

LETTER OF COMMENT NO. 231



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

January 10, 2007

Mr. Robert H. Herz Chairman Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116

Re: Proposal to Delay Effective Date for FIN 48

Dear Chairman Herz:

FPL Group, Inc. (the Company) requests that the Financial Accounting Standards Board (FASB) delay the effective date of FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, to no earlier than fiscal years beginning after December 15, 2007.

Our principal subsidiary, Florida Power & Light Company, is a rate-regulated utility engaged in the generation, transmission, distribution and sale of electric energy. The Company also owns and operates independent power facilities through its wholesale electric generation subsidiary, FPL Energy, LLC.

The Company has closely followed this issue since 2004, has written two comment letters (December 16, 2004 and September 12, 2005) and has devoted significant resources in the effort to properly implement the requirements of FIN 48 in a timely manner. We have held numerous meetings with our external auditors and participated in various conferences and industry group meetings. These efforts have led us to the conclusion that considerable uncertainty remains related to the application of FIN 48 and that this uncertainty will preclude consistent application of the interpretation.

One significant unresolved issue is the acknowledgment of a reasonable approach to identify and document uncertain tax positions. In his speech before the 2006 AICPA National Conference on Current SEC and PCAOB Developments, Scott Taub (then Deputy Chief Accountant, Office of the Chief Accountant of the SEC) made the following statements:

"...I continually see attempts to find a "default" accounting that can be considered a "safe" starting place in a difficult analysis, even when the issue doesn't lend

itself to such a methodology. For example, I have heard that some read FIN 48 to suggest that a detailed analysis and documentation is required to support even the most obvious tax position, such as a deduction for depreciation or charitable contributions, and that, in the absence of such detailed documentation, it would be improper under the FIN for the company to record the benefit of such a deduction. This is just wrong. FIN 48 doesn't require a significant amount of documentation and analysis to support obvious tax positions — it is written for those positions for which there is uncertainty. And FIN 48 also doesn't have a default provision that suggests that no position may be recognized until sufficient documentation is prepared..."

We understand that Mr. Taub's position is consistent with comments attributed to certain FASB board members over recent months. Despite these comments, we have learned through conversations with our counterparts at other companies that some audit engagement teams *are* requiring bottoms-up detailed documentation of all positions, including those deemed by companies to be highly certain.

The Company has documented its approach to the application of FIN 48 and is proceeding with the execution of our workplan. Additionally, our written positions with respect to certain implementation issues have been provided to our independent audit firm for their concurrence. However, at this date, they have not been able to provide concurrence at their national office level with our approach or certain of our positions. If our audit firm is ultimately in disagreement with our approach or positions, a significant amount of additional work and/or rework may be required. We are continuing to experience changes in the guidance that our audit firm has issued.

The Company is extremely concerned that the implementation guidance is continuing to evolve after the effective date of the interpretation. Further, much of the interpretive guidance is coming from the accounting firms, based on informal discussions with the FASB staff rather than formal guidance issued by the FASB. As evidence of the ongoing confusion at this late date with regard to FIN 48's provisions, we suggest that the FASB review PricewaterhouseCoopers' Dataline 2007-1 issued this week addressing frequently asked questions on the implementation of FIN 48. The document offers alternative views that are inconsistent with the current views of the FASB staff (based on informal discussions), indicates guidance that is changed from that previously issued, and indicates that additional guidance will be forthcoming. Overall, the Company believes that the level of unresolved issues is too high to properly implement the provisions of FIN 48 in the first quarter of 2007.

We also believe that most companies have been consumed with addressing the initial FIN 48 implementation issues and, accordingly, are behind schedule on the development, documentation and testing of accounting systems and on-going control processes needed to maintain compliance with FIN 48. It is unlikely that Companies will even attempt to design the required systems until the confusion around the requirements of FIN 48 have been resolved. Accordingly, the Company believes a delay in the effective date of FIN 48 is a prudent course of action.

We strongly encourage the Board to delay the effective date of FIN 48 to no earlier than fiscal years beginning after December 15, 2007. Due to the significant implementation questions surrounding FIN 48, we again suggest that the Board consider conducting field tests to verify the workability of the interpretation (See our previous letter of September 12, 2005) and to resolve the implementation issues prior to the interpretation becoming effective. If, as we suspect, the field tests indicate the need for modification, the interpretation should be re-exposed so that the Board can fully understand the implications of FIN 48's provisions, including the disclosure requirements. At a minimum, the Board should consider issuing a formal implementation guide to clarify the intended requirements.

Thank you for the opportunity to express our concerns about this very important issue.

Sincerely,

K. MICHAEL DAVIS
K. Michael Davis
Controller and Chief Accounting Officer