

October 8, 2009

## FPL announces agreement with Federal Energy Regulatory Commission

JUNO BEACH, Fla. – Florida Power & Light Company, a subsidiary of FPL Group, Inc. (NYSE: FPL), today announced that it has agreed to a settlement with the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC) related to a Feb. 26, 2008, power outage in Florida.

Under the agreement, FPL will pay \$10 million each to the United States Treasury and NERC and will invest \$5 million in transmission system reliability enhancements above and beyond already planned investments. These amounts will be from FPL Group shareholder funds and will not affect customer bills.

On Feb. 26, 2008, FPL's transmission system – the high-voltage power lines that carry electricity from power plants to substations – experienced a service interruption as a result of human error. A field engineer was diagnosing a switch that had malfunctioned. Without authorization and contrary to FPL's policies and procedures, the engineer disabled the primary and backup equipment that prevents electrical failures at a switch from spreading. A failure occurred at the switch, and because both levels of protective equipment had been disabled, it caused an outage that affected approximately 600,000 FPL customers in southeast Florida for an average of one hour.

FERC's Office of Enforcement had asserted potential violations of industry reliability standards by FPL in connection with the event. FPL believes it was in compliance at all times. As part of the settlement agreement, FERC does not conclude in any manner that FPL violated any reliability standards or laws, and FPL does not admit any violations or liability in connection with the outage.

FPL noted that in a number of instances the standards it was alleged to have violated are ambiguous and subjective. The company agrees with the view stated by FERC Commissioner Philip D. Moeller, who said in a concurring opinion in today's order approving the settlement, that "[t]hose who are subject to Commission penalties need to know, in advance, what they must do to avoid a penalty."

"We deeply regret the inconvenience this incident caused our customers and the communities we serve. However, we disagree with the assertions of FERC's Office of Enforcement. We believe the evidence and the findings of independent investigations demonstrate that FPL was in compliance with industry reliability standards and that this incident was, unfortunately, the result of the inappropriate and unauthorized actions of an individual," FPL President and CEO Armando J. Olivera said.

"This event dates back to February 2008 and could take several more years and be very costly to resolve through litigation with a federal regulatory agency. Litigation would require the time and attention of the same people who are responsible for the reliability of the grid. As a result, we

believe a settlement is an appropriate course of action at this time,” Olivera said.

“FPL has a long-standing history of regulatory compliance and superior system reliability, and we are deeply committed to compliance with all FERC rules and regulations. Our focus is on continuing to safely provide reliable service to our customers. Our overall reliability record is acknowledged as being among the very best in the country and is 47 percent better than the national average, and FERC itself acknowledged in the settlement agreement that FPL’s distribution reliability is superior. This performance is the strongest demonstration of our consistent commitment to rigorous operating standards and regulatory compliance,” Olivera noted.

FPL believes that it was in compliance with industry reliability standards at the time of the outage as a result of the documented findings of prior NERC audits and two independent investigations of the incident, which were conducted in addition to FPL’s own extensive internal investigation:

- NERC had conducted two prior reliability readiness evaluations of FPL reliability practices and performance in which representatives of FERC participated. These audits found FPL had the appropriate plans, processes, procedures and personnel in place to ensure reliability.
- An independent investigation was conducted by the Florida Reliability Coordinating Council (FRCC), which has been delegated authority from NERC to propose and enforce reliability standards within the FRCC Region. The FRCC performed a detailed analysis of all technical and human aspects of the Feb. 26, 2008, outage and, in an Oct. 30, 2008, report identified no FPL violations of reliability standards.
- FPL also commissioned an independent investigation by ICF International, a consulting firm that is nationally recognized for its expertise on grid operations, energy security and infrastructure protection. ICF, whose clients have included business customers and U.S. government agencies, concluded in its Nov. 7, 2008, report that FPL did not violate reliability standards.

While FPL disagrees with the Office of Enforcement’s assertions regarding potential violations of industry reliability standards and notes that in several instances the standards are ambiguous and subjective, the company readily agreed to implement several additional measures in areas such as training and enhanced operating procedures to further strengthen the system against human error. The company has already implemented most of these actions based on its own post-incident assessment, demonstrating its commitment to industry-leading reliability.

### **Florida Power & Light Company**

Florida Power & Light Company (FPL) is the largest electric utility in Florida and one of the largest rate-regulated utilities in the United States. FPL serves 4.5 million customer accounts in Florida and is a leading employer in the state with nearly 11,000 employees. The company consistently outperforms national averages for service reliability while customer bills are among the very lowest in the state and below the national average. A clean energy leader, FPL has one of the lowest emissions profiles and the No. 1 energy efficiency program among utilities nationwide. FPL is a subsidiary of Juno Beach, Fla.-based FPL Group, Inc. (NYSE: FPL). For more information, visit [www.FPL.com](http://www.FPL.com).