservation programs totaled approximately $167 million in 2004 and were recovered from customers through the energy conservation cost recovery clause. Costs of complying with federal, state and local environmental regulations enacted after April 1993 totaled $12 million in 2004 and are recovered through the environmental clause to the extent not included in base rates.

The FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. Such costs may include, among others, O&M expenses, the cost of replacing power lost when fossil and nuclear units are unavailable, storm restoration costs and costs associated with the construction or acquisition of new facilities.

Competition. FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. In 2004, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. Various states, other than Florida, have enacted legislation or have state commissions that have issued orders designed to allow retail customers to choose their electricity supplier. This regulatory restructuring is expected to result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Although the legislation and initiatives vary substantially, common areas of focus include when market-based

pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generating assets should be separated from transmission, distribution and other assets. It is generally believed that transmission and distribution activities would remain regulated. Within the last few years, these state restructuring efforts have diminished, and several states have delayed the implementation or reversed previously approved restructuring legislation and rules. Management believes it is unlikely there will be any state actions to restructure the electric industry in Florida in the near future.

The FPSC promotes competition for building major new steam generating capacity by requiring investor-owned electric utilities, such as FPL, to issue an RFP. The RFP process allows independent power producers and others to bid to supply the needed generating capacity. If a bidder has the most cost-effective alternative, meets other criteria such as financial viability and demonstrates adequate expertise and experience in building and/or operating generation capacity of the type proposed, the investor-owned electric utility would seek to negotiate a power purchase agreement with the selected bidder and request that the FPSC authorize the construction of the bidder's generation capacity under the terms of the power purchase agreement. In June 2004, the FPSC approved FPL's proposal to build an 1,150 mw natural gas-fired plant at its Turkey Point site with a planned in-service date of mid-2007, which was subsequently approved by the Siting Board (comprised of the Florida governor and cabinet) under the Florida Electrical Power Plant Siting Act in February 2005.

The FERC has jurisdiction over potential changes which could affect competition in wholesale transactions. In 1999, the FERC issued its final order on RTOs which, under a variety of structures, provides for the independent operation of transmission systems for a given geographic area. In March 2001, the FERC approved GridFlorida (FPL's, Progress Energy Florida, Inc.'s and Tampa Electric Company's proposed RTO) as the RTO for peninsular Florida. In December 2001, the FPSC determined that the RTO as proposed was not in the best interest of Florida customers and required the companies to develop a modified proposal. In March 2002, FPL, Progress Energy Florida, Inc. and Tampa Electric Company filed a modified RTO proposal with the FPSC changing the structure of GridFlorida from a for-profit transmission company to a non-profit ISO. Under the proposal, FPL would continue to own its transmission lines and an ISO would manage them. In September 2002, the FPSC approved many of the aspects of the modified RTO proposal, administratively approving recovery of GridFlorida's incremental costs through the capacity clause. In October 2002, the Public Counsel filed a notice of administrative appeal with the Supreme Court of Florida seeking an appeal of the FPSC's order, including FPL's recovery of incremental costs. In June 2003, the Florida Supreme Court dismissed the Public Counsel's appeal of the FPSC's approval of GridFlorida without prejudice concluding that the appeal was premature because the FPSC proceedings had not yet been completed and not all aspects of the FPSC's order on appeal were considered final agency action. The FPSC has restored the GridFlorida docket to active status and in December 2003 issued a procedural order establishing three workshops through 2004 to address GridFlorida issues. A pricing workshop and a market design workshop were held in March and May 2004, respectively. The third workshop scheduled for August 2004 was postponed pending the results of a cost benefit analysis of GridFlorida.

In July 2002, the FERC issued a notice of proposed rulemaking to reform public utilities' transmission tariffs and implement a standardized design for electric markets in the United States. The proposed rule would, among other things, require FERC regulated entities, including FPL, that own, control or operate transmission facilities to hire an independent transmission provider, which can be an RTO such as GridFlorida, for the operation of those facilities. The proposed rule also would require the independent transmission provider to administer various spot markets for the sale of electricity and ancillary services and to manage congestion on the transmission system. In April 2003, the FERC issued a White Paper responding to comments on its proposed rule. The White Paper indicates that the FERC intends to be more flexible on how and when the final rule will be implemented, defer to regional state committees to address significant RTO/ISO features, require regulated utilities to join RTOs or ISOs and require RTOs to implement spot markets. Legislators and regulators from the southeast and western states have expressed strong reservations about the FERC's proposal. There has been no further activity by the FERC since 2003. FPL is currently unable to determine the effects, if any, of the proposed rule.

In the event the basis of regulation for some or all of FPL's business changes from cost-based regulation, existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. See Note 1 – Regulation.

System Capability and Load. FPL is currently constructing approximately 1,900 mw of natural gas combined-cycle generation at its Martin and Manatee sites with a planned in-service date of June 2005. See Competition regarding recent approvals for an additional 1,150 mw of generating capacity with a planned in-service date of mid-2007.

At December 31, 2004, FPL's resources for serving load consisted of 22,412 mw, of which 18,940 mw are from FPL-owned facilities (see Item 2 – Generating Facilities) and 3,472 mw are obtained through purchased power contracts (see Note 16 – Contracts). FPL's projected reserve margin for the summer of 2005 is 25%. This reserve margin will be achieved through the combination of output from FPL's generating units, purchased power contracts and the capability to reduce peak demand through the implementation of load management, which was estimated to be 1,547 mw at December 31, 2004. Occasionally, unusually cold temperatures during the winter months result in significant increases in electricity usage for short periods of time. However, customer usage and operating revenues are typically higher during the summer months largely due to the prevalent use of air conditioning in FPL's service territory. During the summer of 2004, FPL set three all-time system peaks: 20,250 mw on June 23, 2004, 20,306 mw on July 6, 2004 and 20,545 mw on July 14, 2004. FPL had adequate resources available at the time of these peaks to meet customer demand.

Capital Expenditures. Capital expenditures at FPL consist of 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. FPL's capital expenditures totaled $1.4 billion in 2004 (including AFUDC of approximately $48 million), $1.4 billion in 2003 (including AFUDC of approximately $18 million) and $1.3 billion in 2002. Capital expenditures for 2005 through 2009 are estimated to be as follows:

	2005	2006	2007	2008	2009	Total
FPL:			(millions)			
Generation: [a]						
New [b]	$ 385	$ 235	$ 525	$ 250	$ 60	$ 1,455
Existing	540	475	480	325	395	2,215
Transmission and distribution	695	730	740	715	715	3,595
Nuclear fuel	70	100	110	75	105	460
General and other	145	130	165	165	160	765
Total	$ 1,835	$ 1,670	$ 2,020	$ 1,530	$ 1,435	$ 8,490

[a] Includes AFUDC of approximately $50 million, $40 million, $46 million and $12 million in 2005, 2006, 2007 and 2008, respectively.
[b] Includes generating structures, transmission interconnection and integration, licensing and AFUDC.

These estimates are subject to continuing review and adjustment and actual capital expenditures may vary from this estimate. See Management's Discussion – Liquidity and Capital Resources and Note 16 – Commitments.

Nuclear Operations. FPL owns and operates four nuclear units, two at Turkey Point and two at St. Lucie. Turkey Point Units Nos. 3 and 4 received operating license extensions in 2002, which give FPL the option to operate these units until 2032 and 2033, respectively. The NRC extended the operating licenses for St. Lucie Units Nos. 1 and 2 during 2003, which give FPL the option to operate these units until 2036 and 2043, respectively. The original license expiration dates for Turkey Point Units Nos. 3 and 4 and St. Lucie Units Nos. 1 and 2 are 2012, 2013, 2016 and 2023, respectively. FPL has not yet decided to operate past the original license expiration dates, although FPL is continuing to take actions to ensure the long-term viability of the units in order to preserve this option. The decision will be made for Turkey Point Units Nos. 3 and 4 by 2007 and for St. Lucie Units Nos. 1 and 2 by 2011. Any adjustment to depreciation and decommissioning rates would require FPSC approval. The nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications. Scheduled nuclear refueling outages typically require the unit to be removed from service for approximately 30 days. Scheduled nuclear refueling outages by unit are as follows:

	Refueling Outage	
Unit	Most Recent	Next Scheduled
St. Lucie Unit No. 1	Spring 2004	Fall 2005 [a]
St. Lucie Unit No. 2	January 2005	Spring 2006
Turkey Point Unit No. 3	Fall 2004 [b]	Spring 2006
Turkey Point Unit No. 4	Fall 2003	Spring 2005 [a]

[a] FPL anticipates replacing the reactor vessel head during this outage, which will extend the number of days the unit will be removed from service to approximately 65 days.
[b] FPL replaced the reactor vessel head during this outage.

The NRC's regulations require FPL to submit a plan for decontamination and decommissioning five years prior to the projected end of plant operation. FPL's current plans, under the existing operating licenses, provide for prompt dismantlement of Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2012 and 2013, respectively. Current plans provide for St. Lucie Unit No. 1 to be mothballed beginning in 2016 with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 beginning in 2023. See estimated decommissioning cost data in Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs.

In 2003, the NRC issued an order, subsequent to a previously issued NRC bulletin, requiring all pressurized water reactor licensees, including FPL, to perform visual and volumetric inspections of reactor vessel heads at each unit's scheduled refueling outage to identify if degradation such as cracking or corrosion has occurred. During the scheduled refueling outages for St. Lucie Unit No. 1 in October 2002 and April 2004, Turkey Point Unit No. 3 in March 2003 and Turkey Point Unit No. 4 in October 2003, FPL performed visual and volumetric inspections and found no degradation associated with the reactor vessel heads. In late April and early May 2003, while volumetric inspections of the reactor vessel head at St. Lucie Unit No. 2 were being performed during a scheduled refueling outage, two CRDM nozzles were found with one small crack in each. Both cracks were less than 50% through the thickness of the CRDM nozzle. No leakage was observed and both cracks were repaired during the outage. During a January 2005 St. Lucie Unit No. 2 scheduled refueling outage, the volumetric inspections of the reactor vessel head revealed three CRDM nozzles with small cracks. The cracks were less than 25% through the thickness of the CRDM nozzle. No leakage was observed and the cracks were repaired during the outage. In January 2005, FPL received permission from the NRC to plug up to 30% of St. Lucie Unit No. 2's steam generator tubes. To date, 18.9% of these tubes have been plugged. It is possible that during St. Lucie No. 2's next scheduled refueling outage in the spring of 2006 the 30% tube plugging limit could be exceeded. Management is currently evaluating various options, including sleeving degraded tubes, to stay within the tube plugging limit. FPL has requested NRC approval to sleeve degraded tubes as an alternative to plugging. Management intends to replace the reactor vessel head and steam generators

at St. Lucie Unit No. 2 during its fall 2007 scheduled refueling outage. During the fall of 2004, FPL replaced the reactor vessel head at Turkey Point Unit No. 3 during its scheduled refueling outage. FPL anticipates replacing the reactor vessel heads at Turkey Point Unit No. 4 and St. Lucie Unit No. 1 during their next scheduled refueling outage. Reactor vessel head replacements for these two units are expected to add approximately 35 days to the number of days a unit is removed from service during a typical scheduled refueling outage. The cost for the reactor vessel heads and steam generators is included in FPL's estimated capital expenditures above.

In 2003, the NRC issued a bulletin recommending that utilities with bottom mounted instrumentation penetrations perform visual inspections. Visual inspections of the bottom mounted instrumentation penetrations of Turkey Point Unit No. 4 were performed in 2003 during its scheduled refueling outage and no evidence of leakage from these penetrations was noted. During 2004, the NRC approved an official request by FPL to perform volumetric rather than visual inspections of Turkey Point Unit Nos. 3 and 4's bottom mounted instrumentation penetrations. During Turkey Point Unit No. 3's most recent refueling outage in the fall of 2004, a volumetric inspection was performed and no evidence of leakage from these penetrations was noted. Turkey Point Unit No. 4 will perform volumetric inspections of the bottom mounted instrumentation penetrations at its next scheduled refueling outage in the spring of 2005. St. Lucie Units No. 1 and 2 do not have bottom mounted instrumentation penetrations.

During 2003, nuclear utilities, other than FPL, identified that pressurizer heater sleeves made with a particular material (alloy 600) were experiencing penetration cracks and leaks as a result of primary water stress corrosion cracking. As a result, in May 2004, the NRC issued a bulletin requesting utilities to identify and inspect all alloy 600 and weld materials in all pressurizer locations and connected steam space piping. FPL has filed a response to the bulletin. In the spring of 2004, prior to the issue of the NRC bulletin, St. Lucie Unit No. 1 performed visual inspections within the scope of the bulletin and no leaks were identified. St. Lucie Unit No. 2 performed similar inspections at its January 2005 scheduled refueling outage and no leaks were identified. Due to the amount of time and cost associated with correcting potential leaks, FPL has decided to replace St. Lucie Unit No. 1's pressurizer during its scheduled refueling and reactor vessel head replacement outage in the fall of 2005. The estimated cost for the pressurizer is included in estimated capital expenditures above. See Note 16 – Commitments. FPL has decided to repair St. Lucie Unit No. 2's pressurizer heater sleeve penetrations during its scheduled refueling and steam generator and reactor vessel head replacement outage in the fall of 2007. The estimated cost of this repair is approximately $12 million, which will be charged to O&M expense. All pressurizer penetrations and welds at Turkey Point Units Nos. 3 and 4 utilize a different material.

Fuel. FPL's generating plants use a variety of fuels. See Item 2 – Generating Facilities and Note 16 – Contracts. The diverse fuel options, along with purchased power, enable FPL to shift between sources of generation to achieve an economical fuel mix. In order to further diversify the company's sources of natural gas and increase supply reliability on behalf of its customers, FPL issued an RFP during 2004 for long-term supplies of regasified liquified natural gas (LNG). The RFP seeks deliveries of LNG beginning as early as 2007. FPL's decision on the RFP is expected by mid-2005.

FPL has four firm transportation contracts in place with FGT and one firm transportation contract with Gulfstream that together will satisfy substantially all of the anticipated needs for natural gas transportation at its existing units and the Martin and Manatee units currently under construction. The four existing FGT contracts expire in 2015, 2021 and 2022, while the Gulfstream contract expires in 2028. Each of the contracts expiring in 2015 may be extended by FPL until 2030. To the extent desirable, FPL can also purchase interruptible gas transportation service from FGT and Gulfstream based on pipeline availability. FPL has several short- and medium-term natural gas supply contracts to provide a portion of FPL's anticipated needs for natural gas. The remainder of FPL's gas requirements are purchased under other contracts and in the spot market.

FPL has, through its joint ownership interest in St. Johns River Power Park (SJRPP) Units Nos. 1 and 2, long-term coal supply and transportation contracts for a portion of the fuel needs for those units. All of the transportation requirements and a portion of the fuel supply needs for Scherer Unit No. 4 are covered by a series of annual and long-term contracts. FPL's remaining fuel requirements for these units will be obtained in the spot market. FPL's oil requirements are obtained under short-term contracts and in the spot market.

FPL leases nuclear fuel for all four of its nuclear units. See Note 1 – Nuclear Fuel. In 2003, FPL Group and FPL began consolidating the lessor entity in accordance with FIN 46, "Consolidation of Variable Interest Entities." See Note 9 – FPL. The contracts for the supply, conversion, enrichment and fabrication of FPL's nuclear fuel have expiration dates ranging from 2006 through 2013. Currently, FPL is storing spent fuel on site pending its removal by the DOE. Under the Nuclear Waste Policy Act, the DOE was required to construct permanent disposal facilities and take title to and provide transportation and disposal for spent nuclear fuel by January 31, 1998 for a specified fee based on current generation from nuclear power plants. Through December 2004, FPL has paid approximately $520 million in such fees to the DOE's nuclear waste fund. The DOE did not meet its statutory obligation for disposal of spent nuclear fuel under the Nuclear Waste Policy Act. In 1997, a court ruled, in response to petitions filed by utilities, state governments and utility commissions, that the DOE could not assert a claim that its delay was unavoidable in any defense against lawsuits by utilities seeking money damages arising out of the DOE's failure to perform its obligations. In 1998, FPL filed a lawsuit against the DOE seeking damages caused by the DOE's failure to dispose of spent nuclear fuel from FPL's nuclear power plants. The matter is pending. In the interim, FPL is investigating other alternatives to provide adequate storage capacity for all of its spent nuclear fuel. Based on current projections, FPL will lose its ability to store additional spent fuel on site for St. Lucie Unit No. 1 in 2008, St. Lucie Unit No. 2 in 2007, Turkey Point Unit No. 3 in 2010 and Turkey Point Unit No. 4 in 2012. These projections are based on additional space provided by new cask pit area storage racks installed at the Turkey Point Units Nos. 3 and 4 and St. Lucie Unit No. 1 spent fuel pools in 2004. Once the St. Lucie Unit No. 2 cask pit rack is installed, that unit will extend its capability to store spent fuel through 2010. In addition, degradation in a material used in the spent fuel pools at St. Lucie Unit No. 1 and Turkey Point Units Nos. 3 and 4 could result in implementation of alternative spent fuel storage options sooner than projected. FPL is

pursuing dry cask storage facilities at St. Lucie Units Nos. 1 and 2 and Turkey Point Units Nos. 3 and 4, which would extend their capability to store spent fuel indefinitely. Dry storage containers could be located at FPL's nuclear plant sites and/or at a facility operated by PFS in Utah. PFS is a consortium of eight utilities seeking to license, construct and operate an independent spent fuel storage facility. FPL joined the consortium in May 2000. PFS has filed a license application with the NRC and hearings on the application have been completed. In February 2005, the ASLB recommended to the NRC to grant PFS's operating license. The State of Utah has appealed certain decisions of the ASLB and opposes the license application.

In 2002, the governor of Nevada submitted a Notice of Disapproval to Congress regarding President Bush's recommendation to develop Yucca Mountain as a nuclear waste depository. The Yucca Mountain site is the DOE's recommended location to store and dispose of spent nuclear fuel and high-level radioactive waste. During May and July 2002, Congress overrode the Notice of Disapproval through a majority vote of both houses. The President signed the joint resolution of Congress into law in 2002. The State of Nevada has initiated legal actions to attempt to block the project. In 2004, the U.S. Court of Appeals for the District of Columbia Circuit ruled on a series of challenges to the statutes and regulations established to govern a nuclear waste depository at the Yucca Mountain site. The court denied all the challenges except for one, regarding an EPA rule governing the time period the public would be protected from hypothetical radiation leaks at the Yucca Mountain repository. The court's decision will likely result in revisions to the EPA's and NRC's licensing rules for Yucca Mountain and could further delay the licensing process for Yucca Mountain beyond the currently projected commencement date of 2010 proposed by the DOE.

Energy Marketing and Trading. EMT, a division of FPL, buys and sells wholesale energy commodities, such as natural gas, oil and electric power. EMT procures natural gas and oil for FPL's use in power generation and sells excess gas, oil and electric power. EMT also uses derivative instruments, such as swaps, options, futures and forwards to manage the commodity price risk inherent in fuel and electricity sales and purchases. Substantially all of the results of EMT's activities are passed through to customers in the fuel or capacity clauses. See Retail Ratemaking, Management's Discussion – Energy Marketing and Trading and Market Risk Sensitivity and Note 3.

Electric and Magnetic Fields. Over the past 20 years, there has been public, scientific, and regulatory attention given to the question of whether EMF causes or contributes to adverse health effects. These fields exist whenever there is a flow of electricity, including in power lines, appliances and building wiring. Some epidemiological studies (which typically examine the incidence of disease in population groups) have reported a statistical association between EMF and some types of cancer, including childhood and adult leukemia. Other studies have not reported any such relationship. Neither these epidemiological studies nor the more controlled laboratory studies of EMF have produced conclusive evidence that EMF causes or contributes to any adverse health effects.

In 1999, the National Institute of Environmental Health Sciences, at the culmination of a five-year federally supported research effort, pronounced that the scientific support for an EMF-cancer link is marginal and concluded that the probability that EMF exposure is truly a health hazard is small but cannot be completely discounted.

In 2001, the IARC conducted an evaluation of power frequency EMF and cancer; it classified power frequency magnetic fields as "possibly carcinogenic" based on an association with childhood leukemia reported in some epidemiology studies. The IARC did not conclude that power frequency EMF cause or contribute to the development of childhood leukemia or any other cancer. In 2002, the California Department of Health Services (CDHS) submitted its EMF Risk Evaluation report to the California Public Utility Commission. The report concluded in part that "To one degree or another, all three of the CDHS scientists are inclined to believe that EMF can cause some degree of increased risk of childhood leukemia, adult brain cancer, Lou Gehrig's Disease, and miscarriage."

In 2002, the National Institute of Environmental Health Sciences said in a booklet it published on EMF: "For most health outcomes, there is no evidence that EMF exposures have adverse effects. There is some evidence from epidemiology studies that exposure to power-frequency EMF is associated with an increased risk for childhood leukemia. This association is difficult to interpret in the absence of reproducible laboratory evidence or a scientific explanation that links magnetic fields with childhood leukemia."

Florida has had EMF regulations in place for many years, and FPL believes it is in compliance with the FDEP regulations regarding EMF levels within and at the edge of the rights of way for transmission lines. Future changes in the FDEP regulations could require additional capital expenditures by FPL for such things as increasing the right of way corridors or relocating or reconfiguring transmission facilities. It is not presently known whether any such expenditures will be required. Currently, there are no such changes proposed to the FDEP regulations.

Employees. FPL had approximately 10,000 employees at December 31, 2004. Approximately 33% of the employees are represented by the International Brotherhood of Electrical Workers (IBEW) under a collective bargaining agreement with FPL which has been extended until October 31, 2005. Meanwhile, FPL and the IBEW are discussing a proposal for a successor agreement.

FPL ENERGY OPERATIONS

General. FPL Energy, a wholly-owned subsidiary of FPL Group Capital, was formed in 1998 to aggregate FPL Group's existing wholesale generation business. It is a limited liability company organized under the laws of Delaware. FPL Energy currently owns, develops, constructs, manages and operates domestic electric-generating facilities in wholesale energy markets. FPL Energy manages or participates in the management of approximately 83% of its projects, which represent approximately 96% of the net generating capacity in which FPL Energy has an ownership interest. At December 31, 2004,

FPL Energy had net generating capability totaling 11,520 mw, all of which consisted of ownership interests in operating independent power projects (see Item 2 – Generating Facilities). Generation capacity spans various regions thereby reducing seasonal volatility on a portfolio basis. At December 31, 2004, the percentage of capacity by NERC region or power pool was:

NERC Region/Power Pool	Percentage of Generation Capacity
MAPP/MAIN/SPP/ERCOT	34%
NEPOOL/NYPP	25%
SERC/PJM	24%
WECC	17%

Fuel sources for these projects were as follows:

Fuel Source	Percentage of Generation Capacity
Natural Gas	57%
Wind	24%
Nuclear	9%
Oil	6%
Hydro	3%
Other	1%

FPL Energy expects its future portfolio capacity growth to come primarily from wind development due to the extension of the production tax credit program through 2005 for new wind facilities, as well as from asset acquisitions. FPL Energy plans to add a total of 250 mw to 750 mw of wind generation by the end of 2005, including approximately 220 mw which are currently under construction and are expected to be in service by mid-2005.

FPL Energy's capital expenditures and investments totaled approximately $0.4 billion, $1.6 billion and $2.1 billion in 2004, 2003 and 2002, respectively. Capital expenditures for 2005 through 2009 are estimated to be as follows:

	2005	2006	2007	2008	2009	Total
			(millions)			
FPL Energy:						
Wind [a]	$ 405	$ 5	$ 5	$ 5	$ 5	$ 425
Gas	20	20	10	5	10	65
Nuclear fuel and other	165	115	110	90	95	575
Total	$ 590	$ 140	$ 125	$ 100	$ 110	$ 1,065

(a) FPL Energy's capital expenditures for new wind projects are estimated through 2005, when the production tax credits are scheduled to expire. The 2005 amount reflects expenditures associated with approximately 220 mw of wind generation, which have been announced and are currently under construction, as well as committed expenditures for other expected wind additions in 2005.

During 2002, FPL Energy was engaged in the development of various other natural gas projects. As a result of depressed economic conditions coupled with an oversupply of energy generating facilities in certain markets, projected profit margins for these projects declined and were not sufficient to cover the cost of capital. Therefore, FPL Energy made a strategic decision during 2002 to substantially exit the fossil-fueled greenfield merchant power plant development business for the foreseeable future. As a result, development costs associated with these abandoned projects were written off to expense. Furthermore, FPL Energy realigned its organizational structure during 2002 to lower general and administrative expenses and took other actions associated with the restructuring of its business. See Management's Discussion – Results of Operations – FPL Energy and Note 6 – FPL Energy.

Energy Marketing and Trading. PMI, a subsidiary of FPL Energy, buys and sells wholesale energy commodities, such as natural gas, oil and electric power. PMI procures natural gas and oil for FPL Energy's use in power generation and sells any excess gas. PMI also sells the output from FPL Energy's plants which has not been sold under long-term contracts and purchases replacement power. PMI uses derivative instruments, such as swaps, options, futures and forwards to manage the risk associated with fluctuating commodity prices and to optimize the value of FPL Energy's power generation assets. To a lesser extent, PMI engages in limited energy trading activities to take advantage of expected future favorable price movements. In 2003, FPL Energy began providing full service requirements services to distribution utilities in certain markets. These services include load-following services, which require the supplier of energy to vary the quantity delivered based on the load demand needs of the customer, as well as various ancillary services. The results of PMI's activities are recognized in FPL Energy's operating results. See Management's Discussion – Energy Marketing and Trading and Market Risk Sensitivity, Note 1 – Energy Trading and Note 3.

Employees. FPL Energy had approximately 1,750 employees at December 31, 2004. The IBEW and the Utility Workers Union of America (UWUA) represented approximately 5% and 11%, respectively, of FPL Energy's employees. The collective bargaining agreement between an FPL Energy subsidiary and the IBEW expires in February 2008 and the collective bargaining agreement between an FPL Energy subsidiary and the UWUA expires in September 2008.

Regulation. At December 31, 2004, approximately 6% of FPL Energy's net generating capacity has qualifying facility status under PURPA. FPL Energy's qualifying facilities generate electricity from wind, solar, fossil fuels, biomass or waste-product combustion. Qualifying facility status exempts the projects from, among other things, the application of the Holding Company

Act, many provisions of the Federal Power Act, and state laws and regulations relating to rates and financial or organizational regulation of electric utilities. FPL Energy also has ownership interests in operating independent power projects that have received exempt wholesale generator status as defined under the Holding Company Act, which represent approximately 94% of FPL Energy's net generating capacity. Exempt wholesale generators own or operate a facility exclusively to sell electricity to wholesale customers. They are barred from selling electricity directly to retail customers. FPL Energy's exempt wholesale generators produce electricity from wind, hydropower, fossil fuels and nuclear facilities. While projects with qualifying facility and exempt wholesale generator status are exempt from various restrictions, each project must still comply with other federal, state and local laws, including those regarding siting, construction, operation, licensing, pollution abatement and other environmental laws.

FPL Energy continues to evaluate the FERC's proposed rule on standard market design in areas where it is not already in effect. See FPL Operations – Competition. California is scheduled to implement standard market design in the first quarter of 2007. ERCOT is considering adopting standard market design, or portions thereof, with potential implementation as soon as 2006. In both markets, the final market design is not fully known at this time and FPL Energy is currently unable to determine the effects, if any, on its operations resulting from the implementation of standard market design.

Environmental. FPL Energy is subject to the same environmental laws and regulations and is affected by many of the same emerging issues included in the discussion of FPL's business (see FPL Operations – Environmental for details relating to FPL Group which include FPL Energy issues). While the final requirements for MACT standards for nickel emissions are uncertain, it is possible that the final Clean Air Act Mercury/Nickel Rule may require an oil-fired FPL Energy unit in Maine to add pollution control equipment or may dictate changes in operational parameters. In addition, pursuant to a rule under Section 316(b) of the Clean Water Act, two FPL Energy plants (Seabrook and an oil-fired plant in Maine) will be required to demonstrate that they currently meet, or will meet, the prescribed performance standards for the reduction of impingement and/or entrainment at their cooling water intakes through technology, operational measures or restoration measures. FPL Energy will be conducting the necessary studies/analyses over the next several years and implementing solutions based upon regulatory approvals. The cost of these solutions, as well as any ongoing biological monitoring that may be required, has not yet been determined.

During 2004, FPL Energy spent approximately $1 million on capital additions to comply with environmental laws and regulations. FPL Energy's capital additions to comply with environmental laws and regulations are estimated to be $11 million for 2005 through 2007, including approximately $7 million in 2005, and are included in estimated capital expenditures set forth in General above.

Competition. Competitive wholesale markets in the United States continue to evolve and vary by geographic region. Revenues from electricity sales in these markets will vary based on the prices obtainable for energy, capacity and other ancillary services. Some of the factors affecting success in these markets include the ability to operate generating assets efficiently and reliably, the price and supply of fuel, transmission constraints, wind and hydro resources (weather conditions), competition from new sources of generation, effective risk management, demand growth and exposure to legal and regulatory changes.

Expanded competition in a frequently changing regulatory environment presents both opportunities and risks for FPL Energy. Opportunities exist for the selective acquisition of generation assets divested under deregulation plans or available from other competitors and for the construction and operation of efficient plants that can sell power in competitive markets. However, the current oversupply of generation in certain regions results in significant pressure on natural gas-fired plant margins. FPL Energy seeks to reduce its market risk by having a diversified portfolio, by fuel type and location, as well as by contracting for the sale of a significant amount of the electricity output of its plants. As of December 31, 2004, FPL Energy had 78% of its on-peak capacity under contract for 2005. Over the last several years, contracting for the sale of electricity output was more difficult as a result of overcapacity in certain regions and diminished market liquidity due to fewer creditworthy counterparties. However, the major markets in which FPL Energy operates have shown modest signs of improvement during 2004. Given current market conditions, when FPL Energy's existing power sales agreements expire, more of the energy produced may be sold through shorter-term contracts and into competitive wholesale markets.

Portfolio by Category. FPL Energy's assets can be categorized into the following three groups: wind assets, contracted assets and merchant assets.

As of December 31, 2004, FPL Energy's capacity under contract for 2005 was as follows:

Asset Class	Available MW [a]	% MW Under Contract
Wind	2,917	98%[b]
Contracted[c]	2,170	99%[b]
Merchant: [d]		
NEPOOL	2,304	72%[e]
ERCOT	2,644	79%[e]
All Other	1,274	8%[e]
Total portfolio	11,309	78%[e]

(a) Weighted to reflect in-service dates, planned maintenance and a refueling outage at Seabrook in 2005.
(b) Reflects round-the-clock mw under contract.
(c) Includes all projects with mid- to long-term purchase power contracts for substantially all of their output.
(d) Includes only those facilities that require active hedging.
(e) Reflects on-peak mw under contract.

Wind Assets – At December 31, 2004, FPL Energy had ownership interests in wind plants with a combined capacity of approximately 2,758 mw (net ownership). All of these wind assets have contracts with utilities and power marketers predominantly under fixed-price agreements with expiration dates ranging from 2011 to 2028. FPL Energy operates all but nine of these wind facilities. Approximately 89% of FPL Energy's net ownership in wind facilities has received exempt wholesale generator status as defined under the Holding Company Act. The remaining facilities have qualifying facility status under PURPA. FPL Energy's wind facilities are located in fifteen states, thereby reducing weather-related performance risk on a portfolio basis.

FPL Energy plans to add a total of 250 mw to 750 mw of wind generation by the end of 2005, including approximately 220 mw which are currently under construction and are expected to be in service by mid-2005.

Contracted – At December 31, 2004, FPL Energy had 2,170 mw of contracted assets. The contracted category includes all projects with mid- to long-term contracts for substantially all of their output. Essentially all of these contracted assets were under power sales contracts with utilities, with contract expiration dates ranging from 2005 to 2021 and have firm fuel and transportation agreements with expiration dates ranging from 2009 to 2033. Approximately 1,989 mw of this capacity is gas-fired generation. The remaining 181 mw uses a variety of fuels and technologies such as waste-to-energy, oil, solar, coal and petroleum coke. As of December 31, 2004, approximately 83% of FPL Energy's generating capacity is from power plants that have received exempt wholesale generator status under the Holding Company Act and the remaining 17% have qualifying facility status under PURPA. In January 2005, FPL Energy purchased a 45% ownership interest, or approximately 68 mw, in several solar power projects in California, the cost of which is included in capital expenditures set forth in General above. All power generated by these solar projects is sold under long-term contracts.

Merchant Assets – At December 31, 2004, FPL Energy's portfolio of merchant assets includes 6,592 mw of owned nuclear, natural gas, oil and hydro generation, of which 2,700 mw is located in the ERCOT region, 2,591 mw in the NEPOOL region and 1,301 mw in other regions. The merchant assets include 706 mw of peak generating facilities. Merchant assets are plants that do not have long-term power sales agreements to sell their output and therefore require active marketing and hedging. Approximately 76% of the merchant assets have gas supply agreements or a combination of gas supply and transportation agreements to provide for on-peak gas requirements. PMI uses derivative instruments (primarily swaps, options, futures and forwards) to lock in pricing and manage the commodity price risk inherent in power sales and fuel purchases. Reducing market risk through these instruments introduces other types of risk, however, primarily counterparty and operational risks. FPL Energy's 744 mw gas-fired plant in the PJM region that had previously been under construction went into service in December 2004.

Nuclear Operations. In 2002, an FPL Energy subsidiary purchased an 88.23% undivided interest in Seabrook, located in New Hampshire. FPL Energy's net ownership interest in Seabrook's capacity consists of 1,024 mw of nuclear generation. FPL Energy is responsible for all plant operations. The current operating license for Seabrook expires in 2026. FPL Energy intends to seek approval from the NRC to extend the unit's license to recapture the period of non-operation from 1986 to 1990, in addition to a 20-year license extension. If granted, these approvals would extend the term of the NRC operating license for Seabrook to 2050. Preparations are in progress for a power uprate at Seabrook that is expected to increase FPL Energy's proportionate share of plant capability by approximately 84 mw, the estimated future costs of which are included in FPL Energy's estimated capital expenditures above. This uprate, which has been approved by the New England ISO, will be implemented in two phases, pending approval by the NRC. The first phase of the uprate is expected to add approximately 71 mw and is expected to be performed during the next scheduled refueling outage in the spring of 2005. The second phase of the uprate is expected to add an additional 13 mw during the following scheduled refueling outage in the fall of 2006. At the time of the Seabrook acquisition, FPL Energy assumed responsibility for the ultimate decommissioning of the plant, the cost of which will be shared on a pro-rata basis by the joint owners. See estimated decommissioning cost data in Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs – FPL Energy.

In 2003, the NRC issued an order, subsequent to a previously issued NRC bulletin, requiring all pressurized water reactor licensees, including Seabrook, to perform visual and volumetric inspections of reactor vessel heads at certain scheduled refueling outages to identify if degradation such as cracking or corrosion has occurred. Seabrook will be required to perform 100% visual and volumetric inspections during the fall 2006 refueling outage, and subsequently, visual inspections every third refueling outage and volumetric inspections every fourth refueling outage. In 2003, the NRC issued a bulletin recommending that utilities with bottom mounted instrumentation penetrations perform visual inspections. In October 2003, visual inspections of the bottom mounted instrumentation penetrations were performed during Seabrook's scheduled refueling outage, and no evidence of leakage from these penetrations was noted.

In 2004, the NRC issued a bulletin requesting nuclear operators to identify and inspect all alloy 600 and weld materials in all pressurizer locations and connected steam space piping. FPL Energy has filed a response to the bulletin. Seabrook will perform visual inspections during the April 2005 refueling outage.

Seabrook has several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from 2006 to 2014. See Note 16 – Contracts. Currently, Seabrook is storing spent fuel on site pending its removal by the DOE. Under the Nuclear Waste Policy Act, the DOE was required to construct permanent disposal facilities and take title to and provide transportation and disposal for spent nuclear fuel by January 31, 1998 for a specified fee based on current generation from nuclear power plants. The total cumulative amount of such fees paid to the DOE's nuclear waste fund for Seabrook, including amounts paid by all joint owners since the start of Seabrook's operation, is approximately $113 million, of which FPL Energy has paid approximately $16 million since the date of the Seabrook acquisition. In 2004, FPL Energy and Seabrook's other joint owners filed a lawsuit against the DOE seeking damages caused by the DOE's failure to dispose of spent nuclear fuel from the Seabrook facility. The matter is pending. For details on the current status of permanent fuel storage with the DOE see FPL Operations – Fuel. Based on current projections, FPL Energy will lose its ability to store spent fuel at Seabrook as early as 2009. FPL Energy is investigating other alternatives to expand its spent nuclear fuel storage capacity at Seabrook.

OTHER FPL GROUP OPERATIONS

FPL Group's Corporate and Other segment represents other business activities, primarily FPL FiberNet, that are not separately reportable. See Note 17.

FPL FiberNet. FPL FiberNet was formed in 2000 to enhance the value of FPL Group's fiber-optic network assets that were originally built to support FPL operations. Accordingly, in 2000, FPL's existing fiber-optic lines were transferred to FPL FiberNet. FPL FiberNet is a limited liability company organized under the laws of Delaware. FPL FiberNet leases wholesale fiber-optic network capacity and dark fiber to FPL and other customers, primarily telephone, internet and other telecommunications companies. Dark fiber in the Florida metro market is also sold to third parties. FPL FiberNet's primary business focus is the Florida metro market. Metro networks cover Miami, Ft. Lauderdale, West Palm Beach, Tampa, St. Petersburg, Orlando and Jacksonville. FPL FiberNet also has a long-haul network within Florida that leases bandwidth at wholesale rates. At December 31, 2004, FPL FiberNet's network consisted of approximately 2,500 route miles, which interconnected major cities throughout Florida. During 2003, FPL FiberNet added the latest generation of Ethernet services which provides customers the option to upgrade their existing telecommunications network. Due to the changing telecommunications market, FPL FiberNet previously completed valuation studies to assess the recoverability of its assets and as a result, in 2002, wrote off some of these assets to expense. This write off represented an impairment charge related to property, plant and equipment, the fair value of which was determined based on a discounted cash flow analysis. Additionally, FPL FiberNet decided not to pursue the planned build-out of metro fiber rings in certain cities, and restructuring charges were recognized in 2002 related to the write-off of development costs and inventory. See Management's Discussion – Results of Operations – Corporate and Other and Note 6 – 2002 – Corporate and Other.

At December 31, 2004, FPL Group's investment in FPL FiberNet totaled approximately $217 million. FPL FiberNet invested approximately $6 million during 2004 and plans to invest a total of $35 million over the next five years to meet customers' specific requirements and sustain its fiber-optic network.

EXECUTIVE OFFICERS OF FPL GROUP [a]

Name	Age	Position	Effective Date
Paul I. Cutler	45	Treasurer and Assistant Secretary of FPL Group	February 19, 2003
		Treasurer and Assistant Secretary of FPL	February 18, 2003
K. Michael Davis	58	Controller and Chief Accounting Officer of FPL Group	May 13, 1991
		Vice President, Accounting, Controller and Chief Accounting Officer of FPL	July 1, 1991
Moray P. Dewhurst	49	Vice President, Finance and Chief Financial Officer of FPL Group	July 17, 2001
		Senior Vice President, Finance and Chief Financial Officer of FPL	July 19, 2001
Robert H. Escoto	51	Vice President, Human Resources of FPL Group	January 25, 2005
		Senior Vice President, Human Resources of FPL	February 21, 2005
Lewis Hay, III	49	President and Chief Executive Officer of FPL Group	June 11, 2001
		Chairman of the Board of FPL Group	January 1, 2002
		Chairman of the Board and Chief Executive Officer of FPL	January 1, 2002
Robert L. McGrath	51	Vice President, Engineering, Construction & Corporate Services of FPL Group	February 21, 2005
		Senior Vice President, Engineering, Construction & Corporate Services of FPL	February 21, 2005
Armando J. Olivera	55	President of FPL	June 24, 2003
James L. Robo	42	President of FPL Energy	July 26, 2002
Antonio Rodriguez	62	Senior Vice President, Power Generation Division of FPL	July 1, 1999
John A. Stall	50	Senior Vice President, Nuclear Division of FPL	June 4, 2001
Edward F. Tancer	43	Vice President & General Counsel of FPL Group	February 21, 2005
		Senior Vice President & General Counsel of FPL	February 21, 2005

[a] Executive officers are elected annually by, and serve at the pleasure of, their respective boards of directors. Except as noted below, each officer has held his present position for five years or more and his employment history is continuous. The business experience of the executive officers is as follows: Mr. Cutler was assistant treasurer of FPL Group from May 1999 to February 2003. He was assistant treasurer of FPL from May 1997 to February 2003. Mr. Cutler has served as assistant secretary of FPL Group and FPL since December 1997. Mr. Dewhurst was senior partner of Dean & Company, a management consulting and investment firm that he co-founded in 1993. Mr. Escoto was vice president, human resources of FPL from March 2004 to February 2005. Mr. Escoto has served as vice president, human resources of FPL Energy since April 2002. Prior to that, Mr. Escoto was director of human resources of FPL. Mr. Hay was president of FPL Energy from March 2000 to December 2001. Prior to that, he was vice president, finance and chief financial officer of FPL Group and senior vice president, finance and chief financial officer of FPL. Mr. McGrath was senior vice president, engineering and construction of FPL from November 2002 to February 2005 and treasurer of FPL Group and FPL from January 2000 to November 2002. He was also vice president, finance and chief financial officer of FPL Energy from June 2000 to November 2002. Prior to that, Mr. McGrath was assistant treasurer of FPL Group and FPL. Mr. Olivera was senior vice president, power systems of FPL from July 1999 to June 2003. Mr. Robo was vice president of corporate development and strategy of FPL Group from March 2002 to July 2002. He was president and chief executive officer of TIP, a GE Capital Company that provides trailer and storage equipment services, and GE Capital Modular Space, a supplier of mobile and modular buildings, from December 1999 to March 2002. Mr. Stall was vice president of nuclear engineering of FPL from January 2000 to June 2001. Mr. Tancer was associate general counsel of FPL Group from April 2003 to February 2005 and vice president and general counsel of FPL Energy from February 2001 to February 2005. Prior to that, Mr. Tancer was senior attorney of FPL.

Item 2. Properties

FPL Group and its subsidiaries maintain properties which are adequate for their operations. At December 31, 2004, the electric generating, transmission, distribution and general facilities of FPL represented approximately 43%, 13%, 37% and 7%, respectively, of FPL's gross investment in electric utility plant in service.

Generating Facilities. At December 31, 2004, FPL Group had the following generating facilities:

FPL Facilities	Location	No. of Units	Fuel	Net Capability (mw)[a]
Nuclear				
St. Lucie	Hutchinson Island, FL	2	Nuclear	1,553[b]
Turkey Point	Florida City, FL	2	Nuclear	1,386
Steam turbines				
Cape Canaveral	Cocoa, FL	2	Oil/Gas	801
Cutler	Miami, FL	2	Gas	206
Manatee	Parrish, FL	2	Oil/Gas	1,591
Martin	Indiantown, FL	2	Oil/Gas	1,643
Port Everglades	Port Everglades, FL	4	Oil/Gas	1,201
Riviera	Riviera Beach, FL	2	Oil/Gas	556
St. Johns River Power Park	Jacksonville, FL	2	Coal/Petroleum Coke	232[c]
Sanford	Lake Monroe, FL	1	Oil/Gas	138
Scherer	Monroe County, GA	1	Coal	639[d]
Turkey Point	Florida City, FL	2	Oil/Gas	798
Combined-cycle				
Fort Myers	Fort Myers, FL	1	Gas	1,441
Lauderdale	Dania, FL	2	Gas/Oil	859
Martin	Indiantown, FL	2	Gas	943
Putnam	Palatka, FL	2	Gas/Oil	498
Sanford	Lake Monroe, FL	2	Gas	1,889
Simple-cycle combustion turbines				
Fort Myers	Fort Myers, FL	1	Gas/Oil	326
Martin	Indiantown, FL	1	Gas/Oil	320
Gas turbines/diesels				
Fort Myers	Fort Myers, FL	12	Oil	648
Lauderdale	Dania, FL	24	Oil/Gas	840
Port Everglades	Port Everglades, FL	12	Oil/Gas	420
Turkey Point	Florida City, FL	5	Oil	12
TOTAL				18,940[e]

(a) Represents FPL's net ownership interest in plant capacity.
(b) Excludes Orlando Utilities Commission's and the FMPA's combined share of approximately 15% of St. Lucie Unit No. 2.
(c) Represents FPL's 20% ownership interest in each of St. Johns River Power Park Units Nos. 1 and 2, which are jointly owned with JEA.
(d) Represents FPL's approximately 76% ownership of Scherer Unit No. 4, which is jointly owned with JEA.
(e) Substantially all of FPL's properties are subject to the lien of FPL's mortgage. FPL expects to add 1,906 mw by mid-2005, primarily as a result of the planned mid-2005 addition of natural gas combined-cycle generation at the Martin and Manatee sites.

FPL Energy Facilities	Location	No. of Units	Fuel	Net Capability (mw)[a]
Wind				
Cabazon	Riverside County, CA	53	Wind	40
Cerro Gordo [b]	Cerro Gordo County, IA	55	Wind	41
Delaware Mountain	Culberson County, TX	39	Wind	30
Diablo Wind	Alameda County, CA	31	Wind	21
Gray County	Gray County, KS	170	Wind	112
Green Mountain	Somerset County, PA	8	Wind	10
Green Power	Riverside County, CA	22	Wind	17
Hancock County [b]	Hancock County, IA	148	Wind	98
High Winds [b]	Solano County, CA	90	Wind	162
Indian Mesa	Upton County, TX	125	Wind	83
King Mountain	Upton County, TX	215	Wind	281
Lake Benton II [b]	Pipestone County, MN	138	Wind	104
Meyersdale [c]	Somerset County, PA	20	Wind	30
Mill Run	Fayette County, PA	10	Wind	15
Montfort [b]	Iowa County, WI	20	Wind	30
Mountaineer [c]	Preston & Tucker Counties, WV	44	Wind	66
New Mexico [b]	Quay & Debaca Counties, NM	136	Wind	204
North Dakota [c]	LaMoure County, ND	41	Wind	62
Oklahoma / Sooner [c]	Harper & Woodward Counties, OK	68	Wind	102
Sky River	Kern County, CA	342	Wind	77
Somerset Wind Power	Somerset County, PA	6	Wind	9
South Dakota [c]	Hyde County, SD	27	Wind	41
Southwest Mesa [b]	Upton & Crockett Counties, TX	107	Wind	75
Stateline [b]	Umatilla County, OR and Walla Walla County, WA	454	Wind	300
Vansycle [c]	Umatilla County, OR	38	Wind	25
Victory Garden	Kern County, CA	96	Wind	22
Waymart [c]	Wayne County, PA	43	Wind	65
Windpower Partners 1994 [b]	Culberson County, TX	112	Wind	27
Woodward Mountain	Upton & Pecos Counties, TX	242	Wind	160
Wyoming [c]	Uinta County, WY	80	Wind	144
Investments in joint ventures	Various	3,634	[d]	305
Total Wind				2,758
Contracted				
Bayswater [b]	Far Rockaway, NY	1	Gas	54
Calhoun [b]	Eastaboga, AL	4	Gas	668
Doswell [b]	Ashland, VA	4	Gas/Oil	708
Doswell – Expansion [b]	Ashland, VA	1	Gas/Oil	171
Jamaica Bay [b]	Far Rockaway, NY	1	Oil/Gas	54
Investments in joint ventures	Various	12	[e]	515
Total Contracted				2,170
Merchant				
Blythe Energy	Blythe, CA	1	Gas	507
Forney	Forney, TX	2	Gas	1,700
Lamar Power Partners	Paris, TX	2	Gas	1,000
Maine	Various – ME	6	Oil	656[f]
Maine	Various – ME	83	Hydro	361
Marcus Hook 50	Marcus Hook, PA	1	Gas	50
Marcus Hook 750 [b]	Marcus Hook, PA	3	Gas	744
RISEP [b]	Johnston, RI	1	Gas	550
Seabrook	Seabrook, NH	1	Nuclear	1,024[g]
Total Merchant				6,592
TOTAL				11,520

[a] Represents FPL Energy's net ownership interest in plant capacity.
[b] These consolidated generating facilities are encumbered by liens against their assets securing various financings.
[c] In connection with a February 2005 financing, these consolidated generating facilities were encumbered by liens against their assets. See Note 14.
[d] Represents plants with no more than 50% ownership using wind technology.
[e] Represents plants with no more than 50% ownership using fuels and technologies such as gas, waste-to-energy, solar, coal and petroleum coke.
[f] Excludes 10 other energy-related partners' combined share of 38.22%.
[g] Excludes Massachusetts Municipal Wholesale Electric Company's, Taunton Municipal Lighting Plant's and Hudson Light & Power Department's combined share of 11.77%.

Transmission and Distribution. During 2004, FPL purchased transmission substation assets located in Seabrook, New Hampshire at their net book value of approximately $21 million from a subsidiary of FPL Energy. The substation assets were transferred in order to qualify for cost recovery opportunities in New England that are limited to transmission providers. At December 31, 2004, FPL owned and operated the following electric transmission and distribution lines:

Nominal Voltage	Overhead Lines Pole Miles	Trench and Submarine Cables Miles
500 kv	1,104[a]	-
230 kv	2,395	25
138 kv	1,454	49
115 kv	668	-
69 kv	164	14
Less than 69 kv	41,144	24,166
Total	46,929	24,254

[a] Includes approximately 75 miles owned jointly with JEA.

In addition, at December 31, 2004, FPL owned and operated 537 substations, one of which is jointly owned. See Note 8.

Character of Ownership. Substantially all of FPL's properties are subject to the lien of FPL's mortgage, which secures most debt securities issued by FPL. The majority of FPL Group's principal properties are held by FPL in fee and are free from other encumbrances, subject to minor exceptions, none of which is of such a nature as to substantially impair the usefulness to FPL of such properties. Some of FPL's electric lines are located on land not owned in fee but are covered by necessary consents of governmental authorities or rights obtained from owners of private property. A number of FPL Energy's generating facilities are encumbered by liens against their assets securing various financings. See Generating Facilities and Note 1 – Electric Plant, Depreciation and Amortization.

Item 3. Legal Proceedings

In November 1999, the Attorney General of the United States, on behalf of the 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. The amended complaint alleges, 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 and $27,500 per day for each violation thereafter. The EPA further revised its civil penalty rule in February 2004, such that the maximum penalty is $32,500 per day for each violation after March 15, 2004. 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, the federal district court stayed discovery and administratively closed the case pending resolution of the EPA's motion for consolidation of discovery in several Clean Air Act cases that was filed with a Multi-District Litigation (MDL) panel. In August 2001, the MDL panel denied the motion for consolidation. In September 2001, the EPA moved that the federal district court reopen this case for purposes of discovery. Georgia Power Company opposed that motion asking that the case remain closed until the Eleventh Circuit Court of Appeals ruled on the Tennessee Valley Authority's (TVA) appeal of an EPA administrative compliance order relating to legal issues that are also central to this case. In August 2002, the federal district court denied without prejudice the EPA's motion to reopen. In June 2003, the Eleventh Circuit issued its order dismissing the TVA's appeal because it found the provision of the Clean Air Act allowing the EPA to issue binding administrative compliance orders was unconstitutional, and hence found that the TVA order was a non-final order that courts of appeal do not have jurisdiction to review. In September 2003, the Eleventh Circuit denied the EPA's motion for rehearing. In May 2004, the U.S. Supreme Court denied the EPA's petition for review of the Eleventh Circuit order. The EPA has not yet moved to reopen the Georgia Power Company case.

In November 2001, J. W. and Ernestine M. Thomas, Chester and Marie Jenkins (since substituted for by Hazel and Lamar Jenkins), and Ray Norman and Jack Teague, as Co-Personal Representatives on behalf of the Estate of Robert L. Johns, served FPL Group, FPL, FPL FiberNet, FPL Group Capital and FPL Investments, Inc. (FPL Investments) as defendants in a civil action filed in the Circuit Court for Suwanee County, Florida. This action is purportedly on behalf of all property owners in Florida (excluding railroad and public rights of way) whose property is encumbered by easements in favor of FPL, and on whose property defendants have installed or intend to install fiber-optic cable which defendants currently lease, license or convey or intend to lease, license or convey for non-electric transmission or distribution purposes. The lawsuit alleges that FPL's easements do not permit the installation and use of fiber-optic cable for general communication purposes. The plaintiffs have asserted claims for unlawful detainer, unjust enrichment and constructive trust and seek injunctive relief and compensatory damages. In May 2002, plaintiffs filed an amended complaint, adding allegations regarding the installation of wireless communications equipment on some easements, and adding a claim for declaratory relief. Defendants filed an

answer and affirmative defenses to the amended complaint in August 2002. Motions for summary judgment by FPL Group, FPL Group Capital and FPL Investments have been granted, and they have been dismissed from this lawsuit. In February 2004, the plaintiffs filed a motion for leave to file their third amended complaint adding four more plaintiffs and seeking leave to add a claim for punitive damages. The court has not set a time for a hearing on this motion or on whether this case will proceed as a class action.

In August 2001, FMPA filed with the U.S. Court of Appeals for the District of Columbia (DC Circuit) a petition for review asking the DC Circuit to reverse and remand orders of the FERC denying FMPA's request for credits for transmission facilities owned by FMPA members. The transmission credits sought by FMPA would offset the transmission charges that FPL bills FMPA for network transmission service to FMPA's member cities. FMPA member cities have been taking network transmission service under FPL's open access transmission tariff since 1996. In the orders appealed by FMPA, FERC ruled that FMPA would be entitled to credits for any FMPA facilities that were "integrated" with the FPL transmission system. Based on the evidence submitted, FERC concluded that none of the FMPA facilities met the integration test and, therefore, FMPA was not entitled to credits against FPL's charges for transmission service. In January 2003, the DC Circuit upheld FERC's order denying FMPA credits for its facilities; in March 2003, the DC Circuit denied FMPA's rehearing request of the DC Circuit's decision; and in October 2003, the U.S. Supreme Court denied FMPA's petition for review of the DC Circuit's decision.

FMPA also has requested that FERC decide the same crediting issue in a separate FERC proceeding. That proceeding dates back to a filing by FPL in 1993 of a comprehensive restructuring of its then-existing tariff structure. All issues in that case were settled in September 2000 except for three issues reserved by FMPA: (i) the crediting issue, (ii) treatment of behind-the-meter generation and load ratio pricing for network integration transmission service, and (iii) exclusions from FPL's transmission rates of the costs of FPL's facilities that failed to meet the same integration test that was applied to FMPA's facilities with respect to the crediting issue. In December 2003, FERC issued an order addressing the three reserved issues. With respect to the crediting issue, FERC stated that it had previously determined that FMPA was not entitled to credits for its facilities in the related proceeding discussed above and saw no persuasive reason to revisit that determination in this proceeding. Regarding the issue of behind-the-meter generation, FERC stated that it had addressed the issue of load ratio pricing for network integration transmission service and the related issue of behind-the-meter generation in Order Nos. 888 and 888-A, and saw no persuasive reason to revisit that determination in this proceeding. With respect to the third issue, FERC directed FPL to make a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test applied to the FMPA facilities.

In January 2004, FMPA requested a "conditional rehearing on the Commission's failure to order rate credits solely in the event that Commission does not adequately reduce FPL's rate base to achieve comparability," and challenging FERC's determination not to revisit the issue of behind-the-meter generation and load ratio pricing for network integration transmission service. In March 2004, FERC issued an order denying FMPA's rehearing request. In April 2004, FMPA petitioned the DC Circuit for review of FERC's December 2003 order and March 2004 order. FMPA filed its initial brief in that proceeding on October 1, 2004. FMPA's arguments are limited to the issue of behind-the-meter generation and load ratio pricing for network integration transmission service in instances when, according to FMPA, FPL cannot provide transmission service because of "physical transmission limitations." FERC's reply brief was filed on December 1, 2004. FPL has been granted party status as an intervenor, and its brief was filed on December 16, 2004. FMPA's reply brief to the FERC was filed on January 13, 2005. Oral argument is scheduled for March 22, 2005. FPL estimates its exposure for refunds to FMPA on this issue to be approximately $2 million at December 31, 2004.

In May 2004, FPL made a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test that was applied to the FMPA facilities. Pursuant to this filing, 1.63% of FPL's transmission facilities do not satisfy the integration standard and FPL's current network transmission rate would be reduced by $0.02 per kilowatt (kw) per month, resulting in a refund obligation to FMPA of approximately $1 million at December 31, 2004. In June 2004, FMPA filed a protest to FPL's compliance filing, which protest would exclude approximately 30% of FPL's transmission facilities and reduce FPL's current network transmission rate by approximately $0.41 per kw per month, potentially resulting in a refund obligation to FMPA of approximately $26 million at December 31, 2004. Any reduction in FPL's network service rate would also apply effective January 1, 2004 to Seminole Electric Cooperative Inc. (Seminole), FPL's other network customer. The refund obligation to Seminole at December 31, 2004 would be approximately $0.2 million under FPL's filing and approximately $4 million based on FMPA's position. On January 25, 2005, FERC issued an order on FPL's compliance filing. In the order FERC accepted FPL's standards for analyzing the transmission system and agreed that FPL's "Georgia Ties" and "Turkey Point Lines" are part of FPL's integrated grid. FERC required FPL to make an additional compliance filing removing the cost of all radial transmission lines from transmission rates, rather than only radial lines that serve one customer, analyzing the FPL transmission system to remove the cost of any transmission facilities that provide only "unneeded redundancy," and calculating rate adjustments using 1993 data rather than 1998 data. FPL's further compliance filing is due on April 25, 2005.

In 1995 and 1996, FPL Group, through an indirect subsidiary, purchased from 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. On June 24, 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 believes that the complaint is invalid 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.

In February 2003, Scott and Rebecca Finestone brought an action on behalf of themselves and their son Zachary Finestone in the U.S. District Court for the Southern District of Florida alleging that their son has developed cancer (neuroblastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The complaint includes counts against FPL for strict liability for allegedly engaging in an ultra-hazardous activity and for alleged negligence in operating the plant in a manner that allowed emissions of the foregoing materials and failing to limit its release of nuclear fission products as prescribed by federal and state laws and regulations. The plaintiffs seek damages in excess of $1 million. After initially denying FPL's motion to dismiss, the court granted it with respect to plaintiffs' count for strict liability. The court has also granted FPL's motion for a ruling that the only duty owed by FPL to the plaintiffs is established exclusively by federal regulations and not general negligence standards. The plaintiffs subsequently filed an amended complaint on the same factual grounds, including a count against FPL for strict liability, which appears identical in all material elements to the strict liability claim in plaintiffs' initial complaint, and counts against FPL for alleged negligence based on duties allegedly established by federal and state laws and regulations. FPL again moved to dismiss the strict liability claim and moved to dismiss all negligence claims that are not based on the duty that the court has recognized governs this action. The court granted FPL's motion. FPL has answered the one count in the amended complaint that is based on that duty, denying any liability. Plaintiffs also moved to vacate or modify the court's order establishing the duty owed. The court denied plaintiffs' motion. Discovery is proceeding.

In May 2003, Tish Blake and John Lowe, as personal representatives of the Estate of Ashton Lowe, on behalf of the estate and themselves, as surviving parents, brought an action in the U.S. District Court for the Southern District of Florida alleging that their son developed cancer (medulo-blastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The allegations, counts and damages demanded in the complaint are virtually identical to those contained in the Finestone lawsuit described above. As in the Finestone case, the court has granted FPL's motion to dismiss the plaintiffs' count for strict liability. Similarly, the court has also granted FPL's motion for a ruling that the only duty owed by FPL to the plaintiffs is established exclusively by federal regulations and not general negligence standards. The plaintiffs subsequently filed an amended complaint on the same factual grounds, including a count against FPL for strict liability, which appears identical in all material elements to the strict liability claim in plaintiffs' initial complaint, and counts against FPL for alleged negligence based on duties allegedly established by federal and state laws and regulations. FPL again moved to dismiss the strict liability claim and moved to dismiss all negligence claims that are not based on the duty that the court has recognized governs this action. The court granted FPL's motion. FPL has answered the one count in the amended complaint that is based on that duty, denying any liability. Plaintiffs also moved to vacate or modify the court's order establishing the duty owed. The court denied plaintiffs' motion. Discovery is proceeding.

In June 2003, Monty and Kathryn Wooldridge brought an action on behalf of themselves and their son, Kevin Allen Wooldridge, in the Circuit Court of the 9th Judicial Circuit in and for Orange County, Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, the American Dental Association, the Florida Dental Association, FPL and the Orlando Utilities Commission (OUC), alleging that their son has suffered toxic neurological effects from mercury poisoning. The sources of mercury exposure are alleged to be vaccines containing a preservative called thimerosal that were allegedly manufactured and distributed by the drug companies, mercury amalgam dental fillings, and emissions from FPL and OUC power plants in Florida, including Brevard County. The complaint includes counts against all defendants for civil battery and against FPL for alleged negligence in operating the plants such that the son was exposed to mercury and other heavy metals emissions. The damages demanded from FPL are for injuries and losses allegedly suffered by the son as a result of his exposure to the plants' mercury emissions and the parents' alleged pain and suffering, medical expenses, loss of wages, and loss of their son's services and companionship. No amount of damages is specified. The court has granted the drug manufacturing and distribution companies' and the dental associations' motions to dismiss the complaint against them. The plaintiffs are appealing those orders. FPL's motion to dismiss is pending.

In August 2003, Pedro C. and Emilia Roig brought an action on behalf of themselves and their son, Pedro Anthony Roig, in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida (the state court), which was removed in October 2003 to the U.S. District Court for the Southern District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies and FPL, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Wooldridge lawsuit described above. The U.S. District Court remanded the action back to the state court. All parties anticipate that the drug manufacturing and distribution companies will move to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until the state court rules on those motions.

In December 2003, Edward and Janis Shiflett brought an action on behalf of themselves and their son, Phillip Benjamin Shiflett, in the Circuit Court of the 18th Judicial Circuit in and for Brevard County, Florida (the state court), which was removed in January 2004 to the U.S. District Court for the Middle District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, FPL and the OUC, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Wooldridge and Roig lawsuits. FPL's motion to dismiss the

complaint was denied. The U.S. District Court subsequently remanded the action back to the state court. All parties anticipate that the drug manufacturing and distribution companies will move to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until the state court rules on those motions.

In February 2004, Albert Litter Studios, Inc. instituted an action against FPL in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida, seeking damages on behalf of itself, and purportedly on behalf of all other similarly situated commercial entities in Florida. The plaintiff asserts that FPL's intentional use of allegedly defective thermal demand meters has resulted in overcharging it and certain other commercial customers millions of dollars and constitutes breach of an implied contract, breach of the duty of good faith and fair dealing, negligence, fraudulent inducement, and negligent misrepresentation. The complaint seeks damages in excess of $15,000, representing the amount of the alleged overcharges, interest, and such other relief as the court may order. FPL moved to dismiss the case on the grounds that the FPSC has exclusive jurisdiction over this type of complaint. The court denied the motion on July 13, 2004. FPL appealed the ruling to Florida's Third District Court of Appeals (Third DCA). FPL's motion to stay the proceedings pending resolution of the appeal was denied by the trial court. FPL filed a separate motion to stay pending appeal with the Third DCA, and the court granted that motion on November 10, 2004. Oral argument on the appeal of the jurisdictional question was heard on December 14, 2004. The parties are currently awaiting a decision on the appeal of the jurisdictional question; the Third DCA's stay of the trial court proceedings remains in effect pending that decision.

FPL determined in 2002 that, based on sample testing of the approximately 3,900 1V thermal demand meters in service, the demand component of its 1V meter population was exceeding allowable tolerance levels established by FPSC rules. In 2002, FPL proposed to replace and test all of the 1V meters in service and to issue refunds, as appropriate, within certain parameters. FPL was given administrative approval from the FPSC staff to proceed with the replacement of the 1V meters. By early 2003, all 1V meters had been replaced. Testing of all 1V meters disclosed that approximately 15% of the 3,900 meters were outside of allowed tolerances, with 10% under-registering and 5% over-registering electricity usage. In November 2003, the FPSC, as proposed agency action, approved a method for testing the meters and calculating refunds. On December 10, 2003, Southeastern Utility Services, Inc., on behalf of several commercial customers, filed a protest to the proposed agency action and requested a hearing. Southeastern Utility Services, Inc. alleges that, among other things, the proposed method for computing the amount of the refund is flawed. A final hearing before the FPSC occurred on November 4, 2004. Final briefs were filed by the parties on December 16, 2004. At its February 1, 2005 agenda meeting, the FPSC concluded that no refunds were due relative to the 11 meters in question for any period in excess of 12 months. Southeastern Utility Services, Inc. had argued for multi-year refunds. Based on the FPSC's decision, FPL expects that aggregate refunds to these complainants will not exceed $50,000. The parties expect a final FPSC order by March 2005.

On October 6, 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 (FPL Energy Affiliates) as defendants in a civil action filed in the District Court in Dallas County, Texas. The petition alleges that the named FPL Energy Affiliates had a contractual obligation to produce and sell to TXU a minimum quantity of energy each year and that the FPL Energy Affiliates failed to meet this obligation. The plaintiff has asserted claims for breach of contract and declaratory judgment and seeks damages of $20,826,100. The FPL Energy Affiliates filed their answer and counterclaim in November of 2004, denying the allegations. The counterclaim asserts claims for conversion, breach of fiduciary duty, breach of contract and fraud and seeks termination of the contract and damages. The case is in discovery and has been set for a non-jury trial in August of 2005.

In the event that FPL Group and FPL do not prevail in these lawsuits, there may be a material adverse effect on their financial statements. However, FPL Group and FPL believe that they have meritorious defenses to the pending litigation discussed above and are vigorously defending the lawsuits. Management does not anticipate that the liabilities, if any, arising from the proceedings would have a material adverse effect on the financial statements.

In addition to those legal proceedings discussed herein, FPL Group and its subsidiaries, including FPL, are involved in a number of other legal proceedings and claims in the ordinary course of their businesses. In addition, generating plants in which FPL Group or FPL have an ownership interest are involved in legal proceedings and claims, the liabilities from which, if any, would be shared by FPL Group or FPL. While management is unable to predict with certainty the outcome of these other legal proceedings and claims, it is not expected that their ultimate resolution, individually or collectively, will have a material adverse effect on the financial statements.

In June 2004, a subsidiary of FPL Energy, FPLE Rhode Island State Energy, L.P. (RISEP), received a Notice of Violation (NOV) from the Rhode Island Department of Environmental Management (RIDEM). The NOV alleged that the RISEP facility exceeded certain permit limitations relating to the reuse water received from the City of Cranston during certain days from November 2002 until May 2003 and that RIDEM was not notified of such exceedances in a timely manner. The total proposed penalty for these combined allegations was $383,700. In April 2003, the facility self-disclosed the permit exceedances at issue and since that date has undertaken significant changes to its management, water treatment system, and the wastewater treatment system for the City of Cranston, which has been providing poor quality reuse water. In addition, there were several meetings with RIDEM regarding the status of remedial measures and the facility maintained regular contact regarding plant operational status. On December 28, 2004, RISEP agreed to pay a penalty of $95,000 to RIDEM to settle the NOV.

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II

Item 5. Market for the Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Data. All of FPL's common stock is owned by FPL Group. FPL Group's common stock is traded on the New York Stock Exchange. The high and low sales prices for the common stock of FPL Group as reported in the consolidated transaction reporting system of the New York Stock Exchange for each quarter during the past two years are as follows:

	2004		2003	
Quarter	High	Low	High	Low
First	$ 68.81	$ 63.34	$ 63.77	$ 53.55
Second	$ 67.25	$ 60.20	$ 68.08	$ 57.74
Third	$ 69.85	$ 62.41	$ 67.66	$ 60.01
Fourth	$ 76.10	$ 67.33	$ 65.98	$ 62.65

Approximate Number of Stockholders. As of the close of business on January 31, 2005, there were 32,981 holders of record of FPL Group's common stock.

Dividends. Quarterly dividends have been paid on common stock of FPL Group during the past two years in the following amounts per share:

Quarter	2004	2003
First	$ 0.62	$ 0.60
Second	$ 0.62	$ 0.60
Third	$ 0.68	$ 0.60
Fourth	$ 0.68	$ 0.60

The amount and timing of dividends payable on FPL Group's common stock are within the sole discretion of FPL Group's board of directors. The board of directors reviews the dividend rate at least annually (in February) to determine its appropriateness in light of FPL Group's financial position and results of operations, legislative and regulatory developments affecting the electric utility industry in general and FPL in particular, competitive conditions and any other factors the board deems relevant. The ability of FPL Group to pay dividends on its common stock is dependent upon dividends paid to it by its subsidiaries, primarily FPL. There are no restrictions in effect that currently limit FPL's ability to pay dividends to FPL Group. In February 2005, FPL Group announced that it would increase its quarterly dividend on its common stock from $0.68 to $0.71 per share before giving effect to a two-for-one stock split effective March 15, 2005 (2005 stock split). See Management's Discussion – Liquidity and Capital Resources with respect to dividend restrictions and Note 12 – Common Stock Dividend Restrictions regarding dividends paid by FPL to FPL Group. See Management's Discussion – Liquidity and Capital Resources and Note 12 – Earnings Per Share regarding the 2005 stock split.

Issuer Purchases of Equity Securities.

FPL Group, Inc. Purchases of Securities

Period	Total Number of Shares Purchased [a]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program [b] (thousands)
10/1/04 – 10/31/04	7,867	$ 67.59	-	5,402
11/1/04 – 11/30/04	-	$ -	-	5,402
12/1/04 – 12/31/04	-	$ -	-	5,402
Total	7,867	$ 67.59	-	

[a] Represents shares of common stock purchased by FPL Group from employees to pay taxes related to the vesting of restricted stock granted to employees.

[b] In February 1997, FPL Group's board of directors authorized the repurchase of up to 10 million shares of common stock over an unspecified period as part of a publicly announced program. In February 2005, FPL Group's board of directors terminated the February 1997 common stock repurchase plan and authorized a new common stock repurchase plan of up to 10 million shares of common stock (20 million shares after giving effect to the 2005 stock split) over an unspecified period.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2004	2003	2002	2001	2000
SELECTED DATA OF FPL GROUP (millions, except per share amounts):					
Operating revenues	$ 10,522	$ 9,630	$ 8,173	$ 8,217	$ 6,920
Income before cumulative effect of changes in accounting principles	$ 887[a]	$ 893[a]	$ 695[b]	$ 781[c]	$ 704[d]
Cumulative effect of adopting FAS 142, net of income taxes of $143	$ -	$ -	$ (222)	$ -	$ -
Cumulative effect of adopting FIN 46, net of income taxes of $2	$ -	$ (3)	$ -	$ -	$ -
Net income	$ 887[a]	$ 890[e]	$ 473[f]	$ 781[c]	$ 704[d]
Earnings per share of common stock: [g]					
Earnings per share before cumulative effect of changes in accounting principles	$ 4.95[a]	$ 5.03[a]	$ 4.02[b]	$ 4.63[c]	$ 4.14[d]
Cumulative effect of changes in accounting principles	$ -	$ (0.02)	$ (1.28)	$ -	$ -
Earnings per share	$ 4.95[a]	$ 5.01[e]	$ 2.74[f]	$ 4.63[c]	$ 4.14[d]
Earnings per share of common stock – assuming dilution: [g]					
Earnings per share before cumulative effect of changes in accounting principles	$ 4.91[a]	$ 5.02[a]	$ 4.01[b]	$ 4.62[c]	$ 4.14[d]
Cumulative effect of changes in accounting principles	$ -	$ (0.02)	$ (1.28)	$ -	$ -
Earnings per share	$ 4.91[a]	$ 5.00[e]	$ 2.73[f]	$ 4.62[c]	$ 4.14[d]
Dividends paid per share of common stock [g]	$ 2.60	$ 2.40	$ 2.32	$ 2.24	$ 2.16
Total assets [h][i]	$ 28,333	$ 26,935	$ 23,185	$ 20,713	$ 18,355
Long-term debt, excluding current maturities [h]	$ 8,027	$ 8,723	$ 5,790	$ 4,858	$ 3,976
Obligations of FPL under capital lease, excluding current maturities [h]	$ -	$ -	$ 140	$ 133	$ 127
SELECTED DATA OF FPL (millions):					
Operating revenues	$ 8,734	$ 8,293	$ 7,378	$ 7,477	$ 6,361
Net income available to FPL Group	$ 749	$ 733	$ 717	$ 679[d]	$ 607[d]
Total assets [h]	$ 19,114	$ 17,817	$ 16,032	$ 15,174	$ 15,075
Long-term debt, excluding current maturities [h]	$ 2,813	$ 3,074	$ 2,364	$ 2,579	$ 2,577
Energy sales (kwh)	103,635	103,202	98,605	93,488	91,969
Energy sales:					
Residential	50.7%	51.8%	51.6%	50.9%	50.4%
Commercial	40.6	40.1	40.6	40.6	40.2
Industrial	3.8	3.9	4.1	4.4	4.1
Interchange power sales	2.9	2.3	1.8	2.2	3.1
Other [j]	2.0	1.9	1.9	1.9	2.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute peak load (mw): [k]					
Summer season	20,545	19,668	19,219	18,754	17,808
Winter season	18,108	15,989	20,190	17,585	18,219
Average number of customer accounts (thousands):					
Residential	3,745	3,653	3,566	3,491	3,414
Commercial	458	445	435	427	415
Industrial	19	17	16	15	16
Other	3	2	3	2	3
Total	4,225	4,117	4,020	3,935	3,848
Average price per kwh (cents) [l]	8.36	7.95	7.32	8.05	6.86

[a] Includes net unrealized mark-to-market gains or losses associated with non-qualifying hedges.
[b] Includes impairment and restructuring charges, charges related to certain wind projects and leveraged leases, a favorable settlement of litigation with the IRS and net unrealized mark-to-market gains associated with non-qualifying hedges.
[c] Includes merger-related expenses and net unrealized mark-to-market gains associated with non-qualifying hedges.
[d] Includes merger-related expenses.
[e] Includes the cumulative effect of an accounting change and net unrealized mark-to-market gains associated with non-qualifying hedges.
[f] Includes the cumulative effect of an accounting change, impairment and restructuring charges, charges related to certain wind projects and leveraged leases, a favorable settlement of litigation with the IRS and net unrealized mark-to-market gains associated with non-qualifying hedges.
[g] The per share information does not reflect the effect of the 2005 stock split. See Note 12 – Earnings Per Share.
[h] Reflects the adoption of FIN 46 in July 2003. See Note 9.
[i] Reflects the adoption of FAS 142 in January 2002. See Note 5.
[j] Includes the net change in unbilled sales.
[k] Winter season includes November and December of the current year and January to March of the following year.
[l] Excludes interchange power sales, net change in unbilled revenues, deferrals/recoveries under cost recovery clauses and a provision, if any, for retail rate refund.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the Notes to Consolidated Financial Statements contained herein. In the discussion of Results of Operations below, all comparisons are with the corresponding items in the prior year.

Overview

FPL Group is one of the nation's largest providers of electricity-related services. Its principal subsidiary, FPL, serves more than eight million people along the eastern seaboard and southern portion of Florida. FPL Energy, FPL Group's wholesale energy subsidiary, produces electricity primarily utilizing natural gas, wind and nuclear resources. Together, FPL's and FPL Energy's generating assets represent approximately 30,000 mw of capacity. FPL FiberNet provides fiber-optic services to FPL, telecommunications companies and other customers throughout Florida.

FPL obtains its operating revenues primarily from the retail sale of electricity. Over the last 10 years, FPL's customer growth has been 2.1% while underlying usage growth has been 0.8%. FPL is meeting the increased demands of its customers by adding to its generation capacity and electric transmission and distribution infrastructure. FPL plans to add about 1,900 mw of generating capacity in 2005 at a total investment of over $1 billion. This will provide enough power to meet the needs of approximately 400,000 new customers and FPL expects a reserve margin of 25% for all of its customers. These projects are utilizing natural gas-fired and combined-cycle generators. FPL's O&M expenses declined in 2004 despite increased costs of nuclear plant maintenance and insurance; however, O&M expenses are expected to increase in 2005 reflecting continued upward trends in nuclear maintenance, insurance and employee-related costs as well as increased maintenance costs for fossil generation plants due to a number of FPL's older units going through major overhauls. FPL's O&M expenses per retail kilowatt-hour also declined in 2004 and are below the 2003 industry average according to the most current reference data available from government sources. In 2004, FPL's availability factor for its fossil and nuclear generating units were 94% and 88%, respectively, and the average minutes a customer was without power was 69 minutes, excluding the impact of the three hurricanes that hit FPL's service territory, compared to the 2003 industry average of 137 minutes. Growing demand for electricity in FPL's service territory has prompted the need for additional power plants and other capital improvements, the costs of which have resulted in FPL notifying the FPSC on January 21, 2005 of its intent to file for a rate increase effective January 2006. FPL's business strategy is to meet the increased demands of customer growth and focus on improving operating performance.

FPL Energy is in the wholesale generation business with the majority of its operating revenues derived from wholesale electricity sales. Its market is diversified by region as well as by fuel source. More than 85% of the expected 2005 gross margin from FPL Energy's wholesale generation fleet is hedged against fuel and electricity market volatility. FPL Energy's trading business is focused on reducing risk and extracting maximum value from its assets. FPL Energy is one of the largest producers of wind energy in the world, and with the extension of the production tax credit program through December 2005, plans to continue expanding its wind portfolio in 2005 through construction of new facilities and selective acquisitions. FPL Energy's business strategy is to maximize the value of its current portfolio, expand its U.S. market-leading wind position, build its portfolio and explore gas infrastructure opportunities.

Results of Operations

Summary – FPL Group's net income for the years ended December 31, 2004, 2003 and 2002 was $887 million, $890 million and $473 million, respectively. See Note 17 for segment information. FPL Group's net income for the year ended December 31, 2004 reflects reduced earnings at FPL Energy partially offset by improved results at FPL. At Corporate and Other, the impact of the favorable resolution of certain tax issues was partially offset by higher interest expense. FPL's 2004 results improved as a result of strong customer growth and the settlement of shareholder litigation initiated in 2002 and 2003, but were partially offset by the impacts of three hurricanes that struck FPL's service territory during the third quarter of 2004, as well as lower customer usage due to overall milder weather. These hurricanes resulted in lost revenues and an increase in O&M expenses including higher reserves for uncollectible accounts for FPL, and reduced FPL's net income by approximately $26 million for the year ended December 31, 2004. FPL Energy's 2004 results decreased due to the effect of restructuring activities during 2004 compared to 2003 and higher interest expense partially offset by increased earnings from its existing portfolio as well as project additions. In addition, FPL Energy's net income for 2004 reflects unrealized losses from non-qualifying hedges of $3 million while 2003 net income reflects unrealized gains of $22 million and a $3 million charge due to a change in accounting principle. FPL Group's net income for the year ended December 31, 2003 benefited from improved results at both FPL and FPL Energy, as well as the absence of certain impairment and other charges recorded in 2002 that reduced FPL Energy's 2002 net income by $295 million ($485 million pretax). In addition, 2003 results at the Corporate and Other segment benefited from the absence of certain impairment and other charges, net of income tax settlements, recorded in 2002 which reduced 2002 results by $64 million ($152 million pretax). In addition, FPL Energy's net income for 2003 reflects unrealized gains from non-qualifying hedges of $22 million compared to $1 million in 2002. FPL Group's 2004 net income also benefited from certain state tax benefits resulting from FPL Energy's growth throughout the United States, as well as the resolution of other tax issues. FPL Group's effective tax rate for all periods presented reflect production tax credits for wind projects at FPL Energy. The effective tax rate for the year ended December 31, 2002 was further reduced by a gain from the resolution of an income tax matter.

FPL Group and its subsidiaries segregate unrealized mark-to-market gains and losses on derivative transactions into two categories. The first category, referred to as trading and managed hedge activities, represents the net unrealized effect of actively traded positions entered into to take advantage of market price movements and to optimize the value of generation assets and related contracts. The second category, referred to as non-qualifying hedges, represents the net unrealized effect of derivative transactions entered into as economic hedges (but which do not qualify for hedge accounting under FAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended) and the ineffective portion of transactions accounted for as cash flow hedges. These transactions have been entered into to reduce FPL Group's aggregate risk.

FPL Group's management uses earnings excluding certain items (adjusted earnings), which in 2004 were the mark-to-market effect of non-qualifying hedges, internally for financial planning, for reporting of results to the Board of Directors and for FPL Group's employee incentive compensation plan. FPL Group also uses adjusted earnings when communicating its earnings outlook to analysts and investors. FPL Group's management believes adjusted earnings provide a more meaningful representation of the company's fundamental earnings power. Although the excluded items are properly included in the determination of net income in accordance with generally accepted accounting principles, both the size and nature of such items can make period to period comparisons of operations difficult and potentially confusing.

FPL – FPL's net income available to FPL Group for 2004, 2003 and 2002 was $749 million, $733 million and $717 million, respectively. During 2004, FPL's net income benefited from strong customer growth, underlying customer usage growth, FPL's portion of the amount received by FPL Group related to the settlement of shareholder litigation which reduced O&M expenses and other reductions in O&M expenses. In addition, the allowance for funds used during construction, primarily equity funds, increased during 2004 reflecting higher plant balances under construction. However, the effect of milder weather as compared to 2003, the impact of three hurricanes and higher depreciation expense partially offset these benefits. The hurricanes resulted in lost revenues of approximately $38 million for the year ended December 31, 2004 and have made 2005 results at FPL more difficult to estimate due to the uncertainty of the impact of the storms on revenue growth. During 2003, FPL's net income benefited from higher revenues from retail base operations partially offset by higher O&M expenses, depreciation expense and property taxes. FPL's 2003 net income also reflects a loss related to the redemption of preferred stock, which was substantially offset by tax benefits related to the favorable settlement of tax audit issues with the IRS.

In 2002, the FPSC approved a rate agreement regarding FPL's retail base rates, which became effective April 15, 2002 and expires December 31, 2005. The agreement includes a revenue sharing mechanism for each of the twelve-month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold are required to be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold are required to be refunded 100% to retail customers.

The rate agreement provides for a $250 million annual reduction in retail base revenues allocated to all customers by reducing customers' base rates and service charges by approximately 7%. The revenue sharing thresholds specified in the rate agreement are as follows:

	Years Ended December 31,			
	2002[a]	2003	2004	2005
		(millions)		
66 2/3% to customers	$ 3,580	$ 3,680	$ 3,780	$ 3,880
100% to customers	$ 3,740	$ 3,840	$ 3,940	$ 4,040

[a] Refund was limited to 71.5% (representing the period April 15 through December 31, 2002) of the revenues from base rate operations exceeding the thresholds.

During the term of the rate agreement, FPL does not have an authorized regulatory ROE range for the purpose of addressing earnings levels. However, FPL continues to file monthly earnings surveillance reports with the FPSC and if the reported ROE falls below 10% during the term of the rate agreement, FPL may petition the FPSC to amend its base rates. The rate agreement would terminate on the effective date of any final order issued in a proceeding that changes FPL's base rates. See Note 1 – Revenues and Rates. In addition, depreciation rates will not be changed during the term of the agreement; however, FPL will reduce its recorded depreciation expense by $125 million annually. Accordingly, depreciation expense for all periods presented reflects this reduction. See Note 1 – Electric Plant, Depreciation and Amortization.

On January 21, 2005, FPL notified the FPSC that it intends to initiate a base rate proceeding in March 2005. Although FPL has not finalized its 2006 and 2007 revenue requirements, it expects to request a $400 million to $450 million annual increase in base rates beginning on January 1, 2006 and an additional annual base rate increase of approximately $130 million in mid-2007 to cover the costs associated with the 1,150 mw natural gas-fired unit at Turkey Point expected to be placed in service in mid-2007. Hearings on the base rate proceeding are expected during the third quarter of 2005 and a final decision is expected by the end of 2005.

FPL's operating revenues consisted of the following:

	Years Ended December 31,		
	2004	2003	2002
		(millions)	
Retail base operations	$ 3,664	$ 3,680	$ 3,603
Revenue refund provision	-	(3)	(34)
Cost recovery clauses and other pass-through costs	4,999	4,558	3,793
Other, primarily gas and wholesale sales	71	58	16
Total	$ 8,734	$ 8,293	$ 7,378

For the year ended December 31, 2004, the decrease in retail base revenues was primarily due to a decrease in usage per retail customer, partially offset by a 2.6% increase in the average number of customer accounts. A 2.7% decrease in usage per retail customer resulted in a decrease in revenues from retail base operations of approximately $100 million, primarily due to milder weather and customer service interruptions during the three hurricanes that struck FPL's service territory. The increase in the average number of customer accounts, as well as other factors, increased revenues from retail base operations by $84 million.

The increase in retail base revenues in 2003 was primarily due to an increase in customer accounts and an increase in usage per retail customer. The increase in 2003 was partially offset by the effect of the 7% base rate reduction, or $62 million, pursuant to the rate agreement that was effective in mid-April 2002. A 2.4% increase in the number of retail customer

accounts increased revenues by $85 million, while the balance of the increase, or $54 million, was primarily due to a 1.7% increase in electricity usage per retail customer.

Revenues from cost recovery clauses and other pass-through costs, such as franchise fees and revenue taxes, do not significantly affect net income; however, under- or over-recovery of such costs can significantly affect FPL Group's and FPL's operating cash flows. Fluctuations in these revenues, as well as in fuel, purchased power and interchange expense are primarily driven by changes in energy sales, fuel prices and capacity charges. Ordinarily, the fuel charge is set annually based on estimated fuel costs and estimated customer usage, plus or minus a true-up for prior period estimates. Effective January 1, 2003, the FPSC approved a risk management fuel procurement program, which is intended to reduce the risk of unexpected fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. The results of the program are reviewed by the FPSC as part of the annual review of fuel costs. The increase in revenues from cost recovery clauses and other pass-through costs for the years ended December 31, 2004 and 2003 reflect higher fuel charges to customers primarily to recover previously underrecovered fuel-related costs resulting from higher than projected fuel costs.

FPL's O&M expenses decreased $22 million in 2004 reflecting the receipt of approximately $21 million associated with the settlement of the shareholder litigation. The settlement was offset by higher nuclear maintenance costs of $10 million, higher insurance costs of $8 million and an increase in the provision for uncollectible accounts receivable of $8 million in connection with the hurricanes. The remainder of the fluctuation in the 2004 O&M expenses was primarily due to the absence of certain legal expenses recorded in 2003. Management expects to see a continued upward trend in nuclear maintenance, insurance and employee-related costs for 2005, as well as an increase in maintenance costs for fossil generation plants as major overhauls are planned for a number of older units. In conjunction with an NRC order, FPL has performed visual and volumetric inspections of its nuclear units' reactor vessel heads during their scheduled refueling outages since October 2002. The inspections at St. Lucie Unit No. 2 revealed CRDM nozzles with cracks, which were repaired during the outages. During the fall of 2004, FPL replaced the reactor vessel head at Turkey Point Unit No. 3. FPL anticipates replacing the reactor vessel heads at Turkey Point Unit No. 4 and St. Lucie Unit No. 1 during their next scheduled refueling outage. In January 2005, FPL received permission from the NRC to plug up to 30% of St. Lucie Unit No. 2's steam generator tubes. To date, 18.9% of these tubes have been plugged. It is possible that during St. Lucie No. 2's next scheduled refueling outage in the spring of 2006 the 30% tube plugging limit could be exceeded. Management is currently evaluating various options, including sleeving degraded tubes, to stay within the tube plugging limit. FPL has requested NRC approval to sleeve degraded tubes as an alternative to plugging. Management intends to replace the reactor vessel head and steam generators at St. Lucie Unit No. 2 during its fall 2007 scheduled refueling outage. The replacement cost of the reactor vessel heads and steam generators is expected to be $558 million and is included in FPL's estimated capital expenditures. See Note 16 – Commitments. The cost of performing inspections and any necessary repairs until the reactor vessel heads are replaced is being recognized as expense on a levelized basis over a five-year period beginning in 2002, as authorized by the FPSC, and amounted to approximately $11 million in 2004, $13 million in 2003 and $13 million in 2002.

Pursuant to a 2003 NRC bulletin, FPL has performed inspections of the bottom mounted instrumentation penetrations at both of its Turkey Point units and to date, no evidence of leakage from these penetrations has been noted. St. Lucie Units Nos. 1 and 2 do not have bottom mounted instrumentation penetrations.

In conjunction with a 2004 NRC bulletin, FPL must perform inspections of all alloy 600 and weld materials in pressurizer locations and connected steam space piping. To date, no leaks have been identified based on inspections at St. Lucie Units Nos. 1 and 2. Due to the amount of time and cost associated with correcting potential leaks, FPL has decided to replace St. Lucie Unit No. 1's pressurizer during its next scheduled refueling and reactor vessel head replacement outage. The estimated cost for the pressurizer is included in estimated capital expenditures. See Note 16 - Commitments. FPL has decided to repair St. Lucie Unit No. 2's pressurizer heater sleeve penetrations during its scheduled refueling and steam generator and reactor vessel head replacement outage in the fall of 2007. The estimated cost of this repair is approximately $12 million, which will be charged to O&M expense. All pressurizer penetrations and welds at Turkey Point Units Nos. 3 and 4 utilize a different material. See Item 1 – FPL Operations – Nuclear Operations for further discussion of the above nuclear plant related matters.

In 2003, O&M expenses reflected increases in nuclear maintenance expenses discussed above of $29 million, employee benefit costs, primarily medical-related, of $17 million and property and liability insurance costs of $17 million due to higher insurance premiums combined with lower refunds under nuclear insurance policies. The 2003 cost increases were partially offset by the absence of a one-time storm fund accrual of $35 million recorded in 2002, as well as productivity improvements in other areas.

For the year ended December 31, 2004, depreciation and amortization expense increased by $17 million, reflecting continued growth of electric utility plant in service. Depreciation expense will continue to grow as FPL continues to invest in generation and distribution expansion to support customer growth and demand. The latter half of 2005 will see the introduction of approximately 1,900 mw of natural gas combined-cycle generation at its Martin and Manatee sites. Also, FPL plans to build a 1,150 mw natural gas-fired plant with a planned in-service date of mid-2007 as discussed below. Depreciation and amortization expense increased in 2003 by $67 million primarily due to FPL's investment in generation and distribution expansion to support customer growth and demand which included the completion of the Fort Myers and Sanford repowering projects.

FPL has received 20 year operating license extensions for its four nuclear units. The original license expiration dates for Turkey Point Units Nos. 3 and 4 and for St. Lucie Units Nos. 1 and 2 are 2012, 2013, 2016 and 2023, respectively. FPL has not yet decided to operate past the original license expiration dates, although FPL is continuing to take actions to ensure the long-term viability of the units in order to preserve this option. The decision will be made for Turkey Point Units Nos. 3 and 4

by 2007 and for St. Lucie Units Nos. 1 and 2 by 2011. Any adjustment to depreciation and decommissioning rates would require FPSC approval.

Interest charges for 2004 increased primarily due to an increase of 40 basis points in average interest rates as compared to 2003, higher average debt balances used to fund increased investment in generation, transmission and distribution expansion and to pay for storm restoration costs. Interest charges for 2003 increased primarily due to higher average debt balances used to fund increased investment in generation, transmission and distribution expansion and under-recovery of fuel costs. This increase was partially offset by a decline in average interest rates of approximately 80 basis points in 2003 as compared to 2002.

FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. In 2004, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. Various states, other than Florida, have enacted legislation or have state commissions that have issued orders designed to allow retail customers to choose their electricity supplier. This regulatory restructuring is expected to result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Although the legislation and initiatives vary substantially, common areas of focus include when market-based pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generating assets should be separated from transmission, distribution and other assets. It is generally believed that transmission and distribution activities would remain regulated. Within the last few years, these state restructuring efforts have diminished, and several states have delayed the implementation or reversed previously approved restructuring legislation and rules. Management believes it is unlikely there will be any state actions to restructure the electric industry in Florida in the near future.

The FPSC promotes competition for building major new steam generating capacity by requiring investor-owned electric utilities, such as FPL, to issue an RFP. The RFP process allows independent power producers and others to bid to supply the needed generating capacity. If a bidder has the most cost-effective alternative, meets other criteria such as financial viability and demonstrates adequate expertise and experience in building and/or operating generation capacity of the type proposed, the investor-owned electric utility would seek to negotiate a power purchase agreement with the selected bidder and request that the FPSC authorize the construction of the bidder's generation capacity under the terms of the power purchase agreement. In June 2004, the FPSC approved FPL's proposal to build an 1,150 mw natural gas-fired plant at its Turkey Point site with a planned in-service date of mid-2007, which was subsequently approved by the Siting Board (comprised of the Florida governor and cabinet) under the Florida Electrical Power Plant Siting Act in February 2005.

The FERC has jurisdiction over potential changes which could affect competition in wholesale transactions. In 1999, the FERC issued its final order on RTOs which, under a variety of structures, provides for the independent operation of transmission systems for a given geographic area. In March 2001, the FERC approved GridFlorida (FPL's, Progress Energy Florida, Inc.'s and Tampa Electric Company's proposed RTO) as the RTO for peninsular Florida. The FPSC decided that GridFlorida as established by the FERC was not in the best interest of Florida customers and required revisions to the FERC proposed structure. The FPSC issued a procedural order establishing a series of workshops through 2004 to address GridFlorida issues. A pricing workshop and a market design workshop were held in March and May 2004, respectively. The third workshop scheduled for August 2004 was postponed pending the results of a cost benefit analysis of GridFlorida. See Item 1 – FPL Operations – Competition for further discussion.

In July 2002, the FERC issued a notice of proposed rulemaking to reform public utilities' transmission tariffs and implement a standardized design for electric markets in the United States. FPL is currently unable to determine the effects, if any, of the proposed rule. See Item 1 – FPL Operations – Competition for further discussion.

In the event the basis of regulation for some or all of FPL's business changes from cost-based regulation, existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. See Note 1 – Regulation.

FPL Energy – FPL Energy's net income (loss) for 2004, 2003, and 2002 was $172 million, $194 million and $(169) million, respectively. FPL Energy's net income has become a greater portion of FPL Group's consolidated net income increasing from 1% in 1997 to 19% in 2004. Net income for the year ended December 31, 2004 decreased primarily from increased net losses of approximately $50 million associated with restructuring activities, discussed below, and higher interest expense partially offset by the addition of new projects, primarily wind, and the improved results of the existing portfolio primarily due to improved market conditions, particularly in the NEPOOL region, and the absence of an outage at Seabrook.

FPL Energy's net income for the year ended December 31, 2003 benefited from project additions partially offset by lower earnings from merchant assets, primarily in the ERCOT and NEPOOL regions, and higher interest expense. The improvement in net income in 2003 was also due to the absence of impairment and other charges recorded in 2002 that totaled $485 million ($295 million after tax). The impairment and other charges consisted of a goodwill impairment charge of $365 million ($222 million after tax) representing the cumulative effect of adopting FAS 142, "Goodwill and Other Intangible Assets," and restructuring and other charges totaling $120 million ($73 million after tax) due to the unfavorable market conditions in the wholesale energy market. For further discussion of FAS 142, see Note 5 and for restructuring and other charges, see Note 6.

Net income for 2004, 2003 and 2002 included net unrealized mark-to-market gains (losses) on non-qualifying hedges of $(3) million, $22 million and $1 million, respectively. For further discussion of derivative instruments, see Note 3.

FPL Energy's 2004 net income benefited from the full year effect of 3,904 mw of wind and fossil generation added during 2003 and 39 mw of wind generation added during 2004. In aggregate, these project additions added $30 million to 2004 net income. FPL Energy's operating revenues increased $453 million primarily driven by project additions, the commencement of a contract for the sale of the remaining 50% of the capacity of a natural gas-fired facility in Alabama, lack of a refueling outage at the Seabrook facility, improvements in the NEPOOL region aided by higher gas prices and volatility in the oil-gas price ratio and increased generation in the ERCOT region due to improved market conditions. Operating expenses increased $482 million, over half of which was fuel-related, primarily driven by project additions and the increased generation in the ERCOT region. Included in operating expenses in 2004 are charges of $81 million associated with the restructuring of the Marcus Hook steam contract, which consisted of the write-off of an auxiliary boiler of approximately $33 million and a $48 million contract termination payment. As a result of changes in market conditions since initiation of the Marcus Hook project in the late 1990's, it has become more economical to dispatch the plant during peak hours and uneconomical to operate the auxiliary boiler to satisfy the steam contract obligation when the plant is not running. FPL Energy expects its future portfolio capacity growth to come primarily from wind development due to the extension of the production tax credit program through 2005 for new wind facilities, as well as from asset acquisitions. FPL Energy plans to add a total of 250 mw to 750 mw of wind generation by the end of 2005, including approximately 220 mw which are currently under construction and are expected to be in service by mid-2005.

Earnings from investments in partnerships and joint ventures for the twelve months ended December 31, 2004, presented as equity in earnings of equity method investees, increased $5 million from the prior year primarily due to the positive effects on operating results of prior contract restructurings, the receipt of a portion of a settlement related to a previous investment in an Indonesian project partially offset by unrealized losses from non-qualifying hedge activity in the portfolio in 2004 compared to gains in 2003. Also, during 2004, FPL Energy recorded a net gain of approximately $52 million on the termination of a gas supply contract and a steam agreement which was essentially offset by an impairment loss recorded as a result of agreeing to sell its interest in a combined-cycle power plant in Texas. The sale was completed in 2004.

FPL Energy's net income for the year ended 2004 also reflected higher interest expense of approximately $56 million due to growth in the business reflecting more projects being placed in service and the acquisition of new projects, as well as higher average interest rates of approximately 60 basis points as compared to the prior year.

FPL Energy's 2003 net income benefited from the full year effect of 2,235 mw of generation added in 2002, the majority of which was added in the fourth quarter of 2002, as well as 3,904 mw added in 2003. The 2002 additions include the purchase of an 88.23% interest in Seabrook as well as wind and natural gas-fired assets. During 2003, FPL Energy added 975 mw of wind generation and 2,929 mw of natural gas-fired assets. In aggregate, 2002 and 2003 project additions contributed $82 million to 2003 net income. FPL Energy's operating revenues and operating expenses for the year ended 2003 increased $561 million and $352 million, respectively, primarily driven by project additions. In addition, restructuring and impairment charges discussed above added $103 million to operating expenses in 2002. Operating revenues net of operating expenses, primarily fuel, were essentially flat in the balance of the portfolio. In 2003, both the ERCOT and NEPOOL regions experienced higher energy prices offset by lower generation and higher fuel costs.

Earnings from investments in partnerships and joint ventures for the twelve months ended December 31, 2003 increased $13 million from the prior year reflecting an increase in unrealized gains associated with the mark-to-market effect of non-qualifying hedges and a $17 million charge against its investment in two wind projects recorded in 2002. In addition, equity in earnings of equity method investees reflects lower gains from contract restructurings and lower earnings from a project in California, as well as lower project earnings due to higher fuel prices in the ERCOT and NEPOOL regions.

FPL Energy's net income for the year ended 2003 also reflected higher interest expense of approximately $38 million associated with increasing average debt balances due to growth in the business partially offset by a decline in average interest rates of approximately 30 basis points compared with same period in 2002. FPL Energy's net income in 2002 also included the positive effects of a $10 million insurance settlement.

Over the last several years, there has been a general decline in the wholesale energy market, including deterioration in forward prices and reduced liquidity, as well as increasing credit concerns that have limited the number of counterparties with which FPL Energy does business. These market conditions have made it more difficult for FPL Energy to manage the risk associated with fluctuating commodity prices, to optimize the value of its assets and to contract the output of its plants. Any uncontracted output from the plants has been and will be sold into the market place at prevailing prices when economical. However, the major markets in which FPL Energy operates have shown modest signs of improvement during 2004. Given current market conditions, when FPL Energy's existing power sales agreements expire, more of the energy produced may be sold through shorter-term contracts and into competitive wholesale markets.

Competitive wholesale markets in the United States continue to evolve and vary by geographic region. Expanded competition in a frequently changing regulatory environment presents both opportunities and risks for FPL Energy. Some of the factors affecting success in these markets are the ability to operate generating assets efficiently and reliably, the price and supply of fuel, transmission constraints, wind and hydro resources (weather conditions), competition from new sources of generation, effective risk management, demand growth and exposure to legal and regulatory changes. Opportunities exist for the selective acquisition of generation assets divested under deregulation plans or available from other competitors and for the construction and operation of efficient plants that can sell power in competitive markets. Wholesale energy markets have

experienced lower demand and lower wholesale energy margins as a result of weather and economic conditions and the oversupply of generation in certain regions. FPL Energy seeks to reduce its market risk by having a diversified portfolio, by fuel type and location, as well as by contracting for the sale of a significant amount of the electricity output of its plants.

FPL Energy's 2005 earnings are subject to variability due to, among other things, operational performance, commodity price exposure, counterparty performance, weather conditions and project restructuring activities. FPL Energy's exposure to commodity price risk is reduced by the degree of contract coverage obtained for 2005. As of December 31, 2004, FPL Energy's capacity under contract for 2005 was as follows:

Asset Class	Available MW [a]	% MW Under Contract
Wind	2,917	98%[b]
Contracted[c]	2,170	99%[b]
Merchant:[d]		
NEPOOL	2,304	72%[e]
ERCOT	2,644	79%[e]
All other	1,274	8%[e]
Total portfolio	11,309	78%[e]

(a) Weighted to reflect in-service dates, planned maintenance and a refueling outage at Seabrook in 2005.
(b) Reflects round-the-clock mw under contract.
(c) Includes all projects with mid- to long-term purchase power contracts for substantially all of their output.
(d) Includes only those facilities that require active hedging.
(e) Reflects on-peak mw under contract.

FPL Energy's results are affected by natural fluctuations in weather. In addition to the effect of temperature, which is reflected in commodity prices and demand, changes in weather affect the wind portfolio as well as the hydro units in Maine. In managing its exposure to commodity prices, FPL Energy is dependent upon its counterparties to perform under their contractual obligations. FPL Energy actively manages the trade-off between market risk and credit risk, as well as exposure with individual counterparties as a function of their creditworthiness. Substantially all of FPL Energy's 2005 contracted revenues are with investment grade counterparties.

Corporate and Other – Corporate and Other is primarily comprised of FPL FiberNet and other corporate income and expenses, such as interest income and interest expense. Corporate and Other's net loss for the year ended December 31, 2004, 2003 and 2002 was $34 million, $37 million and $75 million, respectively. Results for Corporate and Other in 2004 reflect certain state tax benefits resulting from FPL Energy's growth throughout the United States as well as the resolution of other tax issues totaling approximately $30 million, partially offset by higher interest expense and the absence of gains at FPL FiberNet associated with restructuring two transactions in 2003. Corporate and Other allocates interest charges to FPL Energy based on a deemed capital structure at FPL Energy of 50% debt for operating projects and 100% debt for projects under construction. Interest expense at Corporate and Other increased in 2004 due to allocating less interest expense to FPL Energy as a result of the completion of a number of projects during 2003 that were previously under construction. Results from Corporate and Other for 2003 primarily reflect higher interest charges and the absence of restructuring and impairment charges recorded in 2002. For the year ended December 31, 2002, impairment and other charges totaled $94 million after tax as a result of declines in the telecommunications market (see Note 6 – 2002 – Corporate and Other) and reserves against certain leveraged lease investments. These charges were partially offset by a $30 million gain in 2002 from the resolution of an income tax matter.

Liquidity and Capital Resources

FPL Group and its subsidiaries, including FPL, require funds to support and grow their businesses. These funds are used for working capital, capital expenditures, investments in or acquisitions of assets and businesses, to pay maturing debt obligations and, from time to time, to redeem outstanding debt and preferred stock and/or repurchase common stock. It is anticipated that these requirements will be satisfied through a combination of internally generated funds and the issuance, from time to time, of debt and equity securities, consistent with FPL Group's and FPL's objective of maintaining, on a long-term basis, a capital structure that will support a strong investment grade credit rating. Credit ratings can affect FPL Group's, FPL's and FPL Group Capital's ability to obtain short- and long-term financing, the cost of such financing and the execution of their financing strategies. During 2004, the authorized common stock of FPL Group was increased 100 million shares from 300 million to 400 million shares. Absent new investment opportunities in 2005, management expects cash to be available to FPL Group in excess of needs that are presently identified.

Bank lines of credit currently available to FPL Group and its subsidiaries, including FPL, are as follows:

FPL [a]	FPL Group Capital	Total	Maturity Date
	(millions)		
$ 500	$ 1,000	$ 1,500	October 2006
1,000	1,000	2,000	October 2009 [b]
$ 1,500	$ 2,000	$ 3,500	

[a] Excludes a $100 million senior secured revolving credit facility of a consolidated FPL VIE that leases nuclear fuel to FPL. See below.
[b] These facilities provide for the issuance of letters of credit of up to $1.5 billion ($750 million for FPL and $750 million for FPL Group Capital). The issuance of letters of credit is subject to the aggregate commitment under the applicable facility.

These credit facilities are available to support the companies' commercial paper programs and to provide additional liquidity in the event of a transmission and distribution property loss (in the case of FPL), as well as for general corporate purposes. At December 31, 2004, letters of credit totaling $238 million were outstanding under FPL Group Capital's credit facilities and no amounts were outstanding under FPL's credit facilities. FPL Group (which guarantees payment of FPL Group Capital credit facilities) is required to maintain a minimum ratio of funded debt to total capitalization under the terms of FPL Group Capital's credit facilities and FPL is required to maintain a minimum ratio of funded debt to total capitalization under the terms of FPL's credit facilities. At December 31, 2004, FPL Group and FPL were in compliance with their respective ratio.

In addition, FPL Group Capital and FPL have each established an uncommitted credit facility with a bank to be used for general corporate purposes. The bank may at its discretion, upon the request of FPL Group Capital or FPL, make a short-term loan or loans to FPL Group Capital or FPL in an aggregate amount determined by the bank, which is subject to change at any time. The terms of the specific borrowings under the uncommitted credit facilities, including maturity, are set at the time borrowing requests are made by FPL Group Capital or FPL. At December 31, 2004, there were no amounts outstanding for either FPL Group Capital or FPL under the uncommitted credit facilities.

A consolidated FPL VIE that leases nuclear fuel to FPL has established a $100 million senior secured revolving credit facility, which expires in June 2009, to provide backup support for its commercial paper program. FPL has provided an unconditional guarantee of the payment obligations of the VIE under the credit facility, which are included in the guarantee discussion below. At December 31, 2004, the VIE had no outstanding borrowings under the revolving credit facility and approximately $35 million under the commercial paper program. FPL also provides an unconditional payment guarantee of the VIE's $135 million of 2.34% senior secured notes, maturing in June 2006, which is included in the guarantee discussion below. See Note 9 - FPL.

At December 31, 2004, FPL Group and FPL Group Capital had $2.0 billion (issuable by either or both of them up to such aggregate amount) of available capacity under shelf registration statements. Securities that may be issued under the FPL Group and FPL Group Capital shelf registration statements, depending on the registrant, include common stock, stock purchase contracts, stock purchase units, preferred stock, senior debt securities, preferred trust securities and related subordinated debt securities, and guarantees relating to certain of those securities. This capacity is available for, among other things, new investment opportunities. At December 31, 2004, FPL had $1.0 billion of available capacity under its shelf registration statement. Securities that may be issued under FPL's shelf registration statement include preferred stock, first mortgage bonds, preferred trust securities and related subordinated debt securities and guarantees.

During 2004, FPL sold 200,000 shares of $100 par value 4 1/2% Series V preferred stock to FPL Group and issued $240 million of 5.65% first mortgage bonds maturing in 2035, FPL Group Capital sold approximately $309 million of 5 7/8% junior subordinated debentures maturing in 2044 and FPL Energy drew $34 million from a construction term credit facility. FPL Group Capital's junior subordinated debentures were purchased by an unconsolidated 100%-owned finance subsidiary of FPL Group using proceeds from the March 2004 sale by that finance subsidiary of $300 million of preferred trust securities to the public and $9 million of common trust securities to FPL Group. FPL Group has fully and unconditionally guaranteed the junior subordinated debentures and the preferred trust securities. The junior subordinated debentures are included in long-term debt on FPL Group's consolidated balance sheets. During 2004, FPL Group Capital also repaid two variable rate term loans totaling $175 million, had $175 million of 6.875% debentures mature and reset the annual interest rate on $575 million principal amount of its debentures due February 2007 from 4.75% to 4.086%. These debentures were originally issued in February 2002 in connection with FPL Group's publicly-traded equity units known as Corporate Units. The interest rate was reset as a result of FPL Group Capital remarketing approximately $554 million principal amount of these debentures. Neither FPL Group nor FPL Capital received any proceeds from the remarketing of the debentures.

Subsidiaries of FPL Group also entered into several interest rate swap agreements during 2004. The swaps consisted of two variable interest rate swap agreements at FPL to protect $500 million of its outstanding 6.875% first mortgage bonds maturing in December 2005 against changes in fair value due to changes in interest rates; several variable interest rate swap agreements at FPL Group Capital to protect $200 million of its outstanding 1 7/8% debentures maturing in March 2005, $500 million of its outstanding 3 1/4% debentures maturing in 2006 and $575 million of its 4.086% debentures maturing in 2007 against changes in fair value due to changes in interest rates; and an interest rate swap agreement whereby an FPL Energy subsidiary receives LIBOR and pays a fixed rate of 3.845% on approximately $30 million of its variable rate debt in order to limit cash flow exposure.

In January 2005, FPL redeemed all 250,000 shares of its $100 par value 4 1/2% preferred stock outstanding at December 31, 2004 (Series A and Series V) and FPL Group Capital redeemed approximately $5 million of 7.35% bonds due 2013. In February 2005, an FPL Energy subsidiary entered into an interest rate swap to receive LIBOR and pay a fixed rate of 4.255% to hedge approximately $4 million to $6 million through November 2007 and approximately $163 million to $173 million from November 2007 through June 2008. On February 16, 2005, FPL Group issued 9,270,090 shares of common stock in return for approximately $575 million in proceeds, upon settlement of the stock purchase contracts issued in connection with its Corporate Units issued in February 2002. In February 2005, subsidiaries of FPL Energy sold $365 million of 5.608% limited-recourse senior secured bonds maturing in March 2024 and $100 million of 6.125% limited-recourse senior secured bonds maturing in March 2019. See Note 14.

The following provides various metrics regarding FPL Group's (including FPL's) and FPL's outstanding debt:

	FPL Group		FPL	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Weighted-average year-to-date interest rate [a]	5.4%	4.9%	4.9%	4.5%
Weighted-average life (years)	8.7	7.3	14.3	13.6
Year-to-date average of floating rate debt to total debt [a]	31%	31%	34%	33%

[a] Calculations include interest rate swaps, if any.

In June 2004, an indirect subsidiary of FPL Group sold a note receivable from a limited partnership of which Olympus is a general partner. Olympus is an indirect subsidiary of Adelphia. In June 2002, Adelphia, Olympus and the limited partnership filed for bankruptcy protection under Chapter 11, and the note, which was due July 1, 2002, was in default. The note receivable, which was previously recorded in other investments on FPL Group's consolidated balance sheet, was sold for its net book value of approximately $127 million, including accrued interest through the date of the commencement of the Chapter 11 proceedings, less related transaction costs which were not significant. Proceeds from the sale of the note were used to reduce FPL Group Capital's debt.

FPL Group's charter does not limit the dividends that may be paid on its common stock. As a practical matter, the ability of FPL Group to pay dividends on its common stock is dependent upon dividends paid to it by its subsidiaries, primarily FPL. During the first quarter of 2004, FPL Group increased its quarterly dividend on its common stock from $0.60 to $0.62 per share. During the third quarter of 2004, FPL Group increased its quarterly dividend on its common stock from $0.62 to $0.68 per share. In February 2005, FPL Group announced that it would increase its quarterly dividend on its common stock from $0.68 to $0.71 per share. FPL pays dividends to FPL Group in a manner consistent with FPL's long-term targeted capital structure. In addition in 2002, FPL paid special dividends totaling $375 million to FPL Group. FPL Group made capital contributions in 2003 and 2002 to FPL of $600 million and $350 million, respectively. FPL's mortgage contains provisions which, under certain conditions, restrict the payment of dividends to FPL Group and the issuance of additional first mortgage bonds. In light of FPL's current financial condition and level of earnings, management does not expect that planned financing activities or dividends would be affected by these limitations.

On February 18, 2005, FPL Group's board of directors approved a two-for-one stock split of FPL Group's common stock effective March 15, 2005 (2005 stock split). FPL Group's authorized common stock will increase from 400 million to 800 million shares. After giving effect to the 2005 stock split, the subsequent quarterly dividend on FPL Group's common stock will be 35.5 cents per share. The share or per share information included in FPL Group's consolidated financial statements for the year ended December 31, 2004 does not reflect the effect of the 2005 stock split.

Under the mortgage securing FPL's first mortgage bonds, in some cases, the mortgage restricts the amount of retained earnings that FPL can use to pay cash dividends on its common stock. The restricted amount may change based on factors set out in the mortgage. Other than this restriction on the payment of common stock dividends, the mortgage does not restrict FPL's use of retained earnings. As of December 31, 2004, no retained earnings were restricted by these provisions of the mortgage.

FPL may issue first mortgage bonds under its mortgage subject to its meeting an adjusted net earnings test set forth in the mortgage, which generally requires adjusted net earnings to be at least twice the annual interest requirements on, or at least 10% of the aggregate principal amount of, FPL's first mortgage bonds including those to be issued and any other non-junior FPL indebtedness. As of December 31, 2004, coverage for the 12 months ended December 31, 2004, would have been in excess of 8.5 times the annual interest requirements and in excess of 5 times the aggregate principal requirements. New first mortgage bonds are also limited to an amount equal to the sum of 60% of unfunded property additions after adjustments to offset retirements, the amount of retired first mortgage bonds or qualified lien bonds and the amount of cash on deposit with the mortgage trustee. As of December 31, 2004, FPL could have issued in excess of $5 billion of additional first mortgage bonds based on the unfunded property additions and in excess of $5.5 billion based on retired first mortgage bonds. As of December 31, 2004, no cash was deposited with the mortgage trustee for these purposes.

FPL Group and its subsidiaries, including FPL, have no credit rating downgrade triggers that would accelerate the maturity dates of debt outstanding. A change in ratings is not an event of default under applicable debt instruments, and while there are conditions to drawing on the credit facilities maintained by FPL Group Capital and FPL, the maintenance of a specific minimum level of credit rating is not a condition to drawing upon those credit facilities. However, commitment fees and

interest rates on loans under the credit facilities agreements are tied to credit ratings and would increase or decrease when ratings are changed. A ratings downgrade also could reduce the accessibility and increase the cost of commercial paper issuances and additional or replacement credit facilities, and could result in the requirement that FPL Group subsidiaries, including FPL, post collateral under certain power purchase and other agreements. FPL Group subsidiaries, including FPL, are regularly required to post collateral in excess of collateral threshold amounts when FPL Group's exposure to the counterparty under the applicable trading agreement exceeds such threshold.

Securities of FPL Group and its subsidiaries are currently rated by Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch). At February 25, 2005, Moody's, S&P and Fitch had assigned the following credit ratings to FPL Group, FPL and FPL Group Capital:

	Moody's [a]	S&P [a]	Fitch [a]
FPL Group: [b]			
Corporate credit rating	A2	A	A
FPL: [c]			
Corporate credit rating	A1	A/A-1	N/A
First mortgage bonds	Aa3	A	AA-
Pollution control, solid waste disposal and industrial development revenue bonds	Aa3/VMIG-1	A/A-1	A+
Commercial paper	P-1	A-1	F1
FPL Group Capital: [d]			
Corporate credit rating	N/A	A/A-1	N/A
Debentures	A2	A-	A
Commercial paper	P-1	A-1	F1

[a] A security rating is not a recommendation to buy, sell or hold securities and should be evaluated independently of any other rating. The rating is subject to revision or withdrawal at any time by the assigning rating organization.
[b] The outlook indicated for FPL Group by Moody's, S&P and Fitch is stable, negative and stable, respectively.
[c] The outlook indicated for FPL by Moody's, S&P and Fitch is stable, negative and stable, respectively.
[d] The outlook indicated for FPL Group Capital by Moody's, S&P and Fitch is stable, negative and stable, respectively.

FPL Group's commitments at December 31, 2004 were as follows:

	2005	2006	2007	2008	2009	Thereafter	Total
				(millions)			
Long-term debt, including interest: [a]							
FPL	$ 665	$ 266	$ 129	$ 323	$ 335	$ 4,291	$ 6,009
FPL Energy	219	211	516	407	122	876	2,351
Corporate and Other	816	1,300	1,186	577	666	932	5,477
Corporate Units	18	2	-	-	-	-	20
Purchase obligations:							
FPL [b]	5,090	3,570	2,960	2,415	2,310	7,740	24,085
FPL Energy [c]	447	55	69	52	52	734	1,409
Asset retirement activities: [d]							
FPL [e]	-	-	-	-	-	7,056	7,056
FPL Energy [f]	1	-	-	-	-	1,625	1,626
Other commitments:							
Corporate and Other	75	-	-	-	-	-	75
Total	$ 7,331	$ 5,404	$ 4,860	$ 3,774	$ 3,485	$ 23,254	$ 48,108

[a] Includes principal, interest and interest rate swaps. Variable rate interest was computed using December 31, 2004 rates.
[b] Represents required capacity and minimum payments under long-term purchased power and fuel contracts, the majority of which is recoverable through various cost recovery clauses (see Note 16 – Contracts), and projected capital expenditures through 2009 to meet increased electricity usage and customer growth, as well as capital improvements to and maintenance of existing facilities (see Note 16 – Commitments).
[c] Represents firm commitments primarily in connection with natural gas transportation, supply and storage, firm transmission service, nuclear fuel and a portion of its capital expenditures. See Note 16 – Commitments and Contracts.
[d] Represents expected cash payments adjusted for inflation for estimated costs to perform asset retirement activities.
[e] At December 31, 2004, FPL had $1,971 million in restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units, which are included in special use funds.
[f] At December 31, 2004, FPL Energy's 88.23% portion of Seabrook's restricted trust fund for the payment of future expenditures to decommission Seabrook was $300 million and is included in FPL Group's special use funds.

FPL Group and FPL obtain letters of credit and issue guarantees to facilitate commercial transactions with third parties and financings. At February 11, 2005, FPL Group had standby letters of credit of approximately $464 million ($16 million for FPL) and approximately $4,553 million notional amount of guarantees ($240 million for FPL), of which approximately $4,076 million ($256 million for FPL) have expirations within the next five years. These guarantees support the buying and selling of wholesale energy commodities, debt related reserves and other contractual agreements. FPL Group and FPL believe it is unlikely that they would be required to perform or otherwise incur any losses associated with these guarantees and as a result, at December 31, 2004, FPL Group and FPL did not have any liabilities recorded for these guarantees. In addition, FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most of those under FPL Group Capital's

debt, including all of its debentures and commercial paper issuances, as well as most of its guarantees, and FPL Group Capital has guaranteed certain debt and other obligations of FPL Energy and its subsidiaries. See Note 16 – Commitments.

In addition to the above, FPL Energy has guaranteed certain performance obligations of a power plant owned by a wholly-owned subsidiary as part of a power purchase agreement that expires in 2027. Under this agreement, the subsidiary could incur market-based liquidated damages for failure to meet contractual minimum outputs. In addition, certain subsidiaries of FPL Energy have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the FPL Energy subsidiary incurring specified liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that the exposure associated with these guarantees is not material.

An FPL Energy subsidiary is committed to purchase oil and gas inventory remaining in certain storage facilities at December 31, 2005 at its weighted-average cost. At December 31, 2004, the subsidiary's commitment is estimated to be from $0 to approximately $68 million, based on a potential range of zero to full storage volume at the current average forward price of oil and gas. Upon expiration of the commitment, FPL Energy expects to either negotiate a new contract or use any remaining fuel to operate the plant.

During the third quarter of 2004, FPL was impacted by Hurricanes Charley, Frances and Jeanne, each of which did major damage in parts of FPL's service territory and collectively resulted in over 5.4 million customer power outages with approximately three-quarters of FPL's customers losing power during at least one hurricane. Damage to FPL property was primarily to the transmission and distribution systems. Although FPL has not completed the final accounting of all restoration costs, FPL accrued restoration costs totaling approximately $890 million as of December 31, 2004. In addition, based on assessments as of December 31, 2004, FPL estimated it had sustained other property losses totaling approximately $109 million which is expected to be recovered from insurance carriers, of which $20 million has been advanced and the remaining $89 million is included in other current assets on FPL Group's and FPL's consolidated balance sheets. During the fourth quarter of 2004, all available funds were withdrawn from the storm fund to pay for storm costs. At December 31, 2004, approximately $352 million was accrued and included in other current liabilities on FPL Group's and FPL's consolidated balance sheets. At December 31, 2004, storm costs expected to be recoverable from customers exceeded the balance of the storm reserve by approximately $536 million. This deficiency has been deferred pursuant to an FPSC order and recorded as a regulatory asset on FPL Group's and FPL's consolidated balance sheets. During February 2005, pursuant to an FPSC order, FPL began recovering storm restoration costs from customers, subject to refund, pending the outcome of a hearing in April 2005 to determine the amount of storm restoration costs that FPL will be allowed to recover from customers. FPL Group received a $73 million federal tax refund in the fourth quarter of 2004 as a result of casualty losses associated with the hurricanes. In addition, restoration costs associated with the hurricanes have created a tax loss in 2004, which deferred the utilization of tax credits. See Note 4. FPL's bank lines of credit discussed above are also available if needed to provide additional liquidity for storm restoration costs.

New Accounting Rules and Interpretations

Variable Interest Entities – In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," which was subsequently revised. See Note 9.

Other Postretirement Benefits – In May 2004, the FASB issued Staff Position FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." See Note 2.

Stock-Based Compensation – Beginning July 1, 2005, FPL will be required to adopt FAS 123(R), "Share-Based Payment." See Note 1 – Stock-Based Compensation.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to exercise judgment and make estimates and assumptions where amounts are not subject to precise measurement or are dependent on future events.

Critical accounting policies and estimates, which are important to the portrayal of both FPL Group's and FPL's financial condition and results of operations and which require complex, subjective judgments are as follows:

Accounting for Derivatives and Hedging Activities – FPL Group and FPL use derivative instruments (primarily forward purchases and sales, swaps, options and futures) to manage the commodity price risk inherent in fuel and electricity contracts, optimize the value of power generation assets and related contracts and manage risks associated with changes in interest rates. To a lesser extent, FPL Group also engages in limited energy trading activities to take advantage of expected favorable price movements. These accounting pronouncements, which require the use of fair value accounting if certain conditions are met, apply not only to traditional financial derivative instruments, but to any contract having the accounting characteristics of a derivative.

Derivative instruments, when required to be marked to market under FAS 133, as amended, are recorded on the balance sheet at fair value. Fair values for some of the longer-term contracts where liquid markets are not available are based on internally developed models based on the forward prices for electricity and fuel. Forward prices represent the price at which a

buyer or seller could contract today to purchase or sell a commodity at a future date. In general, the models estimate the fair value of a contract by calculating the present value of the difference between the contract price and the forward prices. The near term forward market for electricity is generally liquid and therefore the prices in the early years of the forward curves reflect observable market quotes. However, in the later years, the market is much less liquid and forward price curves must be developed using factors including the forward prices for the commodities used as fuel to generate electricity, the expected system heat rate (which measures the efficiency of power plants in converting fuel to electricity) in the region where the purchase or sale takes place, and a fundamental forecast of expected spot prices based on modeled supply and demand in the region. The assumptions in these models are critical since any changes therein could have a significant impact on the fair value of the contract. Substantially all changes in the fair value of derivatives held by FPL are deferred as a regulatory asset or liability until the contracts are settled. Upon settlement, any gains or losses will be passed through the fuel and capacity clauses. In non-rate regulated operations, predominantly FPL Energy, changes in derivative fair values are recognized in current earnings, unless the criteria for hedge accounting are met and the company elects to account for the derivative as a hedge. For those transactions accounted for as cash flow hedges, much of the effects of changes in fair value are reflected in other comprehensive income (OCI), a component of common shareholders' equity, rather than being recognized in current earnings. For those transactions accounted for as fair value hedges the effects of changes in fair value are reflected in current earnings offset by changes in the fair value of the item being hedged.

Since FAS 133 became effective in 2001, the FASB has discussed and, from time to time, issued implementation guidance related to FAS 133. In particular, much of the interpretive guidance affects when certain contracts for the purchase and sale of power and certain fuel supply contracts can be excluded from the provisions of FAS 133. Despite the large volume of implementation guidance, FAS 133 and the supplemental guidance does not provide specific guidance on all contract issues. As a result, significant judgment must be used in applying FAS 133 and its interpretations. The interpretation of FAS 133 continues to evolve. A result of changes in interpretation could be that contracts that currently are excluded from the provisions of FAS 133 would have to be recorded on the balance sheet at fair value, with changes in fair value recorded in the income statement.

During the fourth quarter of 2003, FPL Group and its subsidiaries adopted EITF 03-11, which precluded certain economic hedging transactions at FPL Energy from qualifying for hedge accounting treatment. Changes in fair value of those transactions are now marked to market and reported in the non-qualifying hedge category and may result in more volatility in the non-qualifying hedge category in the future. The ongoing changes in accounting guidance relating to derivatives confirm management's belief in the importance of segregating the effects of the unrealized mark-to-market impact of non-qualifying hedges. Without any change in FPL Group's economic positions or the timing or amounts of future cash flows, a small change in classification of particular transactions can result in significant changes in net income. This could be significant to FPL Energy's results because often the economic offset to the positions which are required to be marked to market (such as the physical assets from which power is generated) are not marked to market. As a consequence, net income reflects only the movement in one part of economically linked transactions. Because of this, FPL Group's management continues to view results expressed excluding the unrealized mark-to-market impact of the non-qualifying hedges as a meaningful measure of current period performance. For additional information regarding derivative instruments, see Note 3.

Accounting for Pensions and Other Postretirement Benefits – FPL Group sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of FPL Group and its subsidiaries. FPL Group also has a non-qualified supplemental defined benefit pension plan that provides benefits to higher-level employees. In addition to pension benefits, FPL Group sponsors a substantially 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 qualified pension plan has a fully funded trust dedicated to providing the benefits under the plan. The other benefits plan has a partially funded trust dedicated to providing benefits related to life insurance.

FPL Group's pension income net of the cost of other benefits was approximately $81 million, $78 million and $78 million for the years ended December 31, 2004, 2003 and 2002, respectively. The corresponding amounts allocated to FPL were $63 million, $60 million and $70 million, respectively. Pension income and the cost of other benefits are included in O&M expenses, and are calculated using a number of actuarial assumptions. Those assumptions include an expected long-term rate of return on qualified plan assets of 7.75% for all years, assumed increases in future compensation levels of 4.0% for 2004, 4.5% for 2003 and 5.5% for 2002, and a weighted-average discount rate of 5.50%, 6.00% and 6.25% for 2004, 2003 and 2002, respectively. Based on current health care costs, the projected 2005 trend assumption used to measure the expected cost of health care benefits covered by the other benefits plan is 9.0%. The rate is assumed to decrease over the next eight years to the ultimate trend rate of 5.0% and remain at that level thereafter. In developing these assumptions, FPL Group evaluated input from its actuaries, as well as information available in the market place. For the expected long-term rate of return on fund assets, FPL Group considered 10-year and 20-year historical median returns for a portfolio with an equity/bond asset mix similar to its funds. FPL Group also considered its funds' historical compounded returns. FPL Group believes that 7.75% is a reasonable long-term rate of return on its plans' assets. FPL Group will continue to evaluate all of its actuarial assumptions, including its expected rate of return, at least annually, and will adjust them as necessary.

FPL Group bases its determination of pension and other benefits expense or income on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return realized on those assets. Since the market-related value of assets recognizes gains or losses over a five-year period, the future value of assets will be affected as previously deferred gains or losses are recognized. Such gains and losses together with other differences between actual

results and the estimates used in the actuarial valuations are deferred and recognized in determining pension and other benefits expense and income only when they exceed 10% of the greater of projected benefit obligations or the market-related value of assets.

Lowering the expected long-term rate of return on plan assets by 0.5% (from 7.75% to 7.25%) would have reduced FPL Group's net income for 2004 by approximately $14 million ($12 million for FPL). Lowering the discount rate assumption by 0.5% would have decreased FPL Group's net income for 2004 by approximately $6 million ($5 million for FPL). Raising the salary increase assumption by 0.5% would have decreased FPL Group's net income for 2004 by approximately $2 million ($2 million for FPL). Assumed health care cost trend rates can have a significant effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of 1% in assumed health care cost trend rates would have a corresponding effect on the service and interest cost components and the accumulated obligation of other benefits of approximately $1 million and $8 million, respectively.

The fair value of plan assets has increased from $2.7 billion at September 30, 2003 to $2.9 billion at September 30, 2004 for the pension plan and decreased from $54 million at September 30, 2003 to $50 million at September 30, 2004 for other benefits. Management believes that, based on the actuarial assumptions and the well funded status of the pension plan, FPL Group will not be required to make any cash contributions to the qualified pension plan in the near future. In December 2004, $21 million was transferred from the qualified pension plan as reimbursement for eligible retiree medical expenses paid by FPL Group during the year pursuant to the provisions of the Internal Revenue Code. FPL Group anticipates paying approximately $28 million for eligible retiree medical expenses on behalf of the other benefits plan during 2005 with substantially all of that amount being reimbursed through a transfer of assets from the qualified pension plan pursuant to the provisions of the Internal Revenue Code. See Note 2.

Carrying Value of Long-Lived Assets – FPL Group evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable as described in FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Under that standard, an impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounting estimated future cash flows using an appropriate interest rate.

The amount of future net cash flows, the timing of the cash flows and the determination of an appropriate interest rate all involve estimates and judgments about future events. In particular, the aggregate amount of cash flows determines whether an impairment exists, and the timing of the cash flows is critical in determining fair value. Because each assessment is based on the facts and circumstances associated with each long-lived asset, the effects of changes in assumptions cannot be generalized.

Nuclear Decommissioning and Fossil Dismantlement – For ratemaking purposes, FPL accrues and funds for nuclear plant decommissioning costs over the expected service life of each unit based on studies that are filed with the FPSC at least every five years. The most recent studies, which became effective May 2002, indicate that FPL's portion of the future cost of decommissioning its four nuclear units, including spent fuel storage, is $6.4 billion, or $2.2 billion in 2004 dollars. FPL plans to file updated nuclear decommissioning studies in 2005. Beginning January 1, 2003, FPL began recognizing nuclear decommissioning liabilities in accordance with FAS 143, which requires that a liability for the fair value of an asset retirement obligation (ARO) be recognized in the period in which it is incurred with the offsetting associated asset retirement cost capitalized as part of the carrying amount of the long-lived asset. At December 31, 2004, $2,224 million was accrued for nuclear decommissioning, of which $2,013 million was recorded as an ARO, $214 million was recorded as a capitalized net asset related to the ARO, $267 million was recorded as a regulatory liability and $158 million was included in accrued asset removal costs on the consolidated balance sheets. See Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs and Note 15.

FPL accrues the cost of dismantling its fossil plants over the expected service life of each unit based on studies filed with the FPSC at least every four years. Unlike nuclear decommissioning, fossil dismantlement costs are not funded. The most recent studies, which became effective January 1, 2003, indicated that FPL's portion of the ultimate cost to dismantle its fossil units is $668 million. The majority of the dismantlement costs are not considered an ARO under FAS 143. At December 31, 2004, the provision for fossil dismantlement was approximately $291 million and is included in accrued asset removal costs.

FPL Energy records a liability for the present value of Seabrook's expected decommissioning costs in accordance with FAS 143. Comprehensive studies are filed with the New Hampshire Nuclear Decommissioning Financing Committee every four years, with updates provided annually. These studies indicate that FPL Energy's 88.23% portion of the ultimate cost of decommissioning Seabrook, including costs associated with spent fuel storage, is approximately $1,496 million, or $578 million in 2004 dollars. At December 31, 2004, the ARO for Seabrook's nuclear decommissioning totaled approximately $175 million. See Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs and Note 15.

The calculation of the future cost of retiring long-lived assets, including nuclear decommissioning and fossil dismantlement costs, involves the use of estimates and judgments concerning the amount and timing of future expenditures and whether or not such costs are considered a legal obligation under FAS 143. FPL Group and FPL also make interest rate, rate of return

and inflation projections to determine funding requirements related to decommissioning. Periodically, FPL Group and FPL will be required to update their estimates and projections which can affect the annual expense amounts recognized, the liabilities recorded and the annual funding requirements for nuclear decommissioning costs.

Regulatory Accounting – FPL follows the accounting practices set forth in FAS 71, "Accounting for the Effects of Certain Types of Regulation." FAS 71 indicates that regulators can create assets and impose liabilities that would not be recorded by non-rate regulated entities. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process. If FPL were no longer subject to cost-based rate regulation, the existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. In addition, the FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. Such costs may include, among others, O&M expenses, the cost of replacing power lost when fossil and nuclear units are unavailable, storm restoration costs and costs associated with the construction or acquisition of new facilities. The continued applicability of FAS 71 is assessed at each reporting period.

FPL's regulatory assets and liabilities are as follows:

	December 31,	
	2004	2003
	(millions)	
Regulatory assets:		
Current:		
Deferred clause and franchise expenses	$ 230	$ 348
Storm reserve deficiency	$ 163	$ -
Derivatives	$ 9	$ -
Noncurrent:		
Storm reserve deficiency	$ 373	$ -
Unamortized loss on reacquired debt	$ 45	$ 48
Litigation settlement	$ 45	$ 89
Other	$ 38	$ 22
Regulatory liabilities:		
Current:		
Deferred clause and franchise revenues	$ 30	$ 48
Derivatives	$ -	$ 93
Noncurrent:		
Accrued asset removal costs	$ 2,012	$ 1,902
Storm and property insurance reserve	$ -	$ 327
Asset retirement obligation regulatory expense difference	$ 266	$ 180
Unamortized investment tax credits	$ 81	$ 100
Other	$ 106	$ 160

See Note 1 for a discussion of FPL Group's and FPL's other significant accounting policies.

Energy Marketing and Trading and Market Risk Sensitivity

Energy Marketing and Trading – Certain of FPL Group's subsidiaries, including FPL and FPL Energy, use derivative instruments (primarily forward purchases and sales, swaps, options and futures) to manage the commodity price risk inherent in fuel and electricity transactions, as well as to optimize the value of power generation assets. To a lesser extent, FPL Energy engages in limited energy trading activities to take advantage of expected future favorable price movements.

Derivative instruments, when required to be marked to market under FAS 133, as amended, are recorded on FPL Group's and FPL's consolidated balance sheets as either an asset or liability (in derivative assets, other assets, other current liabilities and other liabilities) measured at fair value. At FPL, substantially all changes in fair value are deferred as a regulatory asset or liability until the contracts are settled. Upon settlement, any gains or losses are passed through the fuel clause and the capacity clause. For FPL Group's non-rate regulated operations, predominantly FPL Energy, essentially all changes in the derivatives' fair value for power purchases and sales and trading activities are recognized net in operating revenues; fuel purchases and sales are recognized net 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 consolidated statements of income unless hedge accounting is applied. See Note 3.

The changes in the fair value of FPL Group's consolidated subsidiaries' energy contract derivative instruments were as follows:

	Proprietary Trading	Hedges on Owned Assets: Managed	Hedges on Owned Assets: Non-Qualifying	Hedges on Owned Assets: OCI	FPL Cost Recovery Clauses	FPL Group Total
			(millions)			
Fair value of contracts outstanding at December 31, 2002	$ 4	$ -	$ 8	$ 28	$ 12	$ 52
Reclassification to realized at settlement of contracts	(9)	(1)	12	(57)	(3)	(58)
Effective portion of changes in fair value recorded in OCI	-	-	-	18	-	18
Changes in valuation assumptions	-	-	2	-	-	2[a]
Changes in fair value excluding reclassification to realized	12	2	(1)	-	85	98
Fair value of contracts outstanding at December 31, 2003	7	1	21	(11)	94	112
Reclassification to realized at settlement of contracts	(15)	(2)	(60)	1	(223)	(299)
Effective portion of changes in fair value recorded in OCI	-	-	-	(99)	-	(99)
Ineffective portion of changes in fair value recorded in earnings	-	-	(7)	-	-	(7)
Changes in fair value excluding reclassification to realized	14	(1)	36	-	120	169
Fair value of contracts outstanding at December 31, 2004	6	(2)	(10)	(109)	(9)	(124)
Net option premium payments (receipts)	-	-	-	-	31	31
Total mark-to-market energy contract net assets (liabilities) at December 31, 2004	$ 6	$ (2)	$ (10)	$ (109)	$ 22	$ (93)

[a] Change in valuation assumption from applying volatility skewness (selection of an input assumption among alternatives based on the projected moneyness of the option) in option valuation.

FPL Group's total mark-to-market energy contract net assets (liabilities) at December 31, 2004 shown above are included in the consolidated balance sheets as follows:

	December 31, 2004
	(millions)
Derivative assets	$ 107
Other assets	24
Other current liabilities	(114)
Other liabilities	(110)
FPL Group's total mark-to-market energy contract net liabilities	$ (93)

The sources of fair value estimates and maturity of energy contract derivative instruments at December 31, 2004 were as follows:

	Maturity: 2005	2006	2007	2008	2009	Thereafter	Total
				(millions)			
Proprietary Trading:							
Actively quoted (i.e., exchange trade) prices	$ (12)	$ (2)	$ -	$ -	$ -	$ -	$ (14)
Prices provided by other external sources	21	2	-	1	1	-	25
Modeled	(6)	-	-	-	-	1	(5)
Total	3	-	-	1	1	1	6
Owned Assets – Managed:							
Actively quoted (i.e., exchange trade) prices	(6)	-	-	-	-	-	(6)
Prices provided by other external sources	4	-	-	-	-	-	4
Modeled	-	-	-	-	-	-	-
Total	(2)	-	-	-	-	-	(2)
Owned Assets – Non-Qualifying:							
Actively quoted (i.e., exchange trade) prices	3	1	-	-	-	-	4
Prices provided by other external sources	5	(2)	(1)	-	-	-	2
Modeled	5	(5)	(3)	(3)	(3)	(7)	(16)
Total	13	(6)	(4)	(3)	(3)	(7)	(10)
Owned Assets – OCI:							
Actively quoted (i.e., exchange trade) prices	(2)	-	-	-	-	-	(2)
Prices provided by other external sources	(30)	(27)	(25)	(4)	-	-	(86)
Modeled	(11)	(4)	(3)	(2)	(1)	-	(21)
Total	(43)	(31)	(28)	(6)	(1)	-	(109)
Owned Assets – FPL Cost Recovery Clauses:							
Actively quoted (i.e., exchange trade) prices	(8)	-	-	-	-	-	(8)
Prices provided by other external sources	(1)	-	-	-	-	-	(1)
Modeled	-	-	-	-	-	-	-
Total	(9)	-	-	-	-	-	(9)
Total sources of fair value	$ (38)	$ (37)	$ (32)	$ (8)	$ (3)	$ (6)	$ (124)

Market Risk Sensitivity – Financial instruments and positions affecting the financial statements of FPL Group and FPL described below are held primarily for purposes other than trading. Market risk is measured as the potential loss in fair value resulting from hypothetical reasonably possible changes in commodity prices, interest rates or equity prices over the next year. Management has established risk management policies to monitor and manage market risks. FPL Group's Exposure

Management Committee (EMC), which is comprised of certain members of senior management, is responsible for the overall approval of market risk management policies and the delegation of approval and authorization levels. The EMC receives periodic updates on market positions and related exposures, credit exposures and overall risk management activities. FPL Group and FPL manage their interest rate exposure by monitoring current interest rates and adjusting their variable rate debt in relation to total capitalization.

FPL Group and its subsidiaries are also exposed to credit risk through their energy marketing and trading operations. Credit risk is the risk that a financial loss will be incurred if a counterparty to a transaction does not fulfill its financial obligation. FPL Group manages counterparty credit risk for its subsidiaries with energy marketing and trading operations through established policies, including counterparty credit limits, and in some cases credit enhancements, such as cash prepayments, letters of credit, cash and other collateral and guarantees. Credit risk is also managed through the use of master netting agreements. FPL Group's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

Commodity price risk – FPL Group uses a value-at-risk (VaR) model to measure market risk in its trading and mark-to-market portfolios. The VaR is the estimated nominal loss of market value based on a one-day holding period at a 95% confidence level using historical simulation methodology. As of December 31, 2004 and 2003, the VaR figures are as follows:

	Trading and Managed Hedges			Non-Qualifying Hedges and Hedges in OCI [a]			Total		
	FPL	FPL Energy	FPL Group	FPL	FPL Energy	FPL Group	FPL	FPL Energy	FPL Group
					(millions)				
December 31, 2003	$ -	$ -	$ -	$ 25	$ 5	$ 26	$ 25	$ 4	$ 26
December 31, 2004	$ -	$ -	$ -	$ 55	$ 12	$ 48	$ 55	$ 15	$ 47
Average for the period ended December 31, 2004	$ -	$ 1	$ 1	$ 29	$ 6	$ 25	$ 29	$ 8	$ 25

[a] Non-qualifying hedges are employed to reduce the market risk exposure to physical assets which are not marked to market. The VaR figures for the non-qualifying hedges and hedges in OCI category do not represent the economic exposure to commodity price movements.

Interest rate risk – FPL Group and FPL are exposed to risk resulting from changes in interest rates as a result of their issuances of debt, investments in special use funds and interest rate swaps. FPL Group and FPL manage their interest rate exposure by monitoring current interest rates and adjusting their variable rate debt in relation to total capitalization.

The following are estimates of the fair value of FPL Group's and FPL's financial instruments:

	December 31, 2004		December 31, 2003	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(millions)		
FPL Group:				
Long-term debt, including current maturities	$ 9,247	$ 9,611[a]	$ 9,090	$ 9,548[a]
Fixed income securities:				
Special use funds	$ 1,219	$ 1,219[b]	$ 1,316	$ 1,316[b]
Other investments	$ 72	$ 72[b]	$ 57	$ 57[b]
Interest rate swaps – net unrealized loss	$ (11)	$ (11)[c]	$ (10)	$ (10)[c]
FPL:				
Long-term debt, including current maturities	$ 3,311	$ 3,438[a]	$ 3,074	$ 3,193[a]
Fixed income securities:				
Special use funds	$ 1,081	$ 1,081[b]	$ 1,188	1,188[b]
Interest rate swaps – net unrealized loss	$ (2)	$ (2)[c]	$ -	$ -

[a] Based on market prices provided by external sources.
[b] Based on quoted market prices for these or similar issues.
[c] Based on market prices modeled internally.

The special use funds of FPL Group include restricted funds set aside to cover the cost of storm damage for FPL and for the decommissioning of FPL Group's and FPL's nuclear power plants. At December 31, 2004, the special use funds set aside to cover the cost of storm damage for FPL were fully utilized. A portion of the special use funds is invested in fixed income debt securities carried at their market value. Adjustments to market value result in a corresponding adjustment to the related liability accounts based on current regulatory treatment for FPL. The market value adjustments of FPL Group's non-rate regulated operations result in a corresponding adjustment to OCI. Because the funds set aside by FPL for storm damage could be needed at any time, the related investments are generally more liquid and, therefore, are less sensitive to changes in interest rates. The nuclear decommissioning funds, in contrast, are generally invested in longer-term securities, as decommissioning activities are not expected to begin until at least 2012. See Note 10.

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 adjust and mitigate interest rate exposure when deemed appropriate based upon market

conditions or when required by financing agreements. At December 31, 2004, the estimated fair value for FPL Group interest rate swaps was as follows:

Notional Amount (millions)	Effective Date	Maturity Date	Rate Paid	Rate Received	Estimated Fair Value (millions)
Fair value hedges – FPL:					
$ 250	April 2004	December 2005	variable[a]	6.875%	$ (1)
$ 250	May 2004	December 2005	variable[b]	6.875%	(1)
Fair value hedges – FPL Group Capital:					
$ 150	July 2003	September 2006	variable[c]	7.625%	(3)
$ 150	July 2003	September 2006	variable[d]	7.625%	(3)
$ 200	January 2004	March 2005	variable[e]	1.875%	(1)
$ 195	October 2004	April 2006	variable[f]	3.250%	(1)
$ 55	October 2004	April 2006	variable[g]	3.250%	-
$ 195	October 2004	April 2006	variable[h]	3.250%	(1)
$ 55	October 2004	April 2006	variable[i]	3.250%	-
$ 300	November 2004	February 2007	variable[j]	4.086%	-
$ 275	December 2004	February 2007	variable[k]	4.086%	1
Total fair value hedges					(10)
Cash flow hedges – FPL Energy:					
$ 96	July 2002	December 2007	4.41%	variable[l]	(2)
$ 195	August 2003	November 2007	3.557%	variable[l]	-
$ 92	December 2003	December 2017	4.245%	variable[l]	-
$ 30	April 2004	December 2017	3.845%	Variable[l]	1
Total cash flow hedges					(1)
Total interest rate hedges					$ (11)

(a) Six-month LIBOR plus 3.7285%
(b) Six-month LIBOR plus 3.6800%
(c) Six-month LIBOR plus 4.9900%
(d) Six-month LIBOR plus 4.9925%
(e) Six-month LIBOR less 0.1375%
(f) Six-month LIBOR plus 0.0153%
(g) Six-month LIBOR plus 0.0100%
(h) Six-month LIBOR plus 0.1500%
(i) Six-month LIBOR plus 0.1525%
(j) Three-month LIBOR plus 0.50577%
(k) Three-month LIBOR plus 0.4025%
(l) Three-month LIBOR

Based upon a hypothetical 10% decrease in interest rates, which is a reasonable near-term market change, the net fair value of FPL Group's net liabilities would increase by approximately $203 million ($90 million for FPL) at December 31, 2004.

Equity price risk – Included in the special use funds of FPL Group are marketable equity securities carried at their market value of approximately $1,051 million and $926 million ($890 million and $781 million for FPL) at December 31, 2004 and 2003, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges, which is a reasonable near-term market change, would result in a $105 million ($89 million for FPL) reduction in fair value and corresponding adjustments to the related liability accounts based on current regulatory treatment for FPL, or adjustments to OCI for FPL Group's non-rate regulated operations, at December 31, 2004.

Credit risk – For all derivative and contractual transactions, FPL Group's energy marketing and trading operations, which includes FPL's energy marketing and trading division, are exposed to losses in the event of nonperformance by counterparties to these transactions. Relevant considerations when assessing FPL Group's energy marketing and trading operations' credit risk exposure include:

- Operations are primarily concentrated in the energy industry.
- Trade receivables and other financial instruments are predominately with energy, utility and financial services related companies, as well as municipalities, cooperatives and other trading companies in the United States.
- Overall credit risk is managed through established credit policies.
- Prospective and existing customers are reviewed for creditworthiness based upon established standards, with customers not meeting minimum standards providing various credit enhancements or secured payment terms, such as letters of credit or the posting of cash collateral.
- The use of master netting agreements to offset cash and non-cash gains and losses arising from derivative instruments with the same counterparty. FPL Group's policy is to have master netting agreements in place with significant counterparties.

Based on FPL Group's policies and risk exposures related to credit, FPL Group and FPL do not anticipate a material adverse effect on their financial positions as a result of counterparty nonperformance. As of December 31, 2004, approximately 99% of FPL Group's and 96% of FPL's energy marketing and trading counterparty credit risk exposure is associated with companies that have at least investment grade credit ratings.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See Management's Discussion – Energy Marketing and Trading and Market Risk Sensitivity – Market Risk Sensitivity.

Item 8. Financial Statements and Supplementary Data

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

FPL Group, Inc.'s (FPL Group) and Florida Power & Light Company's (FPL) management are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The consolidated financial statements, which in part are based on informed judgments and estimates made by management, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

To aid in carrying out this responsibility, we, along with all other members of management, maintain a system of internal accounting control which is established after weighing the cost of such controls against the benefits derived. In the opinion of management, the overall system of internal accounting control provides reasonable assurance that the assets of FPL Group and its subsidiaries are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded for the preparation of financial statements. In addition, management believes the overall system of internal accounting control provides reasonable assurance that material errors or irregularities would be prevented or detected on a timely basis by employees in the normal course of their duties. Any system of internal accounting control, no matter how well designed, has inherent limitations, including the possibility that controls can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation and reporting.

The system of internal accounting control is supported by written policies and guidelines, the selection and training of qualified employees, an organizational structure that provides an appropriate division of responsibility and a program of internal auditing. FPL Group's written policies include a Code of Business Conduct & Ethics that states management's policy on conflict of interest and ethical conduct. Compliance with the Code of Business Conduct & Ethics is confirmed annually by key personnel.

The Board of Directors pursues its oversight responsibility for financial reporting and accounting through its Audit Committee. This Committee, which is comprised entirely of outside directors, meets regularly with management, the internal auditors and the independent auditors to make inquiries as to the manner in which the responsibilities of each are being discharged. The independent auditors and the internal audit staff have free access to the Committee without management's presence to discuss auditing, internal accounting control and financial reporting matters.

Management assessed the effectiveness of FPL Group's and FPL's internal control over financial reporting as of December 31, 2004, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the *Internal Control – Integrated Framework* and also the standards of the Public Company Accounting Oversight Board. Based on this assessment, management believes that FPL Group's and FPL's internal control over financial reporting was effective as of December 31, 2004.

FPL Group's and FPL's independent registered public accounting firm, Deloitte & Touche LLP, is engaged to express an opinion on FPL Group's and FPL's consolidated financial statements and an opinion on FPL Group's and FPL's internal control over financial reporting. Their reports are based on procedures believed by them to provide a reasonable basis to support such opinions. FPL Group's and FPL's independent registered public accounting firm has issued an attestation report on management's assessment of FPL Group's and FPL's internal control over financial reporting. That report appears on the following page.

LEWIS HAY, III
Lewis Hay, III
Chairman, President and Chief Executive Officer of FPL Group and Chairman and Chief Executive Officer of FPL

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance and Chief Financial Officer of FPL Group and Senior Vice President, Finance and Chief Financial Officer of FPL

K. MICHAEL DAVIS
K. Michael Davis
Controller and Chief Accounting Officer of FPL Group and Vice President, Accounting, Controller and Chief Accounting Officer of FPL

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
FPL Group, Inc. and Florida Power & Light Company:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that FPL Group, Inc. and subsidiaries (FPL Group) and Florida Power & Light Company and subsidiaries (FPL) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The respective company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of FPL Group's and FPL's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audits included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that FPL Group and FPL maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, FPL Group and FPL maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2004 of FPL Group and FPL and our report dated February 24, 2005 expressed an unqualified opinion on those financial statements.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 24, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
FPL Group, Inc. and Florida Power & Light Company:

We have audited the accompanying consolidated balance sheets of FPL Group, Inc. and subsidiaries (FPL Group) and the separate consolidated balance sheets of Florida Power & Light Company and subsidiaries (FPL) as of December 31, 2004 and 2003, and the related consolidated statements of income, common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the respective company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of FPL Group and the financial position of FPL at December 31, 2004 and 2003, and the respective results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the consolidated financial statements, in 2003 FPL Group and FPL changed their method of accounting for special-purpose entities to conform to FASB Interpretation No. 46, as revised. Also as discussed in Note 15 to the consolidated financial statements, in 2003 FPL Group and FPL changed their method of accounting for asset retirement obligations to conform to Statement of Financial Accounting Standards No. 143.

As discussed in Note 5 to the consolidated financial statements, in 2002 FPL Group changed its method of accounting for goodwill to conform to Statement of Financial Accounting Standards No. 142.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of FPL Group's and FPL's internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of FPL Group's and FPL's internal control over financial reporting and an unqualified opinion on the effectiveness of FPL Group's and FPL's internal control over financial reporting.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 24, 2005

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

	Years Ended December 31,		
	2004	2003	2002
OPERATING REVENUES	$ 10,522	$ 9,630	$ 8,173
OPERATING EXPENSES			
Fuel, purchased power and interchange	5,217	4,539	3,576
Other operations and maintenance	1,672	1,626	1,492
Restructuring and impairment charges	81	-	207
Depreciation and amortization	1,198	1,105	952
Taxes other than income taxes	882	829	721
Total operating expenses	9,050	8,099	6,948
OPERATING INCOME	1,472	1,531	1,225
OTHER INCOME (DEDUCTIONS)			
Interest charges	(489)	(379)	(311)
Preferred stock dividends – FPL	-	(13)	(15)
Loss on redemption of preferred stock – FPL	-	(9)	-
Reserve for leveraged leases	-	-	(48)
Equity in earnings of equity method investees	94	89	76
Allowance for equity funds used during construction	37	14	-
Other – net	40	28	12
Total other deductions – net	(318)	(270)	(286)
INCOME FROM OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,154	1,261	939
INCOME TAXES	267	368	244
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	887	893	695
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES			
FAS 142, "Goodwill and Other Intangible Assets," net of income taxes of $143	-	-	(222)
FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," net of income taxes of $2	-	(3)	-
NET INCOME	$ 887	$ 890	$ 473
Earnings per share of common stock: [a]			
Earnings per share before cumulative effect of changes in accounting principles	$ 4.95	$ 5.03	$ 4.02
Cumulative effect of changes in accounting principles	$ -	$ (0.02)	$ (1.28)
Earnings per share	$ 4.95	$ 5.01	$ 2.74
Earnings per share of common stock – assuming dilution: [a]			
Earnings per share before cumulative effect of changes in accounting principles	$ 4.91	$ 5.02	$ 4.01
Cumulative effect of changes in accounting principles	$ -	$ (0.02)	$ (1.28)
Earnings per share	$ 4.91	$ 5.00	$ 2.73
Dividends per share of common stock [a]	$ 2.60	$ 2.40	$ 2.32
Weighted-average number of common shares outstanding: [a]			
Basic	179.3	177.5	172.9
Assuming dilution	180.8	178.2	173.3

[a] The per share and share information does not reflect the effect of the two-for-one stock split effective March 15, 2005. See Note 12 – Earnings Per Share.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FPL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31, 2004	December 31, 2003
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	$ 29,721	$ 28,445
Nuclear fuel	504	463
Construction work in progress	1,495	1,364
Less accumulated depreciation and amortization	(10,494)	(9,975)
Total property, plant and equipment – net	21,226	20,297
CURRENT ASSETS		
Cash and cash equivalents	225	129
Customer receivables, net of allowances of $37 and $25, respectively	785	809
Other receivables	259	379
Materials, supplies and fossil fuel inventory – at average cost	394	458
Regulatory assets:		
Deferred clause and franchise expenses	230	348
Storm reserve deficiency	163	-
Derivatives	9	-
Derivative assets	110	188
Other	352	159
Total current assets	2,527	2,470
OTHER ASSETS		
Special use funds	2,271	2,248
Other investments	740	810
Regulatory assets:		
Storm reserve deficiency	373	-
Unamortized loss on reacquired debt	45	48
Litigation settlement	45	89
Other	38	22
Other	1,068	951
Total other assets	4,580	4,168
TOTAL ASSETS	$ 28,333	$ 26,935
CAPITALIZATION		
Common shareholders' equity	$ 7,537	$ 6,967
Preferred stock of FPL without sinking fund requirements	-	5
Long-term debt	8,027	8,723
Total capitalization	15,564	15,695
CURRENT LIABILITIES		
Commercial paper	492	708
Notes payable	-	212
Current maturities of long-term debt and preferred stock	1,225	367
Accounts payable	762	542
Customers' deposits	400	357
Accrued interest and taxes	227	226
Regulatory liabilities:		
Deferred clause and franchise revenues	30	48
Derivatives	-	93
Other	1,112	852
Total current liabilities	4,248	3,405
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	2,207	2,086
Accumulated deferred income taxes	2,685	2,103
Regulatory liabilities:		
Accrued asset removal costs	2,012	1,902
Storm and property insurance reserve	-	327
Asset retirement obligation regulatory expense difference	266	180
Unamortized investment tax credits	81	100
Other	106	160
Other	1,164	977
Total other liabilities and deferred credits	8,521	7,835
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 28,333	$ 26,935

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

	Years Ended December 31,		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 887	$ 890	$ 473
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,153	1,060	908
Nuclear fuel amortization	93	58	-
Cumulative effect of changes in accounting principles	-	5	365
Storm-related costs of FPL, net of insurance advances	(627)	-	-
Restructuring and impairment charges	33	-	207
Deferred income taxes and related regulatory credit	428	588	219
Cost recovery clauses and franchise fees	144	(186)	135
Equity in earnings of equity method investees	(94)	(89)	(76)
Distribution of earnings from equity method investees	83	68	96
Changes in operating assets and liabilities:			
Restricted cash	24	(22)	232
Customer receivables	23	(161)	(6)
Other receivables	16	2	15
Material, supplies and fossil fuel inventory	29	1	(56)
Other current assets	(10)	(18)	(86)
Deferred pension cost	(101)	(123)	(63)
Accounts payable	220	104	(15)
Customers' deposits	42	41	31
Income taxes	108	(142)	(95)
Interest and other taxes	(2)	57	9
Other current liabilities	80	90	2
Other liabilities	65	(55)	(32)
Other – net	56	86	75
Net cash provided by operating activities	2,650	2,254	2,338
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures of FPL	(1,394)	(1,383)	(1,256)
Nuclear fuel purchases	(141)	(42)	-
Independent power investments	(476)	(1,461)	(2,103)
Sale of independent power investments	93	-	-
Capital expenditures of FPL FiberNet, LLC	(6)	(8)	(21)
Contributions to special use funds	(148)	(173)	(86)
Reimbursements from special use funds	218	-	-
Sale of Olympus note receivable	126	-	-
Funding of secured loan	(128)	(47)	-
Other – net	(16)	25	199
Net cash used in investing activities	(1,872)	(3,089)	(3,267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	569	2,995	1,770
Retirements of long-term debt	(432)	(431)	(797)
Retirements of preferred stock – FPL	-	(228)	-
Net change in short-term debt	(423)	(1,238)	214
Issuances of common stock	110	73	378
Dividends on common stock	(467)	(425)	(400)
Other – net	(39)	(48)	(52)
Net cash provided by (used in) financing activities	(682)	698	1,113
Net increase (decrease) in cash and cash equivalents	96	(137)	184
Cash and cash equivalents at beginning of year	129	266	82
Cash and cash equivalents at end of year	$ 225	$ 129	$ 266
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	$ 460	$ 342	$ 311
Cash received for income taxes – net	$ 254	$ 77	$ 9
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Additions to capital lease obligations	$ -	$ 41	$ 74
Accrual for premium on publicly-traded equity units known as Corporate Units	$ -	$ -	$ 111
Additions to debt through the adoption of FIN 46	$ -	$ 515	$ -
Additions to property, plant and equipment – net through the adoption of FIN 46	$ -	$ 346	$ -

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FPL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
(millions)

	Common Stock [a]						
	Shares	Aggregate Par Value	Additional Paid-In Capital	Unearned Compensation	Accumulated Other Comprehensive Income (Loss) [b]	Retained Earnings	Common Shareholders' Equity
Balances, December 31, 2001	176	$ 2	$ 3,025	$ (211)	$ (8)	$ 3,207	
Net income	-	-	-	-	-	473	
Issuances of common stock, net of issuance cost of $10	7	-	378	-	-	-	
Exercise of stock options and other incentive plan activity	-	-	5	-	-	-	
Dividends on common stock	-	-	-	-	-	(400)	
Earned compensation under ESOP	-	-	16	16	-	-	
Premium on publicly-traded equity units known as Corporate Units	-	-	(111)	-	-	-	
Unamortized issuance cost on publicly-traded equity units known as Corporate Units	-	-	(29)	-	-	-	
Other comprehensive income	-	-	-	-	24	-	
Other	-	-	-	3	-	-	
Balances, December 31, 2002	183 [c]	2	3,284	(192)	16	3,280	$ 6,390
Net income	-	-	-	-	-	890	
Issuances of common stock, net of issuance cost of less than $1	1	-	73	-	-	-	
Exercise of stock options and other incentive plan activity	-	-	20	-	-	-	
Dividends on common stock	-	-	-	-	-	(425)	
Earned compensation under ESOP	-	-	18	16	-	-	
Other comprehensive loss	-	-	-	-	(12)	-	
Other	-	-	2	(5)	-	-	
Balances, December 31, 2003	184 [c]	2	3,397	(181)	4	3,745	$ 6,967
Net income	-	-	-	-	-	887	
Issuances of common stock, net of issuance cost of less than $1	1	-	83	-	-	-	
Exercise of stock options and other incentive plan activity	1	-	77	-	-	-	
Dividends on common stock	-	-	-	-	-	(467)	
Earned compensation under ESOP	-	-	21	16	-	-	
Other comprehensive loss	-	-	-	-	(50)	-	
Other	-	-	1	2	-	-	
Balances, December 31, 2004	186 [c]	$ 2	$ 3,579	$ (163)	$ (46)	$ 4,165	$ 7,537

(a) $0.01 par value, authorized – 400,000,000 shares at December 31, 2004 and 300,000,000 shares at December 31, 2003 and 2002; outstanding 186,175,878, 184,264,127 and 182,754,905 at December 31, 2004, 2003 and 2002, respectively. The share information does not reflect the effect of the two-for-one stock split effective March 15, 2005. See Note 12 – Earnings Per Share.

(b) Comprehensive income, which includes net income and other comprehensive income (loss), totaled approximately $837 million, $878 million and $497 million for 2004, 2003 and 2002, respectively.

(c) Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled approximately 5 million, 6 million and 6 million at December 31, 2004, 2003 and 2002, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

	Years Ended December 31,		
	2004	2003	2002
OPERATING REVENUES	$ 8,734	$ 8,293	$ 7,378
OPERATING EXPENSES			
Fuel, purchased power and interchange	4,467	4,047	3,306
Other operations and maintenance	1,228	1,250	1,225
Depreciation and amortization	915	898	831
Taxes other than income taxes	809	769	690
Total operating expenses	7,419	6,964	6,052
OPERATING INCOME	1,315	1,329	1,326
OTHER INCOME (DEDUCTIONS)			
Interest charges	(183)	(173)	(166)
Allowance for equity funds used during construction	37	14	-
Other – net	(10)	(12)	(15)
Total other deductions – net	(156)	(171)	(181)
INCOME BEFORE INCOME TAXES	1,159	1,158	1,145
INCOME TAXES	409	403	413
NET INCOME	750	755	732
PREFERRED STOCK DIVIDENDS	1	13	15
LOSS ON REDEMPTION OF PREFERRED STOCK	-	9	-
NET INCOME AVAILABLE TO FPL GROUP	$ 749	$ 733	$ 717

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(millions)

	December 31, 2004	December 31, 2003
ELECTRIC UTILITY PLANT		
Plant in service	$ 21,860	$ 21,368
Nuclear fuel	370	380
Construction work in progress	1,285	741
Less accumulated depreciation and amortization	(9,467)	(9,237)
Electric utility plant – net	14,048	13,252
CURRENT ASSETS		
Cash and cash equivalents	65	4
Customer receivables, net of allowances of $18 and $11, respectively	585	636
Other receivables	216	151
Materials, supplies and fossil fuel inventory – at average cost	315	355
Regulatory assets:		
Deferred clause and franchise expenses	230	348
Storm reserve deficiency	163	-
Derivatives	9	-
Derivative assets	26	130
Other	146	49
Total current assets	1,755	1,673
OTHER ASSETS		
Special use funds	1,971	1,974
Other investments	8	9
Regulatory assets:		
Storm reserve deficiency	373	-
Unamortized loss on reacquired debt	45	48
Litigation settlement	45	89
Other	38	22
Other	831	750
Total other assets	3,311	2,892
TOTAL ASSETS	$ 19,114	$ 17,817
CAPITALIZATION		
Common shareholder's equity	$ 6,150	$ 6,004
Preferred stock without sinking fund requirements	-	5
Long-term debt	2,813	3,074
Total capitalization	8,963	9,083
CURRENT LIABILITIES		
Commercial paper	492	630
Current maturities of long-term debt and preferred stock	523	-
Accounts payable	606	435
Customers' deposits	388	346
Accrued interest and taxes	158	160
Regulatory liabilities:		
Deferred clause and franchise revenues	30	48
Derivatives	-	93
Other	826	482
Total current liabilities	3,023	2,194
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	2,015	1,908
Accumulated deferred income taxes	1,949	1,356
Regulatory liabilities:		
Accrued asset removal costs	2,012	1,902
Storm and property insurance reserve	-	327
Asset retirement obligation regulatory expense difference	266	180
Unamortized investment tax credits	81	100
Other	106	160
Other	699	607
Total other liabilities and deferred credits	7,128	6,540
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 19,114	$ 17,817

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

	Years Ended December 31,		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 750	$ 755	$ 732
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	870	853	787
Nuclear fuel amortization	66	33	-
Storm-related costs, net of insurance advances	(627)	-	-
Deferred income taxes and related regulatory credit	553	172	330
Cost recovery clauses and franchise fees	144	(186)	135
Changes in operating assets and liabilities:			
Customer receivables	51	(132)	43
Other receivables	(5)	(2)	(8)
Material, supplies and fossil fuel inventory	39	(6)	(84)
Other current assets	(8)	(10)	(2)
Deferred pension cost	(78)	(99)	(100)
Accounts payable	171	84	(61)
Customers' deposits	42	30	31
Income taxes	(61)	(52)	(79)
Interest and other taxes	(1)	29	(9)
Other current liabilities	27	74	(41)
Other liabilities	33	(27)	125
Other – net	(18)	41	7
Net cash provided by operating activities	1,948	1,557	1,806
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,394)	(1,383)	(1,256)
Nuclear fuel purchases	(90)	(26)	-
Contributions to special use funds	(134)	(157)	(84)
Reimbursements from special use funds	218	-	-
Other – net	-	1	7
Net cash used in investing activities	(1,400)	(1,565)	(1,333)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of long-term debt	236	877	593
Retirements of long-term debt	-	(388)	(765)
Issuances of preferred stock	20	-	-
Retirements of preferred stock	-	(228)	-
Net change in short-term debt	(139)	(121)	490
Capital contributions from FPL Group	-	600	350
Dividends	(604)	(728)	(1,142)
Net cash provided by (used in) financing activities	(487)	12	(474)
Net increase (decrease) in cash and cash equivalents	61	4	(1)
Cash and cash equivalents at beginning of year	4	-	1
Cash and cash equivalents at end of year	$ 65	$ 4	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest (net of amount capitalized)	$ 167	$ 155	$ 174
Cash paid (received) for income taxes – net	$ (60)	$ 292	$ 188
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Additions to capital lease obligations	$ -	$ 41	$ 74
Additions to debt through the adoption of FIN 46	$ -	$ 164	$ -

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY
(millions)

	Common Stock [a]	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss) [b]	Retained Earnings	Common Shareholder's Equity
Balances, December 31, 2001	$ 1,373	$ 3,366	$ -	$ 705	
Net income available to FPL Group	-	-	-	717	
Capital contributions from FPL Group	-	350	-	-	
Dividends to FPL Group	-	-	-	(1,127)	
Other comprehensive loss	-	-	(2) [c]	-	
Balances, December 31, 2002	1,373	3,716	(2)	295	$ 5,382
Net income available to FPL Group	-	-	-	733	
Capital contributions from FPL Group	-	600	-	-	
Dividends to FPL Group	-	-	-	(715)	
Other comprehensive income	-	-	2 [c]	-	
Other	-	2	-	-	
Balances, December 31, 2003	1,373	4,318	-	313	$ 6,004
Net income available to FPL Group	-	-	-	749	
Dividends to FPL Group	-	-	-	(603)	
Balances, December 31, 2004	$ 1,373	$ 4,318	$ -	$ 459	$ 6,150

[a] Common stock, no par value, 1,000 shares authorized, issued and outstanding.
[b] Comprehensive income, which includes net income and other comprehensive income (loss), totaled approximately $749 million, $735 million and $715 million for 2004, 2003 and 2002, respectively.
[c] Minimum supplemental employee retirement plan liability adjustment.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1. Summary of Significant Accounting and Reporting Policies

Basis of Presentation – FPL Group, Inc.'s (FPL Group) operations are conducted primarily through its wholly-owned subsidiary Florida Power & Light Company (FPL) and its wholly-owned indirect subsidiary FPL Energy, LLC (FPL Energy). FPL, a rate-regulated public utility, supplies electric service to approximately 4.2 million customer accounts throughout most of the east and lower west coasts of Florida. FPL Energy invests in independent power projects through both controlled and consolidated entities and non-controlling ownership interests in joint ventures essentially all of which are accounted for under the equity method.

The consolidated financial statements of FPL Group and FPL include the accounts of their respective majority-owned and controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts included in prior years' consolidated financial statements have been reclassified to conform to the current year's presentation. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Regulation – FPL is subject to regulation by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). Its rates are designed to recover the cost of providing electric service to its customers including a reasonable rate of return on invested capital. As a result of this cost-based regulation, FPL follows the accounting practices set forth in Statement of Financial Accounting Standards No. (FAS) 71, "Accounting for the Effects of Certain Types of Regulation." FAS 71 indicates that regulators can create assets and impose liabilities that would not be recorded by non-rate regulated entities. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process.

Cost recovery clauses, which are designed to permit full recovery of certain costs and provide a return on certain assets allowed to be recovered through the various clauses, include substantially all fuel, purchased power and interchange expenses, conservation and certain environmental-related expenses, certain revenue taxes and franchise fees. Revenues from cost recovery clauses are recorded when billed; FPL achieves matching of costs and related revenues by deferring the net under- or over-recovery. Any under-recovered costs or over-recovered revenues are collected from or returned to customers in subsequent periods. Although deferred clause revenues and expenses do not significantly affect net income, the under- or over-recoveries can significantly affect FPL Group's and FPL's operating cash flows.

During 2004, in order to comply with a U.S. Nuclear Regulatory Commission (NRC) order, FPL incurred additional cost to modify its security systems at its St. Lucie and Turkey Point nuclear units. As of December 31, 2004, $25 million of these costs had been incurred and deferred pursuant to an FPSC order and recorded as a regulatory asset on FPL Group's and FPL's consolidated financial statements (included in regulatory assets – other). Interest on the regulatory asset began to accrue on January 1, 2005 at a currently approved rate of 7.29%. For 2005, FPL will reduce the regulatory asset by the amount of any reduction in the annual decommissioning accrual approved by the FPSC. FPL intends to file an updated decommissioning study during 2005. Any remaining balance as of January 1, 2006, will be amortized over a five-year period and would be included in depreciation expense unless a disposition occurs through a base rate or other regulatory proceeding.

In 2000, a bankruptcy court approved a $222.5 million settlement of a contract dispute between FPL and two qualifying facilities. As approved by the FPSC, FPL is recovering the cost of the settlement through the fuel and purchased power cost recovery clause (fuel clause) and capacity cost recovery clause (capacity clause) over a five-year period which began January 1, 2002. The settlement cost is included in deferred clause and franchise expenses and litigation settlement on FPL Group's and FPL's consolidated balance sheets.

If FPL were no longer subject to cost-based rate regulation, the regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. In addition, the FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. The continued applicability of FAS 71 is assessed at each reporting period.

Revenues and Rates – FPL's retail and wholesale utility rate schedules are approved by the FPSC and the FERC, respectively. FPL records unbilled base revenues for the estimated amount of energy delivered to customers but not yet billed. Unbilled base revenues are included in customer receivables and amounted to $135 million and $133 million at December 31, 2004 and 2003, respectively. FPL's operating revenues also include amounts resulting from cost recovery clauses (see Regulation), franchise fees and gross receipts taxes. Franchise fees and gross receipts taxes are imposed on FPL; however, the FPSC allows FPL to include in rates charged to customers the amount of the gross receipts tax for all customers and the franchise amount for those customers located in the jurisdiction that imposes the fee. Accordingly, franchise fees and gross receipts taxes are reported gross in operating revenues and taxes other than income taxes, respectively, on FPL Group's and FPL's consolidated statements of income and were approximately $558 million, $527 million and $471 million in 2004, 2003 and 2002, respectively. FPL also collects municipal utility taxes which are reported gross in customer receivables and accounts payable on FPL Group's and FPL's consolidated balance sheets. FPL Energy's revenue is recorded as electricity is delivered, which is when revenue is earned.

In 2002, the FPSC approved a rate agreement regarding FPL's retail base rates, which became effective April 15, 2002 and expires December 31, 2005. The agreement includes a revenue sharing mechanism for each of the twelve-month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold are required to be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold are required to be refunded 100% to retail customers.

The rate agreement provides for a $250 million annual reduction in retail base revenues allocated to all customers by reducing customers' base rates and service charges by approximately 7%. The revenue sharing thresholds specified in the rate agreement are as follows:

	Years Ended December 31,			
	2002[a]	2003	2004	2005
	(millions)			
66 2/3% to customers	$ 3,580	$3,680	$3,780	$3,880
100% to customers	$ 3,740	$3,840	$3,940	$4,040

[a] Refund was limited to 71.5% (representing the period April 15 through December 31, 2002) of the revenues from base rate operations exceeding the thresholds.

During the term of the rate agreement, FPL does not have an authorized regulatory return on common equity (ROE) range for the purpose of addressing earnings levels. However, FPL continues to file monthly earnings surveillance reports with the FPSC and if the reported ROE falls below 10% during the term of the rate agreement, FPL may petition the FPSC to amend its base rates. The rate agreement would terminate on the effective date of any final order issued in a proceeding that changes FPL's base rates.

Under the rate agreement, the accrual for the refund associated with the revenue sharing mechanism is computed monthly for each twelve-month period of the rate agreement. At the beginning of each twelve-month period, planned revenues are reviewed to determine if it is probable that the threshold will be exceeded. If so, an accrual is recorded each month for a portion of the anticipated refund based on the relative percentage of year-to-date planned revenues to the total estimated revenues for the twelve-month period, plus accrued interest. In addition, if in any month actual revenues are above or below planned revenues, the accrual is increased or decreased as necessary to recognize the effect of this variance on the expected refund amount. Under the rate agreement, the annual refund (including interest) is paid to customers as a credit to their February electric bill. At December 31, 2004, there was no accrual for the revenue refund. At December 31, 2003, the accrual for the revenue refund was approximately $3 million.

On January 21, 2005, FPL notified the FPSC that it intends to initiate a base rate proceeding in March 2005. Although FPL has not finalized its 2006 and 2007 revenue requirements, it expects to request a $400 million to $450 million annual increase in base rates beginning on January 1, 2006 and an additional annual base rate increase of approximately $130 million in mid-2007 to cover the costs associated with the 1,150 mw natural gas-fired unit at Turkey Point expected to be placed in service in mid-2007. Hearings on the base rate proceeding are expected during the third quarter of 2005 and a final decision is expected by the end of 2005.

Electric Plant, Depreciation and Amortization – The cost of additions to units of utility property of FPL and FPL Energy is added to electric utility plant. In accordance with regulatory accounting, the cost of FPL's units of utility property retired, less estimated net salvage value, is charged to accumulated depreciation. Maintenance and repairs of property as well as replacements and renewals of items determined to be less than units of utility property are charged to other operations and maintenance (O&M) expenses. At December 31, 2004, the electric generating, transmission, distribution and general facilities of FPL represented approximately 43%, 13%, 37% and 7%, respectively, of FPL's gross investment in electric utility plant in service. Substantially all of FPL's properties are subject to the lien of FPL's mortgage, which secures most debt securities issued by FPL. A number of FPL Energy's generating facilities are encumbered by liens against their assets securing various financings. The total balance of FPL Energy's assets serving as collateral was approximately $3.5 billion at December 31, 2004.

Depreciation of FPL's electric property is primarily provided on a straight-line average remaining life basis. FPL includes in depreciation expense a provision for fossil plant dismantlement and nuclear plant decommissioning (see Decommissioning of Nuclear Plant and Dismantlement of Fossil Plant). For substantially all of FPL's property, depreciation studies are performed and filed with the FPSC at least every four years; however, the rate agreement requires FPL to continue to depreciate its electric property based on rates approved in April 1999 that became effective January 1, 1998. The weighted annual composite depreciation rate for FPL's electric plant in service, including intangible software, but excluding the effects of decommissioning and dismantlement, was approximately 4.2%, 4.3% and 4.4% for 2004, 2003 and 2002, respectively. Further, these rates exclude the depreciation adjustments discussed below. FPL Energy's electric plants in service less salvage value are depreciated using the straight-line method over their estimated useful lives. FPL Energy's effective depreciation rates were 3.9%, 3.9% and 4.0% for 2004, 2003 and 2002, respectively.

Under the rate agreement (see Revenues and Rates), depreciation was and will be reduced on FPL's plant in service by $125 million in each year 2002 through 2005. These depreciation adjustments are included in earnings and will be allocated to the appropriate assets when FPL files its comprehensive depreciation studies at the end of 2005.

Nuclear Fuel – FPL leases nuclear fuel for all four of its nuclear units. Beginning July 1, 2003, the lessor was consolidated by FPL as a result of adopting the Financial Accounting Standards Board's (FASB) Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities." See Note 9 – FPL. For ratemaking purposes, these leases are treated similar to operating leases. For financial reporting, prior to July 1, 2003, these leases were recorded as capital leases. Nuclear fuel lease expense was $31 million for the six months ended June 30, 2003 and $71 million in 2002. Included in this expense was an interest component of $1 million for the six months ended June 30, 2003 and $3 million for 2002. Until July 1, 2003, the lease payments were charged to fuel expense on a unit of production method. Beginning July 1, 2003, the cost of nuclear fuel was capitalized and is being amortized to fuel expense on a unit of production method except for the interest component, which is recorded as interest expense. These charges, as well as a charge for spent nuclear fuel, are recovered through the fuel clause. FPL makes quarterly payments to the lessor for the lease commitments. Under certain circumstances of lease termination, the associated debt ($170 million at December 31, 2004), which was recorded in commercial paper and long-term debt on FPL Group's and FPL's consolidated balance sheets, would become due.

Seabrook Station (Seabrook) has several contracts for the supply, conversion, enrichment and fabrication of nuclear fuel. See Note 16 – Contracts. Seabrook's nuclear fuel costs are charged to fuel expense on a unit of production method.

Construction Activity – Allowance for funds used during construction (AFUDC) is a non-cash item which represents the allowed cost of capital, including an ROE, used to finance construction projects. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of interest expense and the remainder is recorded as other income. The FPSC rules limit the recording of AFUDC to projects that cost in excess of 0.5% of a utility's plant in service balance and require more than one year to complete. The FPSC rules allow construction projects below the 0.5% threshold as a component of rate base. During 2004 and 2003, AFUDC was capitalized at a rate of 7.29% and 7.84%, respectively, and amounted to approximately $48 million and $18 million, respectively. See Note 16 – Commitments.

FPL's construction work in progress at December 31, 2004 is primarily attributable to the addition of combined cycle generation at its Martin and Manatee sites. Included in construction work in progress are construction materials, progress payments on turbine generators, third party engineering costs and other costs directly associated with the construction of a project. Upon commencement of plant operation, these costs are transferred to electric utility plant in service. At December 31, 2004 and 2003, FPL recorded approximately $135 million and $111 million, respectively, of construction accruals, which are included in other current liabilities on FPL Group's and FPL's consolidated balance sheets.

FPL Energy capitalizes project development costs once it is probable that such costs will be realized through the ultimate construction of a power plant. At December 31, 2004 and 2003, FPL Energy's capitalized development costs totaled approximately $15 million and $9 million, respectively, which are included in other assets on FPL Group's consolidated balance sheets. These costs include professional services, permits and other third party costs directly associated with the development of a new project. Upon commencement of construction, these costs either are transferred to construction work in progress or remain in other assets, depending upon the nature of the cost. Capitalized development costs are charged to O&M expenses when the development of a project is no longer probable. See Note 6 – 2002 – FPL Energy. In addition to capitalized development costs, FPL Energy capitalizes interest on its construction projects. Interest capitalized on construction projects amounted to $43 million, $83 million and $90 million during 2004, 2003 and 2002, respectively. FPL Energy's interest charges are based on a deemed capital structure of 50% debt for operating projects and 100% debt for projects under construction.

FPL Energy's construction work in progress includes construction materials, prepayments on turbine generators, third party engineering costs, interest and other costs directly associated with the construction and development of the project. Upon commencement of plant operation, these costs are transferred to electric utility plant in service and other property. At December 31, 2004 and 2003, FPL Energy recorded approximately $55 million and $174 million, respectively, of construction accruals, which are included in other current liabilities on FPL Group's consolidated balance sheets.

Asset Retirement Obligations – Effective January 1, 2003, FPL Group and FPL adopted FAS 143, "Accounting for Asset Retirement Obligations." See Note 15.

Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs – Following are the components of FPL Group's and FPL's decommissioning of nuclear plants, dismantlement of plants and other accrued asset removal costs:

	FPL									
	Nuclear Decommissioning		Fossil Dismantlement		Interim Removal Costs		FPL Energy		FPL Group	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(millions)									
Asset retirement obligations (ARO)	$ 2,013	$ 1,907	$ 2	$ 1	$ -	$ -	$ 192	$ 178	$ 2,207	$ 2,086
Less capitalized ARO asset net of accumulated depreciation	214	222	1	1	-	-	-	-	215	223
Accrued asset removal costs [a]	158	143	291	274	1,563	1,485	-	-	2,012	1,902
Asset retirement obligation regulatory expense difference [a]	267	181	(1)	(1)	-	-	-	-	266	180
Accrued decommissioning, dismantlement and other accrued asset removal costs	$ 2,224 [b]	$ 2,009 [b]	$ 291 [b]	$ 273 [b]	$ 1,563 [b]	$ 1,485 [b]	$ 192	$ 178	$ 4,270	$ 3,945

[a] Regulatory liability on FPL Group's and FPL's consolidated balance sheets.
[b] Represents total amount accrued for ratemaking purposes.

FPL – For ratemaking purposes, FPL accrues for the cost of end of life retirement and disposal of its nuclear and fossil plants over the expected service life of each unit based on nuclear decommissioning and fossil dismantlement studies periodically filed with the FPSC. In addition, FPL accrues for interim removal costs over the remaining life of the related assets based on depreciation studies approved by the FPSC. Beginning January 1, 2003, FPL began recognizing decommissioning and dismantlement liabilities for financial reporting purposes in accordance with FAS 143, which requires that a liability for the fair value of an ARO be recognized in the period in which it is incurred with the offsetting associated asset retirement cost capitalized as part of the carrying amount of the long-lived asset. Any differences between expense recognized under FAS 143 and the amount recoverable through rates is deferred in accordance with FAS 71. See Electric Plant, Depreciation and Amortization and Note 15.

Nuclear decommissioning studies are performed at least every five years and are submitted to the FPSC for approval. FPL plans to file updated nuclear decommissioning studies in 2005. FPL's latest nuclear decommissioning studies became effective in May 2002 and provide for an annual decommissioning expense accrual of $79 million. These studies assume prompt dismantlement of Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2012 and 2013, respectively, when the original operating licenses are to expire. Current plans, which are consistent with the term of the original operating licenses, call for St. Lucie Unit No. 1 to be mothballed beginning in 2016, with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 beginning in 2023. These studies also assume that FPL will be storing spent fuel on site pending removal to a U.S. government facility. The studies indicate FPL's portion of the ultimate costs of decommissioning its four nuclear units, including costs associated with spent fuel storage, to be $6.4 billion. FPL's portion of the ultimate cost of decommissioning its four units, expressed in 2004 dollars, is estimated by the studies to aggregate $2.2 billion.

During 2004, with respect to costs associated with nuclear decommissioning, FPL recognized approximately $106 million related to ARO accretion expense, approximately $8 million related to depreciation of the capitalized ARO asset, approximately $6 million related to the non-legal obligation included in accrued asset removal costs and an approximate $41 million credit to adjust the total accrual to the $79 million approved by the FPSC for decommissioning expense (included in depreciation and amortization expense in FPL Group's and FPL's consolidated statements of income). During 2003, FPL recognized approximately $101 million related to ARO accretion expense, approximately $8 million related to depreciation of the capitalized ARO asset, approximately $6 million related to the non-legal obligation included in accrued asset removal costs and an approximate $36 million credit to adjust the total accrual to the $79 million approved by the FPSC for decommissioning expense. During 2002, FPL accrued decommissioning expense of approximately $81 million, which is included in depreciation and amortization expense.

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in special use funds of FPL. Consistent with regulatory treatment, securities held in the decommissioning funds are carried at market value with market adjustments, including any other-than-temporary impairment losses, resulting in a corresponding adjustment to the related liability accounts. See Note 10 – Special Use Funds. Contributions to the funds are based on current period decommissioning expense. Additionally, fund earnings, net of taxes, are reinvested in the funds. Earnings are recognized as income and an offsetting expense is recorded to reflect a corresponding increase in the related liability accounts. As a result, there is no effect on net income. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

Fossil fuel plant dismantlement studies are performed and filed with the FPSC at least every four years. FPL's latest fossil fuel plant dismantlement studies became effective January 1, 2003 and increased the annual expense from $16 million to $19

million. The studies indicate that FPL's portion of the ultimate cost to dismantle its fossil units is $668 million. FPL recognized fossil dismantlement expense of approximately $19 million in each of 2004 and 2003 and $16 million in 2002, which is included in depreciation and amortization expense.

FPL Energy – FPL Energy also records a nuclear decommissioning liability for Seabrook in accordance with FAS 143, representing the fair value of its ultimate decommissioning liability as determined by an independent study. The liability is being accreted using the interest method over an assumed license extension period that runs through 2050. In 2004 and 2003, FPL Energy recorded approximately $12 million and $11 million of accretion expense, respectively, related to Seabrook's nuclear decommissioning liability, which is included in depreciation and amortization expense on FPL Group's consolidated statements of income. See Electric Plant, Depreciation and Amortization and Note 15.

Seabrook's current decommissioning funding plan is based on a funding date of 2026. The funding plan is based on a comprehensive nuclear decommissioning study reviewed by the New Hampshire Nuclear Decommissioning Financing Committee (NDFC) in 2003 and is effective for four years. This study assumes that Seabrook would begin decommissioning in 2026 and that FPL Energy's 88.23% portion of the ultimate cost of decommissioning Seabrook, including costs associated with spent fuel storage, is $1,496 million, or $578 million expressed in 2004 dollars. At December 31, 2004 and 2003, FPL Energy had an ARO related to nuclear decommissioning of $175 million and $163 million, respectively. FPL Energy's 88.23% portion of Seabrook's restricted trust fund for the payment of future expenditures to decommission Seabrook is included in FPL Group's special use funds. Marketable securities held in the decommissioning fund are classified as available for sale and are carried at market value with market adjustments resulting in a corresponding adjustment to other comprehensive income. Any unrealized losses associated with marketable securities that are determined to be other-than-temporarily impaired would be recognized as an expense in FPL Group's consolidated statements of income. Fund earnings are recognized in income and are reinvested in the funds either on a pretax or after-tax basis. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes. See Note 10 – Special Use Funds.

Accrual for Major Maintenance Costs – Consistent with regulatory treatment, FPL's estimated nuclear maintenance costs for each nuclear unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. The estimated costs for inspection and repair of FPL's four reactor vessel heads are deferred and amortized on a levelized basis over a five-year period beginning in 2002. The accrued liability for nuclear maintenance costs, including those for the reactor vessel heads, at December 31, 2004 totaled $73 million and is included in other liabilities. The accrued liability for nuclear maintenance costs, including those for the reactor vessel heads, at December 31, 2003 totaled $52 million and is included in other current liabilities and other liabilities. Any difference between the estimated and actual costs is included in O&M expenses when known.

FPL Energy's estimated major maintenance costs for each generating unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. The accrued liability for FPL Energy's major maintenance costs totaled $83 million and $41 million at December 31, 2004 and 2003, respectively, and is included in other liabilities. Any difference between the estimated and actual costs is included in O&M expenses when known.

Cash Equivalents – Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Restricted Cash – At December 31, 2004 and 2003, FPL Group had approximately $56 million and $76 million, respectively, of restricted cash included in other current assets on FPL Group's consolidated balance sheets, essentially all of which is restricted for debt service payments, construction liabilities and O&M expenses.

Allowance for Doubtful Accounts – FPL maintains an accumulated provision for uncollectible customer accounts receivable that is determined by multiplying the previous six months of revenues by a bad debt percentage, which represents an average of the past two years' actual write-offs. Additional amounts are included in the provision to address specific items that are not considered in the calculation described above. FPL Energy regularly reviews collectibility of its receivables and establishes a provision for losses when necessary using the specific identification method.

Inventory – FPL values materials, supplies and fossil fuel inventory using a weighted-average cost method. FPL Energy's materials, supplies and oil and gas inventories are carried at the lower of weighted-average cost or market.

Energy Trading – FPL Energy engages in limited energy trading activities to optimize the value of electricity and fuel contracts and generating facilities, as well as to take advantage of expected favorable commodity price movements. In accordance with Emerging Issues Task Force Issue No. (EITF) 02-3, trading contracts that meet the definition of a derivative are accounted for at market value and realized gains and losses from all trading contracts, including those where physical delivery is required, are recorded net for all periods presented. See Note 3.

Storm Fund and Storm Reserve Deficiency – The storm and property insurance reserve fund (storm fund) provides coverage toward FPL's storm damage costs and possible retrospective premium assessments stemming from a nuclear incident under the various insurance programs covering FPL's nuclear generating plants. Securities held in the fund are carried at market value with market adjustments, including any other-than-temporary impairment losses, resulting in a corresponding adjustment to the storm and property insurance reserve (storm reserve). See Note 10 and Note 16 – Insurance. Fund earnings, net of taxes, are reinvested in the fund. Earnings are recognized as income and an offsetting expense is recorded to reflect a corresponding increase in the storm reserve. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

During the third quarter of 2004, FPL was impacted by Hurricanes Charley, Frances and Jeanne, each of which did major damage in parts of FPL's service territory and collectively resulted in over 5.4 million customer power outages with approximately three-quarters of FPL's customers losing power during at least one hurricane. Damage to FPL property was primarily to the transmission and distribution systems. Although FPL has not completed the final accounting of all restoration costs, FPL accrued restoration costs totaling approximately $890 million as of December 31, 2004. In addition, based on assessments as of December 31, 2004, FPL estimated it had sustained other property losses totaling approximately $109 million which is expected to be recovered from insurance carriers, of which $20 million has been advanced and the remaining $89 million is included in other current assets on FPL Group's and FPL's consolidated balance sheets. During the fourth quarter of 2004, all available funds were withdrawn from the storm fund to pay for storm costs. At December 31, 2004, approximately $352 million was accrued and included in other current liabilities on FPL Group's and FPL's consolidated sheets. At December 31, 2004, storm costs expected to be recoverable from customers exceeded the balance of the storm reserve by approximately $536 million. This deficiency has been deferred pursuant to an FPSC order and recorded as a regulatory asset on FPL Group's and FPL's consolidated balance sheets. During February 2005, pursuant to an FPSC order, FPL began recovering storm restoration costs from customers, subject to refund, pending the outcome of a hearing in April 2005 to determine the amount of storm restoration costs that FPL will be allowed to recover from customers.

Investments in Leveraged Leases – Subsidiaries of FPL Group, other than FPL, have investments in leveraged leases, which at December 31, 2004 and 2003 totaled $81 million and $93 million, respectively, and are included in other investments on FPL Group's consolidated balance sheets. The related deferred tax liabilities totaled $80 million and $99 million at December 31, 2004 and 2003, respectively, and are included in accumulated deferred income taxes.

Impairment of Long-Lived Assets – FPL Group evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable as described in FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." See Note 6.

Goodwill and Other Intangible Assets – In accordance with FAS 142, "Goodwill and Other Intangible Assets," goodwill is assessed for impairment at least annually by applying a fair value based test. See Note 5.

Stock-Based Compensation – Effective January 1, 2004, FPL Group adopted the fair value recognition provisions of FAS 123, "Accounting for Stock-Based Compensation." FPL Group selected the modified prospective method of adoption described in FAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." Under that method, stock-based employee compensation cost recognized in 2004 is the same as that which would have been recognized had the fair value recognition provisions of FAS 123 been applied from its original effective date. Prior to 2004, FPL Group accounted for its stock-based compensation plans under the intrinsic value based method as permitted by FAS 123.

The following table illustrates the effect on net income and earnings per share of common stock as if FPL Group's compensation expense had been determined using the fair value based method in each period:

	Years Ended December 31,		
	2004	2003	2002
	(millions, except per share amounts)		
Net income, as reported	$ 887	$ 890	$ 473
Add: total stock-based employee compensation expense included in reported net income, net of related income tax effects	17	12	14
Deduct: total stock-based employee compensation expense determined under fair value based method, net of related income tax effects	(17)	(19)	(21)
Pro forma net income	$ 887	$ 883	$ 466
Earnings per share of common stock: [a]			
Basic – as reported	$ 4.95	$ 5.01	$ 2.74
Basic – pro forma	$ 4.95	$ 4.97	$ 2.69
Assuming dilution – as reported	$ 4.91	$ 5.00	$ 2.73
Assuming dilution – pro forma	$ 4.91	$ 4.96	$ 2.69

[a] The per share information does not reflect the two-for-one stock split effective March 15, 2005. See Note 12 – Earnings Per Share.

In December 2004, the FASB issued FAS 123(R), "Share-Based Payment," which FPL Group will be required to adopt July 1, 2005. The statement requires costs related to share-based payment transactions to be recognized in the financial statements based on grant-date fair value. Because FPL Group adopted the fair value recognition provisions of FAS 123 on January 1, 2004, the adoption of FAS 123(R) is not expected to have a significant financial statement impact for the year ended December 31, 2005.

Retirement of Long-Term Debt – Gains and losses that result from differences in FPL's reacquisition cost and the book value of long-term debt which is retired are deferred and amortized to interest expense ratably over the remaining life of the original issue, which is consistent with its treatment in the ratemaking process. FPL Group Capital Inc (FPL Group Capital) recognizes as expense any such excess at time of retirement.

Retirement of Preferred Stock – Gains and losses that result from differences in FPL's reacquisition cost and the book value of preferred stock which is retired are recognized as gains or losses by FPL Group and as an addition or reduction to net income available to FPL Group by FPL.

Income Taxes – Deferred income taxes are provided on all significant temporary differences between the financial statement and tax bases of assets and liabilities. In connection with the tax sharing agreement with FPL Group, FPL's income tax provision reflects the use of the "separate return method." Included in other regulatory liabilities on FPL Group's and FPL's consolidated balance sheets is the revenue equivalent of the difference in accumulated deferred income taxes computed under FAS 109, "Accounting for Income Taxes," as compared to regulatory accounting rules. This amount is being amortized in accordance with the regulatory treatment over the estimated lives of the assets or liabilities which resulted in the initial recognition of the deferred tax amount. Investment tax credits (ITC) for FPL are deferred and amortized to income over the approximate lives of the related property in accordance with the regulatory treatment. Production tax credits generated by certain wind operations of FPL Energy are recorded as a reduction of current income taxes payable, unless limited by tax law in which instance they are recorded as deferred tax assets. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. See Note 4.

Guarantees – FPL Group and FPL each account for payment guarantees and related contracts, for which it or a subsidiary is the guarantor, under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others," which requires that the fair value of guarantees provided to unconsolidated entities entered into after December 31, 2002 be recorded on the balance sheet. See Note 16 – Commitments.

Variable Interest Entities (VIEs) – FIN 46, "Consolidation of Variable Interest Entities," requires FPL Group and FPL to assess the variable interests they hold and determine if those entities are VIEs. See Note 9.

2. Employee Retirement Benefits

Employee Benefit Plans and Other Postretirement Plan – FPL Group sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of FPL Group and its subsidiaries. FPL Group also has a non-qualified

supplemental defined benefit pension plan that provides benefits to higher-level employees. See Supplemental Retirement Plan below. In addition to pension benefits, FPL Group sponsors a substantially contributory postretirement plan for health care and life insurance benefits (other benefits) for retirees of FPL Group and its subsidiaries meeting certain eligibility requirements.

Benefit Obligations – FPL Group uses a measurement date of September 30 for its pension and other benefits plans. The following table provides a reconciliation of the changes in the benefit obligations of the plans:

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
	(millions)			
Obligation at October 1 of prior year	$ 1,516	$ 1,424	$ 488	$ 469
Service cost	52	52	8	7
Interest cost	84	84	27	27
Participant contributions	-	-	4	3
Plan amendments	3	-	-	-
Actuarial (gains) losses – net	12	55	(25)	8
Benefit payments	(86)	(99)	(34)	(26)
Obligation at September 30	$ 1,581	$ 1,516	$ 468	$ 488

FPL Group's accumulated benefit obligation, which includes no assumption about future compensation levels, for its pension plans at September 30, 2004 and 2003 was $1,525 million and $1,465 million, respectively.

The following table provides the weighted-average assumptions used to determine benefit obligations for the plans. These rates are used in determining net periodic benefit cost in the following year.

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Discount rate	5.5%	5.5%	5.5%	5.5%
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%

A 9.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2005. The rate was assumed to decrease gradually to 5.0% by 2012 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of one percentage point in assumed health care cost trend rates would have a corresponding effect on the other benefits accumulated obligation of approximately $8 million at September 30, 2004.

Plan Assets – The following table provides a reconciliation of the fair value of assets of the plans. Employer contributions and benefits paid in the table below include only those amounts contributed directly to, or paid directly from, plan assets.

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
	(millions)			
Fair value of plan assets at October 1 of prior year	$ 2,697	$ 2,388	$ 54	$ 45
Actual return on plan assets	296	402	6	15
Employer contributions	-	6	20	18
Participant contributions	-	-	4	2
Benefit payments	(86)	(99)	(34)	(26)
Fair value of plan assets at September 30	$ 2,907	$ 2,697	$ 50	$ 54

FPL Group's current investment policy for the pension plan recognizes the benefit of protecting the plan's funded status, thereby avoiding the necessity of future employer contributions. Its broad objectives are to achieve a high rate of total return with a prudent level of risk taking while maintaining sufficient liquidity and diversification to avoid large losses while preserving capital.

FPL Group's pension plan fund has a strategic asset allocation that targets a mix of 50% equity investments and 50% fixed income investments. The fund's investment strategy emphasizes traditional investments, broadly diversified across the global equity and fixed income markets, utilizing a combination of different investment styles and vehicles. The pension fund's equity investments include direct equity holdings and assets classified as equity commingled vehicles. Similarly, its fixed income investments include direct debt security holdings and assets classified as debt security commingled vehicles. These equity and debt security commingled vehicles include common and collective trusts, pooled separate accounts, registered investment companies or other forms of pooled investment arrangements.

At September 30, the asset allocation for FPL Group's pension fund is as follows:

Asset Category	2004	2003
Equity	14%	16%
Equity commingled vehicles	34	35
Debt securities	30	32
Debt security commingled vehicles	22	17
Total	100%	100%

With regard to its other benefits, FPL Group's policy is to fund claims as incurred during the year through FPL Group contributions, participant contributions and plan assets. The other benefits' assets are invested with a focus on assuring the availability of funds to pay benefits while maintaining sufficient diversification to avoid large losses and preserve capital. The other benefits plan fund has a strategic asset allocation that targets a mix of 55% equity investments and 45% fixed income investments. The fund's investment strategy emphasizes traditional investments, diversified among equity and fixed income investments. The fund's equity investments include direct equity holdings and assets classified as equity commingled vehicles. Similarly, its fixed income investments include direct debt security holdings and assets classified as debt security commingled vehicles. These equity and debt commingled vehicles include common and collective trusts, pooled separate accounts, registered investment companies or other forms of pooled investment arrangements.

At September 30, the asset allocation for FPL Group's other benefits fund is as follows:

Asset Category	2004	2003
Equity	38%	33%
Equity commingled vehicles	18	14
Debt securities	2	2
Debt security commingled vehicles	42	51
Total	100%	100%

Funded Status – The following table reconciles the funded status of the plans to the amounts on the consolidated balance sheets:

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
	(millions)			
Fair value of plan assets	$ 2,907	$ 2,697	$ 50	$ 54
Benefit obligation	(1,581)	(1,516)	(468)	(488)
Funded status at September 30	1,326	1,181	(418)	(434)
Unrecognized prior service (benefit) cost	(27)	(35)	-	-
Unrecognized transition (asset) obligation	-	(23)	28	31
Unrecognized (gain) loss	(509)	(453)	87	119
Other	(21)	-	8	6
Prepaid (accrued) benefit cost at FPL Group at December 31	$ 769	$ 670	$ (295)	$ (278)
Prepaid (accrued) benefit cost at FPL at December 31	$ 746	$ 668	$ (271)	$ (254)

FPL Group's and FPL's prepaid (accrued) benefit cost shown above are included in the consolidated balance sheets as follows:

	FPL Group				FPL			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2004	2003	2004	2003	2004	2003	2004	2003
	(millions)							
Prepaid benefit cost included in other assets	$ 779	$ 678	$ -	$ -	$ 750	$ 672	$ -	$ -
Accrued benefit cost included in other liabilities	(19)	(15)	(295)	(278)	(5)	(4)	(271)	(254)
Intangible asset included in other assets	3	3	-	-	1	-	-	-
Accumulated other comprehensive income	6	4	-	-	-	-	-	-
Prepaid (accrued) benefit cost at December 31	$ 769	$ 670	$ (295)	$ (278)	$ 746	$ 668	$ (271)	$ (254)

Expected Cash Flows – In December 2004, $21 million was transferred from the qualified pension plan as reimbursement for eligible retiree medical expenses paid by FPL Group during the year pursuant to the provisions of the Internal Revenue Code. FPL Group anticipates paying approximately $28 million for eligible retiree medical expenses on behalf of the other benefits plan during 2005 with substantially all being reimbursed through a transfer of assets from the qualified pension plan pursuant to the provisions of the Internal Revenue Code. Additionally, FPL Group expects to contribute approximately $5 million to the non-qualified pension plan in calendar year 2005.

The following table provides information about gross benefit payments expected to be paid by the plans for each of the following calendar years:

	Pension Benefits	Other Benefits, net [a]
	(millions)	
2005	$ 115	$ 34
2006	$ 107	$ 36
2007	$ 115	$ 39
2008	$ 121	$ 41
2009	$ 125	$ 44
2010–2014	$ 678	$ 248

[a] Includes the effect of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 on a subset of the retiree population as discussed below, which amounts to a benefit of approximately $1 million per year.

Net Periodic Cost – The following table provides the components of net periodic benefit (income) cost for the plans:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2004	2003	2002	2004	2003	2002
	(millions)					
Service cost	$ 52	$ 52	$ 52	$ 8	$ 7	$ 6
Interest cost	84	84	86	27	27	24
Expected return on plan assets	(207)	(199)	(196)	(4)	(4)	(6)
Amortization of transition (asset) obligation	(23)	(23)	(23)	3	3	3
Amortization of prior service (benefit) cost	(5)	(5)	2	-	-	-
Amortization of (gains) losses	(21)	(28)	(32)	5	6	1
Cost of special termination benefits	-	2	4	-	-	-
Net periodic benefit (income) cost at FPL Group	$ (120)	$ (117)	$ (107)	$ 39	$ 39	$ 28
Net periodic benefit (income) cost at FPL	$ (97)	$ (95)	$ (97)	$ 35	$ 35	$ 27

The following table provides the weighted-average assumptions used to determine net periodic benefit (income) cost for the plans:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2004	2003	2002	2004	2003	2002
Discount rate	5.50%	6.00%	6.25%	5.50%	6.00%	6.25%
Salary increase	4.00%	4.50%	5.50%	4.00%	4.50%	5.50%
Expected long-term rate of return [a]	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%

[a] In developing the expected long-term rate of return on assets assumption for its plans, FPL Group evaluated input from its actuaries as well as information available in the marketplace. FPL Group considered the 10-year and 20-year historical median returns for a portfolio with an equity/bond asset mix similar to its funds. FPL Group also considered its funds' historical compounded returns. No specific adjustments were made to reflect expectations of future returns.

Assumed health care cost trend rates can have a significant effect on the amounts reported for postretirement plans providing health care benefits. An increase or decrease of one percentage point in assumed health care cost trend rates would have a corresponding effect on the other benefits total service and interest cost of approximately $1 million at September 30, 2004.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) was signed into law. The Act introduces a voluntary prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care plans that provide at least an actuarially equivalent benefit. As a result of this Act, in May 2004, the FASB issued Staff Position FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." Under Staff Position FAS 106-2, benefit obligations are required to be remeasured and reported as an actuarial gain if enactment of the Act is determined to be a "significant event" pursuant to the provisions of FAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." FPL Group considered the effects of the Act on a

subset of the retiree population that FPL Group believed was certain to meet the Department of Health and Human Services (HHS) actuarial equivalence definition, when established, and determined those effects not to be a significant event. Therefore, the accumulated benefit obligation for the other benefits was remeasured at the September 30, 2004 measurement date to reflect the effects of the Act on this subset of the retiree population. This resulted in a reduction to accumulated benefit obligation of $10 million. No effect from the Act is in the accumulated benefits obligation at September 30, 2004 for the remaining population. Subsequently, in January 2005, the HHS issued regulations that define actuarial equivalency. FPL Group is in the process of determining if the established definition has a significant effect on the other benefits obligation.

Supplemental Retirement Plan – FPL Group also has a non-qualified supplemental defined benefit pension plan that provides benefits to higher-level employees. The cost of this plan is included in the determination of net periodic benefit income for pension benefits in the preceding tables and amounted to $2 million, $5 million and $3 million for FPL Group for years ended December 31, 2004, 2003 and 2002, respectively. The projected benefit obligation is included in the pension benefits obligation in the preceding tables and amounted to $22 million and $17 million for FPL Group at December 31, 2004 and 2003, respectively. Further, the accumulated benefit obligation was $19 million and $15 million for FPL Group ($5 million and $4 million for FPL) at December 31, 2004 and 2003, respectively.

FPL Group established a trust to provide assets that may be used for the benefits payable under the non-qualified supplemental defined benefit pension plan. The trust is irrevocable and, although subject to creditors' claims, assets contributed to the trust can only be used to pay such benefits with certain exceptions. These assets are included in other investments on the consolidated balance sheets and amounted to $11 million for FPL Group ($3 million for FPL) both at December 31, 2004 and December 31, 2003.

Employee Contribution Plans – FPL Group offers employee thrift plans which allow eligible participants to contribute a percentage of qualified compensation through payroll deductions. FPL Group makes matching contributions to participants' accounts. Defined contribution expense pursuant to these plans was approximately $27 million, $25 million and $24 million for FPL Group ($23 million, $21 million and $21 million for FPL) for years ended December 31, 2004, 2003 and 2002, respectively. See Note 12 – Employee Stock Ownership Plan (ESOP).

3. Derivative Instruments

Derivative instruments, when required to be marked to market under FAS 133, as amended, are recorded on FPL Group's and FPL's consolidated balance sheets as either an asset or liability (in derivative assets, other assets, other current liabilities and other liabilities) measured at fair value. FPL Group and FPL use derivative instruments (primarily forward purchases and sales, swaps, options and futures) to manage the commodity price risk inherent in fuel and electricity contracts and interest rate risk associated with long-term debt. In addition, FPL Group uses derivatives to optimize the value of power generation assets.

Effective July 2003, FPL Group and FPL adopted FAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." The statement amends and clarifies financial accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. There was no financial statement impact upon adoption of FAS 149. However, the statement has broadened the types of contracts that are marked to market through earnings.

At FPL, substantially all changes in fair value are deferred as a regulatory asset or liability until the contracts are settled. Upon settlement, any gains or losses are passed through the fuel clause and the capacity clause. For FPL Group's non-rate regulated operations, predominantly FPL Energy, essentially all changes in the derivatives' fair value for power purchases and sales and trading activities are recognized net in operating revenues; fuel purchases and sales are recognized net 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 consolidated statements of income unless hedge accounting is applied. While substantially all of FPL Energy's derivative transactions are entered into for the purposes described above, 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 not occurred. Generally, the hedging instrument's effectiveness is assessed utilizing regression analysis at the inception of the hedge and on at least a quarterly basis throughout its life. At December 31, 2004, FPL Group had cash flow hedges with expiration dates through December 2010 for energy contract derivative instruments and interest rate cash flow hedges with expiration dates through December 2017. 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 and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings. The ineffective portion of these hedges flows through earnings in the current period. Settlement gains and losses are included within the line items in the statements of income to which they relate.

Unrealized mark-to-market gains (losses) on derivative transactions for both consolidated subsidiaries and equity method investees are as follows:

	Years Ended December 31,		
	2004	2003	2002
		(millions)	
Consolidated subsidiaries	$ (23)	$ 16	$ 5
Equity method investees	$ 13	$ 21	$ 5

4. Income Taxes

The components of income taxes, including deferred regulatory credit, are as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2004	2003	2002	2004	2003	2002
			(millions)			
Federal:						
Current	$ (207)	$ (181)	$ (70)	$ (125)	$ 214	$ 92
Deferred	464	507	283	490	145	277
ITC	(20)	(20)	(20)	(20)	(20)	(20)
Total federal	237	306	193	345	339	349
State:						
Current	66	(21)	(22)	-	37	12
Deferred	(36)	83	73	64	27	52
Total state	30	62	51	64	64	64
Total income taxes	$ 267	$ 368	$ 244	$ 409	$ 403	$ 413

A reconciliation between the effective income tax rates and the applicable statutory rates is as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2004	2003	2002	2004	2003	2002
Statutory federal income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increases (reductions) resulting from:						
State income taxes – net of federal income tax benefit	1.7	3.2	3.5	3.6	3.6	3.7
Allowance for other funds used during construction	(1.1)	(0.4)	-	(1.1)	(0.4)	-
Amortization of ITC	(1.7)	(1.6)	(2.1)	(1.7)	(1.7)	(1.7)
Production tax credits – FPL Energy	(9.2)	(6.2)	(5.7)	-	-	-
Amortization of deferred regulatory credit – income taxes	(0.6)	(0.8)	(1.1)	(0.6)	(0.8)	(0.9)
Adjustments of prior years' tax matters	(0.9)	(0.6)	(3.2)	(0.2)	(0.7)	-
Preferred stock dividends – FPL	-	0.4	0.6	-	-	-
Other – net	(0.1)	0.2	(1.0)	0.3	(0.2)	-
Effective income tax rate	23.1%	29.2%	26.0%	35.3%	34.8%	36.1%

The income tax effects of temporary differences giving rise to consolidated deferred income tax liabilities and assets are as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2004	2003	2004	2003
	(millions)			
Deferred tax liabilities:				
Property-related	$ 2,996	$ 2,533	$ 2,105	$ 1,771
Investment-related	274	297	-	-
Pension	298	259	289	259
Other	609	377	391	264
Total deferred tax liabilities	4,177	3,466	2,785	2,294
Deferred tax assets and valuation allowance:				
Unamortized ITC and deferred regulatory credit – income taxes	35	56	35	56
Storm and decommissioning reserves	253	362	253	362
Postretirement benefits	126	117	115	108
Net operating loss carryforwards	213	15	-	-
Tax credit carryforwards	235	86	-	-
Other	763	702	378	353
Valuation allowance	(23)	(27)	-	-
Net deferred tax assets	1,602	1,311	781	879
Net accumulated deferred income taxes	$ 2,575	$ 2,155	$ 2,004	$ 1,415

Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

	FPL Group		FPL	
	December 31,		December 31,	
	2004	2003	2004	2003
	(millions)			
Other current assets	$ 110	$ -	$ -	$ -
Other current liabilities	-	52	55	59
Accumulated deferred income taxes	2,685	2,103	1,949	1,356
Net accumulated deferred income taxes	$ 2,575	$ 2,155	$ 2,004	$ 1,415

Deferred tax liabilities associated with property- and investment-related assets reflect additional first year depreciation as allowed by tax legislation. During 2004, FPL Group recognized approximately $30 million of net tax benefits due to certain state tax benefits resulting from the growth of FPL Energy outside the state of Florida and through the resolution of various tax issues. In addition, a capital loss from the disposition in a prior year of an FPL Group Capital subsidiary was limited by Internal Revenue Service (IRS) rules. FPL Group challenged the IRS loss limitation and, in March 2002, the IRS conceded the issue. Accordingly, FPL Group recognized approximately $30 million of net tax benefits in 2002.

The components of FPL Group's deferred tax assets relating to net operating loss carryforwards and tax credit carryforwards at December 31, 2004 are as follows:

	Amount	Expiration Date
	(millions)	
Net operating loss carryforwards:		
Federal	$ 136	2024
State	77	2009–2024
Total net operating loss carryforwards	$ 213	
Tax credit carryforwards:		
Federal	$ 221	2023–2024
State	14	2005–2012
Total tax credit carryforwards	$ 235	

5. Goodwill and Other Intangible Assets

Effective January 1, 2002, FPL Group adopted FAS 142, "Goodwill and Other Intangible Assets." Under this statement, the amortization of goodwill is no longer permitted. Instead, goodwill is assessed for impairment at least annually by applying a fair value based test. In January 2002, FPL Energy recorded an impairment loss of $365 million ($222 million after tax) as the cumulative effect of adopting FAS 142, eliminating all goodwill previously included in other assets on FPL Group's consolidated balance sheets. Estimates of fair value were determined using discounted cash flow models.

6. Restructuring and Impairment Charges

2004 – Restructuring charges in 2004 reflect contract restructuring to take advantage of changed market conditions. FPL Energy recorded a net gain of approximately $52 million ($31 million after tax) related to the termination of a gas supply contract and a steam agreement at one of its investments in joint ventures. These agreements were terminated in connection with an amended power purchase agreement that allows the investee to source power from the wholesale market. In addition, FPL Energy recorded an impairment loss of approximately $47 million ($29 million after tax) to write down its investment in a combined-cycle power plant in Texas to its fair value as a result of agreeing to sell its interest in the project. The sale was completed in the second quarter of 2004. The results of the above transactions are reflected in equity in earnings of equity method investees in FPL Group's consolidated statements of income. Also in 2004, FPL Energy restructured a steam sales agreement on a natural gas-fired facility in Pennsylvania due to a downturn in market conditions where the plant is operating. The restructuring resulted in a loss of approximately $81 million ($48 million after tax) which includes the write-off of an auxiliary boiler of approximately $33 million and a $48 million contract termination payment which was included in other current liabilities on FPL Group's consolidated balance sheets at December 31, 2004.

2002 – FPL Group recorded charges totaling $207 million ($127 million after tax) in the third quarter of 2002, including liabilities of approximately $29 million, due to unfavorable market conditions in the wholesale energy and telecommunications markets. During 2004 and 2003, approximately $1 million and $24 million, respectively, were charged against the liabilities. As of December 31, 2004, a balance of approximately $2 million remains and is included in other current liabilities on FPL Group's consolidated balance sheets.

FPL Energy – Over the last several years, there has been a general decline in the wholesale energy markets, including deterioration in forward prices and reduced liquidity, as well as increasing credit concerns that have limited the number of counterparties with which FPL Energy does business. During 2002, FPL Energy conducted a thorough review of its business development plans, organizational structure and expenses. As a result, FPL Energy decided to substantially exit fossil-fueled greenfield merchant power plant development activities, which resulted in the write-off of approximately $67 million ($41 million after tax) of previously capitalized development costs.

An agreement for the supply of gas turbines and other related equipment was renegotiated during 2002 to significantly reduce the commitment to purchase such equipment, resulting in a charge totaling approximately $16 million ($10 million after tax).

FPL Energy also realigned its organizational structure during 2002 to lower general and administrative expenses and took other actions associated with the restructuring. The operating lease agreement with a special purpose entity and the related credit facility used to finance certain turbine purchases were terminated during 2002. Together these resulted in a charge of approximately $20 million ($12 million after tax).

Corporate and Other – Due to the changing telecommunications market, FPL FiberNet, LLC (FPL FiberNet) completed valuation studies to assess the recoverability of its assets and as a result in 2002 recorded charges of approximately $104 million ($64 million after tax). Of this amount, $85 million ($52 million after tax) represents an impairment charge related to property, plant and equipment, the fair value of which was determined based on a discounted cash flow analysis. Additionally, FPL FiberNet decided not to pursue the planned build-out of metro fiber rings in certain cities, and restructuring charges of $19 million ($12 million after tax) were recognized related to the write-off of development costs and inventory.

7. Comprehensive Income

The following table provides the components of comprehensive income and accumulated other comprehensive income (loss):

	Net Income	Accumulated Other Comprehensive Income (Loss)			Comprehensive Income
		Net Unrealized Gains (Losses) On Cash Flow Hedges	Other	Total	
			(millions)		
Balances, December 31, 2001		$ (8)	$ -	$ (8)	
Net income	$ 473				$ 473
Commodity hedges:					
Effective portion of net unrealized gain (net of $21 tax expense)		33	-	33	33
Reclassification adjustment (net of $4 tax benefit)		(6)	-	(6)	(6)
Minimum supplemental executive retirement plan liability adjustment		-	(4)	(4)	(4)
Net unrealized gain on available for sale securities (net of $1 tax expense)		-	1	1	1
Balances, December 31, 2002		19	(3)	16	$ 497
Net income	$ 890				$ 890
Commodity hedges:					
Effective portion of net unrealized gain:					
Consolidated subsidiaries (net of $7 tax expense)		11	-	11	11
Equity method investees (net of $7 tax expense)		11	-	11	11
Reclassification adjustment: [a]					
Consolidated subsidiaries (net of $23 tax benefit)		(35)	-	(35)	(35)
Equity method investees (net of $7 tax benefit)		(12)	-	(12)	(12)
Interest rate hedges					
Effective portion of net unrealized loss on interest rate swaps (net of $3 tax benefit)		(4)	-	(4)	(4)
Net unrealized gain on available for sale securities (net of $11 tax expense)		-	17	17	17
Balances, December 31, 2003		(10)	14	4	$ 878
Net income	$ 887				$ 887
Commodity hedges: [b]					
Effective portion of net unrealized losses:					
Consolidated subsidiaries (net of $40 tax benefit)		(61)	-	(61)	(61)
Interest rate hedges [b]					
Effective portion of net unrealized gain on interest rate swaps (net of $2 tax expense)		4	-	4	4
Net unrealized gain on available for sale securities (net of $4 tax expense)		-	7	7	7
Balances, December 31, 2004		$ (67)	$ 21	$ (46)	$ 837

[a] Includes amounts reclassified into earnings due to settlements of approximately $44 million and discontinuance of cash flow hedges of approximately $3 million for which the hedged transaction is no longer probable of occurring.

[b] Approximately $29 million of losses included in FPL Group's accumulated other comprehensive income at December 31, 2004 will be reclassified into earnings within the next 12 months as either the hedged fuel is consumed, electricity is sold or interest payments are made. Such amount assumes no change in fuel prices, power prices or interest rates.

8. Jointly-Owned Electric Plants

The following FPL Group subsidiaries own undivided interests in the jointly-owned facilities described below, and are entitled to a proportionate share of the output from those facilities. FPL and FPL Energy are responsible for their share of the operating costs, as well as providing their own financing. Accordingly, each subsidiary includes its proportionate share of the facilities and related revenues and expenses in the appropriate balance sheet and income statement captions. FPL Group's and FPL's share of direct expenses for these facilities are included in fuel, purchased power and interchange, other operations and maintenance, depreciation and amortization and taxes other than income taxes on FPL Group's and FPL's consolidated statements of income.

FPL Group's and FPL's proportionate ownership interest in jointly-owned facilities is as follows:

	December 31, 2004			
	Ownership Interest	Gross Investment	Accumulated Depreciation	Construction Work in Progress
			(millions)	
FPL:				
St. Lucie Unit No. 2	85%	$ 1,172	$ 868	$ 52
St. Johns River Power Park units and coal terminal	20%	$ 327	$ 208	$ 1
Scherer Unit No. 4	76%	$ 587	$ 380	$ -
Transmission substation assets located in Seabrook, New Hampshire	88.23%	$ 30	$ 10	$ -
FPL Energy:				
Seabrook [1]	88.23%	$ 904	$ 90	$ 74
Wyman Station Unit No. 4	61.78%	$ 75	$ 21	-

[1] On November 1, 2002, a subsidiary of FPL Energy purchased an 88.23% undivided interest, or 1,024 megawatts, in Seabrook located in New Hampshire.

9. Variable Interest Entities

FIN 46, as revised (FIN 46R), requires the consolidation of entities which are determined to be VIEs when the reporting company determines that it will absorb a majority of the VIE's expected losses, receive a majority of the VIE's residual returns, or both. The company that is required to consolidate the VIE is called the primary beneficiary. Conversely, the reporting company would not consolidate VIEs in which it has a majority ownership interest when the company is not considered to be the primary beneficiary. Variable interests are contractual, ownership or other monetary interests in an entity that change as the fair value of the entity's net assets, excluding variable interests, change. An entity is considered to be a VIE when its capital is insufficient to permit it 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.

FPL Group adopted the requirements of FIN 46R in two phases. At the original effective date, July 1, 2003, FPL Group identified two VIEs which were consolidated. Revised guidance was issued and became effective March 31, 2004. As discussed below, no additional VIEs were identified for consolidation. The cumulative effect of a change in accounting principle of implementing FIN 46 at July 1, 2003 for the VIEs discussed below was approximately a $3 million loss (net of income tax benefit of $2 million) for FPL Group and zero for FPL.

FPL – Effective July 1, 2003, FPL consolidates a VIE from which it leases nuclear fuel for its nuclear units. For ratemaking purposes, these leases are treated as operating leases. For financial reporting, prior to July 1, 2003 the capital lease obligation was recorded at the amount due in the event of lease termination. FPL makes quarterly payments to the lessor for the lease commitments. The lessor has issued senior secured notes to fund the procurement of nuclear fuel and has established a revolving credit facility to support its commercial paper program. FPL has provided an unconditional guarantee of the payment obligations of the lessor under the notes and credit facility. The consolidated assets of the VIE consist primarily of nuclear fuel, which had a carrying value of $370 million and $380 million at December 31, 2004 and 2003, respectively.

In its evaluation of the revised guidance as of March 31, 2004, FPL identified two potential VIEs (Projects), both of which are considered qualifying facilities (QFs) as defined by the Public Utility Regulatory Policies Act of 1978, as amended (PURPA). PURPA requires FPL to purchase the electricity output of the Projects. As a result, FPL has entered into purchased power agreements (PPAs) with these QFs to purchase substantially all of the Projects' electrical output over a substantial portion of their estimated useful lives. For each megawatt-hour (mwh) provided, FPL pays a per mwh price (energy payment) based upon FPL's avoided cost, which is determined at the time the PPAs are executed. With regard to the Projects, FPL's avoided cost is based on the cost of avoiding the construction and operation of a coal unit. The energy component is primarily based on the cost of coal at an FPL jointly-owned coal-fired facility. The avoided cost is the incremental cost to the utility of the electric energy or capacity, or both, which is avoided by neither generating the electricity nor purchasing it from another source. The Projects have capacities of 136 megawatts (mw) and 250 mw. After making exhaustive efforts, FPL was unable to obtain the information from the Projects necessary to determine whether the Projects are VIEs or whether FPL is the primary beneficiary of either or both of the Projects. The PPAs with the Projects contain no provisions which legally obligate the Projects to release this information to FPL. The energy payments paid by FPL will fluctuate as coal prices change. This does not expose FPL to losses since the energy payments paid by FPL to the Projects 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 one or both of the Projects were determined to be a VIE, the absorption of some of the Projects' fuel price variability might cause FPL to be considered the primary beneficiary. During the years ended December 31, 2004 and 2003, FPL purchased 2,483,131 mwh and 2,697,982 mwh, respectively, from the Projects at a total cost of approximately $209 million and $208 million, respectively. FPL will continue to make exhaustive

efforts to obtain the necessary information from the Projects in order to determine if the Projects are VIEs and, if so, whether FPL is the primary beneficiary.

Additionally, FPL entered into a PPA with a 330 mw coal-fired cogeneration facility (the Facility) in 1995 to purchase substantially all of the Facility's electrical output through 2025. The Facility is considered a QF as defined by PURPA. In November 2004, FPL and the Facility reached an agreement to change the index related to the energy payment, triggering a new analysis under FIN 46R. FPL determined that (a) the Facility is a VIE and (b) the PPA represents a variable interest in the Facility. However, FPL determined that it is not the Facility's primary beneficiary. Although FPL will absorb variability related to changes in the market price of coal, FPL does not absorb the majority of the variability of the entity. This agreement does not expose FPL to losses as the energy payments under the contract have been approved by the FPSC for recovery through the fuel clause.

FPL Energy – In 2000, an FPL Energy subsidiary entered into an operating lease agreement with a special purpose entity (SPE) lessor to lease a 550 mw combined-cycle power generation plant through 2007. At the inception of the lease, the lessor obtained the funding commitments required to complete the acquisition, development and construction of the plant through debt and equity contributions from investors who are not affiliated with FPL Group. At December 31, 2002, the commitment was capped at costs incurred of $380 million. The $380 million commitment included $364 million of debt and $16 million of equity. The conditions to achieve project completion were satisfied as of December 27, 2002, at which time the base lease term began. The FPL Energy subsidiary began making quarterly lease payments on March 31, 2003. The quarterly lease payments are intended to cover the lessor's debt service, which includes a stated yield to equity holders and certain other costs.

The FPL Energy subsidiary has the option to purchase the plant at any time during the remaining lease term for 100% of the outstanding principal balance of the loans and equity contributions made to the SPE, all accrued and unpaid interest and yield, and all other fees, costs and amounts then due and owing pursuant to the provisions of the related financing documents. However, under certain limited events of default, the FPL Energy subsidiary can be required to purchase the plant for the same cost. If the FPL Energy subsidiary does not elect to purchase the plant at the end of the lease term, a residual value guarantee must be paid, and the plant will be sold. Any proceeds received by the lessor in excess of the outstanding debt and equity will be given to the FPL Energy subsidiary. FPL Group Capital has guaranteed certain obligations of the FPL Energy subsidiary under the lease agreement.

In the initial implementation of FIN 46, the FPL Energy subsidiary was determined to be the primary beneficiary of the lessor and, accordingly, effective July 1, 2003, consolidates the assets and liabilities of the lessor on FPL Group's consolidated financial statements. The assets of the lessor primarily consist of the power generation plant, which had a carrying value of $343 million and $349 million at December 31, 2004 and 2003, respectively, and is reported in electric utility plant in service and other property in FPL Group's consolidated balance sheets. The liabilities of the lessor consist primarily of debt (which is secured by the power generation plant), which had a carrying value of $345 million and $356 million at December 31, 2004 and 2003, respectively, and is reported in long-term debt in FPL Group's consolidated balance sheets. The equity interests of the lessor not owned by the FPL Energy subsidiary are reported as minority interest.

FPL Group – In March 2004, a trust created by FPL Group sold 12 million shares of 5 7/8% preferred trust securities to the public and common trust securities to FPL Group. The trust is considered a VIE because FPL Group's investment through the common trust securities is not considered equity at risk in accordance with FIN 46R. The proceeds from the sale of the preferred and common trust securities were used to buy 5 7/8% junior subordinated debentures maturing in March 2044, from FPL Group Capital. The trust exists only to issue its preferred trust securities and common trust securities and to hold the junior subordinated debentures of FPL Group Capital as trust assets. Since FPL Group, as the common security holder, is not considered to have equity at risk and will therefore not absorb any variability of the trust, FPL Group is not the primary beneficiary and does not consolidate the trust in accordance with FIN 46R. FPL Group includes the junior subordinated debentures issued by FPL Group Capital on its consolidated balance sheets. See Note 11 – FPL Group.

FPL Group and FPL expect additional implementation guidance to be issued regarding FIN 46R and are unable to determine what effect, if any, this additional guidance might have on FPL Group's and FPL's financial statements.

10. Financial Instruments

The carrying amounts of cash equivalents, commercial paper and notes payable approximate fair values. At December 31, 2004 and 2003, other investments of FPL Group included financial instruments of approximately $294 million and $300 million, respectively, the majority of which consist of notes receivable that are carried at estimated fair value or cost, which approximates fair value. See Note 11.

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

	December 31, 2004		December 31, 2003	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
FPL Group:				
Long-term debt, including current maturities	$ 9,247	$ 9,611[a]	$ 9,090	$ 9,548[a]
Special Use Funds:				
Storm fund	$ -	$ -	$ 200	$ 200[b]
Nuclear decommissioning fund	$ 2,271	$ 2,271[b]	$ 2,048	$ 2,048[b]
Other investments	$ 72	$ 72[b]	$ 57	$ 57[b]
Interest rate swaps – net unrealized loss	$ (11)	$ (11)[c]	$ (10)	$ (10)[c]
FPL:				
Long-term debt, including current maturities	$ 3,311	$ 3,438[a]	$ 3,074	$ 3,193[a]
Special Use Funds:				
Storm fund	$ -	$ -	$ 200	$ 200[b]
Nuclear decommissioning fund	$ 1,971	$ 1,971[b]	$ 1,774	$ 1,774[b]
Interest rates swaps – net unrealized loss	$ (2)	$ (2)[c]	$ -	$ -

(a) Based on market prices provided by external sources.
(b) Based on quoted market prices for these or similar issues.
(c) Based on market prices modeled internally.

Special Use Funds – The special use funds consist of FPL's storm fund assets and FPL Group's nuclear decommissioning fund assets. Securities held in the special use funds are carried at estimated fair value based on quoted market prices. FPL Group's nuclear decommissioning funds consist of approximately 46% equity securities and 54% municipal, government, corporate and mortgage- and other asset-backed debt securities (44% and 56% for FPL, respectively) with a weighted-average maturity of approximately 7 years at December 31, 2004. At December 31, 2004, all available storm fund assets were utilized. See Note 1 – Storm Fund and Storm Reserve Deficiency. The cost of securities sold is determined on the specific identification method.

The following tables provide the special use funds approximate gains and losses and proceeds from the sale of securities:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	2004	2003	2002	2004	2003	2002
	(millions)					
Realized gains	$ 11	$ 26	$ 28	$ 9	$ 25	$ 27
Realized losses	$ 13	$ 20	$ 16	$ 12	$ 19	$ 16
Proceeds from sale of securities	$ 2,207	$ 2,735	$ 2,524	$ 2,072	$ 2,702	$ 2,435

	FPL Group		FPL	
	December 31,		December 31,	
	2004	2003	2004	2003
	(millions)			
Unrealized gains	$ 394	$ 300	$ 350	$ 271
Unrealized losses [a]	$ 6	$ 2	$ 5	$ 1

(a) At December 31, 2004, FPL Group had 6 securities in an unrealized loss position for greater than twelve months, including 1 security for FPL. The total unrealized loss on these securities was less than $1 million and the fair value was approximately $3 million for FPL Group, including less than $1 million for FPL. At December 31, 2003, FPL Group had 9 securities in an unrealized loss position for greater than twelve months, including 1 security for FPL. The total unrealized loss on these securities was less than $1 million and the fair value was approximately $8 million for FPL Group, including less than $1 million for FPL. For accounting treatment description, see Note 1 – Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs and Note 1 – Storm Fund and Storm Reserve Deficiency.

Regulations issued by the FERC and the NRC provide general risk management guidelines to protect nuclear decommissioning trust 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 other mutual funds. Similar restrictions applicable to the decommissioning trust fund for FPL Energy's Seabrook nuclear plant are contained in the NRC operating license for that facility. Effective December 24, 2003, NRC regulations applicable to NRC licensees not in cost-of-service environments require similar investment restrictions. The NRC's regulations permit licensees with operating licenses containing conditions restricting the use of decommissioning trust funds to rely on those conditions in lieu of compliance with the new NRC regulations. FPL Energy's Seabrook nuclear plant contains such restrictions in its NRC operating license. With respect to the decommissioning trust fund for FPL Energy's Seabrook nuclear plant, decommissioning trust fund withdrawals are also regulated by the NDFC pursuant to New Hampshire law.

The special use funds are managed by investment managers who must comply with the guidelines and rules of the applicable regulatory authorities, FPL Group and FPL. The special use fund assets are invested in order to optimize the after-tax earnings of these funds, giving consideration to liquidity, risk, diversification and other prudent investment objectives.

Interest Rate 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 adjust and mitigate interest rate exposure when deemed appropriate based upon market conditions or when required by financing agreements. At December 31, 2004, the estimated fair value for FPL Group interest rate swaps was as follows:

Notional Amount (millions)	Effective Date	Maturity Date	Rate Paid	Rate Received	Estimated Fair Value (millions)
Fair value hedges – FPL:					
$ 250	April 2004	December 2005	variable[a]	6.875%	$ (1)
$ 250	May 2004	December 2005	variable[b]	6.875%	(1)
Fair value hedges – FPL Group Capital:					
$ 150	July 2003	September 2006	variable[c]	7.625%	(3)
$ 150	July 2003	September 2006	variable[d]	7.625%	(3)
$ 200	January 2004	March 2005	variable[e]	1.875%	(1)
$ 195	October 2004	April 2006	variable[f]	3.250%	(1)
$ 55	October 2004	April 2006	variable[g]	3.250%	-
$ 195	October 2004	April 2006	variable[h]	3.250%	(1)
$ 55	October 2004	April 2006	variable[i]	3.250%	-
$ 300	November 2004	February 2007	variable[j]	4.086%	-
$ 275	December 2004	February 2007	variable[k]	4.086%	1
Total fair value hedges					(10)
Cash flow hedges – FPL Energy:					
$ 96	July 2002	December 2007	4.41%	variable[l]	(2)
$ 195	August 2003	November 2007	3.557%	variable[l]	-
$ 92	December 2003	December 2017	4.245%	variable[l]	-
$ 30	April 2004	December 2017	3.845%	variable[l]	1
Total cash flow hedges					(1)
Total interest rate hedges					$ (11)

[a] Six-month LIBOR plus 3.7285%
[b] Six-month LIBOR plus 3.6800%
[c] Six-month LIBOR plus 4.9900%
[d] Six-month LIBOR plus 4.9925%
[e] Six-month LIBOR less 0.1375%
[f] Six-month LIBOR plus 0.0153%
[g] Six-month LIBOR plus 0.0100%
[h] Six-month LIBOR plus 0.1500%
[i] Six-month LIBOR plus 0.1525%
[j] Three-month LIBOR plus 0.50577%
[k] Three-month LIBOR plus 0.4025%
[l] Three-month LIBOR

In February 2005, an FPL Energy subsidiary entered into an interest rate swap to receive LIBOR and pay a fixed rate of 4.255% to hedge approximately $4 million to $6 million through November 2007 and approximately $163 million to $173 million from November 2007 through June 2008.

11. Investments in Partnerships and Joint Ventures

FPL Energy – FPL Energy has non-controlling non-majority owned interests in various partnerships and joint ventures, essentially all of which are electricity producers. At December 31, 2004 and 2003, FPL Energy's investment in partnerships and joint ventures totaled approximately $288 million and $359 million, respectively, which is included in other investments on FPL Group's consolidated balance sheets. FPL Energy's interest in these partnerships and joint ventures range from approximately 5.5% to 50%. At December 31, 2004, the principal entities included in FPL Energy's investments in partnerships and joint ventures were Northeast Energy, LP, Cherokee County Cogeneration Partners, LP, Green Ridge Power, LLC, Cameron Ridge LLC, Windpower Partners 1993, LP and, in 2003, included Bastrop Energy Partnership, LP. Bastrop was sold in 2004.

Summarized combined information for these principal entities is as follows:

	2004	2003
	(millions)	
Net income	$ 219	$ 112
Total assets	$ 1,351	$ 1,632
Total liabilities	$ 789	$ 968
Partners' equity	$ 562	$ 664
FPL Energy's share of underlying equity in the principal entities	$ 281	$ 332
Difference between investment carrying amount and underlying equity in net assets [a]	(47)	(31)
FPL Energy's investment carrying amount for the principal entities	$ 234	$ 301

[a] The majority of the difference between the investment carrying amount and the underlying equity in net assets is being amortized over the remaining life of the investee's assets.

Certain subsidiaries of FPL Energy provide services to the partnerships and joint ventures, including O&M and business management services. FPL Group's operating revenues for the years ended December 31, 2004, 2003 and 2002 include approximately $16 million each, related to such services. The receivables at December 31, 2004 and 2003, for these services, as well as for payroll and other payments made on behalf of these investees, were approximately $29 million and $19 million, respectively, and are included in other current assets on FPL Group's consolidated balance sheets.

Notes receivable (long- and short-term) include approximately $99 million and $107 million at December 31, 2004 and 2003, respectively, due from partnerships and joint ventures in which FPL Energy has an ownership interest. The notes receivable mature in 2005 through 2014 and the majority bear interest at variable rates, which ranged from approximately 6.1% to 8.5% at December 31, 2004 and 2003. Interest income on these notes totaling approximately $7 million, $6 million and $8 million for the years ended December 31, 2004, 2003 and 2002, respectively, is included in other – net in FPL Group's consolidated statements of income. There was no interest receivable associated with these notes as of December 31, 2004 and 2003.

FPL Group – In March 2004, a trust created by FPL Group sold $300 million of preferred trust securities to the public and $9 million of common trust securities to FPL Group. The trust is an unconsolidated 100%-owned finance subsidiary. The trust used the proceeds to purchase $309 million of 5 7/8% junior subordinated debentures maturing in March 2044 from FPL Group Capital. FPL Group has fully and unconditionally guaranteed the preferred trust securities and the junior subordinated debentures.

12. Common Stock

Earnings Per Share – The reconciliation of FPL Group's basic and diluted earnings per share of common stock is shown below:

	Years Ended December 31,		
	2004	2003	2002
	(millions, except per share amounts)		
Numerator – net income	$ 887	$ 890	$ 473
Denominator:			
Weighted-average number of common shares outstanding – basic	179.3	177.5	172.9
Restricted stock, performance share and shareholder value awards, options and equity units [a]	1.5	0.7	0.4
Weighted-average number of common shares outstanding – assuming dilution	180.8	178.2	173.3
Earnings per share of common stock:			
Basic	$ 4.95	$ 5.01	$ 2.74
Assuming dilution	$ 4.91	$ 5.00	$ 2.73

[a] Performance share awards and shareholder value awards are included in diluted weighted-average number of 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, shareholder value awards, options and equity units (known as Corporate Units) are included in diluted weighted-average number of common shares outstanding by applying the treasury stock method.

Common shares issuable upon the exercise of stock options and settlement of purchase contracts that form a part of equity units, which were not included in the denominator above due to their antidilutive effect, were approximately 11 million in 2002 and none for 2003 and 2004. See Note 14.

On February 18, 2005, FPL Group's board of directors approved a two-for-one stock split of FPL Group's common stock effective March 15, 2005 (2005 stock split). FPL Group's authorized common stock will increase from 400 million to 800 million shares. After giving effect to the 2005 stock split, the subsequent quarterly dividend on FPL Group's common stock will be 35.5 cents per share. The share or per share information included in FPL Group's consolidated financial statements for the year ended December 31, 2004 does not reflect the effect of the 2005 stock split. The following table gives the pro forma effect of the 2005 stock split on FPL Group's earnings per share of common stock – assuming dilution.

	Years Ended December 31,		
	2004	2003	2002
	(millions, except per share amounts)		
Income before cumulative effect of changes in accounting principles	$ 887	$ 893	$ 695
Cumulative effect of changes in accounting principles	$ -	$ (3)	$ (222)
Net income	$ 887	$ 890	$ 473
Pro forma weighted-average number of common shares outstanding – assuming dilution	362	356	347
Pro forma earnings per share of common stock – assuming dilution:			
Pro forma earnings per share before cumulative effect of changes in accounting principles	$ 2.45	$ 2.51	$ 2.01
Pro forma cumulative effect of changes in accounting principles	$ -	$ (0.01)	$ (0.64)
Pro forma earnings per share of common stock	$ 2.45	$ 2.50	$ 1.37

Common Stock Dividend Restrictions – FPL Group's charter does not limit the dividends that may be paid on its common stock. FPL's mortgage securing FPL's first mortgage bonds contains provisions that, under certain conditions, restrict the payment of dividends and other distributions to FPL Group. These restrictions do not currently limit FPL's ability to pay dividends to FPL Group.

Employee Stock Ownership Plan (ESOP) – The employee thrift plans of FPL Group include a leveraged ESOP feature. Shares of common stock held by the trust for the thrift plans (Trust) are used to provide all or a portion of the employers' matching contributions. Dividends received on all shares, along with cash contributions from the employers, are used to pay principal and interest on an ESOP loan held by FPL Group Capital. Dividends on shares allocated to employee accounts and used by the Trust for debt service are replaced with an equivalent amount of shares of common stock at prevailing market prices. For purposes of computing basic and fully diluted earnings per share, ESOP shares that have been committed to be released are considered outstanding.

ESOP-related compensation expense of approximately $27 million, $25 million and $24 million in 2004, 2003 and 2002, respectively, was recognized based on the fair value of shares allocated to employee accounts during the period. Interest income on the ESOP loan is eliminated in consolidation. ESOP-related unearned compensation included as a reduction of common shareholders' equity at December 31, 2004 was approximately $154 million, representing approximately 5.3 million unallocated shares at the original issue price of $29 per share. The fair value of the ESOP-related unearned compensation account using the closing price of FPL Group stock at December 31, 2004 was approximately $396 million.

Long-Term Incentive Plan – At December 31, 2004, approximately 13 million shares of common stock were authorized and 10.9 million were available for awards (including outstanding awards) to officers and employees of FPL Group and its subsidiaries under FPL Group's long-term incentive plan. Restricted stock is issued at market value at the date of grant, typically vests within four years and is subject to, among other things, restrictions on transferability. Performance share awards and shareholder value awards are typically payable at the end of a three- or four-year performance period if the specified performance criteria are met. The exercise price of each option granted in 2004, 2003 and 2002 equaled the market price of common stock on the date of grant. Options typically vest within three years and have a maximum term of ten years. See Note 1 – Stock-Based Compensation.

The changes in awards under the long-term incentive plan are as follows:

	Restricted Stock	Performance Share and Shareholder Value Awards	Options	
			Number	Weighted-Average Exercise Price
Balances, December 31, 2001	307,725	545,079	2,143,814	$ 59.19
Granted	127,325[a]	206,605[b]	1,669,625[c]	$ 54.27
Paid/released/exercised	(123,095)	(246,246)	(69,101)	$ 41.19
Forfeited	(13,250)	(86,949)	(99,208)	$ 59.09
Balances, December 31, 2002	298,705	418,489	3,645,130	$ 57.29
Granted	234,345[a]	210,433[b]	1,605,970[c]	$ 56.13
Paid/released/exercised	(112,918)	(169,095)	(118,301)	$ 47.88
Forfeited	(37,444)	(64,181)	(352,387)	$ 55.63
Balances, December 31, 2003	382,688	395,646	4,780,412	$ 57.24
Granted	155,455[a]	240,876[b]	395,000[d]	$ 64.92
Paid/released/exercised	(114,520)	(92,777)	(493,675)	$ 58.82
Forfeited	(12,945)	(24,540)	(95,224)	$ 56.29
Balances, December 31, 2004	410,678	519,205	4,586,513[d]	$ 57.83

(a) The weighted-average grant date fair value of restricted stock granted in 2004, 2003 and 2002 was $65.15, $59.00 and $54.82 per share, respectively.

(b) The weighted-average grant date fair value of performance share and shareholder value awards in 2004, 2003 and 2002 was $65.03, $61.33 and $56.95 per share, respectively.

(c) The weighted-average fair value of options granted was $10.20, $8.37 and $9.33 in 2004, 2003 and 2002, respectively. The fair value of the options granted in 2004, 2003 and 2002 were estimated on the date of the grant using the Black-Scholes option-pricing model with a weighted-average expected dividend yield of 3.93%, 3.97% and 4.04%, a weighted-average expected volatility of 20.11%, 19.99% and 19.18%, a weighted-average risk-free interest rate of 3.78%, 3.48% and 4.99%, respectively, and a weighted-average expected term of 7 years.

(d) Of the options outstanding at December 31, 2004, 1,979,588 options were exercisable and had exercise prices ranging from $38.13 to $65.13 per share with a weighted-average exercise price of $58.99 per share and a weighted-average remaining contractual life of 6.5 years. The remainder of the outstanding options had exercise prices ranging from $52.64 to $64.92 per share with a weighted-average exercise price of $56.95 per share and a weighted-average remaining contractual life of 7.9 years.

In addition, as a result of certain employees voluntarily electing to convert a cash bonus, net of taxes, into fully-vested shares of FPL Group common stock, approximately 18 thousand common shares were issued under the LTIP during 2004.

Other – Each share of common stock has been granted a Preferred Share Purchase Right (Right), at an exercise price of $120, subject to adjustment, in the event of certain attempted business combinations. The Rights will cause substantial dilution to a person or group attempting to acquire FPL Group on terms not approved by FPL Group's board of directors.

13. Preferred Stock

FPL Group's charter authorizes the issuance of 100 million shares of serial preferred stock, $0.01 par value. None of these shares are outstanding. FPL Group has reserved 3 million shares for issuance upon exercise of preferred share purchase rights which expire in June 2006. Preferred stock of FPL consisted of the following: [a]

	December 31, 2004		December 31,	
	Shares Outstanding [b]	Redemption Price	2004	2003
			(millions)	
Cumulative, $100 Par Value, without sinking fund requirements, authorized 10,664,100 shares:				
4 1/2% Series A	50,000	$ 103.25	$ 5	$ 5
4 1/2% Series V	200,000	$ 100.00	20	-
Total preferred stock of FPL	250,000		25[c]	5
Less 4 1/2% Series V preferred stock held by FPL Group (eliminated in consolidation)	200,000		20	-
Total preferred stock of FPL reported at FPL Group	50,000		$ 5[c]	$ 5

(a) FPL's charter also authorizes the issuance of 5 million shares of subordinated preferred stock, no par value. None of these shares are outstanding. There were no issuances or redemptions of preferred stock in 2002. In November 2003, FPL redeemed 2.2 million shares of preferred stock with an aggregate par value of $221 million for redemption prices per share ranging from $101.00 to $103.52. In January 2004, FPL sold 200,000 shares of 4 1/2% Series V preferred stock with an aggregate par value of $20 million to FPL Group. In January 2005, FPL redeemed all 250,000 shares of its $100 Par Value 4 1/2% (Series A and Series V) preferred stock outstanding at December 31, 2004.

(b) FPL's preferred shares are entitled to dividends at the stated rates in preference to FPL's common stockholder, FPL Group. In the event of voluntary liquidation, the outstanding preferred shares have preference over common shares until an amount equal to the current redemption price of all shares has been paid. In the event of involuntary liquidation, outstanding preferred shares shall have preference over common shares until the full par value of all shares and all unpaid accumulated dividends thereon have been paid.

(c) Included in current maturities of long-term debt and preferred stock on the consolidated balance sheets.

14. Debt

Long-term debt consists of the following:

	December 31, 2004	December 31, 2003
	(millions)	
FPL:		
First mortgage bonds:		
Maturing in 2005 – 6 7/8%	$ 500	$ 500
Maturing 2008 through 2013 – 4.85% to 6.00%	825	825
Maturing 2033 through 2035 – 5 5/8% to 5.95%	1,240	1,000
Medium-term note – maturing 2006 – 2.34%	135	135
Pollution control, solid waste disposal and industrial development revenue bonds – maturing 2020 through 2029 – variable, 2.1% and 1.1% weighted-average annual interest rates, respectively	633	633
Fair value swaps (see Note 10)	(2)	-
Unamortized discount	(20)	(19)
Total long-term debt of FPL	3,311	3,074
Less current maturities of long-term debt	500	-
Less fair value swaps on current maturities of long-term debt (see Note 10)	(2)	-
Long-term debt of FPL, excluding current maturities	2,813	3,074
FPL Group Capital:		
Debentures – maturing 2005 through 2009 – 1 7/8% to 7 5/8%	2,425	2,600
Debentures – maturing 2005 – variable, 2.86% and 1.45%, respectively	400	400
Debentures – maturing 2007 – 4.086% and 4.75%, respectively [a]	575	575
Debentures, related to FPL Group's equity units – maturing 2008 – 5.00%	506	506
Junior Subordinated Debentures – maturing 2044 – 5 7/8%	309	-
Other long-term debt – maturing 2013 – 7.35% [b]	5	5
Term loan facilities – maturing 2004 through 2005 – variable, 1.82% [c] weighted-average annual interest rate	-	175
Fair value swaps (see Note 10)	(9)	(3)
Unamortized discount	(4)	(6)
Total long-term debt of FPL Group Capital	4,207	4,252
Less current maturities of long-term debt	605	275
Less fair value swap on current maturities of long-term debt (see Note 10)	(1)	1
Long-term debt of FPL Group Capital, excluding current maturities	3,603	3,976
FPL Energy:		
Senior secured bonds – maturing 2017 through 2023 – 6.639% to 7.52%	789	852
Senior secured notes – maturing 2020 – 7.11%	111	115
Construction term facility – maturing 2008 – variable, 4.31% and 2.90%, respectively	349	315
Other long-term debt – maturing 2007 through 2017 – variable, 3.89% and 2.32% weighted-average interest rates, respectively	468	482
Other long-term debt – maturing 2018 through 2020 – 6.65% to 10.63%	12	-
Total long-term debt of FPL Energy	1,729	1,764
Less current maturities of long-term debt	118	91
Long-term debt of FPL Energy, excluding current maturities	1,611	1,673
Total long-term debt	$ 8,027	$ 8,723

[a] During 2004, these debentures were remarketed. See discussion below.
[b] The other long-term debt was redeemed in January 2005 and is included in current maturities of long-term debt and preferred stock on FPL Group's consolidated balance sheet at December 31, 2004.
[c] A variable rate term loan due May 2005 was redeemed in August 2004.

Minimum annual maturities of long-term debt for FPL Group are approximately $1,223 million, $1,353 million, $1,505 million, $1,055 million and $924 million for 2005, 2006, 2007, 2008 and 2009, respectively. The amounts for FPL are $500 million, $135 million, $200 million and $225 million for 2005, 2006, 2008 and 2009, respectively, with no long-term debt scheduled to mature in 2007.

In February 2005, subsidiaries of FPL Energy sold $365 million of 5.608% limited-recourse senior secured bonds maturing in March 2024 and $100 million of 6.125% limited-recourse senior secured bonds maturing in March 2019. Semi-annual principal payments are due beginning September 2005. The majority of the proceeds were used to return to FPL Energy a portion of the indirect investment it made in the development, acquisition and/or construction of nine wind power projects. FPL Group Capital has guaranteed certain obligations under the debt agreement.

At December 31, 2004, commercial paper borrowings had a weighted-average interest rate of 2.32% for FPL Group (2.32% for FPL). Available lines of credit aggregated approximately $3.6 billion ($2.0 billion for FPL Group Capital and $1.6 billion for FPL) at December 31, 2004, all of which were based on firm commitments. These facilities provide for the issuance of letters of credit of up to $1.5 billion ($750 million for FPL Group Capital and $750 million for FPL). The issuance of letters of credit is subject to the aggregate commitment under the applicable facility. While no direct borrowings were outstanding at December 31, 2004, undrawn letters of credit totaling $238 million were outstanding under the FPL Group Capital credit facilities. No letters of credit were outstanding under the FPL credit facilities.

FPL Group Capital has guaranteed certain debt and other obligations of FPL Energy and its subsidiaries. FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most of those under FPL Group Capital's debt, including all of its debentures and commercial paper issuances, as well as most of its guarantees.

In February 2002, FPL Group sold a total of 11.5 million publicly-traded equity units known as Corporate Units, and in connection with that financing, FPL Group Capital issued $575 million principal amount of 4.75% debentures due February 16, 2007. During 2004, FPL Group Capital remarketed $554 million of these debentures and the annual interest rate on all the debentures was reset to 4.086%. Payment of FPL Group Capital debentures is absolutely, irrevocably and unconditionally guaranteed by FPL Group. Each Corporate Unit initially consisted of a $50 FPL Group Capital debenture and a purchase contract pursuant to which the holder will purchase $50 of FPL Group common shares on or before February 16, 2005, and FPL Group will make payments of 3.75% of the unit's $50 stated value until the shares are purchased. On February 16, 2005, FPL Group received approximately $575 million for settlement of these purchase contracts and issued 9,270,090 shares of FPL Group common stock.

In June 2002, FPL Group sold concurrently a total of 5.75 million shares of common stock and 10.12 million 8% Corporate Units. In connection with the corporate units financing, FPL Group Capital issued $506 million principal amount of 5% debentures due February 16, 2008. The interest rate on the debentures is expected to be reset on or after August 16, 2005. The interest rate resets, upon a successful remarketing of the debentures, at the rate the debentures should bear to have an approximate market value of 100.5% of par. Payment of FPL Group Capital debentures is absolutely, irrevocably and unconditionally guaranteed by FPL Group. Each 8% Corporate Unit initially consisted of a $50 FPL Group Capital debenture and a purchase contract pursuant to which the holder will purchase $50 of FPL Group common shares on or before February 16, 2006, and FPL Group will make payments of 3% of the unit's $50 stated value until the shares are purchased. Under the terms of the purchase contracts, as of December 31, 2004, FPL Group will issue between 7,450,344 and 8,940,008 shares of common stock in connection with the settlement of the purchase contracts (subject to adjustment under certain circumstances) and receive approximately $506 million.

Prior to the issuance of FPL Group's common stock, the purchase contracts are reflected in FPL Group's diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of FPL Group common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares that would be issued upon settlement of the purchase contracts over the number of shares that could be purchased by FPL Group in the market, at the average market price during the period, using the proceeds receivable upon settlement. See Note 12 – Earnings Per Share regarding the 2005 stock split.

15. Asset Retirement Obligations

Effective January 1, 2003, FPL Group and FPL adopted FAS 143, "Accounting for Asset Retirement Obligations." This statement requires that a liability for the fair value of an ARO be recognized in the period in which it is incurred with the offsetting associated asset retirement cost capitalized as part of the carrying amount of the long-lived asset. The asset retirement cost is subsequently allocated to expense using a systematic and rational method over its useful life. Changes in the ARO resulting from the passage of time are recognized as an increase in the carrying amount of the liability and as accretion expense, which is included in depreciation and amortization expense in the consolidated statements of income. Prior to January 1, 2003, FPL accrued for decommissioning and dismantlement costs over the life of the related asset through depreciation expense.

Upon adoption of FAS 143, with respect to amounts for nuclear decommissioning, FPL recorded an ARO of approximately $1.8 billion, capitalized a net asset related to the ARO of approximately $231 million and reversed the approximately $1.6 billion it had previously recorded in accumulated depreciation. The difference, approximately $29 million, was deferred as a regulatory liability. FPL's AROs other than nuclear decommissioning were not significant. The adoption of FAS 143 results in timing differences in the recognition of legal asset retirement costs for financial reporting purposes and the method the FPSC allows FPL to recover in rates. Accordingly, any differences between the ongoing expense recognized under FAS 143 and the amount recoverable through rates are deferred in accordance with FAS 71. FPL recorded accretion expense of approximately $106 million for the year ended December 31, 2004. No other adjustments were made to FPL's ARO during the year ended December 31, 2004. Had FAS 143 been applied in 2002, FPL would have recorded AROs of approximately $1.8 billion at December 31, 2002. Pro forma net income has not been presented for FPL for the year ended December 31, 2002 because the pro forma application of FAS 143 to prior periods would result in the same pro forma net income as the actual amounts reported for those periods due to the regulatory treatment mentioned above.

FPL Group and FPL have identified but not recognized ARO liabilities related to electric transmission and distribution and telecommunications assets resulting from easements over property not owned by FPL Group or FPL. These easements are

generally perpetual and only require retirement action upon abandonment or cessation of use of the property for the specified purpose. The ARO liability is not estimable for such easements as FPL Group and FPL intend to utilize these properties indefinitely. In the event FPL Group and FPL decide to abandon or cease the use of a particular easement, an ARO liability would be recorded at that time.

In addition to the amounts recorded by FPL, upon adoption of FAS 143, FPL Energy increased its ARO by approximately $6 million to a total ARO of approximately $164 million and increased its net property, plant and equipment by approximately $6 million. Approximately $152 million of FPL Energy's ARO related to the nuclear decommissioning obligation of Seabrook, and the remainder primarily represented the current estimated fair value of obligations to dismantle its wind facilities located on leased property and certain hydro facilities. The cumulative effect of a change in accounting principle of adopting FAS 143 was immaterial to FPL Energy's net income. FPL Energy recorded accretion expense of approximately $13 million and $12 million for the years ended December 31, 2004 and 2003, respectively. Further, FPL Energy recorded approximately $1 million and $2 million for the years ended December 31, 2004 and 2003, respectively, in additional ARO liabilities relating to new wind assets which caused FPL Energy's ARO to increase to approximately $192 million and $178 million at December 31, 2004 and 2003, respectively.

Had FAS 143 been applied in 2002, FPL Group would have recorded AROs of approximately $2.0 billion at December 31, 2002. Additionally, had FPL Group applied FAS 143 in the year ended December 31, 2002, FPL Group's net income and earnings per share would have been as follows:

	Year Ended December 31, 2002
	(millions, except per share amounts)
Pro forma:	
Net income	$ 473
Earnings per share – basic	$ 2.73
Earnings per share – assuming dilution	$ 2.73
As reported:	
Net income	$ 473
Earnings per share – basic	$ 2.74
Earnings per share – assuming dilution	$ 2.73

16. 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 consist of 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 FPL Energy, capital expenditures include, among other things, the construction of wind projects and the procurement of nuclear fuel (including capitalized interest). FPL FiberNet's capital expenditures primarily include costs to meet customer specific requirements and sustain its fiber-optic network. Capital expenditures for 2005 through 2009 are estimated to be as follows:

	2005	2006	2007	2008	2009	Total
			(millions)			
FPL:						
Generation: [a]						
New [b]	$ 385	$ 235	$ 525	$ 250	$ 60	$ 1,455
Existing	540	475	480	325	395	2,215
Transmission and distribution	695	730	740	715	715	3,595
Nuclear fuel	70	100	110	75	105	460
General and other	145	130	165	165	160	765
Total	$ 1,835	$ 1,670	$ 2,020	$ 1,530	$ 1,435	$ 8,490
FPL Energy:						
Wind [c]	$ 405	$ 5	$ 5	$ 5	$ 5	$ 425
Gas	20	20	10	5	10	65
Nuclear fuel and other	165	115	110	90	95	575
Total	$ 590	$ 140	$ 125	$ 100	$ 110	$ 1,065
FPL FiberNet	$ 7	$ 7	$ 7	$ 7	$ 7	$ 35

[a] Includes AFUDC of approximately $50 million, $40 million, $46 million and $12 million in 2005, 2006, 2007 and 2008, respectively.
[b] Includes generating structures, transmission interconnection and integration, licensing and AFUDC.
[c] FPL Energy's capital expenditures for new wind projects are estimated through 2005, when the production tax credits are scheduled to expire. The 2005 amount reflects expenditures associated with approximately 220 mw of wind generation, which have been announced and are currently under construction, as well as committed expenditures for other expected wind additions in 2005.

In addition to estimated capital expenditures listed above, FPL and FPL Energy have long-term contracts related to purchased power and/or fuel (see Contracts below). At December 31, 2004, FPL Energy had approximately $1.4 billion in firm commitments primarily for natural gas transportation, supply and storage, firm transmission service, nuclear fuel and a portion of its capital expenditures. Additionally, during 2003, a subsidiary of FPL Group Capital committed to lend up to $250

million under a secured loan to a third party, which matures no later than June 30, 2006. At December 31, 2004, $175 million had been drawn on under the loan and is included in other investments on FPL Group's consolidated balance sheets. FPL Group has guaranteed certain payment obligations of FPL Group Capital, including most payment obligations under FPL Group Capital's debt.

FPL Group and FPL each account for payment guarantees and related contracts, for which it or a subsidiary is the guarantor, under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others," which requires that the fair value of guarantees provided to unconsolidated entities entered into after December 31, 2002, be recorded on the balance sheet. At December 31, 2004, subsidiaries of FPL Group, other than FPL, have guaranteed debt service payments relating to agreements that existed at December 31, 2002. The term of the guarantees is equal to the term of the related debt, with remaining terms ranging from 1 year to 14 years. The maximum potential amount of future payments that could be required under these guarantees at December 31, 2004 was approximately $14 million. At December 31, 2004, FPL Group did not have any liabilities recorded for these guarantees. In certain instances, FPL Group can seek recourse from third parties for 50% of any amount paid under the guarantees. Guarantees provided to unconsolidated entities entered into subsequent to December 31, 2002, and the related fair value, were not material as of December 31, 2004.

FPL Energy has guaranteed certain performance obligations of a power plant owned by a wholly-owned subsidiary as part of a power purchase agreement that expires in 2027. Under this agreement, the subsidiary could incur market-based liquidated damages for failure to meet contractual minimum outputs. In addition, certain subsidiaries of FPL Energy have contracts that require certain projects to meet annual minimum generation amounts. Failure to meet the annual minimum generation amounts would result in the FPL Energy subsidiary incurring specified liquidated damages. Based on past performance of these and similar projects and current forward prices, management believes that the exposure associated with these guarantees is not material.

An FPL Energy subsidiary is committed to purchase oil and gas inventory remaining in certain storage facilities at December 31, 2005 at its weighted-average cost. At December 31, 2004, the subsidiary's commitment is estimated to be from $0 to approximately $68 million, based on a potential range of zero to full storage volume at the current average forward price of oil and gas. Upon expiration of the commitment, FPL Energy expects to either negotiate a new contract or use any remaining fuel to operate the plant.

Contracts – FPL has entered into 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 through mid-2015 and 381 mw thereafter through 2021. FPL also has various firm pay-for-performance contracts to purchase approximately 900 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2005 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts, and one of the Southern subsidiaries' contracts is subject to minimum quantities. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. FPL has various agreements with several electricity suppliers to purchase an aggregate of up to approximately 1,900 mw (including approximately 575 mw beginning in 2006) of power with expiration dates ranging from 2005 through 2009. In general, the agreements require FPL to make capacity payments and supply the fuel consumed by the plants under the contracts. FPL has contracts for the supply and transportation of natural gas, coal and oil, and natural gas storage, with various expiration dates through 2028.

FPL Energy has contracts primarily for the supply, transportation and storage of natural gas and firm transmission service with expiration dates ranging from 2005 through 2033. FPL Energy also has several contracts for the supply, conversion, enrichment and fabrication of Seabrook's nuclear fuel with expiration dates ranging from 2006 to 2014.

The required capacity and minimum payments under these contracts as of December 31, 2004 are estimated to be as follows:

	2005	2006	2007	2008	2009	Thereafter
			(millions)			
FPL:						
Capacity payments: [a]						
JEA and Southern subsidiaries [a]	$ 190	$ 200	$ 200	$ 200	$ 210	$ 1,255
Qualifying facilities [a]	$ 360	$ 310	$ 320	$ 320	$ 320	$ 3,800
Other electricity suppliers [a]	$ 80	$ 90	$ 45	$ 30	$ 30	$ -
Minimum payments, at projected prices:						
Southern subsidiaries – energy [b]	$ 60	$ 60	$ 60	$ 60	$ 60	$ 30
Natural gas, including transportation [c]	$ 1,860	$ 855	$ 285	$ 255	$ 255	$ 2,655
Coal [c]	$ 45	$ 40	$ 30	$ 20	$ -	$ -
Oil [c]	$ 660	$ 345	$ -	$ -	$ -	$ -
FPL Energy	$ 60	$ 50	$ 50	$ 50	$ 50	$ 685

(a) Capacity payments under these contracts, the majority of which is recoverable through the capacity clause, totaled $656 million, $641 million and $581 million for the years ended December 31, 2004, 2003 and 2002, respectively.
(b) Energy payments under these contracts, which are recoverable through the fuel clause, totaled $376 million, $346 million and $303 million for the years ended December 31, 2004, 2003 and 2002, respectively.
(c) Recoverable through the fuel clause.

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 $300 million of private liability insurance per site, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to $503 million ($402 million for FPL), plus any applicable taxes, per incident at any nuclear reactor in the United States, payable at a rate not to exceed $50 million ($40 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 and St. Lucie Unit No. 2, which approximates $12 million and $15 million, plus any applicable taxes, per incident, respectively. The Price-Anderson Act expired on August 1, 2002 but the liability limitations did not change for plants, including FPL's four nuclear units and Seabrook, with operating licenses issued by the NRC prior to August 1, 2002.

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 $107 million ($83 million for FPL) 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 and St. Lucie Unit No. 2, which approximates $2 million and $3 million, respectively.

In the event of a catastrophic loss at one of FPL Group's nuclear plants, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered through rates 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.

Due to the high cost and limited coverage available from third-party insurers, FPL has essentially no insurance coverage on its transmission and distribution property. As approved by the FPSC, FPL maintains a storm reserve for uninsured property storm damage or assessments under the nuclear insurance program. However, at December 31, 2004, FPL had a $536 million storm reserve deficiency as a result of restoration costs associated with the three hurricanes that struck FPL's service territory during the third quarter of 2004. See Note 1 – Storm Fund and Storm Reserve Deficiency. FPL Group has no insurance coverage for FPL FiberNet's fiber-optic cable located throughout Florida.

Litigation – In 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA), brought an action against Georgia Power Company and other subsidiaries of The Southern Company for certain alleged violations of the Clean Air Act. In May 2001, the EPA amended its complaint. The amended complaint alleges, 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 proper permitting, and without complying with performance and technology standards 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 and $27,500 per day for each violation thereafter. The EPA further revised its civil penalty rule in February 2004, such that the maximum penalty is $32,500 per day for each violation after March 15, 2004. 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 pending resolution of the EPA's motion for consolidation of discovery in several Clean Air Act cases that was filed with a Multi-District Litigation (MDL) panel. In August 2001, the MDL panel denied the motion for consolidation. In September 2001, the EPA moved that the federal district court reopen this case for purposes of discovery. Georgia Power Company opposed that motion asking that the case remain closed until the Eleventh Circuit Court of Appeals ruled on the Tennessee Valley Authority's (TVA) appeal of an EPA administrative compliance order relating to legal issues that are also central to this case. In August 2002, the federal district court denied without prejudice the EPA's motion to reopen. In June 2003, the Eleventh Circuit issued its order dismissing the TVA's appeal because it found the provision of the Clean Air Act allowing the EPA to issue binding administrative compliance orders was unconstitutional, and hence found that the TVA order was a non-final order that courts of appeal do not have jurisdiction to review. In September 2003, the Eleventh Circuit denied the EPA's motion for rehearing. In May 2004, the U.S. Supreme Court denied the EPA's petition for review of the Eleventh Circuit order. The EPA has not yet moved to reopen the Georgia Power Company case.

In 2001, J. W. and Ernestine M. Thomas, Chester and Marie Jenkins (since substituted for by Hazel and Lamar Jenkins), and Ray Norman and Jack Teague, as Co-Personal Representatives on behalf of the Estate of Robert L. Johns, served FPL Group, FPL, FPL FiberNet, FPL Group Capital and FPL Investments, Inc. (FPL Investments) as defendants in a civil action filed in the Florida circuit court. This action is purportedly on behalf of all property owners in Florida (excluding railroad and public rights of way) whose property is encumbered by easements in favor of FPL, and on whose property defendants have installed or intend to install fiber-optic cable which defendants currently lease, license or convey or intend to lease, license or convey for non-electric transmission or distribution purposes. The lawsuit alleges that FPL's easements do not permit the

installation and use of fiber-optic cable for general communication purposes. The plaintiffs have asserted claims for unlawful detainer, unjust enrichment and constructive trust and seek injunctive relief and compensatory damages. In May 2002, plaintiffs filed an amended complaint, adding allegations regarding the installation of wireless communications equipment on some easements, and adding a claim for declaratory relief. Defendants filed an answer and affirmative defenses to the amended complaint in August 2002. Motions for summary judgment by FPL Group, FPL Group Capital and FPL Investments have been granted, and they have been dismissed from this lawsuit. In February 2004, the plaintiffs filed a motion for leave to file their third amended complaint adding four more plaintiffs and seeking leave to add a claim for punitive damages. The court has not set a time for a hearing on this motion or on whether this case will proceed as a class action.

In 2001, Florida Municipal Power Agency (FMPA) filed with the U.S. Court of Appeals for the District of Columbia (DC Circuit) a petition for review asking the DC Circuit to reverse and remand orders of the FERC denying FMPA's request for credits for transmission facilities owned by FMPA members. The transmission credits sought by FMPA would offset the transmission charges that FPL bills FMPA for network transmission service to FMPA's member cities. FMPA member cities have been taking network transmission service under FPL's open access transmission tariff since 1996. In the orders appealed by FMPA, FERC ruled that FMPA would be entitled to credits for any FMPA facilities that were "integrated" with the FPL transmission system. Based on the evidence submitted, FERC concluded that none of the FMPA facilities met the integration test and, therefore, FMPA was not entitled to credits against FPL's charges for transmission service. In January 2003, the DC Circuit upheld FERC's order denying FMPA credits for its facilities; in March 2003, the DC Circuit denied FMPA's rehearing request of the DC Circuit's decision; and in October 2003, the U.S. Supreme Court denied FMPA's petition for review of the DC Circuit's decision.

FMPA also has requested that FERC decide the same crediting issue in a separate FERC proceeding. That proceeding dates back to a filing by FPL in 1993 of a comprehensive restructuring of its then-existing tariff structure. All issues in that case were settled in September 2000 except for three issues reserved by FMPA: (i) the crediting issue, (ii) treatment of behind-the-meter generation and load ratio pricing for network integration transmission service, and (iii) exclusions from FPL's transmission rates of the costs of FPL's facilities that failed to meet the same integration test that was applied to FMPA's facilities with respect to the crediting issue. In December 2003, FERC issued an order addressing the three reserved issues. With respect to the crediting issue, FERC stated that it had previously determined that FMPA was not entitled to credits for its facilities in the related proceeding discussed above and saw no persuasive reason to revisit that determination in this proceeding. Regarding the issue of behind-the-meter generation, FERC stated that it had addressed the issue of load ratio pricing for network integration transmission service and the related issue of behind-the-meter generation in Order Nos. 888 and 888-A, and saw no persuasive reason to revisit that determination in this proceeding. With respect to the third issue, FERC directed FPL to make a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test applied to the FMPA facilities.

In January 2004, FMPA requested a "conditional rehearing on the Commission's failure to order rate credits solely in the event that Commission does not adequately reduce FPL's rate base to achieve comparability," and challenging FERC's determination not to revisit the issue of behind-the-meter generation and load ratio pricing for network integration transmission service. In March 2004, FERC issued an order denying FMPA's rehearing request. In April 2004, FMPA petitioned the DC Circuit for review of FERC's December 2003 order and March 2004 order. FMPA filed its initial brief in that proceeding on October 1, 2004. FMPA's arguments are limited to the issue of behind-the-meter generation and load ratio pricing for network integration transmission service in instances when, according to FMPA, FPL cannot provide transmission service because of "physical transmission limitations." FERC's reply brief was filed on December 1, 2004. FPL has been granted party status as an intervenor, and its brief was filed on December 16, 2004. FMPA's reply brief to the FERC was filed on January 13, 2005. Oral argument is scheduled for March 22, 2005. FPL estimates its exposure for refunds to FMPA on this issue to be approximately $2 million at December 31, 2004.

In May 2004, FPL made a compliance filing of a proposed rate schedule that does not include those facilities of FPL that fail to meet the same integration test that was applied to the FMPA facilities. Pursuant to this filing, 1.63% of FPL's transmission facilities do not satisfy the integration standard and FPL's current network transmission rate would be reduced by $0.02 per kilowatt (kw) per month, resulting in a refund obligation to FMPA of approximately $1 million at December 31, 2004. In June 2004, FMPA filed a protest to FPL's compliance filing, which protest would exclude approximately 30% of FPL's transmission facilities and reduce FPL's current network transmission rate by approximately $0.41 per kw per month, potentially resulting in a refund obligation to FMPA of approximately $26 million at December 31, 2004. Any reduction in FPL's network service rate would also apply effective January 1, 2004 to Seminole Electric Cooperative Inc. (Seminole), FPL's other network customer. The refund obligation to Seminole at December 31, 2004 would be approximately $0.2 million under FPL's filing and approximately $4 million based on FMPA's position. On January 25, 2005, FERC issued an order on FPL's compliance filing. In the order FERC accepted FPL's standards for analyzing the transmission system and agreed that FPL's "Georgia Ties" and "Turkey Point Lines" are part of FPL's integrated grid. FERC required FPL to make an additional compliance filing removing the cost of all radial transmission lines from transmission rates, rather than only radial lines that serve one customer, analyzing the FPL transmission system to remove the cost of any transmission facilities that provide only "unneeded redundancy," and calculating rate adjustments using 1993 data rather than 1998 data. FPL's further compliance filing is due on April 25, 2005.

In 1995 and 1996, FPL Group, through an indirect subsidiary, purchased from 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. On June 24, 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 believes that the complaint is invalid 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.

In 2003, Scott and Rebecca Finestone brought an action on behalf of themselves and their son Zachary Finestone in the U.S. District Court for the Southern District of Florida alleging that their son has developed cancer (neuroblastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The complaint includes counts against FPL for strict liability for allegedly engaging in an ultra-hazardous activity and for alleged negligence in operating the plant in a manner that allowed emissions of the foregoing materials and failing to limit its release of nuclear fission products as prescribed by federal and state laws and regulations. The plaintiffs seek damages in excess of $1 million. After initially denying FPL's motion to dismiss, the court granted it with respect to plaintiffs' count for strict liability. The court has also granted FPL's motion for a ruling that the only duty owed by FPL to the plaintiffs is established exclusively by federal regulations and not general negligence standards. The plaintiffs subsequently filed an amended complaint on the same factual grounds, including a count against FPL for strict liability, which appears identical in all material elements to the strict liability claim in plaintiffs' initial complaint, and counts against FPL for alleged negligence based on duties allegedly established by federal and state laws and regulations. FPL again moved to dismiss the strict liability claim and moved to dismiss all negligence claims that are not based on the duty that the court has recognized governs this action. The court granted FPL's motion. FPL has answered the one count in the amended complaint that is based on that duty, denying any liability. Plaintiffs also moved to vacate or modify the court's order establishing the duty owed. The court denied plaintiffs' motion. Discovery is proceeding.

In 2003, Tish Blake and John Lowe, as personal representatives of the Estate of Ashton Lowe, on behalf of the estate and themselves, as surviving parents, brought an action in the U.S. District Court for the Southern District of Florida alleging that their son developed cancer (medulo-blastoma) as a result of the release and/or dissipation into the air, water, soil and underground areas of radioactive and non-radioactive hazardous materials, including strontium 90, and the release of other toxic materials from FPL's St. Lucie nuclear power plant. The allegations, counts and damages demanded in the complaint are virtually identical to those contained in the Finestone lawsuit described above. As in the Finestone case, the court has granted FPL's motion to dismiss the plaintiffs' count for strict liability. Similarly, the court has also granted FPL's motion for a ruling that the only duty owed by FPL to the plaintiffs is established exclusively by federal regulations and not general negligence standards. The plaintiffs subsequently filed an amended complaint on the same factual grounds, including a count against FPL for strict liability, which appears identical in all material elements to the strict liability claim in plaintiffs' initial complaint, and counts against FPL for alleged negligence based on duties allegedly established by federal and state laws and regulations. FPL again moved to dismiss the strict liability claim and moved to dismiss all negligence claims that are not based on the duty that the court has recognized governs this action. The court granted FPL's motion. FPL has answered the one count in the amended complaint that is based on that duty, denying any liability. Plaintiffs also moved to vacate or modify the court's order establishing the duty owed. The court denied plaintiffs' motion. Discovery is proceeding.

In 2003, Monty and Kathryn Wooldridge brought an action on behalf of themselves and their son, Kevin Allen Wooldridge, in the Circuit Court of the 9th Judicial Circuit in and for Orange County, Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, the American Dental Association, the Florida Dental Association, FPL and the Orlando Utilities Commission (OUC), alleging that their son has suffered toxic neurological effects from mercury poisoning. The sources of mercury exposure are alleged to be vaccines containing a preservative called thimerosal that were allegedly manufactured and distributed by the drug companies, mercury amalgam dental fillings, and emissions from FPL and OUC power plants in Florida, including Brevard County. The complaint includes counts against all defendants for civil battery and against FPL for alleged negligence in operating the plants such that the son was exposed to mercury and other heavy metals emissions. The damages demanded from FPL are for injuries and losses allegedly suffered by the son as a result of his exposure to the plants' mercury emissions and the parents' alleged pain and suffering, medical expenses, loss of wages, and loss of their son's services and companionship. No amount of damages is specified. The court has granted the drug manufacturing and distribution companies' and the dental associations' motions to dismiss the complaint against them. The plaintiffs are appealing those orders. FPL's motion to dismiss is pending.

In 2003, Pedro C. and Emilia Roig brought an action on behalf of themselves and their son, Pedro Anthony Roig, in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida (the state court), which was removed in October 2003 to the U.S. District Court for the Southern District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies and FPL, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Wooldridge lawsuit described above. The U.S. District Court remanded the action

back to the state court. All parties anticipate that the drug manufacturing and distribution companies will move to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until the state court rules on those motions.

In 2003, Edward and Janis Shiflett brought an action on behalf of themselves and their son, Phillip Benjamin Shiflett, in the Circuit Court of the 18th Judicial Circuit in and for Brevard County, Florida (the state court), which was removed in January 2004 to the U.S. District Court for the Middle District of Florida, against Aventis Pasteur and a number of other named and unnamed drug manufacturing and distribution companies, FPL and the OUC, alleging that their son has suffered toxic neurological effects from mercury poisoning. The allegations, counts and damages demanded in the complaint with respect to FPL are virtually identical to those contained in the Wooldridge and Roig lawsuits. FPL's motion to dismiss the complaint was denied. The U.S. District Court subsequently remanded the action back to the state court. All parties anticipate that the drug manufacturing and distribution companies will move to dismiss the action. Plaintiffs and FPL have agreed that FPL will not respond to the complaint until the state court rules on those motions.

In February 2004, Albert Litter Studios, Inc. instituted an action against FPL in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida, seeking damages on behalf of itself, and purportedly on behalf of all other similarly situated commercial entities in Florida. The plaintiff asserts that FPL's intentional use of allegedly defective thermal demand meters has resulted in overcharging it and certain other commercial customers millions of dollars and constitutes breach of an implied contract, breach of the duty of good faith and fair dealing, negligence, fraudulent inducement, and negligent misrepresentation. The complaint seeks damages in excess of $15,000, representing the amount of the alleged overcharges, interest, and such other relief as the court may order. FPL moved to dismiss the case on the grounds that the FPSC has exclusive jurisdiction over this type of complaint. The court denied the motion on July 13, 2004. FPL appealed the ruling to Florida's Third District Court of Appeals (Third DCA). FPL's motion to stay the proceedings pending resolution of the appeal was denied by the trial court. FPL filed a separate motion to stay pending appeal with the Third DCA, and the court granted that motion on November 10, 2004. Oral argument on the appeal of the jurisdictional question was heard on December 14, 2004. The parties are currently awaiting a decision on the appeal of the jurisdictional question; the Third DCA's stay of the trial court proceedings remains in effect pending that decision.

FPL determined in 2002 that, based on sample testing of the approximately 3,900 1V thermal demand meters in service, the demand component of its 1V meter population was exceeding allowable tolerance levels established by FPSC rules. In 2002, FPL proposed to replace and test all of the 1V meters in service and to issue refunds, as appropriate, within certain parameters. FPL was given administrative approval from the FPSC staff to proceed with the replacement of the 1V meters. By early 2003, all 1V meters had been replaced. Testing of all 1V meters disclosed that approximately 15% of the 3,900 meters were outside of allowed tolerances, with 10% under-registering and 5% over-registering electricity usage. In November 2003, the FPSC, as proposed agency action, approved a method for testing the meters and calculating refunds. On December 10, 2003, Southeastern Utility Services, Inc., on behalf of several commercial customers, filed a protest to the proposed agency action and requested a hearing. Southeastern Utility Services, Inc. alleges that, among other things, the proposed method for computing the amount of the refund is flawed. A final hearing before the FPSC occurred on November 4, 2004. Final briefs were filed by the parties on December 16, 2004. At its February 1, 2005 agenda meeting, the FPSC concluded that no refunds were due relative to the 11 meters in question for any period in excess of 12 months. Southeastern Utility Services, Inc. had argued for multi-year refunds. Based on the FPSC's decision, FPL expects that aggregate refunds to these complainants will not exceed $50,000. The parties expect a final FPSC order by March 2005.

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 (FPL Energy Affiliates) as defendants in a civil action filed in the District Court in Dallas County, Texas. The petition alleges that the named FPL Energy Affiliates had a contractual obligation to produce and sell to TXU a minimum quantity of energy each year and that the FPL Energy Affiliates failed to meet this obligation. The plaintiff has asserted claims for breach of contract and declaratory judgment and seeks damages of $20,826,100. The FPL Energy Affiliates filed their answer and counterclaim in November of 2004, denying the allegations. The counterclaim asserts claims for conversion, breach of fiduciary duty, breach of contract and fraud and seeks termination of the contract and damages. The case is in discovery and has been set for a non-jury trial in August of 2005.

FPL Group and FPL believe that they have meritorious defenses to the pending litigation discussed above and are vigorously defending the lawsuits. Management does not anticipate that the liabilities, if any, arising from the proceedings would have a material adverse effect on the financial statements.

In addition to those legal proceedings discussed herein, FPL Group and its subsidiaries, including FPL, are involved in a number of other legal proceedings and claims in the ordinary course of their businesses. In addition, generating plants in which FPL Group or FPL have an ownership interest are involved in legal proceedings and claims, the liabilities from which, if any, would be shared by FPL Group or FPL. While management is unable to predict with certainty the outcome of these other legal proceedings and claims, it is not expected that their ultimate resolution, individually or collectively, will have a material adverse effect on the financial statements.

17. Segment Information

FPL Group's reportable segments include FPL, a rate-regulated utility, and FPL Energy, a wholesale generation subsidiary. Corporate and Other represents other business activities, other segments that are not separately reportable and eliminating entries. FPL Group's operating revenues derived from the sale of electricity represented approximately 97% of FPL Group's operating revenues for each of the three years ended December 31, 2004, 2003 and 2002. Less than 1% of operating revenues were from foreign sources for each of the three years ended December 31, 2004, 2003 and 2002. At December 31, 2004 and 2003, less than 1% of long-lived assets were located in foreign countries.

FPL Group's segment information is as follows:

	2004				2003				2002			
	FPL	FPL Energy[a]	Corp. and Other	Total	FPL	FPL Energy[a]	Corp. and Other	Total	FPL	FPL Energy[a]	Corp. and Other	Total
	(millions)											
Operating revenues	$ 8,734	$ 1,705	$ 83	$ 10,522	$ 8,293	$ 1,252	$ 85	$ 9,630	$ 7,378	$ 691	$ 104	$ 8,173
Operating expenses	$ 7,419	$ 1,541	$ 90	$ 9,050	$ 6,964	$ 1,059	$ 76	$ 8,099	$ 6,052	$ 707	$ 189	$ 6,948
Interest charges	$ 183	$ 180	$ 126	$ 489	$ 173	$ 124	$ 82	$ 379	$ 166	$ 86	$ 59	$ 311
Depreciation and amortization	$ 915	$ 264	$ 19	$ 1,198	$ 898	$ 187	$ 20	$ 1,105	$ 831	$ 107	$ 14	$ 952
Equity in earnings of equity method investees	$ -	$ 94	$ -	$ 94	$ -	$ 89	$ -	$ 89	$ -	$ 76	$ -	$ 76
Income tax expense (benefit)[b][c]	$ 409	$ (65)	$ (77)	$ 267	$ 403	$ (4)	$ (31)	$ 368	$ 413	$ (54)	$ (115)	$ 244
Income (loss) before cumulative effect of changes in accounting principles[b]	$ 749	$ 172[d]	$ (34)	$ 887	$ 733	$ 197	$ (37)	$ 893	$ 717	$ 53[e]	$ (75)[f]	$ 695
Cumulative effect of changes in accounting principles, net of income taxes	$ -	$ -	$ -	$ -	$ -	$ (3)[g]	$ -	$ (3)	$ -	$ (222)[h]	$ -	$ (222)
Net income (loss)[b]	$ 749	$ 172[c]	$ (34)	$ 887	$ 733	$ 194	$ (37)	$ 890	$ 717	$ (169)[e]	$ (75)[f]	$ 473
Capital expenditures and investments	$ 1,484	$ 527	$ 6	$ 2,017	$ 1,409	$ 1,478	$ 7	$ 2,894	$ 1,256	$ 2,103	$ 21	$ 3,380
Total assets[g][h][i]	$ 19,114	$ 8,507	$ 712	$ 28,333	$ 17,817	$ 8,446	$ 672	$ 26,935	$ 16,032	$ 6,358	$ 795	$ 23,185
Investment in equity method investees	$ -	$ 288	$ 9	$ 297	$ -	$ 346	$ -	$ 346	$ -	$ 310	$ -	$ 310

[a] FPL Energy's interest charges are based on a deemed capital structure of 50% debt for operating projects and 100% debt for projects under construction. Residual non-utility interest charges are included in Corporate and Other.
[b] Includes, in 2002, favorable settlement of litigation with the IRS for which a net tax benefit of $30 million was recognized at Corporate and Other.
[c] FPL Energy's tax benefits relate primarily to production tax credits that were recognized based on its tax sharing agreement with FPL Group.
[d] Includes contract restructuring and impairment charges of $46 million after tax. See Note 6 – 2004.
[e] Includes restructuring and other charges of $73 million after tax.
[f] Includes restructuring and impairment charges of $64 million after tax at FPL FiberNet and a reserve for leveraged leases of $30 million after tax.
[g] Reflects the adoption of FIN 46 in July 2003. See Note 9.
[h] Reflects the adoption of FAS 142 in January 2002. See Note 5.
[i] See Note 15.

18. Summarized Financial Information of FPL Group Capital

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

Condensed Consolidating Statements of Income

	Year Ended December 31, 2004				Year Ended December 31, 2003				Year Ended December 31, 2002			
	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated
	(millions)											
Operating revenues	$ -	$ 1,789	$ 8,733	$ 10,522	$ -	$ 1,337	$ 8,293	$ 9,630	$ -	$ 795	$ 7,378	$ 8,173
Operating expenses	-	(1,632)	(7,418)	(9,050)	-	(1,135)	(6,964)	(8,099)	(5)	(896)	(6,047)	(6,948)
Interest charges	(28)	(303)	(158)	(489)	(28)	(204)	(147)	(379)	(28)	(144)	(139)	(311)
Other income (deductions) – net	905	163	(897)	171	903	154	(948)	109	488	86	(549)	25
Income (loss) before income taxes and cumulative effect of changes in accounting principles	877	17	260	1,154	875	152	234	1,261	455	(159)	643	939
Income tax expense (benefit)	(10)	(132)	409	267	(15)	(20)	403	368	(18)	(151)	413	244
Net Income (loss) before cumulative effect of changes in accounting principles	887	149	(149)	887	890	172	(169)	893	473	(8)	230	695
Cumulative effect of changes in accounting principles, net of income taxes	-	-	-	-	-	(3)	-	(3)	-	(222)	-	(222)
Net income (loss)	$ 887	$ 149	$ (149)	$ 887	$ 890	$ 169	$ (169)	$ 890	$ 473	$ (230)	$ 230	$ 473

[a] Represents FPL and consolidating adjustments.

Condensed Consolidating Balance Sheets

	December 31, 2004				December 31, 2003			
	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated
	(millions)							
PROPERTY, PLANT AND EQUIPMENT								
Electric utility plant in service and other property	$ -	$ 8,204	$ 23,516	$ 31,720	$ -	$ 7,783	$ 22,489	$ 30,272
Less accumulated depreciation and amortization	-	(1,026)	(9,468)	(10,494)	-	(738)	(9,237)	(9,975)
Total property, plant and equipment – net	-	7,178	14,048	21,226	-	7,045	13,252	20,297
CURRENT ASSETS								
Cash and cash equivalents	26	134	65	225	27	98	4	129
Receivables	32	423	590	1,045	16	436	735	1,187
Other	137	285	835	1,257	-	278	876	1,154
Total current assets	195	842	1,490	2,527	43	812	1,615	2,470
OTHER ASSETS								
Investment in subsidiaries	7,674	-	(7,674)	-	7,218	-	(7,218)	-
Other	121	1,448	3,011	4,580	110	1,490	2,568	4,168
Total other assets	7,795	1,448	(4,663)	4,580	7,328	1,490	(4,650)	4,168
TOTAL ASSETS	$ 7,990	$ 9,468	$ 10,875	$ 28,333	$ 7,371	$ 9,347	$ 10,217	$ 26,935
CAPITALIZATION								
Common shareholders' equity	$ 7,537	$ 1,525	$ (1,525)	$ 7,537	$ 6,967	$ 1,214	$ (1,214)	$ 6,967
Preferred stock of FPL without sinking fund requirements	-	-	-	-	-	-	5	5
Long-term debt	-	5,214	2,813	8,027	-	5,649	3,074	8,723
Total capitalization	7,537	6,739	1,288	15,564	6,967	6,863	1,865	15,695
CURRENT LIABILITIES								
Accounts payable and short-term debt	-	156	1,098	1,254	-	397	1,065	1,462
Other	155	1,180	1,659	2,994	62	809	1,072	1,943
Total current liabilities	155	1,336	2,757	4,248	62	1,206	2,137	3,405
OTHER LIABILITIES AND DEFERRED CREDITS								
Asset retirement obligations	-	192	2,015	2,207	-	178	1,908	2,086
Accumulated deferred income taxes	(5)	816	1,874	2,685	(5)	833	1,275	2,103
Regulatory liabilities	-	-	2,465	2,465	-	-	2,669	2,669
Other	303	385	476	1,164	347	267	363	977
Total other liabilities and deferred credits	298	1,393	6,830	8,521	342	1,278	6,215	7,835
COMMITMENTS AND CONTINGENCIES								
TOTAL CAPITALIZATION AND LIABILITIES	$ 7,990	$ 9,468	$ 10,875	$ 28,333	$ 7,371	$ 9,347	$ 10,217	$ 26,935

[a] Represents FPL and consolidating adjustments.

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2004				Year Ended December 31, 2003				Year Ended December 31, 2002			
	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated	FPL Group	FPL Group Capital	Other[a]	FPL Group Consolidated
						(millions)						
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 437	$ 868	$ 1,345	$ 2,650	$1,028	$ 397	$ 829	$ 2,254	$ 426	$ 1,227	$ 685	$ 2,338
CASH FLOWS FROM INVESTING ACTIVITIES												
Capital expenditures and independent power investments	-	(533)	(1,484)	(2,017)	-	(1,486)	(1,408)	(2,894)	-	(2,124)	(1,256)	(3,380)
Capital contributions to FPL	-	-	-	-	(600)	-	600	-	(350)	-	350	-
Other – net	(29)	89	85	145	-	(18)	(177)	(195)	3	208	(98)	113
Net cash used in investing activities	(29)	(444)	(1,399)	(1,872)	(600)	(1,504)	(985)	(3,089)	(347)	(1,916)	(1,004)	(3,267)
CASH FLOWS FROM FINANCING ACTIVITIES												
Issuances of long-term debt	-	334	235	569	-	2,118	877	2,995	-	1,177	593	1,770
Retirements of long-term debt	-	(432)	-	(432)	-	(43)	(388)	(431)	-	(32)	(765)	(797)
Retirements of preferred stock – FPL	-	-	-	-	-	-	(228)	(228)	-	-	-	-
Net change in short-term debt	-	(284)	(139)	(423)	-	(1,116)	(122)	(1,238)	-	(276)	490	214
Issuances of common stock	110	-	-	110	73	-	-	73	378	-	-	378
Dividends on common stock	(467)	-	-	(467)	(425)	-	-	(425)	(400)	-	-	(400)
Other – net	(52)	(6)	19	(39)	(54)	(15)	21	(48)	(52)	-	-	(52)
Net cash provided by (used in) financing activities	(409)	(388)	115	(682)	(406)	944	160	698	(74)	869	318	1,113
Net increase (decrease) in cash and cash equivalents	(1)	36	61	96	22	(163)	4	(137)	5	180	(1)	184
Cash and cash equivalents at beginning of year	27	98	4	129	5	261	-	266	-	81	1	82
Cash and cash equivalents at end of year	$ 26	$ 134	$ 65	$ 225	$ 27	$ 98	$ 4	$ 129	$ 5	$ 261	$ -	$ 266

[a] Represents FPL and consolidating adjustments.

19. Quarterly Data (Unaudited)

Condensed consolidated quarterly financial information is as follows:

	March 31 [a]	June 30 [a]	September 30 [a]	December 31 [a]
		(millions, except per share amounts)		
FPL GROUP:				
2004				
Operating revenues [b]	$2,331	$2,619	$2,983	$2,589
Operating income [b]	$ 261	$ 434	$ 523	$ 254
Net income [b]	$ 138	$ 257	$ 320	$ 173
Earnings per share [c]	$ 0.78	$ 1.43	$ 1.78	$ 0.96
Earnings per share – assuming dilution[c]	$ 0.77	$ 1.43	$ 1.76	$ 0.94
Dividends per share	$ 0.62	$ 0.62	$ 0.68	$ 0.68
High-low common stock sales prices	$68.81-63.34	$67.25-60.20	$69.85-62.41	$76.10-67.33
2003				
Operating revenues [b]	$2,082	$2,339	$2,775	$2,435
Operating income [b]	$ 294	$ 413	$ 565	$ 259
Income before cumulative effect of a change in accounting principle [b]	$ 175	$ 239	$ 334	$ 145
Cumulative effect of adopting FIN 46	$ -	$ -	$ (3)	$ -
Net income [b]	$ 175	$ 239	$ 331	$ 145
Earnings per share before cumulative effect of adopting FIN 46 [c]	$ 0.99	$ 1.35	$ 1.88	$ 0.81
Cumulative effect of adopting FIN 46 [c]	$ -	$ -	$ (0.02)	$ -
Earnings per share [c]	$ 0.99	$ 1.35	$ 1.86	$ 0.81
Earnings per share before cumulative effect of adopting FIN 46 – assuming dilution [c]	$ 0.99	$ 1.34	$ 1.88	$ 0.81
Cumulative effect of adopting FIN 46 [c]	$ -	$ -	$ (0.02)	$ -
Earnings per share – assuming dilution [c]	$ 0.99	$ 1.34	$ 1.86	$ 0.81
Dividends per share	$ 0.60	$ 0.60	$ 0.60	$ 0.60
High-low common stock sales prices	$63.77-53.55	$68.08-57.74	$67.66-60.01	$65.98-62.65
FPL:				
2004				
Operating revenues [b]	$1,942	$2,172	$2,485	$2,135
Operating income [b]	$ 199	$ 357	$ 466	$ 294
Net income [b]	$ 105	$ 205	$ 275	$ 164
Net income available to FPL Group [b]	$ 105	$ 205	$ 275	$ 164
2003				
Operating revenues [b]	$1,757	$2,053	$2,383	$2,100
Operating income [b]	$ 252	$ 361	$ 487	$ 229
Net income [b]	$ 139	$ 203	$ 281	$ 133
Net income available to FPL Group [b]	$ 135	$ 199	$ 277	$ 122

[a] In the opinion of FPL Group and FPL, all adjustments, which consist of normal recurring accruals necessary to present a fair statement of the amounts shown for such periods, have been made. Results of operations for an interim period generally will not give a true indication of results for the year. The per share information does not include the effect of the 2005 stock split. See Note 12 – Earnings Per Share.

[b] The sum of the quarterly amounts may not equal the total for the year due to rounding.

[c] The sum of the quarterly amounts may not equal the total for the year due to rounding and changes in weighted-average number of common shares outstanding.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of December 31, 2004, FPL Group and FPL had performed an evaluation, under the supervision and with the participation of its management, including FPL Group's and FPL's chief executive officer and chief financial officer, of the effectiveness of the design and operation of each company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) or 15d-15(e)). Based upon that evaluation, the chief executive officer and chief financial officer of each of FPL Group and FPL concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company and its consolidated subsidiaries required to be included in the company's reports filed or submitted under the Exchange Act and ensuring that information required to be disclosed in the company's reports filed or submitted under the Exchange Act is accumulated and communicated to management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure. FPL Group and FPL each have a Disclosure Committee, which is made up of several key management employees and reports directly to the chief executive officer and chief financial officer of each company, to monitor and evaluate these disclosure controls and procedures. Due to the inherent limitations of the effectiveness of any established disclosure controls and procedures, management of FPL Group and FPL cannot provide absolute assurance that the objectives of its disclosure controls and procedures will be met.

Internal Control Over Financial Reporting

(a) Management's Report on Internal Control Over Financial Reporting

See Item 8. Financial Statements and Supplementary Data.

(b) Attestation Report of the Independent Registered Public Accounting Firm

See Item 8. Financial Statements and Supplementary Data.

(c) Changes in Internal Controls

FPL Group and FPL are continuously seeking to improve the efficiency and effectiveness of their operations and of their internal controls. This results in refinements to processes throughout FPL Group and FPL. However, there has been no change in FPL Group's or FPL's internal control over financial reporting that occurred during FPL Group's and FPL's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, FPL Group's or FPL's internal control over financial reporting.

Item 9B. Other Information

On February 25, 2005, FPL Group entered into an employment agreement with Lewis Hay, III. The agreement provides for Mr. Hay to be employed as FPL Group's chief executive officer and president and to serve as a director and chairman of FPL Group's board of directors for an initial term of three years beginning January 1, 2005. Each January 1 thereafter the term of employment is extended an additional year unless either party gives a notice of non-extension no later than 90 days prior thereto. If FPL Group terminates Mr. Hay's employment without "cause," or if Mr. Hay terminates his employment for "good reason" (each as defined in the agreement) he is entitled to receive a pro rata portion of his annual incentive bonus for the year in which termination occurs (calculated at the higher of target or the average of the bonus received for the prior two years); two times his then current base salary; two times the higher of (i) his average annual incentive bonus for the prior two years or (ii) his then current target annual incentive bonus; a pro rata portion of each outstanding and unvested performance share grant then in progress under FPL Group's Long Term Incentive Plan (calculated as if target performance for the year of termination is achieved); continued vesting in all outstanding and unvested restricted stock awards and stock options for a period of two years following the date of termination; the cash value of two additional years of service credit under all applicable pension, 401(k), and supplemental retirement plans; and continued participation in FPL Group's medical, dental, hospitalization, disability and group life insurance plans for up to two years. The agreement also provides for certain payments to be made upon termination because of death or disability or upon retirement. The agreement does not establish Mr. Hay's compensation; however, reduction of his then current base salary, target annual incentive bonus, target long term incentive compensation or aggregate employee benefits (with certain exceptions) constitutes "good reason". A copy of the employment agreement is filed as exhibit 10(y) to this Form 10-K.

PART III

Item 10. Directors and Executive Officers of Registrant

The information required by this item will be included in FPL Group's Proxy Statement which will be filed with the SEC in connection with the 2005 Annual Meeting of Shareholders (FPL Group's Proxy Statement) and is incorporated herein by reference, or is included in Item 1. Business – Executive Officers of FPL Group.

Item 11. Executive Compensation

The information required by this item will be included in FPL Group's Proxy Statement and is incorporated herein by reference, provided that the Compensation Committee Report, the Audit Committee Report (to the extent permitted by the rules of the SEC) and Performance Graph which are contained in FPL Group's Proxy Statement shall not be deemed to be incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

All of FPL Group's equity compensation plans (as defined by applicable SEC regulations) have been approved by its shareholders. FPL Group's equity compensation plan information as of December 31, 2004 is as follows:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) [a] (c)
Equity compensation plans approved by security holders:			
FPL Group's Long Term Incentive Plan [b]	4,586,513	$57.83	6,341,671

[a] These shares are also available for issuance as restricted stock and as performance-based stock awards.
[b] See Note 12 – Earnings Per Share regarding the 2005 stock split.

Item 13. Certain Relationships and Related Transactions

The information required by this item will be included in FPL Group's Proxy Statement under a similar heading, if applicable, and under the headings Executive Compensation, Employment Agreements and Director Compensation and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

FPL Group – The information required by this item will be included in FPL Group's Proxy Statement under the headings "Fees Paid to Deloitte & Touche LLP" and "Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditor" and is incorporated herein by reference.

FPL – The following table presents fees billed for professional services rendered by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche) for the fiscal years ended December 31, 2004 and 2003. The amounts presented below reflect allocations from FPL Group for FPL's portion of the fees, as well as amounts billed directly to FPL.

	2004	2003
Audit fees [a]	$ 2,340,000	$ 1,074,000
Audit-related fees [b]	308,000	479,000
Tax fees [c]	86,000	33,000
All other fees [d]	-	-
Total	$ 2,734,000	$ 1,586,000

[a] Audit fees consist of fees billed for professional services rendered for the audit of FPL's and FPL Group's annual consolidated financial statements for the fiscal year, the reviews of the financial statements included in FPL's and FPL Group's Quarterly Reports on Form 10-Q for the fiscal year, attestation of management's assessment of internal control over financial reporting (2004 only), comfort letters, consents, and other services related to SEC matters, services in connection with annual and semi-annual filings of FPL Group's financial statements with the Japanese Ministry of Finance and accounting consultations to the extent necessary for Deloitte & Touche to fulfill their responsibility under Public Company Accounting Oversight Board standards.

[b] Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of FPL's and FPL Group's consolidated financial statements and are not reported under audit fees. These fees primarily related to audits of subsidiary financial statements, comfort letters, consents and other services related to subsidiary (non-SEC registrant) financing activities, audits of employee benefit plans, due diligence pertaining to acquisitions, consultation on accounting standards and on transactions, and assistance with the implementation of Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).

[c] Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. In 2004 and 2003, all amounts related to tax compliance services.

[d] All other fees consist of fees for products and services other than the services reported under the other named categories. In 2004 and 2003, there were no other fees incurred in this category.

In accordance with the requirements of Sarbanes-Oxley, FPL Group's Audit Committee's pre-approval policy for services provided by the independent auditor, and the Charter of the Audit Committee, all services performed by Deloitte & Touche are approved in advance by the Audit Committee. Audit and audit-related services specifically identified in an appendix to the pre-approval policy are pre-approved by the Audit Committee each year. This pre-approval allows management to request the specified audit and audit-related services on an as-needed basis during the year, provided any such services are reviewed with the Audit Committee at its next regularly scheduled meeting. Any audit or audit-related service for which the fee is expected to exceed $250,000, or that involves a service not listed on the pre-approval list, must be specifically approved by the Audit Committee prior to commencement of such work. In addition, the Audit Committee approves all services other than audit and audit-related services performed by Deloitte & Touche in advance of the commencement of such work or, in cases which meet the de minimus exception in Sarbanes-Oxley, prior to completion of the audit. The Audit Committee has delegated to the chairman of the committee the right to approve audit, audit-related, tax and other services, within certain limitations, between meetings of the Audit Committee, provided any such decision is presented to the Audit Committee at its next regularly scheduled meeting. The Audit Committee reviews on a quarterly basis a schedule of all services for which Deloitte & Touche has been engaged and the estimated fees for those services. In fiscal years 2003 and 2004, no fees paid to Deloitte & Touche under the categories Audit-related, Tax and All other fees described above were approved by the Audit Committee after services were rendered pursuant to the de minimus exception established by Sarbanes-Oxley.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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2. Financial Statement Schedules – Schedules are omitted as not applicable or not required.

3. Exhibits (including those incorporated by reference)

Exhibit Number	Description	FPL Group	FPL
*3(i)a	Restated Articles of Incorporation of FPL Group dated December 31, 1984, as amended through December 17, 1990 (filed as Exhibit 4(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669)	x	
*3(i)b	Amendment to FPL Group's Restated Articles of Incorporation dated June 27, 1996 (filed as Exhibit 3 to Form 10-Q for the quarter ended June 30, 1996, File No. 1-8841)	x	
*3(i)c	Amendment to FPL Group's Restated Articles of Incorporation dated May 26, 2004(filed as Exhibit 4(c) to Form S-3, File Nos. 333-116209, 333-116209-01, 333-116209-02, 333-116209-03, 333-116209-04 and 333-116209-05)	x	
*3(i)d	Restated Articles of Incorporation of FPL dated March 23, 1992 (filed as Exhibit 3(i)a to Form 10-K for the year ended December 31, 1993, File No. 1-3545)	x	x
*3(i)e	Amendment to FPL's Restated Articles of Incorporation dated March 23, 1992 (filed as Exhibit 3(i)b to Form 10-K for the year ended December 31, 1993, File No. 1-3545)	x	x
*3(i)f	Amendment to FPL's Restated Articles of Incorporation dated May 11, 1992 (filed as Exhibit 3(i)c to Form 10-K for the year ended December 31, 1993, File No. 1-3545)	x	x
*3(i)g	Amendment to FPL's Restated Articles of Incorporation dated March 12, 1993 (filed as Exhibit 3(i)d to Form 10-K for the year ended December 31, 1993, File No. 1-3545)	x	x
*3(i)h	Amendment to FPL's Restated Articles of Incorporation dated June 16, 1993 (filed as Exhibit 3(i)e to Form 10-K for the year ended December 31, 1993, File No. 1-3545)	x	x
*3(i)i	Amendment to FPL's Restated Articles of Incorporation dated August 31, 1993 (filed as Exhibit 3(i)f to Form 10-K for the year ended December 31, 1993, File No. 1-3545)	x	x

Exhibit Number	Description	FPL Group	FPL
*3(i)j	Amendment to FPL's Restated Articles of Incorporation dated November 30, 1993 (filed as Exhibit 3(i)g to Form 10-K for the year ended December 31, 1993, File No. 1-3545)	x	x
*3(i)k	Amendment to FPL's Restated Articles of Incorporation dated January 20, 2004 (filed as Exhibit 3(i)j to Form 10-K dated December 31, 2003, File No. 2-27612)	x	x
*3(i)l	Amendment to FPL's Restated Articles of Incorporation dated January 20, 2004 (filed as Exhibit 3(i)k to Form 10-K dated December 31, 2003, File No. 2-27612)	x	x
3(i)m	Amendment to FPL's Restated Articles of Incorporation dated February 11, 2005	x	x
*3(ii)a	Bylaws of FPL Group as amended February 12, 2001 (filed as Exhibit 3(ii)a to Form 10-K for the year ended December 31, 2000, File No. 1-8841)	x	
*3(ii)b	Bylaws of FPL dated May 11, 1992 (filed as Exhibit 3 to Form 8-K dated May 1, 1992, File No. 1-3545)		x
*4(a)	Form of Rights Agreement, dated as of July 1, 1996, between FPL Group and EquiServe Trust Company, N.A. as successor to Fleet National Bank (f/k/a The First National Bank of Boston), as Rights Agent (filed as Exhibit 4 to Form 8-K dated June 17, 1996, File No. 1-8841)	x	
*4(b)	Second Amendment to Rights Agreement, dated as of December 26, 2002, between FPL Group and EquiServe Trust Company, N.A. as successor to Fleet National Bank (f/k/a The First National Bank of Boston), as the Rights Agent (filed as Exhibit 3 to Form 8-A/A dated January 3, 2003, File No. 1-8841)	x	
*4(c)	Third Amendment to Rights Agreement, dated as of January 1, 2004, between FPL Group, Computershare Investor Services, LLC as successor rights agent, and EquiServe Trust Company, N.A. as predecessor rights agent (filed as Exhibit 4 to Form 8-A/A dated December 19, 2003, File No. 1-8841)	x	
*4(d)	Mortgage and Deed of Trust dated as of January 1, 1944, and One hundred and six Supplements thereto, between FPL and Deutsche Bank Trust Company Americas, Trustee (filed as Exhibit B-3, File No. 2-4845; Exhibit 7(a), File No. 2-7126; Exhibit 7(a), File No. 2-7523; Exhibit 7(a), File No. 2-7990; Exhibit 7(a), File No. 2-9217; Exhibit 4(a)-5, File No. 2-10093; Exhibit 4(c), File No. 2-11491; Exhibit 4(b)-1, File No. 2-12900; Exhibit 4(b)-1, File No. 2-13255; Exhibit 4(b)-1, File No. 2-13705; Exhibit 4(b)-1, File No. 2-13925; Exhibit 4(b)-1, File No. 2-15088; Exhibit 4(b)-1, File No. 2-15677; Exhibit 4(b)-1, File No. 2-20501; Exhibit 4(b)-1, File No. 2-22104; Exhibit 2(c), File No. 2-23142; Exhibit 2(c), File No. 2-24195; Exhibit 4(b)-1, File No. 2-25677; Exhibit 2(c), File No. 2-27612; Exhibit 2(c), File No. 2-29001; Exhibit 2(c), File No. 2-30542; Exhibit 2(c), File No. 2-33038; Exhibit 2(c), File No. 2-37679; Exhibit 2(c), File No. 2-39006; Exhibit 2(c), File No. 2-41312; Exhibit 2(c), File No. 2-44234; Exhibit 2(c), File No. 2-46502; Exhibit 2(c), File No. 2-48679; Exhibit 2(c), File No. 2-49726; Exhibit 2(c), File No. 2-50712; Exhibit 2(c), File No. 2-52826; Exhibit 2(c), File No. 2-53272; Exhibit 2(c), File No. 2-54242; Exhibit 2(c), File No. 2-56228; Exhibits 2(c) and 2(d), File No. 2-60413; Exhibits 2(c) and 2(d), File No. 2-65701; Exhibit 2(c), File No. 2-66524; Exhibit 2(c), File No. 2-67239; Exhibit 4(c), File No. 2-69716; Exhibit 4(c), File No. 2-70767; Exhibit 4(b), File No. 2-71542; Exhibit 4(b), File No. 2-73799; Exhibits 4(c), 4(d) and 4(e), File No. 2-75762; Exhibit 4(c), File No. 2-77629; Exhibit 4(c), File No. 2-79557; Exhibit 99(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669; Exhibit 99(a) to Post-Effective Amendment No. 1 to Form S-3, File No. 33-46076; Exhibit 4(b) to Form 10-K for the year ended December 31, 1993, File No. 1-3545; Exhibit 4(i) to Form 10-Q for the quarter ended June 30, 1994, File No. 1-3545; Exhibit 4(b) to Form 10-Q for the quarter ended June 30, 1995, File No. 1-3545; Exhibit 4(a) to Form 10-Q for the quarter ended March 31,1996, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended June 30, 1998, File No. 1-3545; Exhibit 4 to Form 10-Q for the quarter ended March 31, 1999, File No. 1-3545; Exhibit 4(f) to Form 10-K for the year ended December 31, 2000, File No. 1-3545; Exhibit 4(g) to Form 10-K for the year ended December 31, 2000, File No. 1-3545; Exhibit 4(o), File No. 333-102169; Exhibit 4(k) to Post-Effective Amendment No. 1 to Form S-3, File No. 333-102172; Exhibit 4(l) to Post-Effective Amendment No. 2 to Form S-3, File No. 333-102172;	x	x

Exhibit Number	Description	FPL Group	FPL
	Exhibit 4(m) to Post-Effective Amendment No. 3 to Form S-3, File No. 333-102172 and Exhibit 4(a) to Form 10-Q for the quarter ended September 30, 2004, File No. 2-27612)		
*4(e)	Indenture, dated as of June 1, 1999, between FPL Group Capital and The Bank of New York, as Trustee (filed as Exhibit 4(a) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(f)	Guarantee Agreement between FPL Group (as Guarantor) and The Bank of New York (as Guarantee Trustee) dated as of June 1, 1999 (filed as Exhibit 4(b) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(g)	Officer's Certificate of FPL Group Capital, dated June 29, 1999, creating the 7 3/8% Debentures, Series due June 1, 2009 (filed as Exhibit 4(d) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
*4(h)	Officer's Certificate of FPL Group Capital, dated September 7, 1999, creating the 7 5/8% Debentures, Series due September 15, 2006 (filed as Exhibit 4 to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*4(i)	Officer's Certificate of FPL Group Capital, dated May 11, 2001, creating the 6 1/8% Debentures, Series due May 15, 2007 (filed as Exhibit 4 to Form 10-Q for the quarter ended June 30, 2001, File No. 1-8841)	x	
*4(j)	Officer's Certificate of FPL Group Capital, dated February 4, 2002, creating the Series A Debentures due February 16, 2007 (filed as Exhibit 4(j) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	
*4(k)	Supplemental Officer's Certificate of FPL Group Capital, dated October 27, 2004, to the Officer's Certificate creating the Series A Debentures due February 16, 2007 (filed as Exhibit 4(b) to Form 10-Q for the quarter ended September 30, 2004, File No. 1-8841)	x	
*4(l)	Officer's Certificate of FPL Group Capital, dated April 11, 2003, creating the 3 1/4% Debentures, Series due April 11, 2006 (filed as Exhibit 4(ao) to Post-Effective Amendment No. 1 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(m)	Officer's Certificate of FPL Group Capital, dated September 30, 2003, creating the Floating Rate Debentures, Series due March 30, 2005 (filed as Exhibit 4(ap) to Post-Effective Amendment No. 2 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(n)	Officer's Certificate of FPL Group Capital, dated September 30, 2003, creating the 1 7/8% Debentures, Series due March 30, 2005 (filed as Exhibit 4(aq) to Post-Effective Amendment No. 2 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(o)	Officer's Certificate of FPL Group Capital, dated June 12, 2002, creating the Series B Debentures due February 16, 2008 (filed as Exhibit 4(a) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	
*4(p)	Purchase Contract Agreement, dated as of June 1, 2002, between FPL Group and The Bank of New York, as Purchase Contract Agent and Trustee (filed as Exhibit 4(b) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	
*4(q)	Pledge Agreement, dated as of June 1, 2002, by and among FPL Group, JPMorgan Chase Bank, as Collateral Agent, Custodial Agent and Securities Intermediary, and The Bank of New York, as Purchase Contract Agent (filed as Exhibit 4(c) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	

Exhibit Number	Description	FPL Group	FPL
*4(r)	Indenture (For Unsecured Subordinated Debt Securities relating to Trust Securities) of FPL Group Capital, dated as of March 1, 2004 (filed as Exhibit 4(au) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(s)	Officer's Certificate of FPL Group Capital, dated March 15, 2004, creating the 5 7/8% Junior Subordinated Debentures, Series due March 15, 2044 (filed as Exhibit 4(av) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(t)	Preferred Trust Securities Guarantee Agreement between FPL Group (as Guarantor) and The Bank of New York (as Guarantee Trustee), dated as of March 15, 2004 (filed as Exhibit 4(aw) to Post-Effective Amendment No. 3 to Form S-3, File Nos. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(u)	Amended and Restated Trust Agreement relating to FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(at) to Post-Effective Amendment No. 3 to Form S-3, File No. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*4(v)	Agreement as to Expenses and Liabilities of FPL Group Capital Trust I, dated as of March 15, 2004 (filed as Exhibit 4(ax) to Post-Effective Amendment No. 3 to Form S-3, File No. 333-102173, 333-102173-01, 333-102173-02 and 333-102173-03)	x	
*10(a)	FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(b)	Amendments # 1 and 2 effective January 1, 1998 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(b) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(c)	Amendment #3 effective January 1, 1999 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997 (filed as Exhibit 10(c) to Form 10-K for the year ended December 31, 1999, File No. 1-8841)	x	x
*10(d)	Supplemental Executive Retirement Plan for Dennis P. Coyle effective November 15, 1993 (filed as Exhibit 10(f) to Form 10-K for the year ended December 31, 2000, File No. 1-8841)	x	x
*10(e)	Supplement to the FPL Group Supplemental Executive Retirement Plan as it applies to Lewis Hay, III effective March 22, 2002 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	x
10(f)	FPL Group, Inc. Amended and Restated Long Term Incentive Plan, as amended and restated February 18, 2005	x	x
*10(g)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Performance Share Award Agreement (filed as Exhibit 10(a) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(h)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10(b) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
*10(i)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10 to Form 8-K dated January 28, 2005, File No. 1-8841)	x	x
*10(j)	Form of FPL Group, Inc. Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement (filed as Exhibit 10(c) to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x

Exhibit Number	Description	FPL Group	FPL
*10(k)	Form of FPL Group, Inc. Amended and Restated Long Term Incentive Plan Stock Option Award - Non-Qualified Stock Option Agreement (filed as Exhibit 10(d) to to Form 8-K dated December 29, 2004, File No. 1-8841)	x	x
10(l)	Form of FPL Group, Inc. Amended and Restated Long-Term Incentive Plan Shareholder Value Award Agreement	x	x
*10(m)	Form of 2004 Annual Incentive Plan (filed as Exhibit 10(h) to Form 10-K for the year ended December 31, 2003, File No. 1-8841)	x	x
10(n)	Form of FPL Group, Inc. Annual Incentive Plan	x	x
*10(o)	FPL Group Deferred Compensation Plan, amended and restated effective January 1, 2001 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended June 30, 2001, File No. 1-8841)	x	x
*10(p)	FPL Group Deferred Compensation Plan, amended and restated effective January 1, 2003 (filed as Exhibit 10(k) to Form 10-K for the year ended December 31, 2002, File No. 1-8841)	x	x
*10(q)	FPL Group Executive Long Term Disability Plan effective January 1, 1995 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	x
*10(r)	FPL Group Non-Employee Directors Stock Plan dated as of March 17, 1997 (filed as Appendix A to FPL Group's 1997 Proxy Statement, File No. 1-8841)	x	
10(s)	Form of Split Dollar Agreement between FPL Group and each of its executive officers who elect to participate, including provisions relating to Certain Officers (as of February 25, 2005 all executive officers participate except Moray P. Dewhurst, and "Certain Officers" include Armando J. Olivera and Antonio Rodriguez)	x	x
*10(t)	Form of Executive Retention Employment Agreement between FPL Group and each of Dennis P. Coyle, Lewis Hay, III, Armando J. Olivera and Antonio Rodriguez (filed as Exhibit 10(a) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	x
*10(u)	Form of Executive Retention Employment Agreement between FPL Group and each of Moray P. Dewhurst, John A. Stall and James L. Robo (filed as Exhibit 10(b) to Form 10-Q for the quarter ended June 30, 2002, File No. 1-8841)	x	x
*10(v)	Amendment to Executive Retention Employment Agreement between FPL Group and Armando J. Olivera, dated as of October 17, 2003 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2003, File No. 1-8841)	x	x
10(w)	Form of Amendment to Executive Retention Employment Agreement between FPL Group and each of Dennis P. Coyle, Moray P. Dewhurst, Lewis Hay, III, Armando J. Olivera, James L. Robo, Antonio Rodriguez and John A. Stall	x	x
10(x)	Form of Executive Retention Employment Agreement between FPL Group and each of Robert H. Escoto, Robert L. McGrath and Edward F. Tancer	x	x
10(y)	Employment Agreement between FPL Group, Inc. and Lewis Hay, III dated February 25, 2005	x	x
*10(z)	Guarantee Agreement between FPL Group and FPL Group Capital, dated as of October 14, 1998 (filed as Exhibit 10(y) to Form 10-K for the year ended December 31, 2001, File No. 1-8841)	x	
12(a)	Computation of Ratios	x	
12(b)	Computation of Ratios		x
21	Subsidiaries of FPL Group, Inc.	x	

Exhibit Number	Description	FPL Group	FPL
23	Consent of Independent Registered Public Accounting Firm	x	x
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of FPL Group	x	
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of FPL Group	x	
31(c)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of FPL		x
31(d)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of FPL		x
32(a)	Section 1350 Certification of FPL Group	x	
32(b)	Section 1350 Certification of FPL		x

*Incorporated herein by reference

FPL Group and FPL agree to furnish to the SEC upon request any instrument with respect to long-term debt that FPL Group and FPL have not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

FPL GROUP, INC. SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FPL Group, Inc.

LEWIS HAY, III

Lewis Hay, III
Chairman of the Board, President,
Chief Executive Officer and Director
(Principal Executive Officer)

Date: February 25, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title as of February 25, 2005:

MORAY P. DEWHURST

Moray P. Dewhurst
Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)

K. MICHAEL DAVIS

K. Michael Davis
Controller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

H. JESSE ARNELLE

H. Jesse Arnelle

FREDERIC V. MALEK

Frederic V. Malek

SHERRY S. BARRAT

Sherry S. Barrat

MICHAEL H. THAMAN

Michael H. Thaman

ROBERT M. BEALL, II

Robert M. Beall, II

PAUL R. TREGURTHA

Paul R. Tregurtha

J. HYATT BROWN

J. Hyatt Brown

FRANK G. ZARB

Frank G. Zarb

JAMES L. CAMAREN

James L. Camaren

FLORIDA POWER & LIGHT COMPANY SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Florida Power & Light Company

ARMANDO J. OLIVERA
Armando J. Olivera
President and Director

Date: February 25, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature and Title as of February 25, 2005:

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board, Chief Executive Officer
and Director (Principal Executive Officer)

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance
and Chief Financial Officer and Director
(Principal Financial Officer)

K. MICHAEL DAVIS
K. Michael Davis
Vice President, Accounting,
Controller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

ANTONIO RODRIGUEZ
Antonio Rodriguez

JOHN A. STALL
John A. Stall

EDWARD F. TANCER
Edward F. Tancer

Exhibit 12(a)

FPL GROUP, INC. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS[a]

	Years Ended December 31,				
	2004	2003	2002	2001	2000
	(millions of dollars)				
Earnings, as defined:					
Income before cumulative effect of changes in accounting principles	$ 887	$ 893	$ 695	$ 781	$ 704
Preferred stock dividends of a consolidated subsidiary	-[b]	13	15	15	15
Income taxes	267	368	244	379	336
Fixed charges included in the determination of net income, as below	505	397	328	337	296
Amortization of capitalized interest	8	4	2	1	-
Distributed income of equity method investees	83	68	96	62	80
Less: Equity in earnings of equity method investees	94	89	76	81	45
Total earnings, as defined	$1,656	$1,654	$1,304	$1,494	$1,386
Fixed charges, as defined:					
Interest charges	$ 489	$ 379	$ 311	$ 324	$ 278
Rental interest factor	16	17	14	8	9
Fixed charges included in nuclear fuel cost	-	1	3	5	9
Fixed charges included in the determination of net income	505	397	328	337	296
Capitalized interest	54	88	91	55	23
Dividend requirements on preferred stock of a consolidated subsidiary before income taxes	-[b]	20	23	23	23
Total fixed charges, as defined	$ 559	$ 505	$ 442	$ 415	$ 342
Ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends [a]	2.96	3.28	2.95	3.60	4.05

[a] FPL Group, Inc. has no preference equity securities outstanding; therefore, the ratio of earnings to fixed charges is the same as the ratio of earnings to combined fixed charges and preferred stock dividends.

[b] A portion of Florida Power & Light Company's preferred stock is owned by FPL Group, Inc. and is eliminated in consolidation. Accordingly, those dividends are not included herein.

Exhibit 12(b)

FLORIDA POWER & LIGHT COMPANY
COMPUTATION OF RATIOS

	Years Ended December 31,				
	2004	2003	2002	2001	2000
	(millions of dollars)				
RATIO OF EARNINGS TO FIXED CHARGES					
Earnings, as defined:					
Net income	$ 750	$ 755	$ 732	$ 694	$ 622
Income taxes	409	403	413	383	341
Fixed charges, as below	202	186	177	198	192
Total earnings, as defined	$1,361	$1,344	$1,322	$1,275	$1,155
Fixed charged, as defined:					
Interest charges	$ 183	$ 173	$ 166	$ 187	$ 176
Rental interest factor	8	8	8	6	7
Fixed charges included in nuclear fuel cost	-	1	3	5	9
Capitalized interest	11	4	-	-	-
Total fixed charges, as defined	$ 202	$ 186	$ 177	$ 198	$ 192
Ratio of earnings to fixed charges	6.74	7.23	7.47	6.44	6.02
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS					
Earnings, as defined:					
Net income	$ 750	$ 755	$ 732	$ 694	$ 622
Income taxes	409	403	413	383	341
Fixed charges, as below	202	186	177	198	192
Total earnings, as defined	$1,361	$1,344	$1,322	$1,275	$1,155
Fixed charged, as defined:					
Interest charges	$ 183	$ 173	$ 166	$ 187	$ 176
Rental interest factor	8	8	8	6	7
Fixed charges included in nuclear fuel cost	-	1	3	5	9
Capitalized interest	11	4	-	-	-
Total fixed charges, as defined	202	186	177	198	192
Non-tax deductible preferred stock dividends	1	13	15	15	15
Ratio of income before income taxes to net income	1.55	1.53	1.56	1.55	1.55
Preferred stock dividends before income taxes	2	20	23	23	23
Combined fixed charges and preferred stock dividends	$ 204	$ 206	$ 200	$ 221	$ 215
Ratio of earnings to combined fixed charges and preferred stock dividends	6.67	6.52	6.61	5.77	5.37

Exhibit 21

SUBSIDIARIES OF FPL GROUP, INC.

FPL Group Inc.'s principal subsidiaries as of December 31, 2004 are listed below. All other subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

	Subsidiary	State or Jurisdiction of Incorporation
1.	Florida Power & Light Company (100%-owned)	Florida
2.	FPL Group Capital Inc (100%-owned)	Florida
3.	FPL Energy, LLC [a] [b]	Delaware
4.	Bay Loan and Investment Bank [b]	Rhode Island
5.	Palms Insurance Company, Limited [b]	Cayman Islands

[a] Includes 287 subsidiaries that operate in the United States in the same line of business as FPL Energy, LLC

[b] 100%-owned subsidiary of FPL Group Capital Inc

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report dated February 24, 2005 relating to the financial statements of FPL Group, Inc. and Florida Power & Light Company (which expresses an unqualified opinion and includes explanatory paragraphs relating to FPL Group, Inc.'s and Florida Power & Light Company's changes in 2003 in their methods of accounting for special-purpose entities and for asset retirement obligations and to FPL Group, Inc.'s change in 2002 in its method of accounting for goodwill) and our report dated February 24, 2005 relating to management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of FPL Group, Inc. and Florida Power & Light Company for the year ended December 31, 2004:

FPL Group, Inc.

Form S-3	No. 333-102169
Form S-8	No. 33-57673
Form S-8	No. 33-11631
Form S-3	No. 33-57470
Form S-8	No. 333-27079
Form S-8	No. 333-88067
Form S-3	No. 333-75482
Form S-3	No. 333-85218
Form S-3, as amended	No. 333-102173
Form S-8	No. 333-114911
Form S-3	No. 333-116209
Form S-8	No. 333-116501

FPL Group Trust I

Form S-3	No. 333-116209-02

FPL Group Trust II

Form S-3	No. 333-116209-01

Florida Power & Light Company

Form S-3	No. 33-40123
Form S-3	No. 333-116300

Florida Power & Light Company Trust I

Form S-3	No. 333-116300-02

Florida Power & Light Company Trust II

Form S-3	No. 333-116300-01

FPL Group Capital Inc

Form S-3	No. 333-75482-01
Form S-3	No. 333-85218-01
Form S-3, as amended	No. 333-102173-01
Form S-3	No. 333-116209-05

FPL Group Capital Trust II

Form S-3, as amended	No. 333-102173-02
Form S-3	No. 333-116209-04

FPL Group Capital Trust III

Form S-3	No. 333-116209-03

DELOITTE & TOUCHE LLP

Miami, Florida
February 24, 2005

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification

I, Lewis Hay, III, Chief Executive Officer of FPL Group, Inc. (FPL Group), certify that:

1. I have reviewed the annual report on Form 10-K for the year ended December 31, 2004 of FPL Group (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2005

LEWIS HAY, III

Lewis Hay, III
Chairman of the Board, President
and Chief Executive Officer

Exhibit 31(b)

Rule 13a-14(a)/15d-14(a) Certification

I, Moray P. Dewhurst, Chief Financial Officer of FPL Group, Inc. (FPL Group), certify that:

1. I have reviewed the annual report on Form 10-K for the year ended December 31, 2004 of FPL Group (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2005

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance
and Chief Financial Officer

Exhibit 31(c)

Rule 13a-14(a)/15d-14(a) Certification

I, Lewis Hay, III, Chief Executive Officer of Florida Power & Light Company (FPL), certify that:

1. I have reviewed the annual report on Form 10-K for year ended December 31, 2004 of FPL (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2005

LEWIS HAY, III

Lewis Hay, III
Chairman of the Board
and Chief Executive Officer

Exhibit 31(d)

Rule 13a-14(a)/15d-14(a) Certification

I, Moray P. Dewhurst, Chief Financial Officer of Florida Power & Light Company (FPL), certify that:

1. I have reviewed the annual report on Form 10-K for year ended December 31, 2004 of FPL (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2005

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance
and Chief Financial Officer

Exhibit 32(a)

Section 1350 Certification

We, Lewis Hay, III, Chief Executive Officer of FPL Group, Inc. (FPL Group) and Moray P. Dewhurst, Chief Financial Officer of FPL Group, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of FPL Group for the year ended December 31, 2004 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FPL Group.

Dated: February 25, 2005

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board, President
and Chief Executive Officer

MORAY P. DEWHURST
Moray P. Dewhurst
Vice President, Finance
and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to FPL Group and will be retained by FPL Group and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of FPL Group under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Exhibit 32(b)

Section 1350 Certification

We, Lewis Hay, III, Chief Executive Officer of Florida Power & Light Company (FPL) and Moray P. Dewhurst, Chief Financial Officer of FPL, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of FPL for the year ended December 31, 2004 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FPL.

Dated: February 25, 2005

LEWIS HAY, III
Lewis Hay, III
Chairman of the Board
and Chief Executive Officer

MORAY P. DEWHURST
Moray P. Dewhurst
Senior Vice President, Finance
and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to FPL and will be retained by FPL and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of FPL under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Enclosure 5

Resume of J.A. Stall

JOHN A. STALL
Senior Vice President, Nuclear

Art Stall is Senior Vice President, Nuclear and chief nuclear officer for Florida Power & Light Company. He reports to the chief executive officer and is responsible for all nuclear activities at Florida Power & Light Company.

Mr. Stall joined FPL in May 1996 at the St. Lucie nuclear plant where he served as Site Vice President. He reported to the Nuclear Division President and oversaw the operation of the two nuclear units at the St. Lucie site located on Hutchinson Island, approximately 50 miles north of West Palm Beach.

Mr. Stall previously served as Station Manager for Virginia Power Company at the North Anna nuclear plant. He joined Virginia Power in 1977 and held various positions of increasing responsibility, including superintendent of operations, assistant station manager for safety and licensing, and superintendent of technical services. A career nuclear professional, Mr. Stall brings his extensive experience to Florida Power & Light's Nuclear Division and plays an important role in the continued performance and efficiency improvements.

Mr. Stall earned his Bachelor of Science degree in nuclear engineering from the University of Florida in 1977, and achieved his Master of Business Administration from Virginia Commonwealth University in 1983. Mr. Stall held a senior reactor operator license while at Virginia Power Company.

Enclosure 6P

Projected Income Statement for FPL Energy Duane Arnold, LLC
Proprietary – under separate cover

Enclosure 6NP

Projected Income Statement for FPL Energy Duane Arnold, LLC
Non-Proprietary

FPL ENERGY DUANE ARNOLD LLC
PROJECTED INCOME STATEMENT (FOR 70% OF PLANT)

$000s	2006	2007	2008	2009	2010
Operating Revenue (1)					
Operating Expense					
Spent Fuel Expense					
Nuclear Fuel Amortization					
O&M					
Refueling Outage Accrual					
Property Tax					
A&G					
Depreciation & Amortization					
Decommissioning (2)					
Total					
Operating Income					
Other (Income) Expense					
Decommissioning Fund Earnings					
Interest Expense					
Total					
Income Before Taxes					
Income Taxes					
Net Income	-	-	-	-	-

(1) Revenue projections based on power purchase agreement with IP&L

Generation (GWh) (70% of Plant)
Effective Capacity Price - $/MWh
Effective Energy Price - $/MWh

(2) Represents estimated book decommissioning expense based on SFAS 143, Accounting for Asset Retirement Obligations

Enclosure 7

Power Purchase Agreement

EXECUTION COPY

DUANE ARNOLD ENERGY CENTER

POWER PURCHASE AGREEMENT

BETWEEN

FPL ENERGY DUANE ARNOLD, LLC

AND

INTERSTATE POWER AND LIGHT COMPANY

DATED AS OF JULY 2, 2005

POWER PURCHASE AGREEMENT
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Exhibit F Reactive Power Capabilities

POWER PURCHASE AGREEMENT

This POWER PURCHASE AGREEMENT is made and entered into as of July 2, 2005, by and between FPL ENERGY DUANE ARNOLD, LLC, a Delaware limited liability company ("Seller"), and INTERSTATE POWER AND LIGHT COMPANY, an Iowa corporation ("Buyer") (hereinafter the parties hereto are sometimes referred to collectively as the "Parties," or individually as a "Party").

W I T N E S S E T H:

WHEREAS, Buyer is a public utility which operates a system for generation and distribution of electric power in the State of Iowa; and

WHEREAS, Seller intends to qualify as an exempt wholesale generator as defined in Section 32 of the Public Utility Holding Company Act of 1935, as amended; and

WHEREAS, Buyer has transferred to Seller all of its rights, title, and interests in and to the Duane Arnold Energy Center, an approximately 598 MW (net) nuclear-powered electric generating facility and related assets located in the Palo, Iowa, NRC Operating License No. DPR-49 (the "Facility"); and

WHEREAS, in order to continue serving its wholesale and retail customers following transfer of Buyer's interests in the Facility to Seller, Buyer desires to purchase, and Seller desires to sell, Capacity, Energy, and all associated Ancillary Services on the terms, and subject to the conditions, set forth below.

NOW THEREFORE, in consideration of the mutual agreements contained herein, the Parties agree as follows:

ARTICLE I: DEFINITIONS

1.1. Defined Terms

As used in this Agreement, the following terms shall have the following meanings:

(1) "**Accredited Capacity**" shall mean Capacity (including Replacement Capacity) meeting the requirements for Capacity of any applicable Governing Authority.

(2) "**Accredited Capacity Liquidated Damages**" shall have the meaning set forth in Section 3.3.

(3) "**Adjustment Payment**" shall have the meaning set forth in Section 3.2.

(4) "**Affiliate**" shall mean, with respect to any Person, any other Person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For this purpose, "control" means the direct or indirect ownership of fifty percent

(50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

(5) "**Agreement**" shall mean this Power Purchase Agreement entered into by Seller and Buyer, including all Exhibits and any and all subsequent modifications or amendments hereto made in accordance herewith.

(6) "**Ancillary Services**" shall mean those services during the Term that are necessary to support the transmission of electric capacity and energy, and support the generation or transmission of Energy from the Facility while maintaining reliable operation of the transmission system, associated with or otherwise corresponding to the Capacity of the Facility and/or output of Energy at such time, which Ancillary Services shall include but not be limited to Reactive Power, regulation, and frequency response service.

(7) "**Asset Sale Agreement**" shall mean that certain Asset Sale Agreement between Buyer and Seller, dated as of July 2, 2005.

(8) "**Authorization**" shall mean any license, permit, approval, consent, filing, waiver, exemption, variance, clearance, entitlement, allowance, franchise, or other authorization, whether corporate, governmental or otherwise.

(9) "**Billing Cycle**" shall mean each calendar month during the Term and any partial calendar month at the beginning or end of the Term.

(10) "**Blocked Maintenance Days**" shall have the meaning set forth in Section 4.1(a)(ii).

(11) "**Business Day**" shall mean any day other than Saturday, Sunday, or any NERC holiday.

(12) "**Buyer's Capacity Amount**" shall mean, at any time, Buyer's Percentage Share of the Capacity Amount at such time.

(13) "**Buyer's Load Service Control Area**" shall mean the NERC-certified control area operated by Buyer as of the Effective Date.

(14) "**Buyer's Percentage Share**" shall mean seventy percent (70%).

(15) "**Buyer**" shall have the meaning set forth in the preamble hereto.

(16) "**Calendar Year**" shall mean a twelve-month period beginning January 1 and ending December 31.

(17) "**Capacity**" shall mean, on or as of any date of determination, a power generation unit's capability to generate a specific amount of electrical energy at a given point in time.

(18) "**Capacity Amount**" shall mean, for any given month, the applicable amount calculated in accordance with Exhibit B.

(19) "**Claims**" shall mean all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of an indemnity, and the resulting losses, damages, expenses, reasonable attorneys' fees and court costs.

(20) "**CPNode**" shall have the meaning ascribed to such term by MISO in MISO's applicable tariff or related documents, as such relevant meaning or relevant term may be modified from time to time.

(21) "**CPT**" shall mean Central Prevailing Time, which shall, at any time, be the time then in effect in Cedar Rapids, Iowa.

(22) "**Critical System Resource**" shall mean any generating facility (other than the Facility) which is an Accredited Capacity resource for Buyer in excess of 100MW.

(23) "**Deficiency Event**" shall mean any time when the Delivered Energy is less than one hundred percent (100%) of the Energy Amount at such time.

(24) "**Delivered Energy**" shall mean, for any period of time, the sum of Delivered Facility Energy plus Replacement Energy.

(25) "**Delivered Facility Energy**" shall mean, for any period of time, the Energy delivered to Buyer from the Facility pursuant to Section 2.2 hereof (i.e., not including any Replacement Energy delivered pursuant to Section 2.4).

(26) "**Delivery Point**" shall have the meaning set forth in Section 2.5.

(27) "**Downgrade Event**" shall mean, with respect to Guarantor or Buyer, as applicable, any period of time when such party's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) are rated below Baa3 by Moody's Investment Services, Inc. (or its successor), or rated below BBB- by Standard & Poor's Rating Group (or its successor).

(28) "**Effective Date**" shall mean the Closing Date, as defined in the Asset Sale Agreement.

(29) "**Energy Amount**" shall mean, for any period of time, an aggregate amount of Energy (including Replacement Energy) associated with Buyer's Capacity Amount for such period of time.

(30) "**Energy Payment**" shall have the meaning set forth in Section 3.1(b).

(31) "**Energy**" shall mean electric energy expressed in MWh.

(32) **"EPNode"** shall have the meaning ascribed to such term by MISO in MISO's applicable tariff or related documents, as such relevant meaning or relevant term may be modified from time to time.

(33) **"Facility"** shall have the meaning set forth in the third recital of this Agreement.

(34) **"Facility Derate Hour"** shall mean any hour during which the Net Energy Output is less than the associated Capacity Amount.

(35) **"Facility Outage"** shall mean any time when the Delivered Facility Energy is less than ninety percent (90%) of the Energy Amount at such time.

(36) **"FERC"** shall mean the Federal Energy Regulatory Commission or any successor thereto.

(37) **"Financial Bilateral Transaction"** shall have the meaning ascribed to such term by MISO in MISO's applicable tariff or related documents, as such relevant meaning or relevant term may be modified from time to time.

(38) **"Fixed Monthly Payment"** shall have the meaning set forth in Section 3.1(a).

(39) **"Force Majeure"** shall mean an event that (a) is not within the control of the Party relying thereon, and (b) could not have been prevented or avoided by such Party through the exercise of reasonable diligence. Subject to the foregoing, Force Majeure may include, without limitation, an act of God, war, insurrection, or riot; provided, however, that the following acts, events or causes shall in no event constitute an event of Force Majeure: (i) any lack of profitability to a Party or any losses incurred by a Party or any other financial consideration of a Party; (ii) unavailability of funds or financing; (iii) an event caused by conditions of national or local economics or markets; (iv) any failure of equipment which is not itself directly caused by an event which would otherwise independently constitute a Force Majeure; (v) strikes, lockouts, work stoppages or other labor actions; and (vi) shutdowns or reductions in Facility output or capabilities required, caused by, or related to, directives, orders or requirements of the NRC or any other Governing Authority. The curtailment, unavailability or interruption of transmission service shall not constitute a Force Majeure event unless (1) Accredited Capacity is being provided by a network resource as defined under the Transmission Provider's tariff, (2) the Transmission Provider has deemed the network resource deliverable within the control area of the Transmission Provider, and (3) the Transmission Provider directs a curtailment, or interruption, of the network resource's output.

(40) **"Generation Offer"** shall have the meaning ascribed to such term by MISO in MISO's applicable tariff or related documents, as such relevant meaning or relevant term may be modified from time to time.

(41) **"Good Utility Practices"** shall mean any applicable practices, methods, and acts engaged in or approved by a significant portion of the (i) as to Seller, nuclear

utility industry, or (ii) as to Buyer, the utility industry, during the relevant time period, or the practices, methods, and acts which, in the exercise of reasonable judgment by a prudent nuclear operator (or prudent utility operator, if applicable to Buyer) in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, expedition, and the requirements of any Governing Authority having jurisdiction. Without limitation of the foregoing, "Good Utility Practices" shall include the applicable operating policies, criteria, and/or guidelines of NERC, MAIN, NRC and any other Governing Authority. "Good Utility Practices" is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the (i) as to Seller, nuclear utility industry, or (ii) as to Buyer, the utility industry.

(42) "**Governing Authority**" shall mean the federal government of the United States, and any state, county or local government, and any regulatory department, body, political subdivision, commission, bureau, administration, agency, instrumentality, ministry, court, judicial or administrative body, taxing authority, or other authority of any of the foregoing (including, without limitation, any corporation or other entity owned or controlled by any of the foregoing), MAIN and any other regional reliability council, the Transmission Provider and any other regional transmission organization, in each case having jurisdiction over either or both of the Parties, the Facility, or the Transmission Provider's transmission system, whether acting under actual or assumed authority.

(43) "**Guarantor**" shall have the meaning set forth in Section 7.2(a).

(44) "**Guaranty**" shall have the meaning set forth in Section 7.2(a).

(45) "**Interconnection Agreement**" shall mean, with respect to the Facility, the Interconnection Agreement between the Buyer and Seller, and any other agreement between the Transmission Provider and Seller governing the interconnection of the Facility to the Transmission Provider's system and transmission of Energy from the Facility into the Transmission Provider's system.

(46) "**Interconnection Point**" shall mean, with respect to the Facility, the Point of Interconnection described in the Interconnection Agreement, unless the Parties specifically agree otherwise in writing. In the event that any Interconnection Point shall consist of more than one physical point, then the flow of Energy across such Interconnection Point shall at all times be equal to the instantaneous total net flow of Energy across all physical points which shall constitute such Interconnection Point.

(47) "**Interest Rate**" shall mean, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in the Wall Street Journal under "Money Rates" on such day (or if not published on

such day on the most recent preceding day on which published), plus two percent (2%) and (b) the maximum rate permitted by applicable Law.

(48) "**Law**" shall mean any law, statute, rule, regulation, or ordinance issued or promulgated by a Governing Authority.

(49) "**LMP**" shall mean the Day-Ahead Locational Marginal Price at the relevant CPNode for any hour of a day, as posted by MISO.

(50) "**MAIN**" shall mean Mid-America Interconnected Network, Inc., or any successor entity, or successor regional reliability council of which Buyer is a member.

(51) "**Maintenance Schedule**" shall have the meaning set forth in Section 4.1(a)(i).

(52) "**MCC**" shall mean the marginal congestion component of a given LMP.

(53) "**Metering Device**" shall have the meaning set forth in Section 5.1(a).

(54) "**MISO**" shall mean the Midwest Independent Transmission System Operator, Inc., and its respective successors and assigns.

(55) "**MWh**" shall mean megawatt hours.

(56) "**NERC**" shall mean the North American Electric Reliability Council, or any successor entity.

(57) "**Net Energy Output**" shall mean, at any time with respect to the Facility, (i) if the Facility is operating, total Energy output of the Facility as measured at the Delivery Point, less Station Service Load, which shall be calculated as (WH/GEN)/0.997 – [(WH/AT)*0.996 + (WH/ST)*0.9946 + (WH/SB)*0.9929 + (WH/T3)*0.990], as each of those meters are designated on Exhibit D, and provided that Net Energy Output can in no event be less than zero; or (ii) if the Facility is not operating, zero. The Parties agree to revise the formula in this definition of Net Energy Output, if necessary, to (a) reflect the replacement or installation of transformers at the Facility in order to reflect the factory load test results for such transformers, (b) ensure that Buyer shall be responsible for, and Seller shall not be responsible for, transformer losses ("Existing Transformer Losses") sustained between the metering points designated in Exhibit D and the Delivery Point as of the date of this Agreement, (c) ensure that Buyer shall not be responsible for, and Seller shall be responsible for, transformer losses in excess of the Existing Transformer Losses, (d) to reflect the revenue quality metering installation arrangement upon that arrangement's design, approval by the Parties, and implmentation, or (e) to reflect more accurately the intent of Seller and Buyer in creating the formula embodied in this definition of Net Energy Output.

(58) "**Notice Time**" shall mean the time no later than two (2) hours prior to the deadline for submission to MISO of Generation Offers for the next Operating Day.

(59) "**NRC**" shall mean the Nuclear Regulatory Commission, or any successor entity.

(60) "**Operating Day**" shall have the meaning ascribed to such term by MISO in MISO's applicable tariff or related documents, as such relevant meaning or relevant term may be modified from time to time.

(61) "**Operational Contact**" shall have the meaning set forth in Section 12.4.

(62) "**Other Buyers**" shall mean Central Iowa Power Cooperative, an Iowa corporation, and Corn Belt Power Cooperative, an Iowa corporation, and their respective successors, and any other parties purchasing Energy and Capacity from the Facility.

(63) "**Other PPAs**" shall mean the power purchase agreements between Seller and Other Buyers, with regard to Energy and Capacity generated at the Facility.

(64) "**Outage Notice**" shall have the meaning set forth in Section 4.2.

(65) "**Party**" shall have the meaning set forth in the preamble hereto.

(66) "**Person**" shall mean any legal or natural person, including any individual, corporation, partnership, limited liability company, joint stock company, association, joint venture, trust, Governing Authority or international body or agency, or other entity.

(67) "**Reactive Power**" shall mean the capability of the Facility to produce or absorb reactive power as determined in accordance with Exhibit F.

(68) "**Regulatory Event**" shall have the meaning set forth in Section 16.10.

(69) "**Replacement Capacity**" shall mean, at any time, Capacity made available to Buyer by Seller from any generation source other than the Facility to fulfill, in part or in whole, Seller's obligation to supply Accredited Capacity up to Buyer's Capacity Amount to Buyer at such time under this Agreement. Replacement Capacity shall be Accredited Capacity, and shall be supplied from a source that qualifies as a network resource under the Transmission Provider's applicable tariff. In addition, Replacement Capacity shall (i) include firm transmission from the generation source to the Delivery Point for the full amount of all Energy associated with such Replacement Capacity, (ii) not be committed for sale to any third party, and (iii) be available at all times to serve Buyer's Capacity and Energy requirements on a non-interruptible basis.

(70) "**Replacement Energy**" shall mean, at any time, Energy supplied to Buyer by Seller from any generation source other than the Facility, as contemplated by Section 2.4 of this Agreement.

(71) "**SCADA**" shall mean supervisory, control and data acquisition technology and equipment.

(72) **"Schedule"** or **"Scheduling"** means the actions of Seller, Buyer and/or their designated representatives, of notifying, requesting and confirming to each other and any third parties of the quantity and type of Energy (i) submitted to MISO by Seller as Seller's Generation Offer from the Facility for a relevant Operating Day during the Term pursuant to this Agreement, or (ii) submitted to MISO by Seller and accepted by Buyer as a Financial Bilateral Transaction for a relevant Operating Day during the Term pursuant to this Agreement.

(73) **"Scheduled Maintenance Outage"** shall have the meaning set forth in Section 4.1(a)(i).

(74) **"Seller"** shall have the meaning set forth in the preamble hereto.

(75) **"Station Service Load"** shall mean, for the Facility for any period of time, the sum of the following items: (i) auxiliary transformer loads plus losses of auxiliary transformer; (ii) startup transformer loads plus losses of startup transformer; (iii) standby transformer loads plus losses of standby transformer; (iv) radwaste transformer loads plus losses of radwaste transformer; and (v) losses of generator step-up transformer(s).

(76) **"Target Capacity Factor"** shall mean 0.9000.

(77) **"Targeted Energy"** shall mean, for any Billing Cycle, the product of Buyer's Capacity Amount for such Billing Cycle multiplied by the number of hours in such Billing Cycle multiplied by the Target Capacity Factor.

(78) **"Tax"** shall mean (i) any tax (including but not limited to franchise tax), charge, fee, levy or other assessment imposed by any Governing Authority and based on or measured with respect to net income or profits, including any interest, penalties or additions attributable or imposed with respect thereto, and (ii) any other tax, charge, levy, fee or other assessment imposed by any Governing Authority, including, but not limited to, any transfer, gross receipts, sales, use, service, occupation, ad valorem, property, payroll, personal property, excise, severance, premium, stamp, documentary, license, registration, social security, employment, unemployment, disability, environmental (including but not limited to taxes under Section 59A of the Internal Revenue Code of 1986, as amended), add-on, value-added, withholding (whether payable directly or by withholding and whether or not requiring the filing of a tax return therefor), commercial rent and occupancy tax, and (iii) any estimated tax, deficiency assessment, interest, penalties and additions to tax or additional amounts in connection with any of the foregoing, imposed by any Governing Authority.

(79) **"Term"** shall mean the period from and after 12:00 noon CPT on the Effective Date to and including the date and time on which this Agreement is terminated in accordance with the terms hereof.

(80) **"Termination Date"** shall have the meaning set forth in Section 10.1.

(81)"**Transmission Provider**" shall mean the MISO and its successors and assigns.

1.2. Rules of Interpretation

(a) Unless otherwise required by the context in which any term appears:

(i) Capitalized terms used in this Agreement shall have the meanings specified in this Article.

(ii) The singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine and neuter.

(iii) References to "Articles," "Sections," or "Exhibits" shall be to articles, sections, or exhibits of this Agreement, and references to "Paragraphs" or "Clauses" shall be to separate paragraphs or clauses of the section or subsection in which the reference occurs.

(iv) The words "herein," "hereof" and "hereunder" shall refer to this Agreement as a whole and not to any particular section or subsection of this Agreement; and the words "include," "includes" or "including" shall mean "including, but not limited to."

(v) The term "day" shall mean a calendar day, commencing at 12:00 a.m. (CPT). The term "week" shall mean any seven consecutive day period commencing on a Sunday, and the term "month" shall mean a calendar month; provided that when a period measured in months commences on a date other than the first day of a month, the period shall run from the date on which it starts to the corresponding date in the next month and, as appropriate, to succeeding months thereafter. Whenever an event is to be performed or a payment is to be made by a particular date and the date in question falls on a day which is not a Business Day, the event shall be performed, or the payment shall be made, on the next succeeding Business Day; provided, however, that all calculations shall be made regardless of whether any given day is a Business Day and whether or not any given period ends on a Business Day.

(vi) All references to a particular entity shall include such entity's permitted successors and permitted assigns unless otherwise specifically provided herein.

(vii) All references herein to any Law or to any contract or other agreement shall be to such Law, contract or other agreement as amended, supplemented or modified from time to time unless otherwise specifically provided herein.

(b) The titles of the articles and sections herein have been inserted as a matter of convenience of reference only, and shall not control or affect the meaning or construction of any of the terms or provisions hereof.

(c) This Agreement was negotiated and prepared by both Parties with advice of counsel to the extent deemed necessary by each Party; the Parties have agreed to the wording of this Agreement; and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Agreement or any part hereof.

(d) The Exhibits hereto are incorporated in and are intended to be a part of this Agreement; provided, however, that in the event of a conflict between the terms of any Exhibit and the terms of the remainder of this Agreement, the terms of the remainder of this Agreement shall take precedence.

ARTICLE II: PURCHASE OF CAPACITY, ENERGY, ANCILLARY SERVICES

2.1. Capacity Sale and Purchase

Subject to the terms and conditions of this Agreement, Seller agrees to make available and sell to Buyer and Buyer agrees to purchase Accredited Capacity, for the duration of the Term, in an amount at any time equal to Buyer's Capacity Amount at such time.

2.2. Energy Sale and Purchase

(a) Subject to the terms and conditions of this Agreement, for the duration of the Term, Seller shall sell and make available to Buyer at the Delivery Point, and Buyer shall accept and purchase, Buyer's Percentage Share of the Net Energy Output of the Facility. Notwithstanding the foregoing, in no event shall Buyer be obligated to accept Energy in excess of the Energy Amount during any given hour.

(b) If Buyer fails to schedule and receive all or part of the Buyer's Percentage Share of the Net Energy Output of the Facility and such failure is not excused under the terms of this Agreement or by Seller's failure to perform, then Buyer shall pay Seller, on the date payment would otherwise be due in respect of the Billing Cycle in which the failure occurred, an amount for such deficiency (the "Deficiency Amount") equal to the amount that would have been payable by Buyer to Seller hereunder if such tendered Energy had been accepted by Buyer; provided, however, that Seller shall have the obligation to use commercially reasonable efforts to mitigate Buyer's liability to Seller hereunder by reselling at the Delivery Point the Energy tendered to, but not accepted by, Buyer; and provided further that the proceeds from such sales, less reasonably documented expenses incurred in such efforts, shall be applied by Seller to reduce, or eliminate, the Deficiency Amount.

2.3. Ancillary Services

(a) The sale of Capacity and Energy hereunder from the Facility shall include the quantity of Ancillary Services associated with such Capacity and Energy.

(b) To the extent that Seller's failure to deliver Ancillary Services to Buyer results in any increased cost or penalty incurred by Buyer, Seller shall reimburse Buyer for any such increased cost or penalty. The amount of such cost or penalty to be reimbursed shall not exceed an amount equal to the increased costs or penalties actually incurred by Buyer. In the event that during the Term there exists a market for the purchase and sale of Ancillary Services, then (i) if Seller fails to provide an Ancillary Service required to be delivered hereunder from the Facility, Seller shall use commercially reasonable efforts to provide Buyer with a replacement for such Ancillary Service and (ii) if Seller is unsuccessful in satisfying its obligation under clause (i), Seller shall reimburse Buyer for the then-current market sale value of such undelivered Ancillary Services to the extent such market sale value exceeds those amounts already due from Seller pursuant to this Section 2.3(a).

2.4. Replacement Capacity and Energy

(a) During any Facility Derate Hour or Deficiency Event (including a Facility Derate Hour caused by Force Majeure), Seller may, but shall not be obligated to, supply Replacement Energy to Buyer in an amount up to, when aggregated with any Energy delivered during such hour pursuant to Section 2.2, the Energy Amount, provided that:

(i) Seller provides notice to Buyer of the schedule for Replacement Energy (including specifying the Delivery Point therefor) no later than three (3) hours prior to the time that schedules for next day deliveries must be submitted to the Transmission Provider;

(ii) such Replacement Energy is delivered to the Delivery Point;

(iii) such Replacement Energy may only be scheduled and delivered on a continuous basis for the entire twenty-four hour period of a calendar day in either (A) a single fixed quantity or (B) a quantity varied to reflect expected changes in the Net Electrical Output of the Facility (e.g., changes in Facility output or ramp rates or expected resolution of Facility Outages) such that the aggregate of such Replacement Energy and Buyer's Percentage Share of any Net Electrical Output of the Facility will result in a single fixed quantity; and

(iv) to the extent required by applicable Law or any Governing Authority, Seller reports to Buyer the source of the Replacement Energy.

In the event that Seller determines not to provide Replacement Energy to Buyer during any Facility Derate Hour, Seller shall notify Buyer of such determination as soon as reasonably practicable after making such determination, and in any event no later than three (3) hours prior to the time that schedules for next day deliveries must be submitted to the Transmission Provider.

(b) Seller shall provide Accredited Capacity to Buyer at all times during the Term, in the full amount of Buyer's Capacity Amount, whether from the Facility or by Replacement Capacity. Seller's obligation to provide Accredited Capacity to Buyer shall not be excused by Force Majeure unless the Force Majeure affects both the Seller's abilitiy to provide Capacity from the Facility and Replacement Capacity. If such a Force Majeure occurs that excuses Seller's ability to provide Accredited Capacity, then Buyer shall be relieved of its obligation to provide the Fixed Monthly Payment in proportion to the reduction in the Accredited Capacity required to be made available to Buyer for the Billing Cycle in question caused by said Force Majeure.

2.5. Delivery Point

(a) If the Facility is the generation source of Energy to be delivered to Buyer hereunder, then the "Delivery Point" for such Energy is the CPNode that corresponds to the Interconnection Point.

(b) If the Facility is not the generation source of Energy to be delivered to Buyer hereunder (i.e., if Replacement Energy is being supplied), then the "Delivery Point" for such Energy shall be, pursuant to the Seller's choice, either: (i) the CPNode that corresponds to the Interconnection Point, or (ii) any CPNode located within the Alliant West Pricing Zone (the "Alternate Delivery Point").

(c) In the event that, for any particular hour, Seller is entitled to deliver Replacement Energy, Seller elects to deliver such Replacement Energy to the Alternate Delivery Point, and the MCC of the LMP corresponding to the Interconnection Point is greater than the MCC of the LMP corresponding to the Alternate Delivery Point, Seller shall pay the product of: (i) the positive difference between the relevant MCCs, times (ii) the number of MWhs of Replacement Energy that are delivered to the Alternate Delivery Point for such hour, which payment by Seller shall be itemized in the billing statement for each relevant Billing Cycle.

(d) In the event that, for any particular hour, Seller is entitled to deliver Replacement Energy, Seller elects to deliver such Replacement Energy to the Alternate Delivery Point and the MCC of the LMP corresponding to the Alternate Delivery Point is greater than the MCC of the LMP corresponding to the Interconnection Point, Buyer shall pay the product of: (i) the positive difference between the relevant MCCs, times (ii) the number of MWhs of Replacement Energy that are delivered to the Alternate Delivery Point, which payment by Buyer shall be itemized in the billing statement for each relevant Billing Cycle.

2.6. Sales to Third Parties

Seller may sell to any third party Capacity, Energy or any associated Ancillary Services generated at the Facility in excess of amounts required to be made available or delivered to Buyer hereunder.

2.7. Capacity Accreditation

Seller shall, at its cost, perform all required Capacity testing and take all other actions required to cause the Capacity of the Facility and the Replacement Capacity to be Accredited Capacity.

2.8. Allocation Among Buyers

Seller agrees to deal with Buyer ratably and equitably with Other Buyers, and not to favor Other Buyers over Buyer, in all matters related to the operation of the Facility and in accordance with the requirements of any Governing Authority. Seller agrees that at any time when the Facility does not provide sufficient Capacity, Energy or Ancillary Services to meet the delivery requirements under this Agreement and the Other PPAs, Seller shall allocate available Capacity, Energy and Ancillary Services among Buyer and Other Buyers proportionally in accordance with their respective firm capacity entitlements under this Agreement and the Other PPAs. Seller and Buyer shall use good faith efforts, after the Effective Date, to amend this Agreement as necessary to reflect the exact composition of Other Buyers and Other PPAs existing on or after the Effective Date.

2.9. Reactive Power

(a) Seller agrees that it shall not have any rights to the production or absorption of the Buyer's Percentage Share of the Reactive Power capabilities of the Facility existing as of the time of closing of the transactions contemplated by the Asset Sale Agreement (which are set forth on Exhibit F hereto), and that Seller shall not operate the Facility to produce real power at a level or in a manner that compromises its ability to operate the Facility to produce or absorb Reactive Power to maintain the output voltage or power factor at the Interconnection Point as specified or required by the Transmission Provider. Notwithstanding the foregoing, in no event shall Seller be required by Buyer to reduce its real power output below the Capacity Amount for the purpose of producing reactive power.

(b) Seller agrees that it shall not, without providing Buyer reasonable notice and a reasonable opportunity to consult with Seller, modify the Facility for the purpose of producing more real power or otherwise, in any manner that would reduce or compromise the Facility's ability to produce or absorb Reactive Power at a level consistent with the Facility's Reactive Power capabilities existing as of the time of closing of the transactions contemplated by the Asset Sale Agreement, which capabilities are set forth in Exhibit F hereto. Seller agrees to undertake any such modification of the Facility in accordance with all applicable rules and procedures of any Governing Authority with jurisdiction over such modifications, including the Transmission Provider.

2.10. Station Service

During any period of time in which the Facility is operating, Seller shall be permitted to satisfy the Station Service Load using Energy generated by the Facility. Notwithstanding the foregoing, Seller shall be solely responsible for obtaining, at its cost, and pursuant to

the applicible tariff set forth in the Interconnection Agreement, Energy to serve the Station Service Load, including any transmission charges associated with such Energy, during any period of time in which the Facility is not operating, or is not generating sufficient Energy to meet the Station Service Load. In the event that any fees, penaltics, or transmission charges are assessed against Buyer by any Governing Authority in connection with the Station Service Load or any Energy obtained to serve the Station Service Load, Seller shall reimburse Buyer for such reasonably documented fees, penalties, or transmission charges. The Parties acknowledge and agree that (i) based upon applicable Law as in effect on the date hereof, in any calendar month in which the Delivered Energy is less than the Station Service Load for such month, the Delivered Energy during such month shall be deemed to be zero and (ii) any change in applicable Law affecting the manner in which Station Service Load is determined and charged shall not affect, as between the Parties, Seller's responsibility for obtaining and paying for Station Service Load and any associated fees, penalties or transmission charges in accordance with this Section 2.10.

ARTICLE III: PAYMENTS

3.1. Purchase Payments

The amounts to be paid by the Buyer for purchases of Capacity, Energy or Ancillary Services under this Agreement shall be determined as follows:

(a) Fixed Monthly Payment. With respect to each Billing Cycle, Buyer shall make a payment to Seller equal to the applicable monthly payment set forth in Exhibit A, prorated for any Billing Cycle which is not a complete month (each, a "Fixed Monthly Payment").

(b) Energy Payment. With respect to each Billing Cycle, Buyer shall make a payment to Seller equal to the product of (i) the applicable "Energy Charge" set forth in Exhibit A, and (ii) the Delivered Energy for such Billing Cycle (each, an "Energy Payment").

(c) Ancillary Services. The Fixed Monthly Payment and the Energy Payment include payment for any and all Ancillary Services received by Buyer, and no additional payment in respect thereof shall be due at any time. Without limiting the generality of the forgoing, Seller specifically agrees that it shall not be entitled to any payment for Reactive Power under this Agreement, notwithstanding its obligation to operate the Facility in accordance with Section 2.9.

3.2. Delivered Energy Adjustment Payments

With respect to each Billing Cycle, Buyer or Seller, as applicable, shall make a payment to the other Party as determined in accordance with Exhibit C (each, an "Adjustment Payment").

3.3. Accredited Capacity Liquidated Damages

In the event that, at any time during the Term, Seller shall have failed to make available to Buyer Accredited Capacity in the amount of Buyer's Capacity Amount, Seller shall make a payment to Buyer ("Accredited Capacity Liquidated Damages") in the amount equal to Nine Thousand Dollars ($9,000) per MW of such shortfall for each month of such shortfall, prorated daily. In no event shall the Accredited Capacity Liquidated Damages accrued for any given Billing Cycle, combined with the Adjustment Payment, if any, in favor of Buyer for such Billing Cycle, exceed the combined Fixed Monthly Payment and Energy Payment for such Billing Cycle. Notwithstanding the foregoing, if a Force Majeure occurs that relieves Buyer of a portion of, or all of, its obligation to pay to Seller the Fixed Monthly Payment pursuant to Section 2.4(b), Seller, in like proportion, shall be relieved of its obligation to pay to Buyer Accredited Capacity Liquidated Damages. The Parties acknowledge that a Governing Authority may retroactively determine that certain Capacity was not Accredited Capacity, in which case Buyer shall provide notice of that determination to Seller, Seller shall cooperate with Buyer using commercially reasonable efforts in challenging that determination, and, if that challenge is unsuccessful, Seller shall reimburse Buyer for all reasonably documented costs, damages, and expenses (including reasonable attorneys' fees) incurred by Buyer resulting from that determination.

ARTICLE IV: MAINTENANCE AND OPERATION

4.1. Scheduled Maintenance

(a) Scheduling Procedure

(i) Seller shall submit to Buyer a schedule of maintenance of the Facility (each, a "Maintenance Schedule" and each item thereon a "Scheduled Maintenance Outage") for each Calendar Year during the Term no later than twelve (12) months before the beginning of such year (or no later than three (3) months prior to the deadline for submittal of any such schedule to the Transmission Provider or any other applicable Governing Authority, if earlier); except that within thirty (30) days following the Effective Date, Seller shall submit to Buyer a Maintenance Schedule for the Calendar Year in which the Effective Date occurs and for the following Calendar Year. Each Maintenance Schedule shall meet the requirements set forth in Section 4.1(b).

(ii) Within sixty (60) days following receipt of each Maintenance Schedule, Buyer shall submit to Seller a listing of days during which maintenance is planned at one or more Critical System Resources. The days identified on such schedule shall be known herein as "Blocked Maintenance Days."

(iii) At any time before one hundred twenty (120) days prior to the beginning of any Scheduled Maintenance Outage, Seller may by written notice to Buyer reschedule such Scheduled Maintenance Outage, provided that such

rescheduled Scheduled Maintenance Outage (A) continues to meet the requirements of Section 4.1(b); (B) does not overlap to any extent with any Blocked Maintenance Day; and (C) is approved by any Governing Authority with jurisdiction over scheduled maintenance at the Facility to the extent such approval is required.

(iv) Less than one hundred twenty (120) days prior to any Scheduled Maintenance Outage, such Scheduled Maintenance Outage may only be rescheduled with the prior written consent of Buyer.

(b) Limitations on Scheduled Maintenance Outages

(i) Subject to subsection (ii) below, Scheduled Maintenance Outages may not occur during the months of June, July, August or September.

(ii) Seller shall be permitted to conduct a Scheduled Maintenance Outage during any June, July, August or September during the Term, subject to the following terms and conditions:

(A) Seller shall deliver Replacement Energy to the Delivery Point for each hour of such Scheduled Maintenance Outage in an amount equal to the Energy Amount;

(B) Notwithstanding Section 3.2, Replacement Energy delivered during such Scheduled Maintenance Outage shall not be included in the calculation of Delivered Energy for purposes of calculating any Adjustment Payment pursuant to Exhibit C, if and to the extent inclusion of such Replacement Energy would cause the Delivered Energy for such Billing Cycle to exceed the Targeted Energy for such Billing Cycle; and

(C) If Seller fails to schedule and deliver or cause to be delivered all or part of the Replacement Energy required by subsection (ii)(A) above, then Seller shall pay to Buyer, within ten (10) Business Days of invoice receipt therefor, an amount equal to all reasonable costs and expenses actually paid or required to be paid by Buyer on account of such failure. Any invoice submitted by Buyer to Seller pursuant to this subsection (ii)(C) shall include a written statement explaining in reasonable detail the calculation of the amount due from Seller.

4.2. Outage Notices

(a) In the event of any Facility Outage or Deficiency Event, Seller must notify Buyer's Operational Contact telephonically of such Facility Outage or Deficiency Event as soon as practicable after Seller becomes aware of the necessity or

occurrence thereof (each, an "Outage Notice"), with written confirmation within 24 hours. During any ongoing Facility Outage or Deficiency Event, Seller shall provide daily updates to Buyer's Operational Contact of the nature and expected duration of such Facility Outage or Deficiency Event.

(b) If, prior to the Notice Time, a Deficiency Notice has been delivered as to the next following day, Seller shall contact Buyer's Operational Contact telephonically no later than such Notice Time, with written confirmation within 24 hours, to provide notice of Seller's decision to supply or not to supply Replacement Energy during such following day. If Seller decides to supply Replacement Energy during such following day, then Seller shall also, prior to the posting by MISO of the LMP for the relevant Operating Day, provide notice to Buyer of (i) Seller's choice of Delivery Point for such following day, and (ii) the amount of such Replacement Energy to be supplied during such following day; provided, however, that Seller may decide to supply Replacement Energy during all 24 hours on the following day, or not to supply Replacement Energy during any hours of the following day, but Seller may not choose to supply or not to supply, or vary the amount of supply, on an hour-by-hour basis. If Seller decides not to deliver Replacement Energy during such following day, then the Parties shall calculate an Adjustment Payment in accordance with Exhibit C of this Agreement and consistent with all other provisions in this Agreement.

4.3. Other Operations Obligations

(a) Permits, Licenses and Approvals; Compliance with Laws

Seller will, at its expense, acquire and maintain in effect throughout the Term of this Agreement all permits, licenses, approvals and other Authorizations of any Governing Authority required for the lawful operation and maintenance of the Facility.

(b) Information Requirements

Seller shall provide Buyer with the following real-time telemetered data (scanned no less frequently than once every four seconds) for the duration of the Term: (A) net output (megawatts and megaVARs), (B) status (i.e., open or closed) of the applicable breaker, and (C) such additional information as may be required from time to time by the Transmission Provider or any Governing Authority, or Buyer's control area operator, or by Good Utility Practices. Seller shall provide Buyer with copies of any scheduling notices or requests submitted to the Transmission Provider, concurrently with the submission thereof. In addition, Seller shall provide Buyer with any other information Buyer may reasonably request regarding the operation of the Facility.

(c) SCADA Data

Seller shall provide and make available to Buyer, on a real-time basis, all data generated by the SCADA system at the Facility, including without limitation all four-second meter data.

(d) Quality of Energy.

All Energy delivered hereunder shall be three-phase, 60 Hertz (plus or minus variations as may be required or allowed by the Transmission Provider), alternating current, at a voltage acceptable to the Transmission Provider, or shall otherwise comply with such other specifications of the Transmission Provider, regional reliability council or other authority responsible for the safety and reliability of the electric grid with authority over the Delivery Point as may be in effect at the time of delivery.

ARTICLE V: METERING, BILLING AND PAYMENT

5.1. Metering

(a) The electric watt-hour meters and any other Energy measuring devices and equipment used for purposes of this Agreement ("Metering Devices"), shall at all times during the Term meet the requirements set by the Transmission Provider and all applicable Governing Authorities. Seller shall own, operate, maintain and replace Metering Devices, including without limitation those Metering Devices shown on Exhibit D, sufficient to permit an accurate determination of the quantity and time of delivery of Energy delivered to Buyer. Seller's Metering Devices shall be used for measurements under this Agreement. Seller shall calibrate the Metering Devices no less than once during each refueling outage on the Maintenance Schedule. Buyer or Buyer's representative shall have the right to be present during any calibration of the Metering Devices, and Seller shall provide reasonable notice to Buyer of any such calibration.

(b) The Buyer shall have the right to inspect and test the Metering Devices from time to time at its discretion, and any inaccuracy disclosed by such tests shall be promptly corrected. Upon reasonable notice, Seller shall provide the Buyer access to the Metering Devices at Buyer's expense during normal business hours and from time to time for the purposes of reading, inspecting and testing such equipment. If errors greater than one-half of one percent (0.5%) are discovered, the test shall be at Seller's expense.

(c) If any Metering Device used to determine the amount of Delivered Energy is found to be in error, the payments for Delivered Energy made since the previous test of such Metering Device shall be adjusted to reflect the corrected measurements determined pursuant to this Section. The amount of such adjustment payment shall be equal to the total adjustment that would be due if the inaccurate Metering Device were deemed to be equally inaccurate during the entire period since the previous test of such Metering Device, divided by two (2);

provided, however that if the period of inaccuracy can be ascertained, then the Parties shall adjust the payments for Delivered Energy for that ascertained period of inaccuracy.

5.2. Billing and Payment

(a) Seller shall send a billing statement to Buyer on or before the fifth (5^{th}) day after the end of each Billing Cycle. If any net amount is due to Seller pursuant to any such billing statement, Buyer shall pay such amount to Seller within ten (10) days after receipt of such billing statement. If any net amount is due to Buyer pursuant to any such billing statement, Seller shall pay such amount to Buyer on or before the fifteenth (15^{th}) day after the end of such Billing Cycle. The billing statement shall show the kilowatt-hours of Delivered Energy for such Billing Cycle; the amounts due Seller for that Billing Cycle in respect of (i) the Energy Payment and the Fixed Monthly Payment, (ii) the Adjustment Payment, and (iii) any other amounts due to Seller hereunder (including payments pursuant to Section 2.2(b)); the amounts due Buyer for that Billing Cycle in respect of (A) the Adjustment Payment, (B) any Accredited Capacity Liquidated Damages, and (C) any other amounts due to Buyer hereunder; and the data reasonably pertinent to the calculation of the payments due to Seller or Buyer. If meter readings cannot be made during such Billing Cycle (or any portion thereof), the Buyer shall estimate deliveries to it for such period, tender payment accordingly, and make an adjustment for actual purchases in the next Billing Cycle's statement. Any amounts not paid by the due date will be deemed delinquent and will accrue interest at the Interest Rate, such interest to be calculated from and including the due date to but excluding the date the delinquent amount is paid in full.

(b) In the event of a dispute as to the amount of any bill, Buyer shall notify Seller of the amount in dispute and Buyer or Seller, as applicable, shall pay to the other Party the undisputed portion of the bill on or prior to the due date therefor, as identified in Section 5.2(a). Buyer or Seller, as applicable, shall pay, with an interest charge computed at the Interest Rate, from and including the date payment was due to but excluding the date payment is made, any portion of the disputed amount ultimately found to be proper. In the event of a refund, Buyer or Seller, as applicable, shall pay, with an interest charge computed at the Interest Rate, from and including the date the disputed payment was made to but excluding the date the refund payment is made, any refund amount ultimately found to be due to the other Party.

(c) Neither the Buyer nor Seller shall have the right to challenge any billing statement rendered or received hereunder after a period of two (2) years from the date such statement was rendered. In the event that any such billing statement depends in whole or in part upon estimated data, this two (2) year limitation period shall be deemed to begin on the first day of the Billing Cycle in which such estimated data is adjusted to actual.

5.3. Scheduling

(a) Scheduling of Generation Offers. Seller shall submit its Generation Offer for the Facility in accordance with the following scheduling parameters:

(i) The Facility shall be offered in the day-ahead market for dispatch by the Transmission Provider;

(ii) The Facility shall be designated as a must-run (price taker) generation unit with a dispatch minimum for each Operating Day equal to an amount of Energy no lower than the lower of (i) the Buyer's Capacity Amount plus the Other Buyers' Capacity Amount (as defined in the Other PPAs), or (ii) Seller's reasonable estimate of the Net Energy Output; and

(iii) The variable operating cost in Seller's offer curve for each day-ahead offer submitted by the Seller for the Facility shall be equal to the applicable "Energy Charge" set forth in the table in Exhibit A;

provided, however, that during a Scheduled Maintenance Outage, Seller shall have no obligation to Schedule Generation Offers under this Section 5.3(a).

(b) Scheduling of Financial Bilateral Transactions. Seller shall Schedule each Financial Bilateral Transaction relating to the delivery to Buyer of Energy generated at the Facility or Replacement Energy no later than three (3) hours prior to the deadline established by MISO for Buyer's confirmation of such Schedule, and Buyer shall accept each such Financial Bilateral Transaction Schedule no later than the deadline established by MISO for such acceptance, with each utilizing the appropriate MISO electronic scheduling system and protocols in accordance with the following Scheduling parameters:

(i) Seller shall submit a Financial Bilateral Transaction Schedule or Schedules for the quantity of Delivered Energy using the LMP for the relevant Operating Day; and

(ii) Buyer shall confirm such Financial Bilateral Transaction Schedule submitted by Seller in accordance with paragraph (i) above, provided that if Buyer disputes any component of any such Financial Bilateral Transaction Schedule submitted by Seller, Buyer shall immediately notify Seller and Buyer and Seller shall cooperate to resolve any discrepancies in a timely manner;

provided, however, that during a Scheduled Maintenance Outage, Seller may Schedule Financial Bilateral Transactions under this Section 5.3(b) with respect to Replacement Energy.

5.4. Survival

The provisions of Sections 5.1 and 5.2 shall survive the termination or expiration of this Agreement.

ARTICLE VI: FORCE MAJEURE

6.1. Conditions of Excuse from Performance

If and to the extent resulting from a Force Majeure a Party hereto is rendered unable to perform any of its obligations under this Agreement (other than obligations of such Party to pay money when such money is due), that Party shall be excused, except as specifically provided elsewhere in this Agreement, from whatever performance is prevented by the Force Majeure to the extent so prevented, provided that:

(a) The Party claiming excuse gives the other Party prompt written notice describing how the event qualifies as a Force Majeure;

(b) The permitted suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure, provided that in no event shall performance under this Agreement be excused for longer than six (6) months by reason of any particular Force Majeure;

(c) No obligations of a Party hereto under this Agreement which arose and accrued before the Force Majeure are excused as a result of the Force Majeure;

(d) A Party's performance may be excused due to Force Majeure only for so long as such Party claiming Force Majeure is exercising commercially reasonable efforts consistent with Good Utility Practices to eliminate or circumvent the Force Majeure condition.

(e) Seller shall, within sixty (60) days of the occurrence of the Force Majeure affecting Seller, deliver to Buyer a detailed plan for the remedy of the Force Majeure condition, and for the provision of long-term Replacement Capacity and Replacement Energy in the event that the Force Majeure condition is not expected by Seller to be remedied within six (6) months after the commencement thereof.

6.2. No Termination; Extension of Term

In no event shall a condition of Force Majeure be grounds for termination of this Agreement, or extend the Term of this Agreement.

6.3. Adjustment Payment

No Adjustment Payment shall be calculated or accrue in favor of either Party while performance of either Party is excused pursuant to Section 6.1. In no event shall an Adjustment Payment for a Billing Cycle exceed the Fixed Monthly Payment for that Billing Cycle.

ARTICLE VII: EVENTS OF DEFAULT: REMEDIES

7.1. List of Default Events

Except as otherwise provided in this Agreement and subject to the limitations contained in this Section 7.1 and Section 7.2, a Party shall be entitled to pursue any remedies available to it under generally applicable Laws or under this Agreement upon the occurrence of any of the following events (except as to the event described in Section 7.1(f), for which only Buyer shall be entitled to pursue any remedies available to it under generally applicable Laws or under this Agreement):

(a) The failure of the other Party to make any undisputed payment due hereunder and such failure shall continue for five (5) Business Days after written notice demanding such payment is received;

(b) In the event the other Party shall cease doing business as a going concern, shall generally not pay its debts as they become due or admit in writing its inability to pay its debts as they become due, shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable Law, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, custodian or liquidator of said Party or of all or any substantial part of its properties, or shall make an assignment for the benefit of creditors, or said Party shall take any corporate action to authorize or that is in contemplation of the actions set forth above in this Section 7.1(b);

(c) In the event that within thirty (30) days after the commencement of any proceeding against either Party seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other statute or Law, such proceeding shall not have been dismissed, or if, within thirty (30) days after the appointment without the consent or acquiescence of said Party of any trustee, receiver, custodian or liquidator of said Party or of all or any substantial part of its properties, such appointment shall not have been vacated or stayed on appeal or otherwise, or if, within thirty (30) days after the expiration of any such stay, such appointment shall not have been vacated;

(d) Any of the other Party's representations and warranties contained in Article VIII hereof was false or misleading in any material respect when made, unless (i) the fact, circumstance or condition that is the subject of such representation or warranty is made true within thirty (30) days after the defaulting Party has received notice thereof from the non-defaulting Party;

(e) A default in performance or observance by a Party of any agreement, undertaking, covenant or other obligation contained in Section 7.2;

(f) The failure of Seller to provide the Buyer's employees, agents, and other representatives reasonable access to test or examine Seller's metering devices after receiving notice to do so by the Buyer as required under this Agreement;

(g) A material default in performance or observance of any other agreement, undertaking, covenant or other material obligation contained in this Agreement by the other Party unless, within thirty (30) days after written notice from the non-defaulting Party specifying the nature of such material default, the defaulting Party cures such default or, if such cure cannot reasonably be completed within thirty (30) days and if the defaulting Party within such thirty (30) day period commences, and thereafter proceeds with all due diligence, to cure such default, said period shall be extended for such further period as shall be necessary for the defaulting Party to cure such default with all due diligence, provided that the extended cure period shall not exceed ninety (90) days from the date of the original notice; or

(h) Seller or Buyer shall permanently or persistently fail to perform under the terms of this Agreement, and such persistent failure continues for a period of thirty (30) days following notice to Seller or Buyer (as appropriate) of such persistent failure; provided, however, that if Seller's persistent failure to perform results from an order or directive of a Governmental Authority reducing or interrupting the output of the Facility or an alternative facility providing Replacement Capacity, Buyer shall not have the right to terminate this Agreement unless the order or directive results from Seller's default under this Agreement.

7.2. Security

(a) Seller shall provide on the Effective Date, and maintain thereafter throughout the remainder of the Term, security for compliance with its obligations under this Agreement, which shall consist of a corporate guaranty in the form attached hereto as Exhibit E, from FPL Group Capital, Inc. ("Guarantor"), and in the amount of thirty million dollars ($30,000,000) (the "Guaranty").

(b) A default specified in Section 7.1(a) may not be cured by drawing, or permitting a draw on, the Guaranty, unless the Guaranty is immediately replenished up to the required amount of the Guaranty under Section 7.2(a).

(c) If at any time there shall occur a Downgrade Event with respect to Guarantor, then Buyer may require Seller to replace the Guaranty with a letter of credit in the amount of thirty million dollars ($30,000,000). Any such letter of credit shall be reasonably satisfactory to Buyer in form and substance, shall be issued by a financial institution reasonably acceptable to Buyer, and shall be subject to all terms and conditions of this Agreement otherwise applicable to the Guaranty. In the event Seller shall fail to provide such security within ten (10) Business Days of receipt of written notice, then a breach of this Agreement shall be deemed to have occurred; provided, however, that Seller's obligation to provide a letter of credit shall be suspended if the Guarantor's unsecured, senior long-term debt

obligations (not supported by third party credit enhancements) are restored to a rating of Baa3 or better by Moody's Investment Services, Inc. (or its successor), or BBB- or better by Standard & Poor's Rating Group (or its successor).

(d) If at any time there shall occur a Downgrade Event with respect to Buyer, then Seller may require Buyer to provide, and maintain thereafter throughout the remainder of the Term, security for compliance with its obligations under this Agreement, which shall consist of a letter of credit in the amount of thirty million dollars ($30,000,000). Any such letter of credit shall be reasonably satisfactory to Seller in form and substance, and shall be issued by a financial institutions reasonably acceptable to Seller. In the event Buyer shall fail to provide such security within ten (10) Business Days of receipt of written notice, then a breach of this Agreement shall be deemed to have occurred; provided, however, that Buyer's obligation to provide a letter of credit shall be suspended if the Buyer's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) are restored to a rating of Baa3 or better by Moody's Investment Services, Inc. (or its successor), or BBB- or better by Standard & Poor's Rating Group (or its successor).

7.3. No Consequential Damages

In actions arising under Section 7.1 of this Agreement, and in all other claims arising under this Agreement by either Party against the other Party, neither Seller nor the Buyer shall be liable to the other for indirect, special, incidental, or consequential damages, except as to the indemnification obligations of the Parties under Article IX for the indirect, special, or consequential damages of third parties.

ARTICLE VIII: REPRESENTATIONS AND WARRANTIES

8.1. Representations and Warranties of Buyer

Buyer makes the following representations and warranties to Seller, each of which is true and correct as of the Effective Date:

(a) Buyer is a corporation duly organized and in active status under the Laws of the State of Iowa.

(b) Buyer has all corporate power and authority to enter into and perform this Agreement and to carry out the transactions contemplated herein.

(c) Buyer's execution, delivery and performance of this Agreement have been duly authorized by, and are in accordance with, its articles of incorporation and by-laws; this Agreement has been duly executed and delivered for it by the signatory so authorized; and this Agreement constitutes its legal, valid, and binding obligation, enforceable against it in accordance with the terms hereof.

(d) Buyer's execution, delivery and performance of this Agreement (i) will not result in a breach or violation of, or constitute a default under, any Authorization, or any

contract, lease or other agreement or instrument to which it is a party, or by which it or its properties may be bound or affected; and (ii) does not require any Authorization, or the consent, authorization or notification of any other Person, or any other action by or with respect to any other Person (except for Authorizations and consents or authorizations of other Persons already obtained, notifications already delivered, or other actions already taken).

(e) No suit, action or arbitration, or legal, administrative or other proceeding is pending or has been threatened against Buyer that would affect the validity or enforceability of this Agreement or the ability of Buyer to perform its obligations hereunder in any material respect, or that would, if adversely determined, have a material adverse effect on the business or financial condition of Buyer. There are no bankruptcy, insolvency, reorganization, receivership or other arrangement proceedings pending against or being contemplated by Buyer, or, to Buyer's knowledge, threatened against it.

(f) Buyer is not in breach of, in default under, or in violation of, any applicable Law, or the provisions of any Authorization, or in breach of, in default under, or in violation of, any provision of any promissory note, indenture or any evidence of indebtedness or security therefor, lease, contract, or other agreement by which it is bound, except for any such breaches, defaults or violations which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business or financial condition of Buyer or its ability to perform its obligations hereunder.

8.2. Representations and Warranties of Seller

Seller makes the following representations and warranties to Buyer, each of which is true as of the Effective Date:

(a) Seller is a limited liability company duly organized and in good standing under the Laws of the State of Delaware and qualified to do business in the State of Iowa.

(b) Seller has all corporate power and authority to enter into and perform this Agreement and to carry out the transactions contemplated herein.

(c) Seller's execution, delivery and performance of this Agreement have been duly authorized by, and are in accordance with, its articles of incorporation and by-laws; this Agreement has been duly executed and delivered for it by the signatory so authorized; and this Agreement constitutes Seller's legal, valid and binding obligation, enforceable against it in accordance with the terms hereof.

(d) Seller's execution, delivery and performance of this Agreement (i) will not result in a breach or violation of, or constitute a default under, any Authorization, or any contract, lease or other agreement or instrument to which it is a party, or by which it or its properties may be bound or affected; and (ii) does not require any Authorization, or the consent, authorization or notification of any other Person, or

any other action by or with respect to any other Person (except for Authorizations and consents or authorizations of other Persons already obtained, notifications already delivered, or other actions already taken).

(e) No suit, action or arbitration, or legal, administrative or other proceeding is pending or has been threatened against Seller that would affect the validity or enforceability of this Agreement or the ability of Seller to perform its obligations hereunder in any material respect, or that would, if adversely determined, have a material adverse effect on the business or financial condition of Seller. There are no bankruptcy, insolvency, reorganization, receivership or other arrangement proceedings pending against or being contemplated by Seller, or, to Seller's knowledge, threatened against it.

(f) Seller is not in breach of, in default under, or in violation of, any applicable Law, or the provisions of any Authorization, or in breach of, in default under, or in violation of, any provision of any promissory note, indenture or any evidence of indebtedness or security therefor, lease, contract, or other agreement by which it is bound, except for any such breaches, defaults or violations which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business or financial condition of Seller or its ability to perform its obligations hereunder.

ARTICLE IX: INDEMNITY AND LIMITATION OF LIABILITY

9.1. Title and Risk of Loss

Title to and risk of loss related to the Capacity, Energy or Ancillary Services shall transfer from Seller to Buyer at the Delivery Point. Seller warrants that it will deliver to Buyer the Capacity, Energy and Ancillary Services free and clear of all liens, security interests, claims and encumbrances or any interest therein or thereto by any Person arising prior to the Delivery Point.

9.2. Indemnification

(a) Each Party shall indemnify, defend and hold harmless the other Party from and against any Claims arising from or out of any event, circumstance, act or incident first occurring or existing during the period when control and title to Energy, Capacity and Ancillary Services is vested in such Party as provided in Section 9.1. Each Party shall indemnify, defend and hold harmless the other Party against any charges imposed by Governing Authority for which such Party is responsible.

(b) Notwithstanding any language to the contrary in this Agreement, neither Party shall have liability to the other Party with respect to provision of advice, consultation, proposals or recommendations by the first Party's personnel or representatives to the second Party whether occasioned by comments or requests of or by the second Party or by the negligent acts or omissions of employees or representatives of the first Party or otherwise, and the second Party shall

indemnify the first Party and hold harmless the first Party from and against losses, damages, costs or liabilities arising therefrom.

(c) Each Party shall promptly notify the other Party of the assertion of any Claim against which such other Party may be required to provide indemnity hereunder and shall give such other Party an opportunity to defend such Claim. These indemnification provisions are for the protection of the Parties hereto only and shall not establish, of themselves, any liability to third parties.

9.3. No Partnership

The Parties do not by this Agreement effect a joint undertaking and do not intend to create any joint or several obligations to third parties. Neither this Agreement nor any transaction hereunder, shall be construed to create a new entity, such as a partnership or a joint venture, or constitute an agency or employment relationship. Neither Party shall be under the control of or be deemed to control the other Party, and no Party shall have the right or power to bind any other Party.

9.4. Responsibility for Employees

The Parties agree that, as between themselves, each Party shall be responsible for the acts and omissions of, and any claims by and compensation to, its employees and agents, irrespective of any limitation on the amount or type of damages, compensation or benefits payable by or for such Party under workers' or workmen's compensation acts, disability benefit acts or other employee benefit acts; provided, however, that the foregoing is not intended to create third party beneficiary rights in any Person not a Party to this Agreement. Each Party shall indemnify the other Party from and against all liabilities, Claims, damages, suits, fines or judgments, including reasonable attorneys' fees and defense fees, disbursements and expenses, for injury or death to third persons and damage to or destruction of property of third persons, to the extent caused by such Party's employees or agents.

ARTICLE X: TERM

10.1. Term

Subject to the terms and conditions of this Agreement, this Agreement shall commence on the Effective Date and, unless terminated earlier as expressly provided herein, shall continue in effect until 11:59:59 p.m. (CPT) on February 21, 2014 (the "Termination Date").

10.2. Effect of Termination

Termination of this Agreement shall not terminate the rights or duties of either Party hereunder with respect to any obligations due to be performed on or before the effective date of termination. Without limitation of the foregoing, Article IX, Article XI and Article XIII shall survive the termination of this Agreement.

ARTICLE XI: RECORDS

11.1. Inspection of Records

Buyer and Seller shall maintain, to the extent applicable, for a period of not less than seven (7) years from the date of preparation thereof complete and accurate records of: (a) all measurements by Metering Devices of Delivered Energy pursuant to this Agreement, (b) real and reactive power production for each hour, changes in operating status, scheduled outages and any unusual conditions found during inspections, and (c) all other data and information necessary to calculate payments as provided in this Agreement, including invoices, receipts, charts, printouts, and other materials and documents. Subject to limitations imposed by applicable Law, Seller or Buyer, or their respective representatives shall be permitted to inspect such records upon request during normal business hours and copies of such records shall be provided, if requested, at the requesting Party's expense, within thirty (30) days of such request.

ARTICLE XII: NOTICES

12.1. Notices in Writing

All notices or other communications which are required or permitted under this Agreement shall be effective if they are in writing and delivered personally or by certified mail, postage prepaid and return receipt requested, reputable overnight delivery service, or telecopy or other confirmable form of electronic delivery, to the following address (except as to notices which are required by this Agreement to be delivered to a Party's Operational Contact, which shall be delivered to such Party's Operational Contact):

(a) if to Seller:

FPL Group Capital, Inc.
c/o FPL Energy, LLC
700 Universe Boulevard
Juno Beach, FL 33408
Attn: Treasurer
Telecopy: (561) 691-7305

With a copy to:

FPL Energy, LLC
700 Universe Boulevard
Juno Beach, FL 33408
Attn: Managing Attorney
Telecopy: (561) 691-7305

(b) if to the Buyer:

Interstate Power and Light Company
200 First Street SE
P.O. Box 351
Cedar Rapids, IA 52406-0351
Attention: President

With a copy to:

Alliant Energy Corporate Services, Inc.
4902 N. Biltmore Lane
Madison, WI 53718
Attention: General Counsel

(c) or to such other person or address as the addressee may have specified in a notice duly given to the sender as provided herein.

12.2. Date of Notification

All notices or communications duly delivered or mailed and postmarked to a Party hereto as provided in Section 12.1 shall be effective as of the date of receipt.

12.3. Oral Notice in Emergency

Notwithstanding the provisions of Section 12.1, any notice required hereunder with respect to an occurrence or event requiring immediate attention may be made orally, by telephone or otherwise, provided such notice shall be confirmed in writing promptly thereafter. Each Party shall make any such oral notice directly to the Operational Contact of the other Party.

12.4. Operational Contact

The Buyer and Seller shall each establish a primary operational contact (which may be one or more persons, or one or more offices) to act for it in the implementation of, and the operations under, this Agreement (the "Operational Contact"). Buyer and Seller shall notify the other Party of any change in their respective Operational Contact.

ARTICLE XIII: CONFIDENTIALITY

13.1. Non-Disclosure to Third Parties

Except in any proceeding to approve or enforce this Agreement, Seller and Buyer will not disclose to any third person without the prior written consent of the other Party which shall not be unreasonably withheld: (a) the terms or conditions of this Agreement or any other agreement between the Parties required hereby or referred to herein; or (b) any confidential or proprietary information or data, whether oral or written, received from the other Party. Information which is considered confidential or proprietary in nature must

be identified as such by stamping or otherwise clearly marking each page with the word "Confidential" when such information is in tangible form.

13.2. Disclosure Permitted

Notwithstanding Section 13.1, Seller or Buyer may disclose: (a) such information as may be required by any applicable Law, regulation, or governmental order; (b) such information as may reasonably be required by any operator of the Facility, or by independent accountants, attorneys, credit rating agency representatives, other professional consultants, or prospective lenders or investors, subject to reasonable procedures and other safeguards to protect the confidentiality of the information disclosed; (c) any information which is or becomes publicly known, other than by breach of this Agreement by the receiving Party; (d) information which becomes available to the receiving Party hereunder without restriction from a third party; (e) information which is at any time developed by the receiving Party independently of any disclosures hereunder; or (f) such information regarding the terms of this Agreement as such Party deems necessary to enable it to comply with the Securities Exchange Act of 1934, as amended, or the rules, regulations and forms of the Securities and Exchange Commission issued thereunder, the rules of the New York Stock Exchange, or the rules, regulations or orders of the FERC. In addition, the Buyer or Seller may use the confidential information in connection with their respective dealings with Governing Authorities of competent jurisdiction. In connection with any such use, the Buyer or Seller, as applicable, agrees to request confidential treatment of the information.

13.3. Survival of Confidentiality

The provisions of this Article XIII shall survive the Termination Date (or any earlier termination of this Agreement) for a period of five (5) years.

ARTICLE XIV: INSURANCE

14.1. Coverage and Amounts of Seller

During the Term, Seller shall procure, pay premiums for and maintain in full force and effect the insurance coverages described below.

(a) Worker's Compensation Insurance as required by the Laws of the State of Iowa, and Employer's Liability with limits established by state or federal Law, if applicable. This policy is to be endorsed to include a Waiver of Subrogation in favor of the Buyer.

(b) Commercial General Liability insurance, including coverage for (i) premises/operations, (ii) independent contractor, (iii) products and completed operations, (iv) broad form contractual liability, (v) broad form property damage, (vi) explosion, collapse and underground damage exclusion deletion, and (vii) personal injury, all with limits of not less than $25,000,000 each occurrence and in the aggregate. Such coverage can be made up of a combination of primary (or

in lieu thereof, self-insurance of no more than $10,000,000) and excess coverage policies.

(c) Comprehensive Vehicle Liability Insurance, covering all vehicles and automobiles whether owned, leased, or rented when used by Seller in connection with performance of this Agreement and including coverage for Bodily Injury and Property Damage in an amount not less than $1,000,000 per person, $2,000,000 per accident.

(d) Nuclear primary property insurance with Nuclear Electric Insurance Limited ("NEIL") in the amount of $500 million and with deductibles reasonably consistent with the custom in the commercial nuclear power industry. In addition, NEIL II nuclear decontamination, decommissioning and excess property insurance, or other similar program in an amount that is reasonably consistent with the custom in the commercial nuclear power industry and which, at a minimum, satisfies the requirements of 10 CFR 50.54(w).

(e) Nuclear liability insurance from American Nuclear Insurance in accordance with the Price Anderson Act of 1954, as amended, until such time as the NRC shall release Seller from this obligation. Should the Price Anderson Act of 1954, as amended, be repealed, the Seller shall at its cost, provide insurance or other similar financial protection affording coverage consistent with coverages maintained for other nuclear power plants from the commercial marketplace to the extent such coverage is commercially available and to the extent that such coverage is available at commercially reasonable rates. Such insurance shall include, at a minimum, the following policies:

(A) Facility Form

(B) Secondary Financial Protection

(C) Master Worker

(D) Suppliers and Transporters

(f) NEIL I nuclear business interruption and extra expense insurance in an amount that is reasonably consistent with the custom in the commercial nuclear power industry.

(g) Nothwithstanding the foregoing, each Party may self-insure to meet the minimum insurance requirements of Sections 14.1 (a) through 14.1 (c) to the extent it maintains a self-insurance program; provided that such Party's (or its guarantor's) senior secured debt is rated at investment grade, or better, by Standard & Poor's and that its self-insurance program meets minimum insurance requirements under Sections 14.1 (a) through 14.1 (c). For any period of time that a Party's (or its guarantor's) senior secured debt is unrated by Standard & Poor's, such Party shall comply with the insurance requirements applicable to it under Sections 14.1 (a) through 14.1 (c). In the event that a Party is permitted to self-insure pursuant to

this Section 14.1 (g), it shall notify the other Party that it meets the requirements to self-insure and that its self-insurance program meets the minimum insurance requirement in a manner consistent with that specified in this Article XIV.

14.2. Insurance Certificates

On the Effective Date, and thereafter from time to time at the request of Buyer, Seller shall provide certificates of insurance from insurance companies having a Best rating of A minus or better confirming that the insurance coverages required herein are maintained. Such certificates shall provide that Buyer be given thirty (30) days prior written notice by the insurer, or its authorized representative, of any cancellation and ten (10) days' prior written notice due to cancellation for non-payment of premiums in any required coverage provided by such insurer as evidenced by the certificates. In addition, Seller agrees to provide notice to Buyer of any material change in the insurance coverages or policies required hereby.

14.3. Coverage For Full Term

All required coverages shall remain in full force and effect during the Term. Buyer's and Seller's liability under this Agreement shall not be limited to or by the insurance coverages required in this Article XIV.

ARTICLE XV: ASSIGNMENT

15.1. Binding Effect

This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assignees.

15.2. General

Except as provided in this Article XV, neither Party shall assign or otherwise convey any of its right, title, or interest under this Agreement without the prior written consent of the other Party hereto (which consent shall not be unreasonably withheld or delayed). Seller shall not be permitted to assign this Agreement to any Person (including pursuant to Section 15.3) unless such Person also acquires all or substantially all of Seller's interest in the Facility. Any assignment or delegation made without required consent shall be null and void.

15.3. Assignment to an Affiliate

Each Party shall have the right to assign all or a portion of its rights or obligations under this Agreement to an Affiliate without the consent of the other Party, and such Affiliate to which this Agreement has been assigned shall have the right to further assign the Agreement back to assigning Party without the consent of the other Party; provided, however that (a) the assigning Party shall provide written notice of such assignment to the other Party and the assuming Affiliate agrees in writing to assume all obligations under this Agreement, (b) the assignee can document its financial strength is no worse

than that of the assignor, or the assignee will provide credit support from an entity with financial strength no worse than that of the assignor, and (c) any security requirements then in effect pursuant to Article VII remain effective following the assignment, or are replaced with equivalent security to the reasonable satisfaction of the non-assigning Party. In the event of an assignment to an Affiliate pursuant to this section, the Parties agree that the assignor is released from any and all further obligations under this Agreement, assuming the credit requirements are fully met.

ARTICLE XVI: MISCELLANEOUS

16.1. Dispute Resolution

Prior to filing suit in accordance with Section 16.7, the Parties shall first attempt in good faith to resolve any dispute, claim or controversy arising under this Agreement, the Exhibits hereto, or the validity or performance hereof and the transactions contemplated hereby in accordance with the provisions of this Section 16.1. In the event of any such dispute, the disputing Party shall give notice of such dispute to the other Party and reference this Section 16.1. Such notice shall describe with reasonable specificity the basis for the dispute. Within seven (7) days of receipt of such notice, the Operational Contact for each of the Parties shall meet to discuss the dispute. If following such discussions the Parties have not resolved the dispute, then within seven (7) days thereafter, the appropriate senior executive of each Party shall meet by telephone or in person to discuss the dispute. If the dispute is not resolved following this meeting of senior executives, the Parties may pursue available remedies under applicable Law in accordance with Section 16.7.

16.2. Recording Telephone Conversations

Each Party agrees that the other Party or its representatives may record any or all telephone conversations between representatives of the two Parties pursuant to or relating to this Agreement and will advise the other Party that the conversation is being recorded. Each Party further agrees that such recorded telephone conversations shall not be deemed inadmissible in any arbitration proceeding or court of law by virtue of the recorded nature of the conversations or any authority or lack of authority to make such recording. Each Party hereby waives any objection to the introduction of such recorded telephone conversations as evidence in any arbitration proceeding or court of law to the extent such objections are based on the recorded nature of such conversations or the authority or lack of authority to make such recording.

16.3. Compliance with Laws

Each Party shall at all times conform to all applicable Laws. Each Party shall give all required notices, shall procure and maintain all necessary Authorizations, governmental permits, licenses and inspections necessary for its performance of this Agreement, and shall pay all charges and fees in connection therewith.

16.4. Taxes and Other Charges

(a) Seller's Taxes.

Seller is liable for and shall pay, or cause to be paid, or reimburse Buyer if Buyer has paid, all Taxes applicable to any transaction arising out of this Agreement at or prior to the Delivery Point on the sale of Energy, Capacity or Ancillary Services to Buyer. Seller shall indemnify, defend and hold harmless Buyer from any Claims for such Taxes applicable at or prior to the Delivery Point.

(b) Buyer's Taxes.

Buyer is liable for and shall pay, or cause to be paid, or reimburse Seller if Seller has paid, all Taxes applicable to any transaction arising out of this Agreement after the Delivery Point on the sale by Buyer of Energy, Capacity or Ancillary Services. Buyer shall indemnify, defend and hold harmless Seller from any Claims for such Taxes applicable after the Delivery Point.

(c) Certificate of Tax Exemption.

Either Party, upon written request of the other, shall provide a certificate of exemption or other reasonably satisfactory evidence of exemption if either Party is exempt from Taxes.

16.5. Future Attributes

In the event that, at any time during the Term, a change in Law occurs that causes a capability of the Facility as in existence on the date hereof to become a tradeable attribute or otherwise to have a market value, Buyer shall be entitled to fifty percent (50%) of Buyer's Percentage Share of such tradable attribute and the benefits of such attribute, and the Parties shall in good faith negotiate to amend this Agreement to provide that fifty percent (50%) of Buyer's Percentage Share of the attribute, and the benefits of such tradable attribute arising from the Facility are allocated to Buyer at no additional cost to Buyer.

16.6. Financial Transmission Rights

Buyer shall be entitled to all financial transmission rights or other rights and benefits with the Transmission Provider associated with the Capacity, Energy and Ancillary Services being purchased hereunder. Seller shall cooperate in good faith with Buyer to ensure that such financial transmission rights and other rights and benefits are assigned and transferred to Buyer at no additional cost to Buyer.

16.7. Governing Law; Venue

This Agreement shall be governed by and construed in accordance with the law of the State of Iowa (without giving effect to conflict of law principles) as to all matters, including but not limited to matters of validity, construction, effect, performance and

remedies. THE PARTIES HERETO AGREE THAT VENUE IN ANY AND ALL ACTIONS AND PROCEEDINGS RELATED TO THE SUBJECT MATTER OF THIS AGREEMENT SHALL BE IN THE UNITED STATES DISTRICT COURT FOR NORTHERN DISTRICT OF IOWA (EASTERN DIVISION); IN THE EVENT THAT JURISDICTION FOR ANY MATTER CANNOT BE ESTABLISHED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF IOWA (EASTERN DIVISION), THEN JURISDICTION FOR SUCH MATTER SHALL BE IN THE IOWA STATE DISTRICT COURT FOR LINN COUNTY. THE FOREGOING COURTS SHALL HAVE EXCLUSIVE JURISDICTION FOR SUCH PURPOSES, AND THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. SERVICE OF PROCESS MAY BE MADE IN ANY MANNER RECOGNIZED BY SUCH COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

16.8. Entire Agreement; Amendment

This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement, and supersedes and terminates any letters of intent and all prior and contemporaneous agreements, understandings, negotiations and discussions with the Parties, whether oral or written, regarding said subject matter, and there are no warranties, representations or other agreements between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. NEITHER PARTY TO THIS AGREEMENT MAKES ANY REPRESENTATION, WARRANTY OR INDEMNITY, EXPRESS OR IMPLIED, TO THE OTHER PARTY TO THIS AGREEMENT EXCEPT FOR THE REPRESENTATIONS, WARRANTIES AND INDEMNITIES EXPRESSLY SET FORTH IN THIS AGREEMENT. No amendment, supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

16.9. No Implied Waiver

The failure or delay of any Party hereto to enforce at any time any of the provisions of this Agreement, or to require at any time performance of the other Party hereto of any of the provisions hereof, shall neither be construed to be a waiver of such provisions nor affect the validity of this Agreement or any part hereof or the right of such Party thereafter to enforce each and every such provision.

16.10. Severability

Any provision of this Agreement declared or rendered unlawful by any Governing Authority or deemed unlawful because of a statutory change (individually or collectively, such events referred to as "Regulatory Event") will not otherwise affect the remaining lawful obligations that arise under this Agreement; and provided, further, that if a Regulatory Event occurs, the Parties shall use their best efforts to reform this Agreement in order to give effect to the original intention of the Parties.

16.11. No Exclusivity/Dedication of Assets

This Agreement is not intended to be an exclusive arrangement between Buyer and Seller. No undertaking by a Party hereto to the other Party hereto under any provision of this Agreement shall constitute the dedication of that Party's assets or any portion thereof to the other Party or to the public.

16.12. Expenses

Each Party shall pay the fees and expenses of its respective counsel, accountants, brokers, consultants, investment bankers and other experts incident to the negotiation and preparation of this Agreement.

16.13. Counterparts

This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

16.14. Survival

The applicable provisions of this Agreement shall continue in effect after the termination of this Agreement, to the extent necessary to provide for final billing and adjustment, and to make other appropriate settlements hereunder. Those provisions hereof that by their express terms are intended to survive the Agreement shall so survive for the periods indicated.

16.15. Third Party Beneficiary

Nothing expressed or referenced to in this Agreement will be construed to give any Person other than the Parties hereto any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and the provisions and conditions hereof are for the sole and exclusive benefit of the Parties hereto, and their permitted successors and permitted assigns.

16.16. Mobile-Sierra

It is the intent of the Parties that the rates and all other terms and conditions of the services provided hereunder shall not be subject to change under Sections 205 or 206 of

the Federal Power Act of 1935, as amended, 16 U.S.C. § 791 *et seq.*, (or any successor legislation) without the consent of both Parties. Each of the Parties hereto agrees not to unilaterally file with the FERC a change in the rates, terms or conditions of this Agreement. Moreover, absent agreement of all Parties to a proposed change, the standard of review for changes to any rate, term or condition of this Agreement proposed by a non-Party or the FERC or any other Governing Authority acting *sua sponte* shall be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Services Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956). To the extent that the FERC adopts specific language that parties must incorporate into agreements in order to bind FERC, third parties and themselves to a public interest standard of review, the Parties hereby incorporate such language herein by reference.

16.17. Forward Contract

The Parties acknowledge and agree that this Agreement, the transactions contemplated hereby, and any security instrument that may be provided by either Party under Article VII shall each, and together, constitute one and the same "forward contract" within the meaning of the United Stated Bankruptcy Code (the "Code"), and the Seller, Buyer, and the Guarantor shall each constitute a "forward contract merchant" under the Code.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Power Purchase Agreement to be executed on its behalf by its duly authorized officer as of the date first set forth above.

FPL ENERGY DUANE ARNOLD, LLC CSS

By:_____
Michael O'Sullivan
Senior Vice President

INTERSTATE POWER AND LIGHT COMPANY

By:_____
Thomas L. Aller
President

EXHIBIT A

Payments

Year	Fixed Monthly Payment (in $MM)	Energy Charge (in $/MWh)	Unitized Fixed Charge (in $/MWh)[1]
2005	11.049	6.10	40.18
2006	11.049	6.10	40.18
2007	10.990	7.34	39.96
2008	11.197	7.04	40.60
2009	11.638	8.37	42.32
2010	11.955	8.34	43.47
2011	12.169	9.20	44.25
2012	12.652	9.76	45.87
2013	12.811	14.04	46.58
2014	12.764	13.45	46.41

For each month during the Term, the Fixed Monthly Payment set forth above shall be adjusted by multiplying the amount of such payment by the applicable Shaping Factor for such month as set forth on Exhibit C hereto.

[1] The Unitized Fixed Charge is derivative of the Targeted Capacity Factor and will be based on the following formula: UFC = [Fixed Monthly Payment x 12]/[(Buyer's Capacity Amount)x(hours in the year)x(TCF)] **This Exhibit A shall be revised as necessary to reflect the Capacity Amount calculated at or prior to closing in accordance with Exhibit B.**

EXHIBIT B

Capacity Amount

For any given month during the Term, the Capacity Amount shall be equal to the product of (i) 598 MWe[2] and (ii) the applicable adjustment factor set forth in the table below.

Month	Capacity Amount Adjustment Factor
January	1.015
February	1.012
March	1.010
April	1.000
May	0.995
June	0.988
July	0.982
August	0.983
September	0.993
October	1.002
November	1.007
December	1.013

[2] The Capacity Amount of 598 MWe is illustrative and shall be finalized by the Parties, and this Agreement shall be modified accordingly, to reflect the Capacity of the Facility to be measured at the Interconnection Point prior to the Effective Date in accordance with MAIN Guide No. 3A and Section 6.23 of the Asset Sale Agreement.

EXHIBIT C

Adjustment Payment

For any given Billing Cycle during the Term, the Adjustment Payment shall be calculated as follows:

Adjustment Payment = (DE – TE) * UFC * SF

Where:

DE = Delivered Energy for the applicable Billing Cycle.

TE = Targeted Energy for the applicable Billing Cycle.

UFC = The applicable Unitized Fixed Charge set forth in Exhibit A.

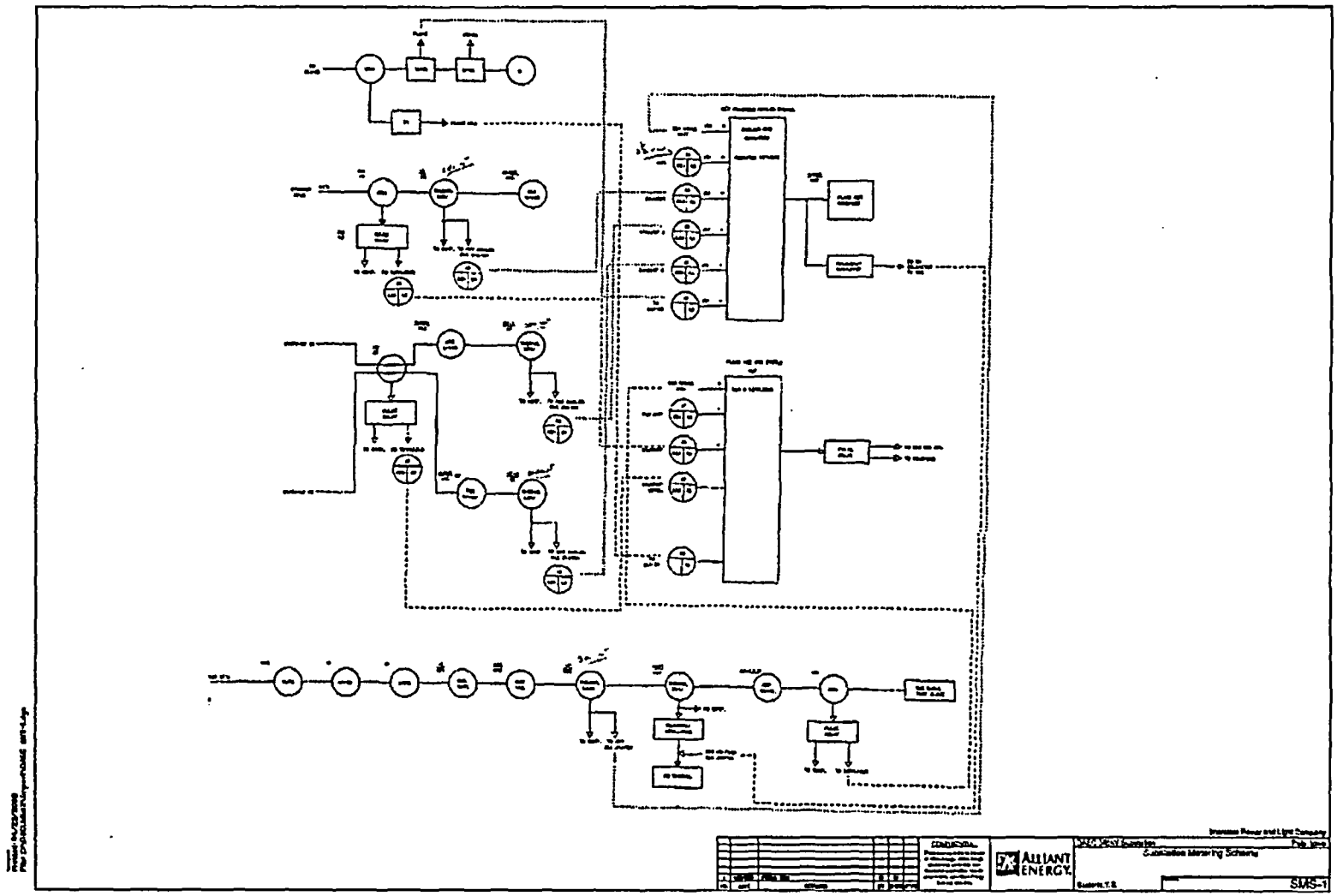
SF = The applicable Shaping Factor from the table below.

Month	Shaping Factor
January	1.1
February	1.1
March	1.0
April	0.9
May	0.9
June	1.0
July	1.2
August	1.2
September	0.9
October	0.9
November	0.9
December	0.9

A positive Adjustment Payment calculation indicates a payment to be made by Buyer to Seller; a negative Adjustment Payment calculation indicates a payment to be made by Seller to Buyer.

EXHIBIT D

Diagram of Metering Devices



Execution Copy

EXHIBIT E

FORM OF SELLER GUARANTY

This Guaranty is made and given as of the ___ day of _____ 2005, by FPL Group Capital Inc., a Florida corporation ("Guarantor"), in favor of Interstate Power and Light Company, an Iowa corporation ("Buyer").

WHEREAS, FPL Energy Duane Arnold, LLC, a Delaware limited liability company ("Seller") and an indirect subsidiary of Guarantor, has entered into a Power Purchase Agreement dated as of July 2, 2005 (the "Power Purchase Agreement"), pursuant to which Buyer has agreed to purchase and Seller has agreed to sell, Capacity, Energy, and all associated Ancillary Services in accordance with the Power Purchase Agreement, and the parties have undertaken certain duties, responsibilities and obligations as set forth in the Power Purchase Agreement; and

WHEREAS, Guarantor has agreed to guarantee the obligations of Seller under the Power Purchase Agreement; and

WHEREAS, it is a condition to the obligations of Buyer under the Power Purchase Agreement that the Guarantor execute and deliver this Guaranty; and

WHEREAS, the Guarantor will benefit from the transactions contemplated by the Power Purchase Agreement.

NOW, THEREFORE, the Guarantor agrees as follows:

Section 1. Definitions. Capitalized terms used herein shall have the meanings assigned to them herein or, if not defined herein, then such terms shall have the meanings assigned to them in the Power Purchase Agreement.

Section 2. Guaranty. As an inducement to Buyer, for and in consideration of Buyer entering into the Power Purchase Agreement, Guarantor hereby absolutely, unconditionally, and irrevocably guarantees to Buyer and its successors, endorsees and assigns, as primary obliger and not merely as a surety, the full and prompt payment, when due, of all of Seller's obligations under the Power Purchase Agreement (the "Guaranteed Obligations"). This is a guaranty of performance and payment and not of collection. Notwithstanding any other provision of this Guaranty, the maximum recovery from the Guarantor which may be collected pursuant to the provisions of this Guaranty shall in no event exceed in the aggregate an amount equal to Thirty Million $30,000,000 dollars.

Section 3. Guaranty Absolute. The liability of Guarantor under this Guaranty shall be absolute, unconditional and irrevocable, and nothing whatever except actual full payment and performance to Buyer of the Guaranteed Obligations (and all other debts, obligations and liabilities of Guarantor under this Guaranty) shall operate to discharge Guarantor's liability hereunder. Without limiting the generality of the foregoing, Guarantor's liability hereunder shall

be unaffected by:

(a) The occurrence or continuance of any event of bankruptcy, reorganization or insolvency with respect to Guarantor or Seller, or in the event that all or any part of any payment is recovered from Buyer as a preference payment or fraudulent transfer under the Federal Bankruptcy Code or any applicable law, or the dissolution, liquidation or winding up of Guarantor or Seller;

(b) Any amendment, supplement, reformation or other modification of the Power Purchase Agreement;

(c) The exercise, non-exercise or delay in exercising, by Buyer or any other Person, of any of their rights under this Guaranty or the Power Purchase Agreement;

(d) Any change in time, manner or place of payment of, or in any other terms of, all or any of the Guaranteed Obligations or any other amendment or waiver of, or any consent to depart from, the Power Purchase Agreement or any other agreement, document or instrument relating thereto;

(e) Any permitted assignment or other transfer of rights under this Guaranty by Buyer, or any permitted assignment or other transfer of the Power Purchase Agreement in whole or in part;

(f) Any change in ownership or control of Guarantor or Seller;

(g) Any sale, transfer or other disposition by Guarantor of any direct or indirect interest it may have in Seller;

(h) The inaccuracy of any of the repesentations and warranties of Seller under the Power Purchase Agreement;

(i) The absence of any notice to, or knowledge by, Guarantor of the existence or occurrence of any of the matters or events set forth in the foregoing clauses; and

(j) Any other circumstances which might otherwise constitute a defense to, or discharge of, Guarantor or Seller in respect of the Guaranteed Obligations or a legal or equitable discharge of Seller in respect thereof, including, a discharge as a result of any bankruptcy or similar law.

Section 4. Waiver. In addition to waiving any defenses to which clauses (a) through (j) of Section 3 may refer:

(a) Guarantor hereby irrevocably, unconditionally and expressly waives, and agrees that it shall not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshaling of assets or redemption laws, or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by Guarantor of its obligations under, or the enforcement by Buyer

of, this Guaranty;

(b) Guarantor hereby irrevocably, unconditionally and expressly waives all notices, diligence, presentment and demand of every kind (whether for nonpayment or protest or of acceptance, maturity, extension of time, change in nature or form of the Guaranteed Obligations, acceptance of security, release of security, composition or agreement arrived at as to the amount of, or the terms of, the Guaranteed Obligations, notice of adverse change in Seller's financial condition, or any other fact which might materially increase the risk to Guarantor hereunder) with respect to the Guaranteed Obligations which are not specifically required to be given by Buyer to Guarantor in the Power Purchase Agreement, and any other demands whatsoever which are not specifically required to be given by Buyer to Guarantor in the Power Purchase Agreement, and waives the benefit of all provisions of law which are in conflict with the terms of this Guaranty;

(c) The Guarantor hereby irrevocably, unconditionally and expressly waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and the delivery, acceptance, performance, default or enforcement of this Guaranty and any requirement that Buyer protect, secure or perfect any security interest or exhaust any right or first proceed against Seller or any other person or entity; and

(d) Until payment and satisfaction in full of all Guaranteed Obligations, Guarantor irrevocably, unconditionally and expressly waives (i) any right it may have to bring in a case or proceeding against Seller by reason of Guarantor's performance under this Guaranty or with respect to any other obligation of Seller to Guarantor, under any state or federal bankruptcy, insolvency, reorganization, moratorium or similar laws for the relief of debtors or otherwise; (ii) any subrogation to the rights of Buyer against Seller and any other claim against Seller which arises as a result of payments made by Guarantor pursuant to this Guaranty, until the Guaranteed Obligations have been paid and performed in full and such payments are not subject to any right of recovery; and (iii) any setoffs or counterclaims against Buyer which would otherwise impair Buyer's rights against Guarantor hereunder.

Section 5. Representations and Warranties. Guarantor hereby represents and warrants as follows:

(a) Guarantor is a corporation duly organized and validly existing under the laws of Florida.

(b) Guarantor has full corporate power, authority and legal right to execute and deliver this Guaranty and to perform its obligations hereunder.

(c) This Guaranty has been duly authorized, executed and delivered by Guarantor.

(d) This Guaranty constitutes the legal, valid and binding obligation of Guarantor enforceable against Guarantor in accordance with its terms.

(e) The execution and delivery by Guarantor of this Guaranty and the performance by Guarantor of its obligations hereunder will not (i) conflict with or result in any breach of any provisions of Guarantor's certificate of incorporation or bylaws (or other similar governing documents); (ii) conflict with or result in any breach of any provision of any law applicable to Guarantor or the transactions contemplated hereby; (iii) result in a breach of or constitute a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, agreement or other instrument or obligation to which Guarantor is a party or by which it or its assets or property are bound; or (iv) require any consent, approval, permit or authorization of, or filing with or notification to, any governmental or regulatory authority.

(f) No action, suit or proceeding at law or in equity or by or before any governmental authority or arbitral tribunal is now pending or, to the best knowledge of Guarantor, threatened against Guarantor that would reasonably be expected to have a material adverse effect on Guarantor's ability to pay and perform its obligations under this Guaranty.

(g) Guarantor's obligations under this Guaranty are not subject to any offsets or claims of any kind against Buyer, Seller or any other Person.

Section 6. Continuing Guarantee. This Guaranty is a continuing guaranty and shall remain in full force and effect until all Guaranteed Obligations have been paid and performed in full or Seller's obligations to make payment to Buyer have been terminated pursuant to the terms of the Power Purchase Agreement. This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned by Buyer upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Seller or Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, Seller, Guarantor or any substantial part of their respective properties, or otherwise, all as though such payments had not been made.

Section 7. Amendments; Waivers; Etc. Neither this instrument nor any terms hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by Buyer and Guarantor. Upon such termination of this Guaranty, this Guaranty shall continue in effect thereafter with respect to all Guaranteed Obligations which arise or are committed for prior to such termination (including all subsequent extensions and renewals thereof, including extensions and renewals at increased rates, and all subsequently accruing interest and other charges thereon) until all such Guaranteed Obligations and all obligations of Guarantor hereunder shall be paid or performed in full and such payments are not subject to any right of recovery. No delay or failure by Buyer to exercise any remedy against Seller or Guarantor will be construed as a waiver of that right or remedy. No failure on the part of Buyer to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by any applicable law.

Section 8. Severability. In the event that the provisions of this Guaranty are claimed or held to be inconsistent with any other instrument evidencing or securing the Guaranteed Obligations, the terms of this Guaranty shall remain fully valid and effective. If any one or more of the provisions of this Guaranty should be determined to be illegal or unenforceable, all other provisions shall remain effective.

Section 9. Assignment.

(a) Assignability. Guarantor shall not have the right to assign any of Guarantor's rights or obligations or delegate any of its duties under this Guaranty without the prior written consent of Buyer. Guarantor shall remain liable under this Guaranty, notwithstanding assumption of this Guaranty by a successor or assign, unless and until released in writing from its obligations hereunder by Buyer. Buyer may, at any time and from time to time, assign, in whole or in part, its rights hereunder to any Person to whom Buyer has the right to assign its rights or obligations under and pursuant to the terms of the Power Purchase Agreement, whereupon such assignee shall succeed to all rights of Buyer hereunder.

(b) Successors and Assigns. Subject to Section 9(a) hereof, all of the terms of this instrument shall be binding upon and inure to the benefit of the parties hereof and their respective permitted successors and assigns.

Section 10. Address for All Notices. All notices and other communications provided for hereunder shall be given and effective in accordance with the notice requirements of the Power Purchase Agreement and if to Guarantor, at the following address:

FPL Group Capital Inc.
c/o FPL Energy, LLC
700 Universe Boulevard
Juno Beach, FL 33408
Attn: Treasurer
Telecopy: (561) 691-7305

with a copy to:
FPL Energy, LLC
700 Universe Boulevard
Juno Beach, FL 33408
Attn: Managing Attorney
Telecopy: (561) 691-7305

Section 11. Governing Law. This Guaranty shall be governed by and construed in accordance with the law of the State of Iowa (without giving effect to conflict of law principles) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. THE PARTIES HERETO AGREE THAT VENUE IN ANY AND

ALL ACTIONS AND PROCEEDINGS RELATED TO THE SUBJECT MATTER OF THIS AGREEMENT SHALL BE IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF IOWA (EASTERN DIVISION); IN THE EVENT THAT JURISDICTION FOR ANY MATTER CANNOT BE ESTABLISHED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF IOWA (EASTERN DIVISION), THEN JURISDICTION FOR SUCH MATTER SHALL BE IN THE IOWA STATE DISTRICT COURT FOR LINN COUNTY. THE FOREGOING COURTS SHALL HAVE EXCLUSIVE JURISDICTION FOR SUCH PURPOSES, AND THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. SERVICE OF PROCESS MAY BE MADE IN ANY MANNER RECOGNIZED BY SUCH COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 12. Entire Agreement. This writing is the complete and exclusive statement of the terms of this Guaranty and supersedes all prior oral or written representations, understandings, and agreements between Buyer and Guarantor with respect to the subject matter hereof. Guarantor agrees that there are no conditions to the full effectiveness of this Guaranty.

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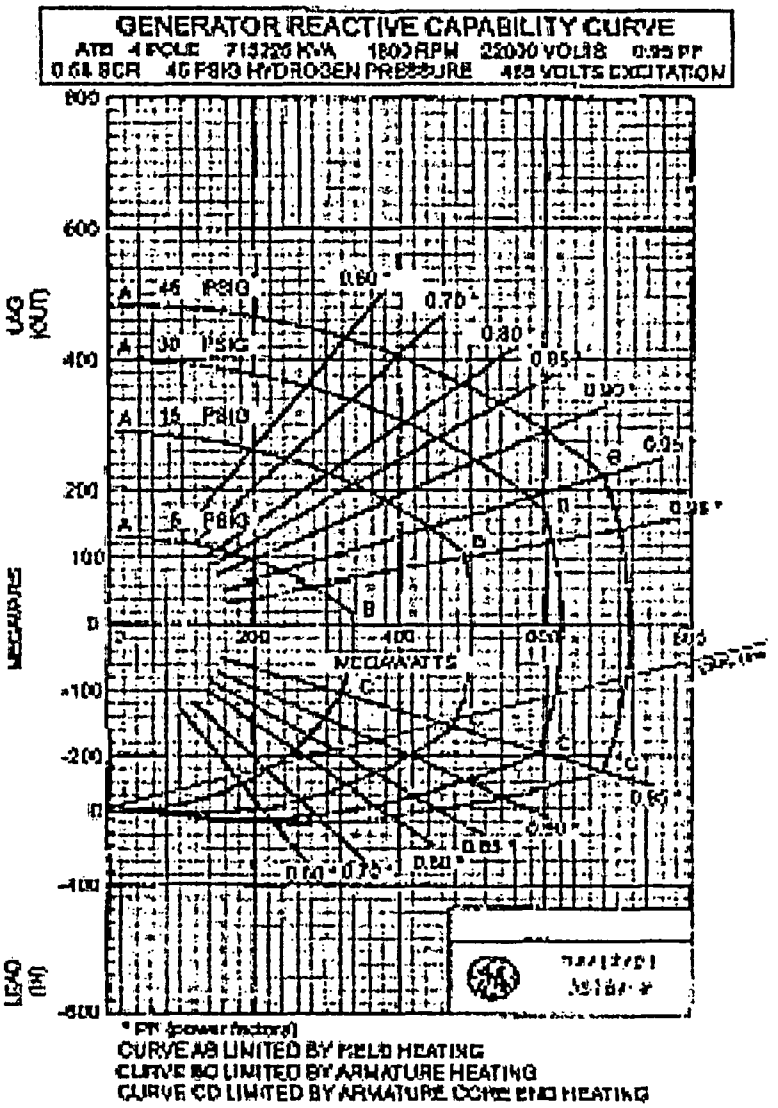
IN WITNESS WHEREOF, Guarantor has duly caused this Guaranty to be executed and delivered as of the date first written above.

By: _____
Name:
Title:

EXHIBIT F

Reactive Power Capabilities



Enclosure 8P

FPL Energy Duane Arnold, LLC Projected Opening Balance Sheet
Proprietary – under separate cover

Enclosure 8NP

FPL Energy Duane Arnold, LLC Projected Opening Balance Sheet
Non-Proprietary

FPL ENERGY DUANE ARNOLD,LLC
PROJECTED OPENING BALANCE SHEET AT 1/1/06 (FOR 70% OF PLANT)

Current Assets		**Current Liabilities**	
M&S Inventory		Current Liabilities	
Other Current Assets		Fuel Contract	
Fixed Assets		**Other Liabilities**	
Plant		Asset Retirement Obligation	
Fuel		Debt	
		Pension/Post-Retirement Liability	
Other Assets		**Owner's Equity**	
Decommissioning Funds			
Total Assets		**Total Liabilities and Owner's Equity**	

Enclosure 9

Form of
Support Agreement Between FPL Group Capital Inc and
FPL Energy Duane Arnold, LLC

SUPPORT AGREEMENT BETWEEN
FPL GROUP CAPITAL INC AND
FPL ENERGY DUANE ARNOLD, LLC

THIS SUPPORT AGREEMENT, dated as of [_____, 2005] between FPL Group Capital Inc, a Florida corporation ("FPL"), and FPL Energy Duane Arnold, LLC, a Delaware limited liability company (the "Subsidiary").

WITNESSETH:

WHEREAS, FPL is the indirect owner of 100% of the outstanding shares of the Subsidiary; and

WHEREAS, the Subsidiary intends to purchase certain assets located at the Duane Arnold Energy Center in Palo, Iowa (the "Facility") pursuant to an Asset Sale Agreement dated July 2, 2005, by and among the Subsidiary and Interstate Power & Light Company ("Seller"); and

WHEREAS, FPL and the Subsidiary desire to take certain actions to ensure the Subsidiary's ability to pay the expenses of operating and maintaining the Facility safely and protecting the public health and safety (the "Operating Expenses"), and to meet U.S. Nuclear Regulatory Commission ("NRC") requirements during the operating life of the Facility (the "NRC Requirements").

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties hereto agree as follows:

1. *Availability of Funding.* From time to time, upon request of the Subsidiary, FPL shall provide or cause to be provided to the Subsidiary such funds as the Subsidiary determines to be necessary to pay the Operating Expenses and meet the NRC Requirements; provided, however, in no event shall the aggregate amount which FPL is obligated to provide under this Agreement exceed $35 million.

2. *No Guarantee.* This Support Agreement is not, and nothing herein contained, and no action taken pursuant hereto by FPL shall be construed as, or deemed to constitute, a direct or indirect guarantee by FPL to any person of the payment of the Operating Expenses or of any liability or obligation of any kind or character whatsoever of the Subsidiary or of any affiliate of the Subsidiary. This Agreement may, however, be relied upon by the NRC in determining the financial qualifications of the Subsidiary to hold an operating license for the Facility.

3. *Waivers.* FPL hereby waives any failure or delay on the part of the Subsidiary in asserting or enforcing any of its rights or in making any claims or demands hereunder.

4. *Amendments and Termination.* This Agreement may not be amended or modified at any time without thirty (30) days prior written notice to the NRC. This Agreement shall terminate at such time as FPL is no longer the direct or indirect owner of the Facility. This Agreement shall also terminate at such time as the Facility permanently ceases commercial operations.

5. *Successors.* This Agreement shall be binding upon the parties hereto and their respective successors and assigns.

6. *Third Parties.* Except as expressly provided in Section 4 with respect to the NRC, this Agreement is not intended for the benefit of any person other than the parties hereto, and shall not confer or be deemed to confer upon any other such person any benefits, rights or remedies hereunder.

7. *Governing Law.* This Agreement shall be governed by the laws of the State of Florida without giving effect to any choice or conflict-of-law provision or rule (whether of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

FPL GROUP CAPITAL INC

By:_____
Name:_____
Title:_____

FPL ENERGY DUANE ARNOLD, LLC

By:_____
Name:_____
Title:_____

Enclosure 10

Decommissioning Funding Worksheet

DAEC Decommissioning Funding Worksheet

ESTIMATED DECOMMISSIONING FUNDS REQUIRED BY 10 CFR 50.75 (b) and (c)
Estimated 12/31/05
Reference: 10 CFR 50.75 (c) (2)

Reactor	MWt	(1) 1986 Base $	(2) Current Year Adjusted "L"	(3) Current Year Adjusted "E"	(2) Current Year Adjusted "B"	(4) Escalation Factor	(5) Escalated Obligation
Duane Arnold	1912	121,208,000	2.12	2.09	8.8630	3.60	436,700,303

(1) 1986 Base (000,000's) =(.009 X MWt) + 104

(2) Calculation of Adjusted Values

	(A) 1986 Statistic Value	(B) Most Recent Statistic Value	(C) Index Adjustment Value	(D) = (B)x(C) Adjusted Statistic Value	(D) / (A) Adjusted Value
Labor Statistic "L" - ecu13202i	125.0	188.5	1.409	265.6	2.12
Burial "B" - NUREG 1307 Rev 11	1.000	8.8630	N/A	8.8630	8.863
Electric Power "P" - wpu0543	114.2	161.4	N/A	161.4	1.41
Fuel Oil "F" - wpu0573	82.0	236.9	N/A	236.9	2.89

(3) E = .54P + .46F

(4) Escalation Factor = .65(Adjusted L) + .13(Adjusted E) + .22(Adjusted B)

(5) Escalated Obligation = 1986 Base $ * Escalation Factor

FORECASTED INFLATION FACTORS
Estimated 12/31/05

L	ecu13302i	188.50	Midwest Labor Escalation Value
P	wpu0543	161.41	
F	wpu0573	236.87	
B	NUREG 1307 Rev 11	8.863	Value for Duane Arnold - BWR

Assumes preliminary BLS data as of May 2005 and escalated to account for a full year.

			Dec-04	May-05	Escalation	Est. Dec 05
L	ecu13302i	(1)	177.9	180.0	4.72%	188.50
P	wpu0543		147.2	151.3	6.68%	161.41
F	wpu0573		124.5	165.3	43.30%	236.87

(1) Preliminary 1st quarter data

CALCULATION OF NRC MINIMUM AND FUNDING ASSURANCE

FPL Duane Arnold's 70% Share of DAEC			305,690,212
Years Until Decommissioning	2/21/2014	1/1/2006	8.15
NRC Real Rate of Return			2.0%
Present Value at Real Rate of Return			260,154,515
NRC Minimum for FPL Duane Arnold's 70% share of DAEC			260,154,515
Funds Transferred to FPL Duane Arnold's Post-Closing Decom Fund			186,000,000
Amount of Surplus (Deficit) Covered by Corporate Guarantee Of Funding Assurance as of 12/31/05			(74,154,515)

Enclosure 11

Form of
FPL Energy Duane Arnold, LLC Parent Guaranty

BUYER'S PARENT GUARANTY

GUARANTY, dated as of _____ made by FPL Group Capital Inc., ("Guarantor"), a corporation organized under the laws of the State of Florida, on behalf of its subsidiary, FPL Energy Duane Arnold, LLC ("Licensee"). Except as otherwise defined herein, terms used here and defined in the Asset Sale Agreement (as hereinafter defined) shall be used herein as so defined.

WHEREAS, the Licensee and Interstate Power and Light Company (the "Seller") have entered into an Asset Sale Agreement dated as of July 2, 2005 (the "Agreement") to sell to the Licensee the DAEC Assets;

WHEREAS, the Licensee is an indirect wholly-owned subsidiary of Guarantor;

WHEREAS, the NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations ("CFR"), Part 50 which requires that a holder of, or an applicant for, a license issued pursuant to 10 CFR Part 50 provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Seller with a seventy percent (70 %) interest in the Duane Arnold Energy Center Nuclear Plant ("DAEC") will transfer an estimated $188.3 million to qualified and non-qualified decommissioning trust funds established and maintained by Licensee for the DAEC.

WHEREAS, it is estimated that a total of $260.2 million in decommissioning funding assurance is necessary to meet Licensee's share of the NRC requirements for the DAEC, and therefore that approximately $75 million in decommissioning funding assurance is required in addition to the amounts held in the qualified and non-qualified funds is necessary;

WHEREAS, the Guarantor expects to receive substantial indirect benefits from the purchase of the DACE Assets by the Licensee from the Seller (which benefits are hereby acknowledged), and accordingly desires to execute and deliver this Guaranty in order to provide financial assurance for decommissioning activities for the DAEC as required by 10 CFR Part 50 and the Agreement.

NOW THEREFORE, in consideration of the foregoing and other benefits accruing to the Guarantor the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby makes the following representation and warranties to the NRC and hereby covenants and agrees as follows:

1. The Guarantor guarantees to the NRC that if the Licensee fails to perform the required decommissioning activities, as defined by the NRC regulations at 10 CFR 50.2 and as required by NRC License No. DPR-49 for the DAEC, the Guarantor shall (a) carry out the required activities, or (b) set up a trust fund for the benefit of the NRC in the amount of $75 million (in year 2005 dollars) (the "guaranteed obligation"). In addition, Guarantor hereby agrees to pay any and all costs and expenses (including fees and disbursements of counsel) incurred by the NRC in enforcing any rights under this Guaranty.

2. Guarantor's obligation pursuant to this Guaranty is an unconditional guaranty of payment and not of collectibility. This Guaranty shall remain in full force and effect until the date on which the

Licensee no longer is required to comply with the applicable assurance requirements of 10 CFR Part 50 for the facility, or until otherwise earlier terminated in accordance with the provisions of section 6 below or extinguished by the NRC. No delay or omission by the NRC to exercise any right under this Guaranty shall impair any right, nor shall it be construed to be a waiver thereof. No waiver of any single breach or default under this Guaranty shall be deemed a waiver of any other breach or default.

3. Except for termination or cancellation of this Guaranty under Section 6 or action by the NRC extinguishing Guarantor's obligations under this Guaranty, the obligations and liability of the Guarantor under this Guaranty shall be absolute, unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in time, manner or place of payment of, or in any other term of, the guaranteed obligation; (b) any change in ownership of Guarantor or Licensee; (c) any bankruptcy, insolvency, or reorganization of, or other similar proceedings involving Guarantor or Licensee; (d) any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or Guarantor; or (e) any amendment or modification of the DAEC License or the NRC-approved decommissioning funding plan for the DAEC, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the Licensee pursuant to 10 CFR Part 50; provided that, except for the matters set forth in (a)-(e) above, the Guarantor shall be entitled to assert and claim the benefit of any defense, offset or counterclaim which the Licensee may have in law or equity to the payment or performance of the guaranteed obligation, as a defense, offset or counterclaim to its obligations under this Guaranty.

4. Guarantor, hereby irrevocably, unconditionally and expressly waives, to the fullest extent permitted by applicable law, promptness, diligence, notice of acceptance and other notice with respect to the guaranteed obligation and this Guaranty and any requirement that the NRC protect, secure or perfect any security interest or exhaust any right or first proceed against Licensee or any other person or entity. Likewise, Guarantor expressly waives notice of acceptance of this Guaranty by the NRC and of any amendments or modification of the decommissioning requirements or the License.

5. This guaranty shall be binding upon Guarantor and its successors and permitted assigns and inure to the benefit of and be enforceable by the NRC and its successors and permitted assigns.

6. This Guaranty shall terminate and be of no further force and effect upon the date on which the Licensee no longer is required to comply with the applicable assurance requirements of 10 CFR Part 50 for the facility; provided, however, that the Guarantor may terminate this Guaranty by sending notice by certified mail to the NRC and the Licensee, such cancellation to become effective no earlier than 120 days after receipt of such notice by both the NRC and the Licensee. If at the time of cancellation the qualified and nonqualified decommissioning funds maintained by Licensee for the DAEC are insufficient to meet NRC requirements and the Licensee fails to provide alternative financial assurance within 90 days of Guarantor's notice of cancellation, the Guarantor will (a) provide such alternate financial assurance in the name of the Licensee, (b) make full payment under the Guaranty, or (c) restore the Guaranty.

7. Annually within 90 days of the close of Guarantor's fiscal year, Guarantor will submit to the NRC its current financial statements, a current estimate of the decommissioning funding assurance

required for the DAEC and any corresponding adjustment to this Guaranty, and a statement showing compliance with the NRC's financial tests for parent guarantees in 10 CFR Part 30. If at the end of any fiscal year before termination of this Guaranty, Guarantor fails to meet such financial test criteria, the Licensee and Guarantor will submit notice to the NRC within 90 days by certified mail that Licensee intends to provide alternative financial assurance as specified in 10 CFR Part 50. If Licensee fails to provide such alternative financial assurance within 30 days after such notice, the Guarantor shall provide the alternative financial assurance in the name of the Licensee.

8. If at any time the NRC notifies Licensee and Guarantor of a determination by the NRC that Guarantor no longer meets the financial test criteria in 10 CFR Part 30, Appendix A, Licensee will within 30 days of such notice provide alternative financial assurance in accordance with the applicable requirements in 10 CFR Part 50. If Licensee fails to provide such alternative financial assurance, Guarantor will provide such assurance in Licensee's name.

9. The Guarantor further represents, warrants and agrees that:
   a. The Guarantor (i) is a duly organized and validly existing corporation in good standing under the laws of the State of Florida, (ii) has the power and authority to own its property and assets and to transact the business in which it is engaged and (iii) is duly qualified as a foreign corporation and in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification.
   b. The Guarantor has the corporate power to execute, deliver and perform the terms and provisions of this Guaranty and has taken all necessary corporate action to authorize the execution, delivery and performance by it of this Guaranty. The Guarantor has duly executed and delivered this Guaranty, and this Guaranty constitutes its legal, valid and binding obligation enforceable in accordance with its terms.
   c. Neither the execution, delivery or performance by the Guarantor of this Guaranty, nor compliance by it with the terms and provisions hereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any lien upon any of the property or assets of the Guarantor or any of its subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other agreement, contract or instrument to which the Guarantor or any of its subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the certificate of incorporation or bylaws of the Guarantor or any of its subsidiaries.
   d. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained previously), or exemption by, any governmental or public body or authority, or any subdivision thereof (except as have been previously obtained), is required to authorize, or is required in connection with, (i) the execution, delivery and performance of this Guaranty or (ii) the legality, validity, binding effect or enforceability of this Guaranty.
   e. Neither the Guarantor nor any of its subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.
   f. The Licensee is an indirect but wholly-owned subsidiary of Guarantor, and Guarantor has through its wholly-owned subsidiaries majority control of the voting stock of the Licensee.
   g. The Guarantor meets or exceeds the financial test criteria in 10 CFR Part 30, Appendix B,

Section ii.a.2.

10. This Guaranty, shall be governed by and construed in accordance with the domestic laws of the State of Florida without giving effect to any choice or conflict-of-law provision or rule (whether of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Florida. The Guarantor consents to the exclusive jurisdiction and venue of any state or federal court within the city of _____, Florida for adjudication of any suit, claim, action or other proceeding at law or in equity relating to this Guaranty, or to any transaction contemplated hereby. The Guarantor accepts, generally and unconditionally, the exclusive jurisdiction and venue of the aforesaid courts and waives any objection as to venue, and any defense *of forum non conveniens.* The Guarantor hereby irrevocably designates, appoints and empowers _____, with offices on the date hereof at _____, as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents which may be served in any such action or proceeding. If for any reason such designee, appointee and agent shall cease to be available to act as such, the Guarantor agrees to designate a new designee, appointee and agent in Florida on the terms and for the purposes of this provision satisfactory to the NRC. The Guarantor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Guarantor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the NRC to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Guarantor in any other jurisdiction. The Guarantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with the Guaranty brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11. All notices and other communications hereunder shall be made at the address of the Guarantor specified below.

[remainder of page intentionally left blank]

In witness whereof, Guarantor has duly caused this Guaranty to be executed and delivered as of the date first written above.

By:_____

Name:_____

Title: _____

state of _____)
) ss.:
county of _____)

On _____, 2005, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____, that he is the _____ _____ of _____, the corporation described in and which executed the above instrument, and that he signed his name thereto by authority of the board of directors or by-laws of said corporation.

_____
Notary Public

Enclosure 12

Financial Test for Parent Guaranty

FPL GROUP CAPITAL

APPENDIX B-6.3

FINANCIAL TEST: ALTERNATIVE II

		($ millions)
1.	Decommissioning cost estimates or guaranteed amount for facility [insert license number] (total cost of all cost estimates should be stated in paragraphs above)	$ 75
2.	Current bond rating of most recent unsecured issuance of this firm Rating A- Name of rating service Standard & Poor's	
3.	Date of issuance of bond 6/99	
4.	Date of maturity of bond 6/1/09	
*5.	Tangible net worth** (if any portion of estimates for decommissioning is included in total liabilities on your firm's financial statements, you may add the amount of that portion to this line)	$1,525
*6.	Total assets in United States (required only if less than 90 percent of firm's assets are located in the United States)	

		Yes	No
7.	Is line 5 at least $10 million?	X	
8.	Is line 5 at least 6 times line 1?	X	
9.	Are at least 90 percent of firm's assets located in the United States? If not, complete line 10.	X	
10.	Is line 6 at least 6 times line 1?		
11.	Is the rating specified on line 2 "BBB" or better (if issued by Standard & Poor's) or "Baa" or better (if issued by Moody's)?	X	

* Denotes figures derived from financial statements.

** Tangible net worth is defined as net worth minus goodwill, patents, trademarks, and copyrights.

Enclosure 13

Large Generator Interconnection Agreement

EXECUTION COPY

DUANE ARNOLD ENERGY CENTER

LARGE GENERATOR INTERCONNECTION AGREEMENT (LGIA)

between

INTERSTATE POWER AND LIGHT COMPANY

and

FPL ENERGY DUANE ARNOLD, LLC

DATED AS OF JULY 2, 2005

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LARGE GENERATOR INTERCONNECTION AGREEMENT

THIS LARGE GENERATOR INTERCONNECTION AGREEMENT ("LGIA") is made and entered into as of this 2nd day of July, 2005, by and between FPL Energy Duane Arnold, LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Interconnection Customer"), and Interstate Power and Light Company ("Transmission Owner"). Interconnection Customer and Transmission Owner each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, the Generating Facility (defined herein) is an existing generating plant that is interconnected with the transmission facilities of Transmission Owner;

WHEREAS, the Generating Facility was jointly owned by IPL, CIPCO and Corn Belt and subject to a Duane Arnold Energy Center Participation Agreement ("Ownership Agreement") and Duane Arnold Energy Center Operating Agreement ("Operating Agreement"), dated June 1, 1970 among IPL, CIPCO and Corn Belt;

WHEREAS, Interconnection Customer purchased Transmission Owner's interest in the Generating Facility pursuant to the terms and conditions of that certain Asset Sale Agreement (as defined herein) and Interconnection Customer now owns and operates the Generating Facility; and

WHEREAS, the Parties want to separately identify their rights and obligations with respect to the continued interconnection of the Generating Facility with the transmission facilities of the Transmission Owner.

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein, it is agreed:

When used in this LGIA, terms with initial capitalization that are not defined in Article 1 shall have the meanings specified in the Article in which they are used.

ARTICLE 1. DEFINITIONS

Adverse System Impact shall mean the negative effects due to technical or operational limits on conductors or equipment being exceeded that may compromise the safety and reliability of the electric system.

Affected System shall mean an electric transmission or distribution system or the electric system associated with an existing generating facility or of a higher queued Generating Facility, which is an electric system other than the Transmission System that may be affected by the interconnection of the Generating Facility. An Affected System may or may not be subject to FERC jurisdiction.

Affected System Operator shall mean the entity that operates an Affected System.

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries,

controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

Ancillary Services shall mean those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission System in accordance with Good Utility Practice.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the Parties, their respective facilities and/or the respective services they provide.

Applicable Reliability Council shall mean the reliability council of NERC, or its successor, applicable to the Control Area of the Transmission System to which the Generating Facility is directly interconnected.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Control Area of the Transmission System to which the Generating Facility is directly interconnected and the Rules.

Asset Sale Agreement shall mean that certain Asset Sale Agreement dated as of July 2, 2005 by and between FPL Energy Duane Arnold, LLC and Interstate Power and Light Company.

Breach shall mean the failure of a Party to perform or observe any material term or condition of this LGIA.

Breaching Party shall mean a Party that is in Breach of this LGIA.

Business Day shall mean Monday through Friday, excluding Federal Holidays.

Calendar Day shall mean any day including Saturday, Sunday or a Federal Holiday.

Closing Date shall have the meaning ascribed to it in the Asset Sale Agreement.

Commercial Operation shall mean the status of a Generating Facility that has commenced generating electricity for sale, excluding electricity generated during Trial Operation.

Commercially Reasonable Efforts shall mean, with respect to an action required to be attempted or taken by a Party under this LGIA, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

Confidential Information shall mean any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise.

Control Area shall mean an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the interconnection. A Control Area must be certified by the Applicable Reliability Council.

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with Article 17 of this LGIA.

Demonstrated Capability shall mean the continuous net real power output that the Generating Facility is required to demonstrate in compliance with Applicable Reliability Standards.

Dispute Resolution shall mean the procedure for resolution of a dispute between the Parties as set forth in Article 27.

Distribution System shall mean the Transmission Owner's facilities and equipment, if any, connected to the Transmission System, over which facilities transmission service or wholesale distribution service under the Tariff is available at the time the Interconnection Customer has requested interconnection of a Generating Facility for the purpose of either transmitting electric energy in interstate commerce or selling electric energy at wholesale in interstate commerce and which are used to transmit electricity to ultimate usage points such as homes and industries directly from nearby generators or from interchanges with higher voltage transmission networks which transport bulk power over longer distances. The voltage levels at which distribution systems operate differ among Control Areas and other entities owning distribution facilities interconnected to the Transmission System.

Effective Date shall mean the date on which this LGIA becomes effective pursuant to Section 2.1.

Emergency Condition shall mean a condition or situation: (1) that in the reasonable judgment of the Party making the claim is imminently likely to endanger, or is contributing to the endangerment of, life, property, or public health and safety; or (2) that, in the case of the Transmission Owner or its designated agent, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to the Transmission System or Distribution System, Transmission Owner's Interconnection Facilities or the electric systems of others to which the Transmission System is directly connected; or (3) that, in the case of Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Generating Facility or Interconnection Customer's Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions; provided that Interconnection Customer is not obligated by this LGIA to possess black start capability. Any condition or situation that results from lack of sufficient generating capacity to meet load requirements or that results solely from economic conditions shall not constitute an Emergency Condition, unless one of the enumerated conditions or situations identified in this definition also exists.

Environmental Law shall mean Applicable Laws and Regulations relating to pollution or protection of the environment or natural resources.

Federal Holiday shall mean a Federal Reserve Bank holiday.

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a et seq.

FERC shall mean the Federal Energy Regulatory Commission (Commission) or its successor.

Force Majeure shall mean any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include an act of negligence or intentional wrongdoing by the Party claiming Force Majeure.

Generating Facility shall mean the Duane Arnold Energy Center as identified in Appendix A, but shall not include the Interconnection Customer's Interconnection Facilities.

Generating Facility Capacity shall mean the "Capacity Amount" as such term is defined in the Power Purchase Agreement.

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Governmental Authority shall mean any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include Interconnection Customer, Transmission Owner, or any Affiliate thereof.

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "radioactive substances," "contaminants," "pollutants," "toxic pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

Interconnection Customer's Interconnection Facilities shall mean all facilities and equipment, as identified in Appendix A of this LGIA, that are located between the Generating Facility and the Point of Change of Ownership, including any modification, addition, or upgrades to such facilities and equipment necessary to physically and electrically interconnect the Generating Facility to the Transmission System or Distribution System, as applicable. Interconnection Customer's Interconnection Facilities are sole use facilities.

Interconnection Facilities shall mean the Transmission Owner's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Generating Facility and the Point of Interconnection,

including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Transmission System.

Interconnection Service shall mean the service provided by the Transmission Owner or its designated agent associated with interconnecting the Generating Facility to the Transmission System and enabling it to receive electric energy and capacity from the Generating Facility at the Point of Interconnection, pursuant to the terms of this LGIA and, if applicable, the Tariff.

IRS shall mean the Internal Revenue Service.

IUB shall mean the Iowa Utilities Board, or its successor.

Loss shall mean any and all losses relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties.

Metering Equipment shall mean all metering equipment installed or to be installed at the Generating Facility pursuant to this LGIA at the metering points, including but not limited to instrument transformers, MWh-meters, data acquisition equipment, transducers, remote terminal unit, communications equipment, phone lines, and fiber optics.

MISO shall mean the Midwest Independent Transmission System Operator, Inc., or its successor.

NERC shall mean the North American Electric Reliability Council or its successor organization.

Notice of Dispute shall mean a written notice of a dispute or claim that arises out of or in connection with this LGIA or its performance.

NRC shall mean the Nuclear Regulatory Commission, or its successor.

NRC Maintenance Rule shall mean the NRC regulations governing the maintenance of the Generating Facility, at 10 C.F.R. § 50.65, and commitments to which Interconnection Customer is subject as of the Closing Date.

NRC Operating License means NRC Operating License No. DPR-49.

NRC Requirements and Commitments shall mean all the requirements, obligations, duties, and commitments required to be followed and honored by Interconnection Customer pursuant to the Atomic Energy Act of 1954, the regulations of the NRC, the Generating Facility's operating license and nuclear materials licenses, as amended or superseded.

Off-site Power Supply Service shall mean all services necessary to permit the supply of Electricity (excluding ancillary services) to the Generating Facility in accordance with the terms of this LGIA, and the applicable tariff.

Off-site Power Supply Points shall mean the points at which Off-site Power Supply Service is supplied by Transmission Owner to Interconnection Customer as indicated in Appendix A.

Party or Parties shall mean Transmission Owner and/or Interconnection Customer, as applicable.

Point of Change of Ownership shall mean the point(s), as set forth in Appendix A to this LGIA, where the Interconnection Customer's Interconnection Facilities connect to the Transmission Owner's Interconnection Facilities.

Point of Interconnection shall mean the point(s), as set forth in Appendix A to this LGIA, where the Interconnection Customer's Interconnection Facilities connect to the Transmission System or Distribution System, as applicable.

Power Purchase Agreement or PPA shall mean that certain Power Purchase Agreement, dated as of July 2, 2005, by and between FPL Energy Duane Arnold, LLC and Interstate Power and Light Company.

Regional Reliability Council shall mean any of the ten regional councils that are members of NERC or any successor organizations thereto.

Rules shall mean the Transmission Owner's or its designated agent's operational control, reliability and/or safety standards, rules, regulations, by-laws, rates, and tariffs, which may include but are not limited to all applicable standards, regulations, and data reporting requirements established by the applicable regional reliability council, North American Electric Reliability Council ("NERC"), and/or the Federal Energy Regulation Commission ("FERC"), as may be amended, revised, or modified from time to time by the Transmission Owner in its sole discretion subject to the requirements of Section 9.2.

Site Control shall mean documentation reasonably demonstrating: (1) ownership of, a leasehold interest in, or a right to develop a site for the purpose of constructing the Generating Facility; (2) an option to purchase or acquire a leasehold site for such purpose; or (3) an exclusivity or other business relationship between Interconnection Customer and the entity having the right to sell, lease or grant Interconnection Customer the right to possess or occupy a site for such purpose.

Special Protection System (SPS) shall mean an automatic protection system or remedial action scheme designed to detect abnormal or predetermined system conditions, and take corrective actions other than and/or in addition to the isolation of faulted components, to maintain system reliability. Such action may include changes in demand (MW and MVar), energy (MWh and MVarh), or system configuration to maintain system stability, acceptable voltage, or power flows. An SPS does not include (a) under frequency or undervoltage load shedding, (b) fault conditions that must be isolated, (c) out-of-step relaying not designed as an integral part of an SPS, or (d) Transmission Control Devices.

System Protection Facilities shall mean the equipment, including necessary protection signal communications equipment, required to protect (1) the Transmission System, Distribution System or other delivery systems or other generating systems from faults or other electrical disturbances occurring at the Generating Facility and (2) the Generating Facility from faults or other electrical

system disturbances occurring on the Transmission System or on other delivery systems or other generating systems to which the Transmission System is directly connected, as identified in Appendix A to this LGIA.

Tariff shall mean the Transmission Owner's Tariff, as amended or supplemented from time to time, or any successor tariff. With respect to a Transmission Owner's transmission facilities that are under the operational control of a regional transmission organization, all references to Tariff shall mean the tariff of such regional transmission organization, as amended or supplemented from time to time, or any successor tariff.

Transmission Control Devices shall mean a generally accepted transmission device that is planned and designed to provide dynamic control of electric system quantities, and are usually employed as solutions to specific system performance issues. Examples of such devices include fast valving, high response exciters, high voltage DC links, active or real power flow control and reactive compensation devices using power electronics (e.g., unified power flow controllers), static var compensators, thyristor controlled series capacitors, braking resistors, and in some cases mechanically switched capacitors and reactors. In general, such systems are not considered to be Special Protection Systems.

Transmission Owner shall mean Interstate Power and Light Company.

Transmission Owner's Interconnection Facilities shall mean all facilities and equipment owned by the Transmission Owner from the Point of Change of Ownership to the Point of Interconnection as identified in Appendix A to this LGIA, including any modifications, additions or upgrades to such facilities and equipment.

Transmission System shall mean the facilities owned by the Transmission Owner and controlled or operated by the Transmission Owner or its designated agent that are used to provide transmission service or wholesale distribution service under the Tariff.

ARTICLE 2. EFFECTIVE DATE, TERM AND TERMINATION

2.1 **Effective Date.** This LGIA shall become effective on the Closing Date.

2.2 **Term of Agreement.** The term of this LGIA shall begin on the Effective Date and continue in effect through the later of (a) February 21, 2014, or (b) the date that NRC Operating License No. DPR-49 expires. Thereafter the term will be from year to year with a written termination notice of twenty-four (24) months by either Party, unless terminated pursuant to the provisions of Article 2.3 or unless otherwise agreed to by the Parties.

2.3 **Termination Procedures.** This LGIA may be terminated as follows:

2.3.1 **Written Notice.** This LGIA may be terminated by the Transmission Owner if the Generating Facility has ceased Commercial Operation for three (3) consecutive years, beginning with the last date of Commercial Operation for the Generating Facility, after giving the Interconnection Customer ninety (90) Calendar Days advance written notice. The Generating Facility will not be deemed to have ceased Commercial Operation for purposes of this Section 2.3.1 if the Interconnection

Customer can document that it has taken significant steps to maintain or restore operational readiness of the Generating Facility for the purpose of returning the Generating Facility to Commercial Operation as soon as possible.

2.3.2 **Default.** Either Party may terminate this LGIA in accordance with Article 17.

2.3.3 Notwithstanding Articles 2.3.1 and 2.3.2, no termination shall become effective until the Parties have complied with all Applicable Laws and Regulations applicable to such termination.

2.4 **Termination Costs.** If a Party elects to terminate this LGIA pursuant to Article 2.3 above, each Party shall pay all costs incurred for which that Party is responsible or charges assessed by the other Party, as of the date of the other Party's receipt of such notice of termination, under this LGIA. In the event of termination by a Party, the Parties shall use Commercially Reasonable Efforts to mitigate the costs, damages and charges arising as a consequence of termination.

2.4.1 If the Interconnection Customer terminates this LGIA for any reason other than Default by the Transmission Owner, it shall be responsible for all costs incurred in association with that Interconnection Customer's interconnection, including any cancellation costs relating to orders or contracts for Interconnection Facilities and equipment, and other expenses including any upgrades or related equipment for which the Transmission Owner has incurred expenses and has not been reimbursed by the Interconnection Customer.

2.4.2 With respect to any portion of the Interconnection Facilities, and any other facilities already installed, unless such termination results from Default by the Transmission Owner, Interconnection Customer shall be responsible for all costs associated with the removal, relocation, reconfiguration or other disposition or retirement of such materials, equipment, or facilities, and such other expenses actually incurred by Transmission Owner necessary to return the Transmission or Distribution System, as applicable, to safe and reliable operation.

2.5 **Disconnection.** Upon termination of this LGIA, the Parties will take all appropriate steps to disconnect the Generating Facility from the Transmission or Distribution System, as applicable. All costs required to effectuate such disconnection shall be borne by the terminating Party, unless such termination resulted from the non-terminating Party's Default of this LGIA or such non-terminating Party otherwise is responsible for these costs under this LGIA.

2.6 **Survival.** This LGIA shall continue in effect after termination to the extent necessary to provide for final billings and payments and for costs incurred hereunder, including billings and payments pursuant to this LGIA; to permit the determination and enforcement of liability and indemnification obligations arising from acts or events that occurred while this LGIA was in effect; and to permit each Party to have access to the lands of the other Party pursuant to this LGIA or other applicable agreements, to disconnect, remove or salvage its own facilities and equipment.

ARTICLE 3. REGULATORY FILINGS

3.1 **Filing.** The Parties shall file this LGIA (and any amendment hereto) with the appropriate Governmental Authority, if required. A Party may request that any information so provided be subject to the confidentiality provisions of Article 22. The Interconnection Customer shall reasonably cooperate with Transmission Owner with respect to such filing and provide any information reasonably requested by Transmission Owner needed to comply with applicable regulatory requirements.

ARTICLE 4. SCOPE OF SERVICE

4.1 **Provision of Service.** Transmission Owner shall provide Interconnection Service for the Generating Facility at the Point of Interconnection.

4.2 **Performance Standards.** Each Party shall perform all of its obligations under this LGIA in accordance with Applicable Laws and Regulations, Applicable Reliability Standards, and Good Utility Practice. To the extent a Party is required or prevented or limited in taking any action by such Applicable Laws and Regulations, Applicable Reliability Standards, and Good Utility Practice, or if the obligations of any Party may become limited by a change in such Applicable Laws and Regulations, Applicable Reliability Standards, and Good Utility Practice after the execution of this LGIA, that Party shall not be deemed to be in Breach of this LGIA for its compliance therewith. The Party so required, prevented or limited shall notify the other Party of such circumstances, whereupon the Parties shall amend this LGIA.

4.3 **No Transmission Delivery Service.** The execution of this LGIA does not constitute a request for, nor the provision of, any transmission delivery service under the Tariff, and does not convey any right to deliver electricity to any specific customer or Point of Delivery.

ARTICLE 5. INTERCONNECTION FACILITIES ENGINEERING, PROCUREMENT, AND CONSTRUCTION

5.1 **Power System Stabilizers.** The Interconnection Customer shall maintain and operate power system stabilizers in accordance with the guidelines and procedures established by the Applicable Reliability Council. Transmission Owner or its designated agent reserves the right to reasonably establish minimum acceptable settings for any installed power system stabilizers, subject to the design and operating limitations of the Generating Facility. If the Generating Facility's power system stabilizers are removed from service or are not capable of automatic operation, the Interconnection Customer shall immediately notify the Transmission Owner's system operator, or its designated representative. The requirements of this paragraph shall not apply to induction generators.

5.2 **Access Rights.** Upon reasonable notice by a Party, and subject to any required or necessary regulatory approvals, a Party ("Granting Party") shall furnish at no cost to the other Party ("Access Party") any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by the Granting Party, its agents (if allowed under the applicable agency agreement), or any Affiliate, that are necessary to enable the Access Party to obtain ingress and egress to construct, operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities and equipment to: (i) operate and maintain the Generating Facility, the

Interconnection Facilities and the Transmission System; and (ii) disconnect or remove the Access Party's facilities and equipment upon termination of this LGIA. In exercising such licenses, rights of way and easements, the Access Party shall not unreasonably disrupt or interfere with normal operation of the Granting Party's business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by the Granting Party and provided to the Access Party.

5.3 **Indemnification for the Cost Consequences of Current Tax Liability Upon Transmission Owner.** In accordance with the applicable MISO tariff, Interconnection Customer shall protect, indemnify and hold harmless Transmission Owner from the cost consequences of any tax liability imposed against Transmission Owner as the result of payments or property transfers made by Interconnection Customer to Transmission Owner under this LGIA.

5.4 **Tax Status.** Each Party shall cooperate with the other Party to maintain each Party's tax status. Nothing in this LGIA is intended to adversely affect any Transmission Owner's tax-exempt status.

5.5 **Modification.**

5.5.1 **General.** Either Party may undertake modifications to its facilities. If a Party plans to undertake a modification that reasonably may be expected to affect the other Party's facilities, that Party shall provide to the other Party sufficient information regarding such modification so that the other Party may evaluate the potential impact of such modification prior to commencement of the work. Such information shall be deemed to be confidential hereunder and shall include information concerning the timing of such modifications and whether such modifications are expected to interrupt the flow of electricity from the Generating Facility. The Party desiring to perform such work shall provide the relevant drawings, plans, and specifications to the other Party at least ninety (90) Calendar Days in advance of the commencement of the work or such shorter period upon which the Parties may agree, which agreement shall not unreasonably be withheld, conditioned or delayed.

In the event a Party's modification under Article 5.5.1 necessitates a modification by the other Party, such other Party shall use Commercially Reasonable Efforts to provide, within thirty (30) Calendar Days (or such other time as the Parties may agree), a description of such additional modification(s) and a good faith estimate of the costs thereof.

5.5.2 **Standards.** Any additions, modifications, or replacements made to a Party's facilities shall be designed, constructed and operated in accordance with this LGIA, Good Utility Practice, and the Rules.

5.5.3 **Modification Costs.** Interconnection Customer shall not be directly assigned the costs of any additions, modifications, or replacements that Transmission Owner makes to the Transmission Owner's Interconnection Facilities, Transmission Owner's System Protection Facilities, or the Transmission or Distribution System, as applicable, to facilitate the interconnection of a third party to the Transmission

Owner's Interconnection Facilities or the Transmission or Distribution System, as applicable, or to provide transmission service to a third party under the Tariff. Interconnection Customer shall be responsible for the costs of any additions, modifications, or replacements to the Interconnection Customer's Interconnection Facilities that may be necessary to maintain or upgrade such Interconnection Customer's Interconnection Facilities consistent with Applicable Laws and Regulations, Applicable Reliability Standards, Good Utility Practice or the Rules. In accordance with the applicable MISO tariff, Interconnection Customer shall be responsible for the costs of any additions, modifications, or replacements to the Transmission Owner's System Protection Facilities, the Transmission System, the Distribution System, or the Affected System to the extent related to any addition, modification, upgrade, or replacement of the Generating Facility and/or the Interconnection Customer Interconnection Facilities.

5.6 Transmission Credits and Refunds.

Interconnection Customer's entitlement to any credit or refund related to payments made to Transmission Owner or to an Affected System Operator pursuant to this Article 5 shall be determined in accordance with the applicable MISO tariff.

ARTICLE 6. TESTING AND INSPECTION

6.1 Testing and Modifications. Each Party shall at its own expense perform routine inspection and testing of its facilities and equipment and perform modifications in accordance with Good Utility Practice as may be necessary to ensure the continued interconnection of the Generating Facility with the Transmission or Distribution System, as applicable, in a safe and reliable manner. Each Party shall have the right, upon advance written notice, to require reasonable additional testing of the Interconnection Facilities, at the requesting Party's expense, as may be in accordance with Good Utility Practice.

6.2 Right to Observe Testing. Each Party shall notify the other Party in advance of its performance of tests of its Interconnection Facilities. The other Party shall have the right, at its own expense, to observe such testing.

6.3 Right to Inspect. Each Party shall have the right, but shall have no obligation to: (i) observe the other Party's tests and/or inspection of any of its respective System Protection Facilities and other protective equipment, including power system stabilizers; (ii) review the settings of the System Protection Facilities and other protective equipment; and (iii) review the maintenance records relative to the Interconnection Facilities, the System Protection Facilities and other protective equipment. A Party may exercise these rights from time to time as it deems necessary upon reasonable notice to the other Party. The exercise or non-exercise by a Party of any such rights shall not be construed as an endorsement or confirmation of any element or condition of the Interconnection Facilities or the System Protection Facilities or other protective equipment or the operation thereof, or as a warranty as to the fitness, safety, desirability, or reliability of same. Any information that a Party obtains through the exercise of

any of its rights under this Article 6.3 shall be deemed to be Confidential Information and treated pursuant to Article 22 of this LGIA.

ARTICLE 7. METERING

7.1 **General.** Each Party shall comply with the Applicable Reliability Council requirements. Unless otherwise agreed by the Parties, Transmission Owner shall install, prior to the Closing Date, revenue quality Metering Equipment at the Point of Interconnection and Transmission Owner shall own, operate, test and maintain such Metering Equipment. Power flows to and from the Generating Facility shall be measured at or, at the Transmission Owner's option, compensated to, the Point of Interconnection. Transmission Owner shall provide metering quantities, in analog and/or digital form, to the Interconnection Customer upon request. Interconnection Customer shall bear all reasonable documented costs associated with the purchase, installation, operation, testing and maintenance of the Metering Equipment. For the avoidance of doubt, any Metering Equipment located inside the Protected Area shall be maintained by Interconnection Customer.

7.2 **Check Meters.** Interconnection Customer, at its option and expense, may install and operate, on its premises and on its side of the Point of Interconnection, one or more check meters to check the Metering Equipment owned by the Metering Party. Such check meters shall be for check purposes only and shall not be used for the measurement of power flows for purposes of this LGIA, except as provided in Article 7.4 below. The check meters shall be subject at all reasonable times to inspection and examination by Transmission Owner or its designees. The installation, operation and maintenance thereof shall be performed entirely by Interconnection Customer in accordance with Good Utility Practice.

7.3 **Standards.** The Transmission Owner shall install, calibrate, and test revenue quality Metering Equipment in accordance with applicable ANSI standards.

7.4 **Testing of Metering Equipment.** The Interconnection Customer shall inspect and test Metering Equipment at least once every refueling outage. If requested to do so by the Transmission Owner, the Interconnection Customer shall, at the Transmission Owner's expense, inspect or test Metering Equipment more frequently than every refueling outage. The Interconnection Customer shall give reasonable notice to the Transmission Owner of the time when any inspection or test shall take place, and the Transmission Owner may have representatives present at the test or inspection. If at any time Metering Equipment is found to be inaccurate or defective, it shall be adjusted, repaired or replaced at Interconnection Customer's expense. If Metering Equipment fails to register, or if the measurement made by Metering Equipment during a test varies by more than one-half (0.5) percent from the measurement made by the standard meter used in the test, the Interconnection Customer shall adjust the measurements by correcting all measurements for the period during which Metering Equipment was in error by using check meters, if installed. If no such check meters are installed or if the period cannot be reasonably ascertained, the adjustment shall be for the period immediately preceding the test of the Metering Equipment equal to one-half the time from the date of the last previous test of the Metering Equipment.

7.5 **Metering Data.** At Interconnection Customer's expense, the metered data shall be telemetered to one or more locations designated by the Transmission Owner and one or more locations designated by Interconnection Customer. Such telemetered data shall be used, under normal operating conditions, as the official measurement of the amount of energy delivered from the Generating Facility to the Point of Interconnection.

ARTICLE 8. COMMUNICATIONS

8.1 **Interconnection Customer Obligations.** Interconnection Customer shall maintain satisfactory operating communications with Transmission Owner's Transmission System dispatcher or representative designated by Transmission Owner. Interconnection Customer shall provide standard voice line, dedicated voice line and facsimile communications at its Generating Facility control room or central dispatch facility through use of either the public telephone system, or a voice communications system that does not rely on the public telephone system. Interconnection Customer shall also provide the dedicated data circuit(s) necessary to provide Interconnection Customer data to Transmission Owner as set forth in Appendix D, Security Arrangements Details. The data circuit(s) shall extend from the Generating Facility to the location(s) specified by Transmission Owner. Any required maintenance of such communications equipment shall be performed by and at the cost of Interconnection Customer. Operational communications shall be activated and maintained under, but not be limited to, the following events: system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, and hourly and daily load data.

8.2 **Remote Terminal Unit.** Prior to the Effective Date, a remote terminal unit, or equivalent data collection and transfer equipment acceptable to both Parties, shall be installed by Interconnection Customer, or by Transmission Owner at Interconnection Customer's expense, to gather accumulated and instantaneous data to be telemetered to the location(s) designated by Transmission Owner through use of a dedicated point-to-point data circuit(s) as indicated in Article 8.1. The communication protocol for the data circuit(s) shall be specified by Transmission Owner. Instantaneous bi-directional analog real power and reactive power flow information must be telemetered directly to the location(s) specified by Transmission Owner.

Each Party will promptly advise the other Party if it detects or otherwise learns of any metering, telemetry or communications equipment errors or malfunctions that require the attention and/or correction. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible.

8.3 **No Annexation.** Any and all equipment placed on the premises of a Party shall be and remain the property of the Party providing such equipment regardless of the mode and manner of annexation or attachment to real property, unless otherwise mutually agreed by the Parties.

ARTICLE 9. OPERATIONS

9.1 **General.** Each Party shall comply with all Applicable Laws and Regulations and Applicable Reliability Standards and shall provide to the other Party all information that may reasonably be required by that Party to comply with Applicable Laws and Regulations and Applicable Reliability Standards.

9.2 **Transmission Owner Obligations.** Transmission Owner shall cause the Transmission System and the Transmission Owner's Interconnection Facilities to be operated, maintained and controlled in a safe and reliable manner in accordance with this LGIA. Transmission Owner, or its designee, may provide operating instructions to Interconnection Customer consistent with this LGIA and Transmission Owner's operating protocols and procedures as they may change from time to time. Transmission Owner will consider changes to its operating protocols and procedures proposed by Interconnection Customer. The Transmission Owner shall operate the system in order to maintain switchyard voltage and frequency within limits established for safe operation of the Generating Facility. The Transmission Owner shall provide the Generating Facility with an assured source of Off-site Power Supply Service pursuant to the applicable tariff on file with the IUB. Transmission Owner shall consult with Interconnection Customer prior to revising or establishing a Rule that would affect Interconnection Customer's compliance with NRC Requirements and Commitments or the safe and reliable operation of the Generating Facility.

9.3 **Switchyard Access**

9.3.1 The Interconnection Customer shall have exclusive authority, consistent with the NRC Operating License and NRC Requirements and Commitments, to exercise complete control over access to the switchyard, other property in the vicinity of the switchyard, and the Generating Facility Exclusion Area, including the authority to conduct interactions with law enforcement agencies.

9.3.2 The Interconnection Customer and Transmission Owner shall maintain switchyard perimeter gates locked and closed except when attended or to allow ingress or egress. Switchyard access shall be controlled in accordance with Interconnection Customer's written procedures.

9.3.3 Authorized personnel entering the switchyard for the performance of duties or activities will do so in accordance with Generating Facility procedures.

9.4 **Switchyard Operation**

9.4.1 Generating Facility personnel will make inspections (in accordance with Good Utility Practice) of the switchyard, switchyard control building, and transmission line facilities for which the Interconnection Customer is responsible to carry out the following activities:

a) make observations of equipment,

b) obtain and log readings of appropriate equipment parameters,

c) conduct other routine activities at the request of the Transmission Owner , and

d) provide the Transmission Owner with appropriate reports as to the findings of these activities.

9.4.2 The Transmission Owner will make inspections (in accordance with Good Utility Practice) of the switchyard, switchyard control building, and transmission line facilities for which the transmission owner is responsible to carry out the following activities:

a) make observations of equipment,

b) obtain log readings of equipment parameters, and

c) provide the Interconnection Customers with appropriate reports as to the findings of these activities.

9.4.3 The Interconnection Customer and Transmission Owner will operate equipment in the switchyard as follows:

a) the Interconnection Customer and Transmission Owner will coordinate the operation of all 34.5KV, 161KV, and 345KV transmission equipment (e.g., breakers, disconnects, transformer, relaying, etc.) in the switchyard.

b) The Interconnection Customer will be the exclusive operator of the Station Main (1X1), Auxiliary (1X2), Startup (1X3), Standby (1X4), Low Level Radwaste (T3), and construction transformers (T4), associated output breakers, and disconnect switches and the load side distribution equipment being supplied by these transformers.

c) The Transmission Owner will normally operate (or provide for operation of) all 161KV and 345KV switchyard breakers and associated equipment, including disconnects, other than as noted in 9.4.3 (a) and (b) above, remotely or locally. Authorized Generating Facility personnel will operate any such breakers or, other equipment in the switchyard locally at the Transmission Owner's request.

d) The Transmission Owner and the Interconnection Customer will inform each other in advance of the operation of all switchyard breakers and disconnects to remove equipment from service.

e) Interconnection Customer will provide other maintenance support of the switchyard at the request of the Transmission Owner. Any incremental cost to the Interconnection Customer shall be at the Transmission Owner's expense.

f) The Transmission Owner shall operate the 42 MVar capacitor bank owned by Interconnection Customer and installed at disconnect switch 5631.

9.5 Coordination of Switchyard Loading

9.5.1 Consistent with NRC Requirements and Commitments, the Transmission Owner will coordinate with the Interconnection Customer all activities that may directly affect power supply to the Generating Facility. At a minimum, the Generating Facility Control Room Shift Manager will be informed by the Transmission Owner's system

dispatchers or maintenance crew during the planning stage of these activities. Activities which cannot be planned in advance, and detailed in the conduct of planned activities, shall be coordinated with the Generating Facility Control Room Shift Manager. These activities include but are not limited to:

a) removal from service of any transmission line terminating in the switchyard;

b) breaker switching which can affect power supply to the Plant (i.e., switching of lines identified in (a) above); and

c) maintenance activities that can affect power supply to the plant.

9.6 Review and Approval of Changes or Tests

9.6.1 The Transmission Owner will obtain Interconnection Customer's review and approval of procedure changes, design changes, test or changes in the conduct of other activities which might affect compliance with the NRC Operating License and NRC Regulations and Commitments involving the switchyard and associated transmission lines and equipment which could affect offsite power supply to the Generating Facility prior to implementing such changes or commencing such tests. This includes any design changes, tests, or changes to operating procedures and requirements that could affect grid stability at the Generating Facility.

9.6.2 Interconnection Customer will review these proposed changes and tests in accordance with the NRC Operating License and NRC Requirements and Commitments and will obtain prior NRC approval if required.

9.7 Procedures; New Requirements

9.7.1 Transmission Owner recognizes that it must respond to the critical need to provide power to the Generating Facility in an emergency and provide assistance to the plant in responding to offsite power emergencies (Loss of Off-site Power Supply Service, Station Blackout). The Transmission Owner shall ensure that procedures are promulgated, and training conducted, to make their maintenance and dispatch personnel aware of such emergency support needs.

9.7.2 In the event of new regulatory requirements or industry good practices (typically coordinated by INPO or other utility standards groups), the Transmission Owner will make Commercially Reasonable Efforts to work with the Interconnection Customer to implement the new requirements; provided, however, that if the regulatory requirement or industry good practice pertains to the Generating Facility and/or the Interconnection Customer Interconnection Facilities, Interconnection Customer shall be responsible for all of the costs of implementing the new requirement or practice; and provided further, however, that Interconnection Customer shall be responsible for the cost of implementing the new requirement or practice to the extent it pertains to the Transmission Owner's System Protection Facilities, Transmission System, or Distribution System if the requirement or practice is more extensive than those

requirements or practices customarily applied by Transmission Owner to a fossil-fueled power station using Good Utility Practice.

9.8 Training

9.8.1 Interconnection Customer will provide training (on a schedule jointly agreed to by the Transmission Owner and Interconnection Customer to Transmission Owner's dispatcher and maintenance personnel to explain the critical need for power at the Generating Facility during emergencies, the regulatory requirements associated with the Generating Facility power supply, switchyard security and access controls, and associated procedures.

9.8.2 The Transmission Owner shall make appropriate dispatcher and maintenance personnel available to receive the training discussed in section 9.8.1 above.

9.9 **Interconnection Customer Obligations.** Interconnection Customer shall at its own expense operate, maintain and control the Generating Facility and the Interconnection Customer's Interconnection Facilities in a safe and reliable manner and in accordance with this LGIA. The Generating Facility must be operated in accordance with the operating limits, if any, specified in Appendix C of this LGIA. Interconnection Customer shall operate the Generating Facility and the Interconnection Customer's Interconnection Facilities in accordance with all applicable requirements of the Transmission Owner or its designated Control Area operator of which the Generating Facility is part, as such requirements are set forth in Appendix C, Interconnection Details, of this LGIA. Appendix C, Interconnection Details, will be modified to reflect changes to the requirements as they may change from time to time. Either Party may request that the other Party provide copies of the requirements set forth in Appendix C, Interconnection Details, of this LGIA.

9.10 **Reactive Power.**

9.10.1 Interconnection Customer shall operate the Generating Facility to produce or absorb reactive power to maintain the output voltage or power factor at the Interconnection Point consistent with the reactive power capabilities of the Generating Facility as of the Closing Date, as those capabilities are set forth in Appendix B to this LGIA. Furthermore, upon request, the Interconnection Customer shall provide the Transmission Owner with a copy of all test results, reports, or similar materials provided to the Interconnection Customer by the Regional Reliability Council documenting the Generating Facility's reactive capability.

9.10.2 **Voltage Schedules.** Transmission Owner or its designated agent shall require Interconnection Customer to operate the Generating Facility to produce or absorb reactive power within the actual limitations of the Generating Facility set forth in Article 9.10.1, to maintain the output voltage or power factor at the Point of Interconnection as specified by the Transmission Owner or its designated agent.

Transmission Owner or its designated agent shall exercise Commercially Reasonable Efforts to provide Interconnection Customer with such schedules at least one (1) day in advance, and may make changes to such schedules as necessary to maintain the reliability of the Transmission or Distribution System as applicable. Interconnection Customer shall operate the Generating Facility to maintain the specified output voltage or power factor at the Point of Interconnection within the actual limitations of the Generating Facility determined pursuant to Article 9.10.1. If Interconnection Customer is unable to maintain the specified voltage or power factor, it shall promptly notify Transmission Owner's system operator, or its designated representative.

9.10.2.1 **Governors and Regulators.** Whenever the Generating Facility is operated in parallel with the Transmission or Distribution System as applicable and the speed governors (if installed on the generating unit pursuant to Good Utility Practice) and voltage regulators are capable of operation, Interconnection Customer shall operate the Generating Facility with its speed governors and voltage regulators in automatic operation. If the Generating Facility's speed governors and voltage regulators are not capable of such automatic operation, the Interconnection Customer shall immediately notify Transmission Owner's system operator, or its designated representative, and ensure that such Generating Facility's reactive power production or absorption (measured in MVARs) are within the actual capability of the Generating Facility's generating unit(s) established pursuant to Article 9.10.1 and steady state stability limits. Interconnection Customer shall not cause its Generating Facility to disconnect automatically or instantaneously from the Transmission or Distribution System, as applicable, or trip any generating unit comprising the Generating Facility for an under or over frequency condition unless the abnormal frequency condition persists for a time period beyond the limits set forth in ANSI/IEEE Standard C37.106, or such other standard as applied to other generators in the Control Area on a comparable basis.

9.10.3 **Payment for Reactive Power.** Payments for reactive power, if any, shall be in accordance with the terms and conditions specified in the Power Purchase Agreement.

9.10.4 Interconnection Customer agrees that it shall not, without the prior written consent of Transmission Owner (such consent not to be unreasonably withheld or delayed), modify the Generating Facility for the purpose of producing more real power or otherwise, in any manner that would reduce or compromise the Generating Facility's ability to produce or absorb reactive power at a level consistent with the Generating Facility's reactive power capabilities existing as of the Closing Date as set forth in Appendix B hereto. Interconnection Customer agrees to undertake any such modification of the Generating Facility in accordance with all applicable rules and procedures of any Governmental Authority with jurisdiction over such modifications, including the MISO.

9.11 Outages and Interruptions.

9.11.1 Outages.

9.11.1.1 Outage Authority and Coordination. Interconnection Customer and Transmission Owner or its designated agent may each in accordance with Good Utility Practice in coordination with the other Party remove from service any of its respective Interconnection Facilities or System Protection Facilities that may impact the other Party's facilities as necessary to perform maintenance or testing or to install or replace equipment. Absent an Emergency Condition, the Party scheduling a removal of such facility(ies) from service will use Commercially Reasonable Efforts to notify one another and schedule such removal on a date and time mutually acceptable to the Parties. In all circumstances, any Party planning to remove such facility(ies) from service shall use Commercially Reasonable Efforts to minimize the effect on the other Parties of such removal.

9.11.1.2 Outage Schedules. The Transmission Owner or its designated agent shall post scheduled outages of transmission facilities on the OASIS. Interconnection Customer shall submit its planned maintenance schedules for the Generating Facility to Transmission Owner or its designated agent for a minimum of a rolling twenty-four (24) month period in accordance with the Transmission Owner's or its designated agent's procedures. Interconnection Customer shall update its planned maintenance schedules as necessary. Transmission Owner or its designated agent may request Interconnection Customer to reschedule its maintenance as necessary to maintain the reliability of the Transmission System, provided, however, adequacy of generation supply shall not be a criterion in determining Transmission System reliability. Transmission Owner shall compensate Interconnection Customer for any additional direct costs that Interconnection Customer incurs as a result of having to reschedule maintenance, including any additional overtime, breaking of maintenance contracts or other costs above and beyond the cost Interconnection Customer would have incurred absent Transmission Owner's request to reschedule maintenance, except to the extent the request to reschedule received from Transmission Owner itself resulted from a similar request of a third party to Transmission Owner that Transmission Owner was required to follow.

9.11.1.3 Outage Restoration. If an outage on either the Interconnection Customer's or Transmission Owner's Interconnection Facilities or System Protection Facilities adversely affects the other Party's operations or facilities, the Party that owns or controls the facility that is out of service shall use Commercially Reasonable Efforts to promptly restore such facility(ies) to a normal operating condition consistent with the nature of the outage. The Party that owns or controls the facility that is out of service shall provide the other Party, to the extent such information is known, information on the

nature of the Emergency Condition, an estimated time of restoration, and any corrective actions required. Initial verbal notice shall be followed up as soon as practicable with written notice to the other Party explaining the nature of the outage.

9.11.2 **Interruption of Service.** If required by Good Utility Practice or the Rules to do so, Transmission Owner or its designated agent may require Interconnection Customer to interrupt or reduce deliveries of electricity if such delivery of electricity could adversely affect Transmission Owner's or its designated agent's ability to perform such activities as are necessary to safely and reliably operate and maintain the Transmission System. The following provisions shall apply to any interruption or reduction permitted under this Article 9.5.2:

9.11.2.1 The interruption or reduction shall continue only for so long as reasonably necessary under Good Utility Practice or other requirements of any Governmental Authority;

9.11.2.2 Any such interruption or reduction shall be made on an equitable, non-discriminatory basis with respect to all generating facilities directly connected to the Transmission or Distribution System, as applicable;

9.11.2.3 When the interruption or reduction must be made under circumstances which do not allow for advance notice, Transmission Owner or its designated agent shall notify Interconnection Customer by telephone as soon as practicable of the reasons for the curtailment, interruption, or reduction, and, if known, its expected duration. Telephone notification shall be followed by written notification as soon as practicable;

9.11.2.4 Except during the existence of an Emergency Condition, when the interruption or reduction can be scheduled without advance notice, Transmission Owner or its designated agent shall notify Interconnection Customer in advance regarding the timing of such scheduling and further notify Interconnection Customer of the expected duration. Transmission Owner or its designated agent shall coordinate with the Interconnection Customer using Good Utility Practice or other requirements of any Governmental Authority to schedule the interruption or reduction during periods of least impact to the Interconnection Customer and the Transmission Owner;

9.11.2.5 The Parties shall cooperate and coordinate with each other to the extent necessary in order to restore the Generating Facility, Interconnection Facilities, and the Transmission or Distribution System, as applicable to their normal operating state, consistent with system conditions and Good Utility Practice.

9.11.3 **Under-Frequency and Over Frequency Conditions.** The Transmission System is designed to automatically activate a load-shed program as required by the Applicable

Reliability Council in the event of an under-frequency system disturbance. Interconnection Customer shall implement under-frequency and over-frequency relay set points for the Generating Facility as required by the Applicable Reliability Council to ensure "ride through" capability of the Transmission System. Generating Facility response to frequency deviations of pre-determined magnitudes, both under-frequency and over-frequency deviations shall be studied and coordinated with the Transmission Owner or its designated agent in accordance with Good Utility Practice. The term "ride through" as used herein shall mean the ability of a Generating Facility to stay connected to and synchronized with the Transmission System during system disturbances within a range of under-frequency and over-frequency conditions, in accordance with Good Utility Practice.

9.11.4 **System Protection and Other Control Requirements.**

9.11.4.1 System Protection Facilities. Interconnection Customer shall, at its expense, install, operate and maintain its System Protection Facilities as a part of the Generating Facility or the Interconnection Customer's Interconnection Facilities. Transmission Owner shall install at Interconnection Customer's expense any Transmission Owner's System Protection Facilities that may be required on the Transmission Owner's Interconnection Facilities or the Transmission Owner's transmission or distribution facilities as a result of the interconnection of the Generating Facility and the Interconnection Customer's Interconnection Facilities.

9.11.4.2 Interconnection Customer's and Transmission Owner's System Protection Facilities shall be designed and coordinated with Affected Systems in accordance with Good Utility Practice.

9.11.4.3 Each Party shall be responsible for protection of its facilities consistent with Good Utility Practice.

9.11.4.4 Each Party's protective relay design shall incorporate the necessary test switches to perform the tests required in Article 6. The required test switches will be placed such that they allow operation of lockout relays while preventing breaker failure schemes from operating and causing unnecessary breaker operations and/or the tripping of the Generating Facility.

9.11.4.5 Each Party will test, operate and maintain their respective System Protection Facilities in accordance with Good Utility Practice.

9.11.4.6 At intervals consistent with Good Utility Practice and following any apparent malfunction of the System Protection Facilities, Interconnection Customer or Transmission Owner shall each perform both calibration and functional trip tests of their respective System Protection Facilities. These tests do not require the tripping of any in-service generating unit. These

tests do, however, require that all protective relays and lockout contacts be activated.

9.11.5 **Requirements for Protection.** In compliance with Good Utility Practice, Interconnection Customer shall provide, install, own, and maintain relays, circuit breakers and all other devices necessary to remove any fault contribution of the Generating Facility to any short circuit occurring on the Transmission or Distribution System, as applicable, not otherwise isolated by Transmission Owner's equipment, such that the removal of the fault contribution shall be coordinated with the protective requirements of the Transmission or Distribution System, as applicable. Such protective equipment shall include, without limitation, a disconnecting device or switch with load-interrupting capability located between the Generating Facility and the Transmission or Distribution System, as applicable, at a site selected upon mutual agreement (not to be unreasonably withheld, conditioned or delayed) of the Parties. Interconnection Customer shall be responsible for protection of the Generating Facility and Interconnection Customer's other equipment from such conditions as negative sequence currents, over- or under-frequency, sudden load rejection, over- or under-voltage, and generator loss-of-field. Interconnection Customer shall be solely responsible to disconnect the Generating Facility and Interconnection Customer's other equipment if conditions on the Transmission or Distribution System, as applicable, could adversely affect the Generating Facility.

9.11.6 **Power Quality.** Neither Party's facilities shall cause excessive voltage flicker nor introduce excessive distortion to the sinusoidal voltage or current waves as defined by ANSI Standard C84.1-1989, in accordance with IEEE Standard 519, or any applicable superseding electric industry standard. In the event of a conflict between ANSI Standard C84.1-1989 and any applicable superseding electric industry standard, the applicable superseding electric industry standard shall control.

9.12 Switching and Tagging Rules. Prior to the Effective Date, each Party shall provide the other Parties a copy of its switching and tagging rules that are applicable to the other Party's activities. Such switching and tagging rules shall be developed on a non-discriminatory basis. The Parties shall comply with applicable switching and tagging rules, as amended from time to time, in obtaining clearances for work or for switching operations on equipment.

9.13 Use of Interconnection Facilities by Other Parties.

9.13.1 **Purpose of Interconnection Facilities.** Except as may be required by Applicable Laws and Regulations, or as otherwise agreed to among the Parties, the Interconnection Facilities shall be constructed for the sole purpose of interconnecting the Generating Facility to the Transmission or Distribution System, as applicable, and shall be used for no other purpose.

9.13.2 **Other Users.** If required by Applicable Laws and Regulations or if the Parties mutually agree, such agreement not to be unreasonably withheld or delayed, to allow non-party(ies) to use the Transmission Owner's Interconnection Facilities, or any part thereof, Interconnection Customer will be entitled to compensation for the

capital expenses it incurred, if any, in connection with the Interconnection Facilities based upon the pro rata use of the Interconnection Facilities by Transmission Owner, all non-party users, and Interconnection Customer, in accordance with Applicable Laws and Regulations or upon some other mutually-agreed upon methodology. In addition, cost responsibility for ongoing costs, including operation and maintenance costs associated with the Interconnection Facilities, will be allocated between Interconnection Customer and any non-party users based upon the pro rata use of the Interconnection Facilities by Transmission Owner, all non-party users, and Interconnection Customer, in accordance with Applicable Laws and Regulations or upon some other mutually agreed upon methodology.

9.14 **Disturbance Analysis Data Exchange.** The Parties will cooperate with one another in the analysis of disturbances to either the Generating Facility or the Transmission System by gathering and providing access to any information relating to any disturbance, including information from oscillography, protective relay targets, breaker operations and sequence of events records, and any disturbance information required by Good Utility Practice.

ARTICLE 10. MAINTENANCE

10.1 **Transmission Owner Obligations.** Transmission Owner shall maintain the Transmission Owner's Interconnection Facilities in a safe and reliable manner and in accordance with this LGIA and all Applicable Laws and Regulations.

10.2 **Interconnection Customer Obligations.** Interconnection Customer shall maintain the Generating Facility and the Interconnection Customer's Interconnection Facilities in a safe and reliable manner and in accordance with this LGIA and all Applicable Laws and Regulations.

10.3 **Coordination.** The Parties shall confer regularly to coordinate the planning, scheduling and performance of preventive and corrective maintenance on the Generating Facility and the Interconnection Facilities.

10.4 **Secondary Systems.** Each Party shall cooperate with the other in the inspection, maintenance, and testing of control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers that directly affect the operation of a Party's facilities and equipment which may reasonably be expected to impact another Party. Each Party shall provide advance notice to the other Parties before undertaking any work on such circuits, especially on electrical circuits involving circuit breaker trip and close contacts, current transformers, or potential transformers.

10.5 **Operating and Maintenance Expenses.** Subject to the provisions herein addressing the use of facilities by others, and except for operation and maintenance expenses associated with modifications made for providing interconnection or transmission service to a non-party and such non-party pays for such expenses, Interconnection Customer shall be responsible for all reasonable expenses including overheads, associated with: (1) owning, operating, maintaining, repairing, and replacing Interconnection Customer's Interconnection Facilities; and (2) operation, maintenance, repair and replacement of Transmission Owner's Interconnection

Facilities and any substation facilities utilized to provide interconnection service to the Generating Facility.

10.6 NRC Maintenance Rule and NRC Requirements and Commitments.

10.6.1 Interconnection Customer's Obligations and Authority.

10.6.1.1 In furtherance of Interconnection Customer's obligation to comply with the NRC Maintenance Rule and NRC Requirements and Commitments, Transmission Owner agrees that Interconnection Customer has the authority, control and obligation to: (a) review and modify, as appropriate, Transmission Owner's identification of all structures, systems, and components covered under the NRC Maintenance Rule, regardless of ownership, and require Transmission Owner to modify, as appropriate, the scope of such structures, systems, and components so as to meet NRC requirements; (b) in cooperation with Transmission Owner and in accordance with NRC guidance, to establish and approve availability and reliability performance criteria and improvement goals for all such structures, systems, and components, regardless of ownership, to permit Interconnection Customer to comply with the NRC Maintenance Rule; and (c) in cooperation with Transmission Owner and in accordance with NRC guidance, to approve all improvements, maintenance, inspections, monitoring, operational procedures, or any other activity affecting such structures, systems, and components, regardless of ownership, to permit Interconnection Customer to comply with the NRC Maintenance Rule and NRC Requirements and Commitments.

10.6.1.2 Transmission Owner shall cooperate with Interconnection Customer to facilitate Interconnection Customer's compliance with the NRC Maintenance Rule, and NRC Requirements and Commitments, as they apply to the structures, systems, and components of the Transmission Owner's Interconnection Facilities or the Transmission System. Interconnection Customer shall reimburse Transmission Owner for the incremental costs to Transmission Owner to facilitate Interconnection Customer's compliance with the NRC Maintenance Rule, and the NRC Requirements and Commitments, beyond those costs that otherwise are customary and reasonable in relation to Transmission Owner's implementation of Good Utility Practice for a fossil-fueled generation facility.

10.6.1.3 Any incremental costs or expenses Transmission Owner incurs as a result of a Interconnection Customer request to Transmission Owner for additional or different action, arising from compliance by Interconnection Customer with any amendment or modification to, or any change in interpretation of, the NRC Maintenance Rule and NRC Requirements and

Commitments after the Closing Date, shall be borne by Interconnection Customer.

10.6.2 Schedule of Components. Appendix E to this Agreement sets forth the substation components that, as of the Closing Date, are necessary to fulfill those functions covered by the NRC Maintenance Rule, together with the schedule, to be provided as of the Closing Date, for maintenance, inspection and testing of such components. All other substation components will be maintained, inspected and tested in accordance with Transmission Owner's standard procedures for substation maintenance, inspection and testing. In the event the Parties agree that a component not identified in Appendix E should have been included in Appendix E, the Parties may, by their mutual agreement, add substation components to Appendix E. In order to comply with the NRC Maintenance Rule, Interconnection Customer may add new substation components to Appendix E as appendices to Appendix E, and also may change schedules for maintenance, inspection and testing of such components, subject to Interconnection Customer's payment of additional costs or expenses in accordance with Article 10.6.1.3.

10.6.3 Notice. To the extent Transmission Owner become aware of any failure of any substation component identified in Appendix E, Transmission Owner shall provide immediate notice thereof to Interconnection Customer.

10.6.4 Analysis. As required by the NRC Maintenance Rule, Interconnection Customer may, at its discretion and with Transmission Owner's reasonable cooperation, conduct risk assessments as required when maintenance is performed on equipment within the scope of the NRC Maintenance Rule and conduct an analysis of a failure of any substation component identified in Appendix E, and any personnel error leading to the failure of any such component. Transmission Owner will cooperate with Interconnection Customer and promptly, upon Interconnection Customer's request, provide Interconnection Customer with all information under Transmission Owner's control and, consistent with Good Utility Practice, necessary for Interconnection Customer to: (a) perform such risk assessment as required; (b) determine whether the failure was a functional failure of equipment or the result of personnel error; (c) determine whether the failure, if a functional failure, was maintenance preventable; and (d) conduct root cause analyses of those failures as Interconnection Customer deems appropriate. At the request of Interconnection Customer, and at Interconnection Customer's expense, Transmission Owner shall assist in the performance of a root cause analysis for any substation component failure identified in Appendix E, and the investigation of any personnel error which may have led to the failure of any such component, as Interconnection Customer deems necessary.

10.6.5 Testing. As necessary, in accordance with Good Utility Practice, or at Interconnection Customer's request, Transmission Owner will arrange for independent testing of any failed component identified in Appendix E, subject to

Interconnection Customer's payment of additional costs or expenses in accordance with Article 10.6.1.2 and 10.6.1.3.

10.6.6 Performance Improvement Plan. Interconnection Customer shall analyze data supplied by Transmission Owner concerning a failure of a substation component identified in Appendix E, and investigate any personnel error which may have led to the failure of any such component, and shall notify Transmission Owner if a performance improvement plan is required in accordance with the NRC Maintenance Rule. Interconnection Customer and Transmission Owner will cooperate to develop and implement any such performance plan, the cost of which shall be borne by Interconnection Customer.

10.6.7 Records. For the term of this Agreement, Transmission Owner shall provide Interconnection Customer with complete and accurate records concerning all preventative and corrective maintenance activities performed by Transmission Owner on all Transmission Owner substation components identified in Appendix E.

10.7 Decommissioning.

10.7.1. Interconnection Customer, at its own expense, will Decommission the Generating Facility in accordance with NRC Requirements and Commitments and the Asset Sale Agreement.

10.7.2 In furtherance of the Parties' mutual objective to preserve and maintain the reliability of the Transmission Owner's Interconnection Facilities and the Transmission System, Interconnection Customer and Transmission Owner agree to coordinate the planning and scheduling of Decommissioning in a manner so as to maintain the reliability of, and to minimize the effect on, the Transmission Owner's Interconnection Facilities and the Transmission System.

ARTICLE 11. PERFORMANCE OBLIGATION

11.1 Interconnection Customer's Interconnection Facilities. Interconnection Customer shall own and/or control the Interconnection Customer's Interconnection Facilities at its sole expense.

11.2 Transmission Owner's Interconnection Facilities. Transmission Owner shall own and/or control the Transmission Owner's Interconnection Facilities at the sole expense of the Interconnection Customer.

11.3 System Protection Facilities. Transmission Owner shall own the Transmission Owner's System Protection Facilities. The Interconnection Customer shall be responsible for all costs related to Transmission Owner's System Protection Facilities.

ARTICLE 12. INVOICE

12.1 **General.** Each Party shall submit to the other Party, on a monthly basis, invoices of amounts due, if any, for the preceding month. Each invoice shall state the month to which the invoice applies and fully describe the services and equipment provided. The Parties may discharge mutual debts and payment obligations due and owing to each other on the same date through netting, in which case all amounts a Party owes to the other Party under this LGIA, including interest payments or credits, shall be netted so that only the net amount remaining due shall be paid by the owing Party.

12.2 **Payment.** Invoices shall be rendered to the paying Party at the address specified in Appendix F. The Party receiving the invoice shall pay the invoice within forty-five (45) Calendar Days of receipt. All payments shall be made in immediately available funds payable to the other Party, or by wire transfer to a bank named and account designated by the invoicing Party. Payment of invoices by a Party will not constitute a waiver of any rights or claims that Party may have under this LGIA.

12.3 **Disputes.** In the event of a billing dispute between the Parties, Transmission Owner shall continue to provide Interconnection Service under this LGIA as long as Interconnection Customer: (i) continues to make all payments not in dispute; and (ii) pays to Transmission Owner or into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If Interconnection Customer fails to meet these two requirements for continuation of service, then Transmission Owner may provide notice to Interconnection Customer of a Default pursuant to Article 17. Within forty-five (45) Calendar Days after the resolution of the dispute, the Party that owes money to another Party shall pay the amount due with interest calculated in accord with the methodology set forth in 18 C.F.R. Section 35.19a(a)(2)(iii).

ARTICLE 13. EMERGENCIES

13.1 **Obligations.** Each Party shall comply with the Emergency Condition procedures of the Transmission Owner or its designated agent, NERC, the Applicable Reliability Council, and Applicable Laws and Regulations.

13.2 **Notice.** Transmission Owner or its designated agent shall notify the Interconnection Customer promptly when it becomes aware of an Emergency Condition that affects the Transmission Owner's Interconnection Facilities or the Transmission or Distribution System, as applicable, that may reasonably be expected to affect Interconnection Customer's operation of the Generating Facility or the Interconnection Customer's Interconnection Facilities.

Interconnection Customer shall notify Transmission Owner or its designated agent, which includes by definition if applicable, the operator of a distribution system, promptly when it becomes aware of an Emergency Condition that affects the Generating Facility or the Interconnection Customer's Interconnection Facilities that may reasonably be expected to affect the Transmission or Distribution System, as applicable, or the Transmission Owner's Interconnection Facilities.

To the extent information is known, the notification shall describe the Emergency Condition, the extent of the damage or deficiency, the expected effect on the operation of Interconnection Customer's or Transmission Owner's facilities and operations, its anticipated duration and the corrective action taken and/or to be taken. The initial notice shall be followed as soon as practicable with written notice pursuant to Appendix F.

13.3 **Immediate Action.** Unless, in a Party's reasonable judgment, immediate action is required, the Party exercising such judgment shall notify and obtain the consent of the other Party, such consent to not be unreasonably withheld, prior to performing any manual switching operations at the Generating Facility or the Interconnection Customer's Interconnection Facilities in response to an Emergency Condition either declared by the Transmission Owner or otherwise regarding the Transmission or Distribution System, as applicable.

13.4 **Transmission Owner Authority.**

13.4.1 **General.** Transmission Owner or its designated agent may take whatever actions or inactions with regard to the Transmission System or the Transmission Owner's Interconnection Facilities it deems necessary during an Emergency Condition in order to (i) preserve public health and safety, (ii) preserve the reliability of the Transmission System or the Transmission Owner's Interconnection Facilities, (iii) limit or prevent damage, and (iv) expedite restoration of service.

Transmission Owner shall use Commercially Reasonable Efforts to minimize the effect of such actions or inactions on the Generating Facility or the Interconnection Customer's Interconnection Facilities. Transmission Owner or its designated agent may, on the basis of technical considerations, require the Generating Facility to mitigate an Emergency Condition by taking actions necessary and limited in scope to remedy the Emergency Condition, including, but not limited to, directing Interconnection Customer to shut-down, start-up, increase or decrease the real or reactive power output of the Generating Facility; implementing a reduction or disconnection pursuant to Article 13.4.2; directing the Interconnection Customer to assist with blackstart (if available) or restoration efforts; or altering the outage schedules of the Generating Facility and the Interconnection Customer's Interconnection Facilities. Interconnection Customer shall comply with all of Transmission Owner's or its designated agent's operating instructions concerning Generating Facility real power and reactive power output within the actual limitations of the Generating Facility set forth in Article 9.4.1 that is in service and physically available for operation at the time, in compliance with Applicable Laws and Regulations.

13.4.2 **Reduction and Disconnection.** Transmission Owner may reduce Interconnection Service or disconnect the Generating Facility or the Interconnection Customer's Interconnection Facilities when such reduction or disconnection is necessary under Good Utility Practice due to Emergency Conditions. These rights are separate and distinct from any right of curtailment of the Transmission Owner pursuant to the Tariff. When the Transmission Owner or its designated agent can schedule the reduction or disconnection in advance, Transmission Owner or its designated agent

shall notify Interconnection Customer of the reasons, timing and expected duration of the reduction or disconnection. Transmission Owner or its designated agent shall coordinate with the Interconnection Customer using Good Utility Practice to schedule the reduction or disconnection during periods of least impact to the Interconnection Customer and the Transmission Owner. Any reduction or disconnection shall continue only for so long as reasonably necessary under Good Utility Practice. The Parties shall cooperate with each other to restore the Generating Facility, the Interconnection Facilities, and the Transmission System to their normal operating state as soon as practicable consistent with Good Utility Practice.

13.5 **Interconnection Customer Authority.** Consistent with Good Utility Practice and this LGIA, the Interconnection Customer may take whatever actions or inactions with regard to the Generating Facility or the Interconnection Customer's Interconnection Facilities during an Emergency Condition in order to (i) preserve public health and safety, (ii) preserve the reliability of the Generating Facility or the Interconnection Customer's Interconnection Facilities, (iii) limit or prevent damage, and (iv) expedite restoration of service. Interconnection Customer shall use Commercially Reasonable Efforts to minimize the effect of such actions or inactions on the Transmission System and the Transmission Owner's Interconnection Facilities. Transmission Owner or its designated agent shall use Commercially Reasonable Efforts to assist Interconnection Customer in such actions.

13.6 **Limited Liability.** Neither Party shall be liable to the other for any action it takes in responding to an Emergency Condition so long as such action is made in good faith and is consistent with Good Utility Practice.

13.7 **Audit.** In accordance with Article 25.3, any Party may audit the performance of another Party when that Party declared an Emergency Condition.

ARTICLE 14. REGULATORY REQUIREMENTS AND GOVERNING LAW

14.1 **Regulatory Requirements.** Each Party's obligations under this LGIA shall be subject to its receipt of any required approval or certificate from one or more Governmental Authorities in the form and substance satisfactory to the applying Party, or the Party making any required filings with, or providing notice to, such Governmental Authorities, and the expiration of any time period associated therewith. Each Party shall in good faith seek, and if necessary assist the other Party and use its Commercially Reasonable Efforts to obtain such other approvals. Nothing in this LGIA shall require either Party to take any action that could result in its inability to obtain, or its loss of, status or exemption under the Federal Power Act, the Public Utility Holding Company Act of 1935, as amended, or the Public Utility Regulatory Policies Act of 1978.

14.2 **Governing Law.**

14.2.1 The validity, interpretation and performance of this LGIA and each of its provisions shall be governed by the laws of the state where the Point of Interconnection is located, without regard to its conflicts of law principles.

14.2.2 This LGIA is subject to all Applicable Laws and Regulations.

14.2.3 Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, rules, or regulations of a Governmental Authority.

ARTICLE 15. NOTICES

15.1 **General.** Unless otherwise provided in this LGIA, any notice, demand or request required or permitted to be given by either Party to the other Party and any instrument required or permitted to be tendered or delivered by either Party in writing to the other Party shall be effective when delivered and may be so given, tendered or delivered, by recognized national courier, or by depositing the same with the United States Postal Service with postage prepaid, for delivery by certified or registered mail, addressed to the Party, or personally delivered to the Party, at the addresses set out in Appendix F.

Either Party may change the notice information in this LGIA by giving five (5) Business Days written notice prior to the effective date of the change.

15.2 **Billings and Payments.** Billings and payments shall be sent to the addresses set out in Appendix F.

15.3 **Alternative Forms of Notice.** Any notice or request required or permitted to be given by any Party to the other and not required by this LGIA to be given in writing may be so given by telephone, facsimile or email to the telephone numbers and email addresses set out in Appendix F.

15.4 **Operations and Maintenance Notice.** Each Party shall notify the other Party in writing of the identity of the person(s) that it designates as the point(s) of contact with respect to the implementation of Articles 9 and 10.

ARTICLE 16. FORCE MAJEURE

16.1 **Force Majeure.**

16.1.1 Economic hardship is not considered a Force Majeure event.

16.1.2 A Party shall not be considered to be in Default with respect to any obligation hereunder, (including obligations under Article 4 and 5), other than the obligation to pay money when due, if prevented from fulfilling such obligation by Force Majeure. A Party unable to fulfill any obligation hereunder (other than an obligation to pay money when due) by reason of Force Majeure shall give notice and the full particulars of such Force Majeure to the other Party in writing or by telephone as soon as reasonably possible after the occurrence of the cause relied upon. Telephone, facsimile or email notices given pursuant to this Article shall be confirmed in writing as soon as reasonably possible and shall specifically state full particulars of the Force Majeure, the time and date when the Force Majeure occurred and when the Force Majeure is reasonably expected to cease. The Party affected shall exercise Commercially Reasonable Efforts to remove the Force Majeure with

reasonable dispatch, but shall not be required to accede or agree to any provision not satisfactory to it in order to settle and terminate a strike or other labor disturbance.

ARTICLE 17. DEFAULT

17.1 Default.

17.1.1 **General.** No Default shall exist where the failure to discharge an obligation (other than the payment of money) is the result of Force Majeure as defined in this LGIA or the result of an act or omission of another Party. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party. Except as provided in Article 17.1.2, the breaching Party shall have thirty (30) Calendar Days from receipt of the Breach notice within which to cure such Breach; provided however, if such Breach is not capable of cure within thirty (30) Calendar Days, the breaching Party shall commence the cure within thirty (30) Calendar Days after notice and continuously and diligently complete such cure within ninety (90) Calendar Days from receipt of the Breach notice; and, if cured within such time, the Breach specified in such notice shall cease to exist.

17.1.2 **Right to Terminate.** If a Breach is not cured as provided in this Article, or if a Breach is not capable of being cured within the period provided for herein, the non-breaching Party shall have the right to terminate this LGIA by written notice to the breaching Party at any time until cure occurs, and be relieved of any further obligation hereunder and, whether or not that Party terminates this LGIA, to recover from the breaching Party all amounts due hereunder, plus all other damages and remedies to which it is (they are) entitled at law or in equity. The provisions of this Article will survive termination of this LGIA.

ARTICLE 18. INDEMNITY, CONSEQUENTIAL DAMAGES AND INSURANCE

18.1 Indemnity. A Party (the "Indemnifying Party") shall at all times indemnify, defend, and hold the other Party ("the Indemnified Person") harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to non-parties, arising out of or resulting from the Indemnifying Party's action or inactions in performing its obligations under this LGIA on behalf of the Indemnified Person, except in cases of gross negligence or intentional wrongdoing by the Indemnified Person.

18.1.1 **Indemnified Person.** If an Indemnified Person is entitled to indemnification under this Article 18 as a result of a claim by a non-party, and the Indemnifying Party fails, after notice and reasonable opportunity to proceed under Article 18.1, to assume the defense of such claim, such Indemnified Person may at the expense of the Indemnifying Party, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.

18.1.2 **Indemnifying Party.** If an Indemnifying Party is obligated to indemnify and hold the Indemnified Person harmless under this Article 18.1, the amount owing to the

Indemnified Person shall be the amount of such Indemnified Person's actual Loss, net of any insurance or other recovery.

18.1.3 **Indemnity Procedures.** Promptly after receipt by an Indemnified Person of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Article 18.1 may apply, the Indemnified Person shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect the Indemnifying Party's indemnification obligation unless such failure or delay is materially prejudicial to the Indemnifying Party.

The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by the Indemnifying Party and reasonably satisfactory to the Indemnified Person. If the defendants in any such action include the Indemnified Person and the Indemnifying Party and if the Indemnified Person reasonably concludes that there may be legal defenses available to it which are different from or additional to those available to the Indemnifying Party, the Indemnified Person shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be required to pay the fees and expenses of one additional attorney to represent the Indemnified Person.

The Indemnified Person shall be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the Indemnified Person and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the Indemnified Person, or there exists a conflict or adversity of interest between the Indemnified Person and the Indemnifying Party, in such event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Person, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the Indemnified Person, which shall not be reasonably withheld, conditioned or delayed.

18.2 **Consequential Damages.** In no event shall either Party be liable under any provision of this LGIA for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract, in tort, including negligence, strict liability, or any other theory of liability, provided, however, that damages for which a Party may be liable to the other Party under another agreement will not be considered to be special, indirect, consequential, or punitive damages hereunder.

18.3 **Insurance.** Each Party shall, at its own expense, maintain in force throughout the period of this LGIA, and until released by the other Party, the following minimum insurance coverages,

with insurers authorized to do business or an approved surplus lines carrier in the state where the Point of Interconnection is located:

18.3.1 Employers' Liability and Workers' Compensation Insurance providing statutory benefits in accordance with the laws and regulations of the state in which the Point of Interconnection is located.

18.3.2 Commercial General Liability Insurance including premises and operations, personal injury, broad form property damage, broad form blanket contractual liability coverage (including coverage for the contractual indemnification) products and completed operations coverage, coverage for explosion, collapse and underground hazards, independent contractors coverage, coverage for pollution to the extent normally available and punitive damages to the extent normally available and a cross liability endorsement, with minimum limits of One Million Dollars ($1,000,000) per occurrence/One Million Dollars ($1,000,000) aggregate combined single limit for personal injury, bodily injury, including death and property damage.

18.3.3 Comprehensive Automobile Liability Insurance, for coverage of owned and non-owned and hired vehicles, trailers or semi-trailers licensed for travel on public roads, with a minimum combined single limit of One Million Dollars ($1,000,000) each occurrence for bodily injury, including death, and property damage.

18.3.4 Excess Public Liability Insurance over and above the Employer's Liability, Commercial General Liability and Comprehensive Automobile Liability Insurance coverage, with a minimum combined single limit of Twenty Million Dollars ($20,000,000) per occurrence/Twenty Million Dollars ($20,000,000) aggregate.

18.3.5 Each Party's Commercial General Liability Insurance, Comprehensive Automobile Insurance and Excess Public Liability Insurance policies shall name the other Party, its parent, associated and Affiliate companies and their respective directors, officers, agents, servants and employees ("Other Party Group") as additional insured with respect to the insuring Party's negligent acts under this LGIA. All policies shall contain provisions whereby the insurers waive all rights of subrogation in accordance with the provisions of this LGIA against the Other Party Group and endeavor to provide thirty (30) Calendar Days advance written notice to the Other Party Group prior to anniversary date of cancellation or any material change in coverage or condition.

18.3.6 The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies shall contain provisions that specify that the polices are primary and shall apply to such extent without consideration for other policies separately carried and shall state that each insured is provided coverage as though a separate policy had been issued to each, except the insurer's liability shall not be increased beyond the amount for which the insurer would have been liable had only one insured been covered. The Interconnection Customer shall be responsible for its respective deductibles or retentions.

18.3.7 The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies, if written on a Claims First Made Basis, shall be maintained in full force and effect for two (2) years after termination of this LGIA, which coverage may be in the form of tail coverage or extended reporting period coverage if agreed to by the Parties.

18.3.8 The requirements contained herein as to the types and limits of all insurance to be maintained by the Parties are not intended to and shall not in any manner, limit or qualify the liabilities and obligations assumed by the Parties under this LGIA.

18.3.9 Within ten (10) Calendar Days following execution of this LGIA, and as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any event within ninety (90) Calendar Days thereafter, each Party shall provide certification of all insurance required in this LGIA, executed by each insurer or by an authorized representative of each insurer.

18.3.10 Notwithstanding the foregoing, each Party may self-insure to meet the minimum insurance requirements of Articles 18.3.1 through 18.3.8, to the extent it maintains a self-insurance program; provided that, such Party's (or FPL Group Capital, Inc.'s) senior secured debt is rated at investment grade, or better, by Standard & Poor's and that its self-insurance program meets minimum insurance requirements under Articles 18.3.2 through 18.3.8. For any period of time that a Party's (or FPL Group Capital, Inc.'s) senior secured debt is unrated by Standard & Poor's or is rated at less than investment grade by Standard & Poor's, such Party shall comply with the insurance requirements applicable to it under Articles 18.3.2 through 18.3.9. In the event that a Party is permitted to self-insure pursuant to this Article 18.3.10, it shall notify the other Party that it meets the requirements to self-insure and that its self-insurance program meets the minimum insurance requirements in a manner consistent with that specified in Article 18.3.9.

18.3.11 The Parties agree to report to each other in writing as soon as practical all accidents or occurrences resulting in injuries to any person, including death, and any property damage arising out of this LGIA.

ARTICLE 19. ASSIGNMENT

19.1 **Assignment.** This LGIA may be assigned by each Party only with the written consent of the other Party; provided either Party may assign this LGIA without the consent of the other Party to any Affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under this LGIA; and provided further that the Interconnection Customer shall have the right to assign this LGIA, without the consent of the Transmission Owner, for collateral security purposes to aid in providing financing for the Generating Facility, provided that the Interconnection Customer will promptly notify the Transmission Owner of any such assignment. Any financing arrangement entered into by the Interconnection Customer pursuant to this Article will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee will notify

the Transmission Owner of the date and particulars of any such exercise of assignment right(s), including providing the Transmission Owner with proof that it meets the requirements of Article 18.3. Any attempted assignment that violates this Article is void and ineffective. Any assignment under this LGIA shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. Where required, consent to assignment will not be unreasonably withheld, conditioned or delayed.

ARTICLE 20. SEVERABILITY

20.1 **Severability.** If any provision in this LGIA is finally determined to be invalid, void or unenforceable by any court or other Governmental Authority having jurisdiction, such determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this LGIA.

ARTICLE 21. COMPARABILITY

21.1 **Comparability.** The Parties will comply with all applicable comparability and code of conduct laws, rules and regulations, as amended from time to time.

ARTICLE 22. CONFIDENTIALITY

22.1 **Confidentiality.** Confidential Information shall include, without limitation, all information relating to a Party's technology, research and development, business affairs, and pricing, and any information supplied by a Party to another Party prior to the execution of this LGIA.

Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential. The Parties shall maintain as confidential any information that is provided and identified by a Party as Critical Energy Infrastructure Information (CEII), as that term is defined in 18 C.F.R. Section 388.113(c). Such confidentiality will be maintained in accordance with this Article 22.

If requested by the receiving Party, the disclosing Party shall provide in writing, the basis for asserting that the information referred to in this Article 22 warrants confidential treatment, and the requesting Party may disclose such writing to the appropriate Governmental Authority. Each Party shall be responsible for the costs associated with affording confidential treatment to its information.

22.1.1 **Term.** During the term of this LGIA, and for a period of three (3) years after the expiration or termination of this LGIA, except as otherwise provided in this Article 22, each Party shall hold in confidence and shall not disclose to any person Confidential Information.

22.1.2 **Scope.** Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of a disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (3)

was supplied to the receiving Party without restriction by a non-party, who, to the knowledge of the receiving Party after due inquiry, was under no obligation to the disclosing Party to keep such information confidential; (4) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (5) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or Breach of this LGIA; or (6) is required, in accordance with Article 22.1.7 of this LGIA, Order of Disclosure, to be disclosed by any Governmental Authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this LGIA. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the receiving Party that it no longer is confidential.

22.1.3 **Release of Confidential Information.** No Party shall release or disclose Confidential Information to any other person, except to its Affiliates (limited by standards of conduct requirements), subcontractors, employees, agents, consultants, or to non-parties who may be or considering providing financing to or equity participation with Interconnection Customer, or to potential purchasers or assignees of Interconnection Customer, on a need-to-know basis in connection with this LGIA, unless such person has first been advised of the confidentiality provisions of this Article 22 and has agreed to comply with such provisions. Notwithstanding the foregoing, a Party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this Article 22.

22.1.4 **Rights.** Each Party retains all rights, title, and interest in the Confidential Information that it discloses to the other Party. The disclosure by a Party to the other Party of Confidential Information shall not be deemed a waiver by the disclosing Party or any other person or entity of the right to protect the Confidential Information from public disclosure.

22.1.5 **No Warranties.** By providing Confidential Information, neither Party makes any warranties or representations as to its accuracy or completeness. In addition, by supplying Confidential Information, neither Party obligates itself to provide any particular information or Confidential Information to the other Party nor to enter into any further agreements or proceed with any other relationship or joint venture.

22.1.6 **Standard of Care.** Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination. Each Party may use Confidential Information solely to fulfill its obligations to the other Party under this LGIA or its regulatory requirements.

22.1.7 **Order of Disclosure.** If a court or a Government Authority or entity with the right, power, and apparent authority to do so requests or requires either Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the

other Party with prompt notice of such request(s) or requirement(s) so that the other Party may seek an appropriate protective order or waive compliance with the terms of this LGIA. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use Commercially Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

22.1.8 **Termination of Agreement.** Upon termination of this LGIA for any reason, each Party shall, within ten (10) Calendar Days of receipt of a written request from the other Party, use Commercially Reasonable Efforts to destroy, erase, or delete (with such destruction, erasure, and deletion certified in writing to the other Party) or return to the other Party, without retaining copies thereof, any and all written or electronic Confidential Information received from the other Party.

22.1.9 **Remedies.** The Parties agree that monetary damages would be inadequate to compensate a Party for the other Party's Breach of its obligations under this Article 22. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the receiving Party Breaches or threatens to Breach its obligations under this Article 22, which equitable relief shall be granted without bond or proof of damages, and the breaching Party shall not plead in defense that there would be an adequate remedy at law. Such remedy shall not be deemed an exclusive remedy for the Breach of this Article 22, but shall be in addition to all other remedies available at law or in equity. The Parties further acknowledge and agree that the covenants contained herein are necessary for the protection of legitimate business interests and are reasonable in scope. No Party, however, shall be liable for indirect, incidental, consequential or punitive damages of any nature or kind resulting from or arising in connection with this Article 22.

22.1.10 **Disclosure to FERC, Its Staff or a State.** Notwithstanding anything in this Article 22 to the contrary, and pursuant to 18 CFR § 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from a Party that is otherwise required to be maintained in confidence pursuant to this LGIA, the Party shall provide the requested information to FERC or its staff, within the time provided for in the request for information. In providing the information to FERC or its staff, the Party must, consistent with 18 CFR § 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Party to this LGIA prior to the release of the Confidential Information to FERC or its staff. The Party shall notify the other Party this LGIA when it is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time either of the Parties may respond before such information would be made public, pursuant to 18 CFR § 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner, consistent with the applicable state rules and regulations.

22.1.11 Subject to the exception in Article 22.1.10, any Confidential Information that a disclosing Party claims is competitively sensitive, commercial or financial information under this LGIA shall not be disclosed by the receiving Party to any person not employed or retained by the receiving Party, except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the disclosing Party to be required to be disclosed in connection with a dispute between or among the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the disclosing Party, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this LGIA or as the Regional Transmission Organization or a Control Area operator including disclosing the Confidential Information to a regional or national reliability organization. The Party asserting such confidentiality shall notify the other Party in writing of the information that Party claims is confidential. Prior to any disclosures of such Party's Confidential Information under this subparagraph, or if any non-party or Governmental Authority makes any request or demand for any of the information described in this subparagraph, the Party who received such Confidential Information from the disclosing Party agrees to promptly notify the disclosing Party in writing and agrees to assert confidentiality and cooperate with the disclosing Party in seeking to protect such Confidential Information from public disclosure by confidentiality agreement, protective order or other reasonable measures.

ARTICLE 23. ENVIRONMENTAL RELEASES

23.1 Each Party shall notify the other Party, first orally and then in writing, of the release of any Hazardous Substances, any asbestos or lead abatement activities, or any type of remediation activities related to the Generating Facility or the Interconnection Facilities, each of which may reasonably be expected to affect the other Party. The notifying Party shall: (i) provide the notice as soon as practicable, provided such Party makes a good faith effort to provide the notice no later than twenty-four hours after such Party becomes aware of the occurrence; and (ii) promptly furnish to the other Parties copies of any publicly available reports filed with any Governmental Authorities addressing such events.

ARTICLE 24. INFORMATION REQUIREMENTS

24.1 **Information Acquisition.** Transmission Owner and the Interconnection Customer shall submit specific information regarding the electrical characteristics of their respective facilities to each other as described below and in accordance with Applicable Reliability Standards.

24.2 **Information.** The Interconnection Customer shall provide Transmission Owner any information regarding changes due to equipment replacement, repair, or adjustment that take place after the Effective Date and that may affect the Transmission Owner's Interconnection Facilities. Transmission Owner shall provide the Interconnection Customer any information regarding changes due to equipment replacement, repair or adjustment that take place after the Effective Date in the directly connected substation or any adjacent Transmission Owner substation that may affect the Interconnection Customer's Interconnection Facilities. The Parties shall provide such information no later than thirty (30) Calendar Days after the date of the equipment replacement, repair or adjustment.

ARTICLE 25. INFORMATION ACCESS AND AUDIT RIGHTS

25.1 **Information Access.** Each Party (the "disclosing Party") shall make available to the other Party information that is in the possession of the disclosing Party and is necessary in order for the other Party to: (i) verify the costs incurred by the disclosing Party for which the other Party is responsible under this LGIA; and (ii) carry out its obligations and responsibilities under this LGIA. The Parties shall not use such information for purposes other than those set forth in this Article 25.1 and to enforce their rights under this LGIA.

25.2 **Reporting of Non-Force Majeure Events.** A Party (the "notifying Party") shall notify the other Party when the notifying Party becomes aware of its inability to comply with the provisions of this LGIA for a reason other than a Force Majeure event. The Parties agree to cooperate with each other and provide necessary information regarding such inability to comply, including the date, duration, reason for the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply. Notwithstanding the foregoing, notification, cooperation or information provided under this Article 25.2 shall not entitle the Party receiving such notification to allege a cause for anticipatory breach of this LGIA.

25.3 **Audit Rights.** Subject to the requirements of confidentiality under Article 22 of this LGIA, each Party shall have the right, during normal business hours, and upon prior reasonable notice to the other Party, to audit at its own expense the other Party's accounts and records pertaining to the Party's performance or either Party's satisfaction of obligations under this LGIA. Such audit rights shall include audits of the other Party's costs, calculation of invoiced amounts, the Transmission Owner's efforts to allocate responsibility for interruption or reduction of generation, and each Party's actions in an Emergency Condition. Any audit authorized by this Article 25.3 shall be performed at the offices where such accounts and records are maintained and shall be limited to those portions of such accounts and records that relate to each Party's performance and satisfaction of obligations under this LGIA. Each Party shall keep such accounts and records for a period equivalent to the audit rights periods described in Article 25.4.

25.4 **Audit Rights Periods.** Accounts and records related to either Party's performance or satisfaction of all obligations under this LGIA shall be subject to audit as follows: (i) for an audit relating to cost obligations, the applicable audit rights period shall be twenty-four months after the auditing Party's receipt of an invoice giving rise to such cost obligations; and (ii) for an audit relating to all other obligations, the applicable audit rights period shall be twenty-four months after the event for which the audit is sought.

25.5 **Audit Results.** If an audit by a Party determines that an overpayment or an underpayment has occurred, a notice of such overpayment or underpayment shall be given to the other Party together with those records from the audit which support such determination.

ARTICLE 26. SUBCONTRACTORS

26.1 **General.** Nothing in this LGIA shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this LGIA; provided,

however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this LGIA in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

26.2 **Responsibility of Principal.** The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this LGIA. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall the Transmission Owner be liable for the actions or inactions of the Interconnection Customer or its subcontractors with respect to obligations of the Interconnection Customer under Article 5 of this LGIA. Any applicable obligation imposed by this LGIA upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

26.3 **No Limitation by Insurance.** The obligations under this Article 26 will not be limited in any way by any limitation of subcontractor's insurance.

ARTICLE 27. DISPUTES

27.1 **Submission.** In the event either Party has a dispute, or asserts a claim, that arises out of or in connection with this LGIA or its performance, such Party (the "disputing Party") shall provide the other Party with written notice of the dispute or claim ("Notice of Dispute"). Such dispute or claim shall be referred to a designated senior representative of each Party for resolution on an informal basis as promptly as practicable after receipt of the Notice of Dispute by the other Party. In the event the designated representatives are unable to resolve the claim or dispute through unassisted or assisted negotiations within thirty (30) Calendar Days of the other Party's receipt of the Notice of Dispute, such claim or dispute may upon mutual agreement of the Parties, be submitted to arbitration and resolved in accordance with the arbitration procedures set forth below. In the event the Parties do not agree to submit such claim or dispute to arbitration, each Party may exercise whatever rights and remedies it may have in equity or at law consistent with the terms of this LGIA.

27.2 **External Arbitration Procedures.** Any arbitration initiated under this LGIA shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator with ten (10) Calendar Days of the submission of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) Calendar Days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any Party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("Arbitration Rules") and any applicable FERC regulations or RTO rules; provided, however, in the event of a conflict between the Arbitration Rules and the terms of this Article 27, the terms of this Article 27 shall prevail.

27.3 **Arbitration Decisions.** Unless otherwise agreed by the Parties, the arbitrator(s) shall render a decision within ninety (90) Calendar Days of appointment and shall notify the Parties in writing of such decision and the reasons therefor. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this LGIA and shall have no power to modify or change any provision of this Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act or the Administrative Dispute Resolution Act. The final decision of the arbitrator must also be filed with FERC if it affects jurisdictional rates, terms, and conditions of service, or Interconnection Facilities.

27.4 **Costs.** Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable: (1) the cost of the arbitrator chosen by the Party to sit on the three member panel and one half of the cost of the third arbitrator chosen; or (2) one half the cost of the single arbitrator jointly chosen by the Parties.

ARTICLE 28. REPRESENTATIONS, WARRANTIES AND COVENANTS

28.1 **General.** Each Party makes the following representations, warranties and covenants:

28.1.1 **Good Standing.** Such Party is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed, or incorporated, as applicable; that it is qualified to do business in the state or states in which the Generating Facility, and Interconnection Facilities owned by such Party, as applicable, are located; and that it has the corporate power and authority to own its properties, to carry on its business as now being conducted and to enter into this LGIA and carry out the transactions contemplated hereby and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this LGIA.

28.1.2 **Authority.** Such Party has the right, power and authority to enter into this LGIA, to become a party hereto and to perform its obligations hereunder. This LGIA is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or at law).

28.1.3 **No Conflict.** The execution, delivery and performance of this LGIA does not violate or conflict with the organizational or formation documents, or bylaws or operating agreement, of such Party, or any judgment, license, permit, order, material agreement or instrument applicable to or binding upon such Party or any of its assets.

28.1.4 **Consent and Approval.** Such Party has sought or obtained, or, in accordance with this LGIA will seek or obtain, each consent, approval, authorization, order, or acceptance by any Governmental Authority in connection with the execution,

delivery and performance of this LGIA, and it will provide to any Governmental Authority notice of any actions under this LGIA that are required by Applicable Laws and Regulations.

ARTICLE 29. MISCELLANEOUS

29.1 **Binding Effect.** This LGIA and the rights and obligations hereof, shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties hereto.

29.2 **Conflicts.** In the event of a conflict between the body of this LGIA and any attachment, appendices or exhibits hereto, the terms and provisions of the body of this LGIA shall prevail and be deemed the final intent of the Parties.

29.3 **Rules of Interpretation.** This LGIA, unless a clear contrary intention appears, shall be construed and interpreted as follows: (1) the singular number includes the plural number and vice versa; (2) reference to any person includes such person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this LGIA, and reference to a person in a particular capacity excludes such person in any other capacity or individually; (3) reference to any agreement (including this LGIA), document, instrument or tariff means such agreement, document, instrument, or tariff as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; (4) reference to any Applicable Laws and Regulations means such Applicable Laws and Regulations as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, including, if applicable, rules and regulations promulgated thereunder; (5) unless expressly stated otherwise, reference to any Article, Section or Appendix means such Article of this LGIA or such Appendix to this LGIA; (6) "hereunder", "hereof", "herein", "hereto" and words of similar import shall be deemed references to this LGIA as a whole and not to any particular Article or other provision hereof or thereof; (7) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and (8) relative to the determination of any period of time, "from" means "from and including", "to" means "to but excluding" and "through" means "through and including".

29.4 **Entire Agreement.** This LGIA, including all Appendices and Schedules attached hereto, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this LGIA. There are no other agreements, representations, warranties, or covenants, which constitute any part of the consideration for, or any condition to, either Party's compliance with its obligations under this LGIA.

29.5 **No Third Party Beneficiaries.** This LGIA is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and, where permitted, their assigns.

29.6 **Waiver.** The failure of a Party to this LGIA to insist, on any occasion, upon strict performance of any provision of this LGIA will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

Any waiver at any time by any Party of its rights with respect to this LGIA shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, duty of this LGIA. Termination or Default of this LGIA for any reason by the Interconnection Customer shall not constitute a waiver of the Interconnection Customer's legal rights to obtain Interconnection Service from the Transmission Owner. Any waiver of this LGIA shall, if requested, be provided in writing.

29.7 **Headings.** The descriptive headings of the various Articles of this LGIA have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this LGIA.

29.8 **Multiple Counterparts.** This LGIA may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

29.9 **Amendment.** This LGIA may only be amended by a written instrument duly executed by the Parties.

29.10 **Modification by the Parties.** The Appendices to this LGIA may only be amended by a written instrument duly executed by the Parties. Such amendment shall become effective and a part of this LGIA upon satisfaction of all Applicable Laws and Regulations.

29.11 **No Partnership.** This LGIA shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon any Party. No Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement in quadruplicate originals; each of which shall constitute and be an original effective Agreement between the Parties.

Interstate Power and Light Company

By: Thomas Aller & KW

Name: Thomas L. Aller

Title: President

FPL Energy Duane Arnold, LLC

By: Michael O'Sullivan

Name: Michael O'Sullivan

Title: Senior Vice President

APPENDICES TO LGIA

Appendix A	Interconnection Facilities and System Protection Facilities
Appendix B	Reactive Power Capabilities
Appendix C	Interconnection Details
Appendix D	Security Arrangements Details
Appendix E	Substation Components Subject to NRC Maintenance Rule
Appendix F	Addresses for Delivery of Notices and Billings

Appendix A
To LGIA

Interconnection Facilities, System Protection Facilities

1. Description of Generating Facility

As of the Closing Date, Interconnection Customer owns a majority interest in a 715 MVA facility, nominally rated at 633 MW gross and 598 MW net. The original commercial operating date of the Generating Facility was February of 1974. The Generating Facility is composed of one (1) Boiling Water Reactor Nuclear Power Plant.

2. Interconnection Facilities:

Interconnection Customer shall interface with an installed switchyard with the appropriate protection equipment coordinated per Appendix C to this LGIA. The existing Switchyard shall be made available for the output of the Generating Facility. Refer to Attachment C.E.1 – Transmission Switching Diagram, DAEC.

There are five (5) points of interconnection between the Interconnection Customer and the Transmission Owner facilities. All of the interconnections are at equipment presently installed in the transmission switchyard. The interconnection points are listed below:

- <u>Radwaste Source</u>
  - The "Bus" side of Disconnect Switch 5941. The physical interface point is where the jumper from the 161 kV bus terminates on switch 5941.
  - The Interconnection Customer and Transmission Owner shall coordinate operation of Disconnect Switches 5941 and 5631 such that the capacitor bank is available to support transmission system operation, when needed.

- <u>Generator Breakers</u>
  - The "Bus" side of Disconnect Switch 0237. The physical interface point is where the jumper from the 161 kV bus terminates on switch 0237.
  - The "Bus" side of Disconnect Switch 4291. The physical interface point is where the jumper from the 161 kV bus terminates on switch 4291.

- <u>Startup Transformer</u>
  - The "Bus" side of Disconnect Switch 5551. The physical interface point is where the jumper from the 161 kV bus terminates on switch 5551.
  - The "Bus" side of Disconnect Switch 5555. The physical interface point is where the jumper from the 161 kV bus terminates on switch 5555.

- **Standby Transformer**
  - The "Bus" side of Disconnect Switch 8491. The physical interface point is where the jumper from the 22 kV bus terminates on switch 8491.

- **34.5 kV Distribution Line (note: this interconnection is with IPL only)**
  - The "Line" side of Disconnect Switch 5959. The physical interface point is where the jumper from the 34.5 kV line terminates on switch 5959.
  - The "Line" side of Fuse 0675. The physical interface point is where the jumper from the 34.5 kV line terminates on fuse 0675.
  - The "Line" side of Fuse 0674. The physical interface point is where the jumper from the 34.5 kV line terminates on fuse 0674.
  - The "Line" side of Fuse 4912 The physical interface point is where the jumper from the 34.5 kV line terminates on fuse 4912.

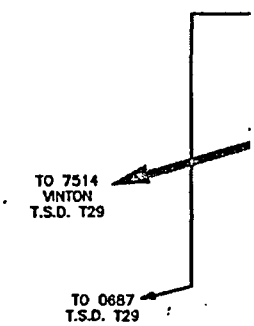
3. System Protection Facilities

There are no System Protection Facility modifications required at the time ownership of the Generating Facility is transferred from the Transmission Owner to the Interconnection Customer. After the transfer date, if the output capability of the Generating Facility is revised, the normal process shall be followed to determine the need for System Protection Facility modifications.

DAEC OPERATIONS SHIFT SUPERVISOR MUST BE CONTACTED IF THERE ARE PLANS FOR DESIGN CHANGES, SWITCHING, OR TESTING TO BE DONE AT THE DAEC SUBSTATION.
(PHONE NUMBER: 319-851-7266)

FF SITE POWER – SUPPLY POINTS

- IP1
- IP3
- IP4
- IP5



IP&L OWNED

CO-OWNED BY IP&L AND OTHERS

INTERCONNECTION CUSTOMER OWNED

TO 5
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ALLIANT ENERGY
INTERSTATE POWER & LIGHT

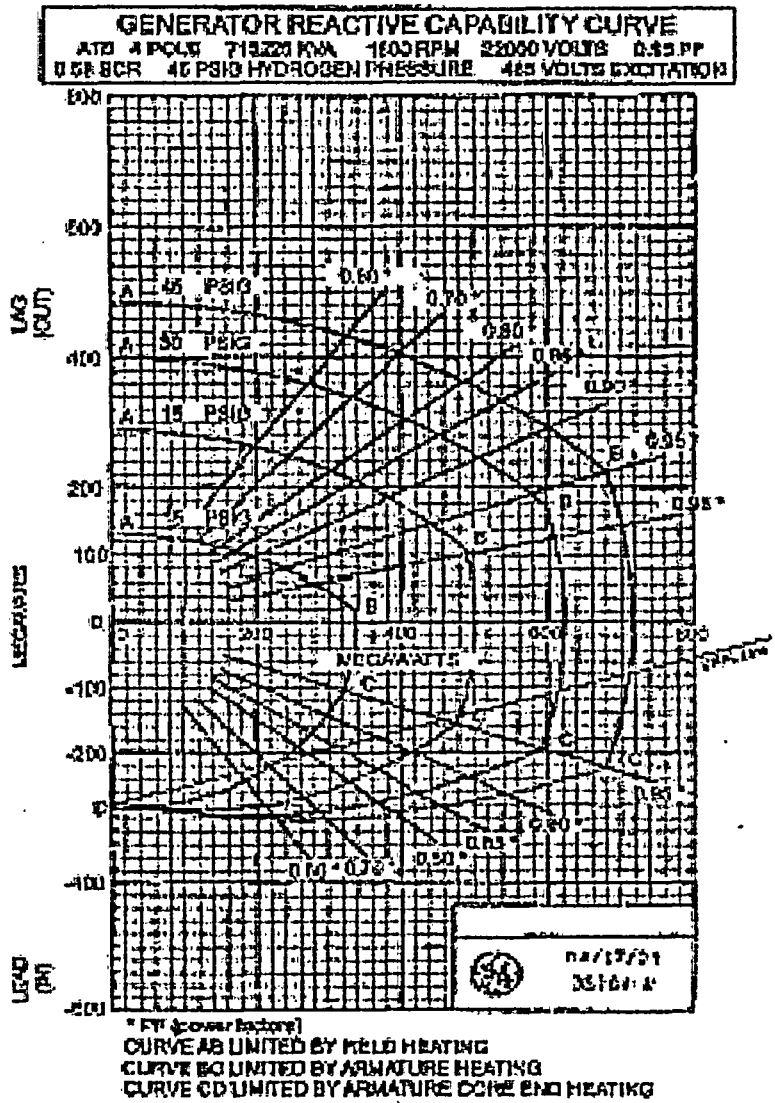
49

TRANSMISSION SWITCHING DIAGRAM
DAEC INTERCONNECTIONS

DATE: 3-12-2005

Appendix B
To LGIA

Reactive Power Capabilities



Appendix C
To LGIA

Interconnection Details

This Appendix C is a part of the LGIA between Interconnection Customer and the Transmission Owner. The Parties shall negotiate in good-faith to complete the sections designated "TBD" prior to the Closing Date.

1. The unique requirements of each generation interconnection will dictate the establishment of mutually agreeable Interconnection and/or Operating Guidelines that further define the requirements of this LGIA. The Interconnection and/or Operating Guidelines applicable to this LGIA consist of the following information. Additional detail may be provided through attachment to this Appendix C or through electronic means via the web address specified.

   (a) System Protection Facilities;

   The Generator System Protection facilities shall have the present protection capabilities interfaced with the following Transmission Owner's system Protection Facilities:

   - Over Voltage Relays,
   - Back-up Phase Directional Relays,
   - Current Unbalance (Negative Sequence) Relays,
   - Underfrequency Relays

   The System Protection Facilities for both the Generator and Transmission Owner shall meet the current requirements of the applicable Regional Reliability Organization (RRO) for system protection design, disturbance reporting, maintenance, and testing.

   (b) Communication requirements;

   TBD

   (c) Metering requirements;

   The station metering is as detailed on Attachment C.C.1 – DAEC Substation Metering Scheme. Transformer loss compensated metering will be installed by Transmission Owner prior to the Closing Date, as defined in the Asset Sale Agreement as the metering is done on the low side of the transformers feeding the station. The Point of Interconnection is on the high side of the transformers.

   (d) Grounding requirements;

   TBD

   (e) Transmission Line and Substation Connection configurations;

   See Attachment C.E.1 – Transmission Switching Diagram DAEC.

   (f) Unit Stability requirements;

   All generator/exciter/governor manufacturers' data sheets shall be made available to the Transmission Owner or its designated agent for modeling in transient/voltage stability, short circuit, and relay setting calculation programs. This includes generator reactive capability curves and exciter saturation curves.

   (g) Equipment ratings;

   TBD

   (h) Short Circuit requirements;

TBD

(i) Synchronizing requirements;

Setting changes of any synchronizing devices shall be approved by the Transmission Owner or its designated agent, with a hard copy of the changes forwarded to the Transmission Owner.

(j) Generation and Operation Control requirements;

TBD

(k) Data provisions;

TBD

(l) Energization inspection and testing requirements;

The Transmission Owner and Generating Facility interconnection facilities were initially inspected and tested to support an operations date of February, 1974. There is no requirement for this inspection or testing at the time ownership is transferred to the Interconnection Customer.

(m) If applicable, the unique requirements, if any, of the Transmission Owner to which the Facility will be physically interconnected;

Any changes to the Generating Facility net VAR capabilities, including changes to either net static or net dynamic capability, shall be approved by the Transmission Owner or its designated agent, such approval shall not be unreasonably withheld.

(n) Switching and Tagging;

The Interconnection Customer shall comply with the Transmission Owner's or its designated agent's most recent version of the Switching and Tagging procedures. See Attachment C.N.1 – EOP 204 – Electric Transmission and Distribution Switching and Hold Card Procedures.

(o) Data reporting requirements;

The Interconnection Customer shall provide operating data and equipment modeling to Transmission Owner or its designated agent and/or the appropriate Regional Reliability Organization to support the following:

- NERC Compliance Program(s)
- Regional Reliability Organization Compliance Program(s)
- Federal, State, and Local Regulatory programs

The Interconnection Customer will annually forecast the firm MW and MVAR usage on each plant Reserve Station Auxiliary system for periods when the Generator is on-line, and starting/stopping, and provide the information annually to the Transmission Owner or its designated agent.

(p) Training;

Interconnection Customer and Transmission Owner or its designated agent shall provide the necessary training to insure the reliability of the electric transmission grid, in both normal and emergency conditions.

(q) Capacity determination and verification (including ancillary services and certification);

The Interconnection Customer shall comply with the Capacity Determination rules of the Regional Reliability Region that the Transmission Owner is a member of.

(r) Emergency operations, including system restoration and black start arrangements;

The Interconnection Customer shall provide the Transmission Owner or its designated agent with plant data and plant procedures necessary to coordinate and implement the Transmission Owner or its designated agent black-start plans. The Interconnection Customer will participate in black-start drills as requested.

(s) Identified must-run conditions;

There are no identified must-run conditions.

(t) Provision of ancillary services;

Interconnection Customer shall provide Ancillary Services to Transmission Owner or its designated agent as required by the Tariff and the Power Purchase Agreement.

(u) Specific transmission requirements of nuclear units to abide by all NRC Requirements and Commitments;

Interconnection Customer and Transmission Owner or its designated agent shall comply with applicable NRC Requirements and Commitments, concerning offsite supply of energy to nuclear units.

(v) Stability requirements, including generation short circuit ratio considerations;

The stability and short circuit ratio considerations are those needed to meet the applicable Regional Reliability Organization requirements.

(w) Limitations of operations in support of emergency response;

Interconnection Customer shall comply with directives of the Transmission Owner or its designated agent in its role as Reliability Coordinator to insure reliability of the electric transmission grid.

(x) Maintenance and Testing;

The Transmission Owner and Generation Facility Owner interconnection facilities shall be tested and maintained with a combination of condition based and frequency based programs following Good Utility Practices. The facilities shall be tested on a five year cycle and maintained in accordance with the NERC Reliability Standards and Regional Reliability Organization Program.

Appendix D
To LGIA

Security Arrangements Details

Infrastructure security of Transmission or Distribution System equipment and operations, as applicable, and control hardware and software is essential to ensure day-to-day Transmission and Distribution System reliability and operational security. All Transmission Owners, market participants, and Interconnection Customers interconnected to the Transmission or Distribution System, as applicable, shall comply with the recommendations provided by Governmental Authorities regarding Critical Energy Infrastructure Information ("CEII") as that term is defined in 18 C.F.R. Section 388.113(c) and best practice recommendations from the electric reliability authority. The Parties will be expected to meet basic standards for system infrastructure and operational security, including physical, operational, and cyber-security practices.

Appendix E
To LGIA

Substation Components Subject to NRC Maintenance Rule

DAEC Maintenance
Rule Program

DAEC

Performance Criteria Basis Document

Offsite Power

SUS 1.00, 3.00, 86.00, 87.00

Revision 3

Prepared by:_____
Maintenance Rule Coordinator

Reviewed by:_____
System Engineer

Reviewed by:_____
Risk Assessment Representative

Reviewed by:_____
Expert Panel Representative

Implementation Date:_12/11/03_

Item Overview:

Components and functions of several Startup Systems have been combined for monitoring purposes into the Offsite Power Trended System. The purpose of Offsite Power is to provide access to Offsite power for plant equipment. The Startup Systems are SUS 01.00 Switchyard, SUS 03.00 Startup Transformer, SUS 86.00 Standby Transformer, SUS 87.00 Main Transformer /Auxiliary Transformer and Isophase Buses. There are also a few components from other systems due to their effect on Offsite Power controls and cooling. (See Item Boundaries)

This system is within the scope of the Maintenance Rule because it supplies power for safety-related equipment under normal conditions (no Loss-of-Offsite-Power) and failure of portions of this system can result in a scram or safety-related actuation, (Ref. UFSAR 15.6.4) or in a reactor vessel coolant inventory decrease. It is also noted in the NSOA for Mode A (refuel) and Mode F (run). It performs both an operating and a standby function, and is used during reactor operation and startup/shutdown evolutions and when the reactor is shutdown. Ref: SD-304 and UFSAR-8.1, 8.2, and 8.3.

Item Boundaries:

For the purpose of 10 CFR 50.65 monitoring, the Offsite Power Trended System shall consist of all SSC's listed under SUS 01.00, 03.00, 86.00 and 87.00 in the CHAMPS database, from the low voltage side of the Startup, Standby, Main, and Auxiliary Transformers, and the output of the Main Generator, to the Offsite power side of the switchyard breakers out to the edge of the owner-controlled area (all activities within this area are within scope if they effect or can potentially effect DAEC Maintenance Rule Program functions or performance criteria), with the exception of the lines and other equipment bounded and including Breakers 5960, 5940 (LQ), Transformer T2, and LLRPSF Transformers 1XR1 and 1XR2. (This independent LLRPSF power source is monitored with the Instrument Air System.) All of the control instrumentation for the aforementioned in-scope equipment, and GSW cooling piping and valves from the point at which they serve only components in the Offsite Power Trended System, along with the electrical breakers and cables which directly supply and control them, are also in scope. Principally, in-scope equipment constitutes the large transformers (including T1) and 345/161/34.5 KVAC breakers A, B, C, D, F, G, H, I, J, K, M, S, T, R and AB.

Non-Nuclear Instrumentation :

No other instrumentation outside of those already discussed (such as non-nuclear instrumentation) directly impact the function of Offsite Power.

Probabilistic Safety Assessment Information:

In 1994, using Revision 1 of the PSA model, Nuclear Analysis estimated the following Fussel-Vessely Importance Ratio's (FV) and Risk Achievement Worth (RAW) for the Offsite Power Trended System: SUS 01.00, AC Power Level 1 FV is 35.1%, Level 2 FV is 11, Level 1 RAW is 44, and Level 2 RAW is 11. SUS 03.00, Startup Transformer, Level 1 FV is 0, Level 2 FV is 0, Level 1 RAW is 2.5 and Level 2 RAW is 1.0. SUS 86, Standby Transformer, Level 1 FV is 0, Level 2 FV is 0, Level 1 RAW is 1.0 and Level 2 RAW is 1.0.

These figures in total met the criteria for a Risk Significant system in the 10 CFR 50.65 program. A review of the AC power cutsets found that loss of Offsite power is viewed as an initiator event with no distinct cause.

Using Revision 3 of the PSA model in 1996, the following values were obtained:

	LEVEL 1		LEVEL 2	
	RAW	*FV*	*RAW*	*FV*
SUS 1/87	56.0	42.1%	5.5	14.7%
SUS 3	3.4	6.1%	7.0	6.9%
SUS 86	1.0	0	1.0	0

Using Revision 4 of the PSA model (1999), the following values were obtained:

	LEVEL 1		LEVEL 2	
	RAW	*FV*	*RAW*	*FV*
SUS 1/87	76.7	55.8%	7.9	30.4%
SUS 3	3.8	2.5%	8.9	7.1%
SUS 86	1.0	0	1.0	0

The switchyard was not modeled in detail in PSA Revisions 1 and 3. (LOOP is treated as an initiator.) In Revision 4, a failure probability of $1.44E^{-5}$ transformers and 3E-3 per demand for breakers was used. Transformer unavailability for maintenance was estimated at seven days per year.

Expert Panel Notes:

In 1994, the Expert Panel noted that the individual effects of these SUS, particularly the Startup Transformer, may not be as great as the sum of the whole Offsite Power system, as Loss of Offsite Power is an initiator in the model. Loss of non-essential busses should be considered when developing performance criteria.

The Expert Panel questioned the basis for initially setting the unavailability of a Startup Transformer feed at 1% while a Standby Transformer feed was at 2%. The Expert Panel requested that it be ensured that the performance levels selected were compatible with Station Blackout assumptions and the PSA model for Loss of Offsite Power. The Expert Panel also questioned why an offsite feed required higher availability than the onsite Emergency Diesel Generators. The Expert Panel recommended the deletion of the LLRWSF transformers under this system and as an alternative to monitor these under SUS 18.00, as the only critical load on this transformer is the Instrument Air Compressors. The Expert Panel also noted that upcoming ten year inspections on the system would likely result in a performance challenge to unavailability that would not be observed in the previous three year trend.

In response to the above, the unavailability targets for the transformer feeds were adjusted to all be 2%. A review of the IPE submittal of 1992 indicates that a frequency of occurrence of Loss of Offsite Power initiators of 0.117 per reactor year was selected for the model based on Station Blackout (NUMARC 87-00) methodologies. For the performance criteria looking at essential busses, an allowed unavailability of the Standby of 2% combined with an inservice failure rate for the remaining power feed of 0.5 per year would result in only a fraction (.01) of the frequencies of loss of Offsite power to the essential busses assumed (.117).

The performance criteria related to the LLRWSF transformer was consolidated to the Instrument Air System.

In 1997, following comments in a QA assessment of the Maintenance Rule, the Expert Panel recommended adjusting the system boundaries from the first breaker into the switchyard to the last breaker prior to an Offsite line leaving the switchyard. It was noted there were some switchyard breakers which could fail with no impact on power sources. It was noted the proposed new criteria for switchyard breakers was tougher than the PSA Revision 4 estimates for failure rate.

In late 2002, the Panel split the offsite power breaker criteria into two criteria to reflect the fact that a ring bus is used such that loss of no single breaker (except breaker M) can prevent offsite power from being supplied. The Function was reset at the ability to supply offsite power to the Startup, Standby and Auxiliary transformers. Monitoring of the individual ring bus breakers (excepting M) was now to be done at the Condition Monitoring Level. In the latter half of 2003 the Panel looked again at the offsite power breaker criteria, as it was felt the criteria still was not properly weighing the value of the various switchyard breakers, given the ring bus structure of the switchyard and the fact that loss of a single breaker in most cases does not result in loss of any of the offsite power source supplies. The breakup of the switchyard into "islands" on some grid disturbances should also be taken into account. The panel also noted that suppying offsite power to the auxiliary transformer was not a common or expected emergency activity and need not be monitored. Revised criteria were approved.

Required 10 CFR 50.65 Coverage:

The following functions of this system fall under the 10 CFR 50.65 program:

1. Provide a (normal) Offsite power source for the safety-related busses, 1A3 and 1A4. Offsite power can be supplied by either the Startup or Standby transformers.

2. Supply power, either via the generator or from Offsite sources, to non-essential busses 1A1 and 1A2.

Both of these functions are continuous. The Standby Transformer is normally hooked into the Offsite power grid and is energized and operational, but is not supplying any power to the plant.

Technical Specifications 3.8. require that two Offsite sources (including the Startup and Standby transformers) be available and capable of automatically supplying power to the 4KV emergency buses

before the reactor is made critical. Operation with either the Startup or Standby transformer inoperable is allowed under some circumstances. GDC 17 requires two independent Offsite power sources (UFSAR 3.1-14) to the essential busses. In some cases where the Standby Transformer is supplying the essential busses, as during Startup Transformer monitoring equipment maintenance, the Startup Transformer may be left energized but unloaded. A transfer of the essential busses from the Standby to the Startup Transformer would require only a limited amount of time (estimated at five minutes or less by two experienced SROs) and while in the unloaded condition, the Startup Transformer would still be able to accept the automatic transfer of Non-Essential Buses 1A1 and 1A2 upon loss of their normal power supply (the Auxiliary Transformer) due to a generator trip. The DAEC PRA does not model for fast or slow automatic transfers between the Startup and Standby Transformers or set a time limit for transfers in either direction. It assumes only that if only one of the two transformers is available, essential power will be transferred to it in a timely manner. The Startup Transformer is therefore considered available in such cases when unloaded but energized.

It is also noted that transformers 1XR7 and 1XR8 supply Offsite power to the busses on which the instrument air compressors are located. (1XR9A and 1XR9B to 1BR91 and 1BR92). Instrument Air is considered a "medium" risk PSA System. Performance of these transformers will be trended with the Instrument Air System.

Performance Criteria:

For the purposes of 10 CFR 50.65 monitoring, the Offsite Power Trended System will be monitored up to the switchyard inter-tie with the Offsite distribution system, as defined by the item boundaries. Loss of power availability due to problems beyond the system boundaries should not initially be discounted with respect to the Performance Criteria, but further analysis may indicate such problems were not IES Nuclear Generation Division MPFFs.

Given the above, the following critical functions will be monitored:

1. Availability of electric power from at least two Offsite sources at the low voltage terminals of the Startup Transformer at all times. (Generally, breaker K and J operability and Startup transformer operability.) An energized but unloaded Startup Transformer is still considered available.

2. Availability of electric power from an Offsite power source at the low voltage terminals of the Standby Transformer at all times.

3. Availability of electric power at the low voltage terminals of the Auxiliary Transformer when the generator is online. (Source can be generator or offsite power)

4. MPFF's which effect the Offsite power supply for the essential busses (1A3 and 1A4)

    a. MPFF's causing loss of the Startup Transformer
    b. MPFF's causing loss of the Standby Transformer

c. MPFF's causing loss of the fast transfer feature between the Startup and Standby Transformers.
d. MPFF's causing loss of the slow transfer feature between the Startup and Standby Transformers.

5. MPFF's, in total, which effect the power supply for non-essential busses 1A1 and 1A2.

a. MPFF's causing loss of the make-before-break transfer from the Auxiliary Transformer to the Startup Transformer.
b. MPFF's causing loss of the break-before-make transfer from the Auxiliary Transformer to the Startup Transformer.

6. MPFFs, where failure of the switchyard breakers or other switchyard components in scope would result in inability to supply the Startup Transformer with offsite power.

7. MPFFs within the DAEC switchyard or its onsite controls, which, after any prompt Operations or automatic response to the event, result in loss of an offsite power source.

8. MPFFs of breakers M, J, K, D and F leaving breaker unavailable as a reliable power source either by the breaker opening or closing, or failing to open or close, when conditions dictate it should automatically do so, or via inability to successfully operate the breaker from the Control Room when applicable, or from the switchyard control house if Control Room operation is not part of the breaker design.

Items 1, 2, 3, and 6 can be adequately monitored via periodic checks of breaker maintenance and transformer maintenance and well as frequent operation. Items 4 a) and b), and 7 and 8 can be tracked via the corrective action system. Item 4 d) is tested in the LOOP-LOCA test. Items 4 c), 5 a), 5 b) are not routinely tested other than individual instrument checks. Plant Level indicators will also be affected by the performance of Offsite Power.

Estimated (versus known) past unavailable hours, based on a failed surveillance and a percentage of the testing interval (i.e. "T/2"), will not be counted for the unavailability Performance Criteria.

Current Monitoring Criteria:

Technical Specification section 3.8 governs the Offsite Power requirements. As noted, Offsite power problems can effect Plant Level indicators such as scram rate and unplanned capability loss factor.

Performance Criteria Development:

Offsite Power is considered a significant system in the PSA. For comparison purposes, all systems were initially benchmarked against the Emergency Diesel Generators. A value for unavailability of 2.5% for the EDG's is an accepted industry value. The unavailability selected for Offsite Power are in line with this value, given the effect Offsite Power can have on parameters plant wide. PSA

significance and success criteria were reviewed during initial development of the Offsite Power performance criteria.

System and Component availability and Maintenance Preventable Function Failures will be monitored in accordance with the corrective action program, and in some cases in accordance with the DAEC surveillance test programs and Technical Specifications.

For Switchyard Breakers:

There are 2 offsite power feeds to the 161 KV East Bus and 2 to the 161 KV West Bus. These buses are normally interconnected. There are also 2 345KV offsite power feeds which pass through the T1 autotransformer and link to the East and West Bus via breakers D and K. The Startup Xfrm is connected to the East and West 161 Kv buses via Breakers J and K. Either J or K must be closed to supply the Startup Xfrm. (Normally, both are closed). Breaker failure is currently traced by the 15 breaker criteria above, and unavailability of either breaker is tracked via the Startup Xfrm unavailability criteria. The Standby Transformer is connected to the 345 KV offsite lines via the M breaker and its connection to the T1 transformer (independent of the T1 connection between 345KV and the 161 KV east and west buses). The Aux Transformer, which can feed the non-essential busses, is directly connected to the Generator (no breaker in between). 4160 KV breakers at the non-essential busses allow power to be received either from the Aux Transformer or the Startup Transformer. In rare cases, during shutdown periods, offsite power may be "back-fed through the Aux Transformer to the non-essential buses. All of the switchyard breakers involved in feeding offsite power to the plant are kept closed whenever possible. It is reasonable to assume an almost-continuous run time.

If Breaker M is open, the Standby Xfrm is de-energized. Failure of M is currently tracked by the 0 loss of access to offsite power, and unavailability time is tracked via the 2% Standby unavailability criteria. Either Breaker J or K must be available to supply the Startup Xfrm. These breaker failures are tracked by the 15 breaker criteria above, and unavailability of either breaker (East and Wes bus feeds) is tracked via the Startup unavailability criteria. If there is a grid disturbance, the switchyard may break up into two, independent East/West Bus 161 KV and 345 KV islands by the automatic opening of breakers F and D. (The 161KV island feeds the Startup Transformer via J and K, and the 345 KV island feeds the Standby Transformer via M). From the above, it can be seen that Breaker M is the most important breaker, as its single failure will disable the Standby Transfomer. M is followed in importance by breakers J and K providing Startup Transformer access to four 161 KV offsite sources in total, and then F and D, which separate the 161 KV and 345 KV offsite feeds, if necessary. Due to their direct feed of the two offsite sources to Standby Transformer via the M breaker. Breakers R and S and T would have somewhat higher risk than breakers A, B, C, G, H, I and AB, which provide access to the four 161 KV offsite sources, but a single failure of any of these breakers cannot result in loss of offsite power to the Startup or standby transformer. A discussion of the setpoints chosen for criteria monitoring offsite power switchyard breakers is contained in the December 2, 2003 Expert Panel Minutes, NG-03-0838.

Note: De-energization of a transformer due to malfunction of a component within the Offsite Trended System boundaries (as previously defined) is considered a transformer "loss". Losses must be due to Maintenance Preventable Functional Failures to count toward any of the MPFF criteria listed for Offsite power.

10 CFR 50.65 Performance Criteria

Note: All standards below are measured on a three year rolling average, calculated as per year value. The criteria are listed as the highest acceptable values.

≤ 2% unavailability at low voltage terminals of the Startup Transformer of two Offsite sources (via the J and K breakers).

$$\frac{\text{Hours Offsite Power Available from the Startup Transformer via Breaker J + Hours Offsite Power Available from the Startup Transformer via Breaker K}}{\text{(2) Total hours}}$$

Note: This is equivalent to loss of access to each of two Offsite power sources for seven days per year (average). It also represents, given unplanned unavailability only, a complete loss of access to offsite power (J and K breakers simultaneously) for 3.5 hours per year. An energized but unloaded transformer is still considered available.

≤ 2% unavailability at low voltage terminals of the Standby Transformer for an Offsite power source.

$$\frac{\text{Hours Access to Energized Transformer T1 (345/161 Auto Transformer)}}{\text{Total hours}}$$

Note: This is equivalent to loss of access to Offsite power for seven days per year (average).

≤ 0.34 MPFFS of 1A3/1A4 Power, where the value is computed as:

Loss of Startup Transformer + # Loss of Standby Transformer + # Loss of Fast Transfer Function (Startup to Standby) + # Loss of Slow Transfer Function(Startup to Standby)

≤ 2% unavailability to power from Auxiliary Transformer to Low Voltage terminals during plant operation.

$$\frac{\text{Hours Auxiliary Transformer Available with Generator On-line}}{\text{Hours Generator On-line}}$$

≤ 0.67 MPFFs of 1A1/1A2 Power, where this is computed as:

Loss of Auxiliary Transformer + # Loss of Make-before-break transfer of 1A1/1A2 to Startup + # Loss of break-before-make transfer of 1A1/1A2 to Startup. An Auxiliary Transformer loss will count against the criteria whether the unit is on-line or the transformer is being backfed.

0 MPFFs of Switchyard Offsite Power to the Startup Transformer, where this is defined as:

Failure of the switchyard breakers or other switchyard components in scope which, in total, would result in inability to supply the Startup Transformer with power from an offsite source.

≤ 0.67 unplanned events, per year, three year average, due to a MPFF occurring within the DAEC switchyard or its onsite controls, when, after any prompt Operations or automatic response to the event, an offsite power source is lost. (That is, the number of combined 161 KV offsite power sources feeding the East and West Busses (in total), and 345 KV offsite power sources feeding the T1 autotransformer, is reduced by one.)

Note: "Prompt Operations response" means action taken by DAEC Operations or the Load Dispatcher shortly after the loss of an offsite power feed to DAEC to provide a restored pathway for the offsite power source to DAEC by manipulating breakers or control logic. Such a response extends no further than one hour past the initial event. Closure and subsequent unplanned opening of breakers during pathway restoration is not counted as an additional event during this period (unless the number of offsite power feeds is reduced even further at the end of the period). The same breaker that initiated the event can ultimately be credited at the end of period as providing the pathway for offsite power, provided this breaker did not initiate a similar event in the previous 48 hours unless it was also repaired in the interim to prevent recurrence. An automatic response to the event is a breaker rapidly opening and closing in response to transient line problems.

(In other words, there are normally four 161 KV offsite feeds in total to the East and West Busses, and two 345 KV feeds via T1 autotransformer. Switchyard breakers A, B, C, AB, G, H, I, R, S and T provide multiple pathways for these sources to reach one of the busses (and this is taken into account when developing the preventive maintenance schedules, which may allow for some parts of the breakers to run to failure). A feed to either east or west bus is acceptable. If a single breaker fails open, but another breaker maintains a pathway from the offsite source to the plant, or a breaker is closed to restore the pathway as a prompt response to the event, then the event is not counted against the above criteria. The Note for the criteria addresses the fact that regaining the pathway within the reasonable time frame of one hour may not always occur without additional breaker trips, either when attempting to reclose the breaker which began the event, or when closing a new breaker into the circuit. The note also ensures the criteria will capture problems with a breaker which continues to be used as the pathway even though it is frequently tripping and having to be reclosed.)

$\leq$ 1 MPFF, per year, three year average, for the total of breakers M, J, K, D and F, where the failure leaves, or would have left, the breaker unavailable as a reliable source of power transmission, either by the breaker opening or closing, or failing to open or close, when conditions dictate it should automatically do so, or via the inability to successfully operate the breaker from the Control Room when applicable, or from the switchyard control house (when in manual) if Control Room operation is not part of the breaker design.

Note: For this group of breakers, an event would be considered a "Repetitive MPFF", warranting a review for a 50.65(a)(1) RED declaration if a breaker experiences a MPFF which is due to the same cause as another maintenance-preventable failure of any similar breaker in the DAEC switchyard (not just the five monitored for this criteria) within the last two years, provided that there was sufficient time to implement corrective actions following the first failure. See the Module 4, Attachment 2 Repetitive MPFF guidance for more details and examples.

OE Monitoring Lessons Learned:

The INPO keyword index of Industry Operating Experience and the NPRDS database were checked for information relevant to Offsite Power Trended System performance during preparation of Revision 0 of this document and were also considered as part of additional revisions. The monitoring and Performance Criteria for this system will adequately detect failures that have occurred.

Effect of Revisions:

Rev. 1: Expanded boundaries to incorporate more switchyard equipment. Updated Expert Panel and PSA notes. Clarified equation for Startup Transformer to reflect need for two sources. Added a criteria for switchyard breaker failures. A review of current and revised data indicates no change in 10 CFR 50.65 (a)(1)/(a)(2) status is needed. Rev 2: Completed Cycle 18 2002 System Engineer review per Module 5. Changed switchyard breaker monitoring to MPFF and CMF per Expert Panel, and clarified failure to reclose, and when transformers unavailable, at request of system engineer. Updated Tech Spec and other references, and added estimated hours (T/2) statement. Clarified that unloaded Startup Transformer is still available and aux transformer availability is for generator online times. Rev 3 clarified scope to be everything within owner-controlled area, changed switchyard breaker monitoring to capture as MPFFs the loss of individual offsite power sources into the switchyard or loss of one of five key breakers. Removed ability to supply Aux Transformer with offsite power from

criteria. Rev 3: Changed switchyard breaker monitoring to better capture ring bus and islands, and focus on key breakers.

References:

1. Erin Report No. C1249311-1798, Rev 2, (DAEC Maintenance Rule Prioritization of Systems, Structures and Components)
2. DAEC Technical Specifications 3.8/4.8
3. System Description 304
4. UFSAR Sec 3.1 (GDC 17), 8.1, 8.2, 8.3
5. NSOA
6. P&ID M-143
7. BECH E-1
8. Erin Report No. C1249606-2843-120596, On-line Maintenance and Performance Criteria Assessment, 12/96
9. NG-02-1081, MR Expert Panel Meeting, November, 2002
10. NG-03-0686, MR Expert Panel Meeting, August, 2003
11. NG-03-0838, MR Expert Panel Meeting, December, 2003
12. CAP 027725

Appendix F
To LGIA

Addresses for Delivery of Notices and Billings

Notices:

Transmission Owner:

Interstate Power and Light Company
200 First Street SE
P.O. Box 351
Cedar Rapids, IA 52406-0351
Attention: President
Facsimile: 319-786-7720

With a copy to:

Alliant Energy Corporate Services, Inc.
4902 N. Biltmore Lane
Madison, WI 53718
Attention: General Counsel
Facsimile: 608-458-0143

Interconnection Customer:

FPL Energy Duane Arnold LLC
700 Universe Blvd.
Juno Beach, FL 33408
Attention: Michael L. Leighton
Facsimile: 561-691-7135

With a copy to:

FPL Energy, LLC
700 Universe Blvd.
Juno Beach, FL 33408
Attention: Mitchell S. Ross
Facsimile 561-691-7135

Billings and Payments:

Transmission Owner:

Alliant Energy Corporate Services, Inc.
4902 N. Biltmore Lane
Madison, WI 53718
Attention: Clarke Schroeder
Facsimile: 608-458-0123

Interconnection Customer:

FPL Energy, LLC
700 Universe Blvd.
Juno Beach, FL 33408
Attention: Keith Jenkins

Miscellaneous Information

Transmission Owner

DUNS# 00-694-0522

Interconnection Customer

DUNS# To be provided