Our Business Is....

Since its incorporation in 1925, FPL has been engaged primarily in the electric utility business. As the map on the opposite page shows, the Company today supplies service to most of the territory along the east and lower west coasts of Florida, to the agricultural area around southern and eastern Lake Okeechobee and to portions of central and north central Florida. Within the 27,650-square-mile area, which encompasses all or part of 35 Florida counties, service is provided to approximately 700 communities and to more than two million customers.

Power Supply and Facilities

The company operates 10 power plants having total capacity of 10,941 megawatts (mw). Individual plants and installed net capability are Turkey Point, 2,079.5 mw; Port Everglades 1,581.5; Manatee, 1,528; Fort Myers, 1,176; Lauderdale, 1,126; Sanford, 861; St. Lucie, 777; Cape Canaveral, 729; Riviera, 653; and Putnam, 430. Additionally, five fossil units with 371 mw are on cold standby status at Cutler (three units, 264 mw) and Palatka (two units, 107 mw). Other physical properties include 74 service centers and satellites, 404 substations and 38,689 miles of transmission and distribution lines.

People...Serving People

At year end, the Company had 9,750 employees. As evidence of their commitment to what always has been FPL's foremost responsibility, providing the public with the best possible service at the lowest possible cost, the Company serves 192,255 more customers with 115 fewer employees than two years ago. Over the long run, it is this same commitment to service that requires the Company to earn profits sufficient to justify the continuing confidence of its investors.

FPL Believes....

The Company is ever mindful that customers and investors alike have much in common, including the need for a reasonable return. This then allows the Company to compete effectively in the money markets. A company with good earnings and strong credit ratings can raise funds to build facilities at less cost than a company experiencing financial difficulties. In the end, then, customers of a financially healthy company will pay less for their electricity.

Highlights of the Year

Operating results for 1978 reflect the combined and continuing efforts of FPL directors, management and employees to enhance the Company's business capabilities and the value of its services to the public. As you will read later, in Management's Analysis of Operating Results on pages four through six, virtually every yardstick of Corporate performance indicates improved conditions. Specific information is available at a glance in the 5-Year Consolidated Summary of Operations on page seven.

My Fellow Shareholders

It is always gratifying when the management of a company can present a report like the one which follows. With continued reliable service to a growing number of customers, increases in both revenues and earnings and significant achievements recorded by the fine people who work for us, 1978 can justly be called "a good year." And we launched 1979 on a positive note with the selection by the Board of John J. Hudiburg as president and chief operating officer. This choice of an FPL veteran with 28 years of service to our Company is a clear signal of our success in developing managerial talent within the organization. The "Search Committee" acknowledged that management development when it noted the many qualified candidates within FPL ranks and the long selection time required.

My responsibility, however, goes beyond transmitting to you this report on the achievements and status of our Company. It is also important to assess the environment in which our Company has accomplished these results and in which we must work in the future.

Our nation became a superpower—in the industrial, the commercial and the military sense—because we had adequate energy, available at competitive prices. Today's Americans and the standard of living we enjoy have been nurtured by this favorable circumstance. We have had no experience of living in a United States which cannot compete advantageously with other nations. That, however, is precisely the threat we face today. Other major industrial nations are taking action to provide adequate energy sources for the future. We are not.

Like the U.S.A., these other major nations long ago abandoned pastoral and cottage industry as economically undesirable. Human and animal power gave way to machine power. It is more productive. It relieves mankind from poverty and drudgery. It permits vast numbers of people to enjoy a life of comfort and good health unknown even to royalty just a few centuries ago.

Machine power, however, requires reliable sources of energy. For reasons which range from efficiency to cleanliness, electricity has become the preferred form of that energy. It has been said that electricity—used for laundering and dishwashing, cooking, housecleaning and other tasks—has liberated more women than any political movement.

But electricity is a secondary form of energy. It is derived from a primary energy source such as coal, oil or nuclear fission. Today each of these primary energy sources has become enmeshed in politics. Each has powerful special interests working to hobble its use.

Reliance on coal is discouraged by restrictive mining legislation and a welter of environmental regulations. Oil is virtually outlawed as a fuel for new power plants because of the threat to our economy and security posed by dependence on foreign sources. Nuclear power is beset by legal and administrative roadblocks that seem designed for abuse by anti-nuclear extremists. The present national Administration's response has been spineless. Indeed, the Administration's attitude seems to support anti-nuclear sentiments. As a result, the financial risks of nuclear generation are almost prohibitive.

Yet electric utilities like FPL have an obligation to provide electric service to satisfy customer needs. We must assess the risks that go with each of the primary energy sources. And we must accept the calculated risk of choosing one as a fuel for future generating plants. At present, we are giving important

Marshall McDonald Chairman of the Board

John J. Hudiburg President

consideration to coal. But this is not for overwhelming positive reasons. It is, rather, because of a wishy-washy national policy that gives us little choice but promises major headaches.

Can we do more than complain?

Yes. In fact, we're doing everything we think will be productive. In the first place, we realize that we must enter the public arena. We must present the case for a positive, productive energy policy. We must show the direct relationship between energy and our country's strength and prosperity. We must deliver the warning that energy cannot be taken for granted.

You are part of this effort. As a responsible citizen. And as part owner of an energy company. Individually, you can help impress the facts upon media and politicians.

Among friends and associates, you can stimulate discussions about America's energy future. You can point out the dangers of energy starvation. The rewards of energy abundance. You can explain the technological means of achieving abundance which are available to America, if we will but use them. Call on us for any supporting materials you may need.

Meanwhile, we continue urging our customers to use energy wisely. We published FPL's original *Watt Watcher's Guide* long before many of today's self-appointed "consumerists" stepped into the headlines. And we're still providing energy-saving tips. We have launched a major program in support of homes designed for Watt-Wise Living™. We have made energy audits for heavy users of electricity. We're working on load-management techniques to smooth out the peaks and valleys of demand, so we can defer building the next generating plant.

These are worthwhile objectives, in keeping with the national conservation program. But we must be realistic. The total energy which can be saved painlessly is minor.

If Americans really want to achieve significant energy savings through conservation, they must be ready to accept drastic changes in lifestyle. Consider, for example, transportation. For years, it has been our largest single energy user. Will Americans walk... pedal bikes ...ride mass transit...instead of driving personal cars? Will all cars be small, low in power and used only to carry a full load of passengers?

Going beyond transportation, will a large portion of Americans change their daily schedules? Will they work, cook and wash late at night? It's the only way to spread out peak loads that now come in daytime.

These questions are critical. No realistic conservation effort will satisfy our power needs if we want to maintain our standard of living.

There's another side to the equation. If we cannot eliminate the need for more power, can we develop more power to fill the need? Like other utilities, FPL has invested resources in the search for ways to supply the energy our customers will need tomorrow. We have invested directly in solar and wind power research. We've also explored gas, oil and geothermal prospects right here in Florida. And last year, we contributed more than $5.1 million to the Electric Power Research Institute. EPRI combines utility contributions to support many projects aimed at expanding and optimizing energy resources.

Meanwhile, there are several practical ways for our nation to ensure the energy supply needed for the next 40 years or so. For example, we can moderate the unreasonable restrictions on mining and burning coal. We can join other industrialized nations of the world in high-priority development of the nuclear breeder reactor. A strong policy of positive support for such steps would preserve Americans from a drastic change in our way of life.

There are major technological challenges in positive steps like these. We must meet these challenges. This is more than a narrow, selfish priority of the energy industry. In truth, companies like FPL could endure and thrive even in an energy-short economy. Customers would simply have to adjust their demands to fit our ability to supply. But the economic and social dangers of a future with energy too short in supply and too high in cost should concern all of us very seriously.

The overriding challenge in energy, however, is not technical. Nor is it economic. Today the challenge to an energy-rich future is political.

We have an administration topheavy with zealots drawn from special-interest groups which preach no-growth and anti-business propaganda. This Administration has been waffling on nuclear power and stifling breeder reactor progress. These same people have woven a mesh of restrictive, non-cost-effective regulation around coal. They are crippling the whole energy effort.

We must secure America's essential energy supply at competitive prices. I have discussed with you on earlier occasions how necessary it is that I dedicate a good deal of time and work to this effort. It is work that serves both our Company and our country. In this work, I will continue to ask for your support.

Sincerely,

Marshall McDonald

Marshall McDonald
Chairman of the Board
February 12, 1979

Management's Analysis of Operating Results

Its financial well-being restored to a large extent, FPL emerged from 1978 showing unmistakable signs of renewed vitality.

Despite the squeeze of higher capital and operating costs, magnified by inflation, the Company managed not only to keep pace with Florida's flourishing growth, but also to reach record levels of earnings and dividends.

Earnings

Earnings per share increased to $4.54 in 1978 from $3.81 in 1977. This marked improvement in profitability reflects financial recovery resulting from a rate adjustment granted by the Florida Public Service Commission (FPSC) in 1977 and from a vigorous customer growth rate which has shown little sign of letup.

Of the 1978 earnings accomplishment, newly elected President John J. Hudiburg noted, "This improved level of operating performance and financial integrity means that the new rates approved in 1977 are working as intended."

The rate of return earned by the Company in 1978 reached its healthiest level in two years. Still, it was somewhat below the amount allowed by the FPSC in its June 1977 order.

Dividends

Dividends on common stock were raised to a quarterly rate of 52 cents per share from 44 cents (an effective annual rate of $2.08, up from $1.76), commencing with the June 15, 1978, quarterly payment.

Total dividend payments were $2.00 per share in 1978, compared with $1.66 the previous year.

Dividend actions were taken in recognition of the growing investment by common shareholders through re-investment of a large portion of their earnings. The 1978 increase not only provides a return on this additional investment, but also reflects FPL's desire to move closer to the industry ratio of dividends to earnings.

Fiscal Strategy

An attractive dividend policy is but one key element in the Company's long-range plans for strengthening its financial base.

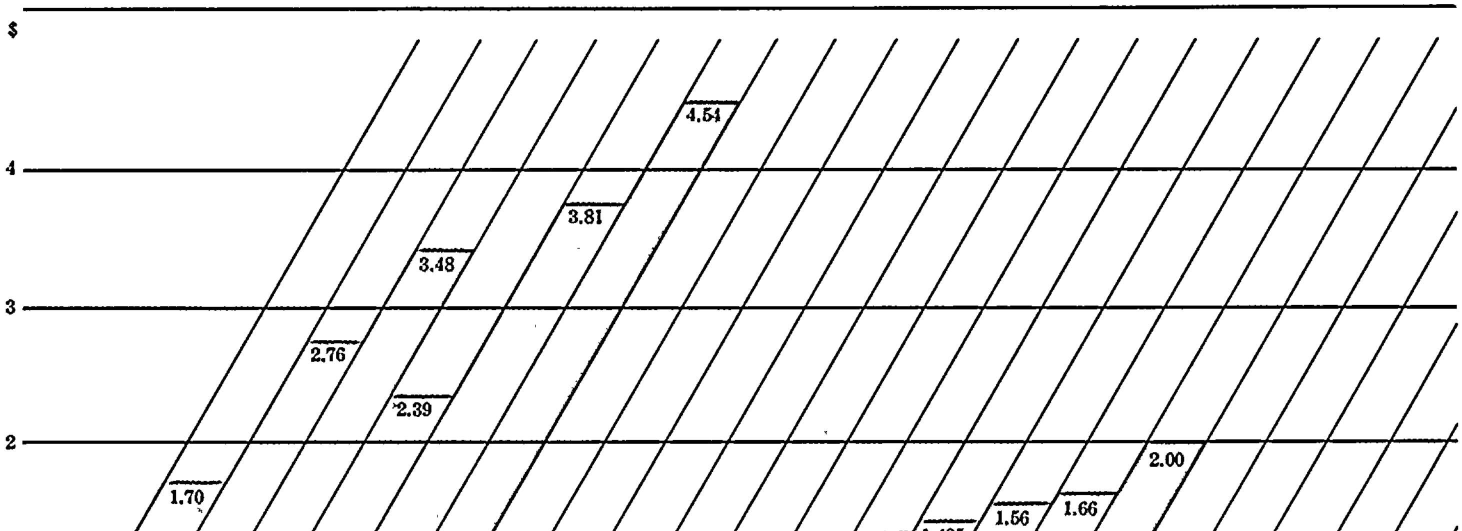
Another essential component is a sound capital structure. Capitalization ratios at the close of 1978 were approximately 38 percent common equity, 11 percent preferred stock and 51 percent long-term debt.

FPL intends to enlarge common equity by continuing to reinvest a portion of earnings and issuing common stock to employee benefit plans. The Company's goal is a capitalization mix of 38-43 percent common equity, 5-10 percent preferred stock and 50-52 percent long-term debt. The time required to reach this mix will depend on the market price of FPL common stock, since the Company desires to achieve these ratios without a public sale of common stock at the current price levels.

To provide more financial flexibility, FPL obtained bondholder approval in February 1979 to modify the mortgage securing first mortgage bonds, the principal source of long-term financing used by FPL.

Operating Revenues

Revenues passed the $1.6 billion mark for the first time in 1978, rising $182.6 million, or 12 percent, over the 1977 total of $1.46 billion. About two-thirds of the 1978 rise was attributable to higher kilowatt hour (kwh) sales and the remainder



Earnings Per Share

Dividends Paid Per Share

primarily to the 1977 rate increase.

By comparison, nearly two-thirds of the 23 percent increase of 1977 revenues over those of 1976 was the result of rate increases and the recovery of increased fuel costs through the fuel adjustment clause. Growth in kwh sales accounted for most of the balance.

Average revenue per kwh, including fuel adjustment revenue, for total customers rose to 4.02 cents in 1978, the first full year that the present rates were in effect. This compares to 3.87 cents in 1977 and 3.38 cents in 1976, the last full year the prior rates were in effect.

Energy Sales

Kwh sales climbed by 3.1 billion, or 8 percent, to 40.6 billion in 1978. The corresponding figures for 1977 were 2.6 billion, 7 percent, and 37.5 billion.

The increases were indicative of growth in average customers of 4.9 percent in 1978 and 4.5 percent in 1977. Per-customer consumption also increased 3.2 percent in 1978 and 2.9 percent in 1977.

Looking Ahead....

Since rates established in the 1977 rate case have been in effect more than a full year now, the key factor affecting 1979 revenues is expected to be kwh sales growth resulting primarily from new customers.

Construction

Construction aimed at providing additional generation to meet anticipated demand in the early 1980s is proceeding both on schedule and within budget.

Included are two oil-burning units at Martin Plant scheduled for completion in 1980 and 1981 and the Company's fourth nuclear unit, St. Lucie No. 2. The latter has an operational target date of 1983.

FPL also has initiated a coal plant project of its own and is considering possible joint ownership of another.

Throughout the course of 1978, the Company invested $473 million in new facilities and nuclear fuel.

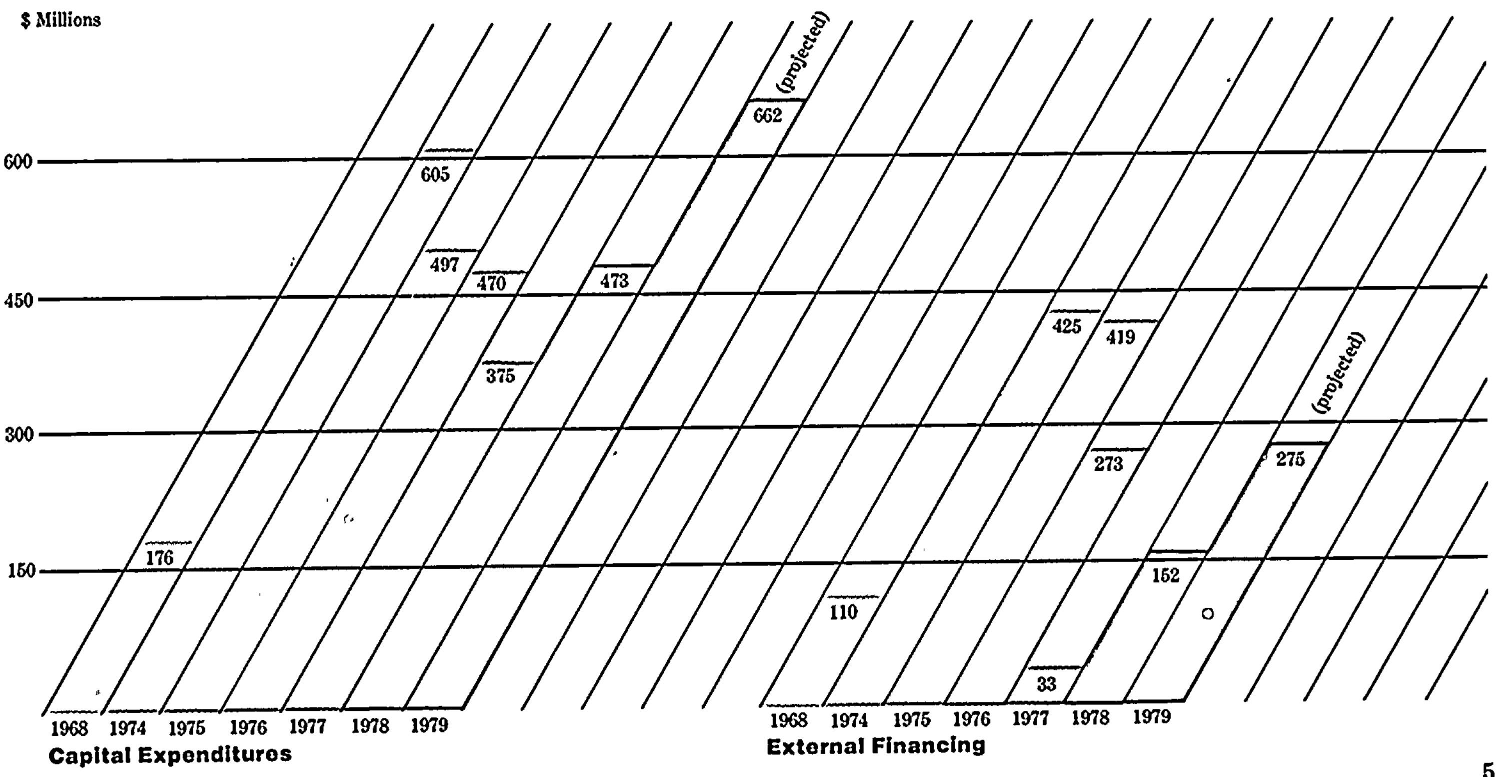
Financing

The charts on these pages show that the Company has generated substantial amounts of its financing requirements from current operations, with a corresponding reduction in reliance on the capital markets. In the 5-year period 1974-78, 47 percent of the funds were from operations.

In 1978, $152 million was raised through the sale of new securities. Involved were 30-year first mortgage bonds with 9⅛ percent interest rate ($75 million), a new issue of 8.84 percent preferred stock ($50 million), a 30-year obligation with 6.10 percent interest rate in connection with a pollution control financing ($19.4 million) and approximately $7.5 million of common shares issued to employee benefit plans. During 1977, $33 million of securities were issued, and capital expenditures were $375 million. Funds from operations provided the balance of funds needed for construction and, in 1977, debt redemption.

These transactions resulted in higher interest expense and preferred dividend requirements, portions of which were capitalized through the allowance for funds used during construction (AFUDC).

AFUDC increased in 1978 by $5.5 million (19 percent) as a result of increases in construction work in progress and capitalization of AFUDC on nuclear fuel.



Operating Expenses

Total 1978 operating expenses climbed 14 percent, or $163 million, to reach a new high of $1.3 billion. Comparative figures for 1977 were 17 percent, or $167 million, and $1.2 billion, respectively.

Still greater revenue growth resulted in increases in operating income of 7 percent in 1978 and 56 percent in 1977.

Increases in the past year were primarily in the following areas:

Fuel Expense–Greater use of more expensive fossil fuel generation to meet growing system demand and to provide for greater interchange deliveries resulted in a fuel expense increase of 11 percent in 1978.

Meanwhile, the Company's three nuclear units, which have provided over 30 percent of total generation since St. Lucie Unit No. 1 was added in December 1976, continued to make consistent contributions.

The oil portion of fuel expense was up $39 million in 1978 as the amount of oil consumed rose by 4.7 million barrels, or 15 percent, over 1977 levels. Generally lower oil prices partially offset the effects of the greater amount of oil burned.

Conversely, the price of oil used in 1977 had risen 11 percent over the year before. That increase was partially offset, in turn, by a drop in the amount of oil burned, thanks to the additional nuclear capability provided by St. Lucie.

The price of gas rose 18 percent in 1978, in part a result of actions taken by a supplier to increase the output of certain wells. The price increase added about $12 million to fuel expense.

Fluctuations in fuel expense generally are reflected in revenues, after a 2-month lag, through the fuel adjustment clause.

Depreciation Expense–Increases in depreciation expense in 1977 and 1978 were principally the outcome of additional plant in service. Several new generating units were placed in commercial service in the past three years. Manatee Unit No. 1 and St. Lucie Unit No. 1 went in service in 1976, the first Putnam unit and Manatee Unit No. 2 in 1977 and the second Putnam unit in 1978.

These plants alone added about $22.4 million to depreciation expense in 1977 and about $7.5 million in 1978.

Amortization of $5.8 million of costs in connection with the Company's canceled South Dade Project also was included in 1978 depreciation expense.

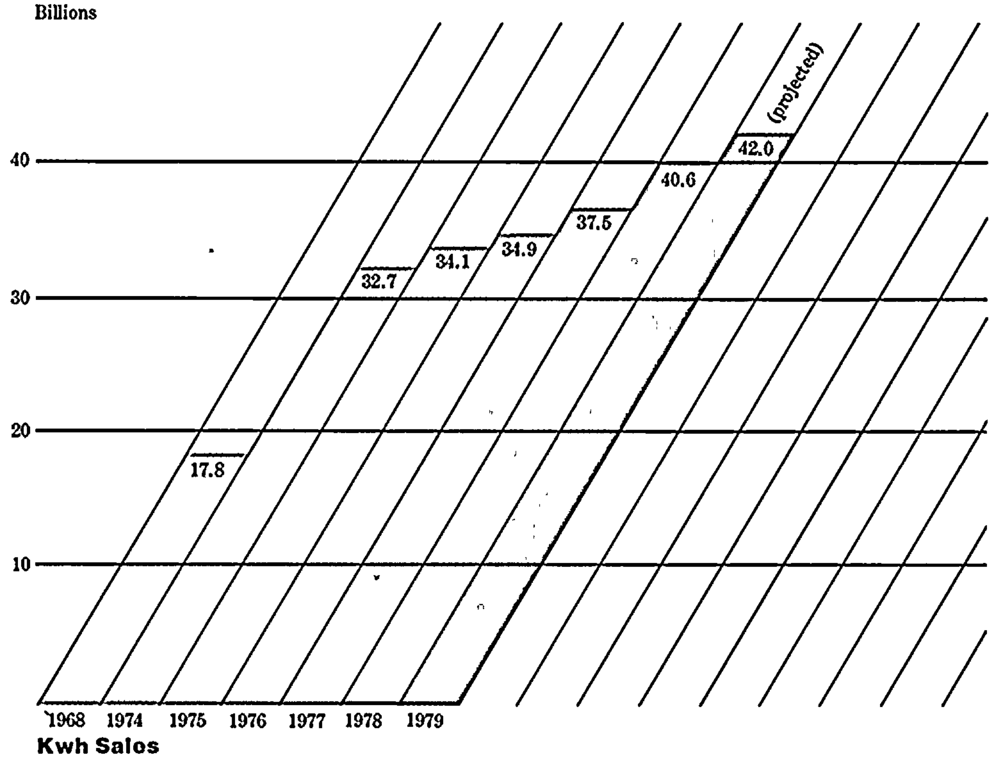
Other Operation and Maintenance Expenses—These expenses increased primarily due to higher payroll and related employee benefit costs. The increase in maintenance expense reflected additional new properties, as well as work performed during the first refueling, overhaul and inspection of St. Lucie Unit No. 1 in mid-1978.

Tax Expense–Increased income tax provisions stemmed from greater taxable income provided by higher revenues. Taxes other than income taxes also increased in 1977 and 1978, largely as a product of the greater revenues and additions to property.

The Bottom Line....

After meeting operating expenses, interest and preferred dividend requirements, the growth in revenues experienced in 1978 produced net income applicable to common stock of $182.1 million, an increase of $29.3 million.

E.A. Adomat (left) and F.E. Autrey are FPL's Executive Vice Presidents. Adomat is in charge of operations, and Autrey directs commercial activities.



Florida Power & Light Company and Subsidiaries
Consolidated Summary of Operations, The Past Five Years

(Thousands of Dollars Except Per-Share Data)	1978	1977	1976	1975	1974
Operating Revenues	$1,647,226	$1,464,584	$1,189,680	$1,182,644	$ 951,055
Operating Expenses:					
Fuel	551,376	497,015	482,347	461,335	400,115
Other Operation	216,653	187,011	178,127	160,151	137,522
Maintenance	85,865	67,579	67,062	59,646	57,472
Depreciation	144,267	125,166	88,591	82,322	74,775
Income Taxes	198,163	171,098	85,368	114,822	51,306
Taxes Other Than Income Taxes	132,205	117,807	96,972	87,558	71,241
Total Operating Expenses	1,328,529	1,165,676	998,467	965,834	792,431
Operating Income	318,697	298,908	191,213	216,810	158,624
Other Income (Deductions):					
Allowance for Funds Used During Construction	—	—	65,497	48,486	39,907
Allowance for Other Funds Used During Construction	20,319	16,009	—	—	—
Income Taxes	827	(1,558)	(298)	5,350	11,676
Other—Net	3,382	(1,731)	1,005	(850)	(1,734)
Other Income—Net	24,528	12,720	66,204	52,986	49,849
Income Before Interest Charges	343,225	311,628	257,417	269,796	208,473
Interest Charges:					
Interest Expense	146,096	144,083	140,572	124,575	102,999
Allowance for Borrowed Funds Used During Construction	(14,112)	(12,893)	—	—	—
Interest Charges—Net	131,984	131,190	140,572	124,575	102,999
Net Income	211,241	180,438	116,845	145,221	105,474
Preferred Dividend Requirements	29,138	27,653	22,378	20,066	11,654
Net Income Applicable to Common Stock	$ 182,103	$ 152,785	$ 94,467	$ 125,155	$ 93,820
Average Number of Common Shares Outstanding—(in Thousands)	40,120	40,050	39,542	35,940	34,050
Earnings Per Average Share of Common Stock	$4.54	$3.81	$2.39	$3.48	$2.76

	1978	1977	1976	1975	1974
Common Stock Data					
Shares Outstanding, Year End—Thousands	40,315	40,050	40,050	37,050	34,050
Dividends Paid Per Share	$2.00	$1.66	$1.56	$1.435	$1.325
Dividend Rate—Year End	$2.08	$1.76	$1.56	$1.46	$1.36
Dividend Payout Percentage	44.1	43.6	65.3	41.2	48.1
Price/Earnings Ratio—Year End	5.8	7.1	11.6	7.7	5.6
Book Value Per Share—Year End	$32.49	$29.97	$27.81	$27.21	$25.60
Operating and Financial Statistics					
Kwh Sales—Thousands	40,602,076	37,529,397	34,929,541	34,110,898	32,711,136
Customers—Year End	2,032,298	1,927,668	1,840,043	1,772,304	1,721,841
Revenue per Kwh—Residential	4.10¢	3.96¢	3.50¢	3.53¢	2.95¢
Kwh per Customer—Residential	11,790	11,370	10,968	11,127	11,215
Net Warm Weather Capability, Kw—Year End	10,941,000	10,644,000	9,740,000	8,927,000	9,015,000
Peak Load, Summer, Kw—60-minute	8,345,000	7,841,000	7,598,000	7,076,000	7,235,000
Peak Load, Winter, Kw—60-minute	8,617,000	8,606,000	7,287,000	5,807,000	6,258,000
Reserve Capability Percentage—at Time of Summer Peak	30.4	23.0	13.8	27.4	24.6
Nuclear Generation, Kwh—Thousands	13,273,383	13,452,276	8,647,474	8,369,810	7,877,326
Total Utility Plant—Thousands of Dollars	$4,983,794	$4,525,916	$4,181,839	$3,724,270	$3,252,397
Capital Expenditures (including nuclear fuel and AFUDC)—Thousands of Dollars	$472,830	$375,360	$469,750	$497,233	$604,946
External Financing—Thousands of Dollars	$151,866	$33,240	$272,540	$418,925	$425,000
Employees—Year End	9,750	9,415	9,865	9,911	9,769

The Year in Review

In the constant quest to improve profitability and levels of service, FPL's long-term Corporate objective is to keep increases in the cost of serving customers at or below the rate of inflation. With that commitment in mind, Corporate goals are established annually as the basis of budgets and plans for the coming year.

Corporate Goals

FPL management established three main goals for 1978:

• To limit capital expenditures in order to avoid a public sale of common stock. Tough controls on spending brought that goal to fruition.

• To identify areas where the Company is perceived by customers and employees to be in need of improvement and to take action, as appropriate. Several programs, including a customer survey, were initiated along these lines.

• To keep the increase in per-customer operating costs at or below the increase in the Consumer Price Index (CPI). For the year, the goal was not met. Actual increases per customer exceeded the increase in the CPI as FPL coped with increased costs for items not measured by the CPI.

However, the Company is satisfied that budgetary controls worked effectively to minimize these increases.

Performance Goals for 1979

Having either hit or come close to those three marks, the Company in 1978 established similar aims for 1979.

Again, one goal is to operate the Company so that the increase in cost per customer is kept in line with increases in consumer prices.

Next, the Company intends to carefully control capital and operating expenditures so as to reduce the need to sell common stock under unfavorable market conditions.

A measurable increase in customers who regard FPL as being responsive to their service needs is the final 1979 goal.

Board of Directors

With the election of John J. Hudiburg and Gene A. Whiddon on Jan. 15, 1979, Board membership grew to 11 directors. Nine are outside directors and two are Company officers. All but one live in the FPL service area.

Hudiburg, 51, was elected to the Board when he was chosen to succeed Marshall McDonald as FPL president. In that capacity he also serves as chief operating officer.

McDonald, 60, became Chairman of the Board, a position vacant since the retirement of R.C. Fullerton in May 1977. He also continues to serve as chief executive officer.

Whiddon, 50, is a Fort Lauderdale businessman.

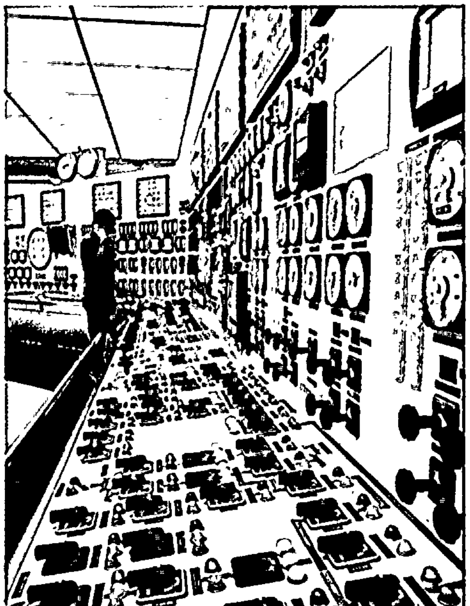
Director Joseph P. Taravella died Nov. 23, 1978. Taravella, president and chairman of the Board of Coral Ridge Properties Inc., had served on the Board since 1972. He was 59.

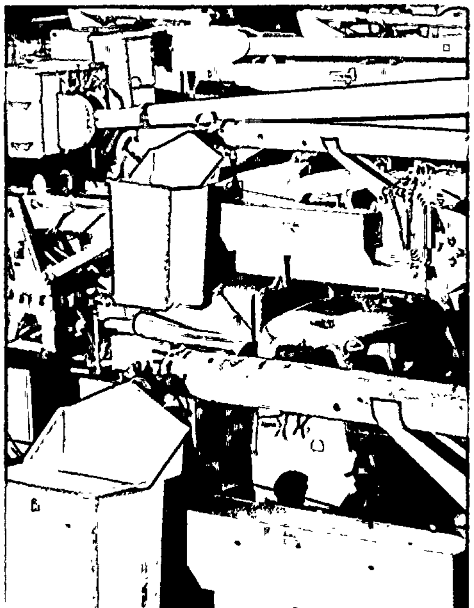
Organizational Structure

With the appointments of McDonald and Hudiburg, the Company in January 1979 redrew lines of reporting responsibilities within the organization.

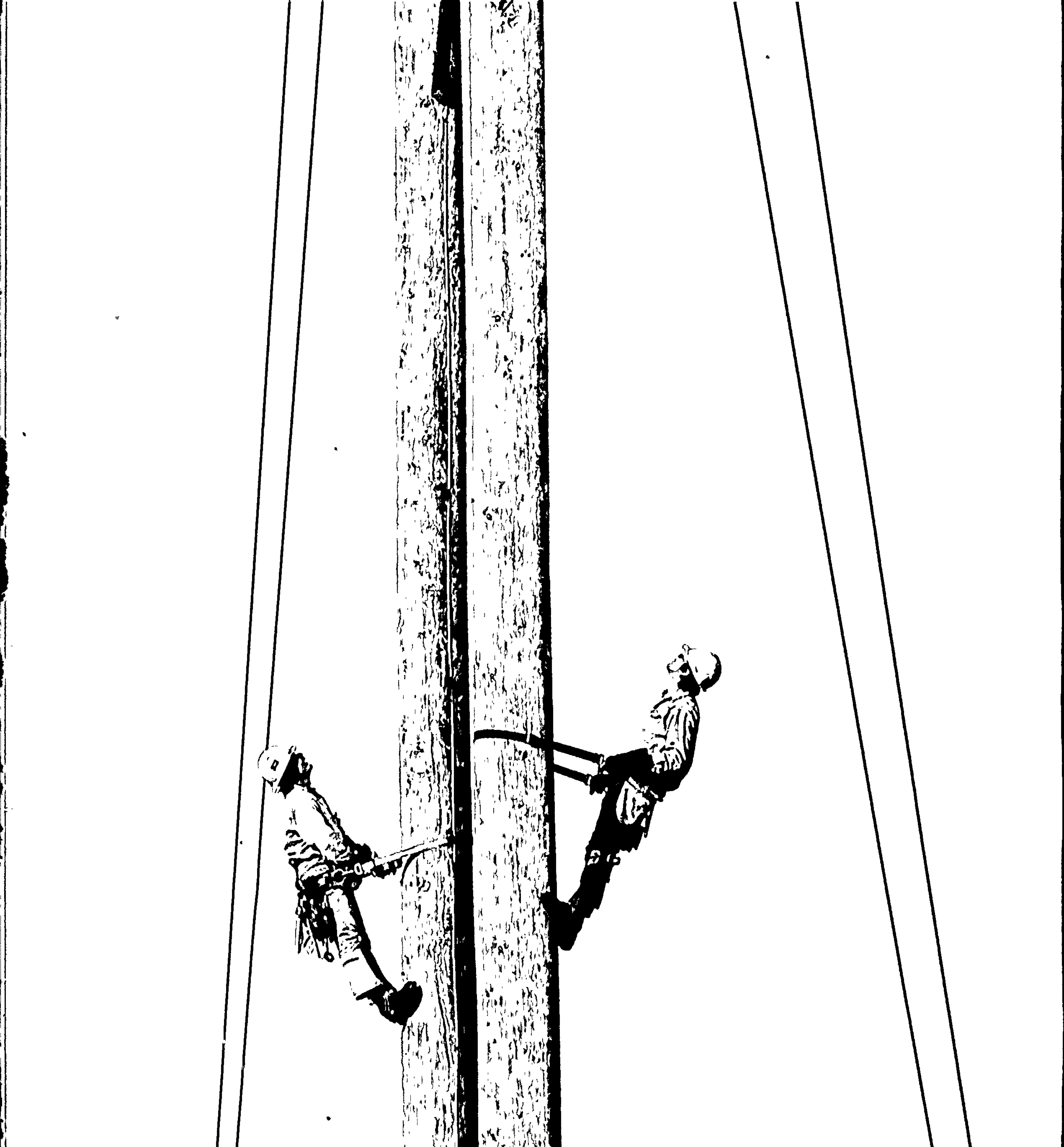
In prior actions designed to improve effectiveness of FPL's management-by-objectives system, H.L. Allen and L.C. Hunter were appointed senior vice presidents and five division general managers were named to the new (non-Corporate officer) positions of division vice president. They are L.H. Adams,

The Company's four Senior Vice Presidents serve on the Senior Management Planning Council. They are (above, from left) H.L. Allen and L.C. Hunter and (below, from left) J.G. Spencer Jr. and R.W. Wall Jr.





FPL at work around the clock. Left: Nuclear control room at St. Lucie Plant. Center: Fleet of troublemen's bucket trucks. Right: Linemen strike a pose familiar to FPL customers everywhere.



Southern (Miami) Division; K.R. Beasley, Western (Sarasota); T.R. Moffett Jr., Eastern (West Palm Beach); J.N. Scott, Northeastern (Daytona Beach); and G.E. Sullivan, Southeastern (Fort Lauderdale).

The appointment of Scott was made in conjunction with consolidation of FPL's former Northern and North Central Divisions into the new Northeastern Division. In keeping with that change, which brought the divisions more closely in line in terms of customers served, the Southern and Southeastern Divisions were given their new names in early 1979. Formerly, they were known as the Miami and Southeast Divisions.

Human Resources

At year end, the Company had 9,750 employees.

In order to attract, and hold, employees who have the will and ability to learn skills necessary to meet customers' needs, the Company has a stated personnel objective of providing compensation that is both internally equitable and externally competitive.

Through effective supervision and training, FPL commits no less energy to the development of its human resources than it does to technical resources.

In the field of training, for example, employees' capabilities have been broadened through programs such as transactional analysis and decision-making courses. A talent assessment program was introduced in 1978 to assist in planning for management succession.

Other examples of the Company's interest in self-development include a college tuition aid program, a salary administration program based solely on merit and encouragement of employee involvement in civic, educational and cultural affairs.

In the year ahead, overall employment is expected to rise slightly as the Company continues to staff the Martin Plant and provide service to a growing number of customers.

Customers

FPL people today are serving more Floridians than ever before. The Company reached a milestone in 1978 when it greeted its two millionth customer, the Charles H. Roberts family of suburban West Palm Beach.

With the arrival of the Roberts, who moved from Kentucky, FPL joined a select group of investor-owned electric utilities in the nation having two million or more customers.

Whereas it took FPL 41 years to reach the million-customer level in 1966, it took just 12 years to double that figure.

When welcoming the Roberts family, a Company spokesman noted that the event "reflects Florida's continued rapid growth and underscores the challenge faced by the Company in serving that growth."

Another rise in new customers is expected for 1979, with a year-end total of more than 2.1 million customers anticipated.

Area Development

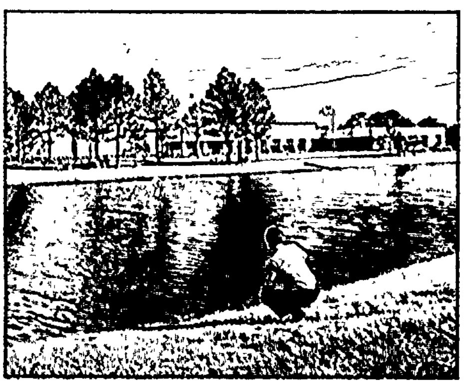
Florida's gains in tourism, industrial development and population were of particular significance in 1978.

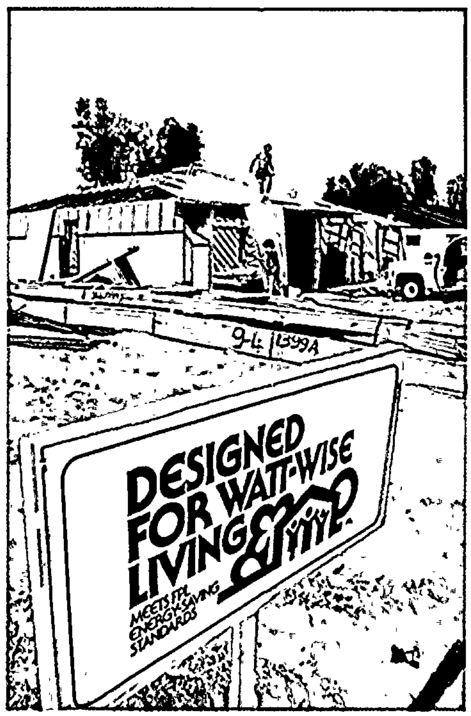
State tourism officials placed the number of tourist arrivals at 32.6 million, up from 30 million a year ago. Per-capita spending rose, as well, and the South Florida area, especially, benefited from a heavy influx of Latin American visitors.

The state continues to successfully emphasize light, clean manufacturing as a source of economic development.

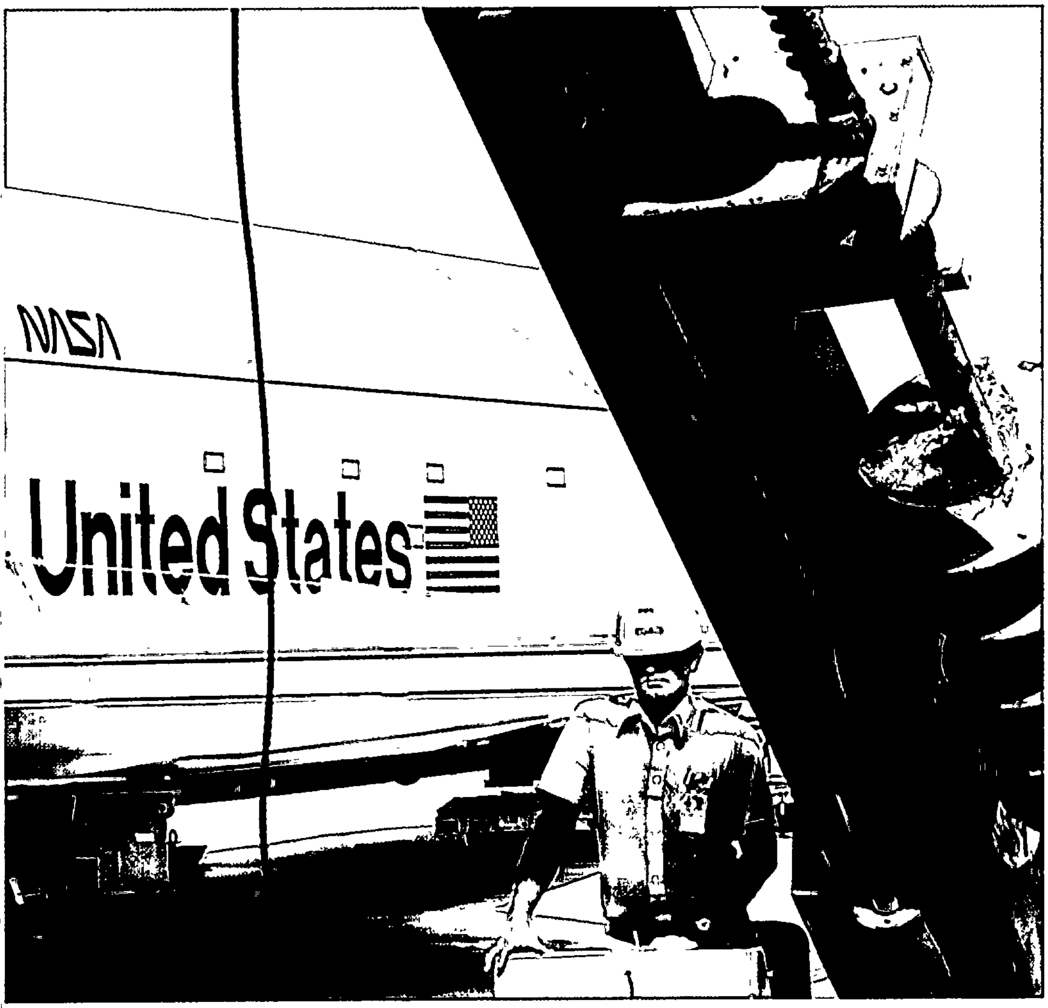
Industrial development, given government encouragement, grew in

Vice Presidents have been assigned control of 11 specific areas of activity. Above (from left) are D.K. Baldwin, Corporate Services; E.L. Bivans, System Planning; and Michael C. Cook, Fuel Resources and Corporate Development. Photos of the other vice presidents appear on pages 12, 14 and 16.





FPL at work making Florida a better place to live and work. Upper Left: Underground service is supplied to new Miami home. Lower Left: FPL serves Dictaphone Corporation's new headquarters at Melbourne. Center: Company signs point the way to new energy-efficient housing. Upper Right: Space shuttle craft *Enterprise* serves as a backdrop for FPL workman at Cape Kennedy. Lower Right: Amid lush foliage of avocado grove, Company crew tackles rural assignment.



1978, both as a result of expanded existing operations and of new operations moving into the state. Among newcomers attracted to the FPL service area recently were such familiar business names as Dictaphone Corp., The Harris Co. Inc., Siemens Corp., Houdaille Industries Inc. and Westinghouse Electric Corp.

Those expanding existing facilities included Sikorsky Aircraft, Motorola Inc. and International Business Machines Corp.

The perception of Florida as a desirable place to live and work, coupled with the availability of more job opportunities, had a pronounced effect on FPL in 1978. During the year, the Company added 104,600 customers.

Meanwhile, population of the state increased to 8.97 million, a gain of 2.9 percent over 1977. Estimated population of FPL's service territory for the year was 4.6 million, a gain of 3.7 percent over 1977.

One recent survey indicated 11 of the nation's 30 fastest growing metropolitan areas are in Florida, and six—Fort Myers, Fort Lauderdale-Hollywood, Sarasota, West Palm Beach-Boca Raton, Bradenton and Daytona Beach—are in FPL's service area.

The increase in population brought with it increased demand for housing. Florida housing starts were running 48 percent ahead of last year.

Agriculture, another staple in the economy of the area serviced by FPL, continued to make strong contributions.

As for 1979, the economy is expected to show improvement in several areas. Total Florida employment is expected to increase. This is expected to contribute to an increase in personal income for Floridians.

Also on the horizon is another development which could favorably influence Florida's economy—the space shuttle. The first shuttle test is scheduled in September at Kennedy Space Center, the nation's prime

spaceport. Observers note that could signal "the start of a whole new era."

Thus, the picture emerging for 1979 is one of continued growth, moderated perhaps by a slowdown in the national economy which could, of course, affect Florida.

Use of Electricity

FPL customers, most of whom are residential, consumed more electric energy in 1978 than in 1977.

FPL's average residential user consumed 11,790 kwh during the year, 3.7 percent more than the 11,370 of 1977. In contrast, the national average among investor-owned utilities for the 12 months ended October 1978 was 8,419 kwh.

For 1978, 89 percent of the Company's customers were residential and 11 percent were commercial and industrial.

Peak Demand

Because of heavy air-conditioning requirements, FPL in recent years has been a summer peaking utility. Although cold-weather peaks have been measured the past three winters, the Company continues to build around summer peak projections.

In the summer just passed, for example, the peak of 8,345 mw was reached between 5 and 6 p.m. on August 29. It was 6 percent greater than the summer peak of 1977.

The Company's record peak demand of 8,791 mw was established during a cold snap on Feb. 2, 1979. It surpassed the previous mark of 8,617 mw set Feb. 23, 1978.

Load Forecast

In its forecasting, FPL projects a range of growth rates in both sales and peak. Through 1988, the range of growth for peak load is projected to be between 3.4 and 5.1 percent per year.

Key variables affecting load growth are customer growth, per-capita income, employment and the price of electricity. Other major factors in load projections are the weather, conservation practices, electric appliance saturation and improved appliance efficiency. Florida has proved to be unique in some respects because of a large retiree population and a significant number of seasonal residents and second homes. The Company already has begun to feel the impact of new replacement appliances that are more energy efficient.

Industrial and commercial segments, having few other sources of fuel available, already are heavily dependent on electricity. Here, again, the Company has begun to feel the impact of energy conservation practices. Effects of these measures and more efficient appliances are reflected in the forecast of load growth.

FPL maintains flexibility in its planning. Should growth be higher than forecast, for instance, there are five generating units on cold standby that can be reactivated. Also, the Company has additional options of purchasing gas turbines and/or initiating load management techniques.

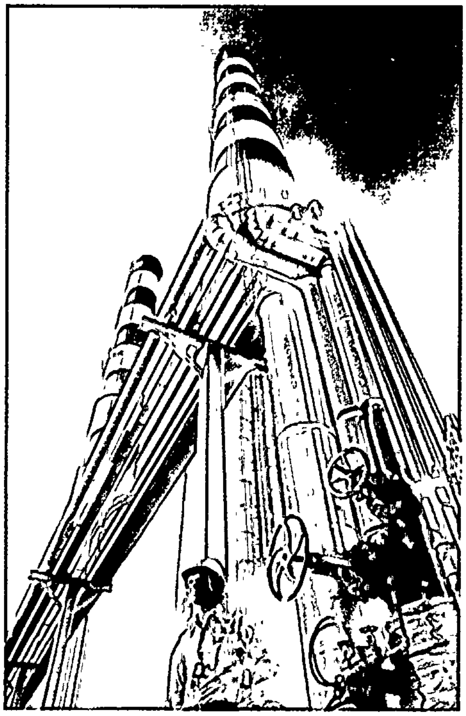
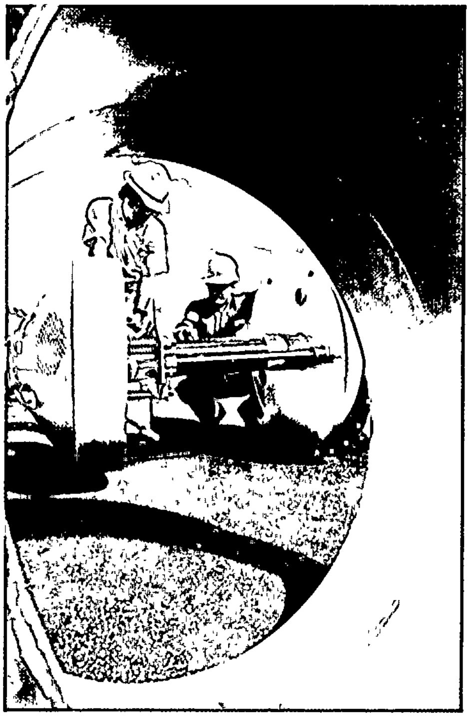
Energy Management

With customers intent on saving energy and holding down rising costs, FPL, like most utilities, has initiated programs in load management and energy conservation.

These activities include a broad communications program showing customers how to be more conservation-conscious; an experimental project allowing the Company to interrupt service, through remote control, to heating, air-conditioning and water heating



From left, Vice Presidents H.J. Dager Jr., Engineering, Project Management and Construction; Tracy Danese, Public Affairs; and J.H. Francis Jr., Corporate Communications.

FPL at work maintaining air quality. Left: Stacks at Turkey Point Plant jut majestically into blue South Florida skies. Center: Pollution control equipment being added to several FPL power plants. Right: Welders install new emission-reducing oil burner at Cape Canaveral Plant.

systems in 125 Boca Raton homes; a program encouraging architects and builders to produce structures designed for Watt-Wise Living™; solar technology activities, including participation and sponsorship in the national "Sun Day" observance; and research into microwave oven and water heater usage.

Additional evidence of the Company's interest in this area is its support of the Electric Power Research Institute, the research and development arm of the electric utility industry. FPL's contribution to this cooperative effort of looking for new and better ways to meet the nation's growing energy needs was $5.1 million in 1978 and is expected to grow to $5.7 million in 1979.

The Company has numerous R&D involvements of its own, as well. Among them are a lightning research project, a solar heating and off-peak air-conditioning study and a program aimed at combating corrosion of underground power lines. Company researchers also track progress made by other utilities and government energy agencies in such areas as pricing concepts, remote meter reading and the development of energy-efficient modernization programs for existing buildings.

In another venture, FPL has contracted to buy steam from a county-owned resource recovery plant that will recycle energy from solid waste when the plant becomes operational in the early 1980s. The purchased steam will be used to generate electricity.

In each instance, the ultimate goal is to conserve energy and to shave peak demand and thereby help postpone building the generating capability required to meet future demand.

Improving Efficiency

Strict budgetary considerations and the efforts of FPL employees in improving operating efficiency were strong contributors to the Company's 1978 financial performance. Likewise, the 1979 Corporate goal of keeping cost increases near the rate of inflation requires a tight control on

the number of employees and puts the spotlight on increased productivity and efficiency.

An excellent example of the Company's pursuit of better ways to do things involves looking at methods to save fuel costs. Right now, for instance, FPL is installing high-efficiency oil burners capable of burning lower grade, cheaper fuels without causing environmental harm.

Other efforts include use of an analytical computer program to assist in nuclear licensing activities, installation in district offices of equipment to electronically display customer information and employment of environmentally acceptable chemicals to control growth of vegetation along Company rights-of-way.

As a rule, increased efficiency translates into lower costs and more dependable service. When the rigorous search for improvement helps to reduce the growth in energy demands, it also helps to postpone the need to build a new power plant, thereby saving both energy costs and capital costs.

Generating Capacity

With the placing into commercial operation of the second Putnam unit on April 24, 1978, the Company's installed generating capacity rose to 10,886 mw.

The combined-cycle unit was the only new generating unit put into service during the year.

However, in December, Riviera Units No. 1 and 2 were brought back on line from cold standby reserve.

At year's end, system capability stood at 10,941 mw.

Generation Mix

The Company's generating plants utilize residual oil, distillate oil, natural gas and nuclear fuel. None burn coal, although the Company plans to build coal units for service in the mid-1980s.

The proportion of generation by fuel for 1978 consisted of residual oil, 49 percent; nuclear, 30; natural gas, 18; gas turbines-distillate oil and natural gas, 2; and combined-cycle-oil, 1.

Average fuel costs per kwh, in mills, were nuclear, 2; natural gas, 8.49; residual oil, 19.57; gas turbines-distillate oil and natural gas, 21.15; and combined-cycle-oil, 26.29. For all fuels, average cost was 12.41 mills per kwh generated.

Nuclear Power

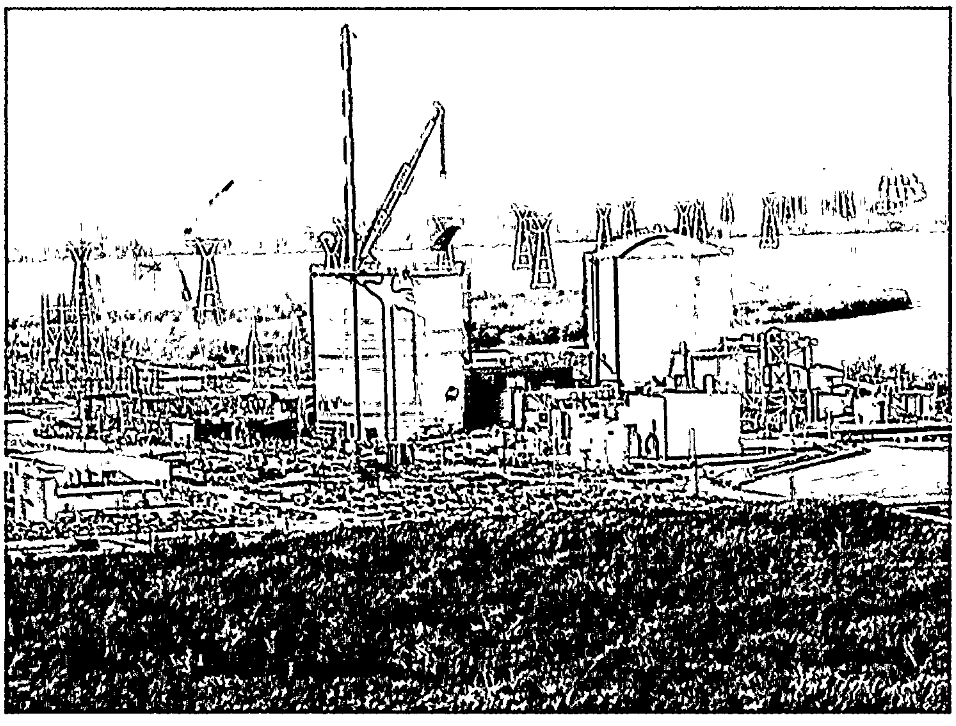
Generating capability includes two nuclear units at Turkey Point Plant with 1,332 mw and one unit at St. Lucie Plant with 777 mw of capacity. In 1978, the three units generated 13.3 billion kwh. In comparison, it would have taken 21 million barrels of oil at an increased cost of $233 million to produce an equivalent amount of power. Since FPL first began nuclear generation in 1972, fuel savings of $924 million compared to the cost of oil have been realized.

Work is proceeding on a second nuclear unit at St. Lucie. It has approximately the same planned capability as the first unit and is scheduled for completion in 1983.

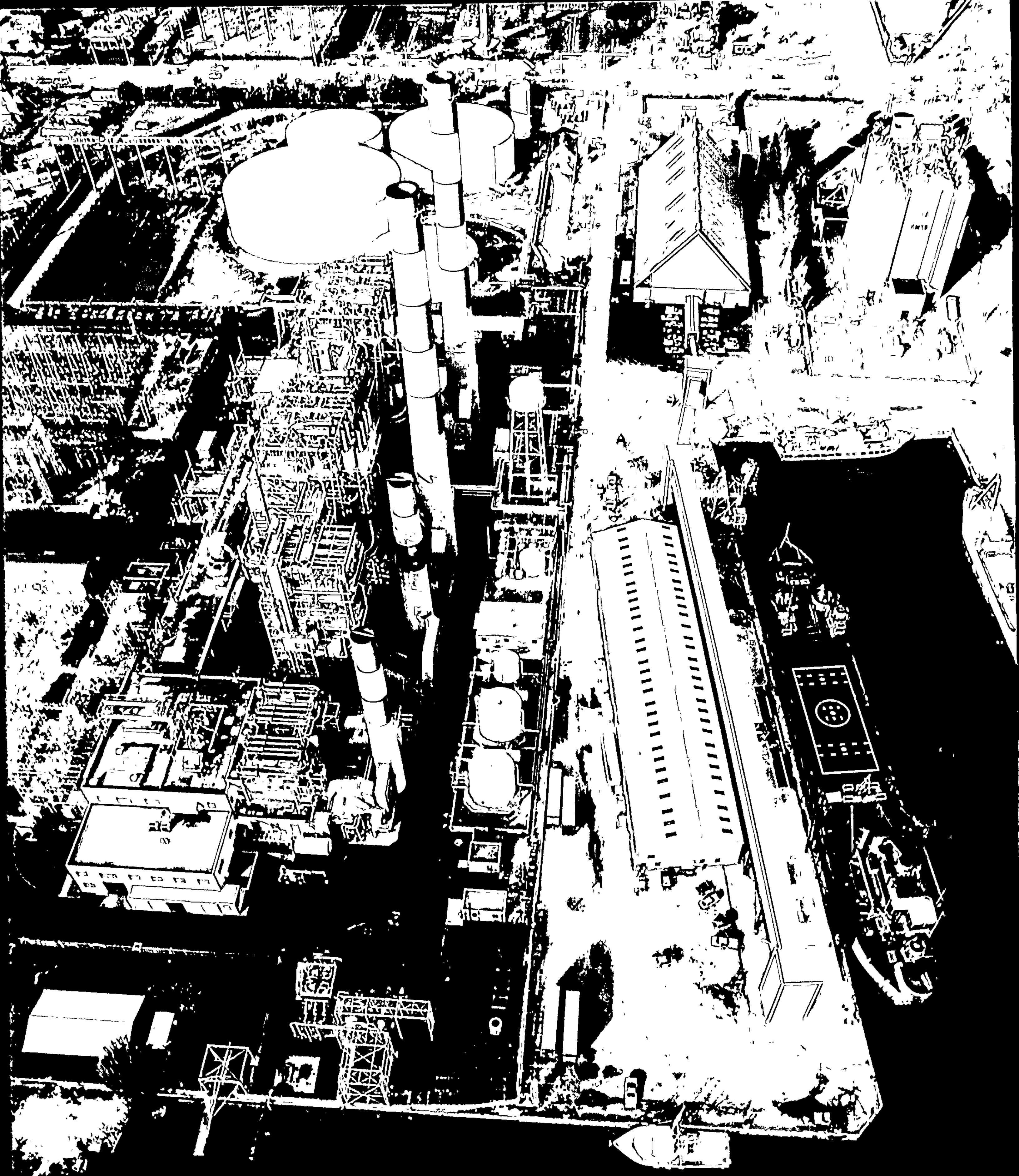
In December 1978, the U.S. Court of Appeals for the District of Columbia Circuit rendered a judgment which affirmed decisions of the Nuclear Regulatory Commission (NRC) authorizing construction of the unit. However, certain matters concerning the construction permit are pending before the Atomic Safety and Licensing Appeal Board.

At Turkey Point Units 3 and 4, the Company is experiencing problems with the steam generators and has had to plug certain pressurized water

From left, Vice Presidents R.J. Gardner, Strategic Planning; W.M. Klein, Economic Development; and A.D. Schmidt, Power Resources.



FPL at work providing the fuels from which electricity is made. Left: Fuel costs for nuclear plants, such as this one at St. Lucie, are lower than for fossil-fuel plants. Right: Oil tanker discharges its precious cargo into Riviera Plant storage containers.



circulation tubes in the steam generators. Approximately 17.3 percent of the tubes in Unit No. 3 and 18.7 percent of the tubes in Unit No. 4 have been plugged. Both units are licensed to have up to 25 percent of the tubes plugged and still operate at full power.

No decision has been made as to when permanent repairs will begin. The Company estimates that the amount of time required to repair each unit will be a period of 6-9 months, not 9-12 months as originally anticipated. The cost to replace the steam generator tube bundles is estimated to be $51 million per unit.

Unit No. 3 was taken off the line in January 1979 for its annual refueling and overhaul. The outage is scheduled to last into April 1979, allowing time for a planned overhaul of the turbine-generator.

During the 1978 refueling outage of St. Lucie Unit No. 1, minor corrosion was detected in its steam generators. This year during the annual refueling outage in the spring, FPL plans to chemically clean the steam generators.

In other proceedings before the NRC, an antitrust hearing has been ordered concerning St. Lucie Unit No. 2. The NRC also has indicated it is considering initiating a proceeding concerning the licenses of the three operating nuclear units as a result of the decision in the Gainesville Antitrust Suit. A discussion of that litigation is contained in Note 7 of Notes to Consolidated Financial Statements.

Coal in the Fuel Mix

To keep pace with anticipated future generation needs, the Company has to plan at least 10 years ahead, since that is the lead time required to build a new generating plant. The increasingly complex government requirements and approvals that must be met require an even longer planning horizon for building nuclear plants. As a result of red tape associated with nuclear projects, plus federally mandated prohibitions on the use of gas and oil in new plants, FPL has turned its sights to coal.

On the drawing boards now are two coal-fired units to be built at the existing Martin Plant site along the eastern shores of Lake Okeechobee. The first unit is estimated to cost $830 million. Planned capability is in the 700-mw range for each unit. The units are scheduled for the mid-1980s.

Meanwhile, construction is continuing on two oil-fired units at the site. They are expected to be finished in 1980 and 1981. Capability is planned at 775 mw apiece.

FPL also is discussing plans with the Jacksonville Electric Authority for possible joint construction of a coal plant in Northeast Florida for the late 1980s. Supply alternatives and the question of how to transport the coal are being evaluated. Rail, barge, slurry pipeline or combinations of those three methods are being considered.

Fuel Supply

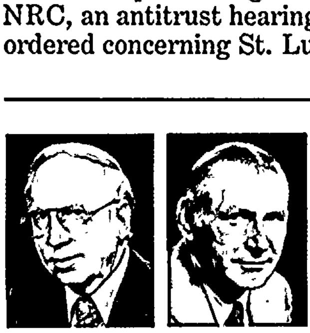
Oil, gas and uranium have been the lifeblood of FPL's power production.

The Company has a contract with Exxon Corp. that provides a substantial portion of residual oil requirements through 1981. FPL also has a contract for most of the distillate fuel requirements through early 1980.

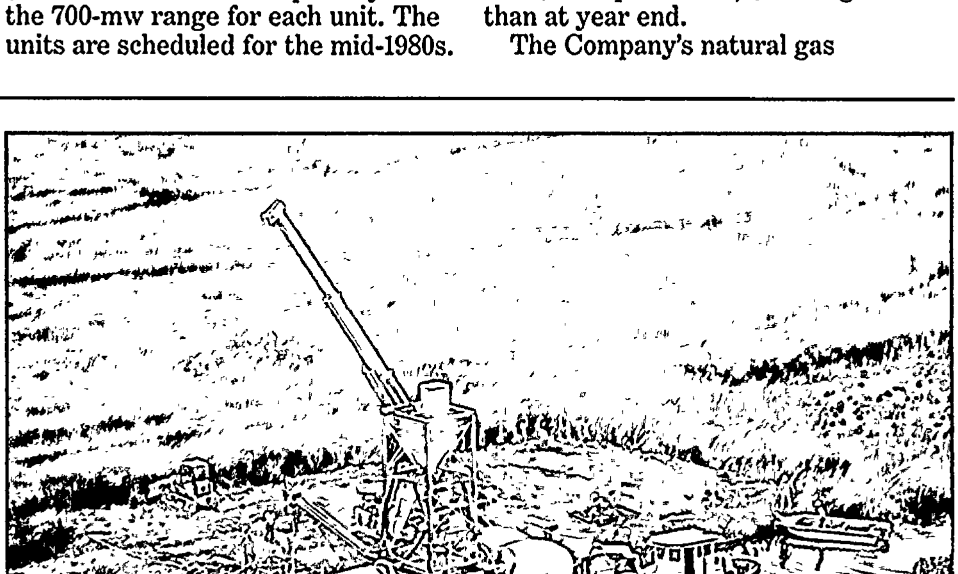
Additional fuel may be acquired through competitive open-market purchases or new contracts.

As of Feb. 6, 1979, the price of residual oil at Port Everglades Plant was $15.41 per barrel, $1.28 higher than at year end.

The Company's natural gas



From left, Vice Presidents R.E. Tallon, Divisions, and R.E. Uhrig, Advanced Systems and Technology.



FPL at work building to meet customer needs. Left: Work on high-voltage transmission line through the Everglades is done from barges. Right: Superstructure of Martin Plant takes shape, silhouetted against cloudless heavens.


AMERICAN

contract with Sun Oil Co. expires in June 1979. It covers approximately 20 percent of the Company's gas supplies. Expiration of this contract will increase Company reliance on more expensive fuel oil. Discussions are underway to seek possible additional gas supplies.

Another contract which expires in 1988 provides for the balance of the gas supply.

In 1978, the Company also moved closer to its goal of assuring adequate supplies of nuclear fuel when it signed two long-term contracts for uranium. The uranium would be produced as a by-product of a Florida phosphate fertilizer operation. The fuel would be extracted from phosphoric acid at facilities to be built in Polk County east of Tampa.

In October 1978, a federal judge ruled that Westinghouse Electric Corp. was not excused from honoring its fuel supply contract with the Company. A second phase of the trial will commence in May 1979 to determine the extent of damages owed to FPL. The 3-year-old suit involves the fuel service contract for both Turkey Point nuclear units.

In 1979, oil is expected to continue as the main fuel source. Meanwhile, FPL will be seeking additional long-term suppliers for its increased oil and uranium requirements.

Construction Budget

The Company estimates expenditures under its 1979-81 construction program will approximate $2 billion, and $662 million has been budgeted for 1979.

As with load forecasts, the construction budget is subject to continuing scrutiny and adjustment. FPL is keeping the program as flexible as possible to accommodate factors that develop or change.

Financing in 1979

External financing will pick up in 1979. The Company estimates $275 million will have to be raised from external sources, including approximately $14 million through issuance of common stock to employee benefit plans.

The Company is investigating a $50 million nuclear fuel lease arrangement which is expected to provide a portion of needed financing in the first half of 1979. A significant portion of the balance of 1979 requirements is likely to be first mortgage bonds. In that regard, FPL management feels it is important to maintain flexibility, especially in areas which affect the timing and type of securities that will be used to meet cash requirements.

The objective of this approach is to position the Company so needed funds can be raised at the lowest possible cost.

Interconnections

FPL has interconnection agreements with nine neighboring utilities—seven municipal and two investor-owned. An interconnection with Georgia Power Corp. is planned. The two systems will be linked in 1980 with 240-kilovolt (kv) lines in order to enhance FPL system stability and reliability.

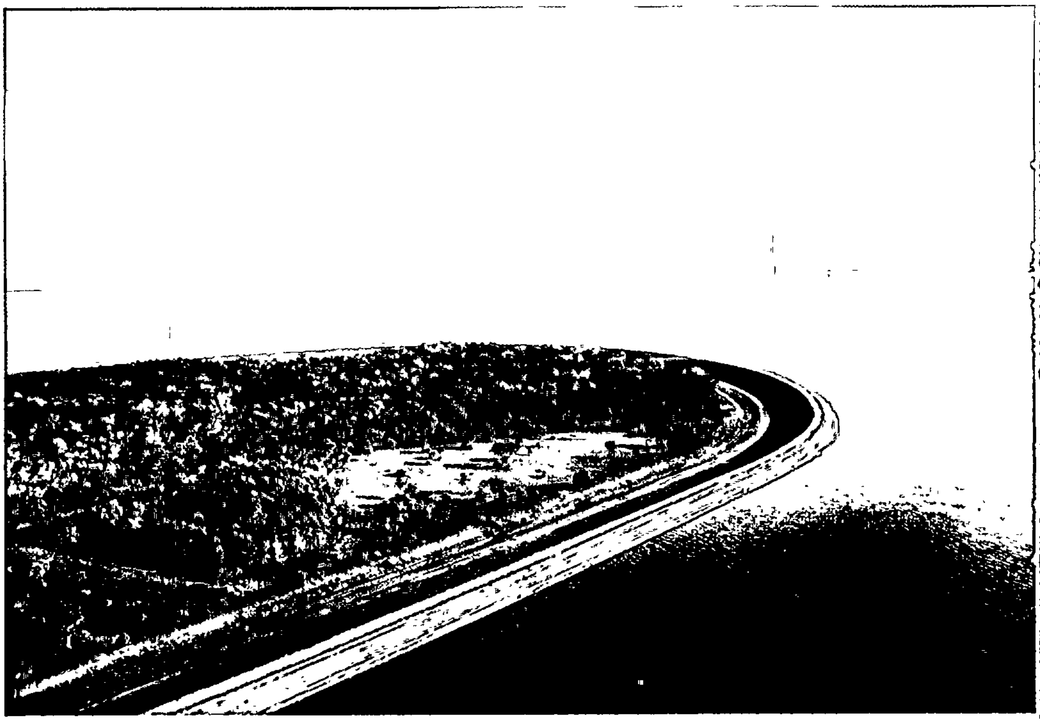
Power Delivery

FPL made considerable progress in 1978 in expanding its high-voltage transmission system. Work proceeded on several legs of a 500-kv grid destined to criss-cross FPL's territory by the early 1980s.

The next stretch planned for completion will permit a greater transfer of bulk power into extreme South Florida from upstate.

In 1978, Company officials initiated a study to determine future power

Principal FPL officers include (from left) J.L. Howard, Treasurer; Astrid Pfeiffer, Secretary; and H.P. Williams Jr., Comptroller.



FPL at work out of doors. Barley Barber Swamp was saved when the Company built this cooling system at Martin Plant around it, not through it. The swamp contains abundant animal and bird life, including an active eagle's nest, and is home to one of the state's oldest cypress trees. Right: Manatee Plant workman examines turbine blades.

needs for Dade County where about one-third of FPL customers live. Dade County presents a unique planning dilemma because only one plant, Turkey Point, is located there. The Company will apply the findings of the study to its consideration of both transmission and generation alternatives. Options to be considered are new generation, including coal, for the early 1990s on Company property adjoining Turkey Point Plant; new transmission routes across environmentally sensitive areas to other sites; or a combination thereof.

In all, 1979 activity promises to be eventful with approximately 340 miles of transmission line under construction. Never before has the Company had as much line-building activity in one given year.

Also of significance in the area of power delivery will be the completion this year of a new computerized system control center in Miami. It will monitor and control the entire FPL electrical system, integrating divisional systems being installed in Sanford, Sarasota, West Palm Beach and Fort Lauderdale.

Regulation and Rates

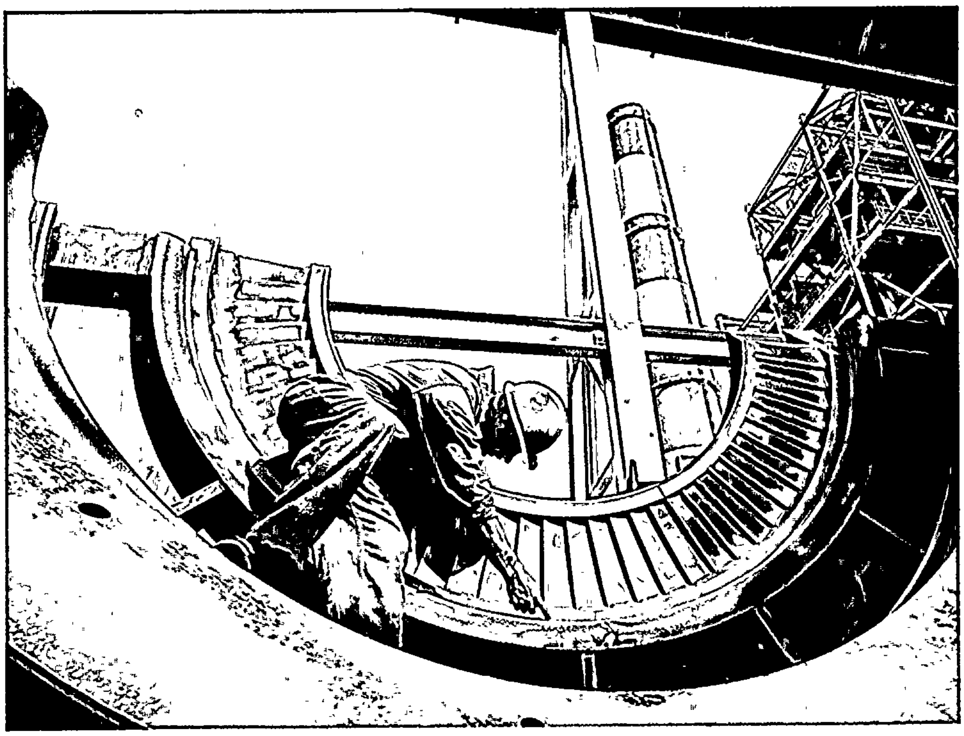
FPL rates for retail sales are regulated by the Florida Public Service Commission (FPSC) and, for wholesale sales, by the Federal Energy Regulatory Commission (FERC), an agency of the U.S. Department of Energy.

A number of significant regulatory events involving the two commissions took place in 1978.

FPSC — Effective Jan. 2, 1979, the FPSC was restructured by the state legislature, becoming a 5-member appointed Commission with staggered 4-year terms. Previously, it had been a 3-member elected panel.

Two new Commissioners were appointed by former Gov. Reubin Askew. Their terms commenced on Jan. 2, 1979, and will run for four years. The newly appointed Commissioners are Joe Cresse, who served as budget director for the State of Florida, and Gerald L. Gunter, who served on the Titusville City Council.

The nominating council has sent a list of nominees to Gov. Robert Graham for appointment to the three seats currently being filled by Commissioners Paula F. Hawkins, W.T. Mayo and R.T. Mann.



At press time, the appointments had not been made.

No applications for rate increases were filed with the FPSC in 1978, and Company officers have gone on public record saying that, barring emergencies, they do not expect base rates to be increased in 1979.

In the Company's last rate case, which took effect July 8, 1977, an inverted residential rate feature was included that provides for the first 750 kwh to be billed at a lower rate than consumption above 750 kwh. As a result of its implementation, 1978 revenue was approximately $5 million higher than it would have been under the traditional declining block rate structure.

In non-rate-related developments affecting FPL in 1978, the FPSC:

- sanctioned a deposit refund plan for FPL customers. By year end, the Company had refunded over $20 million to customers having continuous service for at least 25 months and a satisfactory payment record during the last 12 of those months.
- broadened the Company's financing flexibility by increasing the maximum amount of allowable short-term debt that can be outstanding.
- initiated a formal proceeding to determine whether, as a result of the reduction in income taxes caused by enactment of the Revenue Act of 1978, electric utilities are earning in excess of their allowed return. Hearings will be held at a later date.
- ordered the Company to adopt a plan allowing customers to have a third party receive copies of delinquency notices advising of possible service termination.
- opened several dockets dealing with implementation of the Public Utility Regulatory Policy Act of 1978,

including mandated conservation and rate structures.

FERC—In the only rate activity of the year, an FPL request for an increase in sale-for-resale rates which was filed in 1977 was placed in effect in March 1978, subject to refund with interest, pending final disposition of the case by the FERC.

In other developments during the year, the FERC:

• approved FPL's petition to withdraw an application for approval of a proposed acquisition of the City of Vero Beach electric system.

• called for an investigation of Florida Gas Transmission Co. and Amoco Production Co. concerning possible violations of the Natural Gas Act. FPL also is party to the investigation because it has contractual arrangements with both firms.

• issued a show-cause order concerning allegations by a municipal utility authority that the Company violated provisions of its sale-for-resale tariff and the Federal Power Act by refusing to provide service to the authority. A response was filed by FPL in July 1978.

A previous FERC decision that FPL's gas supply is not subject to the curtailment plan of Florida Gas Transmission Co. has been appealed to the courts.

Environmental Affairs

FPL continues to work aggressively to protect natural resources and the health and welfare of Floridians. Toward that end, the Company works frequently and regularly with federal, state and local government environmental agencies on compliance with laws and regulations, both existing and proposed.

As these laws and regulations proliferate and become more complex and demanding, the cost of compliance becomes a matter of increasing concern for customers and stockholders alike. During 1978, FPL capital expenditures included about $22 million to achieve a cleaner environment. Similarly, the construction program for 1979 includes approximately $29 million to meet environmental requirements. New legislation or regulation could result, of course, in even further increases.

FPL is working on many projects to improve the environment. In 1978, a great deal of attention focused on Barley Barber Swamp, an environmentally valuable area which the Company preserved while developing the cooling reservoir at Martin site.

The Company also was commended for its work with the Audubon Society to save manatees, or sea cows. The species is threatened with extinction.

Energy Legislation

An important issue to the Company in 1979 is interpretation of national energy legislation enacted in November 1978.

The Powerplant and Industrial Fuel Use Act of 1978, a part of the national energy legislation, requires oil-burning plants for which construction or acquisition began on a date after April 20, 1977 to convert to coal unless an exemption is obtained from the Economic Regulatory Administration (ERA). The ERA has issued interim regulations that define "construction began" as "operational" and has advised the Company that based on a preliminary review some of the Company's units may be covered by the interim regulations. In the opinion of the Company, these regulations are not in compliance with the Act. All of the Company's units began construction well before April 20, 1977. Should the Company have to convert some units to coal, the Company's financial position could be adversely affected to the extent it would be unable to recover these conversion costs, which would be substantial, through its rates. The Company's generating reserves could be adversely affected.

Legal Proceedings

The Company is a party to various legal proceedings. Details are contained in Note 7 of Notes to Consolidated Financial Statements.

Governmental Relations

In an area of increasing importance, FPL has identified the need to participate in the legislative process to bring sense and fairness into the consideration of energy legislation. The program is based on the conviction of Chairman Marshall McDonald that "it is imperative we explain what we are doing, why we are doing it and what results are expected."

In Retrospect....

During 1978, FPL experienced a distinct improvement in the Company's financial integrity, which was achieved through rate relief and determined efforts at internal cost control. FPL continued to provide reliable service for a rapidly increasing number of customers. At the same time, numerous advancements and improvements were made in Company operations.

Looking to the future, however, FPL is faced with the ever-present pressures of inflation and new challenges in the public and political arenas. These forces emphasize the need for increasing Corporate excellence in order for the Company to be able to serve the best interests of customers, employees and investors alike. If FPL is to succeed in its aim of continuing to be a well managed electric utility, it must maintain financial strength, satisfied customers and dedicated employees.

These are constant Company objectives, which must be supported by short-term goals—measurable standards of performance. FPL's success as a Company depends to a great extent on how well it measures up to these standards.

Florida Power & Light Company
Financial & Statistical Information 1978

Contents

Management's Discussion and Analysis of the Consolidated Summary of Operations, together with the Consolidated Summary of Operations, appears on pages 4-7.

Opinion of Independent Certified Public Accountants

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

We have examined the consolidated balance sheets of Florida Power & Light Company and subsidiaries as of December 31, 1978 and 1977 and the related consolidated statements of capitalization, 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, 1978 and 1977 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

February 12, 1979

Florida Power & Light Company and Subsidiaries
Consolidated Balance Sheets, December 31, 1978 and 1977

(Thousands of Dollars)	1978	1977
Assets		
ELECTRIC UTILITY PLANT (Notes 1 and 6):		
At original cost	$4,025,649	$3,821,809
Less accumulated depreciation	869,887	741,862
Net	3,155,762	3,079,947
Construction work in progress	806,471	574,813
Nuclear fuel (less accumulated amortization of $21,673 at December 31, 1978 and $10,592 at December 31, 1977)	130,001	118,702
Electric utility plant—net	4,092,234	3,773,462
INVESTMENTS:		
Storm and property insurance reserve fund (Note 1)	15,099	14,406
Other	6,354	8,125
Total investments	21,453	22,531
CURRENT ASSETS:		
Cash (Note 4)	4,952	3,824
Temporary investments (at cost which approximates market)	28,701	—
Accounts receivable:		
Customers (less allowance for uncollectible accounts of $3,478 at December 31, 1978 and $4,502 at December 31, 1977)	93,454	80,130
Employees and miscellaneous	6,838	6,172
Materials and supplies—at average cost	61,765	66,662
Fossil fuel stock—at average cost	85,145	66,082
Prepaid expenses	21,471	9,815
Other	14,742	4,394
Total current assets	317,068	237,079
DEFERRED DEBITS:		
Unamortized cancelled project costs (Note 6)	14,842	20,278
Accumulated deferred income taxes (Note 1)	7,997	5,084
Unamortized debt expense and loss on reacquired debt	5,653	5,056
Other	898	7,812
Total deferred debits	29,390	38,230
Total	$4,460,145	$4,071,302

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, 1978 and 1977

(Thousands of Dollars)	1978	1977
Liabilities		
CAPITALIZATION (See Statements of Capitalization):		
Common shareholders' equity	$1,309,862	$1,200,189
Preferred stock	386,250	336,250
Long-term debt	1,766,861	1,744,243
Total capitalization	3,462,973	3,280,682
CURRENT LIABILITIES:		
Long-term debt—current portion	62,618	12,693
Accounts payable—trade	46,480	39,508
Customers' deposits	79,120	84,507
Income taxes (Note 1)	57,257	44,874
Other taxes	35,118	33,485
Interest accrued	39,055	34,405
Pension cost accrued (Note 1)	31,919	25,450
Tax collections payable	13,882	11,628
Other	44,753	29,499
Total current liabilities	410,202	316,049
DEFERRED CREDITS:		
Accumulated deferred income taxes (Note 1)	370,329	299,722
Unamortized investment credit (Note 1)	176,883	141,237
Other	14,939	11,040
Total deferred credits	562,151	451,999
RESERVES:		
Storm and property insurance (Note 1)	15,099	14,406
Injuries and damages and other	9,720	8,166
Total reserves	24,819	22,572
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)		
Total	$4,460,145	$4,071,302

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, 1978 and 1977

(Thousands of Dollars)			1978	1977
COMMON SHAREHOLDERS' EQUITY:				
Common Stock, no par, authorized 50,000,000 shares; outstanding—40,314,552 shares in 1978 and 40,050,000 shares in 1977 (Note 3)			$ 756,841	$ 749,375
Capital stock premium and expense			(3,751)	(3,715)
Retained earnings			556,772	454,529
Total common shareholders' equity			1,309,862	1,200,189
PREFERRED STOCK—$100 Par Value, authorized 5,000,000 shares (Note 3):	Shares Outstanding	Current Redemption Price		
4½% Series	100,000	$101.00	10,000	10,000
4½% Series A	50,000	101.00	5,000	5,000
4½% Series B	50,000	101.00	5,000	5,000
4½% Series C	62,500	103.00	6,250	6,250
4.32% Series D	50,000	103.50	5,000	5,000
4.35% Series E	50,000	102.00	5,000	5,000
7.28% Series F	600,000	106.57	60,000	60,000
7.40% Series G	400,000	106.23	40,000	40,000
9.25% Series H	500,000	115.00	50,000	50,000
10.08% Series J	750,000	111.50	75,000	75,000
8.70% Series K	750,000	109.85	75,000	75,000
8.84% Series L	500,000	109.84	50,000	—
Total Preferred Stock			386,250	336,250
LONG-TERM DEBT (Notes 1 and 3):				
First Mortgage Bonds:				
Maturing through 1983—				
3⅛% Due June 1978			—	11,000
3% Due June 1979			10,000	10,000
8⅛% Due August 1980			50,000	50,000
3⅝% Due November 1981			10,000	10,000
8⅞% Due May 1982			100,000	100,000
3⅞% Due April 1983			15,000	15,000
Maturing 1984 through 1993—3⅛% to 9⅛%			225,000	225,000
Maturing 1994 through 2003—4⅝% to 8%			675,000	675,000
Maturing 2004 through 2008—8½% to 10⅛%			436,289	361,289
Pollution Control Series A, 6.10% Due January 2008			19,400	—
10¾% Notes Due November 1981			125,000	125,000
Note, 1% over prime Due February 1982			6,048	7,560
Bank Notes (under term loan agreement) Due June 1979			50,000	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			4,145	4,200
Unamortized Premium and Discount			4,922	5,085
Short-term debt refinanced			—	9,000
Promissory Notes of Subsidiaries—7½% to 9⅛% Due Various to December 1995			6,585	6,712
Total long-term debt			1,829,479	1,756,936
Less current maturities			62,618	12,693
Long-term debt excluding current maturities			1,766,861	1,744,243
Total capitalization			$3,462,973	$3,280,682

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 Income
for the years ended December 31, 1978 and 1977

(Thousands of Dollars)	1978	1977
OPERATING REVENUES (Notes 1 and 5)	$1,647,226	$1,464,584
OPERATING EXPENSES:		
Operations:		
Fuel	551,376	497,015
Other production	17,031	14,709
Transmission and distribution	46,176	42,953
Customers	42,839	38,082
Administrative and general	110,607	91,267
Maintenance	85,865	67,579
Depreciation (Notes 1 and 6)	144,267	125,166
Income taxes (Note 1)	198,163	171,098
Taxes other than income taxes	132,205	117,807
Total operating expenses	1,328,529	1,165,676
OPERATING INCOME	318,697	298,908
OTHER INCOME (DEDUCTIONS):		
Allowance for other funds used during construction (Note 1)	20,319	16,009
Income taxes (Note 1)	827	(1,558)
Other—net	3,382	(1,731)
Other income—net	24,528	12,720
INCOME BEFORE INTEREST CHARGES	343,225	311,628
INTEREST CHARGES:		
Interest on first mortgage bonds	116,446	113,530
Interest on other long-term debt	24,031	22,947
Other interest	5,619	7,606
Allowance for borrowed funds used during construction (Note 1)	(14,112)	(12,893)
Interest charges—net	131,984	131,190
NET INCOME	211,241	180,438
PREFERRED DIVIDEND REQUIREMENTS	29,138	27,653
NET INCOME APPLICABLE TO COMMON STOCK	$ 182,103	$ 152,785
Average number of common shares outstanding (in thousands)	40,120	40,050
Earnings per average share of Common Stock	$4.54	$3.81
Dividends per share of Common Stock	$2.00	$1.66

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, 1978 and 1977

(Thousands of Dollars)	1978	1977
BALANCE AT BEGINNING OF YEAR	$454,529	$368,227
NET INCOME	211,241	180,438
Total	665,770	548,665
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 ($2.23 a share)	1,117	—
Common stock	80,228	66,483
Total	108,998	94,136
BALANCE AT END OF YEAR	$556,772	$454,529

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 $454.3 million of retained earnings is available for payment of dividends on Common Stock at December 31, 1978. In the event that the Company should be in arrears on its sinking fund obligations, which commence in 1980, for the 10.08% 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, 1978 and 1977

(Thousands of Dollars)	1978	1977
Sources of Funds:		
Current operations:		
Net income	$211,241	$180,438
Depreciation	144,267	125,166
Amortization of nuclear fuel assemblies	11,081	9,487
Deferred investment credit—net	35,646	35,513
Deferred income taxes	67,695	91,660
Allowance for other funds used during construction	(20,319)	(16,009)
Total	449,611	426,255
Sale of first mortgage bonds	75,202	—
Reimbursement by trustee from pollution control and industrial development financings for construction expenditures	18,476	32,291
Issuance of other long-term debt	—	9,000
Issuance of common stock	7,466	—
Sale of preferred stock	50,134	—
Other sources	20,825	12,524
Decrease in working capital	14,164	59,706
Total	$635,878	$539,776
Application of Funds:		
Construction expenditures*	$432,586	$316,434
Nuclear fuel*	19,925	42,917
Retirement, redemption and current maturity of long-term debt	71,617	76,405
Dividends	108,998	94,136
Other applications	2,752	9,884
Total	$635,878	$539,776
Change in Working Capital Effected By:		
Increase (Decrease) in current assets:		
Cash and temporary investments	$ 29,829	$ (4,824)
Accounts receivable	13,990	(29,687)
Fossil fuel stock	19,063	12,545
Other changes—net	17,107	(4,929)
Decrease (Increase) in current liabilities:		
Notes payable and current portion of long-term debt	(49,925)	19,029
Accounts payable	(6,972)	(8,208)
Customers' deposits	5,387	(13,563)
Income taxes	(12,383)	(37,064)
Revenue refunds	—	24,558
Other changes—net	(30,260)	(17,563)
Increase (Decrease) in Working Capital	$ (14,164)	$ (59,706)

*Excluding Allowance for other funds used during construction. See Note 1—AFUDC.

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, 1978 and 1977

(Thousands of Dollars)	1978	1977
Income Taxes		
Federal:		
Charged to operating expenses:		
Current	$ 73,659	$ 37,573
Deferred		
Accelerated depreciation	53,220	46,521
Debt component of AFUDC	6,405	5,983
Repair allowance	5,117	8,913
Other	(1,617)	2,583
Deferred in prior years		
Accelerated depreciation	(1,934)	(3,078)
Debt component of AFUDC	(662)	(526)
Repair allowance	(931)	(709)
Estimated revenue refunds	—	11,198
Other	2,002	2,371
Charge equivalent to the investment credit	47,535	46,628
Amortization of investment credit	(4,695)	(3,655)
Total	178,099	153,802
Charged to other income:		
Current	(212)	(7,878)
Deferred—net	(585)	9,247*
Total Federal	177,302	155,171
State:		
Charged to operating expenses:		
Current	13,320	9,155
Deferred		
Accelerated depreciation	5,835	5,099
Debt component of AFUDC	702	665
Repair allowance	561	977
Other	(178)	284
Deferred in prior years		
Accelerated depreciation	(198)	(332)
Debt component of AFUDC	(73)	(58)
Repair allowance	(102)	(78)
Estimated revenue refunds	—	1,228
Other	197	356
Total	20,064	17,296
Charged to other income:		
Current	34	(825)
Deferred—net	(64)	1,014*
Total State	20,034	17,485
Total income taxes	$197,336	$172,656

*Deferred federal and state income tax provisions charged to other income in 1977 related to the cancelled South Dade project costs described in Note 6—Construction Program.

Schedule of Taxes (Continued)

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

	1978		1977	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed at statutory rate	$196,117	48.0%	$169,485	48.0%
Increases,(reductions) in tax resulting from:				
Allowance for other funds used during construction	(9,753)	(2.4)	(7,684)	(2.2)
State income taxes—net of federal tax benefits	10,418	2.6	9,092	2.6
Other—net	554	0.1	1,763	0.5
Recorded income tax expense	$197,336	48.3%	$172,656	48.9%

Other Taxes

	1978	1977
Taxes other than federal and state income taxes:		
Federal and state payroll	$ 11,343	$ 9,506
Real and personal property	41,308	38,848
State gross receipts	23,955	21,125
Franchise charges	55,862	47,967
Miscellaneous	14,907	7,929
Total other taxes	$147,375	$125,375
Charged to:		
Operating expenses—other taxes	$132,205	$117,807
Utility plant and other accounts	15,170	7,568
Total	$147,375	$125,375

Schedule of Allowance for Funds Used During Construction for the years ended December 31, 1978 and 1977

(Millions of Dollars)	1978	1977
Monthly average Construction work in progress (CWIP)	$669.9	$625.2
Less:		
Amount included in rate base	200.0	200.0
AFUDC previously capitalized and included in monthly average CWIP	60.9	60.3
Other	76.9	53.4
CWIP base for computing AFUDC	332.1	311.5
Nuclear fuel base for computing AFUDC (1)	46.3	—
Total base for computing AFUDC	378.4	311.5
Capitalization rate (2)	9.10%	9.28%
Total AFUDC charged to CWIP and nuclear fuel	34.4	28.9
Amount credited to interest charges	14.1	12.9
Amounts credited to other income	$ 20.3	$ 16.0
Tax effect of debt portion of AFUDC for which deferred taxes have been provided (3)	$ 7.1	$ 6.6

(1) See Note 1—AFUDC for information regarding a change in the method of capitalizing AFUDC on certain nuclear fuel.

(2) The AFUDC rate is calculated by applying the capital ratio to the current embedded cost of each component of capital, except for common equity, which is based on the rate allowed in the Company's last rate case. The debt component is not reduced by the applicable income taxes.

(3) Allowed by the FPSC as an operating expense for ratemaking purposes.

Florida Power & Light Company and Subsidiaries Notes to Consolidated Financial Statements for the years ended December 31, 1978 and 1977

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. See Note 2.

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 effects are reflected in customer billings about two months after the changes occur. See Note 5 for additional information regarding current rate matters.

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 3.8% and 3.7% in 1978 and 1977, respectively. 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 for St. Lucie Unit No. 1, with a provision for zero net salvage, 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 cores in the reactors are under contract to provide spent fuel removal and, in the case of St. Lucie Unit No. 1, to buy back spent fuel, but have indicated that they are presently unable to perform such services due to the unavailability of storage and/or reprocessing. 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 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.

Commencing in 1978 the Company capitalized AFUDC on its investment in nuclear fuel in excess of the amount in the Company's rate base. In 1978 approximately $4.2 million of AFUDC on nuclear fuel was recorded.

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.

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. In April 1978 the Company reduced the amortization period for prior service costs from 30 years to 10 years, effective October 1, 1977. The change increased 1978 pension costs by approximately $5.6 million. Pension costs for 1978 and 1977 were $26.2 million and $20.5 million, respectively. The estimated unfunded prior service cost of the pension plan at October 1, 1978 was $83 million using the entry age normal cost method. There was no excess of vested benefits over the

fund balance as of October 1, 1978. In 1978 the Board of Directors approved a plan amendment which changed the pension plan year from a fiscal year beginning October 1 to a calendar year commencing 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 1978 and 1977 were $2.0 million and $1.7 million, respectively. See Note 3 — Common Stock.

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 Plan are in lieu of income tax payments, there is no effect on net income. Provisions for Company contributions to the ESOP were $7.2 million and $7.5 million in 1978 and 1977, respectively. See Note 3 — Common Stock.

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 Schedule of Taxes.

2. Investment in Subsidiaries

The Company's wholly-owned subsidiaries, FSS, LRIC and EFC, are engaged in activities complementary to those of the Company. FSS is engaged in oil and gas and uranium exploration ventures and proprietary fuel research and development projects. FSS is not presently 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. EFC was organized for the purpose of supplying engineering, fabrication and construction services for power plants. In 1977, EFC entered into a joint venture, NISCO-South, which was terminated in 1978.

The Company's total investment in FSS and EFC is not material. The Company's net investment in LRIC approximates $36.8 million.

3. Capitalization

Common Stock: In June 1978 the Company reserved 1,000,000 shares of Common Stock for issuance in connection with the Employee Thrift Plan and Employee Stock Ownership Plan. 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.

Preferred Stock: The 10.08% Preferred Stock is entitled to a sinking fund to retire a minimum of 37,500 shares and a maximum of 75,000 shares at $101.50 per share, plus accrued dividends to the redemption date on April 1 of each year, commencing on April 1, 1980. Minimum payments are designed to retire the entire issue by April 1, 1999.

The Company's Charter authorizes the issuance of 10,000,000 shares of Preferred Stock, no par value, and 5,000,000 shares of Subordinated Preferred Stock, no par value, to be known as "Preference Stock." None of these shares is outstanding.

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 $63 million in 1979, $52 million in 1980, $137 million in 1981, $102 million in 1982 and $16 million in 1983.

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

Commercial paper aggregating $9 million at December 31, 1977 was repaid from proceeds from long-term financing in January 1978. Accordingly, the commercial paper was classified as long-term debt. The financing included the sale of $75 million of 9⅛% First Mortgage Bonds and $19.4 million of 6.1% Pollution Control Series A First Mortgage Bonds. The latter Bond series was issued concurrently with the execution by the Company of an installment purchase contract as security for payment of pollution control revenue bonds issued by Martin County, Florida, to provide financing to the Company for certain pollution control facilities.

Changes in Capital Accounts: The changes in Common Stock, Preferred Stock and Capital Stock Premium and Expense for 1977 and 1978 are shown below (in thousands):

	Common Stock		Preferred Stock		Capital Stock Premium and Expense
	Shares	Amount	Shares	Amount	
Balances, January 1, 1977	40,050	$749,375	3,362	$336,250	$(3,612)
Expenses recorded in 1977	—	—	—	—	(103)
Balances, December 31, 1977	40,050	749,375	3,362	336,250	(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	3,862	$386,250	$(3,751)

4. Short-Term Debt

Unused available bank credit aggregated approximately $201.8 million at December 31, 1978, 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.

Details of short-term borrowings for the years ended December 31, 1978 and 1977 are shown below:

	1978		1977		
	Commercial Paper	Bank Borrowings	Commercial Paper	Bank Borrowings	Other Financial Institutions
	(Thousands of Dollars)				
Average aggregate borrowings	$4,866	$ 300	$10,880	$15,394	$ 1,677
Maximum month-end balances	$37,300	$ —	$37,500	$89,000	$10,035
Weighted daily average interest rate	7.7%	7.6%	5.4%	6.5%	5.9%
Weighted average interest rate on amounts outstanding at end of period	—	—	6.7%	—	—
Maximum combined borrowings at any month-end	$37,300		$89,000		

5. Revenues

FPSC: In 1977 the Company was granted a retail rate increase designed to produce increased revenues of $195.5 million on an annual basis. The new rates went into effect July 8, 1977. Interim rate relief providing additional annual revenues of $87.9 million was effective March 14, 1977 and was included in the July rate increase. The new residential rates include an inverted rate structure.

FERC: 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. The Company is seeking an annual increase in wholesale revenues of approximately $6.7 million based on a 1978 projected test year. Adequate provision has been made for refunds which may be required after final settlement with FERC.

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 $1.4 billion at December 31, 1978 including $500 million for nuclear fuel cores. 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 costs 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 1978 includes $5.8 million of amortization of these costs. In 1977 $2.2 million of such amortization was charged to Other income.

Rental and Nuclear Fuel Expense: The annual lease expense and the minimum rental commitments under 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. However, in September 1975 the Company was notified by the supplier that it is

taking the position that it is excused from the complete performance of its obligations to supply uranium under the contract. See Note 7—Nuclear Fuel Suit. Expenses under the nuclear fuel services contract for 1978 and 1977 which were changed to operating expenses were $15.4 million and $16.9 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 supply 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 supply contract, and the impact on net income if certain leases and the nuclear fuel supply contract had been capitalized, are not material and, therefore, not presented.

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 $39 million, based on estimated 1978 premiums, in the event losses occur at a nuclear plant of a member utility, and is a self-insurer for any such loss in excess of $225 million.

Under the Price-Anderson Act, 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. The Act currently limits the liability of owners of a licensed nuclear unit to $560 million for a single nuclear incident and provides for the Federal Government to indemnify such owners against third-party liability claims in amounts up to $560 million, less liability insurance available from insurance companies (currently limited to $140 million) and contributions by owners. In the event of public liability losses arising from a nuclear incident at a facility currently covered by government indemnification, the Company is 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 under regulations adopted by the NRC. The Company could be assessed up to approximately $30 million in a year under such regulations.

Nuclear Units:

Turkey Point Unit Nos. 3 and 4–The Company is experiencing problems with the steam generators of these units and has had to plug certain pressurized water circulation tubes in the steam generators.

Unit No. 4 returned to service in early October 1978 following its annual refueling and overhaul. While the unit was off the line, inspections of the steam generator tubes were performed and additional tubes were plugged. At present approximately 18.7% of the tubes in Unit No. 4 have been plugged. Unit No. 4 is presently authorized by the NRC to operate until the next scheduled refueling in April 1979 at which time an inspection of the steam generators must be performed and NRC approval obtained for continued operation.

Unit No. 3 came off the line in January 1979 for its annual refueling, overhaul and inspection. While the unit is off the line, additional tubes have been plugged, bringing the percentage of tubes in Unit No. 3 which have been plugged to approximately 17.3%. In addition, temporary repairs are being made to parts of the blades in each of the two low pressure turbine rotors of the unit. Permanent repairs will be made when Unit No. 3 is refueled in late 1979. NRC approval must be obtained before the unit may be returned to service.

In September 1978 the Company obtained approval from the NRC to plug up to 25% of the tubes in both Unit No. 3 and No. 4 without reducing the output of the units. To date, steam generator tube plugging has not required a reduction in the output of the units. If a significant pattern of leaks occurs in a steam generator of either unit, an inspection must be performed and NRC approval would be required before returning the affected unit to service.

The Company has executed a contract to obtain new steam generator tube bundles with delivery anticipated in the second half of 1979. The new steam generator tube bundles will incorporate different materials and design which the Company anticipates will prevent a recurrence of the present problems. No decision has been made as to when the permanent repairs of the steam generators will begin. The cost to replace the tube bundles is estimated at approximately $51 million per unit. A total of $31 million has been expended through December 31, 1978. The balance of these costs are reflected in the construction commitments (Note 6—Construction Program). Repair of the steam generators may require each unit to be out of service for about six to nine months and will require amendments to the operating licenses for each unit. While the Company has applied to the NRC for the necessary

amendments to the operating licenses, NRC procedures governing the issuance of the amendments have not yet been completed. The Company anticipates that generation lost when a unit is out of service or operating at reduced power levels would be made up by fossil-fired generation, the additional cost of which should be recoverable through its fuel adjustment clause as presently in effect. 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, the supplier of the steam generators. The matter is pending.

St. Lucie No. 1–During routine inspection at the Spring 1978 refueling of this unit, minor corrosion was detected in the steam generators. An additional inspection was performed in November 1978. Additional inspections are scheduled for the unit's next refueling in the Spring of 1979, at which time the Company anticipates chemically cleaning the steam generators.

St. Lucie No. 2–Construction work on the unit resumed in June 1977 following the issuance of a construction permit. In December 1978 the U.S. Court of Appeals for the District of Columbia Circuit rendered a judgment which affirmed the NRC decisions authorizing construction of this unit.

Energy Legislation: The Powerplant and Industrial Fuel Use Act of 1978 requires oil burning plants for which construction or acquisition began on a date after April 20, 1977 to convert to coal unless an exemption is obtained from the Economic Regulatory Administration (ERA). The ERA has issued interim regulations that define "construction began" as "operational", and has advised the Company that based on a preliminary review some of the Company's units may be covered by the interim regulations. In the opinion of the Company, these interim regulations are not in compliance with the Act. All of the Company's units began construction well before April 20, 1977. Should the Company have to convert these units to coal, the Company's financial position could be adversely affected to the extent it would be unable to recover these conversion costs, which would be substantial, through its rates. The Company's electrical generating reserves could be adversely affected.

Federal Income Taxes: The IRS has examined the Company's income tax returns for 1971, 1972, and 1973 and, in August 1977, proposed additional income taxes aggregating $22.1 million, exclusive of interest. The principal issue ($18.5 million) is the taxability of customer deposits. The Company filed a formal protest and conferences are being held at the Appellate Division of the IRS.

Any liability for taxes and interest resulting from final settlement with the IRS would not have a material effect on net income. Income taxes on customer deposits would be normalized and adequate provisions have been made for the taxes related to the other issues.

7. Legal Proceedings

Nuclear Fuel Suit: The Company has a contract with Westinghouse Electric Corporation covering its full nuclear fuel requirements and related services, including removal of spent fuel, for Turkey Point Units No. 3 and 4 through 1982 and 1983, respectively. See Note 6—Rental and Nuclear Fuel Expense. In 1975 Westinghouse took the position that it was excused from performing its obligations to supply uranium and from removing spent fuel pursuant to the contract for the Turkey Point site.

In 1975 the Company filed suit against Westinghouse. The action was consolidated with suits brought by other utility customers against Westinghouse in the U.S. District Court for the Eastern District of Virginia (District Court).

In October 1978 the District Court ruled that Westinghouse was not excused from performing its contract with the Company with respect to the uranium issue. The damage phase of the litigation will commence in May 1979. Prior to the damage phase the Court set aside for later adjudication the Company's dispute with Westinghouse over spent fuel removal. This issue will be tried immediately after the conclusion of the damage trial.

Gainesville Antitrust Suit: A treble damage suit was brought in 1968 against the Company, seeking damages of approximately $11 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.

Trial Counsel has advised the Company that it is impossible to predict the outcome of this litigation at the present time because 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 as well as its being unable to predict whether or not the plaintiffs will have a new theory of damages or additional facts upon which to predicate their claims. However, Trial Counsel does not believe, based on the facts as it knows them at this time, that the Company will likely incur a liability that will be material in relation to its consolidated financial statements.

Alleged Discrimination Claims: In April 1976 the Company was named as the defendant in an alleged class action. The complaint alleges patterns and practices of discrimination by the Company against blacks and females. The complaint seeks, among other things, injunctive relief, reimbursement for lost pay and benefits and damages. Discovery is proceeding. In September 1978 a U.S. District Court conditionally certified the suit as a class action concerning only blacks and trial has been set for mid-1979.

In November 1977 a Commissioner of the Equal Employment Opportunity Commission filed a charge of unlawful labor employment practices against the Company, certain labor organizations and a joint Company/labor organization committee. Alleged discriminatory practices charged against the Company are substantially similar to those described in the preceding paragraph except that the charge concerns Spanish-surnamed Americans, blacks and females.

In June 1978 the Company and a labor organization were named as defendants in an alleged class action filed in U.S. District Court for the Middle District of Florida. Alleged discriminatory practices charged against the Company are similar to those described in the preceding two paragraphs.

The Company cannot predict the outcome of these claims but, based on the facts that so far have come to its attention, the Company is of the opinion that the likelihood that the ultimate outcome of these claims will have a material adverse effect on the financial condition of the Company is remote.

Bond Redemption Suit: In 1977 a purported class action was brought against the Company alleging damages in excess of $9 million, based on alleged breach of contract and violations of the federal securities laws with respect to the redemption on September 2, 1977 by the Company of approximately $63.7 million of its 10⅛% Series First Mortgage Bonds due March 1, 2005. Discovery has commenced and a motion to certify the suit as a class action is pending. The Company's General Counsel has stated that at this early stage in the proceedings they cannot predict the outcome. However, the facts that have so far come to their attention do not indicate that the outcome of the suit will have a material adverse effect on the financial condition of the Company.

8. Quarterly Data (Unaudited)

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

Quarter Ended	Operating Revenues	Operating Income	Net Income	Earnings per average share of Common Stock
	(Thousands of Dollars)			
March 31, 1977	$334,589	$ 71,901	$42,907	$0.90
June 30, 1977	307,517	45,269	16,599	0.24
September 30, 1977	468,099	102,664	73,107	1.65
December 31, 1977	354,379	79,074	47,825	1.02
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

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 comparisons of the most recent quarter to the quarter immediately preceding it 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.

9. Replacement Cost Data (Unaudited)

One result of inflation experienced by the Company in recent years is replacement costs of productive capacity that are significantly greater than the historical costs of such assets reported in the Company's financial statements. The Company's annual report to the Securities and Exchange Commission for 1978 on Form 10-K contains specific replacement cost information and is available upon request.

Stockholder Information

Annual Meeting

The 1979 Annual Meeting of FPL shareholders will be in Port St. Lucie, Fla., on Tues., April 17, at 10 a.m. Notices 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 the management.

The 1978 gathering at Ravine State Gardens in Palatka attracted a turnout of 274 persons. During the meeting, shareholders re-elected 10 directors to the Board and ratified the selection of Deloitte Haskins & Sells as auditors. Proposals to restore limited pre-emptive rights and to furnish transcripts of the Annual Meeting were defeated.

Nearly 86 percent of outstanding shares were voted.

Form 10-K for 1978

A copy of the Company'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.

Board of Directors Meetings

Regular meetings of the Board of Directors are scheduled on Monday following the second Friday of each month. The sessions generally are in the Company's principal offices at Miami, Fla.

Company Ownership

At the end of 1978, the Company had 40,314,552 shares of common stock outstanding, owned by 32,089 holders of record. These shareholders are individuals or institutions, such as foundations, insurance companies and pension funds, which in turn hold large blocks of stock on behalf of still more individuals.

As a result of direct purchases or of shares acquired through the FPL Thrift and Employee Stock Ownership Plans, nearly all employees maintain ownership and therefore have direct interest in business activities of the Company.

Common Stock Data

Principal market for FPL common stock is the New York Stock Exchange. Ticker symbol is FPL. The following table indicates the range (high/low) of trading prices for the past two years:

	1978	1977
First Quarter	27¼/23⅝	28 /23⅜
Second Quarter	27⅞/24½	27⅞/21½
Third Quarter	29⅜/26⅞	28⅝/24⅝
Fourth Quarter	28½/25¾	27½/24½

Transfer agent, registrar and dividend disbursing agent for the stock is The First National Bank of Boston, Shareholder Services Division, P.O. Box 644, Boston, Mass. 02102. Telephone 617/434-6562.

Dividends

For many years, FPL's policy has been to share gains in earnings with stockholders in the form of increased cash dividends. Accordingly, dividends paid per share have increased every year since FPL began quarterly payments in 1946.

The following table indicates dividends paid on common stock in the past two years:

	1978	1977
First Quarter	\$0.44	\$0.39
Second Quarter	\$0.52	\$0.39
Third Quarter	\$0.52	\$0.44
Fourth Quarter	\$0.52	\$0.44

On Feb. 12, 1979, the Board declared the regular quarterly dividend of 52 cents, the 133rd consecutive payment. It is payable March 15 to holders of record as of February 28.

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 \$466,000 during 1978 alone.

Information and enrollment cards may be obtained by writing The First National Bank of Boston, 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 shareholders, is published several times each year and sent to holders of common and preferred stock.

Statistical Supplement

A Financial & Statistical Report containing comprehensive data for the years 1968-78 is published for professionals in the investment community and is available to others as a supplement to this report. Requests for copies should be sent to Stockholder Information Department, Florida Power & Light Company, P. O. Box 529100, Miami, Fla. 33152.

Inquiries

Inquiries concerning the Company's activities, including requests for copies of FPL's Quarterly Consolidated Financial Statements, should be directed to Stockholder Information Department, Florida Power & Light Company, P.O. Box 529100, Miami, Fla. 33152. Telephone 305/552-4046.

Auditors

Deloitte Haskins & Sells
Certified Public Accountants
1 Southeast Third Avenue
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


Anthony


Bennett


Blumberg


Davis


Hudiburg


Knight


McCarty


McDonald


Price


Wadsworth


Whiddon

Directors

***M.P. Anthony**
West Palm Beach, Florida. President, Anthony's Inc., a chain of ladies ready-to-wear retail stores. Serving since 1977.

George F. Bennett
Boston, Massachusetts. President and Chief Executive Officer of State Street Investment Corporation and of Federal Street Fund Inc., investment companies; Managing Partner of State Street Research and Management Company. Serving since 1970.

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

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

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

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

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

†Marshall McDonald
Miami, Florida. Chairman of the Board of Directors of the Company. Formerly President and Chairman of Meetings of the Board. Serving since 1971.

†*Edgar H. Price Jr.
Bradenton, Florida. President and Director of The Price Company Inc., consultant firm. Serving since 1972.

†Lewis E. Wadsworth
Bunnell, Florida. Engaged in the forestry and cattle businesses. Serving since 1970.

Gene A. Whiddon
Fort Lauderdale, Florida. President, Causeway Lumber Company Inc., engaged in retail lumber and business materials. Serving since January 1979.

† Executive Committee
* Audit Committee

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, Operations

F.E. Autrey
Executive Vice President, Commercial

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

D.K. Baldwin
Vice President, Corporate Services

E.L. Bivans
Vice President, System Planning

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

H.J. Dager Jr.
Vice President, Engineering, Project Management and Construction

Tracy Danese
Vice President, Public Affairs

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

R.J. Gardner
Vice President, Strategic Planning

W.M. Klein
Vice President, Economic Development

A.D. Schmidt
Vice President, Power Resources

R.E. Tallon
Vice President, Divisions

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

J.L. Howard
Treasurer

Astrid Pfeiffer
Secretary

H.P. Williams Jr.
Comptroller

(Photographs appear on pages 2-18.)

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