



Energy Smart Florida

Presentation to 6th Annual CMU Conference on the Electricity Industry

March 9, 2010

Christopher Bennett

**Executive Vice President & Chief Strategy,
Policy & Business Process Improvement Officer
FPL Group, Inc.**

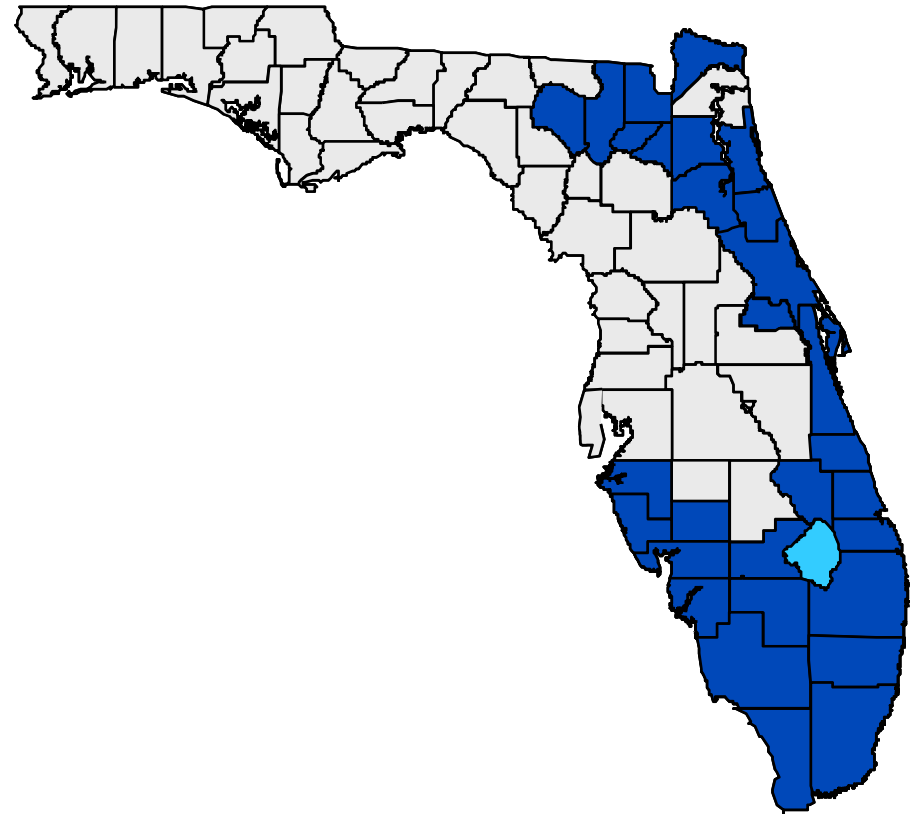
Cautionary Statements and Risk Factors that May Affect Future Results

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. These forward-looking statements may include, for example, statements regarding anticipated future financial and operating performance and results, including estimates for growth. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in our SEC filings.

Florida Power & Light Company is one of the largest rate-regulated electric utilities in the country

FPL Service Area

- High service quality for 4.5 million customers
- 27,000 square miles in 35 counties
- No. 1 in energy efficiency among U.S. electric utilities (as reported by DoE)



Energy Smart Florida expands the focus originally proposed in the Energy Smart Miami announcement

Energy Smart Florida

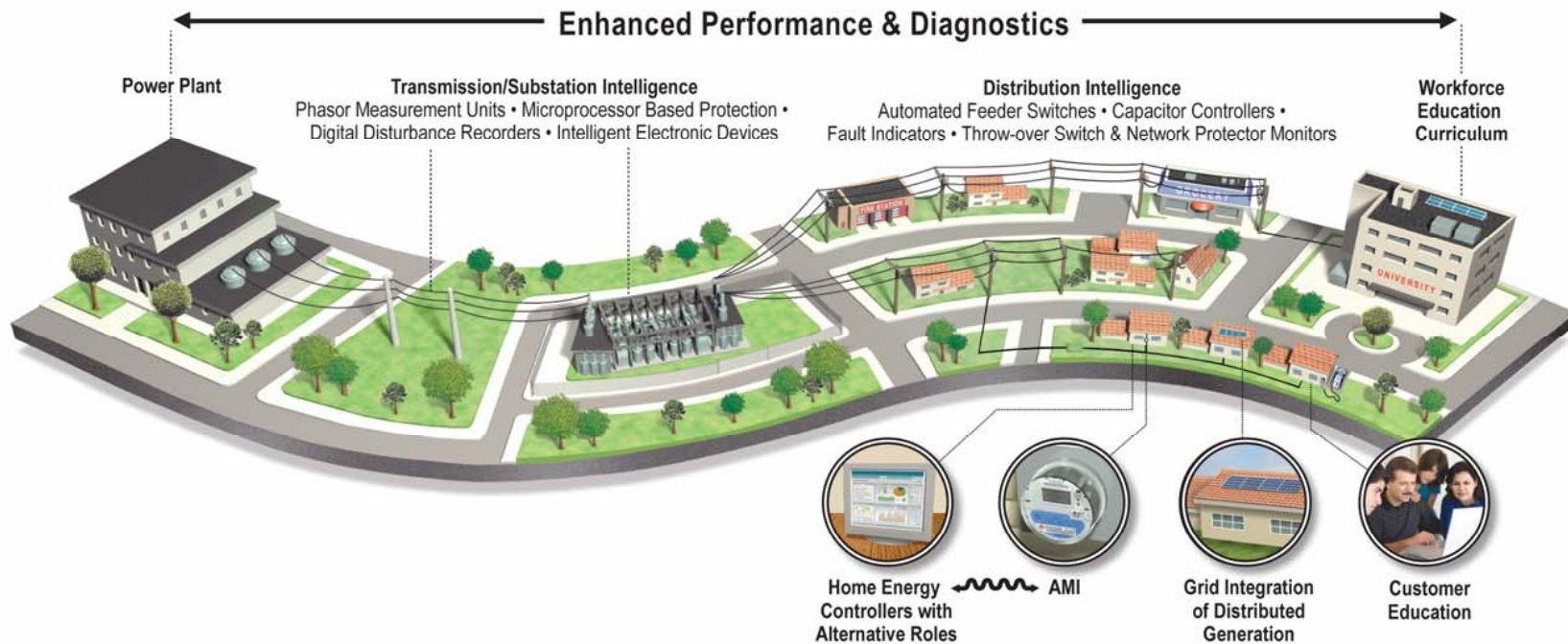
- Promotes energy efficiency and greater use of renewable energy
- Improves infrastructure reliability
- Highlights critical role of smart meters in FPL's smart grid strategy
- Creates "green collar" jobs to build and deploy the technology
- Builds community goodwill and relationships



FPL's solution to achieving Smart Grid benefits and meeting the challenges is 'Energy Smart Florida'

Energy Smart Florida

ESF incorporates advanced sensing, communication, control and analytical capabilities into the grid (predict and prevent vs. sense and respond)



ESF is an integrated end-to-end solution that will improve intelligence and efficiency of the grid and provide enhanced information to enable better customer decision-making

On October 27, 2009, President Obama announced awards of \$3.4B to 100 Companies for Smart Grid, supporting \$4.7B private investment

Smart Grid Investment Grant - Award summary

- **Total awards across the nation**
 - 850 PMU's (Phasor Measurement Units)
 - 1 million in-home displays
 - 200,000 Smart Transformers
 - 700 Automated Substations
 - 40 million Smart Meters
- **\$200MM Awardees**
 - FPL, Duke, Baltimore Gas & Electric,
 - CenterPoint, PECO, Progress Energy



- **Energy Smart Florida (ESF) total project cost = \$578MM**

Energy Smart Florida received the maximum investment award

While new markets will emerge once Smart Grid is deployed, immediate benefits are core to the business

Smart Grid Opportunities

- **Increased resource efficiency and improved asset utilization**
- **Improved distribution and transmission reliability**
- **Enhanced customer experience resulting in improved satisfaction**
- **New markets built around renewable energy and carbon**
- **Mitigation of aging workforce pressure through application of automation and technology**
- **New business models, products and services, partnerships**

Whether we are successful in meeting the challenges of execution depends on our *agility* and *ability* to innovate

Key Factors for Successful Execution

- **Customer-centric business models**
- **Market-driven, breakthrough innovation**
- **Untraditional partnerships and collaboration – development of industry ecosystem and “complementors”**
- **Rapid convergence on standards**
- **Dedication to interoperability**
- **Tenacious commitment to ongoing cost improvement**
- **Unrelenting focus on cyber-security**
- **Development of world-class data analytics**

Technology driven change must be balanced with a pragmatic review of policy, process and sustainability

Smart Grid Risks

- **Reduced revenues from improved energy efficiency, new market entrants, distributed generation**
- **Increased stranded assets from rapid technology cycle vs. slow depreciation cycle**
- **Timing of technology maturity, regulatory process, cost recovery model must align**
- **Prospect of state/federal jurisdictional disputes, expansion of federal regulation into distribution, customer domains**
- **Driving involvement in setting industry standards vs. being dominated by vendors - will we lose control?**
- **Increased security risk driven by new avenues of attack**

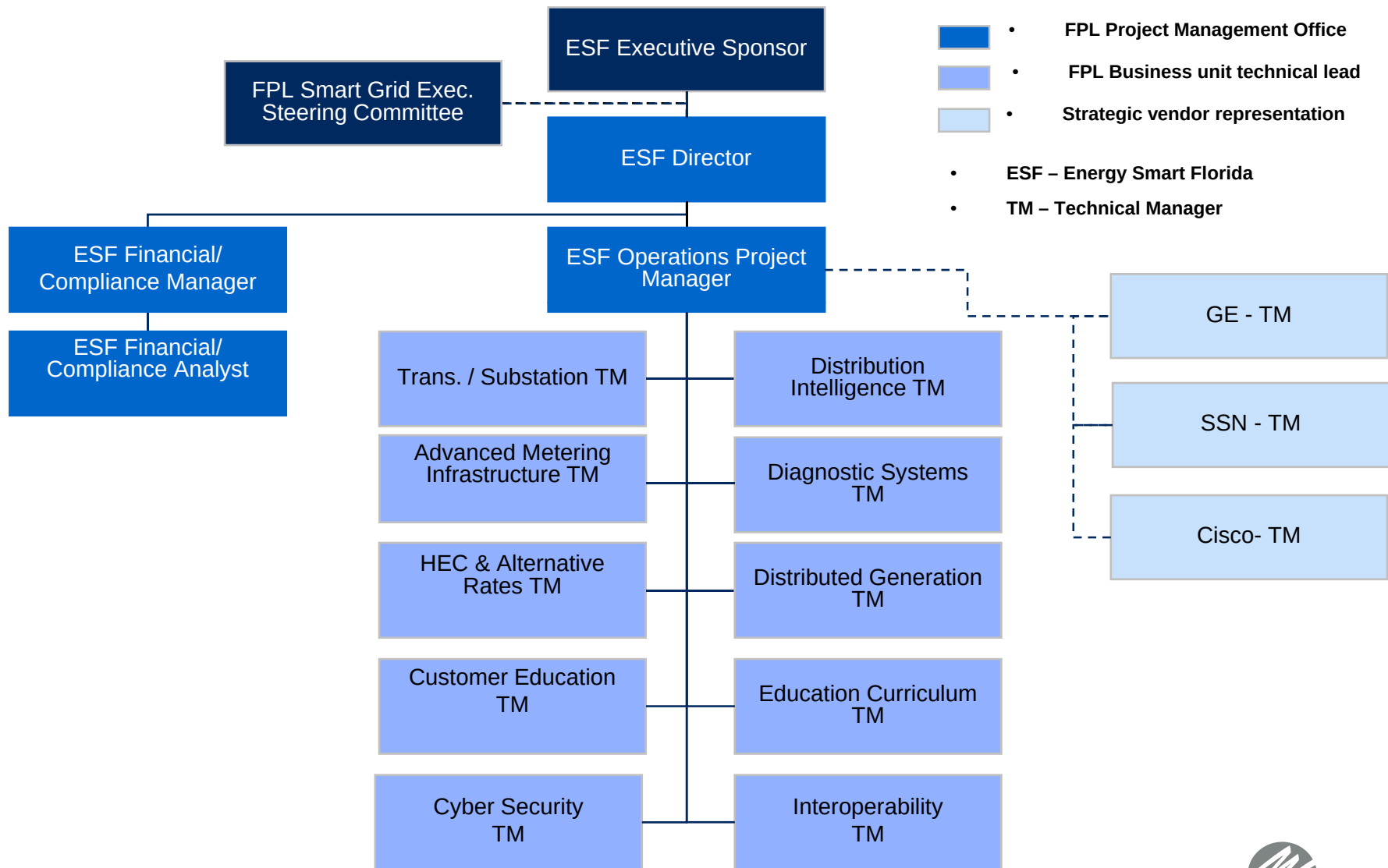
A comprehensive approach is required for Smart Grid

FPL's Response

- **Business focus: Deploy Smart Grid at pace of value**
- **Prioritize benefits**
- **Create a cross-functional organization**
- **Eco-system of partners: communities, technology leaders (IT and grid)**
- **Conduct pilots to understand complexity at scale**
- **Focus on cyber-security and grid management**
- **Active participation in national standards efforts**
- **Build from a strong foundation**

ESF Smart Grid organization framework developed, key positions approved and ready for deployment

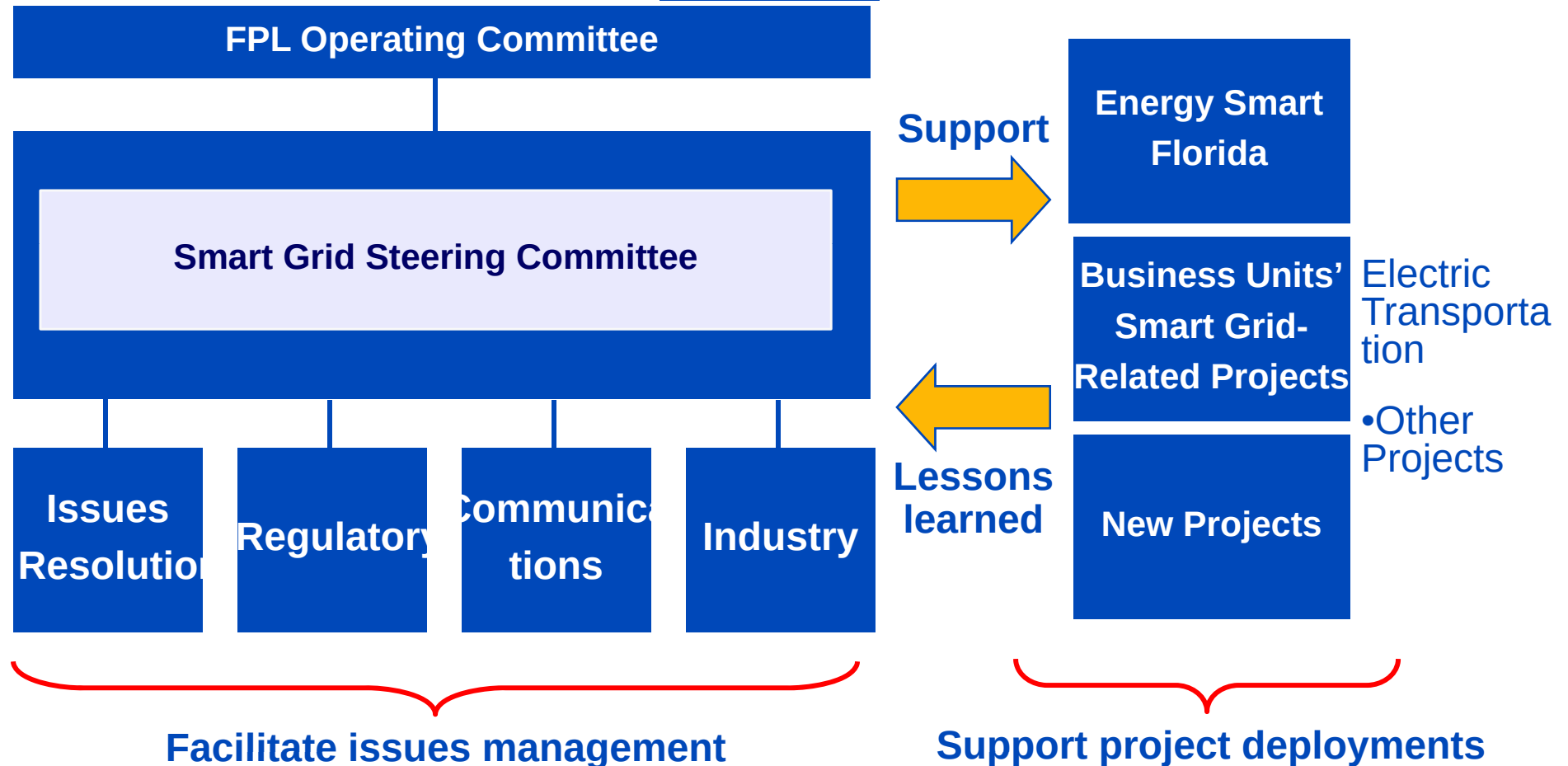
Energy Smart Florida Organization Structure



The Smart Grid Steering Committee (SGSC) role for 2010 is to facilitate issues management and provide support for smart grid projects deployments

Steering Committee/Project Deployment Teams

Interplay



PRIVILEGED AND CONFIDENTIAL

Smart Grid is a journey, not an event, in which planning and active engagement of all stakeholders are key

Key Takeaways

- **High expectations have been set across the country**
- **Business process, regulatory policy still in development**
- **Strong foundations are critical to sustain success (cyber security, communications, testing and certification)**
- **Active engagement of the utility industry is critical**
- **Execution faces challenges**
- **Success largely dependent on new competencies and untraditional ways of doing business in our industry**



FPL®