

Florida Power & Light Company 1980 Annual Report

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DESIGNED
FOR WATT-WISE
LIVING
MEETS THE
ENERGY-SAVING
STANDARDS


In Our Report

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Our Growing Business

Florida Power & Light Company, incorporated in 1925 following acquisition of a number of small and widely scattered businesses engaged in the sale or use of electricity, has grown into the fifth largest investor-owned electric utility in the nation.

The state of Florida has long been one of the fastest growing states in the nation. In 1970, Florida ranked ninth in population; by 1980, it moved up to seventh; by 1990, it is expected to be ranked fourth. As Florida grows, the population in the area we serve grows.

As the map below illustrates, our service territory covers approximately 27,650 square miles. It includes all or part of 35 Florida counties (approximately half the state) comprising about 700 communities. At the end of 1980 the population of our service territory was estimated at 5,000,000 people.

Power and Distribution

Providing power to this large area, the Company operates 11 generating plants, including three nuclear units. Total capability of these 11 plants is 11,738 Mw. Two more plants on reserve have a total capability of 304 Mw.

There are interconnections with 10 Florida utilities and Georgia Power Company.

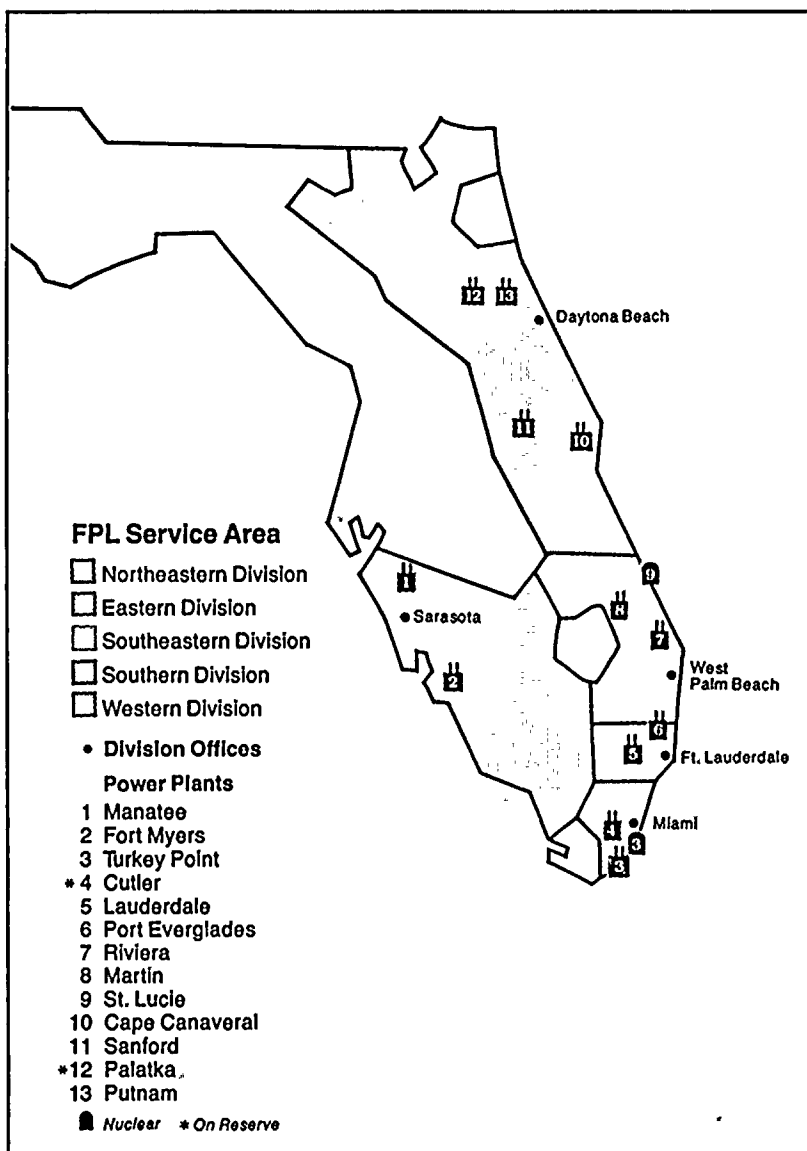
Delivering power to its service area, FPL operates a system of more than 42,000 miles of transmission and distribution lines and more than 400 substations.

Serving People

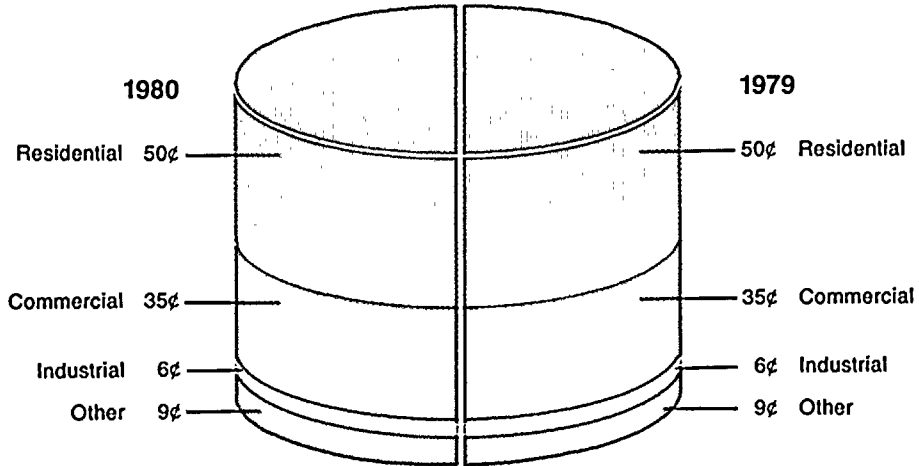
Some 2.2 million customers are now served by FPL's 11,000 employees. Service is provided through 67 Service Centers and Satellites and 31 District Offices throughout the state.

On Our Cover

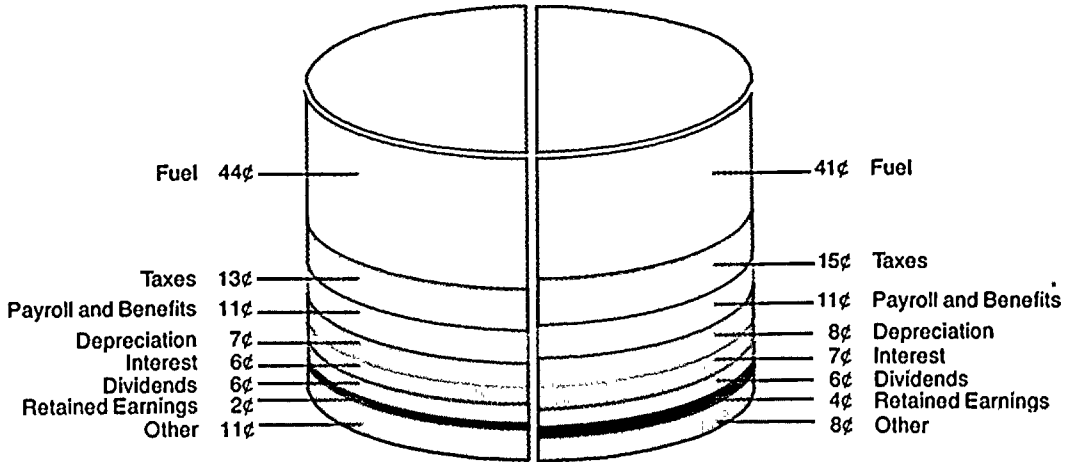
Watt-Wise LivingTM homes are featured at Arvida Corporation's Country Walk development in Dade County. Arvida is one of more than 1,800 Florida builders and developers participating in construction of energy-saving homes in adherence to standards prescribed by FPL's Watt-Wise program.



The FPL Dollar / Where It Comes From



The FPL Dollar / Where It Goes



Financial Highlights

(Thousands Except Per Share Data)	1980	1979	Percentage Change
Operating Revenues	\$2,347,278	\$1,933,937	21
Fuel and Net Interchange	\$1,106,909	\$817,141	35
Total Operating Expenses	\$2,037,723	\$1,632,133	25
Operating Income	\$309,555	\$301,804	3
Net Income	\$198,318	\$204,668	(3)
Common Shares Outstanding—Average	41,281	40,524	2
Earnings Per Share	\$3.94	\$4.22	(7)
Dividends Paid Per Share	\$2.64	\$2.32	14
Total Utility Plant	\$6,082,682	\$5,458,512	11
Capital Expenditures	\$655,098	\$574,825	14
External Funds	\$371,657	\$249,220	49
Book Value Per Share	\$34.90	\$34.31	2
Market Price Per Share (High)	28½	28½	—
Market Price Per Share (Low)	19½	24½	—

Statistical Highlights

Cost of Oil Burned (Per Barrel)	\$23.26	\$17.47	33
Customers—Year End	2,247,688	2,140,587	5
KwH Sales (Thousands)	44,707,613	41,965,810	7
KwH Use Per Customer—Residential	11,473	11,354	1
Revenue per KwH—Residential (Cents)	5.31	4.66	14
Employees—Year End	11,084	10,337	7
Mw Capability at Time of Summer Peak	10,955	10,955	—
Mw Peak Load—Summer	9,623	8,650	11
Mw Peak Load—Winter	9,732	8,791	11
Percent of Energy:			
Oil	49.6	54.6	—
Natural Gas	17.9	18.5	—
Nuclear	27.7	25.6	—
Coal/Oil Mix Test	0.9	—	—
Interchange	3.9	1.3	—

My Fellow Shareholders:

By all rights, we who manage Florida Power & Light Company in your interest should be able to present this report on 1980 operations with unqualified satisfaction. It was a year in which FPL continued in our tradition of outstanding service and met the challenge of extending that service to more than 100,000 new customers.

It was a year in which we confirmed our technological leadership. We have been adapting new ways to squeeze more energy out of plants and fuel, testing new fuel mixes to reduce our dependence on imported oil.

It was a year in which the working people of FPL demonstrated again and again their ability and dedication.

And yet it was the year in which declining earnings finally made a request for increased rates unavoidable. Believe me, there is no satisfaction in having to tell almost 2¼ million customers they must pay more for the electricity so vital to their lives and livelihoods.

How could this happen? How can a company nationally recognized as one of America's best-run electric utilities show smaller earnings in spite of greater revenues? In spite of continuing, intensified and successful efforts to cut costs and multiply efficiencies?

The answer is, in a word, inflation.

So important is this subject—so harmful has been the effect of inflation upon our Company and our country—that I ask you to join me in stepping back for a broader view of the inflation problem. You may wonder what new or striking observations I can hope to make about this subject. Inflation is already the almost universal topic of the times.

What I hope to convey, however, is the ultimate threat posed by continuing high rates of inflation—a threat so grave that it should move every American to join our country's new administration in making the control and reversing of inflation our first priority.

Before defining this grave and ultimate threat, let me say that I do not in any way minimize the more immediate harm done by inflation. Even though bloated price tags are really no more than symptoms of the inflationary cancer, we must never be insensitive to the daily pain of a homemaker whose food budget can't keep up with food prices. We must share the anguish of our young couples who cannot afford that important first home. And we must not forget the fear gnawing at older men and women who see their prudent plans for comfortable retirement shattered by rising food prices, higher rents and—yes—bigger electric bills.

Beyond these bitter personal pains, there are the deeper and more broadly damaging effects of inflation. Among these is the disastrous impact inflation has upon our nation's productivity.

By distorting capital markets, inflation makes it impossible or imprudent for business and industry to invest in new, efficient facilities to make their products better or serve their customers better. Inflation eats up money that should go into research and development. As we see all too clearly in our industry, inflation shakes reason and order out of the funding markets in which we must raise capital. It isn't easy to sell a 30-year bond when the investor can get high yields on short-term notes, and maybe even higher yields in a few months.

Individual savings should provide a solid base of capital that our economy can put to work. But why should an individual save, when the interest paid on those savings won't match the rate of inflation... and the deferred purchase will only cost more next year? Save a dollar today and next year you may have the equivalent of 93 cents. It seems like folly to save when inflation makes a virtue out of spending and borrowing.

We pay the price of inflation by losing our ability to compete in domestic and world markets. Already we have fallen from leadership in fields we once ruled proudly—steel, automobiles and shipbuilding spring to mind as examples. And the price is measured in millions of American jobs.

But there is still something more that must be said about inflation, something so fearsome that it is seldom discussed. When discussed, it is often mentioned in vague or softened terms—as if the very mention of this demon might be enough to bring it upon us.

I refer to the very real possibility that continued high rates of inflation can lead to radical changes in American life—drastic changes in political



FPL Chairman Marshall McDonald confers with Energy Auditor Rita Lynn on field operation of the Company's Residential Conservation Service program.

institutions, economic expectations and personal living. Before we say, "It can't happen here," we should remember that governments have fallen over inflation. Mobs have taken up arms over inflation. In the lifetimes of many of us, the terror of Nazism was launched upon a high tide of inflation and floated long enough to devastate a continent and change the course of world history.

Inflation poses this shattering potential for destruction because a nation like ours is really held together by shared ideals and assumptions rather than by force or physical bonds. One of the most important of these shared ideals is the belief that there can come a "someday," after the hard work is done, when the rewards can be savored.

This faith keeps Americans working... and working together. This faith persuades us to accept the constraints of government. This faith forms an essential part of what keeps us civilized. Today, this faith trembles in the shadow of continuing inflation. If this faith dies, the American Way cannot long survive. All else depends on stopping and reversing the inflationary tide.

But why should this task be difficult? Many have called inflation the "product of government." And we have just made a major change in government. We have a national administration which clearly defines controlling inflation as its first order of business. We have even changed the complexion of our Congress. We replaced many whom we identified with the causes of inflation by electing candidates who campaigned against inflation. Have we not now done our part? Can we not now depend on government to handle the inflation problem?

No.

We have only begun our part of the job. You see, it is true that inflation is a product of government. But, in manufacturing inflation, government has to a great degree been responding to our wishes.

It is not that we have specifically wanted inflation. But we each seem to have an endless list of specific wants. And when we ask government to satisfy all these wants, we are asking for inflation. Nothing if not responsive, Washington has answered by establishing agencies and programs, funding grants and activities, making laws and regulations.

Who has been paying for all these agencies and programs, these grants and activities, these laws and regulations? We have. We pay through a combination of onerous taxation—magnified by the bracket-jumping effects of inflation itself—and by allowing government to run huge deficits. This swells the national supply of money and credit while our national productivity stands at a virtual halt.

Before we can reverse this march toward disaster, we must persuade ourselves and convince our government that we can stand the pain of not getting everything we want.

The trouble is that all the things we want are, in themselves, good. We want to help the poor, to provide security for the old, to ease the way for the handicapped, to protect industry, to broaden education, to spread health care more equally, to revamp the inner-city, to protect crops and prices for agriculture, to preserve animal species, to reduce every risk in human life—the litany is endless. And there isn't a cause in the carload that isn't worthy. The point is that we can't have them all, and all right now.

Instead of lining up to implore Washington, saying "Help me," we must learn to say, "I can't afford what you are doing for me." We must do more for ourselves, do more at the level of the individual, the local neighborhood, the town and the county. We just can't afford to accept so many "gifts" from Washington.

Whether we succeed in reversing inflation, whether we succeed as a nation with the ideals and potentials that made us great, will depend on whether we have the courage to deliver this "do less" message to Washington. Already the crusaders for government spending have descended on the capital. Afraid the new administration means what it has said, they are crying, "Cut if you must, but don't cut mine."

More than 200 mayors rushed to Washington at inaugural time to fight for their cities' shares. The AFL-CIO wants to revive a coalition of 150 special interest groups to oppose cuts and reforms in social programs. Entrenched groups in the State Department tried to sabotage cuts in overseas spending.

Now we must raise the voice of reason and self-restraint. We must, individually and through the clubs, groups and companies we participate in, tell our legislators and our President that we want them to do less because we want to end up with more. We must persuade our fellow citizens to jump off the gravy train and climb on the anti-inflation bandwagon.

It won't be an easy task. And it won't be finished quickly or in one climactic battle. But the rewards will be great, for each of us individually, for our nation and for our children and our children's children.

What is at stake is nothing less than the very essence of the unique American experiment in personal freedom. We dare not fail.

Marshall McDonald

Marshall McDonald
Chairman of the Board
February 13, 1981

FPL: Energy Plan for the Eighties

FPL recognizes the important role that energy conservation plays in reducing the need for future energy resources and in prolonging the life expectancy of current supplies.

To get the vital conservation job done requires motivation among energy users and within the Company. FPL must strive to motivate customers to use energy more efficiently. At the same time, the Company's charge must be to develop more efficient ways to serve these customers—both in the mode of operation and in the types of fuel used for power generation.

These are not new charges to FPL. They do require a new vigor, and will be met with the same enthusiasm that historically has characterized the Company's operations.

Traditionally, FPL and its people have been dedicated to the best possible service to customers. Company-initiated efficiencies for several decades kept electric rates down. In addition, through district office and field representative contacts, customers were being advised how to use energy more efficiently and economically with the assistance of an array of FPL-produced customer information publications.

But as the decade of the 1960's came to a close, major changes were taking place in the electric utility industry. As economies of scale attributable to larger generating units disappeared and inflation took its unshakable hold, the cost of electric service began to rise. These increases were to be further impacted by the 1973 oil embargo which set the stage for a continuing escalation of fuel costs. Abundant, cheap energy no longer could be taken for granted.

To help counter these changes, FPL's customer information program took on a new dimension. Wise energy management became the keynote. Customers were advised that they had ultimate control over their usage patterns. They were encouraged to use various options at their disposal to reduce consumption.

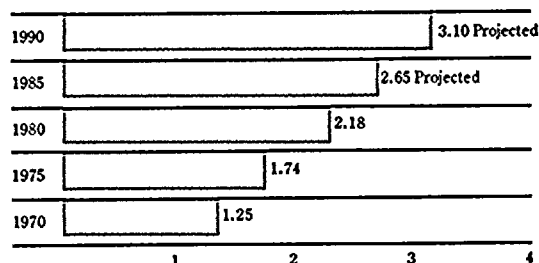
A Landmark Commitment

In the meantime, an even broader spectrum of energy conservation programs has been implemented by FPL, including the landmark establishment in 1978 of the Marketing and Energy Conservation Department. Staffing of this Department in each operating division was devoted exclusively to the energy conservation effort. This major conservation commitment received additional support through the simultaneous expansion of Consumer Research and Load Management functions, and an amplified communications thrust.

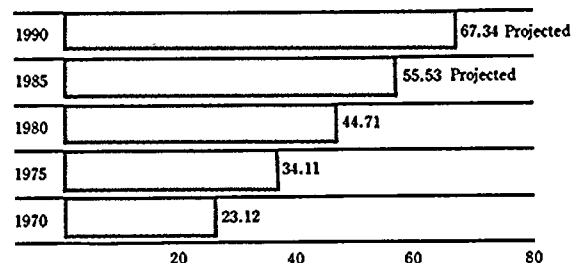
The foundation of this on-going communications program is the local FPL office, where energy saving techniques and suggestions are delivered to customers either in person or by telephone. But many other tools are utilized in the dissemination of this beneficial information: A popular speakers' bureau; monthly newspaper columns; bill inserts; news stories; news letters; visual displays; brochures; a vigorous paid communications program involving radio, television and newspapers; the Company's Energy Conservation Van (a mobile walk-through exhibit which demonstrates to customer-visitors the basics of conservation).

Beyond intensifying the communications effort, several comprehensive marketing programs have been developed to carry the concept of conservation

Customers — Average (Millions)



Kwh Sales (Billions)



A volunteer in one of FPL's residential load management studies is Miami homeowner Walter Kichefski (right). Operation of special metering device required for this program is explained by Company Engineer Juan Gonzalez.

from acceptance to implementation. Foremost among these are FPL's Watt-Wise Living[®] program, which establishes energy-saving standards for new home construction, and a Residential Conservation Service that offers high-use customers on-site energy audits of their homes.

The Watt-Wise Living program recognizes that conservation goals can be achieved more readily through energy-efficient home design. It gives builders and buyers alike clear-cut guidelines for selecting energy-saving options. And at the same time, it helps decrease energy usage and the growth rate of peak demand.

New Watt-Wise homes are now being offered to the public by more than 1,800 Florida builders and developers. And in 1981 the Watt-Wise program will expand to include high-rise buildings and mobile homes.

The second major program, Residential Conservation Service (RCS), was introduced last March to assist customers in making energy-saving decisions in existing dwellings.

During scheduled visits to customers' homes, trained RCS auditors conduct a thorough analysis of energy use. Evaluated are such components as occupants' energy use habits; heating and cooling systems; fuel bills for gas and oil appliances; water heating options; construction type and condition of walls, ceilings, floors, windows and doors.

Upon conclusion of the analysis, auditors recommend ways to increase energy efficiency. They also provide cost estimates for suggested improvements and quote probable savings which might be realized through their implementation.

Along similar lines in the commercial and industrial areas, trained representatives in each of the Company's five operating divisions offer energy management assistance to local business, generally through individual consultation. Supplemental printed materials have been developed to spell out the advantages of energy-efficient design and construction of commercial structures and to familiarize customers with waste heat recovery and efficient security lighting systems.

Corporate Functions Consolidated

In another move to coordinate conservation efforts throughout the FPL service area, the Company last year formed a new Energy Management Department. This involved consolidation of several corporate functions, including Marketing and Energy Conservation, Load Management, Consumer and Load Research, and Rates.

Through this new department, the Company's intensive commitment to conservation quickly culminated in development of an Energy Management Plan for the '80s. The overall goal of this plan is to increase the energy efficiency of the entire FPL electrical system—from the generation of electricity to its end use by customers—and reduce reliance on the use of imported oil.

Functioning within the framework of Florida Public Service Commission conservation goals, the enterprising plan is designed to meet within 10 years

these six targeted objectives:

- *To reduce system peak and total energy consumption by encouraging greater efficiency in end-use electrical systems.* This would be accomplished through such activities as residential, commercial and industrial energy audits; cost incentives to customers to encourage installation of residential ceiling insulation and reflective window film; customer rebates for purchase of energy-efficient appliances.
- *To shift customer usage of electricity from peak to off-peak hours and, whenever feasible, to reduce overall energy consumption.* Proposed for achievement of this goal are adoption of both voluntary and mandatory time-of-use rates as appropriate for specific classes of customers; a revision in existing rate schedules to permit reliance on customer curtailments as substitutes for generation; implementation of residential load control.
- *To increase the efficiency of the power system in both the generation and delivery of power.* Programs outlined include redesigning low pressure turbine blades installed at Manatee Unit No. 1; installing more efficient oil burners which are capable of burning cheaper oil cleanly; as overhaul schedules permit, retubing condensers with new alloys to provide greater long-term reliability.
- *To increase customer awareness of the need to conserve energy, and to show them how conservation can be achieved.* This objective would utilize such traditional FPL communications vehicles as public presentations, literature, media messages. Additionally, it proposes a toll-free telephone "hotline" for information access.
- *To develop and implement programs during the 1980-1985 time frame that reduce the use of oil as a generating fuel to the greatest practicable and cost-effective extent.* FPL's program for oil reduction essentially is a plan for systematically narrowing the areas of uncertainty while concurrently increasing the range of oil reduction alternatives under consideration. Involved are the potentials for purchase of power from other utilities; conversion of existing oil-fired units to another fuel source; construction of new generating capacity using alternative fuels.
- *To identify other areas that could result in energy, peak demand, or oil conservation; then to make preliminary evaluations as to the potential costs and savings in each of these areas.*

With respect to these six target objectives, all areas of Company operations and customer use have been analyzed from the standpoint of cost effectiveness, feasibility, potential savings and numerous other qualitative factors. Based upon this assessment, FPL is concentrating on 36 programs that seem to offer the most promise of working toward achievement of conservation.

Several of these programs represent a distinct departure from historical FPL activities. Several programs incorporate new and developing technology in order to achieve results. And overall results are dependent upon a positive response from customers, developing technology, and aggressive action on the part of FPL to implement the programs.

But if the required conditions are realized, the plan has the potential of reducing FPL's summer peak demand by an estimated 2.1 million kilowatts and its annual generation by approximately 5.7 billion kilowatt-hours.

Efficiency a Tradition

As the Company moves resolutely toward fulfillment of this ambitious new commitment, it does so on an already-established base of sound, innovative efficiency achievements.

Significant gains in efficiency have been accomplished through power generation productivity programs which involved: reducing boiler steam pressure at 15 large fossil steam units during periods of low electricity usage; using small sponge rubber balls to continuously clean nuclear condensers; establishing, whenever possible, longer refueling cycles at nuclear plants, thus reducing reliance upon oil-burning units.

The Company is constantly on the lookout for alternative sources of fuel to produce electricity.

During 1980 FPL began testing a mixture of pulverized coal and fuel oil as a boiler fuel at Sanford Unit No. 4. Inasmuch as this is the first test of a coal-oil mixture (COM) in a large unit designed to burn oil, the experiment is attracting widespread interest within the electric utility industry.

To reduce oil consumption through "cogeneration," FPL is receiving electricity produced by the burning of bagasse, a sugar cane by-product, at the U.S. Sugar Corp. refinery near Pahokee.

The Company is scheduled in 1981 to begin utilizing power generated by the Dade County

Resource Recovery Plant now under construction. There, steam produced by the burning of solid waste would provide enough electric power to supply an estimated 40,000 homes.

Future plans for power from cogeneration and small power production facilities call for promoting installation of 310 Mw of power from these two sources by 1990.

In another oil-reduction move, FPL is purchasing less expensive, coal-generated energy from other utilities. The Company is now receiving 100 Mw of coal-fired power from the Southern Companies under a contract which runs through 1986. Agreement has been reached to expand this "coal-by-wire" arrangement. Unless certain conditions occur, FPL anticipates receiving additional coal power, ranging from 200 Mw to 1,000 Mw in the years 1982 through 1992.

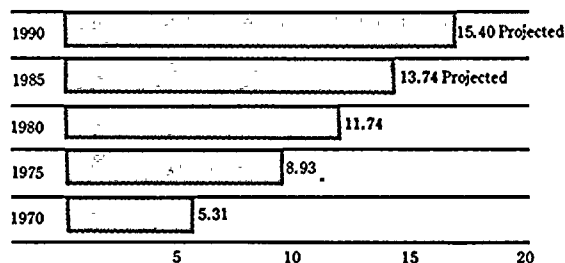
Yet another contract, this one with Tampa Electric Company (TECO), will provide FPL with coal power in the middle of the decade. FPL expects to receive 292 Mw, 208 Mw and 104 Mw respectively from TECO in 1985, 1986 and 1987.

Energy Interchange Cuts Costs

Still other savings are accruing from the economy interchange of energy with the 14 other generating utilities which participate in Florida's Energy Broker System. This automated exchange system works to the ultimate benefit of consumers by enabling participating utilities to take advantage of the most economical available generation.

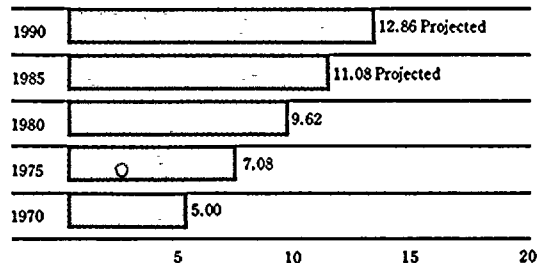
Economy generation is but one of the programs made more efficient and easier to manage by FPL's

Mw Capability*—Year End (Thousands)



*Projected capabilities exclude additional power purchases from the Southern Companies

Mw Peak Load—Summer (Thousands)



Left: Miamarina Manager George Oestreich (left) accompanies FPL Energy Management Specialist Lance Balfour as he conducts comprehensive conservation audit of the marina's bayfront restaurant in Miami.

Opposite Page: Estella Moran, sixth grade teacher at Hialeah John G. Dupuis Elementary, generates interest in efficient use of electricity with a Watt-Counter provided by FPL. The unit immediately determines consumption and cost of electricity for various appliances.

new System Control Center in Miami. It houses the "brains" behind the Company's entire generation and transmission network—a highly sophisticated computer with the ability to monitor and control the output of FPL's generating units.

While making possible increased reliability and quicker service restoration, the computer allows FPL to obtain maximum fuel economy from available generating units and fuel sources.

To reduce energy losses on its distribution system, FPL is now buying newly-developed lower-loss transformers for service additions and normal replacements.

Research Programs Intensified

The Company also is engaged in a program to convert incandescent and mercury-vapor street lights now in use to much more efficient high-pressure sodium vapor lights.

Meanwhile, Company research and development programs continue with even greater intensity to concentrate on conservation.

FPL is examining the feasibility of solar power as an alternative energy source in on-going studies of photovoltaic cells, solar water heaters and air-conditioning systems. One such installation is a commercial solar air conditioner at the Company's Perrine Service Center, jointly funded by the Electric Power Research Institute.

Assistance also is being given to the Florida Solar Energy Center at Cape Canaveral in the operation of its experimental solar house. The Company is providing photovoltaic cells along with instrumentation and technical data necessary to simulate load for a typical residence.

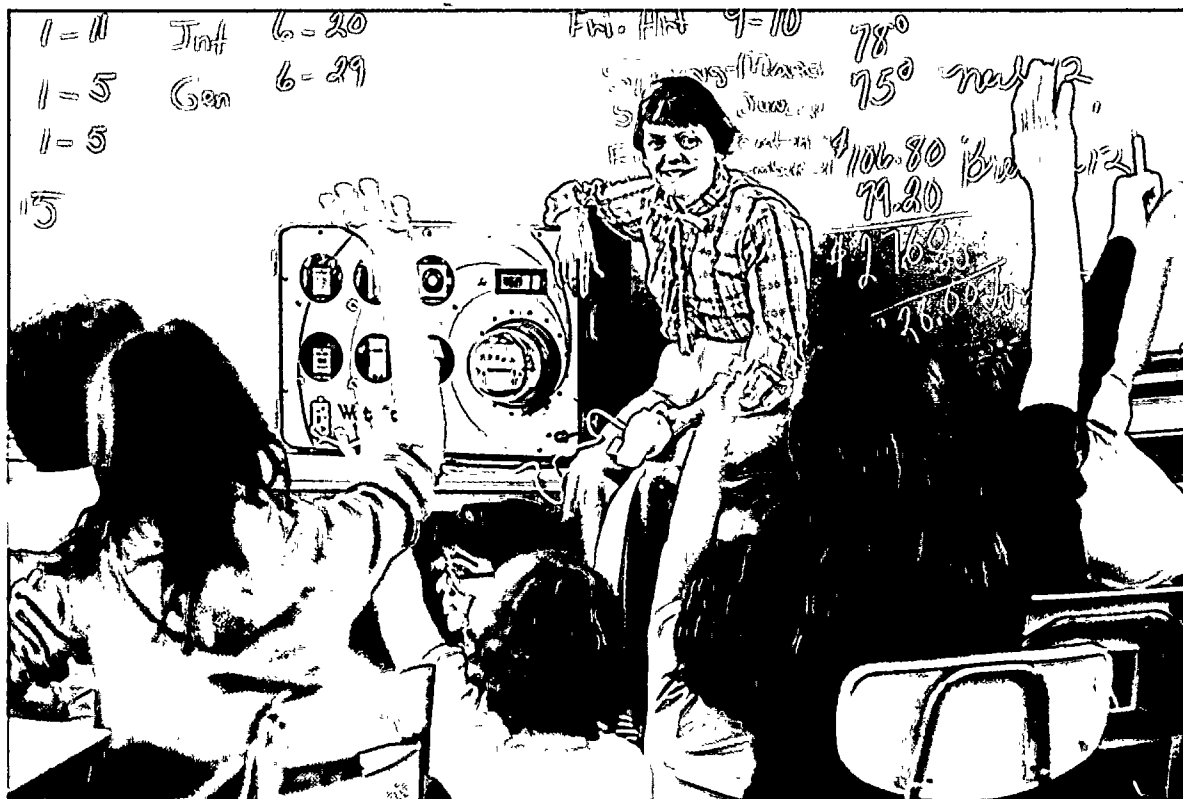
The Company has a regular program of testing energy-efficient appliances. Of particular interest to Floridians are performance studies of residential heat pump water heaters and commercial and residential air-conditioning waste heat recovery/water heating systems. In addition, FPL has encouraged manufacturers and distributors of efficient appliances to participate in government rule-making that would provide tax incentives for use of the more efficient products.

Two major residential load management studies in progress allow remote control of residential electric central air conditioning systems as well as electric water heaters. The studies are designed to determine the technical feasibility of, and customer response to, different types of load management techniques. Both use bi-directional communication with customers' homes—one over conventional phone lines, the other over the Company's own power lines.

In the area of commercial load management, a radio system is being employed to control the space conditioning equipment of a sampling of small commercial customers.

In its testing program, the Company is taking an extremely close look at technical feasibility, installation problems and customer reaction. The latter is a key item, for to gain any measure of success through conservation activities, consumers must think consciously and conscientiously about the practical merits of energy efficiency.

Toward this end of winning customer confidence and acceptance, FPL through its various energy management activities is steadfastly committed to providing leadership. And positive results.



The Year In Review

Florida Power & Light Company's long term goal of holding down rates in the face of rising costs continued to be tested in 1980.

There were "positives" in 1980—energy sales increased, and the new fuel clause enabled the Company to better recoup fuel and purchased power expenses. But unrelenting inflation took its toll on FPL's operations. Double-digit inflation, combined with higher interest rates and greater operating and maintenance costs, forced the Company late in the year to begin the process of obtaining a rate increase.

For years, conservation and efficiency programs adopted by FPL helped to hold the line on rates. Now they took on a new meaning and dimension as increased concerns over world oil supplies entered the picture.

The Company's response was a commitment to redouble its own efforts at conservation and efficiency while encouraging still greater cooperation from its customers.

World-wide attention was focused on a test aimed at oil use reduction—the burning of a mixture of pulverized coal and oil (COM) in a previously oil-fired unit at the Sanford Plant. Cogeneration arrangements saw the burning of sugar cane waste to produce electricity and plans are to use solid waste as a fuel sometime in 1981.

The commitment to efficiency was carried through to small matters as well. With more than 107,000 customers added to the system in 1980, FPL and its people searched for ways to work smarter and serve better.

FPL employees kept the system operating efficiently, providing dependable power at the lowest possible cost to the consumer in the face of mounting challenges.

Earnings

FPL's emphasis on operating efficiencies and cost controls helped offset the impact of inflation on operating expenses. However, continued double-digit inflation adversely affected the Company's earnings in 1980, as operating expenses climbed to more than \$2 billion. The cost of borrowing money reached all-time highs. Responding to Nuclear Regulatory Commission (NRC) regulations issued as a result of the Three-Mile Island incident in Pennsylvania added to FPL's operating and maintenance costs. These were the primary factors contributing to the overall reduction in earnings per share from \$4.22 in 1979 to \$3.94 in 1980.

FPL recognizes that, because of continued inflation, its financial condition cannot be sustained without a rate increase. Accordingly, the Company has filed with the Florida Public Service Commission (FPSC) for a rate increase.

Rates

Seeking additional annual revenues of approximately \$476 million, the Company's petition for a rate increase was filed with the FPSC on January 16, 1981. This action marks only the fourth time in FPL's 56-year history that it has sought an increase in base rates. A request for interim rate relief of

approximately \$211 million, based on the minimum allowed rate of return set in FPL's last rate case, was filed in February 1981. If interim rate relief is granted, it will be subject to refund, pending the FPSC's final decision.

The requested rate revision would increase the typical 1,000 Kwh residential bill about 23 percent—about half the 45 percent rate of inflation since 1976. Current rates, based on 1976 operating costs, went into effect more than 3½ years ago.

The \$476 million request is based on the use of a projected 1981 test year. FPL is asking the FPSC to include an additional \$500 million of Construction Work in Progress (CWIP) investment and \$22 million of nuclear fuel investment in the rate base.

The Company's petition asks the FPSC to increase the allowed return on equity to 16.75 percent, from the presently allowed range of 13.50 percent to 14.00 percent. This would result in an overall rate of return of 10.23 percent. An attrition adjustment of \$69 million is also requested to help offset the continuing impact of inflation.

A special adjustment for an additional \$200 million of CWIP investment and \$75 million of nuclear fuel investment to be included in the rate base, effective September 1982, is also part of the filing. The \$44 million revenue requirement for this special adjustment is not included in the \$476 million.

Under Florida law, new rates go into effect automatically, subject to refund with interest, eight months after filing if the FPSC has not acted. Public hearings will be held by the FPSC before it issues a final decision on the rate increase request.

Operating Revenues

The Company's operating revenues reached the \$2.3 billion mark in 1980.

Of the 21 percent increase, approximately 15 percent was attributable to increased fuel adjustment revenue and 6.5 percent to higher sales.

Fuel and Interchange

As contract prices reached record levels, fuel and net interchange rose to more than \$1.1 billion. The trend of rising oil prices extended into 1981. On February 1, 1981, contract prices at Port Everglades were \$36.39 per barrel for one percent sulfur oil and



Opposite Page:

Operations Coordinator Kevin Washington inspects new low-pressure turbine blades prior to installation at Manatee Plant. Use of these replacement blades at various FPL power plants increases turbine efficiency, resulting in significant reduction in oil consumption.

Left: Progress on Dade County's resource recovery plant is checked by Leonard Averett (right), FPL project construction supervisor, and Tom Henderson, chief of the County's Solid Waste Division. Steam produced by the burning of solid waste will be purchased by FPL for the generation of electricity.



\$32.16 per barrel for 2.5 percent sulfur oil. These compare to prices of \$28.40 and \$22.02 one year earlier.

The higher oil prices in 1980 added \$226 million to fuel expense for the year. With more power provided by the nuclear units, and with purchases of coal-fired power from other utilities, FPL burned slightly less oil in 1980.

Nuclear power provided 28 percent of the energy to meet demand for electricity in 1980 and power purchases provided four percent. Other sources of energy were: oil, 49 percent; natural gas, 18 percent; and coal/oil mixture test, one percent.

Fuel Adjustment

In light of the oil price increases, the FPSC's adoption of a new fuel cost recovery clause in March 1980 is particularly significant. The fuel cost recovery clause makes possible timely collection of fuel costs on retail sales. It eliminates the problem of under- or over-recovery of fuel costs that occurred under the prior fuel clause.

Effective with April 1980 billings, the monthly fuel adjustment charge is based on six-month projections of fuel costs and sales. The net under- or over-recovery of fuel costs during a projection period is deferred and refunded to or collected from customers, along with interest, through a "true-up" feature. An incentive factor based on generating performance became a part of the clause in October.

Under the clause's provisions, the FPSC authorized increases in the approved fuel adjustment factor after oil prices were raised dramatically. These increases in the fuel adjustment charge

allowed the Company to collect increased fuel costs on a timely basis instead of deferring them to later periods.

The FPSC ordered a transition adjustment to permit FPL to collect approximately \$59 million of fuel costs which were not recovered in the transition from one clause to the other. Florida's Public Counsel challenged this adjustment, and the matter has been argued before the Florida Supreme Court. FPL has agreed not to collect the transition amount pending resolution of the appeal.

Energy Sales

Kilowatt hour sales totaled 44.7 billion in 1980. This gain resulted from a five percent rise in the number of customers served and a one percent increase in use per customer. Use per residential customer in 1980 was 11,473 KwH, compared with 11,354 KwH in 1979.

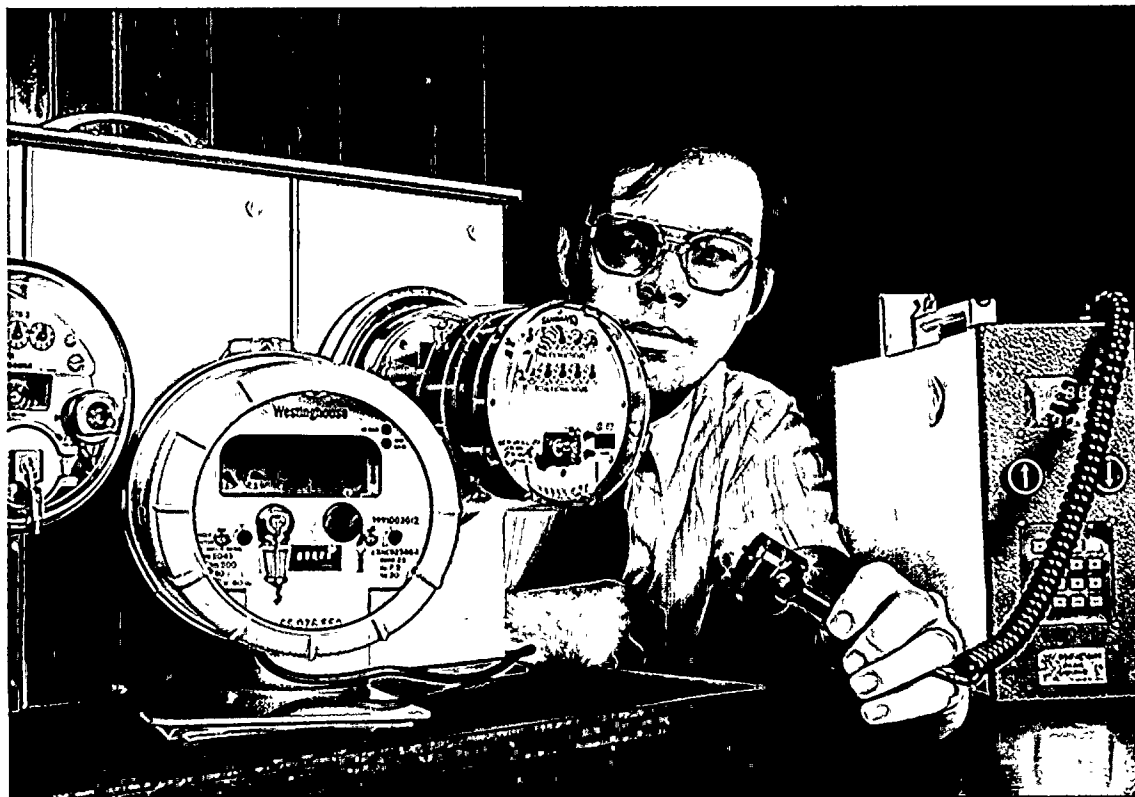
Customers

Florida's rapidly growing population continues to be reflected in the increasing number of customers served by FPL. More than 107,000 customers were added to the system in 1980, for a total of 2.2 million customers served at year-end.

Employees

Responding both to the service needs of more customers and to government regulations resulted in a seven percent increase in FPL's total employment. At year-end the Company's employees numbered approximately 11,000.

The International Brotherhood of Electrical Workers (IBEW) represents approximately 41



Left: The familiar electric meter would be replaced by a new and more complicated device in implementing various Time-of-Use rates. Joe Ratliff, meter shop supervisor, demonstrates three types of TOU meters under consideration.

Opposite Page: Energy savings of up to 55 percent are anticipated by FPL through systemwide conversion of existing incandescent and mercury vapor street lights to high pressure sodium vapor lamps.

percent of FPL employees. Negotiations lasting nearly five months between Company officials and representatives of IBEW produced a two-year contract increasing wages and other benefits for members. Retroactive to November 1, 1979, the contract is effective through October 31, 1981.

Management

In June, FPL Chairman and Chief Executive Officer Marshall McDonald began a year-long term as Chairman of the Edison Electric Institute, the association of America's investor-owned electric utilities which acts as industry spokesman on subjects of national importance. During the year he was also elected to a two-year term as a member of the Conference Board, an independent research institution with facilities in the U.S., Canada and Europe.

Three new vice presidents also were elected in 1980: in January, L.C. Hauck was named Vice President, Law; in October, W.H. Brunetti was elected Vice President, Energy Management and J.C. Collier Jr., Vice President, Divisions.

Retiring after 42 years of service to the Company was Senior Vice President J.G. Spencer Jr.

Dividends

Dividends on Common Stock were raised to a quarterly rate of 68 cents per share from 60 cents (an effective annual rate of \$2.72, up from \$2.40) beginning with the June 15, 1980 quarterly payment.

For 1980, the total dividend payment was \$2.64 per share, compared with \$2.32 in 1979.

The Company's dividends have grown over the last decade at a compound annual rate of 10 percent. FPL has maintained a record of consecutive quarterly dividend payments since 1946.

In 1980, the Company inaugurated its Dividend Reinvestment and Common Share Purchase Plan (DRP). Holders of Common and Preferred Stock may have cash dividends on all or some of their shares automatically reinvested in additional shares of Common Stock. Dividends on Common Stock are reinvested at a five percent discount from the current market price. All participants have the option to invest additional cash payments each quarter to purchase Common shares at market prices. There are no brokerage commissions or service fees charged to participants.

Service Area Economy

The general economic downturn experienced in many areas of the United States in 1980 produced only ripples in Florida, but a moderate decline is expected in 1981.

Population continued its steady climb upwards. By the year's end, the U.S. Census Bureau announced that Florida now ranks seventh in population among the 50 states with an increase of 43.4 percent since 1970. Population stood at 9,740,000 on April 1, 1980, a compound annual growth rate of 3.67 percent through the decade.

While domestic tourism slowed because of the uncertain national economy, there was a heavy influx of British, German and Latin American tourists.

In South Florida the cruise ship business continued to thrive and free trade zone commerce grew. Miami's role as a monetary and international banking center expanded.

Unemployment in Florida increased to 5.9 percent, but was still far below the national average of 7.1 percent.

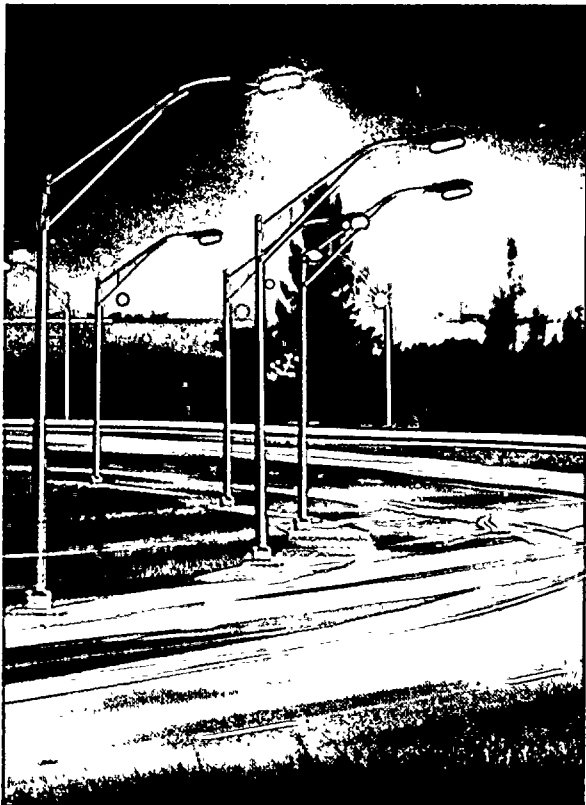
Housing construction, hampered by high interest rates, continued at a reduced level, but commercial building remained strong in many areas of the State.

Regulation

Two new Commissioners were recently appointed to the five-member Florida Public Service Commission. Katie C. Nichols was appointed to a four-year term, expiring in January 1985, to replace William T. Mayo, who retired.

With one year of his term remaining, Chairman Robert T. Mann resigned from the Commission. Joseph P. Cresse, who has served on the FPSC since January 1979, was elected the new Chairman. Susan Leisner was appointed to serve the remaining year of Mann's term.

In June 1980, the Florida Legislature adopted the Florida Energy Efficiency and Conservation Act (Conservation Act) which designates the FPSC as the agency to establish goals for increasing the efficiency of energy consumption.



Moving quickly, the FPSC established conservation goals for electric and natural gas utilities and ordered that each state utility submit a detailed plan designed to meet them. Specifically included are goals for increasing the conservation of expensive resources such as petroleum fuels, reducing the growth rates of electric consumption and lowering weather-sensitive peak demand.

The Conservation Act also provides for a conservation adjustment clause. Through this clause, each utility will estimate its costs for conservation programs for six-month periods, with such costs added to the utility's rates after approval by the FPSC. Any under- or over-recovery of such costs during a projection period will be deferred and collected from or refunded to customers through a "true-up" provision.

The Conservation Act gives the FPSC exclusive authority to determine the need for new power plants under the Florida Electrical Power Plant Siting Act. Under the Transmission Line Siting Act the FPSC will determine the need for bulk transmission lines which cross county lines.

In other actions during 1980, the FPSC:

- Established alternatives to cash deposits and new standards for refunding deposits to residential customers with records of satisfactory payment.
- Increased the interest paid on deposits from six percent to eight percent.
- Ordered Florida's four large, investor-owned utilities to offer Time-of-Use rates to customers, effective January 1, 1981. These optional rates are subject to the availability of special meters.

Peak Demand

All previous generation records were broken on January 13, 1981 when a surge of cold arctic air produced record low temperatures throughout most of Florida.

A new peak of 10,738 Mw was recorded that morning, surpassing the previous record of 9,732 Mw established in the winter of 1980.

A record summer peak was established on July 14, 1980 when soaring temperatures sent air conditioners whirling. On that date a net demand of 9,623 Mw was recorded, surpassing the 1979 summer record of 8,650 Mw by 11 percent.

Growth projections for FPL through 1990 reflect the anticipated effect of energy management and conservation programs. The Company expects the most probable compound annual growth rates in customers, kWh sales and summer peak load will range from three percent to four percent through the decade.

Generation Expansion Plan

Designed to meet anticipated demand through the 1980's, FPL's generation expansion plan incorporates units under construction or planned and contracts and negotiations for purchased power.

Significant generating capability was added to the system when the first of Martin Plant's twin 783 Mw oil-fired units went into commercial operation in December. Construction cost, including cost of the cooling reservoir and the fuel handling system, was approximately \$469 million.

Scheduled for earlier operation, Unit 1's start-up was delayed when a break occurred in the

Opposite Page: More than 106,000 persons throughout FPL's service area visited the Company's Energy Conservation Van at fairs, schoolgrounds and shopping centers in 1980 to obtain practical conservation tips.

Below: FPL Energy Auditor Joseph Settlemyre tabulates results of Residential Conservation Service audit conducted at Ft. Lauderdale home of Mrs. Barbara J. Grider. Audit data is relayed immediately by portable terminal to a central computer for evaluation.

Left: "Brains" behind the FPL System Control Center is a computer located in Miami. Wayne Snowden, assistant power coordinator, can instantaneously decide best method of generation, distribution and power exchanges.



embankment of the plant's cooling reservoir. As many as 1,000 construction personnel, utilizing up to 600 pieces of earth-moving equipment, worked around the clock to expedite repairs and modifications.

Martin Unit No. 2, the second 783 Mw unit at Martin Plant, is scheduled for completion in mid-1981.

Planned for the late 1980's or early 1990's, Martin Units 3 and 4 will be FPL's first coal-burning units. Both units will be in the 700 Mw size range.

The "coal-by-wire" contracts with TECO and the Southern Companies, discussed in "Energy Plan for the Eighties" (see page 8), are expected to provide varying amounts of coal power through 1992. Negotiations are also underway with Seminole Electric Cooperative for the possible purchase of power from two coal-fired units scheduled for the mid-1980s.

FPL is planning to expand its coal use in still another way—through joint ownership.

The Company has signed a letter of intent with the Jacksonville Electric Authority for joint construction and ownership of a two-unit coal plant. The plant will be built in northeast Florida for service in the late 1980s.

On cold standby since 1976, oil and natural gas-fired Cutler Power Plant on Biscayne Bay will be reactivated. Certain regulatory approvals will be required. Cutler Units 5 and 6 are expected to be returned to operation in mid-1982, providing 197 Mw of additional power. Unit No. 4 has been retired.

Dade County's Resource Recovery unit—incorporating a generator powered by steam obtained through burning of solid waste—is

expected to provide 60 Mw of power.

During 1980, construction on St. Lucie nuclear Unit No. 2 passed the 50 percent milestone. Now more than 59 percent complete, Unit No. 2 is scheduled for service in 1983.

In September 1980, the U.S. Department of Justice, the NRC Staff and the Company filed a joint motion requesting an Atomic Safety and Licensing Board to make effective licensing conditions accepted by the Company as part of a settlement agreement between the parties.

Under the proposed agreement, the Company has consented to offer to sell approximately 15 percent of St. Lucie No. 2 to certain municipalities and cooperatives. In January 1981 approximately six percent of the unit was sold to the Orlando Utilities Commission.

In addition to the 15 percent of the unit offered for sale under the settlement agreement, FPL has separately offered approximately six percent to Seminole Electric Cooperative.

Other municipalities have filed an opposition to the joint motion and requested antitrust hearings. The matter is pending.

Certain municipalities have appealed a decision by the NRC not to institute, at this time, a proceeding to review the licenses of FPL's operating nuclear units and the construction permit for St. Lucie No. 2. The matter is pending.

Construction Budget

New construction, principally for electric generation, transmission and distribution facilities, totaled approximately \$655 million in 1980.

The Company estimates that its 1981-83 construction program will total an estimated \$2.2 billion. Capital expenditures for 1981 are budgeted at \$688 million.

Financing

To finance its construction program, FPL raised \$371 million from external sources in 1980.

Approximately \$301 million were raised through sale of first mortgage bonds in March and May and pollution control revenue bonds in October. An additional \$28 million were raised through Common Stock issued in connection with the employee benefit plans and the dividend reinvestment plan.

Early in December the Company raised \$42 million by selling 1,750,000 shares of Common Stock. This was FPL's first public sale of Common Stock in more than four years.

The balance of the funds for the Company's capital expenditures was provided by internally generated funds. At year-end short-term debt outstanding totaled \$77 million.

The planned sale of \$125 million of first mortgage bonds in early March will begin the 1981 financing program. The Company will also continue to issue



Common Stock in connection with employee benefit plans and the dividend reinvestment plan. Total external financing needs for 1981 are estimated at \$500 million. However, the amount needed is dependent on the amount and timing of rate relief. The Company's ability to issue additional shares of Preferred Stock is also dependent on the amount and timing of rate relief.

Nuclear Power

In September 1980 FPL became a member of Nuclear Electric Insurance Limited (NEIL), which was organized by the nuclear electric utility industry. NEIL provides insurance coverage for a portion of replacement power costs that might be incurred during an extended outage of a nuclear unit caused by accidental physical damage.

During 1980 the Company continued to make certain modifications to its three operating nuclear units in response to NRC regulations developed as a result of the incident at Three Mile Island. Whenever possible these modifications are made when the units are operating or during scheduled refueling and maintenance outages in order to minimize down-time.

At the Turkey Point Plant, FPL has experienced problems with the steam generators of nuclear Units Nos. 3 and 4 and has plugged certain pressurized water circulation tubes. Presently 20.4 percent of the tubes in Unit No. 3 and 23.8 percent of the tubes in Unit No. 4 have been plugged. The NRC has approved plugging up to 25 percent of the tubes in each unit without reducing the thermal output.

Should more than 25 percent of the tubes in either Unit No. 3 or Unit No. 4 require plugging, a new emergency core cooling system analysis will have to be submitted to and approved by the NRC before that unit may be returned to service.

Unless an extension is granted, each unit must be shut down and the steam generator's inspected once every six months. Before the unit is returned to service, NRC approval must be obtained. Under certain circumstances, a hearing may be required.

Permanent repairs will require that each unit be out of service for approximately nine to twelve months. New steam generators have been delivered and the cost of the repairs has been estimated at \$136 million.

Permanent repair of Unit No. 4's steam generators is now scheduled to begin in October 1981, with Unit No. 3 scheduled for permanent repair in October 1982. These dates may have to be rescheduled because of delays in the licensing process.

An amendment to each unit's operating license is required before work may begin. A draft environmental impact statement has been issued. In 1979 the NRC allowed a petition for late intervention

and indicated public hearings on the amendments to the licenses must be held. Metropolitan Dade County has also received approval to participate in the hearings, which have not yet been scheduled.

Fuel Supplies

First delivery to FPL of Florida-produced uranium fuel was made in June under contracts with International Minerals and Chemicals Corporation (IMC). Florida uranium is extracted as a by-product in the manufacture of phosphate fertilizer.

The agreements call for supplying approximately one million pounds of uranium per year from 1981 through 1992 for the nuclear units at Turkey Point and St. Lucie. In 1980, FPL received 216,000 pounds from IMC.

FPL has several other contracts which cover the majority of its uranium needs through 1992.

The main supplier of fuel oil is Exxon Company, U.S.A. under a contract to provide residual oil and distillate fuel through 1982. The contract will continue year-to-year thereafter until cancelled by either party. If either party elects to cancel by giving notice in 1981 or in any later year, the contract will continue at full quantity through the subsequent calendar year and then be phased out over a three-year period at reduced quantities.

During 1980, FPL's allocations of low sulfur oil under Exxon's allocation program ranged between 60 percent and 100 percent of the contract quantity. The Company has two additional contracts that supplied much of the balance of its oil requirements. Additional oil required to meet generation needs was obtained on the open market.

Natural gas is supplied to FPL under a firm supply contract with Amoco Production Company.

Through June 1983, FPL will receive 200 million cubic feet (MMCF) per day. After that date, gas supplied to June 1988 will be limited to gas from certain wells that were supplying the Company in 1983, but no greater than 200 MMCF per day.

Interruptible supplies of natural gas are provided by two contracts: one expiring in April 1989 and one expiring in December 1981. Deliveries are subject to gas and pipeline availability and continuance of federal permits.

FPL has received 58 temporary public interest exemptions from the Fuel Use Act which allow the burning of natural gas in excess of statutory limits. Twenty-two of the exemptions expire in late 1981 and thirty-six expire in late 1984.

Looking Back...

1980 held challenge; it also held promise. The promise to promote the vital conservation effort, through leadership and example, is a renewed commitment. That's FPL's commitment to the present and to the future.

Florida Power & Light Company and Subsidiaries

Summary of Selected Financial and Operating Data

	1980	1979	1978	1977	1976
Selected Financial Statistics (Thousands)					
Operating Revenues	\$2,347,278	\$1,933,937	\$1,647,226	\$1,464,584	\$1,189,680
Fuel and Net Interchange	\$1,106,909	\$817,141	\$532,779	\$483,243	\$472,237
Total Operating Expenses	\$2,037,723	\$1,632,133	\$1,328,529	\$1,165,676	\$998,467
Net Income	\$198,318	\$204,668	\$211,241	\$180,438	\$116,845
Total Utility Plant	\$6,082,682	\$5,458,512	\$4,983,794	\$4,525,916	\$4,181,839
Total Assets	\$5,492,053	\$4,847,532	\$4,460,145	\$4,071,302	\$3,865,993
Long-Term Debt, excluding current maturities ...	\$2,000,312	\$1,838,426	\$1,766,861	\$1,744,243	\$1,779,771
Preferred Stock with sinking fund requirements, excluding current maturities	\$117,500	\$121,250	\$75,000	\$75,000	\$75,000
Preferred Stock without sinking fund requirements	\$311,250	\$311,250	\$311,250	\$261,250	\$261,250
Capital Expenditures (including nuclear fuel and AFUDC)	\$655,098	\$574,825	\$472,830	\$375,360	\$460,750
External Funds	\$371,657	\$249,220	\$151,866	\$33,240	\$272,540
Common Stock Data					
Net Income Applicable to Common Stock— Thousands	\$162,463	\$170,957	\$182,103	\$152,785	\$94,467
Average Shares Outstanding—Thousands	41,281	40,524	40,120	40,050	39,542
Earnings Per Share of Common Stock	\$3.94	\$4.22	\$4.54	\$3.81	\$2.39
Dividends Paid Per Share	\$2.64	\$2.32	\$2.00	\$1.66	\$1.56
Dividend Rate—Year End	\$2.72	\$2.40	\$2.08	\$1.76	\$1.56
Dividend Payout Percentage	67.0	55.0	44.1	43.6	65.3
Shares Outstanding, Year End—Thousands	43,676	40,819	40,315	40,050	40,050
Price/Earnings Ratio—Year End	6.6	5.9	5.8	7.1	11.6
Book Value Per Share—Year End	\$34.90	\$34.31	\$32.49	\$29.97	\$27.81
Market Price Per Share (High)	28½	28½	29½	28½	28½
Market Price Per Share (Low)	19½	24½	23½	21½	20½
Selected Operating Statistics					
Customers—Year End	2,247,688	2,140,587	2,032,298	1,927,668	1,840,043
KwH per Customer—Residential	11,473	11,354	11,790	11,370	10,968
KwH Sales—Thousands	44,707,613	41,965,810	40,602,076	37,529,397	34,929,541
Revenue per KwH—Residential	5.31¢	4.66¢	4.10¢	3.96¢	3.50¢
Employees—Year End	11,084	10,337	9,750	9,415	9,865
Net Warm Weather Capability, Kw—Year End ...	11,738,000	10,955,000	10,941,000	10,644,000	9,740,000
Peak Load, Winter, Kw—60-minute	9,732,000	8,791,000	8,617,000	8,606,000	7,287,000
Peak Load, Summer, Kw—60-minute	9,623,000	8,650,000	8,345,000	7,841,000	7,598,000
Reserve Capability Percentage at Time of Summer Peak	13.8	26.7	30.4	23.0	13.8
Cost of Oil Burned (Per Barrel)	\$23.26	\$17.47	\$12.33	\$12.94	\$11.62
Percent of Energy:					
Oil	49.6	54.6	51.7	48.2	55.9
Natural Gas	17.9	18.5	19.6	19.9	22.3
Nuclear	27.7	25.6	30.4	33.0	22.8
Coal/Oil Mix Test	0.9	—	—	—	—
Interchange	3.9	1.3	(1.7)	(1.1)	(1.0)

Management's Discussion and Analysis of Financial Condition and Results of Operations



President John J. Hudiburg

Financial Condition

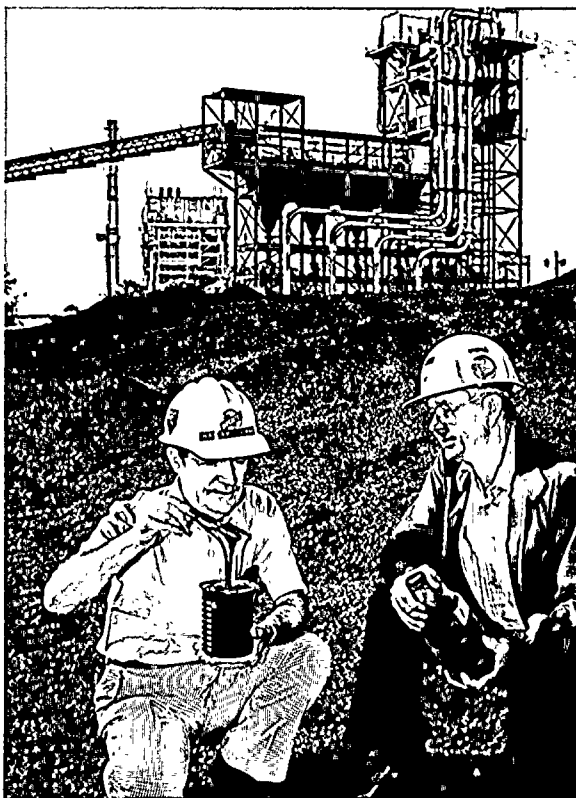
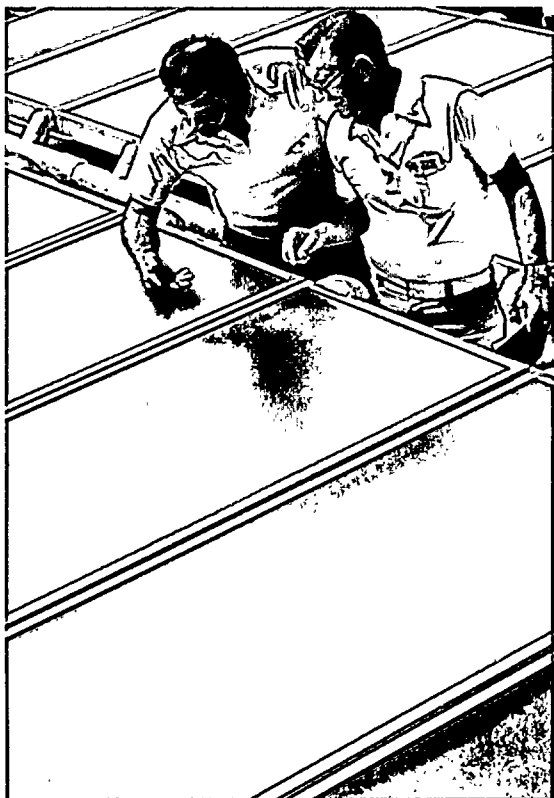
The Company's financial condition at the end of 1980, as disclosed in its consolidated financial statements, reflected a rate increase in 1977, a revised fuel adjustment clause in 1980, and a healthy Florida economy over the past several years. However, with the current continued double-digit inflation, the Company is not able to sustain its financial condition without a rate increase. A petition for a retail rate increase designed to produce annual revenues of approximately \$476 million was filed with the FPSC in January 1981. In February 1981 the Company filed a petition for an interim rate increase of \$211 million, representing a portion of the \$476 million requested in January 1981.

The Company last filed for a retail rate increase in October 1976 and obtained approval to increase rates in June 1977. Emphasis on operating efficiencies and cost controls helped to offset the impact of inflation on operating expenses. Growth in the number of customers and the resulting increased Kwh sales contributed to the Company's ability to partially offset the effects of inflation.

The growth in customers, sales and peak load experienced in recent years is expected to continue for the foreseeable future. The Company expects the most probable compound annual growth rates in customers, Kwh sales and the peak load will range from three to four percent through the mid-1980's. These growth rates take into consideration programs designed to meet statewide energy efficiency goals mandated by the FPSC.

To meet these anticipated service requirements, the Company maintains a substantial construction program. Construction expenditures including net nuclear fuel additions and AFUDC in 1978 through 1980 aggregated \$1.6 billion and are expected to be \$2.2 billion in 1981 through 1983.

The construction program has been financed with a long-range capital structure goal in mind. The Company's long-term objective is to achieve and maintain a mix of about 50-52 percent long-term debt, 38-42 percent common equity and about 8-10 percent preferred stock. The increases in the Company's capitalization from the issuance of debt and equity securities over the past three years reflect this strategy and the Company's response to changing economic conditions.



Left: Banks of solar panels combine to power the commercial air conditioning unit under study at the FPL Perrine Service Center: Hugh Arvin, left, project engineer for Andover Controls Co. which installed instrumentation, and M.A. Johanneman, assistant supervisor at the center.

Right: Mixture of pulverized coal and oil (COM) is burned experimentally in an oil-fired unit at the Sanford Plant. Harry Lane, left, representative of Bechtel Power Corp. which built supporting equipment, and Odis Smith, plant manager.

The Company was able to support much of its 1978 through 1980 capital requirements with \$1.4 billion of internally generated funds. External financings in the same period aggregated \$712 million, consisting of \$471 million of First Mortgage Bonds, \$50 million of other long-term debt, \$100 million of Preferred Stock and \$91 million raised through the sale of Common Stock, including stock issued in connection with certain employee benefit plans and the DRP. An additional \$90 million was obtained through the sale of nuclear fuel materials. These combined amounts enabled the Company to meet its construction commitments and retire \$135 million of maturing debt and Preferred Stock in the period.

The portion of the Company's capital requirements for 1981 through 1983 that will be generated internally will depend upon the FPSC's action on the requests for rate increases. Funds from external sources are expected to be obtained from the same sources as in the past three years. The mix will be varied as required in light of market conditions and the capital structure objective of the Company.

There are no significant current limitations on the amount of debt securities that can be issued under the Company's mortgage indenture or Charter. The Company is not presently able to issue additional Preferred Stock due to its inability to meet an earnings test under the Charter.

Temporary cash requirements are met, in part, through short-term borrowings. The FPSC limits the Company's use of unsecured short-term debt to approximately \$600 million. The Company's working capital deficit is not unusual in the electric utility in-

dustry and results from accounting conventions set by the FPSC and the cash management policies followed by the Company to control borrowing costs.

Results of Operations

After peaking in 1978, net income declined in 1979 and 1980, the combined result of a trend of rising operating, maintenance, and interest costs that were not fully compensated for by the growth in revenues. The Company also experienced underrecovery of fuel costs in 1978, 1979 and the first quarter of 1980. Rapidly rising fuel costs in 1978 and 1979 were not fully recovered due to a two-month lag in the fuel adjustment clause in effect at that time. Under a new fuel cost recovery clause adopted by the FPSC in March 1980, the monthly adjustment factor is based on projected fuel costs and Kwh sales, which leads to more timely and full recovery of fuel costs. The underrecovery of fuel costs was \$47.5 million (\$0.60 per share) in 1979 as compared to \$3.9 million in 1978. The change to the projected fuel cost recovery clause limited the underrecovery in 1980 to \$23 million.

Operating Revenues

Increases in operating revenues were due to the following factors:

	% Increase in Operating Revenues		
	1980	1979	1978
Kwh sales	6.5%	3.4%	8.2%
Fuel adjustment and rate changes	14.7	13.9	4.2
Other	0.2	0.1	0.1
Total	<u>21.4%</u>	<u>17.4%</u>	<u>12.5%</u>

Kwh sales increased primarily as a result of growth in the average number of customers of 5.3% in 1980, 5.4% in 1979 and 4.9% in 1978. Energy usage per customer increased 1.1% in 1980, but declined 2.0% in 1979, following a 3.3% increase in 1978.

Fuel adjustment revenues in 1980 were \$549.8 million, up \$288.9 million, or over 111% of the 1979 total; in 1979 fuel adjustment revenues were \$260.9 million, up \$224.1 million, or over 600% of the 1978 total of \$36.8 million. These increases accounted for 14.1% of the increase in 1980 operating revenues and 13.5% of the increase in 1979 operating revenues and reflect the rapid escalation in fuel costs in 1979 and 1980.

Earnings Per Share

1980	3.94
1979	4.22
1978	4.54
1977	3.81
1976	2.39
1970	1.97

1 2 3 4 \$5

Dividends Paid Per Share

1980	2.64
1979	2.32
1978	2.00
1977	1.66
1976	1.56
1970	1.015

1 2 \$3

Book Value (Year End)

1980	31.90
1979	34.31
1978	32.49
1977	29.97
1976	27.81
1970	17.05

10 20 30 \$40

Fuel and Net Interchange

Fuel and net interchange expense consisted of the following (in thousands):

	1980	1979	1978
Fuel expense	\$1,059,725	\$812,898	\$551,376
Net interchange	51,172	4,243	(18,597)
Deferred fuel costs	(3,988)	—	—
Total	<u>\$1,106,909</u>	<u>\$817,141</u>	<u>\$532,779</u>

The oil portion of fuel expense increased by \$216.1 million, or 31.3%, in 1980 and by \$241.6 million, or 53.8%, in 1979. The average cost per barrel of oil consumed in 1980 increased by 33.2% over 1979 levels and accounted for \$226.1 million of the increase in fuel expense. However, this amount was partially offset by a decline in the quantity of oil consumed. A 41.6% increase in the average cost per barrel of oil consumed accounted for \$203.2 million of the 1979 increase.

Net interchange purchases reflect an increase in economy interchange purchases, resulting from participation in a new statewide interchange system and the "coal by wire" purchases under a new contract with The Southern Company system. Approximately \$19 million of power was purchased in 1980 under this contract.

Other Operation and Maintenance Expenses

These expenses increased due to higher payroll and related employee benefits costs, increases in the number of customers served and the amount of electricity generated, and the maintenance of nuclear units. An extended outage to repair the turbine rotor at Turkey Point Unit No. 3 and expenditures for safety reviews, investigations and regulations result-

ing from the Three Mile Island incident are reflected in 1979 expenses. Additional expenditures to meet Three Mile Island-related Nuclear Regulatory Commission (NRC) requirements, turbine rotor replacement at Turkey Point Unit No. 4, reactor coolant seals replacement at St. Lucie Unit No. 1, the experimental use of a coal-oil fuel mixture and a system-wide increase in tree trimming and line maintenance increased 1980 expenses.

Allowance for Funds Used During Construction (AFUDC)

Total AFUDC increased as a result of higher CWIP balances. The investment in Martin Unit No. 1 amounted to \$447 million, an increase of \$113 million over the previous year. This unit was placed in commercial operation in December 1980. At December 31, 1980 the investment in St. Lucie Unit No. 2 and Martin Unit No. 2 included in CWIP aggregated \$844 million, up \$246 million from a year earlier. AFUDC will be reduced significantly as these units are placed in commercial service. This will result in a reduction in net income unless operating revenues and rate relief provide sufficient additional revenues to fully offset the reduction in AFUDC and increases in depreciation and other operating expenses related to these units.

Effects of Inflation

Changing prices have impacted the Company in all aspects of its operations, including construction costs, operating expenses and the cost of capital. The Company has estimated the effects of changing prices on its operations on the basis prescribed by the Financial Accounting Standards Board. See "Effects of Changing Prices."



Left: Arthur Litka, project manager at the Florida Solar Energy Center, measures electricity produced directly by the sun beaming on banks of photovoltaic cells mounted on roof of experimental house. FPL is a contributor to this project at Cape Canaveral.

Report of Management

The management of Florida Power & Light Company is responsible for the integrity and objectivity of the financial information and representations contained in the consolidated financial statements and other sections of this Annual Report. The consolidated financial statements, which in part are based on informed judgments and estimates made by the management, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

To aid it in carrying out this responsibility, management maintains a system of internal accounting control, which is established after weighing the cost of such controls against the benefits derived. In the opinion of management, this system provides reasonable assurance that the assets of the Company are safeguarded and transactions are executed in accordance with management's authorization and are recorded properly for the preparation of financial statements. In addition, management believes the Company's system of internal accounting control provides reasonable assurance that material errors or irregularities would be prevented or detected on a timely basis by employees in the normal course of their duties. Due to the inherent limitations of the effectiveness of any system of internal accounting control, management cannot provide absolute assurance that the objectives of internal accounting control will be met. The system of internal accounting control is supported by written policies and guidelines, the selection and training of qualified employees, an organizational structure that provides an appropriate division of responsibility and a program of internal auditing. To further enhance the internal accounting control environment the Company has a Conflict of Interests Policy and an Ethical Policy Statement.

The Company's independent accountants, Deloitte Haskins & Sells, are engaged to express an opinion of the Company's financial statements. Their opinion is based on procedures believed by them to be sufficient to support such an opinion. The Board of Directors pursues its oversight responsibility for financial reporting and accounting through its Audit Committee. This Committee, which is comprised entirely of outside directors, meets periodically with management, the internal auditors and the independent accountants to make inquiries as to the manner in which the responsibilities of each are being discharged. The independent accountants and the internal audit staff have free access to the Committee without management's presence to discuss auditing, internal accounting control and financial reporting matters.

Opinion of Independent Certified Public Accountants

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

We have examined the consolidated balance sheets and statements of capitalization of Florida Power & Light Company and subsidiaries as of December 31, 1980 and 1979 and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. 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 at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS
Miami, Florida
February 12, 1981

Financial Statements

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Florida Power & Light Company and Subsidiaries
Consolidated Balance Sheets, December 31, 1980 and 1979

(Thousands of Dollars)	1980	1979
Assets		
ELECTRIC UTILITY PLANT (Notes 1 and 7):		
At original cost	\$4,968,387	\$4,237,288
Less accumulated depreciation	<u>1,137,070</u>	<u>1,003,365</u>
Net	3,831,317	3,233,923
Construction work in progress	1,009,377	1,119,820
Nuclear fuel (less accumulated amortization of \$42,284 at December 31, 1980 and \$33,300 at December 31, 1979)	62,634	68,104
Electric utility plant—net	<u>4,903,328</u>	<u>4,421,847</u>
INVESTMENTS:		
Storm and property insurance reserve fund (Note 1)	12,911	9,562
Other	<u>28,550</u>	<u>2,499</u>
Total investments	<u>41,461</u>	<u>12,061</u>
CURRENT ASSETS:		
Cash (Note 3)	2,975	6,663
Temporary investments (at cost, which approximates market)	19,271	—
Accounts receivable:		
Customers (less allowance for uncollectible accounts of \$4,191 at December 31, 1980 and \$3,978 at December 31, 1979)	139,657	109,552
Employees and miscellaneous	10,861	20,640
Income tax refunds	14,827	—
Materials and supplies—at average cost	95,262	74,906
Fossil fuel stock—at average cost	181,925	142,681
Prepaid expenses	26,019	20,864
Other	<u>8,337</u>	<u>5,846</u>
Total current assets	<u>499,134</u>	<u>381,152</u>
DEFERRED DEBITS:		
Accumulated deferred income taxes (Note 1)	18,550	8,808
Unamortized cancelled project costs (Note 7)	5,708	10,275
Unamortized debt expense and loss on reacquired debt	7,747	5,402
Deferred fuel costs (Note 1)	3,988	—
Other	<u>12,137</u>	<u>7,987</u>
Total deferred debits	<u>48,130</u>	<u>32,472</u>
Total	<u>\$5,492,053</u>	<u>\$4,847,532</u>

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

(Thousands of Dollars)	1980	1979
Liabilities		
CAPITALIZATION (See Consolidated Statements of Capitalization):		
Common shareholders' equity	\$1,524,285	\$1,400,395
Preferred stock without sinking fund requirements	311,250	311,250
Preferred stock with sinking fund requirements	117,500	121,250
Long-term debt	<u>2,000,312</u>	<u>1,838,426</u>
Total capitalization	<u>3,953,347</u>	<u>3,671,321</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt and preferred stock	135,644	55,200
Notes payable—commercial paper (Note 3)	77,490	32,000
Accounts payable—trade	124,080	62,761
Customers' deposits	99,324	89,986
Income taxes (Notes 1 and 7)	8,663	12,623
Other taxes	73,305	72,700
Interest accrued	50,802	40,520
Pension cost accrued (Note 6)	29,199	27,666
Tax collections payable	18,016	15,533
Other	<u>54,801</u>	<u>54,626</u>
Total current liabilities	<u>671,324</u>	<u>463,615</u>
DEFERRED CREDITS:		
Accumulated deferred income taxes (Note 1)	549,468	448,215
Unamortized investment tax credit (Note 1)	276,365	229,608
Other	<u>17,931</u>	<u>13,354</u>
Total deferred credits	<u>843,764</u>	<u>691,177</u>
RESERVES:		
Storm and property insurance (Note 1)	12,911	9,562
Other	<u>10,707</u>	<u>11,857</u>
Total reserves	<u>23,618</u>	<u>21,419</u>
COMMITMENTS AND CONTINGENCIES (Notes 7 and 8)		
Total	<u>\$5,492,053</u>	<u>\$4,847,532</u>

Florida Power & Light Company and Subsidiaries

Consolidated Statements of Capitalization, December 31, 1980 and 1979

(Thousands of Dollars)	1980	1979
COMMON SHAREHOLDERS' EQUITY:		
Common Stock, no par value, authorized—100,000,000 shares;		
outstanding—43,676,193 shares in 1980 and 40,819,178 shares in 1979 (Note 4)	\$ 840,707	\$ 770,350
Capital stock premium and expense	(4,182)	(4,038)
Retained earnings	687,760	634,083
Total common shareholders' equity	<u>1,524,285</u>	<u>1,400,395</u>
PREFERRED STOCK—Cumulative, \$100 Par Value,		
authorized 20,112,500 shares at December 31, 1980	December 31, 1980	
and 5,000,000 shares at December 31, 1979 (Note 4):	Shares Outstanding	Redemption Price
Preferred stock without sinking fund requirements:		
4½% Series	100,000	\$101.00
4½% Series A	50,000	101.00
4½% Series B	50,000	101.00
4½% Series C	62,500	103.00
4.32% Series D	50,000	103.50
4.35% Series E	50,000	102.00
7.28% Series F	600,000	106.57
7.40% Series G	400,000	106.23
9.25% Series H	500,000	107.00
8.70% Series K	750,000	109.85
8.84% Series L	500,000	109.84
Total	<u>311,250</u>	<u>311,250</u>
Preferred stock with sinking fund requirements:		
10.08% Series J	675,000	111.50
8.70% Series M	500,000	108.29
Less current maturities		—
Total	<u>117,500</u>	<u>121,250</u>
LONG-TERM DEBT (Notes 1 and 4):		
First Mortgage Bonds:		
Maturing through 1985—		
8½% Due August 1980	—	50,000
3½% Due November 1981	10,000	10,000
8½% Due May 1982	100,000	100,000
3½% Due April 1983	15,000	15,000
9½% Due May 1984	100,000	100,000
3½% Due November 1984	10,000	10,000
Maturing 1986 through 1995—3½% to 5%	230,000	230,000
Maturing 1996 through 2005—6% to 10½%	796,289	796,289
Maturing 2006 through 2010—9½% to 12½%	500,000	275,000
Pollution Control Series A, 6.10% Due January 2008	19,400	19,400
Pollution Control Series B (Note 4)	76,300	—
10½% Notes Due November 1981	125,000	125,000
Bank Notes (under term loan agreement) Due March 1982	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 9¼% Due Various Dates to January 2020	11,057	14,233
Unamortized Premium and Discount—net	820	3,464
Total long-term debt	2,135,956	1,890,476
Less current maturities	(135,644)	(52,050)
Long-term debt excluding current maturities	2,000,312	1,838,426
Total capitalization	<u>\$3,953,347</u>	<u>\$3,671,321</u>

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

Florida Power & Light Company and Subsidiaries
Consolidated Statements of Income
for the years ended December 31, 1980, 1979 and 1978

(Thousands of Dollars, except per share amounts)	1980	1979	1978
OPERATING REVENUES (Notes 1 and 5)	<u>\$2,347,278</u>	<u>\$1,933,937</u>	<u>\$1,647,226</u>
OPERATING EXPENSES:			
Operations:			
Fuel and net interchange (Note 1)	1,106,909	817,141	532,779
Other production	63,169	42,891	35,628
Transmission and distribution	61,252	50,910	46,176
Customers	59,129	49,660	42,839
Administrative and general	130,685	116,028	110,607
Maintenance	141,789	99,490	85,865
Depreciation (Note 1)	159,964	150,195	144,267
Income taxes (Notes 1 and 6)	140,840	156,044	198,163
Taxes other than income taxes	173,986	149,774	132,205
Total operating expenses	<u>2,037,723</u>	<u>1,632,133</u>	<u>1,328,529</u>
OPERATING INCOME	<u>309,555</u>	<u>301,804</u>	<u>318,697</u>
OTHER INCOME (DEDUCTIONS):			
Allowance for other funds used during construction (Note 1)	38,056	30,006	20,319
Income taxes (Note 1)	(1,841)	(34)	827
Other—net	3,292	1,209	3,382
Other income—net	<u>39,507</u>	<u>31,181</u>	<u>24,528</u>
INCOME BEFORE INTEREST CHARGES	<u>349,062</u>	<u>332,985</u>	<u>343,225</u>
INTEREST CHARGES:			
Interest on first mortgage bonds	147,239	117,715	116,446
Interest on other long-term debt	27,578	27,163	24,031
Other interest	14,912	12,280	5,619
Allowance for borrowed funds used during construction (Note 1)	(38,985)	(28,841)	(14,112)
Interest charges—net	<u>150,744</u>	<u>128,317</u>	<u>131,984</u>
NET INCOME	<u>198,318</u>	<u>204,668</u>	<u>211,241</u>
PREFERRED STOCK DIVIDEND REQUIREMENTS	<u>35,855</u>	<u>33,711</u>	<u>29,138</u>
NET INCOME APPLICABLE TO COMMON STOCK	<u>\$ 162,463</u>	<u>\$ 170,957</u>	<u>\$ 182,103</u>
Average number of common shares outstanding (in thousands)	41,281	40,524	40,120
Earnings per share of Common Stock	\$3.94	\$4.22	\$4.54
Dividends per share of Common Stock	\$2.64	\$2.32	\$2.00

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

Florida Power & Light Company and Subsidiaries
Consolidated Statements of Retained Earnings
for the years ended December 31, 1980, 1979 and 1978

(Thousands of Dollars)	1980	1979	1978
BALANCE AT BEGINNING OF YEAR	\$634,083	\$556,772	\$454,529
NET INCOME	<u>198,318</u>	<u>204,668</u>	<u>211,241</u>
Total	<u>832,401</u>	<u>761,440</u>	<u>665,770</u>
DEDUCT:			
Cash dividends:			
Preferred Stock:			
4½% Series (\$4.50 a share)	450	450	450
4½% Series A (\$4.50 a share)	225	225	225
4½% Series B (\$4.50 a share)	225	225	225
4½% Series C (\$4.50 a share)	281	281	281
4.32% Series D (\$4.32 a share)	216	216	216
4.35% Series E (\$4.35 a share)	218	218	218
7.28% Series F (\$7.28 a share)	4,368	4,368	4,368
7.40% Series G (\$7.40 a share)	2,960	2,960	2,960
9.25% Series H (\$9.25 a share)	4,625	4,625	4,625
10.08% Series J (\$10.08 a share)	7,051	7,560	7,560
8.70% Series K (\$8.70 a share)	6,525	6,525	6,525
8.84% Series L (\$8.84 a share)	4,420	4,420	1,117
8.70% Series M (\$8.70 a share)	4,350	1,281	—
Common Stock	<u>108,610</u>	<u>94,002</u>	<u>80,228</u>
Total dividends	<u>144,524</u>	<u>127,356</u>	<u>108,998</u>
Preferred Stock redemption costs	<u>117</u>	<u>1</u>	<u>—</u>
BALANCE AT END OF YEAR	<u>\$687,760</u>	<u>\$634,083</u>	<u>\$556,772</u>

Dividend Restrictions. The Charter, Mortgage and Deed of Trust and 10¾% Note Indenture contain provisions which, under certain conditions, restrict the payment of dividends and other distributions to common shareholders. Under the most restrictive of these provisions approximately \$593 million of retained earnings was available for payment of dividends on Common Stock at December 31, 1980.

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, 1980, 1979 and 1978

(Thousands of Dollars)	1980	1979	1978
SOURCE OF FUNDS:			
Operations:			
Net income	\$198,318	\$204,668	\$211,241
Depreciation	159,964	150,195	144,267
Amortization of nuclear fuel assemblies	9,766	11,992	11,081
Deferred investment tax credit—net	46,757	52,725	35,646
Deferred income taxes	91,511	77,075	67,695
Deferred fuel costs	(3,988)	—	—
Allowance for other funds used during construction	(38,056)	(30,006)	(20,319)
Total	464,272	466,649	449,611
Sale of first mortgage bonds	222,607	73,895	75,202
Reimbursement by trustee from pollution control financings for construction expenditures	58,153	—	18,476
Issuance of other long-term debt	1,899	50,081	—
Issuance of Common Stock	70,357	13,508	7,466
Sale of Preferred Stock	—	49,825	50,134
Sale of nuclear fuel	29,718	60,712	—
Proceeds from nuclear fuel suit	—	26,000	—
Other sources	7,595	22,462	20,825
Decrease in working capital	89,727	—	14,164
Total	<u>\$944,328</u>	<u>\$763,132</u>	<u>\$635,878</u>
APPLICATION OF FUNDS:			
Construction expenditures*	\$613,529	\$509,627	\$432,586
Nuclear fuel*	33,231	35,556	19,925
Retirement, redemption and current maturity of long-term debt and Preferred Stock	142,417	55,810	71,617
Dividends	144,524	127,356	108,998
Other applications	10,627	24,112	2,752
Increase in working capital	—	10,671	—
Total	<u>\$944,328</u>	<u>\$763,132</u>	<u>\$635,878</u>
CHANGE IN WORKING CAPITAL EFFECTED BY:			
Increase (Decrease) in current assets:			
Cash and temporary investments	\$ 15,583	\$ (26,990)	\$ 29,829
Accounts receivable	20,326	29,900	13,990
Fossil fuel stock	39,244	57,536	19,063
Materials and supplies	20,356	13,141	(4,897)
Other changes—net	22,473	(9,503)	22,004
Decrease (Increase) in current liabilities:			
Notes payable and current maturities of long-term debt and Preferred Stock	(125,934)	(24,582)	(49,925)
Accounts payable	(61,319)	(16,281)	(6,972)
Customers' deposits	(9,338)	(10,866)	5,387
Income taxes	3,960	44,634	(12,383)
Other changes—net	(15,078)	(46,318)	(30,260)
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (89,727)</u>	<u>\$ 10,671</u>	<u>\$ (14,164)</u>

*Excluding Allowance for other funds used during construction.

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

Florida Power & Light Company and Subsidiaries
Schedule of Taxes for the years ended December 31, 1980, 1979 and 1978

(Thousands of Dollars)	1980	1979	1978
Income Taxes			
FEDERAL:			
Charged to operating expenses:			
Current	\$(10,795)	\$ 8,887	\$ 73,659
Deferred			
Accelerated depreciation	69,305	52,429	53,220
Debt component of AFUDC	14,185	10,276	6,405
Repair allowance	12,715	4,863	5,117
Estimated revenue refunds	—	(188)	(854)
Other	(13,140)	6,915	(763)
Deferred in prior years			
Accelerated depreciation	(4,508)	(2,879)	(1,934)
Debt component of AFUDC	(777)	(770)	(662)
Repair allowance	(920)	(1,078)	(931)
Estimated revenue refunds	277	765	—
Other	4,770	(1,428)	2,002
Deferred investment tax credit	60,880	66,790	47,535
Amortization of investment tax credit	(6,302)	(5,291)	(4,695)
Total	125,690	139,291	178,099
Charged to other income:			
Current	1,347	(33)	(212)
Deferred—net	235	42	(585)
Total federal	<u>127,272</u>	<u>139,300</u>	<u>177,302</u>
STATE:			
Charged to operating expenses:			
Current	5,824	8,629	13,320
Deferred			
Accelerated depreciation	7,769	6,113	5,835
Debt component of AFUDC	1,618	1,176	702
Repair allowance	1,455	561	561
Estimated revenue refunds	—	(22)	(94)
Other	(1,392)	784	(84)
Deferred in prior years			
Accelerated depreciation	(414)	(310)	(198)
Debt component of AFUDC	(87)	(86)	(73)
Repair allowance	(102)	(119)	(102)
Estimated revenue refunds	32	84	—
Other	447	(57)	197
Total	15,150	16,753	20,064
Charged to other income:			
Current	216	21	34
Deferred—net	43	4	(64)
Total state	<u>15,409</u>	<u>16,778</u>	<u>20,034</u>
Total income taxes	<u>\$142,681</u>	<u>\$156,078</u>	<u>\$197,336</u>

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

	1980		1979		1978	
	<u>Amount</u>	<u>% of Pre-tax Income</u>	<u>Amount</u>	<u>% of Pre-tax Income</u>	<u>Amount</u>	<u>% of Pre-tax Income</u>
Computed at statutory rate	\$156,860	46.0%	\$165,943	46.0%	\$196,117	48.0%
Increases (Reductions) in income taxes resulting from:						
Allowance for other funds used during construction	(20,842)	(6.1)	(16,252)	(4.5)	(9,753)	(2.4)
State income taxes — net of federal income tax benefits	8,321	2.4	9,060	2.5	10,418	2.6
Other — net	(1,658)	(0.5)	(2,673)	(0.7)	554	0.1
Total income taxes	<u>\$142,681</u>	<u>41.8%</u>	<u>\$156,078</u>	<u>43.3%</u>	<u>\$197,336</u>	<u>48.3%</u>

Other Taxes

Taxes other than federal and state income taxes:

	1980	1979	1978
Federal and state payroll	\$ 15,220	\$ 13,928	\$ 11,343
Real and personal property	44,269	41,705	41,308
State gross receipts	33,785	27,981	23,955
Franchise charges	81,420	66,866	55,862
Miscellaneous	16,894	17,229	14,907
Total other taxes	<u>\$191,588</u>	<u>\$167,709</u>	<u>\$147,375</u>

Charged to:

Operating expenses — other taxes	\$173,986	\$149,774	\$132,205
Utility plant and other accounts	17,602	17,935	15,170
Total	<u>\$191,588</u>	<u>\$167,709</u>	<u>\$147,375</u>

Florida Power & Light Company and Subsidiaries
Schedule of Allowance for Funds Used During Construction (AFUDC)
for the years ended December 31, 1980, 1979 and 1978

(Millions of Dollars)	1980	1979	1978
Monthly average construction work in progress (CWIP)	\$1,238.0	\$970.1	\$669.9
Less:			
Fixed amount included in rate base	200.0	200.0	200.0
AFUDC previously capitalized and included in monthly average CWIP	152.9	97.9	60.9
Other	<u>44.0</u>	<u>53.2</u>	<u>76.9</u>
CWIP base for computing AFUDC	841.1	619.0	332.1
Nuclear fuel base for computing AFUDC	<u>—</u>	<u>30.5</u>	<u>46.3</u>
Total base for computing AFUDC	841.1	649.5	378.4
Capitalization rate (1)	<u>9.16%</u>	<u>9.06%</u>	<u>9.10%</u>
Total AFUDC charged to CWIP and nuclear fuel	77.0	58.8	34.4
Amounts credited to interest charges (2)	<u>39.0</u>	<u>28.8</u>	<u>14.1</u>
Amounts credited to other income (2)	<u>\$ 38.0</u>	<u>\$ 30.0</u>	<u>\$ 20.3</u>

- (1) The AFUDC rate is determined by a formula set by the Florida Public Service Commission (FPSC). The rate is calculated by applying the capital ratio of each component of capital to its current embedded cost, except common equity, for which the rate allowed in the Company's last retail rate case is used as its embedded cost. The debt component is not reduced by the applicable income taxes. A formula is also provided by the Federal Energy Regulatory Commission (FERC) for computing the maximum AFUDC rate. The rate used by the Company to compute AFUDC does not exceed the maximum established by FERC.
- (2) In 1978 the allocation of total AFUDC between borrowed funds and other funds was based on the respective proportions of the borrowed funds component and the other funds component of the total AFUDC amount determined by using the formula set by the FPSC. In 1979, as a result of a FERC directive, the Company began allocating total AFUDC between borrowed funds and other funds by computing the borrowed funds component using the FERC formula, with the residual AFUDC being reported as the other funds portion; thus, while the FPSC formula is still utilized to compute the total amount of AFUDC, the borrowed funds portion in 1980 and 1979 is identical to that which would be reported if the FERC formula were being used. The FERC formula differs from the FPSC formula in that it includes short-term borrowings and assumes that such borrowings are the first source of funds for construction, but excludes accumulated deferred income taxes. The Company has continued to provide deferred income taxes on the borrowed funds portion of AFUDC determined by the FPSC formula.

Florida Power & Light Company and Subsidiaries

Notes to Consolidated Financial Statements

for the years ended December 31, 1980, 1979 and 1978

1. Summary Of Significant Accounting And Reporting Policies

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

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

Revenues and Fuel Costs: Revenues are recognized based on monthly cycle billings to customers. Retail and wholesale rate schedules are approved by the FPSC and 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.

Through March 1980 changes in fuel costs were reflected in customer billings, after a two-month lag, through a fuel adjustment clause. In March 1980 the FPSC adopted a projected fuel cost recovery clause which is designed to permit full recovery of fuel costs. Effective with April billings, the monthly fuel adjustment factor is a levelized rate based on projected fuel costs and Kwh sales over each ensuing six-month period. The net under or over recovery of fuel costs during a projection period, plus interest, is deferred and collected from or refunded to customers during the last four months of the succeeding six-month projection period. At December 31, 1980 the Company had deferred approximately \$4 million of fuel costs in excess of related revenues.

Effective in 1980 the Company has combined net interchange with fuel expense in order to present the costs recovered under the fuel cost recovery

clause. Net interchange amounts for prior periods, which were combined with other production costs, have been reclassified to conform with the 1980 presentation.

Electric Utility Plant, Depreciation and Amortization: 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. The weighted annual composite depreciation rate was approximately 3.7% in 1980. Nuclear production plant rates include estimated negative salvage values for certain components, reflecting estimated decommissioning costs. Transmission and distribution plant rates also include negative salvage values.

The cost of nuclear fuel is amortized to fuel expense on a unit of production method. No provision for estimated future spent fuel storage, transportation or disposal costs is presently included in fuel expense.

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

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

Storm and Property Insurance Reserve and Related Fund: The storm and property insurance reserve fund is maintained at an amount equivalent to the reserve. The reserve provides coverage toward 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.

Income Taxes: Deferred income taxes are provided on all significant book-tax timing differences as permitted for rate-making purposes by the FPSC. Investment tax credits used to reduce current federal income taxes are deferred and amortized to income at a rate approximating the lives of the related property. See the Schedule of Taxes.

2. Subsidiaries

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

3. Short-Term Debt

Unused available bank credit aggregated approximately \$227 million at December 31, 1980, 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.

Florida Power & Light Company and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. Capitalization

Common Stock: The Company has reserved 3 million shares of Common Stock for issuance under the Employee Thrift Plan (Thrift Plan) and Employee Stock Ownership Plan (ESOP) and one million shares of Common Stock for issuance under the Dividend Reinvestment and Common Share Purchase Plan (DRP). At December 31, 1980 the Company had issued 1,390,846 of the reserved shares under the Thrift Plan and the ESOP and 485,347 of the reserved shares under the DRP.

In December 1980 the Company issued 1,750,000 shares of Common Stock by an underwritten public offering for \$42 million.

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

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

Minimum annual sinking fund requirements are approximately \$3.8 million for 1981 through 1984 and \$5.6 million in 1985. In 1979 the Company purchased and retired 6,000 shares of the 10.08% Series J Preferred Stock in anticipation of the 1980 sinking fund requirement, and in early 1980 the remainder of that requirement was met through the purchase and retirement of 31,500 shares. The 1981 sinking fund requirement was met by purchasing and retiring 37,500 shares during 1980. In the event that the Company should be in arrears on its sinking fund obligations, the Company may not pay dividends on Common Stock.

The changes in each series of Preferred Stock With Sinking Fund Requirements for 1978, 1979 and 1980 are shown below (in thousands):

	10.08% Series J		8.70% Series M	
	Shares	Amount	Shares	Amount
Balances, January 1, and December 31, 1978 ..	750	\$75,000	—	—
Sale in 1979	—	—	500	\$50,000
Current maturity in 1979	(37)	(3,750)	—	—
Balances, December 31, 1979	713	71,250	500	50,000
Current maturity in 1980	(38)	(3,750)	—	—
Balances, December 31, 1980	<u>675</u>	<u>\$67,500</u>	<u>500</u>	<u>\$50,000</u>

Long-Term Debt: Certain series of the Company's First Mortgage Bonds have sinking fund requirements through 1995 which may be satisfied by certification of property additions at the rate of 167% of such requirements. Such requirements are approximately \$4 million for each of the next three years and approximately \$3 million for 1984 and 1985. Annual maturities of long-term debt are approximately \$136 million in 1981, \$151 million in 1982, \$16 million in 1983, \$111 million in 1984 and \$1 million in 1985.

The Pollution Control Series B First Mortgage Bonds consist of \$26,300,000 of 9.60% bonds due October 1, 2000, and \$50,000,000 of 9.90% bonds due October 1, 2015.

Changes in Capital Accounts: The changes in Common Stock, Preferred Stock Without Sinking Fund Requirements and Capital Stock Premium and Expense for 1978, 1979 and 1980 are shown below (in thousands):

	Common Stock		Preferred Stock Without Sinking Fund Requirements		Capital Stock Premium and Expense
	Shares	Amount	Shares	Amount	
Balances, January 1, 1978	40,050	\$749,375	2,612	\$261,250	\$(3,715)
Sale in 1978	—	—	500	50,000	(30)
Issued to benefit plans in 1978	265	7,466	—	—	(6)
Balances, December 31, 1978	40,315	756,841	3,112	311,250	(3,751)
Sale in 1979	—	—	—	—	(287)
Issued to benefit plans in 1979	504	13,509	—	—	(1)
Preferred stock redemption	—	—	—	—	1
Balances, December 31, 1979	40,819	770,350	3,112	311,250	(4,038)
Sale in 1980	1,750	42,306	—	—	(62)
Issued to benefit plans in 1980	622	16,409	—	—	—
Issued under DRP in 1980	485	11,642	—	—	(96)
Preferred stock redemption	—	—	—	—	14
Balances, December 31, 1980	<u>43,676</u>	<u>\$840,707</u>	<u>3,112</u>	<u>\$311,250</u>	<u>\$(4,182)</u>

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

5. Revenues

In connection with the adoption of the fuel cost recovery clause in 1980, the FPSC ordered a transition adjustment to recover, over a twelve-month period, approximately \$59 million of fuel costs which the Company would have had the opportunity to recover through the prior fuel adjustment clause. The transition adjustment was appealed to the Supreme Court of Florida and the Company has agreed not to collect the transition adjustment amount pending resolution of the appeal.

A petition for a retail rate increase designed to produce annual revenues of approximately \$476 million was filed with the FPSC in January 1981. The petition is based on projected 1981 costs and seeks an increased rate of return on projected average 1981 rate base. The Company has also requested that more construction work in progress be included in the rate base. In February 1981 the Company filed a petition for an interim rate increase of \$211 million, representing a portion of the \$476 million requested in January 1981.

6. 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 over 10 years. Pension costs for the years 1980, 1979 and 1978 were \$29.2 million, \$27.7 million and \$26.2 million, respectively. The estimated unfunded prior service cost of the pension plan at January 1, 1980 was approximately \$92.4 million using the entry age normal cost method. The amounts of accumulated plan benefits and plan net assets for the Company's pension plan for the two most recent years are presented below. The amounts of accumulated plan benefits do not anticipate benefits related to future salary increases, and therefore do not represent the total eventual obligations for pension benefits to be met by the plan.

	January 1,	
	1980	1979
Actuarial present value of accumulated plan benefits (assumed five percent rate of return):		
Vested	\$124.5	\$106.3
Nonvested	10.5	7.9
Total	<u>\$135.0</u>	<u>\$114.2</u>
Net assets available for benefits	<u>\$281.1</u>	<u>\$229.3</u>

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. The Company matching contributions for 1980, 1979 and 1978 were \$2.3 million, \$2.1 million and \$2.0 million, respectively.

The Company has an Employee Stock Ownership Plan (ESOP) through which it is permitted to claim up to an additional 1½% investment tax credit. An amount equal to such additional credit must be contributed to the ESOP to provide Company Common Stock for the benefit of employees. Since the contributions 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 \$7.8 million, \$8.8 million and \$7.2 million in 1980, 1979 and 1978, respectively.

7. Commitments And Contingencies

Construction Program: Commitments in connection with the construction program for electric generating units and related facilities approximated \$1.0 billion at December 31, 1980 including \$300 million for nuclear fuel. These are estimates 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 two nuclear units previously proposed for a South Dade Site. Under authorization from the FPSC, the Company deferred project costs and cancellation penalties totalling approximately \$22.8 million and is amortizing the amount over a five-year period.

Rental and Nuclear Fuel Expense: The annual lease expense and the minimum rental commitments under real property and equipment leases are not material.

The Company has various contracts for supplies of fuel including a contract for nuclear fuel services for its two Turkey Point nuclear units. Expenses under the nuclear fuel services contract for 1980, 1979 and 1978 which were charged to operating expenses were \$19.1 million, \$14.9 million and \$15.4 million, respectively. The Company is committed to pay a minimum annual charge per nuclear unit of \$1,260,000 under the Turkey Point nuclear fuel services contract; however, annual charges on a usage basis may be substantially in excess of the minimum charge and are subject to escalation for increases in certain costs to the supplier.

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

The Company also has a lease arrangement for a portion of the nuclear fuel for St. Lucie Unit No. 1, under which the Company may sell nuclear fuel materials to the lessor for subsequent leaseback. Such sales totalled approximately \$30 million in 1980 and \$60 million in 1979. Lease payments are based on energy production. The Company continues to have full responsibility for management of the fuel. The FPSC has approved classification of this lease as an operating lease for financial accounting purposes. If the lease had been treated as a capital lease, the Company's balance sheet at December 31, 1980 would have reflected additional nuclear fuel of approximately \$58 million with a corresponding capitalized lease obligation. Under certain conditions of termination, the Company will be required to purchase, within 270 days, all nuclear fuel (in whatever form)

Florida Power & Light Company and Subsidiaries

Notes to Consolidated Financial Statements (Concluded)

then existing under the lease arrangement at a price that will allow the lessor to recover its net investment cost (approximately \$115 million at December 31, 1980).

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 \$69 million, based on current premiums, in the event losses occur at a nuclear plant of a member utility, and is self-insured for any such loss at any one of its nuclear plants (including any "clean-up" cost it would incur as a result of a nuclear incident) in excess of \$375 million.

In September 1980 the Company became a member of Nuclear Electric Insurance Limited, which provides insurance coverage for extra expenses incurred in obtaining replacement power during prolonged outages of nuclear units caused by radioactive contamination or other specified damage. Based on current premiums, the Company could be subject to maximum assessment of approximately \$25 million for each policy year in which losses to member utilities occur.

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

Nuclear Units:

Turkey Point Units Nos. 3 and 4—At its Turkey Point Plant the Company has been experiencing an ongoing problem with the

steam generators in its two nuclear units, Units Nos. 3 and 4, and has had to plug in excess of 20% of the pressurized water circulation tubes in the steam generators of each unit.

Unless an extension is granted, each unit is required to be shut down and the steam generators inspected once every six months. NRC approval must be obtained following each inspection before the units may be returned to service. In the event that more than 25% of the tubes in either unit are required to be plugged, a new analysis of the emergency core cooling system must be approved by the NRC before the unit can be returned to service.

The Company has acquired new steam generator tube bundles for both units which incorporate different materials and design. The combined cost to replace the tube bundles in both units is estimated at approximately \$136 million, of which \$50 million has been expended through December 31, 1980. Permanent repair of the steam generators will require each unit to be out of service for approximately nine to twelve months. Repair work on Unit No. 4 is scheduled to begin in late 1981 and on Unit No. 3 in late 1982. Various licensing proceedings are required which may cause the repair work to be delayed. 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. The Company has filed suit for damages against Westinghouse Electric Corporation, the supplier of the steam generators, seeking reimbursement of the repair costs as well as the cost of replacement power.

St. Lucie Unit No. 1—Minor corrosion has been detected in the steam generators at St. Lucie Unit No. 1. The Company has been engaged in a program designed to mitigate the corrosion, and no additional corrective action is called for at this time.

St. Lucie Unit No. 2—The Company has undertaken to sell, under certain condi-

tions, approximately 21% of St. Lucie Unit No. 2 to certain cooperatives and municipalities. The combined ownership costs to be shared are expected to include \$1.1 billion of construction costs for Unit No. 2, plus the value of certain facilities common to both Units Nos. 1 and 2. In January 1981 the Company sold an approximate 6% undivided interest in this unit.

Spent Nuclear Fuel: Suppliers of the nuclear fuel are under contract to provide spent fuel removal but have refused to honor their commitments. The Company filed suit against one of the suppliers and is negotiating with the other in an attempt to resolve the issue. The case has been tried but a decision has not been made. 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.

Currently, there are no spent nuclear fuel reprocessing plants in commercial operation in the United States and actions by the government have removed this alternative indefinitely. The only alternative at the present time is storage and disposal under a government proposed program. Using the federal government's cost data, the Company estimates that at December 31, 1980, the cost of transportation, storage and disposal of its spent fuel would be \$120 million.

Federal Income Taxes: The Internal Revenue Service (IRS) has examined the Company's income tax returns for 1971, 1972 and 1973 and has proposed additional income taxes aggregating \$22.1 million. The principal issue is the taxability of customer deposits. The Company is attempting to reach a favorable settlement with the IRS. Should this fail, the Company will pursue all legal remedies which may include paying the taxes plus interest (\$8.1 million at December 31, 1980) and filing a lawsuit seeking recovery of the amounts paid. In the opinion of legal counsel, customer deposits are not includable in taxable income and it is probable that a decision to this effect would be obtained in federal court.

8. Legal Proceedings

The Company is a defendant in an antitrust suit which seeks damages of approximately \$12 million before trebling, resulting from failure to provide an interconnection with the Gainesville Public Utilities Department (Gainesville). A jury verdict for the Company was appealed and retrial of the suit has been ordered to determine whether an agreement, understanding or concert of action, to which the appellate court found the Company a party, was a substantial factor in Gainesville's failure to obtain an interconnection.

In addition, the Company is defendant in an antitrust suit by a group of Florida municipalities which seeks damages in substantial, but not yet fully determined, amounts together with access to the Company's nuclear units.

The Company is unable to predict the ultimate outcome of these matters; however, based on discussions with its various counsel, the Company is of the opinion that these actions will not have a material adverse effect on its consolidated financial position.

9. Quarterly Data (Unaudited)

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

Quarter Ended	Operating Revenues	Operating Income	Net Income	Earnings per share of Common Stock
	(Thousands of Dollars)			
March 31, 1978	\$371,901	\$ 74,555	\$48,679	\$1.04
June 30, 1978	371,185	57,241	29,594	0.57
September 30, 1978	496,785	104,304	76,774	1.73
December 31, 1978	407,355	82,597	56,194	1.20
March 31, 1979	377,089	62,445	39,261	0.77
June 30, 1979	440,003	41,966	17,062	0.22
September 30, 1979	614,964	109,678	84,208	1.87
December 31, 1979	501,881	87,715	64,137	1.35
March 31, 1980	476,022	60,372	35,355	0.64
June 30, 1980	566,069	71,282	42,870	0.83
September 30, 1980	707,197	102,830	74,776	1.60
December 31, 1980	597,990	75,071	45,317	0.87

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

The Company is of the opinion that quarterly comparisons may not give a true indication of overall trends and changes in the Company's operations and may be misleading to an understanding of the results of operations due to the implementation of the fuel cost recovery clause and because 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.

Effects of Changing Prices

The accompanying information is presented in accordance with the requirements of Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices" (Statement).

The two methods prescribed by the Statement for measuring the effects of changing prices were used in calculating the information which follows. The first method, the constant dollar method, provides data adjusted for "general inflation" using the Consumer Price Index for All Urban Consumers (CPI-U) as the broad-based measure of general inflation. The objective of this approach is to provide financial information in dollars of equivalent value or purchasing power (constant dollars). Financial data are made more comparable by reporting the amounts in terms of a common unit of purchasing power.

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

Both of these methods inherently involve the use of assumptions, approximations, and estimates, and therefore, the resulting measurements should be viewed in that context and not as precise or comprehensive indicators of the effects of inflation on the Company.

Fuel inventories and the cost of fuel used in generation have not been restated because regulation limits recovery of these costs to actual costs. Likewise, materials and supplies have not been restated since they are used principally in utility plant construction and do not give rise to cost of sales.

The accompanying supplementary information is presented in response to the Statement and is not intended to replace historical cost information.

Substantially all electric utility plant (which consists of electric utility plant in service including land and intangibles, CWIP, and nuclear fuel) was restated to dollars having equal purchasing power (constant dollars) using the CPI-U applied to the historical cost by vintage year. Current cost of electric utility plant was restated by applying the Handy Whitman Index of Public Utility Construction Costs or other appropriate indexes to substantially all electric utility plant excluding production plant. Current cost of production plant was restated by applying the estimated construction cost per megawatt of each fuel type of production facilities to the number of megawatts of each fuel type in the Company's present generation mix. Refinements in engineering estimates of production plant construction costs are reflected in the increase in current cost of electric utility plant during 1980.

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

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

As prescribed by the Statement, income taxes were not adjusted. This treatment is consistent with federal income tax policy which ignores the effect of inflation in measuring taxable income. The Company's effective tax rate for 1980, when adjusted for inflation, is 79.9% under constant dollar accounting and 355% under current cost accounting. Each of these effective tax rates exceeds the reported effective tax rate of 41.8%

SUPPLEMENTARY STATEMENT OF INCOME ADJUSTED FOR EFFECTS OF CHANGING PRICES

For the year ended December 31, 1980

	(Thousands of Dollars)	Constant Dollar (Average 1980 Dollars)	Current Cost (Average 1980 Dollars)
	Conventional Historical Cost		
Operating revenues	\$2,347,278	\$ 2,347,278	\$ 2,347,278
Operating expenses excluding depreciation	1,877,759	1,877,759	1,877,759
Depreciation	159,964	322,347	460,773
Operating income	309,555	147,172	8,746
Other income—net	39,507	39,507	39,507
Interest charges	150,744	150,744	150,744
Income (loss) from continuing operations (excluding reduction to net recoverable amount)*	\$ 198,318	\$ 35,935	\$ (102,491)
Increase in current cost of electric utility plant during 1980**			\$ 2,114,173
Reduction to net recoverable amount		\$ (377,941)	(1,186,003)
Effect of increase in general price level			(1,167,685)
Excess of increase in general price level over increase in current cost after reduction to net recoverable amount			(239,515)
Gain from decline in purchasing power of net amounts owed		373,792	373,792
Net		\$ (4,149)	\$ 134,277

*Including the reduction to net recoverable amount, the loss from continuing operations on a constant dollar basis would have been \$342,006 for 1980.

**At December 31, 1980, current cost of electric utility plant, net of accumulated depreciation, was \$11,284,000, while net historical cost recoverable through depreciation was \$4,903,000.

and the statutory rate of 46%.

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

Increases in construction costs, operating expenses and the cost of capital due to inflation have resulted in increases in the unit cost of providing service while unit base rates have remained fixed. The

Company's fuel cost recovery clause permits the fuel adjustment factor to be changed to the extent that fuel costs change, but all other rates are fixed until adjusted in formal rate proceedings. As a result, while revenues from base rates have grown with increased KWH sales, the cost of providing the additional service (excluding fuel) has exceeded the growth in revenue.

Inflation increases the construction cost of new plant over the average historical cost which causes the Company to need larger amounts of external financing. In spite of the Company's efforts to control costs, inflation pushes up operating costs while base revenues are fixed between rate cases, thus reducing internal sources of funds. The preceding factors make it necessary for the Company to obtain additional external financing at higher costs, which further reduce the Company's ability to earn an adequate return.

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

(Thousands of Average 1980 Dollars, except per share amounts)

Historical cost information adjusted for general inflation:	Years ended December 31,				
	1980	1979	1978	1977	1976
Operating revenues	<u>\$2,347,278</u>	<u>\$2,204,688</u>	<u>\$2,075,505</u>	<u>\$1,991,834</u>	<u>\$1,725,036</u>
Income from continuing operations (excluding reduction to net recoverable amount)	<u>\$ 35,935</u>	<u>\$ 104,839</u>			
Income per common share (excluding reduction to net recoverable amount)	<u>Nil</u>	<u>\$1.64</u>			
Net assets at year-end at net recoverable amount	<u>\$1,455,860</u>	<u>\$1,509,650</u>			
Current cost information:					
Income (loss) from continuing operations	<u>\$ (102,491)</u>	<u>\$ (37,592)</u>			
Income (loss) per common share	<u>\$(3.35)</u>	<u>\$(1.88)</u>			
Excess of increase in general price level over increase in current cost after reduction to net recoverable amount	<u>\$ 239,515</u>	<u>\$ 595,586</u>			
Net assets at year-end at net recoverable amount	<u>\$1,455,860</u>	<u>\$1,509,650</u>			
General information:					
Gain from decline in purchasing power of net amounts owed ...	<u>\$ 373,792</u>	<u>\$ 413,939</u>			
Cash dividends per common share	<u>\$2.64</u>	<u>\$2.64</u>	<u>\$2.52</u>	<u>\$2.26</u>	<u>\$2.26</u>
Market price per common share at year-end	<u>\$26½</u>	<u>\$28½</u>	<u>\$33</u>	<u>\$36½</u>	<u>\$40</u>
Average consumer price index ...	246.8	217.4	195.4	181.5	170.5



M. P. Anthony



George F. Bennett



David Blumberg



Jean McArthur Davis



John J. Hudiburg



Robert B. Knight



John M. McCarty



Marshall McDonald



Edgar H. Price Jr.



Lewis E. Wadsworth



Gene A. Whiddon

Directors

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

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

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

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

†John J. Hudiburg
Miami, Fla. President of the Company. Serving since January 1979.

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

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

†Marshall McDonald
Miami, Fla. Chairman of the Board of Directors. Serving since 1971.

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

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

Gene A. Whiddon
Fort Lauderdale, Fla. President, Causeway Lumber Company, Inc., engaged in the sale of lumber and building 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

R. E. Tallon
Executive Vice President

H. L. Allen
Senior Vice President

L. C. Hunter
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

W. H. Brunetti
Vice President, Energy Management

J. C. Collier Jr.
Vice President, Divisions

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

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

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

T. E. Danese
Vice President, Governmental Affairs

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

R. J. Gardner
Vice President, Strategic Planning

L. C. Hauck
Vice President, Law

J. L. Howard
Vice President-Treasurer, Financial

W. M. Klein
Vice President, Economic Development

A. D. Schmidt
Vice President, Power Resources

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

Astrid E. Pfeiffer
Secretary

H. P. Williams Jr.
Comptroller

Information for Investors

Annual Meeting

The 1981 Annual Meeting of FPL Shareholders will be held in Sanford, Fla., on Tuesday, April 14, at the Sanford Civic Center. Formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to Shareholders on or about March 12, at which time proxies will be requested by management.

The 1980 meeting in Ft. Myers was attended by more than 300 persons. At the meeting shareholders:

- Elected the 11 directors currently serving
- Ratified and approved appointment of Deloitte Haskins & Sells as auditors
- Updated the Company Charter and made certain other changes and revisions
- Passed a Charter amendment increasing the authorized number of Preferred Shares to 20 million
- Ratified an amendment to the Company's Charter to change certain provisions with respect to the manner of effecting redemptions of Preferred Stock
- Rejected a shareholder proposal relating to cumulative voting in the election of directors.

More than 81 percent of outstanding shares of Common Stock were voted.

Form 10-K for 1980

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

Company Ownership

By the end of 1980, the Company had 43,676,193 shares of Common Stock outstanding, owned by 45,441 holders of record. Shareholders include individuals and institutions such as foundations, insurance companies and pension funds. These, in turn, hold large blocks of stock on behalf of other individuals.

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

Common Stock Data

The New York Stock Exchange is the principal market for FPL Common Stock. The Company's ticker symbol is FPL. Newspaper listings generally use FlaPL.

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

	1980	1979
First Quarter	25¼/19¾	28¾/26¼
Second Quarter	27¾/23½	28¼/26
Third Quarter	28¼/26	28¼/25¾
Fourth Quarter	27¾/23¼	26½/24¼

Transfer Agent

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

Dividends

On February 17, 1981, the Board of Directors declared a regular quarterly dividend of \$.68 per share, the Company's 141st consecutive quarterly dividend. It is payable March 16 to holders of record as of March 2.

The following table indicates dividends paid previously on Common Stock:

	1980	1979
First Quarter	\$0.60	\$0.52
Second Quarter	\$0.68	\$0.60
Third Quarter	\$0.68	\$0.60
Fourth Quarter	\$0.68	\$0.60

Dividend Reinvestment

In 1980, the Company inaugurated a Dividend Reinvestment and Common Share Purchase Plan. Holders of Common and Preferred Stock may have cash dividends on all or some of their shares automatically reinvested in additional shares of Common Stock. Dividends on Common Stock are reinvested at a five percent discount from the current market price; dividends on Preferred, at the market price. The Plan also has a supplemental payment feature which permits all participants to invest optional cash payments each quarter to purchase Common Shares at market price. There are no brokerage commissions or service fees charged to participants.

As of the December 1980 dividend payment, some 8,000 shareholders representing 19 percent of the Company's outstanding shares of Common were enrolled in the Plan. Using this convenient method of adding to their FPL holdings, shareholders invested an additional \$11.6 million during the last two quarters of 1980.

A Prospectus and Authorization Card may be obtained by writing to either FPL's Stockholder Information Department or the Plan's Agent, The First National Bank of Boston, Florida Power & Light Company Dividend Reinvestment, Post Office Box 1681, Boston, Mass. 02105.

Investor Communications

A newsletter, Florida Hi-Lights, is prepared several times a year especially for common and preferred stockholders. A similar publication is sent periodically to bondholders.

The Financial and Statistical Report containing comprehensive data for the years 1970-80 is distributed to professionals in the investment community and is available to others as a supplement to this report.

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

Principal

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

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