



FPL Group, Inc., P.O. Box 14000, Juno Beach, Florida 33408-0420

VIA Email

November 13, 2008

Mr Russell G Golden
Director of Technical Application and Implementation Activities
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R) (File Reference: 1620-100)

Dear Mr Golden:

FPL Group, Inc. ("we" or "the Company") appreciates the opportunity to comment on the Financial Accounting Standards Board's ("FASB" or the "Board") Exposure Draft, Amendments to FASB Interpretation No. 46(R) ("the Proposed Standard") FPL Group is a nationally-known energy company, with over \$15 billion in revenues in 2007. Its rate-regulated subsidiary, Florida Power & Light Company, serves 4.5 million customer accounts in Florida. Additionally, FPL Energy, LLC, an FPL Group competitive energy subsidiary, is a leader in producing electricity from clean and renewable fuels in 27 states

We support the Board's proposal to move to a more principles-based approach for identifying and accounting for variable interest entities ("VIEs") Since FASB Interpretation No 46R ("FIN 46R") became effective, companies have struggled to interpret and apply its complex provisions in assessing VIEs Therefore, we applaud the Board's effort in proposing amendments to FIN 46R, which we will believe will improve the current accounting guidance. While we are in support of the overall objectives of the Proposed Standard, we would like the Board to consider the following comments on certain aspects of the Proposed Standard:

Ongoing Assessment of VIE Status:

Paragraph 5 of FIN 46(R), as amended by the proposed Statement, requires a continual reassessment of whether an entity is a VIE. We believe that an ongoing reassessment of an entity's VIE status should not be required for the following reasons:

Obtaining the necessary information is often not practical.

Obtaining sufficient information in order to properly assess VIE status on a continual basis is not practical. In order for an enterprise to comply with this requirement, it

must obtain certain information from the entity in order to properly assess its VIE status. Based on our experience applying the current provisions of FIN 46R, we believe that it is unlikely that entities will supply this information, unless the enterprise truly does "control" the entity Further, we believe that the indicator approach described in paragraph 7 of the current FIN 46(R) provides adequate guidance for determining when a fundamental change has occurred that should trigger a re-evaluation of an entity's VIE status. Ultimately, we believe the requirement to assess an entity's VIE status on an ongoing basis could impose undue cost and effort on issuers, without a significant improvement in financial information.

2 An entity should not become a VIE simply due to the incurrence of operating losses.

Under the Proposed Standard, an entity can become a VIE simply by incurring operating losses in excess of its expected losses that reduce the equity investment. We believe that this proposed guidance conflicts with the "by design" premise discussed in paragraph 5 Specially, the design of the entity should not change simply because there is movement in market conditions or operating results are worse than expected. Paragraph 7, which has been removed from the Proposed Standard, adequately addresses changes in circumstances which might cause "design" changes in an entity, which could warrant a reassessment of VIE status. Under the Proposed Standard, we envision the following potential scenario:

Entity X becomes a VIE due to substantial operating losses incurred in one period due to declining market conditions, which cause Enterprise Y, as the primary beneficiary (PB) to consolidate Entity X. The next period, due to the improvement in market conditions, Entity X records operating profits and is no longer considered a VIE. Therefore, Enterprise Y must deconsolidate Entity X. We question whether this type of accounting will be useful to the users of the financial statements. Instead of being useful information, we believe that this accounting will cause the issuer to incur unnecessary costs and effort to provide information to the users, which could potentially be confusing to them

Recommendation

We suggest the Board remove the requirement for ongoing assessment of an entity's status as a VIE and leave paragraph 7 of the current FIN 46R unchanged

<u>Item to Consider for Inclusion in Proposed Standard: "Exhaustive Effort" Scope Exception:</u>

Paragraph 4(g) of FIN 46(R) states the following:

An enterprise with an interest in a variable interest entity or potential variable interest entity created before December 31, 2003, is not required to apply this Interpretation to that entity if the enterprise, after making an exhaustive effort, is unable to obtain the information⁽¹⁾ necessary to (1) determined whether the entity is a variable interest entity, (2) determine whether the enterprise is the variable interest entity's primary beneficiary, or (3) perform the accounting required to consolidate the variable interest entity for which it is determined to be the primary beneficiary. The scope exception in this provision applies only as long as the reporting enterprise continues to be unable to obtain the necessary information

(1) This inability to obtain the necessary information is expected to be infrequent, especially if the enterprise participated significantly in the design or redesign of the entity.

Based on our past experience in applying FIN 46(R), we have found that the inability to obtain this information from VIEs or potential VIEs is more frequent that originally anticipated by the Board in FIN 46(R) Additionally, the guidance above only addresses VIEs or potential VIEs which were created before December 31, 2003. It could be argued that the scope exception does not apply to enterprises that have a variable interest in a VIE or a potential VIE that is created after this date. Although we make every effort to ensure that the proper information request language is included in our new contracts and agreements, we often find that entities (whether they were created before or after December 31, 2003) are not willing to provide this information, which is a clear indication that we truly do not have the ability to "control" the entity. We believe that scope exception provided by paragraph 4(g) of FIN 46(R) should apply to an enterprise which is unable, after making an exhaustive effort, to obtain information from a VIE or potential VIE, regardless of when the entity was created. Finally, the Proposed Standard requires ongoing assessment of whether an entity is a VIE. However, the Proposed Standard does not address how the enterprise should address an entity's refusal to provide the necessary assessment information. Our recommendation should alleviate this issue

Recommendation.

Paragraph 4(g) should be amended in the Proposed Standard to indicate that the "exhaustive efforts" scope provision can be applied by an enterprise with an interest in a VIE or potential VIE, regardless of when the entity was created.

Summary:

We support the Board's effort to move towards a more principles-based approach to identify and account for VIEs, and we hope the amendments to FIN 46(R) will alleviate some of its complexity. However, we respectfully urge the Board to reconsider the ongoing VIE assessment requirement in the Proposed Standard, as well as addressing the "exhaustive effort" scope exception noted above. Thank you for the opportunity to comment on the Proposed Standard. Your consideration of our comments is greatly appreciated.

Sincerely,

K. Michael Davis

Controller and Chief Accounting Officer