

FPL GROUP INC  
Form 425  
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Filed by FPL Group, Inc.  
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Subject Company: FPL Group, Inc.  
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This communication is not a solicitation of a proxy from any security holder of FPL Group, Inc. ("FPL Group") or Constellation Energy Group, Inc. ("Constellation Energy"). Constellation Energy intends to file with the Securities and Exchange Commission (the "SEC") a registration statement that will include the joint proxy statement/prospectus of Constellation Energy and FPL Group and other relevant documents to be mailed to security holders in connection with the proposed transaction. **WE URGE INVESTORS TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT FPL GROUP, CONSTELLATION ENERGY AND THE PROPOSED TRANSACTION.** A definitive proxy statement will be sent to security holders of FPL Group and Constellation Energy seeking approval of the proposed transaction. Investors will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov). In addition, a copy of the joint proxy statement/prospectus (when it becomes available) may be obtained free of charge from FPL Group, 700 Universe Blvd., Juno Beach, FL 33408, Attention: Investor Relations, or from Constellation Energy, Shareholder Services, 750 East Pratt St., Baltimore, MD 21202.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

FPL Group, Constellation Energy and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding FPL Group's directors and executive officers is available in its Form 10-K/A filed with the SEC by FPL Group on April 28, 2006, and information regarding Constellation Energy's directors and executive officers is available in its Form 10-K/A filed with the SEC by Constellation Energy on May 1, 2006. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

This filing includes (i) the slides posted on FPL Group, Inc.'s website in connection with its May 2, 2006 audio webcast broadcast on its first quarter 2006 earnings release and (ii) the chief financial officer's remarks accompanied by headings which coordinate such remarks with the slides:































































































Conference Call

First Quarter 2006 Earnings Release

May 2, 2006

1.

First Quarter 2006 Earnings Conference Call

Jim von Rieseemann

Good morning and welcome to our 2006 first quarter earnings conference call.

Moray Dewhurst, Chief Financial Officer of FPL Group, will provide an overview of our performance for the first quarter. Lew Hay, FPL Group's Chairman, President, and Chief Executive Officer, Armando Olivera, President of Florida Power & Light Company, and Jim Robo, President of FPL Energy are also with us this morning.

Following Moray's remarks, our senior management team will be available to take your questions.

2. Non-Solicitation

Before I turn it over to Moray, let me remind you that this communication is not a solicitation of a proxy from any security holder of Constellation Energy or FPL Group.

Constellation Energy intends to file with the Securities and Exchange Commission a registration statement that will include a joint proxy statement and prospectus and other relevant documents to be mailed to security holders in connection with the proposed merger of Constellation Energy and FPL Group.

3. Safe Harbor Statement

Let me remind you that our comments today will include "forward-looking statements" within the meaning of the private Securities Litigation Reform Act of 1995.

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 materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix herein and in our SEC filings.

These risks, as well as risks associated with the proposed merger between FPL Group and Constellation Energy, will be more fully discussed in the joint proxy statement and prospectus that will be included in the Registration Statement on Form S-4 that the companies will file with the SEC in connection with the proposed merger.

And now, I would like to turn the call over to Moray Dewhurst.

Moray. . .

Moray Dewhurst:

Thank you, Jim, and good morning everyone.

#### 4. Overview of First Quarter 2006

FPL Group is off to an excellent start in 2006, powered by the outstanding performance of FPL Energy and despite rather tepid results from Florida Power & Light. In fact, for the quarter, FPL Energy's contribution to earnings exceeded that of Florida Power & Light.

The outstanding performance at FPL Energy reflects strength across the board. We entered the year highly hedged, but good market conditions and incremental generation from outstanding operational performance, coupled with a wind resource index a little above normal led to us exceeding our expectations in virtually every part of the FPL Energy portfolio. Year-over-year comparisons benefited from the contributions from new assets, including the Duane Arnold Energy Center, which joined the portfolio in January. While we do not expect FPL Energy to outperform Florida Power & Light every quarter in terms of earnings contribution, we believe the results show the strength of the business model that we have developed for serving competitive wholesale markets.

Florida Power & Light's earnings contribution was up over last year, but the results were below our expectations. First quarter weather was even milder than last year.

Looking forward, we remain intently focused on solid execution for the remainder of the year. With the high degree of hedging and the advanced state of development of the 2006 wind program at FPL Energy, our major focus needs to be continued outstanding execution. At this stage, we continue to expect FPL Group to deliver adjusted earnings per share of \$2.80 to \$2.90 in 2006, and I will have additional comments on this later in the call. Our earnings expectations assume normal weather for the balance of the year and exclude the effect of adopting new accounting standards, merger-related costs, and the mark-to-market effect of non-qualifying hedges, none of which can be determined at this time.

Finally, as you all know, much has happened recently in Maryland that could have a bearing on our agreement to merge FPL Group with Constellation Energy. I will provide some additional comments at the end of this call.

Now, let's look at the financial results for the first quarter.

#### 5. FPL Group Results (First Quarter)

In the first quarter of 2006, FPL Group's GAAP results were \$248 million or 63 cents per share compared to \$137 million or 36 cents per share during the 2005 first quarter. FPL Group's adjusted 2006 first quarter net income and EPS were \$228 million and 58 cents, respectively, compared with \$168 million or 44 cents per share in 2005.

Our adjusted results exclude the mark-to-market effect of non-qualifying hedges and merger related costs. Please refer to the Appendix of the presentation for a complete reconciliation of GAAP results to adjusted earnings.

FPL Group's management uses adjusted earnings internally for financial planning, for analysis of performance, for reporting of results to the Board of Directors and for the company's employee incentive compensation plan. FPL Group also uses earnings expressed in this fashion when communicating its earnings outlook to analysts and investors. FPL Group management believes that adjusted earnings provide a more

meaningful representation of FPL Group's fundamental earnings power.

#### 6. FPL - First Quarter (Summary)

FPL's performance for the first quarter was somewhat disappointing. On the good side, customer growth continued at a strong pace, albeit slower than in recent years. Usage per customer was roughly flat, with the exception of the weather impact, which was negative even relative to a weak 2005. Increases in O&M and interest expense, plus reductions in AFUDC owing to the introduction to service of the Martin and Manatee expansions, more than offset reductions in depreciation resulting from last year's rate case and its settlement agreement. Overall, earnings were up, but we had hoped to do better.

In regulatory matters, we completed hearings just over a week ago on our petition to recover our prudently incurred 2005 storm restoration costs and to rebuild a storm reserve fund to \$650 million. We also filed our new ten-year site plan detailing generation expansion options for the coming years. I will provide updates on these in a moment.

#### 7. Florida Power & Light Earnings (First Quarter)

In the first quarter of 2006, Florida Power & Light's GAAP and adjusted results were \$122 million or 31 cents per share compared to \$111 million or 30 cents per share during the 2005 first quarter.

#### 8. FPL Historical Growth in Customer Accounts (First Quarter)

Growth in new customer accounts continued at a strong pace in the first quarter. The average number of FPL customer accounts increased by 92,000, or 2.2%. This is slightly below the pace of the last couple of years but still very good. You may recall that our general expectation for the next few years is to continue at about the 2% level.

#### 9. Retail Sales at FPL (First Quarter)

Overall, retail kilowatt-hour sales grew 1.7 percent during the quarter. Customer growth accounted for 2.2 percent. Usage growth associated with weather was down one-half of one percent year-over-year, largely reflecting the mild weather. Underlying usage growth, mix and all other effects were flat with the year-ago comparisons.

As a reminder, our statistical model for usage takes into account weather effects, general economic conditions, price elasticity and long-term trend data. Our 2006 earnings expectations continue to assume no growth in usage per customer, owing primarily to the price elasticity effect associated with the significant increase in customer bills associated with rising fuel costs. For 2007 and beyond, we believe underlying usage growth will return to its long-run average of one to one-and-a-half percent.

#### 10. FPL O&M and Depreciation (First Quarter)

For the first quarter, FPL's 2006 O&M expense increased \$20 million to \$330 million. Two areas account for essentially all the increases: nuclear and distribution. The nuclear plants continue to experience cost pressures

associated with increased staffing to meet enhanced regulatory requirements and to ensure long term reliability. Distribution costs were driven by increases in fleet vehicle costs and additional restoration expenses, although there has been no decline in overall system reliability.

Looking forward, we expect to see increases for the full year in generation, transmission & distribution, and customer service, as well as continued increases in employee benefit costs. Distribution expenses and capital are likely to be further increased as a result of our Storm Secure initiative, which we announced earlier this year.

Depreciation and amortization expense decreased \$35 million to \$195 million for the first quarter of 2006. There are two primary factors for the decline: the extension of the useful lives on our generation fleet and the elimination of the nuclear decommissioning accrual, both of which were implemented as a result of last year's base rate proceeding and the August 2005 stipulation and settlement agreement.

The annualized net effect of these two items is to lower depreciation in 2006 by approximately \$140 million on an after-tax basis. As a reminder, depreciation should be down for the year, but not by the full amount of these two items. Normal capital spend and the half-year impact following the addition of the Martin and Manatee generating facilities, will be partial mitigants to the extension of useful lives and the cessation of the decommissioning accrual.

#### 11. FPL Earnings Contribution Drivers (First Quarter)

To summarize, Florida Power & Light's first quarter earnings per share were affected by the following:

- Customer growth	positive 3 cents
- Usage due to weather	negative 1 cent
- Underlying usage growth, mix, and other	zero
- O&M	negative 2 cents
- Depreciation	positive 6 cents
- AFUDC and interest expense	negative 5 cents
- Other, including share dilution & rounding	zero

For a total one cent improvement for the quarter.

#### 12. Storm Costs - Update

Let me now update you on the status of storm cost recovery proceedings. As you will recall, in January we filed a petition with the FPSC seeking recovery of approximately \$816

million of prudently incurred restoration costs relating to the 2005 storm



season. In that petition, we proposed combining these amounts with the remaining unrecovered deficit from 2004 as well as rebuilding the storm reserve to approximately \$650 million. We proposed two alternatives: the use of securitization as our primary recommendation and a surcharge as our alternate.

Since the petition was filed we have further refined our estimates of final costs based on new information and have reduced the total estimated unrecovered 2004 and 2005 storm costs by approximately \$46 million.

Two weeks ago the Commission held three days of hearings on the prudence of the 2005 costs as well as the considerations that should lead to choosing securitization or surcharge and the level of the reserve that should be targeted. The Office of Public Counsel proposed a number of disallowances and adjustments, altogether totaling \$166 million, to the 2004 and 2005 costs, and intervenors generally recommended that the reserve be rebuilt to a level of \$150-200 million. We believe our witnesses provided excellent responses to all the issues raised and continue to believe that our actions were prudent and our accounting approach is appropriate. However, there can be no guarantee that the Commission will agree with our position on all the issues raised.

You will recall that the 2005 Rate Stipulation and Settlement specifically states that the parties agree that the company will be entitled to recover prudently incurred restoration costs. This proposition was effectively challenged by a staff witness, who proposed that the Commission arbitrarily impose up to a 20% sharing of prudently incurred costs. As we indicated in our response, not only would this be inconsistent with the Rate Agreement, which the witness acknowledged, it would also be inconsistent with basic principles of ratemaking. Since the Rate Agreement specifically excluded storm costs from recovery through base rates, the imposition of a so-called sharing approach would effectively preclude the company from ever having the opportunity to recover that portion which was deemed shared.

While we believe we have provided sound responses to this proposal, I must note that during the hearings one party to the 2005 Agreement, namely the Attorney General of the State of Florida, took the position that the 2005 Agreement either contemplated or at least allowed for the imposition of sharing.

The Commission is due to vote on all outstanding issues in this matter on May 15<sup>th</sup>.

### 13. Capacity Additions and Fuel Diversity

In early April, we filed our latest 10-year site plan with the PSC. This planning document identifies our capacity needs for the next 10 years and the assumptions on which they are based. It incorporates the Turkey Point 5 expansion, due in service in mid-2007, as well as the proposed West County Energy Center, targeted for 2009 and 2010. We have included plans for additional demand side programs. The plan also indicates that in 2012 and 2013 the company is intending to pursue the introduction of new clean coal capacity. We are currently working on identifying suitable sites.

Finally, in early April, we notified the Nuclear Regulatory Commission of our intent to submit a license application in 2009 for a new nuclear plant in Florida. New nuclear resources in Florida would help balance FPL's generation mix, ensure reliability, and provide greater price stability for our customers. A decision to build is still several years away and would be evaluated on several factors, including regulatory climate, financial market conditions and competing fuel technologies. The contemplation of a new nuclear plant is not incorporated in our recently filed 10-year site plan, since it would likely come into service beyond the ten year planning period.

## 14. FPL Energy - First Quarter Overview

Let me turn now to FPL Energy, which delivered outstanding results, driven by strong operational performance coupled with favorable market conditions and weather resources that were closer to long-term historical averages, especially in the wind category, than we have seen in recent periods. Nearly all of the core elements of the FPL Energy portfolio delivered results that were better than expected.

In terms of factors affecting future periods, the first quarter generally saw forward prices fall; however, the effect on our business is muted by the high degree of hedging for the next couple of years; and the back end of the curve did not move significantly.

Our wind development continues to make good progress. Thus far, in 2006, FPL Energy has about 760 megawatts of new wind projects that have either been completed or are expected to reach commercial operation around the end of the year. Consequently, today's 2006 wind development pipeline is slightly ahead of the upper-end of our original target of 625 to 750 megawatts. We expect another 625 to 750 megawatts of new wind to be placed into service in 2007 given the two-year extension of the production tax credit program authorized by last year's Energy Policy Act.

The combination of new wind projects and the expected increase in contributions from our merchant assets as older hedges roll-off and are replaced by sales at higher prices are the two major drivers that we expect to power the growth of FPL Energy's earnings for the next few years.

## 15. FPL Energy Results (First Quarter)

FPL Energy's 2006 first quarter reported earnings were \$151 million or 38 cents per share compared to \$37 million or 10 cents per share in last year's first quarter. Adjusted earnings, which exclude the effect of non-qualifying hedges, were \$128 million or 32 cents per share compared to \$68 million or 18 cents per share last year.

The non-qualifying hedge category saw gains of \$23 million, consistent with the general decrease in forward prices. As always, we have provided more detail on these transactions in the Appendix, and we continue to believe that FPL Energy's current period performance is best understood by excluding these amounts, whether gains or losses, from consideration. Other things equal, gains or losses in this category will turn around in future periods as the underlying contracts go to delivery.

## 16. FPL Energy Earnings Contribution Drivers (First Quarter)

Turning to the drivers of the increase in FPL Energy's adjusted earnings, new investment contributed 5 cents per share. Since last year, we have added 557 megawatts of new wind capacity, and the recently completed acquisition of the Duane Arnold nuclear plant in Iowa as well as the solar generation facility in California that we acquired last year, both of which are under long-dated purchased power contracts, also contributed to growth.

Contributions from our existing assets increased 16 cents per share, with four cents coming from the existing wind portfolio, as wind resources returned to more normal conditions. The wind index for the first quarter of 2006 was 102 versus an index of 88 in last year's comparable period; please refer to the Appendix of the presentation for additional detail on the wind index. The combination of favorable market conditions, higher plant output, and generally favorable pricing levels for our merchant portfolio, particularly in NEPOOL, added ten of the 16 cent per share improvement. Seabrook and our Maine assets, both fossil and hydro, all experienced very positive environments, with opportunities provided by shifts in the gas-oil price ratio being particularly notable. The remaining two cent increase came in the contracted portion of the portfolio.

Asset optimization and trading activities were flat quarter-over-quarter, while restructuring activities declined three cents, with no contribution this year versus a modest gain last year.

All other items were down four cents primarily driven by higher interest expense associated with underlying growth of the business and higher rates.

Overall, we are very pleased with the strong adjusted earnings growth that FPL Energy was able to achieve this quarter. We had expected good performance, as we entered the year well-hedged, but the combination of excellent tactical and operational effectiveness, coupled with favorable market conditions, led to better results than we had anticipated. FPL Energy's performance this quarter confirms for us the observation that we have frequently made that success in this business is very much a function of coming as close as possible to flawless execution.

## 17. Market Conditions (Market Update)

Let me now review changes in key market indicators during the quarter. You can see from this chart that 2007 forward commodity prices fell modestly in our major markets during the first quarter. However, with the exception of the West, they remained well above where they were a year or so ago. In addition, since the end of the quarter, prices have risen again, and the back end of the curve has shown continued strength. In fact, were we to update the chart to today, we would show slight increases in natural gas prices. The ten-year strip for natural gas is above \$8.

The natural consequences of the first quarter retreat in forward prices are the gains in the non-qualifying hedge category that I described earlier, as well as some reduction in value in our 2007 open positions, since we are not fully hedged for next year. The former, of course, are offset by the unmarked losses in the underlying unmarked physical positions, while the latter are well within the band of expectations that we set out for you last year when we shared expectations for 2007 results. As a result, the commodity price volatility of the first quarter has had little net impact on our outlook, and the price increases in April have roughly brought us back to where we were at the end of the year. We expect to see continued volatility in forward markets, but the underlying strength in fuels markets seems likely to endure for some time, and the fundamentals of supply and demand for power in our major markets continues slowly to improve.

## 18. FPL Energy Contract Coverage

Let me now update you on our contract coverage at FPL Energy. I would encourage you to access the slides that are available on our website, [www.fplgroup.com](http://www.fplgroup.com) under the investors section, since I will not review every number on the slide. These slides were also e-mailed to our analyst distribution list this morning with the

press release.

There has been little change in our 2006 position. Overall, our contract coverage on a capacity basis for 2006 is 87% for the balance of the year, translating to approximately 90% of our 2006 expected gross margin from our wholesale generation fleet being protected against fuel and power market volatility. As always, we expect to maintain some open positions to take advantage of potential market opportunities during the more volatile summer months.

We have continued to add to our 2007 hedges, and the capacity coverage fraction now stands at 72%, translating to over 80% of our expected 2007 gross margin being protected against commodity price volatility. We are very comfortable with this level of hedging at this point in time and would expect to add only incrementally to this over the next few months, depending upon market conditions.

## 19. Earnings Per Share Contributions (First Quarter)

To summarize the 2006 first quarter, FPL contributed 31 cents, FPL Energy contributed 32 cents, and Corporate and Other contributed a negative 5 cents. That is a total of 58 cents compared to 44 cents in the 2005 first quarter on an adjusted basis.

## 20. Adjusted Earnings Per Share Expectations

Turning now to 2006 and 2007, there have been no developments that would cause us to change our expectations significantly. Accordingly, the ranges shown here are the same as previously discussed and remain valid to characterize our expectations for FPL Group in the stand-alone case - i.e. prior to considering the effects of the announced merger with Constellation.

For 2006, we currently see an EPS range of \$2.80 to \$2.90, and for 2007 we see a range of \$3.15 to \$3.35. As a reminder, the key drivers behind the growth are continued healthy growth at Florida Power & Light, additional accretive contributions from investment in new wind projects, the impact of rising commodity prices reflected in hedges rolling over at FPL Energy, and the addition of Duane Arnold to the portfolio.

In the Appendix we have included additional detail, and again these have not changed significantly since the year-end earnings conference call.

Having said that, there are a few developments that are worth noting. First, the outstanding performance at FPL Energy in the first quarter clearly puts us ahead of where we had expected to be at this point in the year. This is partially offset by two factors: the first quarter weakness at Florida Power & Light, and the general rise in interest rates, which is likely to pressure the Corporate & Other segment by a few cents per share over the course of the year. Putting these together, and noting that we are still early in the year, we remain comfortable with the overall range for this year. Our outlook for Florida Power & Light assumes normal weather for the balance of the year, normal operational conditions, and a satisfactory outcome to the storm cost recovery proceedings. We will have a much better feel for Florida Power & Light's position after the second quarter.

### Comments on Merger

Before taking your questions I would like to make a few comments on the status of our proposed merger with Constellation Energy Group. As you all know, much has happened in Maryland over the last three months.

We have not been directly involved in the negotiations but we have been monitoring them closely and of course have been in close contact with the senior executive team at Constellation. We remain very positive on the strategic rationale for the merger, which holds the prospect of enabling us to build the industry-leading competitive energy business while simultaneously offering modest incremental benefits to the customers of the two regulated utilities. Our initial integration planning activities have reinforced the positive views we developed during our due diligence efforts. At the same time, however, we cannot be blind to some of the negative political developments in Maryland, which under some possible scenarios would inhibit or prevent us from realizing the potential value of the deal. We continue to believe that FPL Group is a strong independent company with excellent stand-alone growth prospects and we will not allow the potential value of the deal to be compromised simply in order to meet politically imposed hurdles. We remain committed to protecting and enhancing FPL Group shareholder value.

## 21. Q&A Session

And now, we will be happy to answer your questions. Thank you.