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FPL Group Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Daniel Eggers - Credit Suisse.

Daniel Eggers – Credit Suisse

Armando, can you, just on this convertible ITC structure the $0.15 EPS improvement if I just look at the table you guys give. Is that kind of implying that you expect somewhere between 600 and 700 megawatts of the new build this year to be full year qualifying under the convertible ITC. If I just take the two point two cents at 100 megawatts and multiply it back into $0.15 is that fair?

Armando Pimental

Yes, I think that's a reasonable assumption. I think you're right in the range.

Daniel Eggers – Credit Suisse

I apologize, I'm trying to play catch-up a little bit this morning, but if I were to compare the shape of EPS contribution from the convertible ITC at 100 megawatts versus a traditional PTC driven structure with a ten-year PTC structure, how does EPS or how does your earnings shape vary between this. I guess it's flat, I suppose for the first ten years mostly of a PTC, but how does that reshape earnings?

Armando Pimental

Very generally, by taking the convertible ITC instead of the PTC what you're going to do is you're going to have higher earnings the first year. You'll have essentially lower earnings after that from about years two through ten, and then you will have higher earnings after year ten.

And the reason for that, just to give you a little bit more flavor, the reason for that obviously we take the PTC s away, PTCs last through year ten, so you will have a little lower earnings, on the ITC basis, but after year ten because the convertible ITC actually reduces the basis in your fixed assets from day one you actually have lower appreciation expense after year ten.

But what's important to remember, because obviously earnings are very important to us and they're very important to you and to our investors. What's important to remember is a couple of other things that we look at. One, we look at what the ROEs and the un-levered IRRs are for the project and those have a great deal to do with the company taxable position, but also have a great deal to do with on a wind project, how much the wind blows. The higher it blows the more production tax credits, obviously, you would get.