

EXHIBIT 1

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About Our Business

Florida Power & Light Company (FPL) has been engaged in the electric utility business since Dec. 28, 1925, the date of its incorporation under laws of the State of Florida. The formation brought under one banner an unlikely grouping of small businesses—electric generating plants, ice houses, street car systems, a steam laundry and even an ice cream factory.

A crazy-quilt realm of 58 assorted enterprises, the new firm began delivering electricity that first year to some 86,500 scattered customers. At the time, total generating capacity was 156 Megawatts (Mw), and average price for residential service was 8.01 cents per Kilowatt Hour (KwH).

From that modest beginning, FPL has emerged as one of America's foremost investor-owned electric utilities.

Today, the Company supplies service

to more than 2.1 million customers who live and work in FPL's 27,650-square-mile service area. Total capability of the 10 operating plants and two plants on reserve is 11,328 Mw. The average price per KwH for residential service in 1979 was 4.66 cents, indicative of many economies introduced over the years.

It is this demonstrable effort to provide the public with the best possible service at the lowest feasible cost that keeps FPL always on the lookout for better and more efficient ways to produce electricity in the decades ahead.

If this brief history shows anything at all, it is that the 1980s, once they arrive, are apt to be as different from the '70s as the Depression-ridden '30s were from the Roaring '20s. Maybe better, maybe worse, but certainly not without challenge and opportunity.

Of Our Future

There is a saying in the electric utility industry: "Today's power is yesterday's foresight."

With lead times for the planning and construction of new generating facilities running up to 12 years, with regulation and inflation making new capacity almost prohibitively expensive and with fuel sources a matter of growing worldwide concern, that statement never has been more axiomatic than it is right now.

Amid that backdrop of unpleasant current events, FPL is pressing forward in its public responsibility of anticipating and meeting tomorrow's energy needs.

To this visionary task, FPL pledges its continuing investment of the time, the talents and the energies of the Company's employees, officers and directors. For more about these concerted efforts, please turn to page 4.

In Our Report:

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Concerning Our Photography

Throughout this report, the Corporate character of FPL is embodied in the theme, "Generating Faith in the Future." To illustrate the magnitude of the building done in the past by those who created our present, photos of each plant in the Company's generating system are presented on pages 8-15. Then, to augment that pictorial series, another set of photos on pages 5 and 7 shows some of the groundwork being laid at FPL today by those who are planning and building our future.

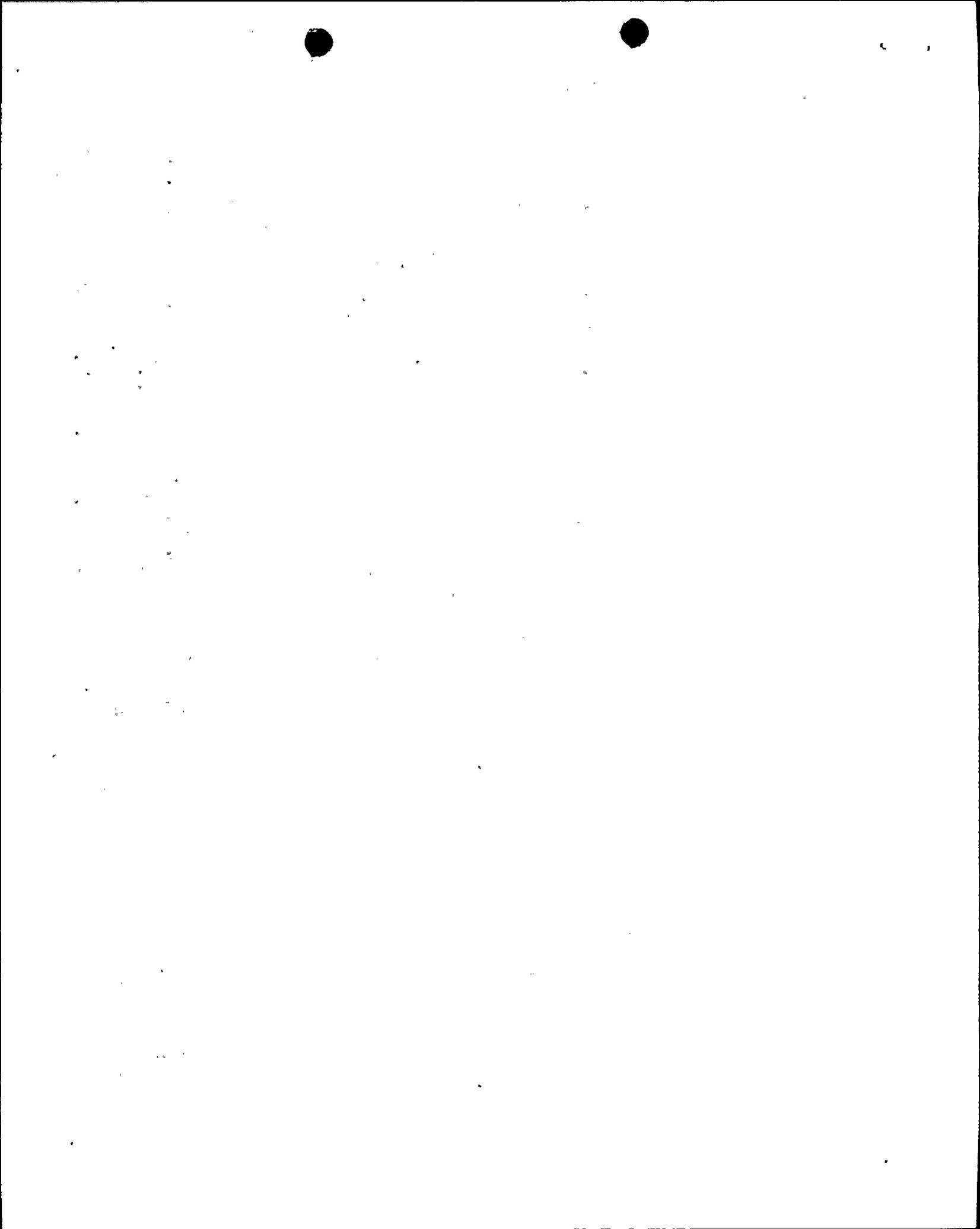
On Our Cover

A splendid new day dawns over Fort Myers Power Plant on the Caloosahatchee River in Florida's prospering southwest region.

Here's Our Address

Florida Power & Light Company
9250 W. Flagler St.
P.O. Box 529100
Miami, Fla. 33152
Telephone: 305/552-3552

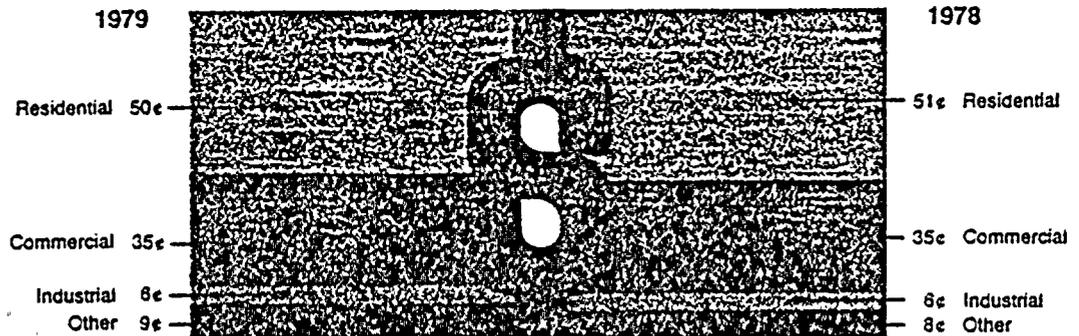




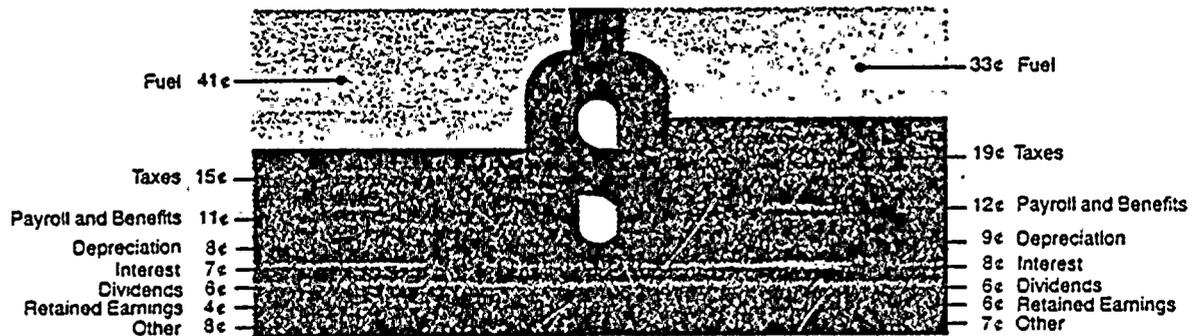
Financial Highlights

(Thousands Except Per Share Data)	1979	1978	Percentage Change
Operating Revenues	\$1,933,937	\$1,647,226	17
Fuel Expenses	\$812,898	\$551,376	47
Total Operating Expenses	\$1,632,133	\$1,328,529	23
Operating Income	\$301,804	\$318,697	(5)
Net Income	\$204,668	\$211,241	(3)
Common Shares Outstanding—Average	40,524	40,120	1
Earnings Per Share	\$4.22	\$4.54	(7)
Dividends Paid Per Share	\$2.32	\$2.00	16
Total Utility Plant	\$5,458,513	\$4,983,794	10
Capital Expenditures	\$574,825	\$472,830	22
External Funds	\$249,220	\$151,366	64
Book Value Per Share	\$34.31	\$32.49	6
Market Price Per Share (High)	28 7/8	29 3/8	—
Market Price Per Share (Low)	24 1/8	23 5/8	—
Statistical Highlights			
Cost of Oil Burned (Per Barrel)	\$17.47	\$12.33	42
Customers—Year End	2,140,587	2,032,298	5
KwH Sales (Thousands)	41,965,810	40,602,076	3
KwH Use Per Customer—Residential	11,354	11,790	(4)
Revenue per KwH—Residential (Cents) ...	4.66	4.10	14
Employees—Year End	10,337	9,750	6
Mw Capability at Time of Summer Peak	10,957	10,886	1
Mw Peak Load—Summer	8,650	8,345	4
Mw Peak Load—Winter	8,791	8,617	2
Percentage Oil Generation	55.2	50.8	—
Percentage Nuclear Generation	26.0	29.9	—
Percentage Natural Gas Generation	18.8	19.3	—

The FPL Dollar / Where It Comes From



The FPL Dollar / Where It Goes



My Fellow Investors

Looking back on 1979, we can see ample evidence that FPL continued to operate soundly and the Florida economy remained healthy. That's the good news.

However, there is bad news too. The present fuel adjustment clause prevents our Company from recovering millions of dollars of fuel price increases. This is largely due to the lag in application of the fuel adjustment. In theory, recovery would come with a corresponding decline in fuel costs to pre-1979 levels. But I haven't heard one rational observer predict such a decline.

You will find details of our stewardship over your investment in the following pages of this 1979 Annual Report. But as you read, remember that your Company's operations and results are often more greatly influenced by political opportunists and bureaucratic *diktat* than

by management analysis and decision. In your own enlightened self-interest you should participate actively with us in the political process.

Nowhere is this need for cooperative and coordinated activity greater than in the political processes that affect fuel decisions. Last year we reported fuel costs that represented about one-third of the outgoing FPL dollar. Today that figure is over 40 percent.

In the past, FPL's fuel planning was generally dictated by geography and our desire to hold down the rates paid by customers. Geography precluded coal. And since imported oil used to be a bargain, it was economical for us to build for imported oil as our primary fuel.

Economics and foresight also led to our diversified fuel mix. Currently we use 55 percent oil, 26 percent nuclear

and 19 percent natural gas. This has consistently produced for our residential customers electric rates that run at or below the national average. Compared with other Florida utilities, our rates have consistently ranked among the lowest one-third.

Now, however, circumstances threaten the adequate, reliable and economical electric service we've long delivered to our customers. These circumstances are largely political, statutory and regulatory. And they seem to penalize us for the very same policies we adopted to benefit our customers.

For example, we could have had national legislation to encourage exploration for and production of domestic oil. Instead, we have legislation — the so-called "windfall profits tax" — that will actually strengthen OPEC.

We could have had legislation and regulation designed to expedite the approval and construction of nuclear plants. Instead, we have legislation that encourages frivolous intervenor delays by offering to pay the intervenors' expenses out of taxpayer money. And we have Administration spokesmen who damn the nuclear option with faint praise. No wonder construction of additional nuclear plants is considered an unacceptable financial risk by almost all American utilities today.

This brings us to coal. And we are told U.S. coal resources may equal a 400-year supply. We at FPL have planned that plants we start in the 1980s will be coal-fired. But there are several major concerns about heavy reliance on coal.

- First, the Administration is a house divided. While DOE pushes forward on coal, EPA and OSHA hold back. Excessively restricting safety and environmental regulations hobble the increased use of coal.
- Between coal in the ground and coal in the hopper car comes the miner. And a union torn by charges of past



FPL Chairman Marshall McDonald taking firsthand look at Tampa Electric Company's Big Bend coal plant. Special credit is extended to Tampa Electric Co. for its cooperation.

corruption and present weakness. "Wildcat" strikes have been commonplace. And in dealing with labor, the Washington Administration has shown little sign of spine.

- If the coal *does* get mined, it must be transported on railroad facilities and equipment that are already creaking and groaning. Can railroads raise capital needed for construction and improvement? Can they do it in time?
- Coal can be burned only under environmental restrictions so excessive that they cause staggering increases in capital and operating costs. These increases fuel inflation and swell bills paid by ultimate customers.
- These same excessive requirements raise physical and chemical obstacles, too. As a result, new coal plants are often available for service less than 60 percent of the time.
- There is opposition to coal-fired plants that is just as well organized and unreasoning as the opposition to nuclear plants. It usually involves the very same people. Their obvious goal isn't really a "clean-energy" nation; their goal is a "no-energy" nation, to match their no-growth, back-to-the-1800s philosophy.
- The Interstate Commerce Commission indicates that railroad tariffs should make the delivered cost of coal equal the delivered cost of oil at the same destination. Add the cost of over-regulation and coal won't give utility customers any bargains.

The very nature of the utility business and today's fuel crises underscore the importance of careful planning. But the government, which should be facilitating the process, keeps getting in the way of sound planning and productive action.

One recent Administration proposal would have forced utilities like FPL to reduce our oil use 50 percent by 1990. Otherwise we would have faced a harsh choice: generate less electricity than our customers need, or use more oil than the

limit. The first course would leave many customers out of work and in the dark. The second would incur hundreds of millions of dollars in penalties, an added cost that would burden customers with much higher bills.

We must plan with the possibility ever before us that such proposals can become law. How, for example, could we meet this 1990 deadline? Must we just write off something like \$1.5 billion of undepreciated investment in oil-fired plants? Must we rush to build new coal units at an estimated cost of \$10 billion? When we consider Florida's growth, the link between electricity and living standards, and the capital and resource requirements for such a program, it is only honest to say, "We just can't get there from here."

Still, we must do what we can. We're rising to the challenge in several innovative ways. One way is by testing a technology to modify our oil-burning units to burn a mixture of finely powdered coal suspended in oil. We're pioneering with coal-oil proportions well beyond those tried before. We'll invest more than \$14 million on this test, but it could save our customers as much as \$87 million per year. And our dependence on imported oil could be reduced by 16 million barrels a year.

One way the customer can help is energy conservation. Our campaigns directed at builders and customers are showing measurable effects. We hope to achieve a sufficient reduction by 1990 to equal the production of two generating plants. By not having to build those plants, the company's capital burdens will be eased... and so will our customers' future bills.

However, we must not delude ourselves into thinking our country—or our state—can conserve its way out of the energy crisis. Population grows. Demand grows. Declining oil supplies

will actually *increase* demand for electricity. Voluntary conservation can only moderate the increasing need. Mandatory conservation might do somewhat better. But the price would be an intolerable erosion of personal liberty, and a cruel drop in the quality of life.

All this clearly indicates that our nation *still* does not have what it really needs—a policy that focuses on energy production. A policy that coordinates regulatory actions, and measures them by cost/benefit standards. A policy that replaces exotic energy fantasies with the here-and-now realities of coal and nuclear energy. A policy that allows Americans to make their own free choices in a market environment, where energy prices truly reflect energy costs.

How can we get such a positive policy? The answer lies in one fortunate fact: this is a national election year.

This gives you, as an individual, an opportunity to move our government toward a sane energy policy.

You can demand of incumbent officeholders that oppressive and costly restrictions which hobble energy production be removed.

You can ask each candidate for office how he stands on energy matters. Press for specifics. Don't swallow the usual campaign generalities. Listen for key words and phrases that simply camouflage new taxes, new regulations, new subsidies and new bureaucracies to administer them.

Then, vote your convictions. If energy is not important enough to your personal life, to your economic well-being, for you to express concern about it to candidates for office, you can only expect more of the muddle-headed fumbling thus far displayed by our political establishment.

Marshall McDonald

Marshall McDonald
Chairman of the Board
February 8, 1980

Charting a Course into the Eighties

Building for the future is a ticklish business.

It always has been and probably always will be.

Because it takes foresight and fortitude—two decidedly uncommon virtues, rarely found in combination—plus lots of planning, a little luck and, usually, a substantial bit of teamwork.

Together, these are what have made America click.

Certainly, it took just such a mixture to get FPL humming back in 1925 when the new Company unified a collection of properties described by one observer as "held together with wire and rust."

The venture entailed obvious risk. Uncertainty, then as now, was imposing; know-how, lacking; lights, flickering; and the work itself, as mind-boggling as it was back-breaking.

Still, the outlook was considered downright promising. An air of optimism overshadowed everything else.

Manifest Destiny

After all, wasn't the purpose of the new Company to provide reliable power and light service to an area so geographically blessed that its destiny was manifest?

It was precisely the kind of challenge which would lead America to become the most productive nation on earth and Americans to enjoy the highest standard of living anywhere in the world.

Driven by hopes for brighter days ahead, the early-day FPL pioneers persisted in dreaming their impossible dreams. And, just as waves of settlers

had done years earlier along a succession of westward-moving frontiers, they succeeded in turning those Great American dreams of a better tomorrow into a self-fulfilling prophecy.

Sure, there were to be problems along the way. There always are. And solutions would be neither easy nor painless. They never are.

Yet, through it all, the fruit of those labors still endures today, as does the FPL goal—unchanged after 54 years—of finding improved ways to produce electricity for a growing population.

Only the times somehow have changed.

Many Challenges Remain

While we still face challenges—plenty of them, in fact—we as a people seem to have lost sight of how "pioneering spirit" once coped with adversity.

Essentially, the farsighted vision America had of its future at one time has been reduced to tunnel vision, a view narrow enough to reveal just that which is politically fashionable and expedient for the short term.

For example, it has become politically chic for businesses, FPL among them, to be attacked for being "too profitable."

What's overlooked is that profit remains after all expenses are paid. It not only is the return to those who invest money in the Company, but also provides the means for modernizing and expanding facilities, investing in new technology and equipment and, ultimately, providing more jobs and ensuring greater future productivity.

Moreover, the wise use of business profits benefits everyone in American society—stockholders, employees, consumers, producers and, yes, even government—by providing income for pension and insurance funds and tax revenue for our Federal Government.

For all the criticism of profit nowadays, the country needs more, not less, because more profit means more employment and more productivity which, in turn, means less inflation.

As all of us know only too well, there's an enormous inflation problem in our land. President Carter acknowledged that in his 1979 economic message to Congress, saying, "The corrosive effects of inflation eat away at the ties that bind us together as a people."

That notwithstanding, it remains in high political style for the American citizenry, stung by progressively bigger bites of inflation, to demand greater governmental "safeguards" and for government to respond by passing regulations to "protect" general welfare.

The regulatory decrees which invariably follow, inevitably take money which otherwise could be spent on new plants, on new research and, in the long run, on the creation of new jobs.

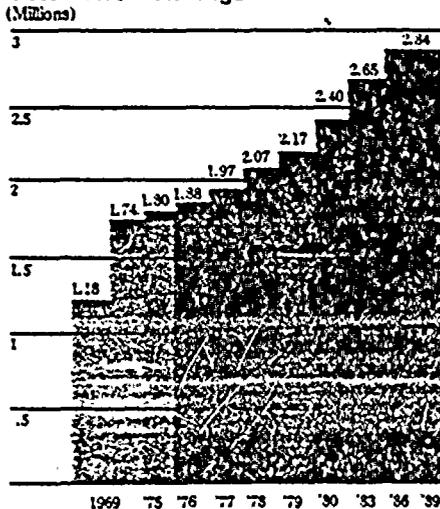
Or, on building for the future....

Costly Tradeoff

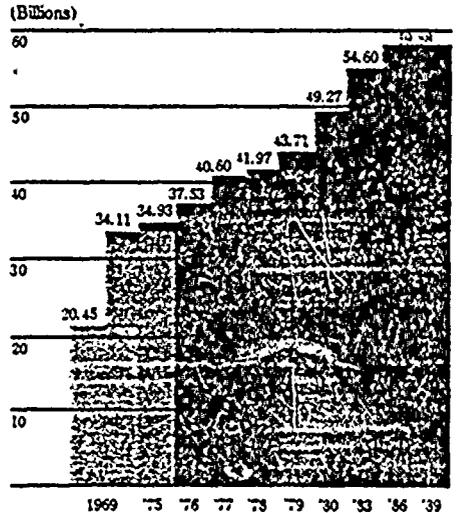
This tradeoff has not been beneficial.

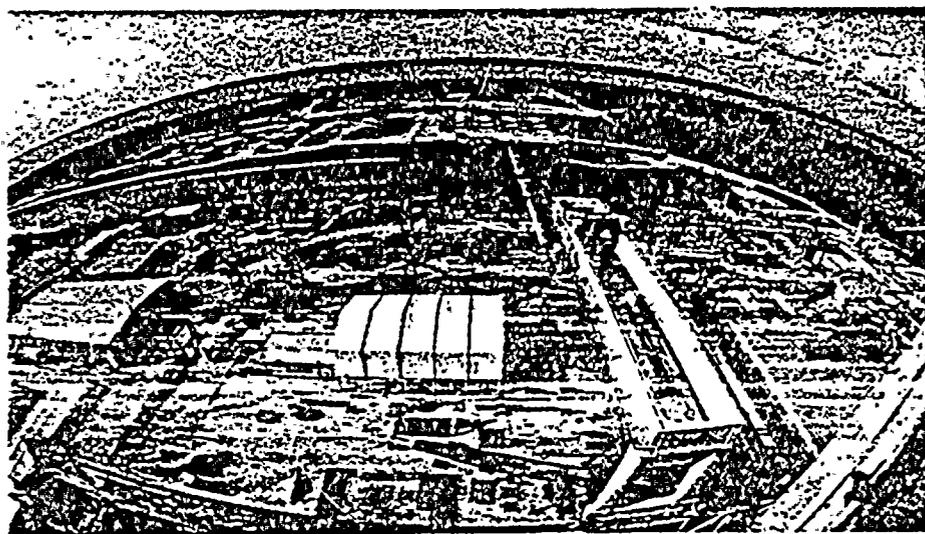
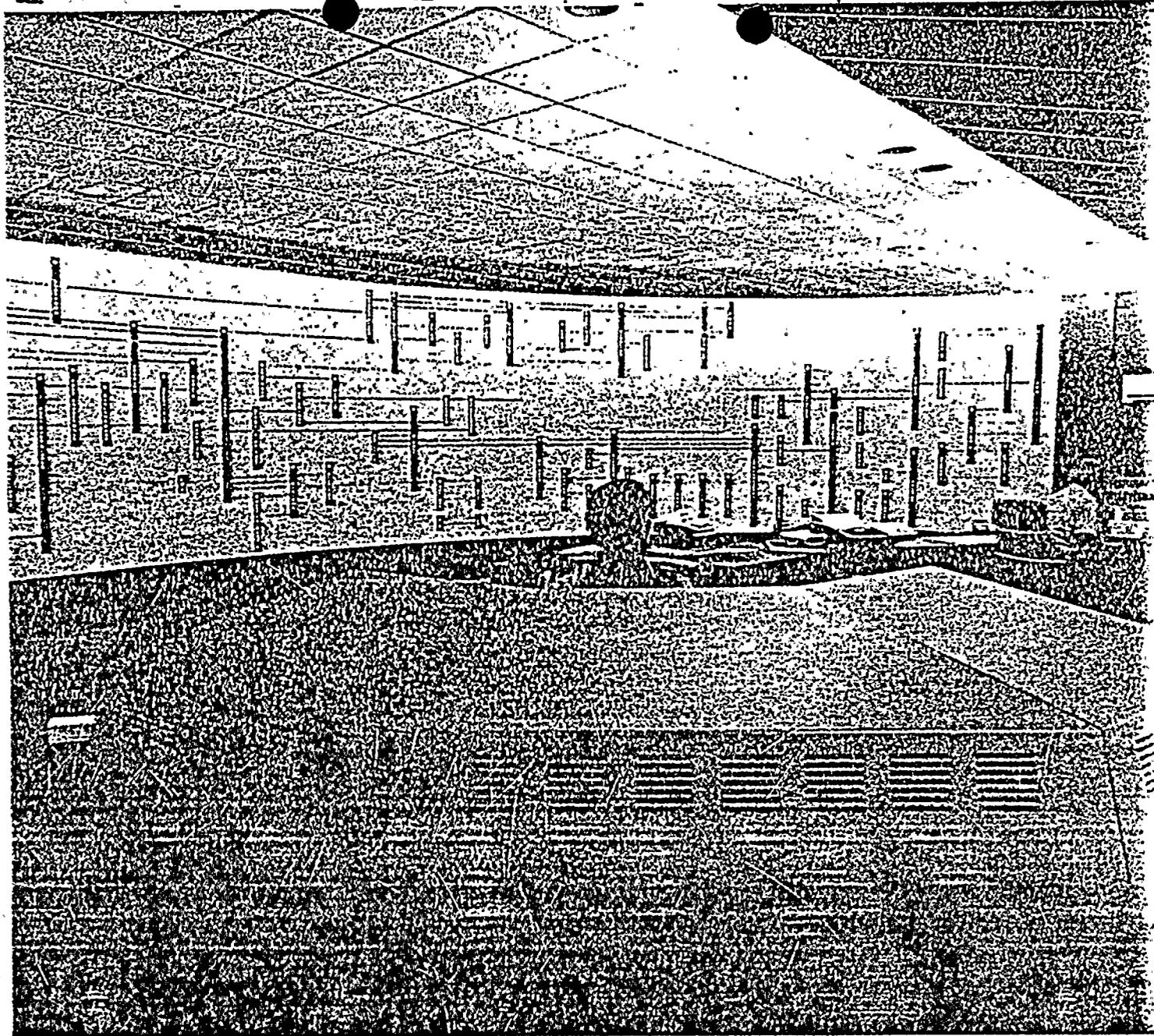
Owing largely to such exercises in political expediency, a major portion of what we as a nation save and invest in the future has been lost. And with it, many of our ambitions and aspirations.

Customers—Average



KWh Sales





FPL at work generating faith in the future. Above: In the futuristic setting of FPL's System Control Center, which became operational late in 1979, power dispatchers have at their fingertips instantaneous control of the Company's electrical system. The center's computerized energy management system promises to increase the economy of operations by optimizing operating efficiency. Below: Bird's-eye view of progress on St. Lucie Nuclear Unit No. 2. When completed in 1983, the 802-Mw unit on Hutchinson Island will produce additional fuel cost savings and further reduce FPL's oil dependency.

Special credit is extended to The Hearst Corp. for sharing copyrighted materials used in this section.



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Clearly, our nation desperately needs to reverse the tide of inflation, to re-establish "the ties that bind us together as a people," to refresh our downtrodden spirits and to revive the American vision of great expectations.

Somewhere along the line since FPL's founding in 1925, self-fulfilling dreams have been shunted out of the mainstream of American thought, only to be replaced by near-gleeful forecasts of gloom.

Every day, it seems, someone else conducts a survey, predicts a downturn in the economy and then proudly announces that the public is losing faith in the future.

A self-defeating activity, if ever there were one....

Problems are of the Mind

As The Hearst Corp., paying all due respect to the profession of economic forecasting, recently pointed out, "We're not facing a recession. We're creating one."

"Sure we have an energy problem. And solving it is going to take a lot of work and more than a little pain."

"Sure we have an inflation problem. And there's no way to lick it without giving up something. But we don't have to give up anything really important.... All we really have to give up is wasting, whether it's in overheated homes, overcomplicated regulations or overblown bureaucracies."

"Our problems are not the soul-searing ones that beset so much of mankind: the ravages of war, starvation, homelessness, lack of basic resources. Ours are mostly in the mind: timidity and

an uncertain sense of national purpose."

What's needed, the Hearst publishing organization contends and FPL concurs, is for us Americans to stop wringing our hands and instead concentrate on all the things we have going for us. Because, plainly, we must, as a nation, restore our perspective and, with it, our confidence in the future.

The sooner, the better!

Positive Look at '80s

So, for a refreshing change, let's examine a few of FPL's many positive points as the brand new decade of the Eighties dawns.

A representative sampling might include:

- a modern, integrated system of electric generation, transmission and distribution facilities, including 10 power plants in service and two others on reserve....
- a construction program supported by internal cash generation which helps avoid excessive reliance on capital markets....
- a service territory universally perceived as a desirable place to be...
- a growing base of customers....
- a declining pattern of per-capita energy consumption, a sign that residential customers are responding to the Company's 9-year conservation program....
- a generating capacity ample to meet peak demand which is growing at a rate slower than previously anticipated, again indicating that consumers are conserving energy....
- a diversity of fuels—residual oil, distillate oil, natural gas and nuclear—

about to be bolstered by the addition of coal....

- a management fully committed to sound fiscal policy and guided by objectives for which accountability is maintained by a governing Board of Directors....
- a Corporate reputation for financial integrity, backed by investment grade bond ratings....
- a level of operating performance which has generated dividend growth....
- a healthy, and thus far productive, involvement in research and development aimed at expanding and optimizing energy resources....
- a determination to solve problems, thereby creating opportunity for stockholders and economical energy for customers....
- a verifiable flair for innovation in the never-ending search for better ways to do things....
- and human resources that won't quit!

Add to these assets some of our many other blessings as a nation, and any rational person has to wonder what all the crying is about.

Obviously, what's needed is for us to stop singing the blues and get on with the work at hand.

And that's exactly what we're doing at FPL.

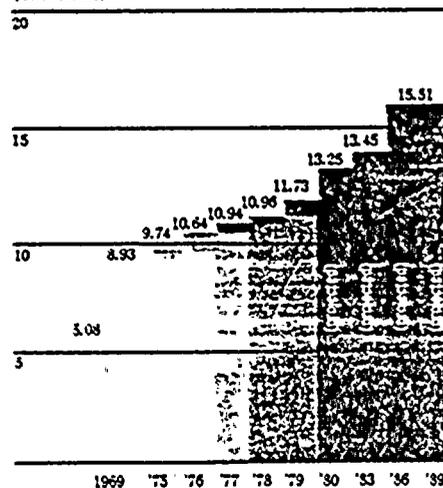
Take the monumental oil problem in our country, for instance.

FPL is trying to help solve the problem, working to cut down on the use of oil, by:

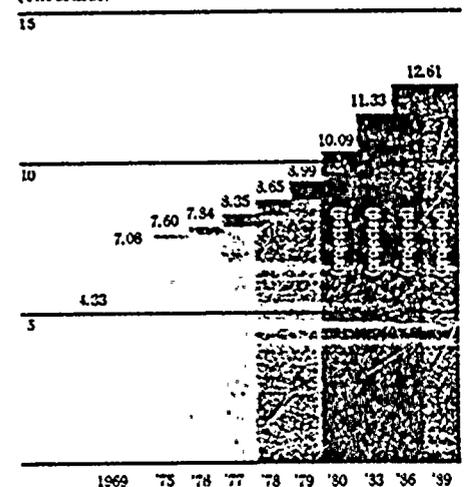
- completing the Company's fourth nuclear unit, St. Lucie No. 2...
- purchasing, beginning in 1980,

Opposite Page: The shimmering moon offers a poignant reminder of the ebb and flow of fuel cycles. These two oil units at Martin Plant east of Lake Okeechobee near Indiantown were started in 1973 and will add 1,550 Mw of capability when they enter service in 1980 and 1981. However, FPL has a commitment to coal that is destined to take shape in the form of two coal-fired units to be built adjacent to the nearly completed oil units. Scheduled for 1987 and 1989, the coal units will be in the 700 Mw size range.

Mw Capability—Year End
(Thousands)



Mw Peak Load—Summer
(Thousands)





uranium extracted from phosphates as the by-product of a fertilizer-processing plant at Mulberry, Fla. . . .

- announcing plans to build two coal-fired units, scheduled for 1987 and 1989 completion, at Martin Plant. . .

- undertaking experiments aimed at finding the most economical way to use coal, including a test project at Sanford Plant to determine if it is economical and technically feasible to use a high proportion of pulverized coal mixed with oil as boiler fuel in generating station units designed to burn oil. . .

- conducting research into a number of other energy sources, including solar and wind. . .

- contracting to buy coal power from Tampa Electric Co., starting in 1985. . .

- discussing, with the Jacksonville Electric Authority, possible joint

ownership of two coal units planned for late in the decade. . .

- exchanging power through the Company's first direct interconnection with Georgia. . .

- utilizing a new System Operations Control Facility, a nerve center employing the latest computer technology to monitor and maximize generation, transmission and distribution economies. . .

- using all the natural gas available to the Company. . .

- cooperating with Dade County, in the development of a solid waste disposal facility which, when completed in 1981, will save money for taxpayers by furnishing steam for electricity production at competitive costs — without subsidization. . .

- obtaining electricity produced as a

secondary product of sugar cane refining operations of United States Sugar Corp. in south central Florida under a co-generation agreement believed to be the first of its kind in the state. . .

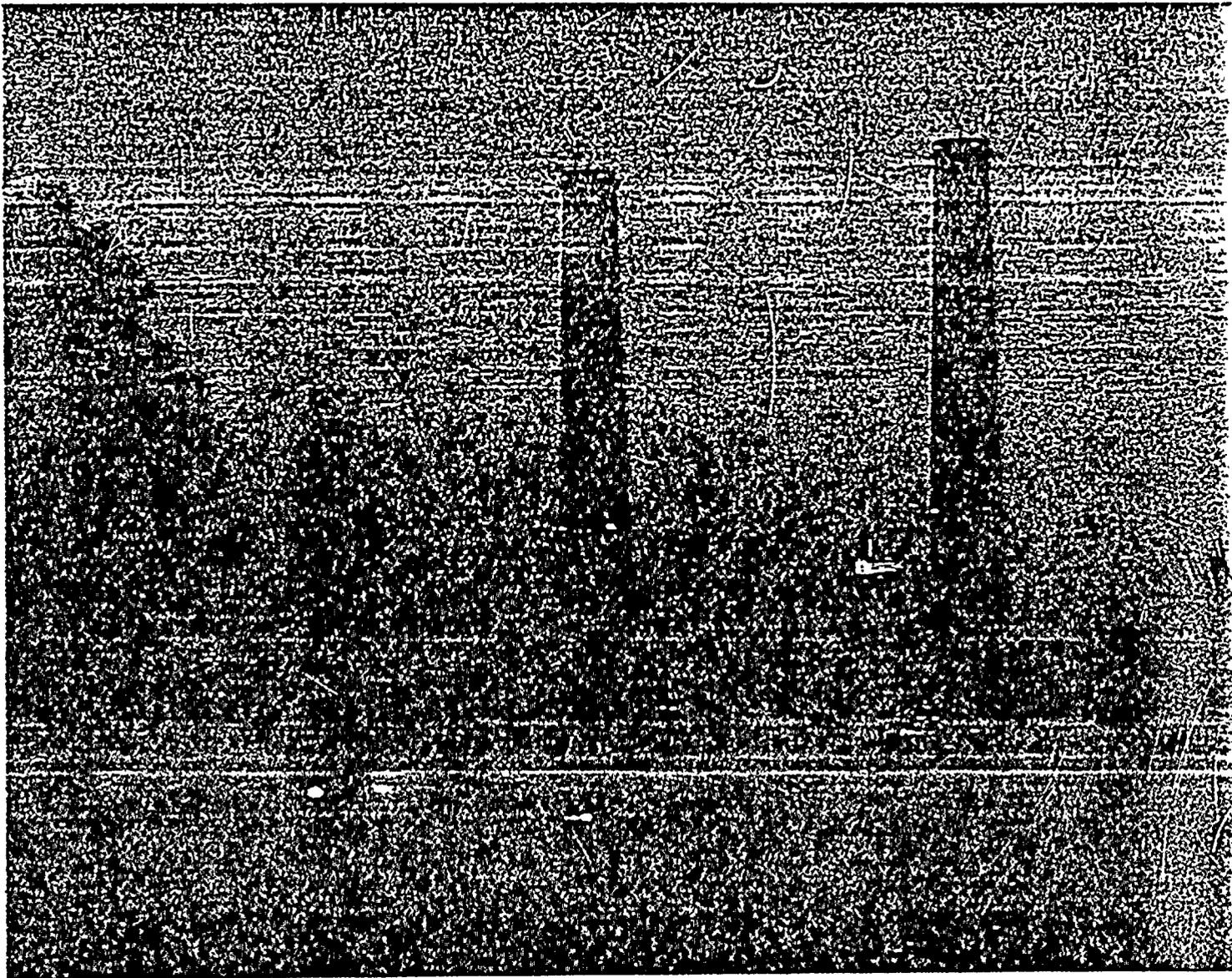
- maintaining a leadership role in industry-wide efforts to encourage the conscious, conscientious and widespread practice of conservation. . .

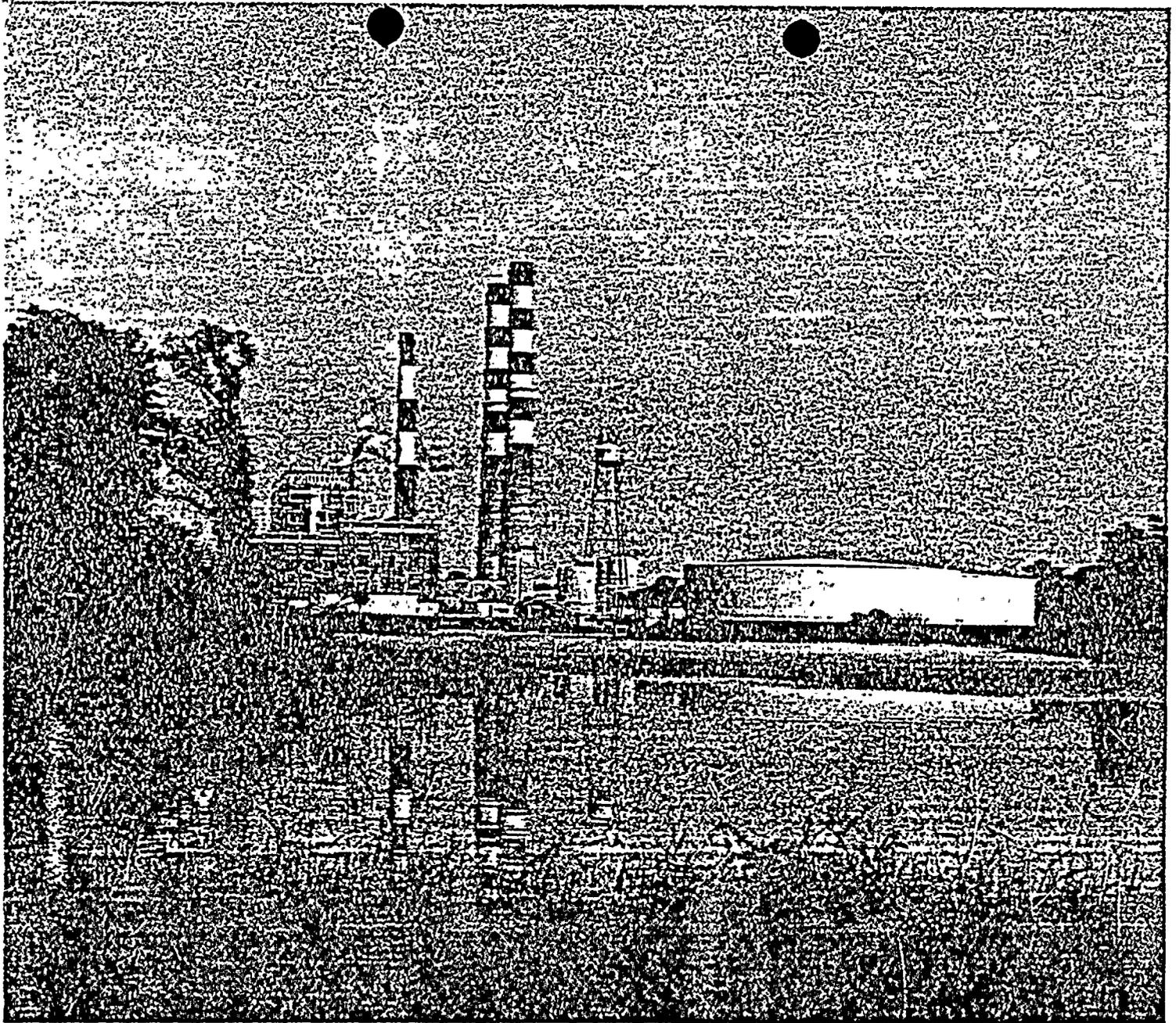
- and showing, in the process, that the energy dilemma has answers.

Because there must be. Otherwise, there'd be no future to build for.

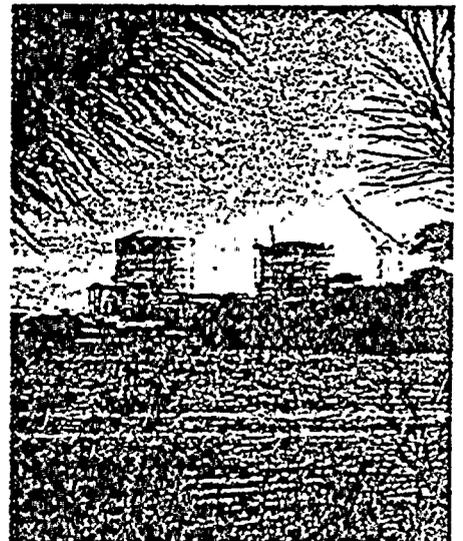
Yes, FPL is working. . . and working hard. . . not only to continue to provide dependable electric power, but also to manage the course of change in such a manner that it will instill confidence in those whose lives we touch.

Generating faith in the future. we call it.





FPL at work recapturing visions of yesterday which paved pathways of progress to the present. Photos throughout this section feature each of FPL's generating plants, calling attention to the adage, "Today's power is yesterday's foresight." Above: Sanford Plant (861 Mw) has three fossil units (1959, 1972, 1973) located along the St. John's River five miles northwest of the City of Sanford. Below: St. Lucie Plant (777 Mw) rises above the mangrove swamps of Hutchinson Island midway between Fort Pierce and Stuart. It consists of Nuclear Unit No. 1 (1976) and a second unit (right) under construction. Opposite Page: Turkey Point Plant (2,079.5 Mw) with its two fossil units (1967, 1968) and two nuclear units (1972, 1973) is silhouetted by the early-morning sun over Biscayne Bay 25 miles south of Miami.



Applying Finishing Touches to the Seventies

The ability to face problems and still function effectively requires a positive attitude. Without it, there'd be little alternative but to quit.

With Iran, Soviet adventurism and over-a-dollar-a-gallon gasoline dominating news headlines, it would be understandable for people simply to give up out of frustration.

But that's not the way most people work. Most people keep on trying. Within FPL ranks, at least, that is considered the acceptable way to deal with problems.

FPL President John J. Hudiburg said as much in his inaugural address to stockholders at the Company's 1979 Annual Meeting.

"For us, coming to work is like going to the supermarket," he noted. "Every time you do it, you encounter a whole new set of higher prices. It becomes more and more difficult to find new places to save."

Still, he assured the audience, "FPL never stops trying."

Those words not only heralded FPL's entry into the 1980s, as described on pages 4-7, but also set the tone for the closing of the '70s, a chapter in American history dominated by economic uncertainties and shrunken dreams.

Performance Goals

In keeping with the perpetual quest to enhance the Company's business capabilities and the value of its services to the public, Corporate objectives for 1979 were three-fold:

- to keep increases, if any, in cost of service per customer in line with

increases in the Consumer Price Index...

- to avoid having to sell common stock under unfavorable market conditions...

- and to show a measurable increase in the number of customers who regard FPL responsive to their service needs.

Year-end performance appraisal showed progress was made on all three fronts. Strict limitations on spending satisfied the first two objectives, while customers responding to a random attitude survey adjudged FPL service to be "good" on the whole.

Responsiveness

FPL had its work cut out for it in 1979 as torrential rains, a major hurricane and a flood tested the Company's ability to respond in emergencies.

The first stern test came on April 25 when record rains fell over extensive portions of South Florida, including 17 inches in Miami within a 24-hour period. Some 125 FPL workers from as far away as Sarasota were rushed to the storm-stricken area to assist local crews, and virtually all service was restored by the next morning.

Hurricane David's trek up the peninsula over the Labor Day weekend was no less challenging. During the storm, more than 300,000 customers were without service in the Company's four East Coast divisions. In order to repair damage and restore service, FPL called in every available crew from the unaffected Western Division and then added 370 workers from neighboring utilities and 290 more from local contractors. Despite the prolonged period of the storm's impact, felt along all

375 miles of Florida's Atlantic Coast, most outages were restored within 12-24 hours and virtually all but the most serious shortly thereafter.

FPL employees again worked around the clock to aid families displaced from their homes October 31 when water pouring from a break in the Martin Plant reservoir flooded portions of the surrounding countryside. In addition to providing emergency financial aid, the Company undertook efforts to provide medicine, to replace lost or broken eyeglasses, to make special garbage pickups, to provide sanitary facilities and, in general, to settle damage claims promptly and courteously.

FPL affirmed its commitment to serve in numerous little ways, as well.

For example, when Ward Robinson, a Delray Beach customer, said he could not read a portion of his electric bill and suggested the use of darker lettering, FPL listened. As things turned out, the light lettering had been required by computer billing equipment which would have been "confused" by bold lettering.

But new equipment had been installed, and it could accommodate the change. As a result, it was no problem to institute the change and make bills more readable.

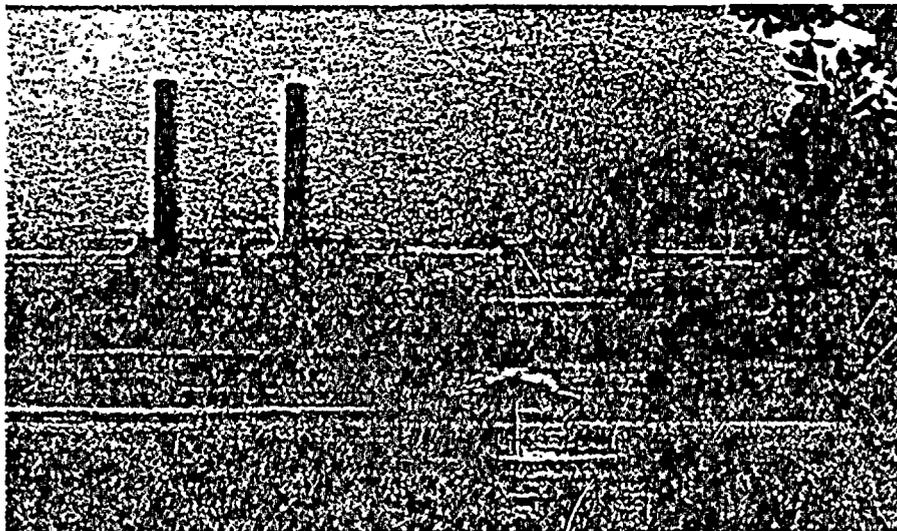
Another example of the Company's readiness to respond to customer needs was seen in the elimination of the service charge for changing a name following marriage or divorce.

While these particular changes may seem minor, their underlying meaning is of major significance, for they offer a solid demonstration of FPL's goal to increase responsiveness.

Earnings

The dramatic increase in the price of oil had a pronounced negative effect on earnings per share in 1979. Earnings per share slipped 7 percent to \$4.22 from \$4.54 in 1978.

Although increased fuel costs are reflected in the Company's fuel adjustment charge, there is a 2-month lag between the use of increasingly expensive fuel and the Company's ability to recover costs from consumers. Fuel adjustment revenues thus fail to keep



pace with current fuel expenses. In 1979, this mismatch led to unrecovered fuel costs of \$47.5 million.

The Florida Public Service Commission (FPSC) has scheduled hearings in February 1980 for consideration of its proposed revisions to the fuel adjustment clause. Under the proposed revisions, the monthly fuel adjustment charge would be based on 6-month projections, contain an incentive factor based on generating performance and include a "true-up" feature to eliminate the over- or under-recovery of fuel expense. FPL has supported similar concepts in past hearings before the FPSC and is hopeful a new method can be implemented soon.

Fuel Expense

Fuel expense climbed to \$813 million, a figure representing one-half of total operating expenses. Primary culprit was increased cost of oil, coupled with greater use of oil to meet growing system demand and to replace nuclear generation during refueling and maintenance outages of nuclear units.

On Dec. 31, 1979, contract price at Port Everglades Terminal for low sulfur residual oil was \$26.69 per barrel. Higher sulfur oil was \$21.21. The corresponding amounts one year earlier were \$14.13 and \$11.06. Prices on February 1, 1980 were \$28.40 for low sulfur oil and \$22.02 for higher sulfur oil.

One relatively bright spot in this otherwise bleak fuel picture was the performance of the Company's nuclear units, which generated 11.6 billion Kwh.

Above: Riviera Plant (653 Mw), on the western shore of Lake Worth in suburban West Palm Beach, has four fossil units (1946, 1953, 1962, 1963). Below: Putnam Plant (446 Mw), the Company's newest, is in a heavily wooded area flanking U.S. Highway 17 near Palatka. The plant features twin combined-cycle fossil units (1977, 1978). Opposite Page: Day breaks over the Fort Myers Plant (1,176 Mw) with two fossil units (1958, 1969) and 12 gas turbines (1974) on the Caloosahatchee River eight miles east of Fort Myers.

It would have taken 18 million barrels of oil at an increased cost of \$284 million to produce an equivalent amount of power.

Still, the proportion of nuclear generation fell to 26 percent from 30 percent the year before, a figure reflective of refueling and maintenance schedules. Oil provided 55 percent of generation; natural gas, 19 percent.

Since FPL first began nuclear generation in 1972, fuel savings of \$1.2 billion have been realized through nuclear contributions.

Regulation

Retail rates, which provide approximately 96 percent of FPL revenues, are regulated by the FPSC which on Jan. 2, 1979, was expanded to five members and became an appointed, rather than elected, panel. The commissioners have staggered terms of office. The term of one member expires in January 1981, two terms expire in January 1982 and two in January 1983.

FPL does not have a request for a rate increase pending before the FPSC.

In looking at future needs for rate increases, the Company will strive to achieve its long-term goal of keeping increases in base rates at or below the rate of inflation.

The timing of FPL's next rate case hinges on such factors as Kwh sales growth, inflation and the in-service date of the first unit at Martin Plant.

Dividends

Dividends on common stock were raised to a quarterly rate of 60 cents per share from 52 cents (an effective annual rate of

\$2.40, from \$2.08), commencing with the June 15, 1979, quarterly payment.

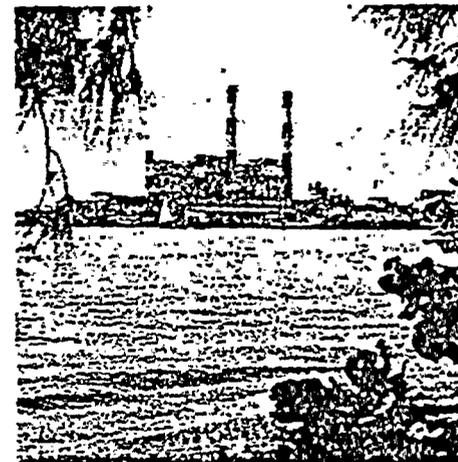
Total dividend payments were \$2.32 per share in 1979, compared with \$2.00 the previous year.

For the past 5- and 10-year periods, the Company's dividend growth rate ranks among the fastest in the industry.

FPL's dividend increases in 1978 and 1979 recognize the growing investment by common shareholders through the reinvestment of a large portion of earnings. Increases not only provide a return on this additional investment, but also reflect the Company's desire to move closer to the industry ratio of dividends to earnings.

Financial Strategy

An attractive dividend policy and a sound capital structure are key elements in the Company's long-range plans for further



strengthening its financial base.

Capitalization ratios at year's end were 50 percent long-term debt, 38 percent common equity, 3 percent preferred stock with sinking funds and 9 percent preferred stock without sinking funds.

FPL's long-term goal is a mix of 50-52 percent long-term debt, 38-42 percent common equity and approximately 10 percent preferred stock.

While not wishing to publicly sell common stock at current below-book market prices, the Company is, in President Hudiburg's words, "looking at the question with more open-mindedness." The decision will be influenced by market conditions, by interest rates and by capital requirements.

Operating Revenues

Revenues passed the \$1.9 billion mark in

1979, rising 17 percent over the preceding year. Of the increase, about 13.5 percent could be traced to increased fuel adjustment revenue and 3.4 percent to increased sales resulting primarily from new customers.

Energy Sales

Kwh sales rose to 41.97 billion in 1979. The increase resulted from a 5 percent increase in the total number of customers and a 2 percent decline in use per customer. Use per residential customer declined 4 percent to 11.354 Kwh, compared to last year's 11.790.

Customers

More Floridians than ever before are being served by FPL. The Company added over 108,000 customers in 1979, bringing the total to 2.1 million.

Employees

At year end 1979, the Company was serving 367,000 more customers with approximately the same number of employees as in mid-1976. Total employment was 10,337, about 40 percent of whom were represented by the International Brotherhood of Electrical Workers (IBEW).

A new collective bargaining agreement with the IBEW was ratified by the membership on February 15, 1980. The two-year agreement, effective November 1, 1979, calls for increased wages and improved benefits.

In the year ahead, overall employment is expected to rise slightly in response to government regulation and to the service needs of more customers.

Included among Corporate objectives for 1980 is a limit in the net growth of certain staff positions which have been



identified as being "not directly affected by customer growth or mandated by a legal requirement."

Management

Several key management changes were made in the past year.

In January 1979, directors named Marshall McDonald as Chairman of the Board and Chief Executive Officer. At the same time, John J. Hudiburg, an FPL veteran of 28 years, was elected President, Chief Operating Officer and member of the Board.

With the election of Hudiburg and Gene A. Whiddon, Fort Lauderdale business executive, Board membership grew to 11 directors, all but one of whom live in the FPL service area.

In May, Vice President R. E. Tallon was elected Group Vice President.

In June, Executive Vice President F. E. "Gene" Autrey left FPL after accepting the position of President of Middle South Utilities Inc., a major electric utility holding company based in New Orleans.

Also in June, McDonald began a year-long term as Vice Chairman of Edison Electric Institute (EEI), the association of America's investor-owned electric utilities whose officers act as industry spokesmen on subjects of national importance.

In October, B. L. Dady was named Vice President of Management Control and Services and Assistant Secretary.

Promoted to Vice President-Treasurer in December was J. L. Howard, who also was named the Company's Chief Financial Officer.

At the Board of Directors meeting in January 1980, L. C. Hauck was elected Vice President, Legal Affairs.

Service Area Economy

One constant in the changing economic scene is Florida's appeal as a place to call home. Another is its desirability as a tourist destination.

In 1979, people continued to move into, and to tour, the State in significant numbers.

Tourism, long a staple in the Florida economy, registered a gain of 4 percent. State tourism officials placed the number of arrivals at 35.5 million.

The oil situation had an impact on tourism, especially arrivals by car, but there was an increase in the number of tourists arriving by air.

Per-capita spending rose, as well, and

the South Florida area, particularly, benefited from a heavy influx of Latin American visitors.

Southeast Florida continues to gain stature as an international trade center. Miami now has a Free Trade Zone in operation which is expected to generate substantial overseas business.

For new residents, there were more job opportunities. Light manufacturing and agriculture—two other major segments of the state economy—continued to make strong contributions.

Population of the state increased to 9.25 million, a gain of 3.1 percent over 1978.

Meanwhile, estimated population of FPL's service territory climbed to 4.8 million, a hike of 4.5 percent over 1978.

Accompanying the increase in new residents was stepped-up demand for housing. Florida housing starts were running 21 percent ahead of last year.

Florida currently appears to be in much better position to weather bad times than it was when substantial speculation and overbuilding led to the Florida recession of 1974-75. That situation does not exist today, because the housing construction industry has been much more cautious and construction appears to be in line with the healthy demand.

Thus, it appears any slowdown Florida might experience will be prompted by national events, not by problems within the Florida construction industry.

Peak Demand

Because of heavy air-conditioning requirements, FPL continues to build for summer peak projections.

Last summer, peak demand of 8,650 Mw was reached July 19. It was 3.7 percent greater than the 1978 summer peak of 8,345 Mw.

A record peak, a wintertime demand of 9,217 Mw, was established on Feb. 4, 1980.

Load Forecast

In its forecasting, FPL projects growth rates in high, low and most probable ranges.

In November 1979, these figures were revised downward slightly.

In terms of the "most probable," summer peak load through 1990 is expected to grow at a compound annual rate of 3.8 percent, compared to previous estimates of 4.1 percent.

The reduction indicates the Company's various energy conservation programs

are contributing to increased saturation of energy-efficient homes and appliances.

Growth projections for customers and kWh sales remain about the same as before—3.2 percent for customers and 3.6 percent for sales.

Energy Conservation

A major aspect of the Company's program to lessen oil dependence is the promotion of conservation. Simply put, what the Company does not have to generate avoids the use of fuel oil.

Activities initiated by FPL in load management and energy conservation include promotion of Watt-Wise Living™ homes, new efficient "energy code" homes, homes "retrofitted" through an FPL energy audit and energy-efficient appliances.

The Company estimates that most major appliances—such as air conditioners and water heaters—are replaced every 10 years. With mandatory federal efficiency codes taking effect, replacement appliances, even at the lower end of the price scale, will be higher in efficiency than the appliances being replaced.

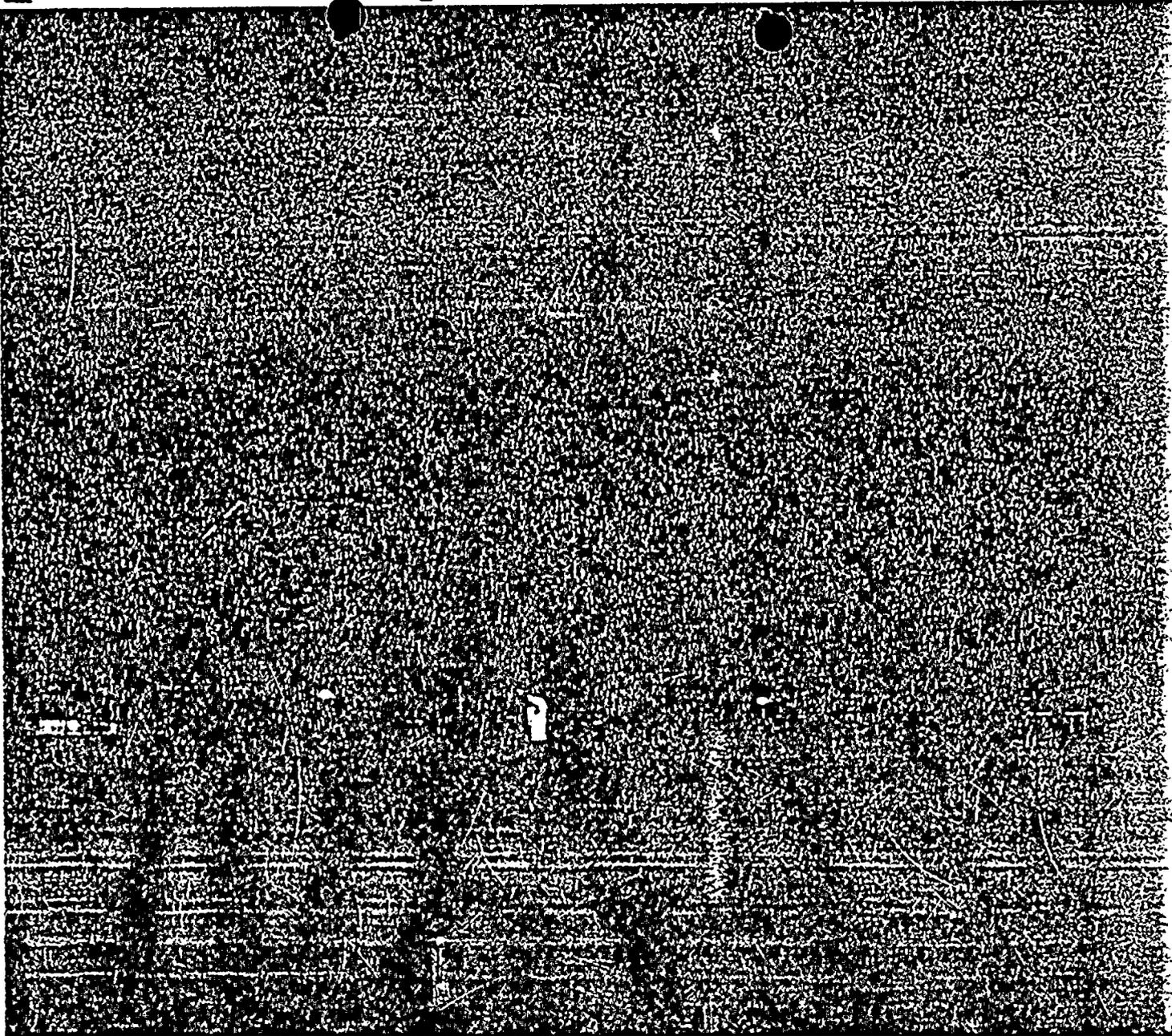
In another conservation venture, FPL in 1979 introduced its energy van, a mobile unit showing people many things they can do to save energy.

The goal of all these conservation efforts is to reduce growth in energy demand, thereby lessening the nation's dependence on foreign oil and delaying the need to build new power plants.

Generating Capacity

At year's end, system capability of FPL's





Above: Cape Canaveral Plant (729 Mw), situated across the Indian River from the Kennedy Space Center where America raced to the stars, has a pair of fossil units (1965, 1969). Below: Stacks of Port Everglades Plant (1,581.5 Mw) dwarf a commercial jetliner taking off from nearby Fort Lauderdale-Hollywood International Airport. The plant, named after its homesite at Florida's largest deepwater port, has four fossil units (1960, 1961, 1964, 1965) and 12 gas turbines (1971). Opposite Page: Four miles inland from Port Everglades is Lauderdale Plant (1,126 Mw) where two fossil units (1957, 1958) and 24 gas turbines (1970, 1972) are in operation. The enclosed portion of the plant dates back to 1926.

10 operational plants stood at 10,957 Mw. Another 371 Mw was available at two plants on cold standby status. Should circumstances warrant and necessary permits be obtained, they could be activated in 6-12 months.

System capability is expected to rise to 11,732 Mw by year-end 1980 with completion of Martin Unit No. 1.

Construction

Construction aimed at providing additional generation to meet anticipated demand in the early 1980s is proceeding at Martin Plant and on the Company's fourth nuclear unit, St. Lucie No. 2.

The Martin project consists of two oil-burning units of 775 Mw each with planned in-service dates of late-1980 and mid-1981.

A rupture in the bank of the 6,700-acre reservoir at the site in October resulted in loss of the cooling water. Cause of the break is not definitely known. Resulting design modifications, repair of the dike and refilling the lake have delayed by several months the planned in-service date of the first unit.

Cost of both Martin units is estimated to be \$645 million, including necessary design modifications to the reservoir.

At St. Lucie, estimated cost of the 802 Mw nuclear unit scheduled for 1983 has been revised upward from \$925 million to \$1.1 billion. The new cost figure reflects escalation and "scope" changes.

There are continuing negotiations with various municipal utilities and cooperatives over the sale of a portion of the unit. An approximate 13 percent interest in the unit is the minimum expected to be sold.

The Nuclear Regulatory Commission has held hearings on grid stability and indicated it will conduct hearings on antitrust issues related to the unit.

Partly as a result of revised growth projections, the Company has amended its construction plans, deferring for two years scheduled completion dates for twin 700 Mw coal units planned for the Martin Plant site. They now are scheduled for 1987 and 1989.

Another factor in the deferral was a contract signed with Tampa Electric Co. to purchase output from a coal unit now under construction at Tampa's Big Bend Plant. The agreement covers purchase

of 292 Mw, 208 Mw and 104 Mw in 1985, 1986 and 1987, respectively.

Also, discussions are proceeding with the Jacksonville Electric Authority concerning joint ownership of two coal units in northeast Florida with a possible in-service date in the late 1980s.

Thus, plans are to introduce coal into the FPL generation mix in three ways—via purchase, partnership and sole ownership. Perhaps four ways....

The Company also is experimenting with a mixture of oil and coal (see Chairman's Letter, pages 2-3). If the testing at Sanford Plant goes well, the mixture, consisting of perhaps as much as 50 percent pulverized coal, might be suitable for use in other units. That would enable the Company to substitute coal for expensive imported oil.

In another area, FPL has begun preliminary discussions with Georgia Power Co. regarding possible purchase of up to a 200 Mw interest in each of two nuclear units that firm has under construction at the Vogtle Plant near Waynesboro, Ga. The units are scheduled to be in commercial operation by 1984 and 1987.

Construction Budget

The Company estimates expenditures under its 1980-82 construction program will approximate \$2 billion, excluding amounts related to the discussions with Georgia Power Co. which still are in an early stage. Capital expenditures are budgeted for \$620 million in 1980.

In 1979, \$575 million was invested in new facilities.

As with all forecasts, the construction budget is subject to continuing scrutiny and adjustment.

Financing

Throughout the course of 1979, \$188.5 million was raised through the issuance of new securities. Involved were 30-year first mortgage bonds with 12½ percent interest rate (\$75 million), a privately placed issue of 8.70 percent preferred stock (\$50 million), a 3-year term loan from three major New York banks (\$50 million) and issuance of common stock in connection with employee benefit plans (\$13.5 million).

In addition, approximately \$61 million was received from sale of nuclear fuel to the St. Lucie Fuel Co. to implement a lease arrangement providing nuclear fuel for St. Lucie Unit No. 1.

In the period 1975-79, 62 percent of

funds needed for construction were derived from operations.

External financing needs will increase sharply in 1980. FPL estimates such needs to be \$450 million, including the repayment of \$32 million of short-term debt outstanding at year end 1979 and the retirement of a \$50 million 8½ percent bond issue maturing in August 1980.

A portion of 1980 financing will involve the planned sale of \$125 million of first mortgage bonds in early March.

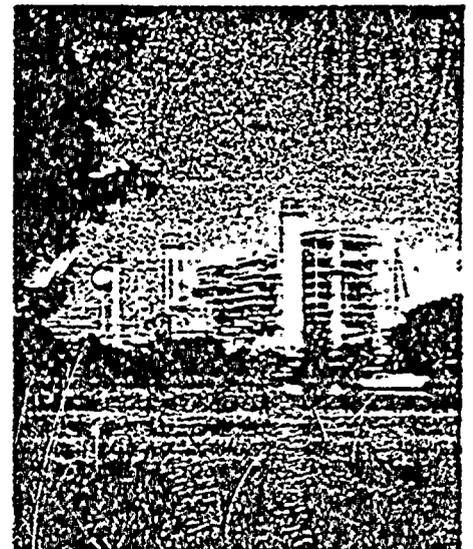
The Company also intends to raise equity capital by issuing common stock in connection with employee benefit plans.

Oil Supplies

The Company has a contract with Exxon Co. U.S.A. that is intended to provide a substantial portion of residual oil requirements through 1981. The contract continues year-to-year thereafter, until cancelled by either party. If either party elects to cancel by giving notice in 1980 or in any later year, the contract would continue at full quantity through the subsequent calendar year and then be phased out over a 3-year period at reduced quantities.

As a result of the worldwide oil situation, Exxon in March 1979 began allocating deliveries of low sulfur residual oil. From April through July, Exxon also allocated total deliveries.

During the year, allocations of low sulfur oil ranged from 53-65 percent of contract quantity. Total deliveries, including higher sulfur oil delivered in lieu of low sulfur oil, ranged between 93 and 95 percent from April through July and



were 100 percent thereafter. The balance of residual oil requirements was obtained on the open market.

In order to burn the higher sulfur oil in some plants, it was necessary to obtain authorization from regulatory authorities to exceed emission standards.

In August, the Florida Environmental Regulatory Commission approved a petition by the Florida Electric Power Coordinating Group, of which the Company is a member, to permanently relax the State's opacity standards. FPL also was granted a variance from existing opacity, particulate and sulfur dioxide emission standards.

In both cases, public health standards were unaffected.

Both the change in opacity standards and the variance must be approved by the Environmental Protection Agency (EPA). Unless or until EPA approval is obtained, the Company may be unable to use higher sulfur oil and comply with emission standards at certain units at certain times, and unless the Company is able to obtain adequate supplies of low sulfur oil, it will have to remove these units from service for indefinite periods of time or be subjected to substantial civil and criminal penalties.

New oil burners which, because of their greater efficiency, reduce opacity and particulate emissions are already in place on seven units at four plants.

In the year ahead, more high-efficiency burners are scheduled for installation at Turkey Point, Port Everglades, and Riviera plants.

FPL's contract with Belcher Oil Co. for

distillate fuel oil for the gas turbine units expired in February 1980. A substantial portion of distillate requirements will be supplied under provisions of the residual oil contract with Exxon.

Remaining oil requirements will be acquired through competitive open-market purchases or new contracts.

Natural Gas Deliveries
Gas, a sulfur-free and clean-burning fuel, is playing an important role in Company efforts to reduce oil consumption and to increase reliance on domestic resources. The primary source for natural gas is a contract with Amoco Production Co. that is providing 200 million cubic feet (MMCF) per day of firm gas delivery.

Of particular significance to FPL in 1979 was a 10-year interruptible gas supply contract signed with Florida Gas Transmission Co. following expiration of the Company's firm contract with Sun Oil Co.

Under the new pact, deliveries averaging 51 MMCF per day were made in the last half of 1979 on an interruptible basis.

The Company in December 1979 began receiving natural gas under an interruptible contract with Consumers Power Co. Under the contract, deliveries are subject to gas and pipeline availability and continuance of Federal permits.

The Company has obtained exemptions under the Fuel Use Act which allow the burning of natural gas in gas turbine units; however, exemptions sought for fossil units are pending.

Nuclear Fueled Power

In 1979, a portion of a lawsuit was settled with Westinghouse Electric Corp. in connection with the fuel supply and escalation portions of a contract for both Turkey Point nuclear units. Under the settlement, Westinghouse paid FPL \$26 million in cash and agreed to provide goods and services on favorable terms through 1994. The compensation ultimately will be passed on to customers in the form of lower costs.

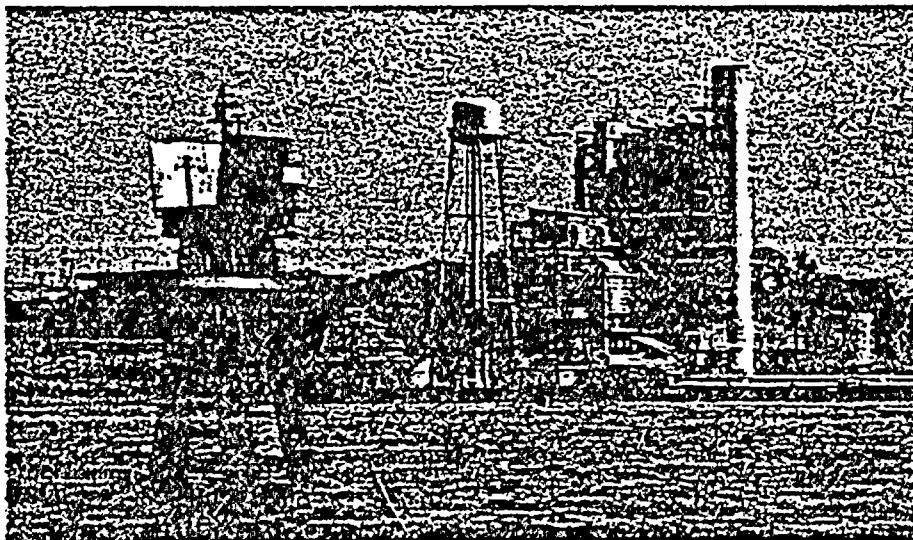
FPL's dispute with Westinghouse over spent fuel removal from Turkey Point has been tried and a decision of the court is pending.

The first and second nuclear fuel cores (approximately a 5-year fuel supply through the 1981 reload) for St. Lucie Unit No. 1 are under contract with Combustion Engineering Inc. The Company is negotiating with Combustion Engineering for a nuclear fuel contract for St. Lucie Unit No. 2.

Additionally, there are uranium contracts with three other suppliers—International Minerals and Chemical Corp. (which will provide uranium extracted from phosphates), United States Steel Corp. and Caithness Corp. The Company also has a lease arrangement for a portion of the nuclear fuel for St. Lucie Unit No. 1.

At year end, the Company's inventory of uranium was approximately 800,000 pounds.

The Turkey Point steam generators have been experiencing problems. A program of preventative plugging of the steam generators has kept the units in



Opposite Page: Being maintained on cold standby status is Cutler Plant (264 Mw) which, when built, had only trees for neighbors. Now located in the heart of suburbia about 15 miles south of downtown Miami, the plant's three fossil units (1952, 1954, 1955) have been painted shades of blue and green to blend esthetically with natural surroundings. This Page: Union gunboats once plied the St. John's River in the vicinity of Palatka Plant (107 Mw) where FPL also is holding two fossil units (1951, 1956) on reserve. It is directly across the highway from Putnam Plant.

service with only brief limitations placed on output due to the steam generators. To date, 19.4 percent of the tubes in Unit No. 3 and 20.6 percent of the tubes in Unit No. 4 have been plugged. The Company has been authorized to plug up to 25 percent of the tubes in each unit.

The Company has established a planning date of late 1980 to begin making permanent repairs to Unit No. 4, although no firm decision has been made. Replacement parts for one unit are already on site. Parts for the other unit are scheduled for delivery in the first quarter of 1980. The work will take an estimated 6-9 months and cost \$61 million per unit. Amendments to the operating licenses will be required.

In 1979, the Nuclear Regulatory Commission (NRC) allowed a petition for intervention by one individual in the matter of steam generator repairs. Hearings will be held but have not been scheduled yet.

A suit for damages was filed in 1978 against Westinghouse, the supplier of the steam generators.

As a result of the accident at Three Mile Island Plant in Pennsylvania and consequent NRC safety reviews, investigations and regulations, FPL is making certain modifications to its nuclear units, increasing personnel and intensifying personnel training.

In Retrospect...

It was a trying year...

...and a year of trying...

...a year of tackling problems head on...

...a year of trying to increase efficiency by working...

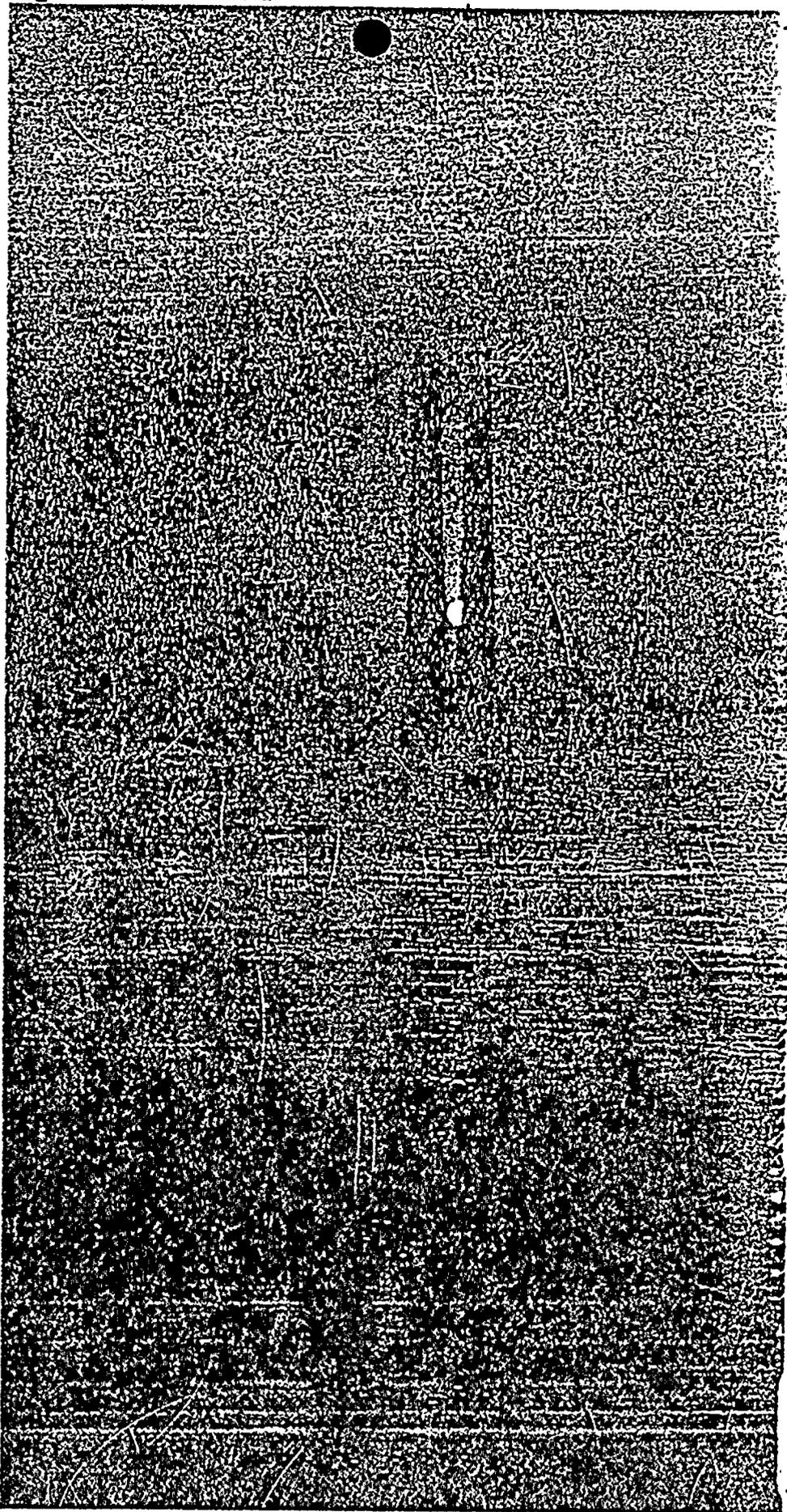
...by working smarter, using time more wisely and improving ways of doing things...

...so that brighter days may lie ahead in the decade before us.

That's important. Because, historically, big challenges have resulted in big progress.

Overcoming our present problems will do no less.

The afternoon sun sinks behind Manatee Plant (1,528 Mw), 17 miles northeast of Bradenton. The plant has two fossil units (1976, 1977), and the man-made reservoir in the foreground covers 4,400 acres at an average depth of 12 feet.



Florida Power & Light Company and Subsidiaries

Consolidated Summary of Operations, The Past Five Years

(Thousands of Dollars Except Per Share Data)	1979	1978	1977	1976	1975
OPERATING REVENUES	<u>\$1,933,937</u>	<u>\$1,647,226</u>	<u>\$1,464,584</u>	<u>\$1,189,680</u>	<u>\$1,182,644</u>
OPERATING EXPENSES:					
Fuel	812,898	551,376	497,015	482,347	461,335
Other Operation	263,732	216,653	187,011	178,127	160,151
Maintenance	99,490	85,865	67,579	67,062	59,646
Depreciation	150,195	144,267	125,166	88,591	82,322
Income Taxes	156,044	198,163	171,098	85,368	114,822
Taxes Other Than Income Taxes	149,774	132,205	117,807	96,972	87,558
Total Operating Expenses	<u>1,632,133</u>	<u>1,328,529</u>	<u>1,165,676</u>	<u>998,467</u>	<u>965,834</u>
OPERATING INCOME	<u>301,804</u>	<u>318,697</u>	<u>298,908</u>	<u>191,213</u>	<u>216,810</u>
OTHER INCOME (DEDUCTIONS):					
Allowance for Funds Used During Construction ..	—	—	—	65,497	48,486
Allowance for Other Funds Used During					
Construction	30,006	20,319	16,009	—	—
Income Taxes	(34)	827	(1,558)	(298)	5,350
Other—Net	1,209	3,382	(1,731)	1,005	(850)
Other Income—Net	31,181	24,528	12,720	66,204	52,986
INCOME BEFORE INTEREST CHARGES	<u>332,985</u>	<u>343,225</u>	<u>311,628</u>	<u>257,417</u>	<u>269,796</u>
INTEREST CHARGES:					
Interest Expense	157,158	146,096	144,083	140,572	124,575
Allowance for Borrowed Funds Used During					
Construction	(28,841)	(14,112)	(12,893)	—	—
Interest Charges—Net	128,317	131,984	131,190	140,572	124,575
NET INCOME	<u>204,668</u>	<u>211,241</u>	<u>180,438</u>	<u>116,845</u>	<u>145,221</u>
PREFERRED DIVIDEND REQUIREMENTS	<u>33,711</u>	<u>29,138</u>	<u>27,653</u>	<u>22,378</u>	<u>20,066</u>
NET INCOME APPLICABLE TO COMMON STOCK	<u>\$ 170,957</u>	<u>\$ 182,103</u>	<u>\$ 152,785</u>	<u>\$ 94,467</u>	<u>\$ 125,155</u>
Average Number of Common Shares Outstanding					
(in Thousands)	40,524	40,120	40,050	39,542	35,940
Earnings Per Share of Common Stock	\$4.22	\$4.54	\$3.81	\$2.39	\$3.48
Common Stock Data					
Shares Outstanding, Year End—Thousands	40,819	40,315	40,050	40,050	37,050
Dividends Paid Per Share	\$2.32	\$2.00	\$1.66	\$1.56	\$1.435
Dividend Rate—Year End	\$2.40	\$2.08	\$1.76	\$1.56	\$1.46
Dividend Payout Percentage	55.0	44.1	43.6	65.3	41.2
Price/Earnings Ratio—Year End	5.9	5.8	7.1	11.6	7.7
Book Value Per Share—Year End	\$34.31	\$32.49	\$29.97	\$27.81	\$27.21
Operating and Financial Statistics					
KwH Sales—Thousands	41,965,810	40,602,076	37,529,397	34,929,541	34,110,898
Customers—Year End	2,140,587	2,032,298	1,927,668	1,840,043	1,772,304
Revenue per KwH—Residential	4.66¢	4.10¢	3.96¢	3.50¢	3.53¢
KwH per Customer—Residential	11,354	11,790	11,370	10,968	11,127
Net Warm Weather Capability, Kw—					
Year End	10,957,000	10,941,000	10,644,000	9,740,000	8,927,000
Peak Load, Summer, Kw—60-minute	8,650,000	8,345,000	7,841,000	7,598,000	7,076,000
Peak Load, Winter, Kw—60-minute	8,791,000	8,617,000	8,606,000	7,287,000	5,807,000
Reserve Capability Percentage—					
at Time of Summer Peak	26.7	30.4	23.0	13.8	27.4
Nuclear Generation, KwH—Thousands	11,615,095	13,273,383	13,452,276	8,647,474	8,369,310
Total Utility Plant—Thousands	\$5,458,513	\$4,983,794	\$4,525,916	\$4,181,839	\$3,724,270
Capital Expenditures (including nuclear fuel and					
AFUDC)—Thousands	\$574,825	\$472,830	\$375,360	\$469,750	\$497,233
External Funds—Thousands	\$249,220	\$151,866	\$33,240	\$272,540	\$418,925
Employees—Year End	10,337	9,750	9,415	9,365	9,911

Management's Discussion and Analysis of Operating Results



President John J. Hudiburg

Despite substantial underrecovery of fuel costs in 1979, earnings per share were \$4.22, as compared to \$4.54 for 1978. Growth in Kwh sales and the rate relief granted in 1977 were primarily responsible for the improved earnings in 1978. The following discussion focuses on factors that have significantly affected the Company's results of operations for 1979 and 1978 when compared to the preceding year.

Operating Revenues

Increases in operating revenues are due to the following factors:

	% Increase in Operating Revenues	
	1979	1978
Kwh sales	3.4%	3.2%
Fuel adjustment and rate changes	13.9	4.2
Other	0.1	0.1
Total	<u>17.4%</u>	<u>12.5%</u>

Kwh sales increased primarily as a result of growth in the number of customers of 5.4% in 1979 and 4.9% in 1978. Kwh usage per customer declined 2.1% in 1979, reflecting conservation efforts of customers, following a 3.3% increase in per customer usage in 1978. Residential customers used 3.7% less energy in 1979.

Fuel adjustment revenues in 1979 were \$260.9 million, up \$224.1 million, or over 600% of the 1978 total of \$36.8 million. These increases accounted for

13.5% of the increase in 1979 operating revenues and reflect the rapid escalation in fuel costs in 1979.

Average revenue per Kwh, including fuel adjustment revenue, for total customers rose to 4.57 cents in 1979. This compares to 4.02 cents in 1978, the first full year the present rates were in effect, and to 3.87 cents in 1977.

Operating Expenses

Total operating expenses increased by \$304 million, or 23%, in 1979 and by \$163 million, or 14%, in 1978. The increases were primarily in fuel, other production including net interchange, maintenance, depreciation and other tax expenses.

Fuel Expense

The greater use of more expensive oil-fired generation to meet the growing system demand and to replace generation during the refueling outages of the Company's three nuclear units resulted in a 47.4% increase in fuel expense in 1979 following an 11% increase in 1978.

The oil portion of fuel expense increased by \$241.6 million, or 53.8%, in 1979. A 3.1 million barrel (8.5%) increase in consumption accounted for \$38.4 million of this increase, while \$203.2 million was due to a 41.6% increase in the average price of oil burned. In 1978 the oil portion of fuel expense was \$39 million higher than in 1977. The amount of oil consumed was up 4.7 million barrels (15%), but was partially offset by a temporary drop in the price of oil burned.

Higher unit prices for natural gas added \$13.3 million and \$12 million, respectively, to fuel expense in 1979 and 1978. A new interruptible natural gas supply contract was entered into in April 1979 at rates substantially higher than those under an expired contract, but less than equivalent oil prices.

The monthly fuel adjustment charge is based on the cost of fuel used for generation in the second previous month. This mismatch led to an underrecovery of fuel costs of \$47.5 million (\$0.60 per share) in 1979, as compared to \$3.9 million in 1978.

Other Operation and Maintenance Expenses

These expenses increased due to higher payroll and related employee benefits costs, increases in the number of customers and the amount of electricity generated, and the maintenance of new

property additions. The increase in maintenance expense in 1978 reflects the first annual refueling, overhaul and inspection of St. Lucie Unit No. 1. An extended outage to repair the turbine rotor at Turkey Point Unit No. 3 and additional expenditures for safety reviews, investigations and regulations resulting from the Three Mile Island incident are reflected in 1979 expenses. Net interchange power purchases were \$4.2 million in 1979, while in 1978 interchange deliveries, which are recorded as a reduction of other production expenses, were \$18.6 million.

Depreciation

Increases in depreciation expense reflect new properties placed in service. Depreciation expense in 1979 and 1978 includes \$4.6 million and \$5.8 million, respectively, of amortization of the cancelled South Dade project costs described in Note 6 — Construction Program.

Taxes

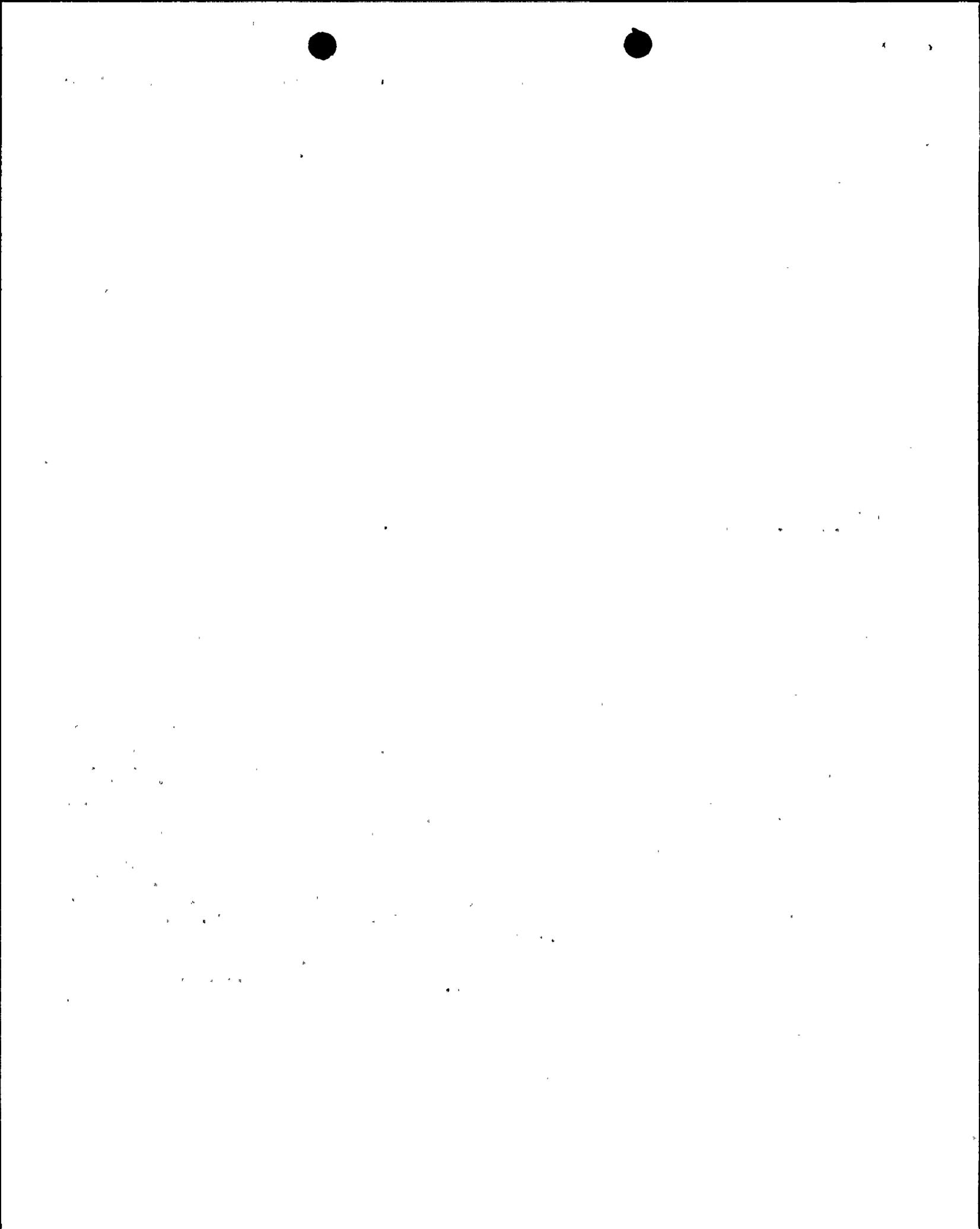
Fluctuations in total income taxes are generally related to changes in income excluding income taxes and the allowance for other funds used during construction. Income tax provisions were also affected by the reduction in the federal corporate income tax rate from 48% to 46% effective in 1979. Taxes other than income taxes have increased primarily as a result of increased revenues and additions to property.

Allowance for Funds Used During Construction (AFUDC)

Total AFUDC increased in 1979 and 1978 as a result of higher amounts of construction work in progress (CWIP). At December 31, 1979 the investment in St. Lucie Unit No. 2 and Martin Units Nos. 1 and 2 included in CWIP aggregated \$932 million, up \$256 million over a year ago. In addition, beginning in 1978 AFUDC was capitalized on nuclear fuel.

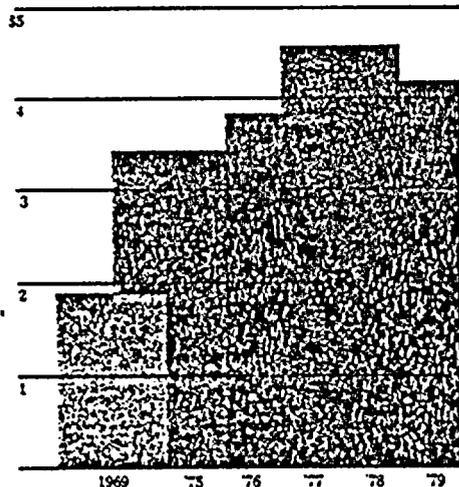
Interest Charges and Preferred Dividend Requirements

Sales of long-term debt and preferred stock in 1979 and 1978, to finance a portion of the Company's construction program, resulted in higher interest expense and preferred dividend requirements, portions of which were capitalized through AFUDC. Interest charges in 1977, 1978 and 1979 were affected by a change in the method of recording AFUDC.

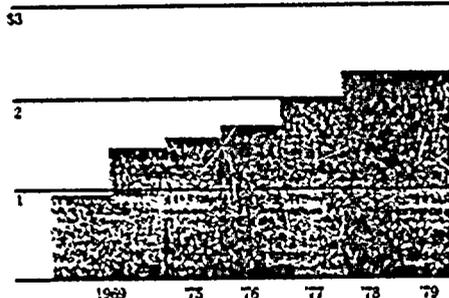


Florida Power & Light Company Financial Statements

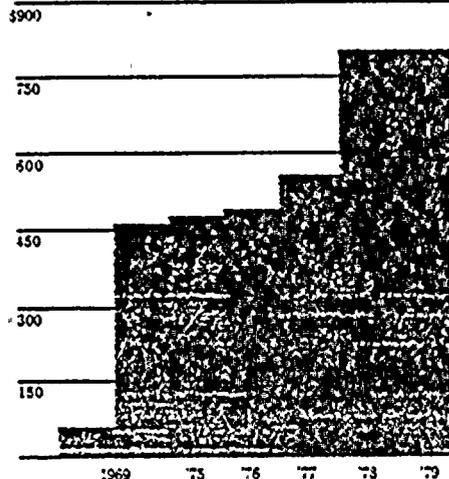
Earnings Per Share



Dividends Paid Per Share



Fuel Expense (Millions)



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The Consolidated 5-Year Summary of Operations appears on page 17, immediately preceding Management's Discussion and Analysis of Operating Results.

Opinion of Independent Certified Public Accountants

To the Board of Directors and Shareholders,
Florida Power & Light Company:

We have examined the consolidated balance sheets and statements of capitalization of Florida Power & Light Company and subsidiaries as of December 31, 1979 and 1978 and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of the Company and its subsidiaries as of December 31, 1979 and 1978 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS
Miami, Florida
February 8, 1980



Florida Power & Light Company and Subsidiaries
Consolidated Balance Sheets, December 31, 1979 and 1978

(Thousands of Dollars)	1979	1978
Assets		
ELECTRIC UTILITY PLANT (Notes 1 and 6):		
At original cost	\$4,237,288	\$4,025,649
Less accumulated depreciation	<u>1,003,365</u>	<u>869,887</u>
Net	3,233,923	3,155,762
Construction work in progress	1,119,820	806,471
Nuclear fuel (less accumulated amortization of \$33,300 at December 31, 1979 and \$21,673 at December 31, 1978) (Note 7)	<u>68,104</u>	<u>130,001</u>
Electric utility plant—net	<u>4,421,847</u>	<u>4,092,234</u>
INVESTMENTS:		
Storm and property insurance reserve fund (Note 1)	9,562	15,099
Other	<u>2,499</u>	<u>6,354</u>
Total investments	<u>12,061</u>	<u>21,453</u>
CURRENT ASSETS:		
Cash (Note 3)	6,663	4,952
Temporary investments (at cost, which approximates market)	—	28,701
Accounts receivable:		
Customers (less allowance for uncollectible accounts of \$3,978 at December 31, 1979 and \$3,478 at December 31, 1978)	109,552	93,454
Employees and miscellaneous	20,640	6,838
Materials and supplies—at average cost	74,906	61,765
Fossil fuel stock—at average cost	142,681	85,145
Prepaid expenses	20,864	21,471
Other	<u>5,846</u>	<u>14,742</u>
Total current assets	<u>381,152</u>	<u>317,068</u>
DEFERRED DEBITS:		
Unamortized cancelled project costs (Note 6)	10,275	14,842
Accumulated deferred income taxes (Note 1)	8,808	7,997
Unamortized debt expense and loss on reacquired debt	5,402	5,653
Other	<u>7,987</u>	<u>898</u>
Total deferred debits	<u>32,472</u>	<u>29,390</u>
Total	<u>\$4,847,532</u>	<u>\$4,460,145</u>

The accompanying Schedules and Notes to Consolidated Financial Statements are an integral part of these statements.

Florida Power & Light Company and Subsidiaries
Consolidated Balance Sheets, December 31, 1979 and 1978

(Thousands of Dollars)	1979	1978
Liabilities		
CAPITALIZATION (See Statements of Capitalization):		
Common shareholders' equity	\$1,400,395	\$1,309,862
Preferred stock without sinking fund requirements	311,250	311,250
Preferred stock with sinking fund requirements	121,250	75,000
Long-term debt	<u>1,838,426</u>	<u>1,766,861</u>
Total capitalization	<u>3,671,321</u>	<u>3,462,973</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt and preferred stock	55,200	62,618
Notes payable—commercial paper (Note 3)	32,000	—
Accounts payable—trade	62,761	46,480
Customers' deposits	89,986	79,120
Income taxes (Notes 1 and 6)	12,623	57,257
Other taxes	72,700	35,118
Interest accrued	40,520	39,055
Pension cost accrued (Note 1)	27,666	31,919
Tax collections payable	15,533	13,882
Other	<u>54,626</u>	<u>44,753</u>
Total current liabilities	<u>463,615</u>	<u>410,202</u>
DEFERRED CREDITS:		
Accumulated deferred income taxes (Note 1)	448,215	370,329
Unamortized investment tax credit (Note 1)	229,608	176,883
Other	<u>13,354</u>	<u>14,939</u>
Total deferred credits	<u>691,177</u>	<u>562,151</u>
RESERVES:		
Storm and property insurance (Note 1)	9,562	15,099
Injuries and damages and other	<u>11,857</u>	<u>9,720</u>
Total reserves	<u>21,419</u>	<u>24,819</u>
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)		
Total	<u>\$4,847,532</u>	<u>\$4,460,145</u>

The accompanying Schedules and Notes to Consolidated Financial Statements are an integral part of these statements.

Florida Power & Light Company and Subsidiaries
Consolidated Statements of Capitalization, December 31, 1979 and 1978

(Thousands of Dollars)	1979	1978
COMMON SHAREHOLDERS' EQUITY:		
Common Stock, no par, authorized—100,000,000 shares in 1979 and 50,000,000 shares in 1978: outstanding—40,819,178 shares in 1979 and 40,314,552 shares in 1978 (Note 4)	\$ 770,350	\$ 756,841
Capital stock premium and expense	(4,038)	(3,751)
Retained earnings	634,083	556,772
Total common shareholders' equity	<u>1,400,395</u>	<u>1,309,862</u>
PREFERRED STOCK—\$100 Par Value, authorized	December 31, 1979	
5,000,000 shares (Note 4):	<u>Shares</u>	<u>Redemption</u>
	<u>Outstanding</u>	<u>Price</u>
Preferred stock without sinking fund requirements:		
4½% Series	100,000	\$101.00
4½% Series A	50,000	101.00
4½% Series B	50,000	101.00
4½% Series C	62,500	103.00
4.32% Series D	50,000	103.50
4.35% Series E	50,000	102.00
7.28% Series F	600,000	106.57
7.40% Series G	400,000	106.23
9.25% Series H	500,000	107.00
8.70% Series K	750,000	109.85
8.84% Series L	500,000	109.84
Total	<u>311,250</u>	<u>311,250</u>
Preferred stock with sinking fund requirements:		
10.08% Series J	744,000	111.50
8.70% Series M	500,000	108.70
Less current maturities		(3,150)
Total	<u>121,250</u>	<u>75,000</u>
LONG-TERM DEBT (Notes 1 and 4):		
First Mortgage Bonds:		
Maturing through 1984—		
3% Due June 1979	—	10,000
8½% Due August 1980	50,000	50,000
3½% Due November 1981	10,000	10,000
8½% Due May 1982	100,000	100,000
3½% Due April 1983	15,000	15,000
9½% Due May 1984	100,000	100,000
3½% Due November 1984	10,000	10,000
Maturing 1985 through 1994—3½% to 5%	150,000	150,000
Maturing 1995 through 2004—4½% to 8½%	765,000	765,000
Maturing 2005 through 2009—9½% to 12½%	386,289	311,289
Pollution Control Series A, 6.10% Due January 2008	19,400	19,400
10¼% Notes Due November 1981	125,000	125,000
Note, 1% over Prime Due February 1982	4,536	6,048
Bank Notes (under term loan agreement) Due March 1982	50,000	—
Bank Notes (under term loan agreement) Due June 1979	—	50,000
Installment Purchase and Security Contracts—5.40% to 6.15% due 2004 through 2007	92,090	92,090
Promissory Notes 6% to 8¼% Due Various to September 1987	3,294	4,145
Unamortized Premium and Discount	3,464	4,922
Promissory Notes of Subsidiaries—7½% to 9½% Due Various to December 1995	6,403	6,585
Total long-term debt	<u>1,890,476</u>	<u>1,829,479</u>
Less current maturities	<u>(52,050)</u>	<u>(62,618)</u>
Long-term debt excluding current maturities	<u>1,838,426</u>	<u>1,766,861</u>
Total capitalization	<u>\$3,671,321</u>	<u>\$3,462,973</u>

Florida Power & Light Company and Subsidiaries
Consolidated Statements of Income for the years ended December 31, 1979 and 1978

(Thousands of Dollars, except per share amounts)	1979	1978
OPERATING REVENUES (Notes 1 and 5)	<u>\$1,933,937</u>	<u>\$1,647,226</u>
OPERATING EXPENSES:		
Operations:		
Fuel	812,898	551,376
Other production including net interchange	47,134	17,031
Transmission and distribution	50,910	46,176
Customers	49,660	42,839
Administrative and general	116,028	110,607
Maintenance	99,490	85,865
Depreciation (Notes 1 and 6)	150,195	144,267
Income taxes (Note 1)	156,044	198,163
Taxes other than income taxes	149,774	132,205
Total operating expenses	<u>1,632,133</u>	<u>1,328,529</u>
OPERATING INCOME	<u>301,804</u>	<u>318,697</u>
OTHER INCOME (DEDUCTIONS):		
Allowance for other funds used during construction (Note 1)	30,006	20,319
Income taxes (Note 1)	(34)	827
Other—net	1,209	3,382
Other income—net	<u>31,181</u>	<u>24,528</u>
INCOME BEFORE INTEREST CHARGES	<u>332,985</u>	<u>343,225</u>
INTEREST CHARGES:		
Interest on first mortgage bonds	117,715	116,446
Interest on other long-term debt	27,163	24,031
Other interest	12,280	5,619
Allowance for borrowed funds used during construction (Note 1)	(28,841)	(14,112)
Interest charges—net	<u>128,317</u>	<u>131,984</u>
NET INCOME	204,668	211,241
PREFERRED DIVIDEND REQUIREMENTS	<u>33,711</u>	<u>29,138</u>
NET INCOME APPLICABLE TO COMMON STOCK	<u>\$ 170,957</u>	<u>\$ 182,103</u>
Average number of common shares outstanding (in thousands)	40,524	40,120
Earnings per share of Common Stock	\$4.22	\$4.54
Dividends per share of Common Stock	\$2.32	\$2.00

The accompanying Schedules and Notes to Consolidated Financial Statements are an integral part of these statements.

Florida Power & Light Company and Subsidiaries
Consolidated Statements of Retained Earnings
for the years ended December 31, 1979 and 1978

(Thousands of Dollars)	1979	1978
BALANCE AT BEGINNING OF YEAR	\$556,772	\$454,529
NET INCOME	<u>204,668</u>	<u>211,241</u>
Total	<u>761,440</u>	<u>665,770</u>
DEDUCT:		
Cash dividends:		
Preferred stock:		
4½% Series (\$4.50 a share)	450	450
4½% Series A (\$4.50 a share)	225	225
4½% Series B (\$4.50 a share)	225	225
4½% Series C (\$4.50 a share)	281	281
4.32% Series D (\$4.32 a share)	216	216
4.35% Series E (\$4.35 a share)	218	218
7.28% Series F (\$7.28 a share)	4,368	4,368
7.40% Series G (\$7.40 a share)	2,960	2,960
9.25% Series H (\$9.25 a share)	4,625	4,625
10.08% Series J (\$10.08 a share)	7,560	7,560
8.70% Series K (\$8.70 a share)	6,525	6,525
8.84% Series L (\$8.84 a share)	4,420	1,117
8.70% Series M (\$2.562 a share)	1,281	—
Common stock	<u>94,002</u>	<u>\$0,228</u>
Total dividends	<u>127,356</u>	<u>108,998</u>
Preferred stock redemption costs	<u>1</u>	<u>—</u>
BALANCE AT END OF YEAR	<u>\$634,083</u>	<u>\$553,772</u>

Dividend Restrictions The Charter, Mortgage and Deed of Trust and 10¾% Note Indenture contain provisions which, under certain conditions, restrict the payment of dividends and other distributions to common shareholders. Under the most restrictive of these provisions approximately \$532 million of retained earnings was available for payment of dividends on Common Stock at December 31, 1979. In the event that the Company should be in arrears on its sinking fund obligations, commencing in 1980 for the 10.08% Series J Preferred Stock and in 1985 for the 8.70% Series M Preferred Stock, the Company may not pay dividends on Common Stock.

The accompanying Schedules and Notes to Consolidated Financial Statements are an integral part of these statements.

Florida Power & Light Company and Subsidiaries
Consolidated Statements of Changes in Financial Position
for the years ended December 31, 1979 and 1978

(Thousands of Dollars)	1979	1978
SOURCE OF FUNDS:		
Current operations:		
Net income	\$204,668	\$211,241
Depreciation	150,195	144,267
Amortization of nuclear fuel assemblies	11,992	11,081
Deferred investment tax credit—net	52,725	35,646
Deferred income taxes	77,075	67,695
Allowance for other funds used during construction	<u>(30,006)</u>	<u>(20,319)</u>
Total	466,649	449,611
Sale of first mortgage bonds	73,895	75,202
Reimbursement by trustee from pollution control and industrial development financings for construction expenditures	—	18,476
Issuance of other long-term debt	50,081	—
Issuance of common stock	13,508	7,466
Sale of preferred stock	49,825	50,134
Proceeds from nuclear fuel suit	26,000	—
Sale of nuclear fuel	60,712	—
Other sources	22,462	20,825
Decrease in working capital	—	14,164
Total	<u>\$763,132</u>	<u>\$635,878</u>
APPLICATION OF FUNDS:		
Construction expenditures*	\$509,627	\$432,586
Nuclear fuel*	35,556	19,925
Retirement, redemption and current maturity of long-term debt and preferred stock	55,810	71,617
Dividends	127,356	108,998
Other applications	24,112	2,752
Increase in working capital	<u>10,671</u>	<u>—</u>
Total	<u>\$763,132</u>	<u>\$635,878</u>
CHANGE IN WORKING CAPITAL EFFECTED BY:		
Increase (Decrease) in current assets:		
Cash and temporary investments	\$ (26,990)	\$ 29,829
Accounts receivable	29,900	13,990
Fossil fuel stock	57,536	19,063
Other changes—net	3,638	17,107
Decrease (Increase) in current liabilities:		
Notes payable and current maturities of long-term debt and preferred stock	(24,582)	(49,925)
Accounts payable	(16,281)	(6,972)
Customers' deposits	(10,866)	5,387
Income taxes	44,634	(12,383)
Other changes—net	<u>(46,318)</u>	<u>(30,260)</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 10,671</u>	<u>\$ (14,164)</u>

*Excluding Allowance for other funds used during construction.

The accompanying Schedules and Notes to Consolidated Financial Statements are an integral part of these statements.

Florida Power & Light Company and Subsidiaries
Schedule of Taxes for the years ended December 31, 1979 and 1978

(Thousands of Dollars)	1979	1978
Income Taxes		
FEDERAL:		
Charged to operating expenses:		
Current	\$ 8,887	\$ 73,659
Deferred		
Accelerated depreciation	52,429	53,220
Debt component of AFUDC	10,276	6,405
Repair allowance	4,863	5,117
Estimated revenue refunds	(188)	(854)
Other	6,915	(763)
Deferred in prior years		
Accelerated depreciation	(2,879)	(1,934)
Debt component of AFUDC	(770)	(662)
Repair allowance	(1,078)	(931)
Estimated revenue refunds	765	—
Other	(1,423)	2,002
Deferred investment tax credit	66,790	47,535
Amortization of investment tax credit	(5,291)	(4,695)
Total	<u>139,291</u>	<u>178,099</u>
Charged to other income:		
Current	(33)	(212)
Deferred—net	<u>42</u>	<u>(585)</u>
Total federal	<u>139,300</u>	<u>177,302</u>
STATE:		
Charged to operating expenses:		
Current	8,629	13,320
Deferred		
Accelerated depreciation	6,113	5,835
Debt component of AFUDC	1,176	702
Repair allowance	561	561
Estimated revenue refunds	(22)	(94)
Other	784	(84)
Deferred in prior years		
Accelerated depreciation	(310)	(198)
Debt component of AFUDC	(86)	(73)
Repair allowance	(119)	(102)
Estimated revenue refunds	84	—
Other	(57)	197
Total	<u>16,753</u>	<u>20,064</u>
Charged to other income:		
Current	21	34
Deferred—net	<u>4</u>	<u>(64)</u>
Total state	<u>16,778</u>	<u>20,034</u>
Total income taxes	<u>\$156,078</u>	<u>\$197,336</u>

Florida Power & Light Company and Subsidiaries
Schedule of Taxes (Concluded)

Total income taxes differ from the amount computed by applying the statutory federal income tax rate to income before income taxes. The reasons for the differences are as follows:

	<u>1979</u>		<u>1978</u>	
	<u>Amount</u>	<u>% of Pre-tax Income</u>	<u>Amount</u>	<u>% of Pre-tax Income</u>
Computed at statutory rate	\$165,943	46.0%	\$196,117	48.0%
Increases (Reductions) in income taxes resulting from:				
Allowance for other funds used during construction	(16,252)	(4.5)	(9,753)	(2.4)
State income taxes—net of federal income tax benefits....	9,060	2.5	10,418	2.6
Other—net	<u>(2,673)</u>	<u>(0.7)</u>	<u>554</u>	<u>0.1</u>
Total income taxes	<u>\$156,078</u>	<u>43.3%</u>	<u>\$197,336</u>	<u>48.3%</u>
Other Taxes				
Taxes other than federal and state income taxes:			<u>1979</u>	<u>1978</u>
Federal and state payroll			\$ 13,928	\$ 11,343
Real and personal property			41,705	41,308
State gross receipts			27,981	23,955
Franchise charges			66,866	55,862
Miscellaneous			<u>17,229</u>	<u>14,907</u>
Total other taxes			<u>\$167,709</u>	<u>\$147,375</u>
Charged to:				
Operating expenses—other taxes			\$149,774	\$132,205
Utility plant and other accounts			<u>17,935</u>	<u>15,170</u>
Total			<u>\$167,709</u>	<u>\$147,375</u>

Florida Power & Light Company and Subsidiaries
Schedule of Allowance for Funds Used During Construction (AFUDC)
for the years ended December 31, 1979 and 1978

(Millions of Dollars)	1979	1978
Monthly average Construction work in progress (CWIP)	\$970.1	\$669.9
Less:		
Fixed amount included in rate base	200.0	200.0
AFUDC previously capitalized and included in monthly average CWIP	97.9	60.9
Other	<u>53.2</u>	<u>76.9</u>
CWIP base for computing AFUDC	619.0	332.1
Nuclear fuel base for computing AFUDC	<u>30.5</u>	<u>46.3</u>
Total base for computing AFUDC	649.5	378.4
Capitalization rate (1)	<u>9.06%</u>	<u>9.10%</u>
Total AFUDC charged to CWIP and nuclear fuel	58.8	34.4
Amounts credited to interest charges (2)	<u>28.3</u>	<u>14.1</u>
Amounts credited to other income (2)	<u>\$ 30.0</u>	<u>\$ 20.3</u>

- (1) The AFUDC rate is determined by a formula set by the Florida Public Service Commission (FPSC). The rate is calculated by applying the capital ratio of each component of capital to its current embedded cost, except common equity, for which the rate allowed in the Company's last retail rate case is used as its embedded cost. The debt component is not reduced by the applicable income taxes. A formula is also provided by the Federal Energy Regulatory Commission (FERC) for computing the maximum AFUDC rate. The rate used by the Company to compute AFUDC does not exceed the maximum established by FERC.
- (2) In 1978 the allocation of total AFUDC between borrowed funds and other funds was based on the respective proportions of the borrowed funds component and the other funds component of the total AFUDC amount determined by using the formula set by the FPSC. In 1979, as a result of a FERC directive, the Company began allocating total AFUDC between borrowed funds and other funds by computing the borrowed funds component using the FERC formula, with the residual AFUDC being reported as the other funds portion; thus, while the FPSC formula is still utilized to compute the total amount of AFUDC, the borrowed funds portion in 1979 is identical to that which would be reported if the FERC formula were being used. The FERC formula differs from the FPSC formula in that it includes short-term borrowings and assumes that such borrowings are the first source of funds for construction, but excludes accumulated deferred income taxes. The Company has continued to provide deferred income taxes on the borrowed funds portion of AFUDC determined by the FPSC formula.

Florida Power & Light Company and Subsidiaries

Notes to Consolidated Financial Statements

for the years ended December 31, 1979 and 1978

1. Summary of Significant Accounting and Reporting Policies

Regulation: Accounting and reporting policies of the Company are subject to regulation by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). The following summarizes the more significant of these policies.

Basis of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Rates and Revenues: Revenues are recognized based on monthly cycle billings to customers. Retail and wholesale rate schedules are approved by the FPSC and the FERC, respectively. The rate schedules contain a fuel adjustment clause which gives effect to changes in efficiency, the cost of fuel as well as the fuel component of purchased power, the total energy cost of economy interchange and the generation mix of fossil and nuclear fuels. Generally, the changes are reflected in customer billings about two months after they occur.

Electric Utility Plant and Depreciation: The cost of additions, replacements and renewals of units of property is added to utility plant. The cost (estimated, if not known) of units of property retired, less net salvage, is charged to accumulated depreciation. Maintenance and repairs of property, and replacements and renewals of items determined to be less than units of property, are charged to operating expenses—maintenance.

Book depreciation is provided on a straight-line service-life basis by primary accounts as directed by the FPSC using the following rates:

Steam production plant	3.2%-4.6%
Nuclear production plant	3.2%-6.2%
Other production plant	5.0%-6.5%
Transmission plant	1.5%-3.3%
Distribution plant	2.0%-6.6%
General plant	2.1%-7.8%
Transportation equipment	9.0%

The weighted annual composite depreciation rate was approximately 3.7% in 1979. The nuclear production plant rates include estimated negative net salvage values of approximately 20% for certain components, reflecting estimated decommissioning costs. The transmission and distribution plant rates include negative net salvage values.

Substantially all utility plant is subject to the lien of the Mortgage and Deed of Trust (as supplemented) securing the First Mortgage Bonds.

Amortization of Nuclear Fuel: The cost of nuclear fuel is amortized to fuel expense on a unit of production method. No provision for estimated future spent fuel storage or disposal costs is presently included in fuel expense. The suppliers of the nuclear fuel are under contract to provide spent fuel removal. The suppliers have refused to honor their commitments. The Company has expanded its spent nuclear fuel storage facilities and has adequate facilities for storage of spent fuel until the mid-1980's under normal refueling conditions.

Allowance for Funds Used During Construction: The Company capitalizes as an additional cost of property an allowance for funds used during construction (a non-cash item) which represents the allowed cost of capital used to finance a portion of CWIP and nuclear fuel. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of Interest charges and the portion attributable to other funds as Other income. See the Schedule of AFUDC for detailed information.

Storm and Property Insurance Reserve and Related Fund: The storm and property insurance reserve fund is maintained at an amount equivalent to the reserve. The reserve provides coverage of storm damage costs and possible public liability losses stemming from a nuclear incident. Earnings from the fund, net of taxes, are

reinvested in the fund. Securities held in the fund are recorded at cost which approximates market value.

Storm damage and service restoration costs related to Hurricane David aggregating \$6.8 million were paid from the fund in 1979 and charged to the reserve. Income tax benefits related to the costs will be restored to the fund when realized.

Employee Benefit Plans: The Company has a non-contributory employees' pension plan covering substantially all employees. The Company's policy is to fund each year's accrued pension costs, including amortization of the estimated unfunded prior service costs. Pension costs for 1979 and 1978 were \$27.7 million and \$26.2 million, respectively. The estimated unfunded prior service cost of the pension plan at January 1, 1979 was approximately \$91.5 million using the entry age normal cost method. There was no excess of vested benefits over the fund balance as of January 1, 1979.

The Employee Thrift Plan provides for basic contributions by eligible employees of up to 6% of their base salaries, which are matched 50% by the Company. Supplemental contributions by employees may be made up to an additional 6%. The Company matching contributions for 1979 and 1978 were \$2.1 million and \$2.0 million, respectively.

In 1976 an Employee Stock Ownership Plan (ESOP) was adopted pursuant to the Tax Reduction Act of 1975. The Act permits the Company to claim an additional 1% investment tax credit, provided that the entire amount of the credit is contributed to an employee stock ownership plan and invested in Company Common Stock for the benefit of employees. In 1978 the Board of Directors amended the ESOP to enable the Company to claim a further investment tax credit up to ½% to the extent that the ½% credit is matched by voluntary contributions by participating employees pursuant to the Tax Reform Act of 1976. Since the payments to the

Florida Power & Light Company and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Plan are in lieu of income tax payments, there is no effect on net income.

Provisions for Company contributions to the ESOP were \$8.8 million and \$7.2 million in 1979 and 1978, respectively.

Income Taxes: Deferred income taxes are provided on all significant book-tax timing differences as permitted for rate-making purposes by the FPSC.

Investment tax credits used to reduce current federal income taxes are deferred and amortized to income at a rate approximating the lives of the related property. See the Schedule of Taxes.

2. Subsidiaries

The Company's wholly-owned subsidiaries, Fuel Supply Service, Inc. (FSS) and Land Resources Investment Co. (LRIC), are engaged in activities complementary to those of the Company. FSS is engaged in fuel exploration ventures and proprietary fuel research and development projects. FSS is not subject to regulation by the FPSC or FERC. LRIC holds real properties used or to be used by the Company in its utility operations for the purpose of increasing financing options beyond those permitted by the Company's Mortgage and Deed of Trust.

3. Short-Term Debt

Unused available bank credit aggregated approximately \$227.3 million at December 31, 1979, and is based on informal arrangements which are subject to cancellation without notice. Compensating balances maintained in connection with these credits arise in the normal course of business and are not material to the Company's financial position and borrowing costs.

Additional information regarding short-term borrowing for the years ended December 31, 1979 and 1978 is shown below:

	1979		1978	
	Commercial Paper	Bank Borrowings	Commercial Paper	Bank Borrowings
Average aggregate borrowings	\$ 45,527	\$20,405	\$ 4,866	\$ 300
Maximum month-end balances	\$107,050	\$92,000	\$37,300	\$ —
Weighted daily average interest rate	10.7%	11.7%	7.7%	7.6%
Weighted average interest rate on amounts outstanding at end of year	13.5%	— %	— %	— %
Maximum combined borrowings at any month-end	\$199,050		\$37,300	

4. Capitalization

Common Stock: The Company has reserved 1 million shares of Common Stock for issuance in connection with the Employee Thrift Plan and Employee Stock Ownership Plan. In 1979 the Company issued 152,900 shares for \$4.1 million under the Thrift Plan and 351,726 shares for \$9.4 million under the ESOP. In 1978 the Company issued 49,600 shares for \$1.4 million under the Thrift Plan and 214,952 shares for \$6.1 million under the ESOP.

In April 1979 the number of authorized shares was increased from 50 million shares to 100 million shares.

Preferred Stock With Sinking Fund Requirements: The 10.08% Series J Preferred Stock is entitled to a sinking fund to retire beginning April 1, 1980 through April 1, 1999 a minimum of 37,500 shares and a maximum of 75,000 shares annually at \$101.50 per share, plus accrued dividends.

The 8.70% Series M Preferred Stock is entitled to a sinking fund to retire beginning April 1, 1985 through April 1, 1999 a minimum of 18,000 shares and a maximum of 45,000 shares annually, and beginning April 1, 2000 through April 1, 2004 a minimum of 46,000 shares and a maximum of 115,000 shares annually at \$100 per share, plus accrued dividends.

Minimum annual sinking fund requirements are approximately \$3.8 million for each of the next five years. In 1979, 6,000 shares of the 10.08% Series J Preferred Stock were purchased and retired in anticipation of the 1980 sinking fund requirement.

The changes in each series of Preferred Stock With Sinking Fund Requirements for 1978 and 1979 are shown below (in thousands):

	10.08% Series J		8.70% Series M	
	Shares	Amount	Shares	Amount
Balances, January 1, 1978	750	\$75,000	—	—
Sales in 1979	—	—	500	\$50,000
Current maturity in 1979	(37)	(3,750)	—	—
Balances, December 31, 1979	<u>713</u>	<u>\$71,250</u>	<u>500</u>	<u>\$50,000</u>

Long-Term Debt: Certain series of the Company's First Mortgage Bonds have sinking fund requirements through 1995 which may be satisfied by certification of property additions at the rate of 167% of such requirements. Such requirements are approximately \$4 million for each of the next five years. Annual maturities of long-term debt are approximately \$52 million in 1980, \$137 million in 1981, \$152 million in 1982, \$16 million in 1983 and \$111 million in 1984.

Interest on the Bank Notes due June 1979 was based on the current commercial loan interest rate up to a maximum average interest rate of 7¾% over the term of the loan. Interest on the Bank Notes due March 1982 is based on the current commercial loan interest rate.

Changes in Capital Accounts: The changes in Common Stock, Preferred Stock Without Sinking Fund Requirements and Capital Stock Premium and Expense for 1978 and 1979 are shown below (in thousands):

	Common Stock		Preferred Stock Without Sinking Fund Requirements		Capital Stock Premium and Expense
	Shares	Amount	Shares	Amount	
Balances, January 1, 1978	40,050	\$749,375	2,612	\$261,250	\$(3,715)
Sales in 1978	—	—	500	50,000	(30)
Issued to benefit plans in 1978	265	7,466	—	—	(6)
Balances, December 31, 1978	40,315	756,841	3,112	311,250	(3,751)
Sales in 1979	—	—	—	—	(287)
Issued to benefit plans in 1979	504	13,509	—	—	(1)
Preferred stock redemption	—	—	—	—	1
Balances, December 31, 1979	<u>40,819</u>	<u>\$770,350</u>	<u>3,112</u>	<u>\$311,250</u>	<u>\$(4,038)</u>

The Company's Charter authorizes the issuance of 10 million shares of Preferred Stock, no par value, and 5 million shares of Subordinated Preferred Stock, no par value, to be known as "Preference Stock." None of these shares is outstanding.

5. Revenues

A request for a rate increase on sales to customers for resale filed with FERC in 1977 was placed in effect March 1, 1978 subject to refund with interest. A rate settlement with the Company's wholesale customers has been approved by FERC, under which the Company will receive increased annual revenues of approximately \$3.7 million. Adequate provision has been made for refunds which are required to effect final settlement.

6. Commitments and Contingencies

Construction Program:

Commitments in connection with the construction program for electric utility plants, generating units and related facilities were estimated at approximately \$1.3 billion at December 31, 1979 including \$350 million for nuclear fuel. These estimates are based on the presently proposed construction program and are not necessarily contractual obligations. Certain of these commitments are also subject to escalation for increases in labor, services

and material costs.

In 1977 the Company cancelled the two nuclear units previously proposed for a South Dade Site and deferred the costs, including cancellation penalties, of the project of approximately \$14.9 million before income taxes. The Company obtained authorization from the FPSC to amortize these amounts over a five-year period. In 1978 an additional \$7.9 million of costs related to the project were determined to be not recoverable. These costs were added to the original amount of cancelled project costs and are being amortized over the same five-year amortization period. Depreciation expense in 1979 and 1978 includes \$4.6 million and \$5.8 million, respectively, of amortization of these costs.

Rental and Nuclear Fuel Expense:

The annual lease expense and the minimum rental commitments under real property and equipment leases are not material.

The Company has various contracts for supplies of fuel including a contract for nuclear fuel services for its two Turkey Point Plant nuclear units. Expenses under the nuclear fuel services contract for 1979 and 1978 which were charged to

operating expenses were \$14.9 million and \$15.4 million, respectively. The Company is committed to pay a minimum annual charge per nuclear unit of \$1,260,000 under the Turkey Point nuclear fuel services contract; however, annual charges on a usage basis may be substantially in excess of the minimum charge and are subject to escalation for increases in certain costs to the supplier.

The present value of the minimum lease commitments, including the nuclear fuel services contract, and the impact on net income if certain leases and the nuclear fuel services contract had been capitalized, are not material and, therefore, not presented.

In June 1979 the Company completed a lease arrangement with a non-affiliated lessor to provide a portion of the nuclear fuel for St. Lucie Unit No. 1. At the commencement of this arrangement the Company sold to the lessor and subsequently leased back \$27.4 million of nuclear fuel loaded in the spring 1979 refueling of this unit. In the second half of 1979 the Company sold to the lessor an additional \$33.3 million of nuclear fuel in various stages of enrichment for eventual leaseback to the Company. The FPSC has approved classification of this lease as an operating lease for financial accounting purposes. If the lease had been treated as a capital lease the Company's balance sheet at December 31, 1979 would have reflected additional nuclear fuel of approximately \$24 million with a corresponding capitalized lease obligation. Quarterly lease payments consist of a burn-up factor computed on the basis of energy production plus the lessor's financing costs and certain administrative expenses. The Company will continue to have full responsibility for management of the fuel and will maintain property and liability insurance. The lease arrangement expires in 2029 but may be terminated earlier by the lessor upon the occurrence of certain events and, upon three years prior notice, may be terminated in 1984 or in any later year. The Company may

Florida Power & Light Company and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

terminate the lease arrangement at any time. Under certain conditions of termination, the Company will be required to purchase, within 270 days, all nuclear fuel (in whatever form) then existing under the lease arrangement at a price that will allow the lessor to recover its net investment cost (approximately \$65 million at December 31, 1979).

Nuclear Insurance: The Company is a member of Nuclear Mutual Limited, which provides insurance coverage against property damage to members' nuclear generating facilities. The Company could be subject to a maximum assessment of approximately \$58 million, based on current premiums, in the event losses occur at a nuclear plant of a member utility, and is self-insured for any such loss at any one of its nuclear plants in excess of \$300 million.

The Company maintains private insurance and agreements of indemnity with the Nuclear Regulatory Commission (NRC) to cover third-party liability arising from a nuclear incident which might occur at the Company's nuclear power plants. In the event a public liability loss arising from a nuclear incident at a facility currently covered by government indemnification exceeds \$160 million, under the Price-Anderson Act the Company will be obligated to pay a deferred premium of up to \$5 million per incident for each of its three licensed reactors but not more than \$10 million in a calendar year for each of its three licensed reactors. The Company could be assessed up to approximately \$30 million in a year.

Nuclear Units:

Turkey Point Units Nos. 3 and 4—At its Turkey Point Plant the Company has been experiencing for several years and continues to experience problems with the steam generators in its two nuclear units, Units Nos. 3 and 4, and has had to plug approximately 19.4% of the pressurized water circulation tubes in

the steam generators in Unit No. 3 and approximately 20.6% in Unit No. 4. The Company has NRC approval to plug up to 25% of the tubes in each unit without reducing their output. However, pending a reevaluation of the emergency core cooling systems, output may be limited for brief periods from time to time to 93% and 94% of capacity for Units Nos. 3 and 4, respectively. Unless an extension is granted, each unit is required to be shut down and the steam generators inspected once every six months. NRC approval must be obtained before the unit may be returned to service following each inspection. Unit No. 4's next inspection is required by late March 1980, unless a request for an extension to April 1980, the unit's next scheduled outage, is approved and Unit No. 3's is required by July 1980. If a significant pattern of leaks occurs in a steam generator of either unit, an inspection must be performed. Unit No. 3's next scheduled refueling date is early 1981 and Unit No. 4's is late 1980.

The Company has contracted for new steam generator tube bundles. Delivery of new tube bundles for one unit was made in July 1979, with delivery of tube bundles for the other unit anticipated in the first quarter of 1980. The new steam generator tube bundles incorporate different materials and design which the Company anticipates will prevent a recurrence of the present problems. The planning date for the repair of Unit No. 4 is late 1980, but no firm decision has been made as to the timing of the repair. The cost to replace the tube bundles is estimated at approximately \$61 million per unit of which an aggregate of \$37 million has been expended through December 31, 1979. The balance of these costs has been included in the construction program commitments.

Repair of the steam generators will require each unit to be out of service for about six to nine months and the NRC has stated that amendments to the operating license for each of the Turkey Point units will be required. An environmental impact statement could also be required. In August 1979 the

NRC allowed a petition for intervention by one individual and indicated that public hearings would be held. It is impossible to determine the length of these hearings. Power resources could be inadequate and the southern part of the Company's system could be without adequate power from time to time during any period that both units were simultaneously out of service. The Company's financial position could be adversely affected.

In May 1978 the Company filed suit for damages in the U.S. District Court for the Southern District of Florida against Westinghouse Electric Corporation (Westinghouse), the supplier of the above steam generators. Westinghouse's motion to discuss the suit was denied. The matter is pending.

St. Lucie No. 1—During routine inspection at the spring 1978 refueling of this unit, corrosion was detected in the steam generators. During the spring 1979 refueling outage work was done to minimize future corrosion. The Company has approved an expenditure of \$15 million for a program designed to mitigate the corrosion. Portions of this work are scheduled to be performed at the unit's next refueling outage scheduled for spring 1980.

St. Lucie No. 2—The Company has undertaken to sell, under certain conditions, to certain cooperatives and municipalities a minimum of 13% of St. Lucie Unit No. 2. Other municipalities have demanded the right to purchase a significant portion of this unit.

Spent Nuclear Fuel: Currently, there are no spent nuclear fuel reprocessing plants in commercial operation in the United States. The President of the United States has announced that the Administration proposes that commercial reprocessing be deferred indefinitely. In a separate announcement the Department of Energy has proposed that the U.S. government take title to and possession of spent nuclear fuel for a fee.

In the event the government's plan does not materialize, the Company will be forced to seek other arrangements for long-term storage of spent nuclear fuel.

Federal Income Taxes: The Internal Revenue Service (IRS) has examined the Company's income tax returns for 1971, 1972 and 1973 and has proposed additional income taxes aggregating \$22.1 million, exclusive of interest. The principal issue is the taxability of customer deposits. If the Company is unable to reach a favorable settlement with the Appellate Division of the IRS, the Company will pursue all administrative and legal remedies. These include paying taxes and interest aggregating approximately \$27.5 million, filing a claim for refund and, if such claim is rejected, filing a lawsuit seeking recovery of the amounts paid. In the opinion of legal counsel, customer deposits are not includable in taxable income and it is probable that a decision to this effect will be obtained in federal court.

7. Legal Proceedings

Nuclear Fuel Suit: In November 1979 a settlement between the Company and Westinghouse resolved the uranium supply and escalation issues that had been the subject of a suit related to the Company's nuclear fuel services contract for its two Turkey Point nuclear units. A cash payment of \$26 million was received in December 1979 and applied as a reduction of the Company's investment in nuclear fuel. The Company's dispute with Westinghouse over spent fuel removal has been tried but the trial court has not yet made a decision.

Gainesville Antitrust Suit: A treble damage suit was brought in 1968 against the Company, seeking damages of approximately \$12 million, before trebling. The case was tried in 1975 and resulted in a jury verdict for the Company. Plaintiffs appealed to the U.S. Court of Appeals for the Fifth Circuit. In May 1978 the Court of Appeals ruled that certain matters pertaining to the case should be re-tried by the District Court.

At issue in the case on remand is whether an agreement, understanding or concert of action, to which the Court of Appeals found the Company was a party, was a substantial factor in plaintiffs' failure to obtain an interconnection. If the jury should find in favor of plaintiffs, it will then have to assess what damages, if any, plaintiffs sustained.

The Company has been advised by its counsel that it is impossible to predict the outcome of this litigation at the present time because, among other things, of the ambiguities in the opinion of the Court of Appeals and the uncertainty as to how the trial judge will interpret the law in charging the jury. However, based on the facts as it knows them at this time and on its discussions with its counsel, the Company does not believe that it will incur a liability that will be material in relation to its consolidated financial position.

Alleged Antitrust Violations: On October 31, 1979 fifteen Florida municipalities filed a suit against the Company in the United States District Court for the Southern District of Florida, alleging violation of the antitrust laws and certain other laws. The complaint seeks damages in amounts not yet determined, but in excess of \$1 million and \$15,000 per municipality, and additionally seeks various forms of equitable relief, including access to the Company's nuclear units. The Company is unable to predict the ultimate outcome of this matter but believes that it has acted in compliance with the law, and intends to defend this action vigorously. Based on its discussions with its various counsel, the Company is of the opinion that the ultimate outcome of this matter will not have a material adverse effect on its consolidated financial position.

8. Quarterly Data (Unaudited)

For the periods shown below, the Operating Revenues, Operating Income, Net Income and Earnings per share of Common Stock (after dividend requirements on Preferred Stock) are as follows:

<u>Quarter Ended</u>	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Net Income</u>	<u>Earnings per share of Common Stock</u>
	(Thousands of Dollars)			
March 31, 1978	\$371,901	\$ 74,555	\$48,679	\$1.04
June 30, 1978	371,185	57,241	29,594	0.57
September 30, 1978	496,785	104,304	76,774	1.73
December 31, 1978	407,355	82,597	56,194	1.20
March 31, 1979	377,089	62,445	39,261	0.77
June 30, 1979	440,003	41,966	17,062	0.22
September 30, 1979	614,964	109,678	84,208	1.87
December 31, 1979	501,381	87,715	64,137	1.35

In the opinion of the Company all adjustments (consisting of only normal recurring accruals) necessary to present a fair statement of such amounts for such periods have been made.

The Company is of the opinion that quarterly comparisons may not give a true indication of overall trends and changes in the Company's operations and may be misleading to an understanding of the results of operations as the revenues and expenses of the Company are subject to periodic fluctuations due to changes in weather conditions, customer usage, number of customers and the proportion of generation by various fuels.



Florida Power & Light Company and Subsidiaries

Notes to Consolidated Financial Statements (Concluded)

9. Effects of Changing Prices (Unaudited)

The Company has estimated the effects of changing prices on its operations on the basis prescribed in Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices" (Statement).

The two different methods prescribed by the Statement for measuring the effects of changing prices were used in calculating the information which follows.

The first method provides data adjusted for "general inflation" using the Consumer Price Index for All Urban Consumers as the broad-based measure of the general inflation rate. The objective of this approach is to provide financial information in dollars of equivalent value or purchasing power (constant dollars). Financial data are made more comparable by reporting the amounts in terms of a common unit of measure of purchasing power.

The second method of measurement adjusts for "changes in specific prices." The objective of this method is to reflect the effects of changes in the specific prices (also referred to as "current costs") of the resources actually used in the Company's operations. Measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost amounts actually expended to acquire them.

Both of these methods inherently involve the use of assumptions, approximations, and estimates, and

therefore, the resulting measurements should be viewed in that context and not as precise indicators of the effects of inflation.

Fuel inventories, the cost of fuel used in generation, and materials and supplies have not been restated from their historical cost in nominal dollars. Regulation limits the recovery of fuel costs to actual costs. Materials and

supplies are not held for sale and do not give rise to a cost of goods sold, but are used principally in utility plant construction. For these reasons inventories were treated as monetary assets.

The supplementary data below are presented in response to the Statement and are not intended to replace historical cost information.

SUPPLEMENTARY STATEMENT OF INCOME ADJUSTED FOR EFFECTS OF CHANGING PRICES

For the year ended December 31, 1979
(Thousands of Dollars)

	Conventional Historical Cost	Constant Dollar (Average 1979 Dollars)	Current Cost (Average 1979 Dollars)
Operating revenues	\$1,933,937	CS 1,933,937	CS 1,933,937
Operating expenses excluding depreciation	1,481,938	1,481,938	1,481,938
Depreciation	<u>150,195</u>	<u>262,899</u>	<u>387,838</u>
Operating income	301,804	189,100	64,161
Other income—net	31,181	31,181	31,181
Interest charges—net	<u>128,317</u>	<u>128,317</u>	<u>128,317</u>
Income (loss) from continuing operations (excluding reduction to net recoverable amount)	<u>\$ 204,668</u>	CS <u>91,964</u>	* CS <u>(32,975)</u>
Reduction to net recoverable amount		CS (415,350)	
Increase in current cost of electric utility plant during 1979**			CS 563,380
Effect of increase in general price level			<u>(1,085,824)</u>
Excess of increase in general price level over increase in current cost			(522,444)
Gain from decline in purchasing power of net amounts owed		<u>363,104</u>	<u>363,104</u>
Net		CS <u>(52,246)</u>	CS <u>(159,340)</u>

CS = average 1979 dollars.

*Including the reduction to net recoverable amount, the loss from continuing operations on a constant dollar basis would have been \$323,386 for 1979.

**At December 31, 1979, current cost of electric utility plant, net of accumulated depreciation, was \$8,994,000, while historical cost recoverable through depreciation was \$4,422,000.

**FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA
ADJUSTED FOR EFFECTS OF CHANGING PRICES**
(Thousands of Average 1979 Dollars, except per share amounts)

	Years ended December 31.				
	1979	1978	1977	1976	1975
<u>Historical cost information adjusted for general inflation:</u>					
Operating revenues	<u>CS\$1,933,937</u>	<u>CS\$1,828,421</u>	<u>CS\$1,757,501</u>	<u>CS\$1,510,894</u>	<u>CS\$1,596,569</u>
Income from continuing operations (excluding reduction to net recoverable amount)	<u>CS 91,964</u>				
Income per common share (excluding reduction to net recoverable amount)	<u>CS\$1.44</u>				
Net assets at year-end at net recoverable amount	<u>CS\$1,324,254</u>				
<u>Current cost information:</u>					
Income (loss) from continuing operations	<u>CS (32,975)</u>				
Income (loss) per common share	<u>CS\$(1.65)</u>				
Excess of increase in general price level over increase in current cost	<u>CS 522,444</u>				
Net assets at year-end at net recoverable amount	<u>CS\$1,324,254</u>				
<u>General information:</u>					
Gain from decline in purchasing power of net amounts owed	<u>CS 363,104</u>				
Cash dividends per common share	<u>CS\$2.32</u>	<u>CS\$2.22</u>	<u>CS\$1.99</u>	<u>CS\$1.98</u>	<u>CS\$1.94</u>
Market price per common share at year-end	<u>CS\24\frac{1}{2}$</u>	<u>CS\$29</u>	<u>CS\32\frac{1}{4}$</u>	<u>CS\$35</u>	<u>CS\20\frac{1}{2}$</u>
Average consumer price index	217.4	195.4	181.5	170.5	161.2
CS = average 1979 dollars.					

Substantially all electric utility plant (which consists of electric utility plant in service and construction work in progress, including land and intangibles, and nuclear fuel) was restated to dollars having equal purchasing power (constant dollars) using the Consumer Price Index for All Urban Consumers applied to the

historical cost of plant by vintage year. Current cost of electric utility plant was restated by applying the Handy Whitman Index of Public Utility Construction Costs or other appropriate indexes to substantially all electric utility plant excluding production plant. Current cost of production plant was restated by applying the estimated construction cost per megawatt of each fuel type of

production facilities to the number of megawatts of each fuel type in the Company's present generation mix.

Under both methods the adjustment for depreciation was calculated by applying the rates and methods used for computing book depreciation to the restated plant amounts.

The rate regulatory process limits the Company to recovery of the historical cost of electric utility plant. Therefore, the excess of restated value of electric utility plant over historical cost is not presently recoverable in rates as depreciation, and is reflected as the reduction to net recoverable amount.

As prescribed by the Statement, income taxes were not adjusted.

The gain from the decline in purchasing power of net amounts owed represents the net effect on the Company of holding monetary assets and liabilities. During periods of inflation monetary assets such as cash and claims to cash lose purchasing power because they will be able to purchase less at a future date; while monetary liabilities, primarily long-term debt, will be paid with dollars having less purchasing power. Since the Company has more monetary liabilities than monetary assets it has a net monetary gain. This gain is not realizable by the Company but is simply an estimate of the effect on the Company of holding monetary items.

The primary effect of general inflation on the Company is reflected in the rapidly increasing cost of constructing electric plant. This negative effect is offset by the fact that the Company will pay its long-term debt with dollars having declining purchasing power and relatively less of the Company's resources will be required in future years to retire long-term debt.

Information for Investors

Annual Meeting

The 1980 Annual Meeting of FPL shareholders will be in Fort Myers, Fla., on Tues., April 15. Formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about March 13, at which time proxies will be requested by management.

The 1979 session at Sandpiper Bay Conference Center in Port St. Lucie attracted an estimated 500 persons, the largest turnout in a decade. During the meeting, stockholders elected the 11 directors currently serving, ratified the appointment of Deloitte Haskins & Sells as auditors, approved a charter amendment doubling to 100 million the authorized shares of common stock and defeated a shareholder proposal on cumulative voting.

More than 86 percent of outstanding shares of common stock were voted.

Form 10-K for 1979

A copy of FPL's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available, without charge, to interested stockholders. Requests must be in writing and should be addressed to J. E. Moore, Director of Stockholder Information, Florida Power & Light Company, P.O. Box 529100, Miami, Fla. 33152.

Company Ownership

At the end of 1979, the Company had 40,819,178 shares of common stock outstanding, owned by 35,425 holders of record. These shareholders include individuals and institutions, such as foundations, insurance companies and pension funds, which in turn hold large blocks of stock on behalf of still more individuals.

Through acquisition of shares in the FPL Thrift and Employee Stock Ownership Plans, virtually all employees maintain ownership in, and therefore have direct interest in, the Company.

Common Stock Data

Principal market for FPL common stock is the New York Stock Exchange. Ticker symbol is FPL. Newspaper listings generally use FlaPL.

The following table indicates the range (high/low) of trading prices for the past two years:

	1979	1978
First Quarter	23½/26½	27¼/23¾
Second Quarter	23¼/26	27½/24½
Third Quarter	23¼/25½	29¾/26¾
Fourth Quarter	26¼/24¼	23½/25¼

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Transfer Agent

Transfer agent, registrar and dividend disbursing agent for FPL stock is:

The First National Bank of Boston
Shareholder Services Division
P.O. Box 644
Boston, Mass. 02102
Telephone 617/434-6562

Dividends

On Feb. 11, 1980, the Board of Directors declared a regular quarterly dividend of 60 cents, the Company's 137th consecutive quarterly dividend. It is payable March 17 to holders of record as of February 29.

The following table indicates dividends paid previously on common stock:

	1979	1978
First Quarter	\$0.52	\$0.44
Second Quarter	\$0.60	\$0.52
Third Quarter	\$0.60	\$0.52
Fourth Quarter	\$0.60	\$0.52

Dividend Reinvestment Plan

Shareholders may elect to have their dividends automatically reinvested in additional FPL shares through a low-cost Automatic Dividend Reinvestment Service offered by The First National Bank of Boston. Participants in the plan also have the option of making supplemental cash deposits of up to \$3,000 per quarter for investment. Shareholders, using this convenient method of increasing their FPL holdings, invested an additional \$629,000 during the past year.

Information and enrollment cards may be obtained by writing the bank's Automatic Dividend Reinvestment and Cash Stock Purchase Plan, P.O. Box 1681, Boston, Mass. 02102.

Investor Communications

Florida Hi-Lights, a newsletter prepared especially for holders of common and preferred stock, is published several times each year.

A similar publication is sent periodically to bondholders.

Also, a Financial and Statistical Report containing comprehensive data for the years 1969-79 is distributed to professionals in the investment community and is available to others as a supplement to this report.

Inquiries concerning the Company's activities and requests for publications, including Quarterly Consolidated Financial Statements, should be directed to the FPL Stockholder Information Dept. (Telephone 305/552-4046) in care of the Principal Company Offices.



Sandpiper Bay Conference Center at Port St. Lucie was site of the 1979 Annual Meeting of Stockholders. Afterward, stockholders took a sightseeing tour of FPL's St. Lucie Plant, which is visible on the horizon.

Annual Report

The Company's 1978 Annual Report to Stockholders was adjudged to be the best among investor-owned electric utilities having operating revenues in excess of \$600 million annually. The competition, sponsored by Reddy Communications Inc., cited FPL for "covering all the bases in a clear and concise manner" and for producing the report "at a unit cost about half the national average for all industry."

Auditors

Deloitte Haskins & Sells
Certified Public Accountants
1 Southeast Third Ave.
Miami, Fla. 33131

General Counsel

Steel Hector & Davis
Southeast First National
Bank Building
Miami, Fla. 33131

Principal Company Offices

Florida Power & Light Company
9250 W. Flagler St.
P.O. Box 529100
Miami, Fla. 33152
Telephone 305/552-3552

Principal Officers

Marshall McDonald
Chairman of the Board and
Chief Executive Officer

John J. Hudiburg
President and Chief Operating Officer

E.A. Adomat
Executive Vice President

H.L. Allen
Senior Vice President

L.C. Hunter
Senior Vice President

J.G. Spencer Jr.
Senior Vice President

R.W. Wall Jr.
Senior Vice President and
Assistant Secretary

R.E. Tallon
Group Vice President

D.K. Baldwin
Vice President, Corporate Services

E.L. Bivans
Vice President, System Planning

M.C. Cook
Vice President, Fuel Resources and
Corporate Development

B.L. Dady
Vice President, Management Control and
Services, and Assistant Secretary

H.J. Dager Jr.
Vice President, Engineering, Projects and
Construction

T.E. Danese
Vice President, Public Affairs

J.H. Francis Jr.
Vice President, Corporate Communications

R.J. Gardner
Vice President, Strategic Planning

L.C. Hauck
Vice President, Legal Affairs

J.L. Howard
Vice President-Treasurer, Financial

W.M. Klein
Vice President, Economic Development

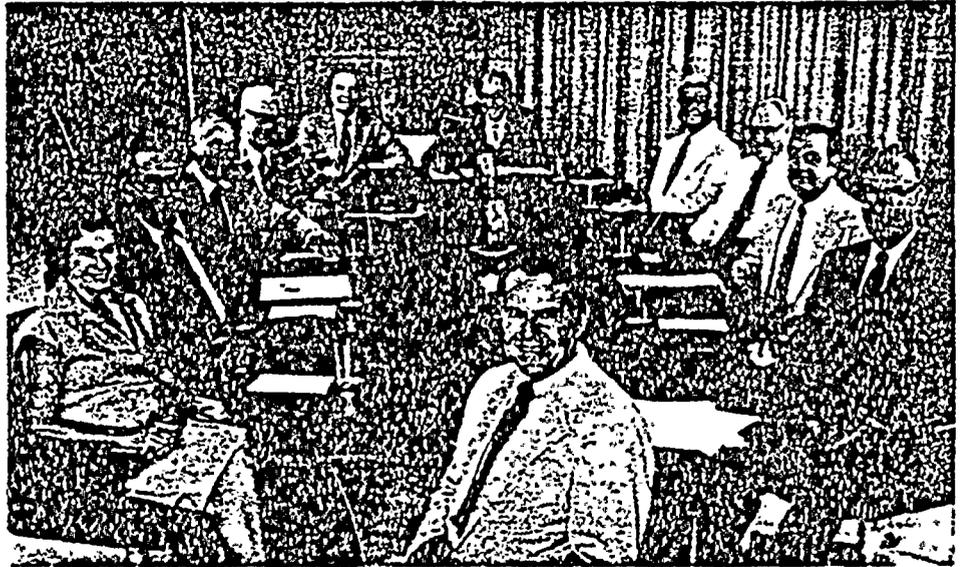
A. D. Schmidt
Vice President, Power Resources

R. E. Uhrig
Vice President, Advanced Systems and
Technology

Astrid E. Pfeiffer
Secretary

H.P. Williams Jr.
Comptroller

Directors



Pictured recently at a regular monthly meeting of the Florida Power & Light Company Board of Directors were (clockwise, from foreground) Chairman McDonald and Directors Davis, Knight, Whiddon, McCarty, Hudiburg, Wadsworth, Price, Anthony, Blumberg and Bennett.

***M.P. Anthony**
West Palm Beach, Fla. President,
Anthony's Inc., a chain of ladies apparel
retail stores. Serving since 1977.

†**George F. Bennett**
Boston, Mass. President and Chief
Executive Officer of State Street
Investment Corp. and of Federal Street
Fund Inc., investment companies;
Managing Partner of State Street Research
and Management Co.; Chairman,
Managing General Partner, State Street
Exchange Fund. Serving since 1970.

***David Blumberg**
Miami, Fla. President, Planned
Development Corp., a building and
development firm. Serving since 1973.

Jean McArthur Davis
Miami, Fla. President, McArthur Dairy
Inc. and McArthur Farms Inc., engaged in
the production and distribution of dairy
products. Serving since 1977.

†**John J. Hudiburg**
Miami, Fla. President of the Company
since Jan. 15, 1979. Formerly Executive
Vice President, Finance. Serving since
January 1979.

Robert B. Knight
Coral Gables, Fla. Chairman, National
Food Services Inc., a restaurant
management company. Serving since 1977.

John M. McCarty
Fort Pierce, Fla. Attorney. Serving since
1973.

†**Marshall McDonald**
Miami, Fla. Chairman of the Board of
Directors of the Company since Jan. 15,
1979. Formerly President and Chairman of
Meetings of the Board. Serving since 1971.

***Edgar H. Price Jr.**
Bradenton, Fla. Chairman of the Board and
President of The Price Co. Inc., a
consulting firm. Serving since 1972.

†**Lewis E. Wadsworth**
Bunnell, Fla. Engaged in timber and cattle
businesses. Serving since 1970.

Gene A. Whiddon
Fort Lauderdale, Fla. President,
Causeway Lumber Co. Inc., engaged in
the sale of lumber and building materials.
Serving since January 1979.

†Executive Committee
*Audit Committee



9250 W. Flagler St.
P.O. Box 529100
Miami, Fla. 33152
Telephone 305/552-3552

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Florida Power & Light Company Consolidated Financial Statements June 1980 (Unaudited)



HIGHLIGHTS — Details on Pages 4 and 5

Operating Results

- Earnings per share increase.
- New summer peak reached.

Construction Program

- Sales and customer growth forecast revised.
- Modifications to embankment of Martin Plant reservoir underway.
- Portion of St. Lucie nuclear Unit No. 2 sold.

Fuel Supply

- Two new oil supply contracts signed.
- Uranium received from IMC plant in Florida.

Operating Nuclear Units

- Repair dates for steam generators of Turkey Point units now scheduled.

Regulation

- Florida Energy Efficiency and Conservation Act adopted.

FPL
P.O. Box 529100
Miami, Florida 33152
J. L. Howard
Vice President-Treasurer
(305) 552-4073

The information furnished herein concerning the Company is not in connection with any sale, or offer for sale, or solicitation of an offer to buy, any securities.

July 23, 1980

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	June 30,		Increase (Decrease)	% Change
	1980	1979		
	Thousands of Dollars			
QUARTER ENDED				
OPERATING REVENUES	\$566,069	\$440,003	\$126,066	29
Operating expenses:				
Fuel and net interchange	274,109	230,575	43,533	19
Other operations	75,196	64,096	11,099	17
Maintenance	34,240	23,462	10,778	46
Depreciation	39,294	37,255	2,039	5
Income taxes	29,569	6,961	22,607	—
Taxes other than income taxes	42,376	35,685	6,691	19
Total operating expenses	494,787	398,037	96,749	24
OPERATING INCOME	71,282	41,965	29,316	70
Allowance for other funds used during construction	9,544	7,796	1,747	22
Other income and deductions	(88)	(122)	33	27
INCOME BEFORE INTEREST CHARGES	80,737	49,640	31,097	63
Interest charges	47,327	39,437	7,890	20
Allowance for borrowed funds used during construction	(9,460)	(6,858)	(2,601)	38
NET INCOME	42,870	17,062	25,808	—
Preferred dividend requirements	9,005	8,018	987	12
NET INCOME APPLICABLE TO COMMON STOCK	\$ 33,864	\$ 9,043	\$ 24,821	—
Average number of common shares outstanding (000)	40,957	40,408	549	1
Earnings per share of Common Stock	\$0.83	\$0.22	\$0.61	—
Dividends per share of Common Stock	\$0.68	\$0.60	\$0.08	13
YEAR-TO-DATE				
OPERATING REVENUES	\$1,042,091	\$817,091	\$224,999	28
Operating expenses:				
Fuel and net interchange	489,612	365,137	124,475	34
Other operations	142,951	122,101	20,850	17
Maintenance	66,528	46,341	20,186	44
Depreciation	78,084	74,129	3,954	5
Income taxes	52,370	35,603	16,766	47
Taxes other than income taxes	80,890	69,366	11,523	17
Total operating expenses	910,437	712,681	197,755	28
OPERATING INCOME	131,653	104,410	27,243	26
Allowance for other funds used during construction	17,743	14,654	3,089	21
Other income and deductions	402	487	(85)	(18)
INCOME BEFORE INTEREST CHARGES	149,800	119,552	30,247	25
Interest charges	90,426	76,121	14,304	19
Allowance for borrowed funds used during construction	(18,851)	(12,891)	(5,959)	46
NET INCOME	78,225	56,322	21,903	39
Preferred dividend requirements	17,990	16,036	1,954	12
NET INCOME APPLICABLE TO COMMON STOCK	\$ 60,234	\$ 40,285	\$ 19,948	50
Average number of common shares outstanding (000)	40,922	40,385	536	1
Earnings per share of Common Stock	\$1.47	\$1.00	\$0.47	47
Dividends per share of Common Stock	\$1.28	\$1.12	\$0.16	14
12 MONTHS ENDED				
OPERATING REVENUES	\$2,158,935	\$1,721,232	\$437,703	25
Operating expenses:				
Fuel and net interchange	941,616	651,237	290,378	45
Other operations	280,339	241,971	38,368	16
Maintenance	119,675	89,251	30,424	34
Depreciation	154,149	150,178	3,970	3
Income tax	172,809	159,246	13,563	9
Taxes other than income taxes	161,297	138,035	23,262	17
Total operating expenses	1,829,888	1,429,920	399,967	28
OPERATING INCOME	329,047	291,311	37,735	13
Allowance for other funds used during construction	33,095	25,203	7,892	31
Other income and deductions	1,089	2,218	(1,129)	(51)
INCOME BEFORE INTEREST CHARGES	363,232	318,733	44,499	14
Interest charges	171,462	149,661	21,800	15
Allowance for borrowed funds used during construction	(34,800)	(20,219)	(14,581)	72
NET INCOME	226,571	189,291	37,280	20
Preferred dividend requirements	35,665	31,300	4,365	14
NET INCOME APPLICABLE TO COMMON STOCK	\$ 190,905	\$ 157,942	\$ 32,963	21
Average number of common shares outstanding (000)	40,790	40,286	504	1
Earnings per share of Common Stock	\$4.68	\$3.92	\$0.76	19
Dividends per share of Common Stock	\$2.48	\$2.16	\$0.32	15

\$Hundreds dropped; detail does not necessarily add to total.

This report is not complete without reference to the Notes to Consolidated Financial Statements appearing in the Company's 1979 Annual Report to Shareholders.



CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30,	
	1980	1979
	Thousands of Dollars	
ASSETS		
ELECTRIC UTILITY PLANT:		
At original cost.....	\$4,352,406	\$4,112,593
Less accumulated depreciation.....	1,074,566	937,746
Net.....	3,277,840	3,174,847
Construction work in progress.....	1,298,556	975,771
Unamortized nuclear fuel.....	49,303	121,121
Electric utility plant.....	4,625,700	4,271,740
OTHER PROPERTY AND INVESTMENTS.....	14,816	20,425
CURRENT ASSETS:		
Cash and temporary investments.....	9,464	5,039
Customer accounts receivable.....	138,975	123,688
Income tax benefits accrued.....	33,121	34,988
Materials and supplies.....	83,934	67,284
Fossil fuel stock.....	118,465	85,637
Other.....	42,209	51,434
Total current assets.....	426,171	368,073
DEFERRED DEBITS:		
Accumulated deferred income taxes.....	8,021	13,210
Deferred fuel costs.....	9,185	—
Other.....	31,814	25,000
Total deferred debits.....	49,021	38,211
TOTAL.....	\$5,115,710	\$4,698,450
LIABILITIES		
CAPITALIZATION:		
Common stock.....	\$ 770,596	\$ 756,015
Retained earnings.....	641,794	551,825
Total common equity.....	1,412,390	1,307,841
Preferred stock without sinking fund requirements.....	311,250	311,250
Preferred stock with sinking fund requirements.....	117,500	71,250
Long-term debt.....	2,059,387	1,815,200
Total capitalization.....	3,900,527	3,505,541
CURRENT LIABILITIES:		
Current maturities of long-term debt and preferred stock.....	53,888	6,371
Notes payable.....	11,500	199,050
Accounts payable — trade.....	59,794	53,878
Customers' deposits.....	93,829	83,454
Taxes accrued.....	69,920	66,730
Interest accrued.....	47,192	41,055
Pension cost accrued.....	42,265	19,848
Other.....	56,768	64,369
Total current liabilities.....	435,159	534,758
DEFERRED CREDITS:		
Accumulated deferred income taxes.....	493,989	413,749
Unamortized investment credit.....	247,445	203,920
Other.....	16,114	11,635
Total deferred credits.....	757,550	629,305
RESERVES:		
Storm and property insurance.....	12,488	15,462
Other.....	9,984	13,382
Total reserves.....	22,473	28,845
TOTAL.....	\$5,115,710	\$4,698,450

\$Hundreds dropped; detail does not necessarily add to total.
This report is not complete without reference to the Notes to Consolidated Financial Statements
appearing in the Company's 1979 Annual Report to Shareholders.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN FINANCIAL POSITION**

	12 Months Ended June 30,	
	1980	1979
	Thousands of Dollars	
SOURCE OF FUNDS:		
Net income	\$226,571	\$189,291
Depreciation	154,149	150,178
Amortization of nuclear fuel assemblies	12,405	11,267
Deferred investment tax credit — net	43,525	39,066
Deferred taxes	85,429	80,820
Deferred fuel costs	(9,185)	—
Allowance for other funds used during construction	(33,095)	(25,203)
Total from current operations	479,800	445,419
Issuance of debt	298,401	50,000
Issuance of common stock	14,860	10,390
Sale of preferred stock	49,825	50,134
Sale of nuclear fuel	62,727	27,448
Proceeds from nuclear fuel suit	31,049	—
Other sources	11,565	13,059
Decrease in working capital	—	55,769
Total	<u>\$948,229</u>	<u>\$652,221</u>
APPLICATION OF FUNDS:		
Construction expenditures	\$543,955	\$488,124
Nuclear fuel	34,247	37,801
Retirement redemption and current maturity of long-term debt and preferred stock	57,652	6,289
Dividends	136,485	117,991
Other applications	18,191	2,013
Increase in working capital	157,696	—
Total	<u>\$948,229</u>	<u>\$652,221</u>

SHundreds dropped; detail does not necessarily add to total.
This report is not complete without reference to the Notes to Consolidated Financial Statements
appearing in the Company's 1979 Annual Report to Shareholders.

FINANCIAL AND OPERATING DATA

TIMES LONG-TERM DEBT INTEREST EARNED—After Tax	2.31	2.24
FIXED CHARGES COVERAGE (SEC Basis)	3.25	3.10
COMMON SHARES OUTSTANDING—End of Period (000)	40,991	40,423
BOOK VALUE PER SHARE—End of Period	\$34.46	\$32.35

	Quarter Ended June 30,			12 Months Ended June 30,		
	1980	1979	% Change	1980	1979	% Change
KWH Sales (Millions)						
Residential	4,930	4,647	6	21,742	20,512	6
Commercial	3,740	3,566	5	14,646	14,114	4
Industrial	848	810	5	3,222	3,101	4
Other	383	813	9	3,524	3,278	7
Total	<u>10,401</u>	<u>9,836</u>	6	<u>43,134</u>	<u>41,005</u>	5
Customers (000)	2,159*	2,049*	5	2,130#	2,021#	5
KWH sales per Residential Customer	2,540	2,527	1	11,411	11,352	1
KWH sales per Total Customer	4,793	4,780	—	20,252	20,288	—
Revenue per KWH—Residential	5.52e	4.55e	21	5.04e	4.24e	19
Revenue per KWH—Total Sales	5.40e	4.44e	22	4.97e	4.16e	19
Generation by Fuel Type—%						
Oil	58	72		49	57	
Natural gas	18	17		18	19	
Nuclear	20	11		29	25	
Coal/oil mix test	1	—		Nil	—	
Net interchange	3	Nil		4	(1)	
Fuel Cost—Mills per KWH						
Steam—oil	33.81	25.57	32	32.84	22.08	49
Steam—gas	11.03	8.44	31	10.66	8.69	23
Nuclear	3.51	3.02	16	3.24	2.10	54
Gas turbine	32.47	28.70	13	31.38	24.43	28
Combined cycle	48.74	37.67	29	47.76	30.48	57
Coal/oil mix test	31.85	—	—	31.85	—	—
All fuels	23.90	21.02	14	20.13	15.06	34

*End of Period

#Average

Operating Results

In the following discussion of factors which had a significant effect on the Company's results of operations, all comparisons are with the corresponding period for the prior year.

The improvement in net income for the second quarter was principally the result of a better matching of fuel costs and related revenues as a result of the implementation of the new projected fuel cost recovery clause described under "Regulation." A small underrecovery of fuel costs may still occur as the new clause does not apply to sales for resale. Approximately \$9.2 million of fuel costs in excess of related billings were deferred in the second quarter. The fuel adjustment clause in effect through March 1980 had a two month lag. As a result of this lag, fuel costs exceeded fuel related revenues by approximately \$63.3 million in the second quarter of 1979 and \$80.5 million in the first half of 1979. In the transition from the prior fuel adjustment clause, the Company has agreed not to collect approximately \$59 million of fuel costs incurred in the period, pending resolution of an appeal to the Florida Supreme Court with respect to the legality of their recovery.

Growth in the number of customers continued at about 5.4% in 1980. Energy usage per customer increased slightly in 1980. Unusual weather conditions producing record peak energy demand occurred in February, March and June 1980. A new summer peak of 9,623 MW was set on July 14.

Fuel adjustment revenues were \$97.9 million, \$169.8 million and \$335.8 million higher in the quarter, year to date and twelve months ended June 30, 1980, respectively. These increases reflect the substantial escalation in fuel costs.

Fuel and net interchange was higher in all periods presented primarily as a result of oil price increases. For the twelve months ended June 30, 1980, the average cost per barrel of oil consumed in the period rose by 50% and accounted for approximately \$192.4 million of the \$231.3 million increase in fuel used in generation.

Net interchange purchases were \$7.7 million, \$26.6 million and \$45.6 million in the quarter, year to date and twelve months ended June 30, 1980. Since FPL was previously a net seller of power, these amounts represent net increases of \$17.2 million, \$41.3 million and \$68.2 million over the prior year. Under a new contract with the Southern Company system, "coal by wire" purchases were \$7.6 million in the first six months of 1980.

Interest charges were \$8.4 million and \$12 million higher for the quarter and year to date as a result of sales of first mortgage bonds. Higher interest rates on short-term borrowings also contributed to higher interest charges. The 33% increase in construction work in progress over a year ago has led to the higher levels of AFUDC.

Construction Program

Due to unusual weather conditions, the recent influx of refugees and the continued strength of the Florida economy, the Company's forecast of customer and sales growth through next year has been revised. Sales are now expected to increase 6.0% in 1980 and 4.2% in 1981. The projected increase in the average number of customers is 5.2% for 1980 and 5.0% for 1981. The forecast of summer peak load remains unchanged.

The repairs to the cooling reservoir at the Martin Plant site have been completed and design modifications are now underway. The total cost of the cooling system is presently estimated to be approximately \$119 million. The estimated completion date for Martin Unit No. 1 is currently late 1980 or

early 1981. Work on Unit No. 2, which is set for completion in mid-1981, continues to be on schedule.

Certain modifications to the cooling reservoirs at FPL's Manatee and Sanford Plants will be made as a result of the reservoir break at the Martin site. Total cost of the modifications is estimated to be approximately \$6 million. Both plants can remain in service during the modifications.

Construction of St. Lucie nuclear Unit No. 2, which is planned for service in 1983, is presently 44% complete. The Company has signed a Participation Agreement to sell and transfer to the City of Orlando and the Orlando Utilities Commission an approximate 6% undivided interest in St. Lucie No. 2. This 6% interest is included in the total of approximately 14% to 22% of the unit which is expected to be sold to various cooperatives and municipalities. The combined ownership costs to be shared are expected to include \$1.1 billion of construction costs for Unit No. 2, plus the value of certain facilities common to both Units Nos. 1 and 2.

FPL has signed an interchange agreement to purchase 50 MW of coal-fired power from Southern Company Services, Inc. through 1986. This power is in addition to the 50 MW already being purchased under an agreement signed in the first quarter.

The Company's capital expenditures for 1980 are expected to total \$630 million, including \$32 million for nuclear fuel. Expenditures for 1981 and 1982 are estimated at \$704 million and \$718 million, respectively, for a three year total of approximately \$2.1 billion.

Financing

Financing needs for 1980 are expected to total approximately \$450 million. To date, \$225 million have been raised through the sale of First Mortgage Bonds, including the May sale of \$100 million of 11.30% First Mortgage Bonds. The issuance of common stock in connection with employee benefit plans provided \$4.3 million in the first half of 1980, with the year's total estimated at \$17 million. An additional \$29.5 million were received from the sale of nuclear fuel to the St. Lucie Fuel Company under a nuclear fuel lease arrangement.

A sale of pollution control bonds and possibly the sale of common or preferred equity are planned for the last quarter of the year. The Company's new dividend reinvestment plan will be implemented with the third quarter dividends. This ongoing source of equity is expected to provide the Company with approximately \$5 million in 1980 and \$17 million in 1981.

Fuel Supply

Oil: Two additional fuel oil supply contracts were recently signed by the Company. Under a contract effective April 1980, Scallop Petroleum Company will provide 2 million barrels of residual oil per contract year. The 2 million barrels will be evenly divided between low sulfur oil and higher sulfur oil. The contract has a minimum term of one year and will remain in effect indefinitely until cancelled by either party according to contract terms.

Four million barrels of low sulfur oil per contract year will be supplied by New England Petroleum Corporation. This contract, which was effective July 1980, will remain in effect for 3 years. It is renewable thereafter if both parties so agree.

The Company's contract with its principal supplier of oil, Exxon Company, U.S.A. (Exxon), specifies a base quantity of both low sulfur oil and higher sulfur oil. Deliveries of higher sulfur oil under this contract have been 100% of the contract

quantity, but Exxon is continuing its allocation program for low sulfur oil. From April 1980 through July 1980, FPL's allocations of low sulfur oil were 85% of the contract quantity. Exxon's estimate of allocations of low sulfur oil for August 1980 through October 1980 is 100% of the contract quantity. Exxon has informed the Company that it will no longer make available higher sulfur oil in lieu of low sulfur oil not delivered because of allocation. The Company anticipates that any additional oil required to meet generation needs will be obtained on the open market or through additional contracts.

On July 19, 1980 Exxon contract prices at Port Everglades, including entitlements, were \$24.34 per barrel for 1% sulfur oil and \$20.71 per barrel for 2.5% sulfur oil.

Nuclear Fuel: The first delivery of uranium from International Minerals and Chemical Corporation (IMC) took place in late May. The uranium is extracted from phosphates as a by-product of fertilizer production at a plant on Florida's west coast. In 1980 approximately 260,000 pounds will be supplied under the two IMC contracts. In the years 1981 through 1992, the contracts call for IMC to provide approximately 1 million pounds annually.

In addition to the IMC contracts, FPL has several other uranium supply contracts. The majority of the Company's uranium needs through the early 1990's is under contract.

Coal/Oil Mixture Test

The Company is continuing its test of a coal/oil mixture (COM) as a boiler fuel in a 400 MW unit originally designed to burn oil. Since the first test burn in late April, 243 hours of operation while burning COM have been recorded for Sanford Unit No. 4. During this period over 125,000 barrels of COM have been consumed using various percentages, up to 30%, of coal by weight. Additional modifications to Unit No. 4 were made in early July. FPL began testing 40% COM in Unit No. 4 in mid-July.

Operating Nuclear Units

St. Lucie Unit No. 1's steam generators were inspected during its spring 1980 refueling outage. The inspection showed that there had been a slight increase in the level of corrosion since the spring 1979 inspection. No additional corrective action is called for at this time.

The steam turbine rotors in Turkey Point Unit No. 4 were replaced in May, when the unit was down for steam generator inspection. During the outage, additional steam generator tubes were plugged. Presently 19.4% of the tubes in Turkey Point Unit No. 3 and 22.4% of the tubes in Unit No. 4 have been plugged. FPL has authorization to plug up to 25% of the tubes in each unit without reducing output.

Permanent repair of Unit No. 4's steam generators is scheduled to begin in October 1981. The repair of Unit No. 3's steam generators will follow that of Unit No. 4, and is currently scheduled to begin in October 1982. The repairs, at an approximate cost of \$68 million per unit, are expected to take approximately 9 months per unit.

An Environmental Impact Statement and an amendment to each unit's operating license are required by the Nuclear Regulatory Commission (NRC) before repairs can commence. Public hearings on the amendments to the licenses will be held, but no hearing dates have been set.

The NRC has issued a policy statement in the form of an "Action Plan" developed as a result of the incident at the Three Mile Island nuclear generating unit. The Plan calls for

modifications to the Company's nuclear units. The cost of complying with the plan in its present form would be material and could require that the Company's operating nuclear units be removed from service for indefinite periods of time to accomplish the modifications.

The NRC has published for public comment a proposed amendment to its fire regulations for nuclear generating plants. If adopted in its proposed form, the Company estimates that the capital cost of compliance therewith could approximate \$89 million and additional annual operating costs could approximate \$3 million.

The Company cannot predict the ultimate requirements of the final fire regulations or which of the provisions of the Action Plan will be ultimately required, and therefore cannot predict the ultimate cost of complying therewith.

Regulation

The projected fuel cost recovery clause adopted by the Florida Public Service Commission (FPSC) became effective with April billings. The new clause is designed to permit full recovery of fuel costs on retail sales. The monthly fuel adjustment factor is now a levelized rate based on projected fuel costs and KWH sales over six-month periods. The net under or over recovery of fuel costs during a projection period, plus interest, are deferred and collected from or refunded to customers during the last four months of the succeeding six-month projection period.

The FPSC held hearings in May 1980 concerning the incentive features to be considered for incorporation in the new clause. An incentive feature is expected to be incorporated in the projected fuel cost recovery clause prior to the next projection period, which begins October 1, 1980.

Two important actions were taken by the FPSC recently. In a rate proceeding involving another electric utility, the FPSC granted interim rate relief subject to refund without hearings. This action has effectively shortened the time required to obtain interim relief from four months to one month.

In an action involving another electric utility, the FPSC allowed the use of a projected test year. It subsequently granted the utility interim rate relief subject to refund based on the projected test year, without holding public hearings.

In May 1980 the FPSC ordered that time-of-day rates with cost related rate differentials be offered to all customer classes on a voluntary basis subject to meter availability. The FPSC subsequently ordered that time-of-day rate tariffs be filed by July 21, 1980. The matter is pending.

Under Florida's Sunset legislation, the statutory authority of the FPSC was reviewed this year by the state legislature. The law relating to the FPSC's authority to regulate electric utilities has been reenacted by the legislature.

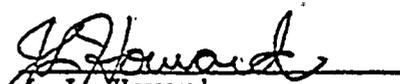
The recently enacted Florida Energy Efficiency and Conservation Act authorizes the FPSC to adopt goals for increasing energy efficiency and for reducing the growth rates of electric consumption, specifically peak demand. The FPSC must establish 5 year goals no later than September 1980. Each utility is to submit a plan to meet the overall goals by November 1980, with approved plans to be implemented by January 1981.

EXHIBIT 3

FLORIDA POWER & LIGHT COMPANY
INTERNAL CASH FLOW PROJECTION
EXCLUDING RETAINED EARNINGS

	<u>12 Months Ended</u> <u>June 30, 1980</u> \$ Millions	<u>Projected</u> <u>12 Months Ended</u> <u>June 30, 1980</u> \$ Millions
Depreciation and Amortization	\$166.6	\$188.9
Deferred Income Taxes and Investment Tax Credits	<u>129.0</u>	<u>115.0</u>
Internal Cash Flow Excluding Retained Earnings Applied Toward Requirements	<u>\$295.6</u>	<u>\$303.9</u>
Average Quarterly Cash Flow Excluding Retained Earnings (1)	<u>\$ 73.9</u>	<u>\$ 76.0</u>
Percentage Ownership in All Operating Nuclear Units:		
	Turkey Point #3	100%
	Turkey Point #4	100%
	St. Lucie #1	100%
Maximum Total Contingent Liability		<u>\$30 Million</u>

Certified By:


J. L. Howard
Vice President-Treasurer

- (1) Cash flow per quarter is shown as an average. Under actual conditions, the amount available is greater in the third and fourth quarters. (Retained earnings in the period July 1979 through June 1980 averaged \$22.5 million per quarter.)