Financing and Developing New Renewables in the Voluntary Markets

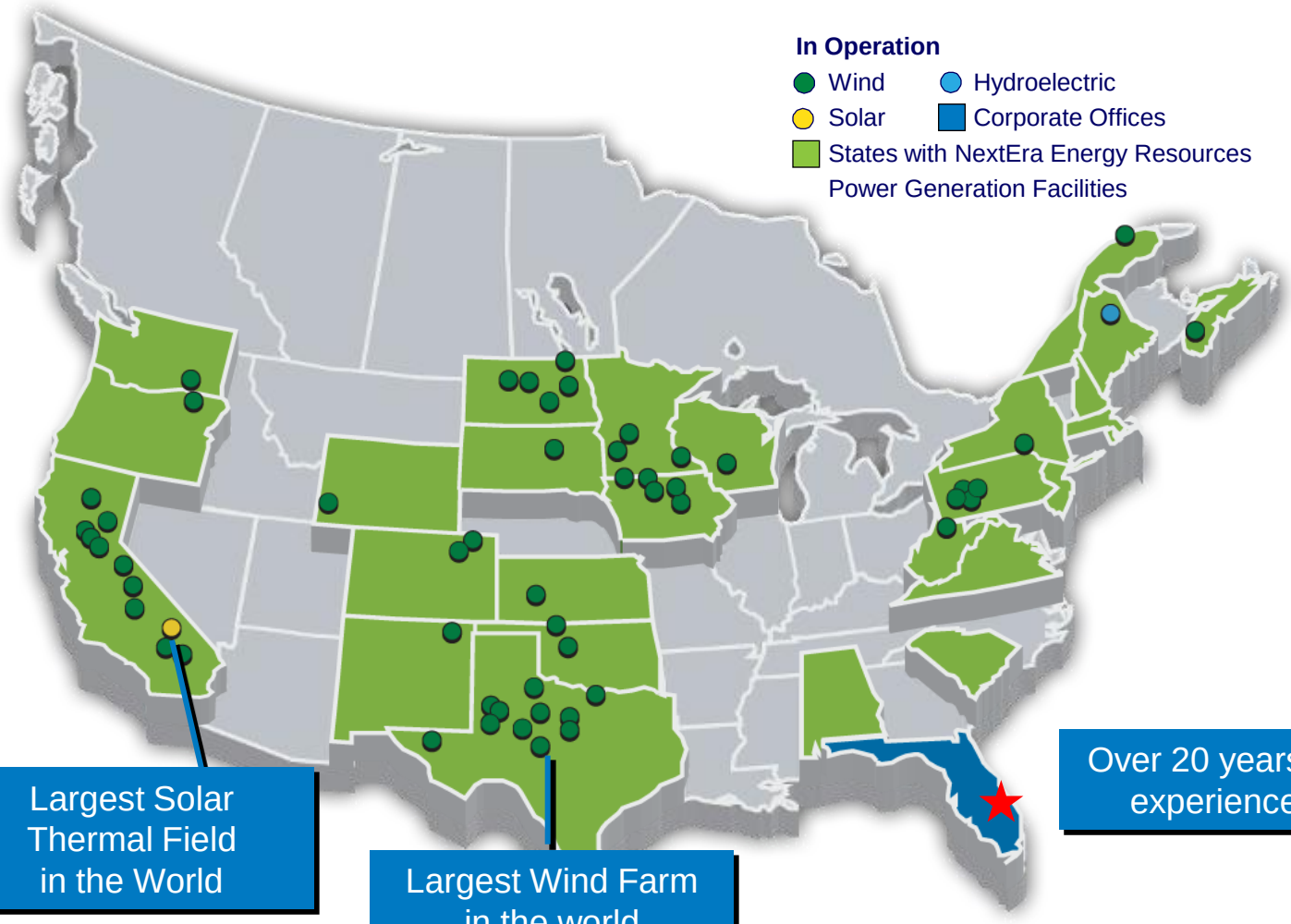
9-16-09

FPL Group, Inc. is a Fortune 150 corporation

The S&P and Moody's gives FPL Group credit ratings of A and A2

a) Market capitalization as of July 23, 2009
b) All other data as of December 31, 2008

Wind Energy is ~38% of NextEra Energy's existing generation portfolio



Largest Solar Thermal Field in the World

Largest Wind Farm in the world

Over 20 years of experience

FPL Group Credentials:

- $10 B invested in renewables to date
- 95% clean portfolio
- Operates in 26 states and Canada

US growth in wind development

- Total 2008 US installation of wind projects was ~8500MW
- Projected US installation of wind projects: 2009 7,200MW
- 1H09 was stronger than many estimated in the US ~4000MW
  - Wind project developer feared the Congress would not extend the PTC for any wind farm installed after Dec. 31, 2008
  - Financing for the Q4 2008 and Q1 2009 periods was signed in late 2007 and early 2008 (before the financial crisis)
- In recent years the average quarterly level of US installation of wind projects is ~1500MW

Outlook

- The long-term strong growth prospects for the wind industry is good
- However, in the near-term there are some challenges for the industry
  - Available financing
  - Long-term PPAs
  - Grid transmission constraints
  - US regulatory uncertainty
- Turbine availability is favorable for growth
- Price deflation on wind turbines may be on the horizon

Currently, a limited interest in Power Purchase Agreements (PPAs) for wind projects

- With targeted unlevered IRRs of >10%, there is now very limited availability of well-priced PPAs for new wind projects across the U.S.
- The suggested reasons:
  - As a result of the recession, electricity demand is down across the US. Thus, most utilities want to decrease not increase their overall power purchases
  - As a result of the falling electricity demand, the slump in US natural gas prices, the cost per MWh of electricity from a wind turbine is ~50-60% higher than that from a gas turbine
- In the past, it has been incentives of state RPSs, or federal tax credits, that has historically broken the high price barriers of wind energy
  - RPS in many states has now been exhausted
  - The introduction of the ITC cash grants, has removed the sense of urgency that was present a year ago

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The U.S. Government's American Recovery and Reinvestment Act (ARRA): Sections 1603 & 1705

- Section 1603: Designed to help the wind industry through the current shortage of 'tax equity', the form of finance provided by banks and insurance companies to help wind developers monetize their federal tax credits
- Section 1603: offered wind project develops ITC cash grants; the option for a wind developer to convert the ITC into a cash grant, received directly from the US Treasury
- Section 1705: A loan guarantee fund, designed to help the wind industry the current shortage in project finance debt
  - The DoE would offer to guarantee bank loans to specific renewable energy projects, thus encouraging banks to lend significant sums of capital to finance new project installations

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The loan guarantee fund included in the ARRA (Stimulus Bill)

- The US government appropriated $6Bn to support $48Bn in eligible projects under Section 1705 of the Recovery Act
  - $2.5Bn reserved for new and significantly improved technologies (mainly offshore projects)
  - $750MM reserved specifically for grid transmission projects
  - $2.0Bn diverted to an extension of the CARS (cash for clunkers program)

The Speaker of the House, Nancy Pelosi, did say that she hoped the $2.0Bn would be restored in due course to the ABBA loan guarantee program

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The consensus expectations for a sharp surge in US installations on 2010 and 2011 may be a bit optimistic

- Regardless of the recently announced ITC cash grants, US regulatory drivers overall have weakened
- It is becoming harder in some regions to sign PPAs
- Demand for electricity in down across the country
- Insufficient transmission grid capacity in some regions of the US may become an obstacle
- Credit availability to projects developers is improving slightly, however, not yet significantly
- Projected 2010 and 2011 US wind installations:
  - Between 7,500 & 8,500MW for 2010
  - Between 9,300 & 11,000MW for 2011

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Thank You!