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SUBJECT: Forwards financial info,per 10CFR140.21.

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DECEMBER 1 4 1988

L-88-529
10 CFR 140.21

U. S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, D. C. 20555

Gentlemen:

Re: Turkey Point Units 3 and 4
Docket Nos. 50-250 and 50-251
St. Lucie Units 1 and 2
Docket Nos. 50-335 and 50-389
Price Anderson Guarantees

In accordance with 10 CFR 140.21, Florida Power & Light Company (FPL) submits the attached financial information.

FPL 1987 Form 10-K is enclosed as Exhibit 1. The most recent quarterly financial statement, Form 10-Q (September 1988), appears as Exhibit 2. Exhibit 3 gives the Company's internal cash flow excluding retained earnings for the twelve months ended September 30, 1988 and for the projected twelve months ending September 30, 1989. The format of Exhibit 3 is based on the NRC's suggested format for cash flow statements as published in the September 1978 Regulatory Guide 9.4.

Should there be any questions on this information, please contact us.

Very truly yours,

WFConway

W. F. Conway
Senior Vice President - Nuclear

WFC/TCG/gp

Attachment

cc: Mr. Malcolm L. Ernst, Acting Regional Administrator, Region II, USNRC (w/o att.)
Senior Resident Inspector, USNRC, Turkey Point Plant (w/o att.)
Senior Resident Inspector, USNRC, St. Lucie Plant (w/o att.)
Mr. Darrell A. Nash, Office of Nuclear Reactor Regulation

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EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1987 Commission file number 1-3545

FLORIDA POWER & LIGHT COMPANY
(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	59-0247775 (I.R.S. Employer Identification No.)
9250 West Flagler Street, Miami, Florida (Address of principal executive office)	33174 (Zip Code)

Registrant's telephone number, including area code:
(305) 552-3552

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Preferred Stock, $100 Par Value
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 9, 1988 was zero.

As of March 9, 1988 there were issued and outstanding 1,000 shares of the registrant's common stock, without par value, all of which were held, beneficially and of record, by FPL Group, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

None

DEFINITIONS

When the following terms are used in the text they will be understood to have the meanings indicated.

Term	Meaning
AFUDC	Allowance for funds used during construction
Amoco	Amoco Production Company
Charter	Restated Articles of Incorporation, as amended
DOE	U. S. Department of Energy
Enercon	ENERCON Services, Inc.
EPA	U. S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FDER	Florida Department of Environmental Regulation
FERC	Federal Energy Regulatory Commission
FGT	Florida Gas Transmission Company
FPL	Florida Power & Light Company
FPL Group	FPL Group, Inc.
FPSC	Florida Public Service Commission
Fuel adjustment clause	Fuel and Purchased Power Cost Recovery Clause
Holding Company Act	Public Utility Holding Company Act of 1935
IBEW	International Brotherhood of Electrical Workers
JEA	Jacksonville Electric Authority
kv	Kilovolt
kva	Kilovolt-ampere
kw	Kilowatt
kwh	Kilowatt-hour
Management's Discussion	Management's Discussion and Analysis of Financial Condition and Results of Operations
mcf	Thousand cubic feet
Mortgage	FPL's Mortgage and Deed of Trust dated as of January 1, 1944, as supplemented and amended
mw	Megawatt
Note ______	Note______ to Consolidated Financial Statements
NRC	U. S. Nuclear Regulatory Commission
Oil-backout clause	Oil-Backout Cost Recovery Clause
PURPA	Public Utility Regulatory Policy Act of 1978
ROE	Return on equity
SEC	Securities and Exchange Commission
SJRPP	St. Johns River Power Park
Southern Companies	Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company
Tax Reform Act	Tax Reform Act of 1986
Westinghouse	Westinghouse Electric Corporation

Item 1. Business.

General. FPL was incorporated under the laws of Florida in 1925 and is engaged in the generation, transmission, distribution and sale of electric energy.

All of the shares of common stock of FPL are owned by FPL Group, a holding company which became FPL's corporate parent pursuant to a corporate restructuring effected on December 31, 1984. As a result of the restructuring, the common shareholders of FPL became instead the common shareholders of FPL Group. The corporate restructuring had no effect on FPL preferred stock and outstanding FPL debt securities. Substantially all of the preferred stock of FPL is held by non-affiliated persons.

FPL Group is a public utility holding company as defined in the Holding Company Act but is exempt from substantially all of the provisions thereof. The SEC has the power to revoke or modify FPL Group's exemption if it finds the exemption "detrimental to the public interest or the interests of investors or consumers."

In recent years exempt public utility holding companies, including FPL Group, have diversified their operations by acquiring or developing non-utility businesses. In July 1986 FPL Group received a letter from the Division of Investment Management of the SEC noting that FPL Group's "non-utility activities comprise a material percentage of its total revenues and assets" and requesting that FPL Group submit to the SEC the rationale supporting FPL Group's exemption under the Holding Company Act. FPL Group responded to the SEC's request in September 1986. FPL Group believes that it is entitled to an exemption under the Holding Company Act and has no reason to believe the SEC will seek to revoke or modify such exemption.

Service Area and Operations. FPL supplies service in 35 counties in the State of Florida which include most of the territory along the east and lower west coasts of Florida (except the Jacksonville area and six other areas which are served by municipal electric systems), the agricultural area around southern and eastern Lake Okeechobee and portions of central and north central Florida. The service area contains approximately 27,650 square miles with a population of approximately 5.6 million and its economy is broadly based on summer and winter tourism, manufacturing, construction and agriculture. More than 700 communities are located within the service area. The largest, based on total customers served, are Miami, Fort Lauderdale, Hollywood, Hialeah, Miami Beach, Pompano Beach, West Palm Beach, Boca Raton, Daytona Beach and Sarasota. In 1987 FPL served an average of approximately 2.8 million customers.

During 1987, 53% of FPL's operating revenues were derived from residential customers, 36% from commercial customers and 11% from other sources. FPL's service area, principal communities served, and location of generating plants and principal transmission lines are shown on the map located elsewhere herein.

FPL currently must construct additional electrical facilities at incremental costs which are significantly higher than the average embedded cost of plant investment due to, among other things, the cumulative effect of inflation (see "Item 7. Management's Discussion—Inflation") and the impact of increased regulatory requirements. From time to time FPL's generating units are subject to unscheduled outages or to outages which extend beyond the time originally scheduled. During such outages FPL may incur substantial unbudgeted costs to repair or replace major components of a unit. In the case of such outages involving nuclear units, lost nuclear generation has to be replaced with more expensive generation. During such times earnings and cash flow could be materially

adversely affected. FPL's ability to recover these costs through its rates and charges is dependent upon the regulatory treatment accorded by the FPSC and the FERC.

FPL is subject to extensive regulation. Certain of FPL's regulators have the capability to affect significantly FPL's financial condition through the regulatory process, and compliance with regulation can materially increase FPL's expenditures. The ultimate impact on FPL of some existing legislation and regulation cannot be quantified or determined with certainty, since the proper interpretation of such existing legislation and regulatory decisions is frequently not determinable with certainty until clarified by regulations, technical corrections, decisions by courts or administrative bodies, or direct discussion between FPL and its regulators. In addition, the impact of proposed legislation, proposed regulations or proposed actions by regulatory and administrative bodies is generally not conclusively determinable before the terms and provisions of such proposed actions are final. See "Nuclear Units," "Regulation and Rates" and "Environmental Matters."

For information regarding the financing of FPL's construction program in 1988, see "Item 7. Management's Discussion—Liquidity and Capital Resources" and "Item 2. Properties—Construction Program."

Nuclear Units. FPL has two nuclear units at its Turkey Point Plant and two nuclear units at its St. Lucie Plant. See "Item 2. Properties—Generating Facilities."

During inspections of the steam generators at St. Lucie Unit No. 1 in 1981 and subsequent years, indications of degradation were detected in a small percentage of the pressurized water circulation tubes and certain of these tubes were plugged. During a scheduled maintenance and refueling outage in 1987, a small number of additional pressurized water circulation tubes in the unit's steam generators showing indications of degradation were plugged. Laboratory examination of tubing removed from the steam generators indicated that the tube degradation was attributable to corrosion which resulted from certain materials used in the construction of the plant and general operating conditions. To date, less than 5% of the tubes in the unit's steam generators have been plugged. Analyses by FPL indicate that under the unit's NRC license, FPL can operate the unit with up to approximately 11% of the tubes plugged and that the unit's thermal output would not be reduced at such level.

During outages at St. Lucie Unit No. 2 in 1985 and 1986, a small number of the pressurized water circulation tubes in the unit's steam generators were plugged. During a scheduled maintenance, refueling and testing outage in 1987, a small number of additional pressurized water circulation tubes in the unit's steam generators were plugged. To date, slightly more than 2% of the tubes in the unit's steam generators have been plugged. The most recent analyses by FPL indicate that under the NRC license, FPL can operate the unit with up to approximately 10% of the tubes plugged and that the unit's thermal output would not be reduced at such level. The plugging of the tubes has been required primarily as a result of tube degradation caused by certain tube support strips wearing against the tubes. Based on analysis conducted by the designer/manufacturer, it is expected that the support-strip problem is self-limiting and that no more than an additional 3% of the tubes will require plugging as a result of such problem.

In 1987 FPL incurred capital expenditures of approximately $51 million on its four nuclear units to implement technical changes due to regulatory requirements occurring since the units were designed (retrofit), including modifications required by fire regulations issued by the NRC in 1982 for all nuclear generating units. Based on existing NRC regulations, FPL anticipates that it will incur approximately $149 million of additional retrofit capital expenditures over the three-year period 1988-90. These projected expenditures are included in FPL's construction program.

On November 23, 1987 the NRC issued an amendment to each of the licenses for Turkey Point Units Nos. 3 and 4. These amendments add license conditions which require implementation of a plan developed by FPL for the integrated scheduling of plant modifications for these units. The plan will enable FPL to effectively manage implementation of certain modifications required or proposed by the NRC, as well as those identified by FPL to enhance plant safety and reliability. This plan was developed by FPL in order to help coordinate and schedule all necessary work at Turkey Point, whether mandated by the NRC or identified by FPL and others, within the resources allocated by FPL to plant modifications.

Although this plan will help schedule work at Turkey Point, it does not preclude the possibility that evolving NRC regulations may result in additional retrofit requirements for FPL's nuclear units, the cost of which may be significant. It could be necessary to remove FPL's operating nuclear units from service from time to time to implement such requirements. Any expenditures which may be required in order to comply with such evolving regulations cannot presently be determined and therefore are not included in FPL's 1988-90 construction program. For information regarding FPL's total projected construction expenditures, see "Item 2. Properties—Construction Program."

FPL endeavors to comply with all rules, regulations and procedures of the NRC with respect to the operation of its nuclear units; however, from time to time it has found itself not in compliance with respect to certain matters. The NRC has the authority to impose fines or to shut down a unit, or both, until compliance is achieved, depending upon the severity of the situation. In addition, the FPSC has jurisdiction to review the facts and circumstances surrounding an outage and to determine the recoverability of replacement power costs from ratepayers and continued inclusion of plant assets in rate base.

During the past several years, the NRC has cited FPL for a number of violations of operating and other plant procedures at Turkey Point. In 1986 the NRC issued three Notices of Violation which resulted in a total assessment of $375,000 in civil penalties with respect to incidents at Turkey Point. In 1987 the NRC issued four Notices of Violation which resulted in a total assessment of $475,000 in civil penalties with respect to incidents at Turkey Point. In February 1988 the NRC issued a Notice of Violation assessing a $150,000 civil penalty with respect to several violations of security regulations at Turkey Point which occurred in 1987. Several other incidents are currently being reviewed or investigated by the NRC for possible enforcement action.

In response to the 1987 incidents, and in light of the history of problems at Turkey Point, the NRC augmented its regulatory surveillance of the Turkey Point Plant and FPL submitted to the NRC specific programs to improve operational and management performance, to assure compliance with NRC regulations and to achieve a consistent level of adequate performance required to permit continued operation of Turkey Point. In October 1987 the NRC issued an Order confirming, with modifications, two of the programs initiated by FPL.

In accordance with the Order, FPL submitted to the NRC for review and approval a plan for an independent appraisal of FPL's organizational structure, management controls, personnel performance, operating practices and other matters, both at the Turkey Point facility and at FPL's corporate office. FPL has retained an engineering, management and technical consulting firm, Enercon, which is currently conducting the appraisal. The appraisal plan calls for the development of recommendations, where necessary, to improve management controls and oversight to provide assurance that personnel comply with required procedures and regulations. The complete appraisal and recommendations are scheduled to be submitted to FPL's senior corporate management and to the NRC by late April 1988.

The Order also required FPL to continue, with certain modifications, a continuous on-shift management oversight program to monitor the safety of plant operations at the Turkey Point nuclear units, both in and out of the control room.

Fuel, Purchased Power and Interchange. Fuels for FPL's generating plants are residual and distillate oil, natural gas, coal and nuclear fuel. Average fuel cost per kwh varies depending on fuel prices, the availability for operation of various generating units and the proportion of generation by various fuels, purchased power and interchange. FPL has a contract with the Southern Companies under which FPL has made, and in the future will be able to make, subject to the occurrence of certain contingencies, purchases of up to approximately 2,000 mw of coal-fired unit power in each of the years 1983 through 1992, with declining amounts thereafter through mid-1995. Under this contract FPL is, under certain circumstances, required to purchase minimum amounts of energy which could be more expensive than equivalent energy from alternative sources at the time. For information on the provisions of this contract, see "Note 6—Purchased Power Contracts." FPL has executed a letter of intent dated March 2, 1988 with the Southern Companies under which FPL would have the option to purchase up to an additional 700 mw of coal-fired unit power beginning as early as January 1993 and in each of the years thereafter through mid-2010.

FPL has an agreement with JEA for the joint ownership, construction and operation of the SJRPP, a coal-fired plant in northeast Florida. See "Item 2. Properties—Construction Program."

The proportion of net energy for load by resource and average fuel costs in mills (1/10 of 1 cent) per kwh for the following periods were:

	Years Ended December 31,		
	1987	1986	1985
Net Energy for Load (%):			
Residual Oil	20	27	13
Coal*	1	NIL	N/A
Natural Gas	17	16	16
Nuclear	23	32	35
Gas Turbines**	NIL	NIL	NIL
Combined Cycle—Oil & Gas	4	4	3
Purchased Power and Net Interchange***	35	21	33
Average Fuel Cost (mills/kwh):			
Residual Oil	29.20	22.97	42.02
Coal*	16.52	14.34	N/A
Natural Gas	28.52	21.02	34.47
Nuclear	7.36	8.13	7.01
Gas Turbines**	54.50	68.04	74.08
Combined Cycle—Oil & Gas	26.66	19.43	31.81
All Fuels (weighted)	21.04	16.50	21.46
Purchased Power and Net Interchange***	21.00	26.52	28.78
All Resources (weighted)***	21.02	18.60	23.87

* 1987 figures represent operation of SJRPP Unit No. 1 from inception of commercial operation in late March 1987. 1986 figures represent test operations only for SJRPP Unit No. 1.

[Notes are continued on next page]

** Distillate oil and natural gas.

*** Includes coal-fired power purchases from the Southern Companies, Tampa Electric Company and SJRPP. Average fuel cost excludes unit power capacity charges. See "Note 6—Purchased Power Contracts."

A substantial portion of FPL's oil requirements in 1988 will be obtained from existing contracts with various fuel suppliers. FPL anticipates that any additional oil required to meet generation needs can be obtained through additional contracts or on the open market. The existing oil contracts expire in December 1988. FPL plans to take whatever actions are necessary to provide for its future oil requirements.

A firm supply of natural gas is obtained under a contract with Amoco which expires in June 1988. This contract provides for the receipt of the production of natural gas from certain wells, up to a maximum of 200,000 mcf per day. During 1987 the volume actually received from Amoco averaged 75,000 mcf per day. The Amoco contract provides for pricing which fluctuates to remain competitive with residual fuel oil.

The natural gas obtained from Amoco is transported by FGT on a firm basis under a contract which expires in June 1988. FPL and FGT have entered into an agreement under which FPL has the option, during the next five years, to extend the natural gas transportation agreement. If such option is exercised, FPL will have the right to extend the agreement for two additional one-year periods. Any extension or amendment of the transportation agreement will require FERC authorization. Transportation rates are regulated by the FERC.

FPL also has a separate contract with FGT for interruptible natural gas supply and transportation of such gas. This contract, which was formerly scheduled to expire in March 1989, has been extended to mid-2003. The contract provides for pricing the interruptible natural gas supply to remain competitive with residual fuel oil.

In September 1987 FPL entered into two 15-year agreements, one with Citrus Trading Corp. and Enron Corp. and the other with FGT, for the supply and transportation, respectively, of natural gas beginning in mid-1989. Citrus Trading Corp. and FGT are subsidiaries of Citrus Corp. Citrus Corp. is owned jointly by Enron Corp. and Sonat Inc. Under the supply contract, the price for this natural gas will be lower than the delivered cost of residual oil, on a per barrel equivalent basis. The transportation contract would provide firm transportation capacity for FPL for up to 280,000 mcf per day from October through April and up to 430,000 mcf per day from May through September. Implementation of the transportation contract requires authorization by the FERC and is contingent upon the expansion by FGT of its pipeline facilities. Implementation of the supply contract is contingent on implementation of the September 1987 transportation contract with FGT. Under the terms of these contracts, FPL would be required to make payments on a take-or-pay basis, subject to certain contingencies. See "Note 6—Natural Gas Contracts."

In February 1986 JEA entered into three long-term contracts with various coal suppliers which are expected to provide approximately 81% of the expected coal requirements for the two coal-fired units at SJRPP. See "Item 2. Properties—Construction Program." FPL and JEA, acting jointly, have the option of varying the amount of coal provided under these contracts within certain limits. The remaining coal requirements, if any, of these units would be obtained under additional contracts or on the open market.

FPL has a long-term uranium enrichment contract with the DOE for about 70% of the requirements for its four nuclear units to the year 1994. From time to time FPL may enter into other contracts to cover the balance of its needs for enrichment services. It

also has various contracts covering the bulk of its uranium, nuclear fuel conversion services and nuclear fuel fabrication needs through 1992.

The FPSC permits FPL to recover, through the Fuel adjustment clause, the cost of transportation and disposal of spent nuclear fuel which is not the subject of a dispute between FPL and a supplier. For a discussion regarding FPL's litigation with a supplier of nuclear fuel over removal of spent fuel, see "Note 6—Spent Nuclear Fuel."

Under the Nuclear Waste Policy Act of 1982, the DOE is required to construct storage facilities and will take title to and provide transportation and storage for spent fuel for a specified fee. The DOE estimates that its storage facilities will be completed by the year 2003. Currently, FPL is storing spent fuel on site and plans to provide adequate storage capacity for all of its nuclear units up to and beyond the year 2003, pending removal of the spent fuel by the DOE. The NRC issued license amendments during October 1984 and November 1984 to allow expansion of spent fuel capacity on site for Turkey Point Unit No. 3 and St. Lucie Unit No. 2 which were completed in October 1984 and March 1985, respectively. The NRC has also issued license amendments for Turkey Point Unit No. 4 and St. Lucie Unit No. 1 to allow expansion of spent fuel storage capacity on site. Pursuant to requests made by third parties, in September 1987 the NRC Atomic Safety and Licensing Board held hearings on the Turkey Point license amendments and has scheduled a pre-hearing conference regarding the St. Lucie Unit No. 1 license amendment. The matters are pending. However, the license amendments remain in effect subject to the outcome of these proceedings.

Energy and Conservation Matters. Pursuant to federal and state regulations, FPL has numerous programs in effect in order to achieve the conservation of energy and the displacement of oil. Substantially all of the costs of these programs are recovered through current rate structures.

Regulation and Rates. *Florida Public Service Commission.* FPL is subject to continuing regulation by the FPSC as to retail rates, service, accounting, issuance of securities and certain other activities. For a discussion of FPL's Fuel adjustment clause and energy conservation cost recovery clause, see "Note 1—Revenues and Rates."

For a discussion of pending rate matters, including potential adjustments to FPL's authorized ROE, see "Note 4."

Federal Energy Regulatory Commission. FPL is subject to regulation by the FERC in various respects, including the keeping of accounts, the acquisition and disposition of certain facilities, interchange and transmission services, wholesale sales to certain rural electric cooperatives and municipalities, wholesale purchases from investor-owned electric utilities and interstate wheeling, but not with respect to the issuance of securities.

Nuclear Regulatory Commission. FPL is subject to the jurisdiction of the NRC with respect to the operation of its four nuclear generating units. See "Nuclear Units."

Environmental Matters. FPL is subject to regulation with respect to air and water quality and other environmental matters by various federal, state and local authorities.

Water. Under FDER regulations, ground water discharges at existing facilities would have been required to comply with secondary drinking water standards by January 1, 1988. However, in December 1987 the Florida Environmental Regulation Commission adopted a rule which extended indefinitely the exemption from compliance with these standards. Under the new rule, secondary drinking water standards will be applied only at sites

meeting certain criteria. At present, FPL does not expect the secondary standards to be applicable to its facilities.

FPL has at certain times of the year found it impossible to comply with certain local water temperature standards at one of its generating facilities due to the ambient temperature of the water entering the facility. FPL anticipates that this issue will be resolved by the granting of appropriate relief by local authorities. However, in the event relief from these standards is not obtained, FPL may be required to make substantial capital investments and incur increased operating costs at its affected facility.

Toxic Substances and Hazardous Waste. Pursuant to authority granted by the Federal Superfund Statute, the EPA has named FPL as a party potentially responsible for the contamination of properties owned by the Peak Oil Company and the Missouri Electric Works, Inc. In each instance, FPL is one of several hundred potentially responsible parties. FPL had in the past provided waste oil from its operations to the Peak Oil Company for recycling. As a result of Peak Oil Company's recycling and disposal of waste oil from FPL and other parties, contamination of its property allegedly occurred. Past dealings with FPL may have contributed to contamination at the Missouri Electric Works, Inc. site. Although FPL expects to pay a portion of the cleanup costs of each property, it does not expect its share of the costs to be material.

Air. From time to time two of FPL's fossil-fired generating units are unable to meet the visible emissions limitations of certain local authorities. It is anticipated that this issue will be resolved through ongoing discussions with the local authorities. In the event that this issue cannot be resolved, FPL may have to make changes in operating practices, unit design, fuel usage or a combination of those items for these units. FPL is currently unable to predict whether the cost of any such changes would be material.

Land. The Florida Environmental Regulation Commission is considering adoption of a rule concerning electric and magnetic fields associated with new and existing transmission and distribution lines and substations. In the event that any rule as finally adopted requires FPL to make significant changes in the way it constructs and operates transmission and distribution lines and substations, the cost of such changes would be material.

The Florida Power Plant Siting Act and the Florida Transmission Line Siting Act require comprehensive review of planned generating capacity and transmission lines, respectively. These acts involve mandatory hearings and proceedings which ultimately lead to specific permit conditions concerning construction and operation. Because of the complexity of the siting process and related opportunities for extensive participation by third parties, FPL cannot predict with certainty the extent to which any particular new power plant or transmission line project might be delayed as a result of these processes. In addition, the siting process could result in increased costs to FPL if proposed plant sites or transmission line routes had to be altered.

FPL endeavors to comply with all applicable regulatory requirements; however, because of the large number of facilities operated by FPL, and the increasing number of regulatory requirements imposed, it has from time to time found itself not in compliance with respect to certain matters. The applicable regulatory agencies have the authority to seek to impose fines on FPL or to shut down a generating unit, or both, until compliance is achieved, depending upon the severity of the situation. FPL has in the past, and intends in the future, to pursue relief from any requirements with which it cannot comply, or which it considers to be unreasonable or invalid.

Proposed changes to environmental regulations are currently being considered by the EPA, the FDER and various local authorities. Unless relief from some of these proposed

regulations is obtained, FPL may be required to make substantial capital investments and incur increased operating costs.

The possible impact on FPL of the existence of several threatened or endangered species in FPL's service area is not presently determinable.

FPL's capital expenditures include substantial amounts expended as a result of environmental considerations. The construction program for 1987 included approximately $19 million to meet environmental requirements. For 1988, 1989 and 1990 construction expenditures required to meet environmental standards are estimated to be approximately $20 million, $14 million and $3 million, respectively. Developing environmental requirements at times may prevent full capacity operation of FPL's generating units, may delay construction of facilities and may result in further increases in capital expenditures. See "Item 2. Properties—Construction Program."

Competition. Generally, in areas where FPL provides retail electric service no other utility directly renders such service. In recent years, however, customer interest in building their own generation facilities, competition from unregulated energy suppliers, new technology and changing government regulation have begun to foster the development of alternative sources of electricity for some industrial and commercial customers. PURPA has fostered the entry of non-utility companies into the electric generation business. Under PURPA, non-utility companies are allowed to construct "qualifying facilities" for the production of electricity and to either consume the power for their own use or compel a utility, such as FPL, to purchase it at prices reflecting the utility's avoided cost as set by state regulatory bodies. Thus, qualifying facilities may have the effect of reducing FPL's sales, causing FPL to avoid fuel costs that would otherwise have been incurred, or causing FPL to avoid or defer the construction of additional generating capacity. In 1987 FPL purchased 221,064 mw hours, or 0.4% of its net energy available for load, from qualifying facilities.

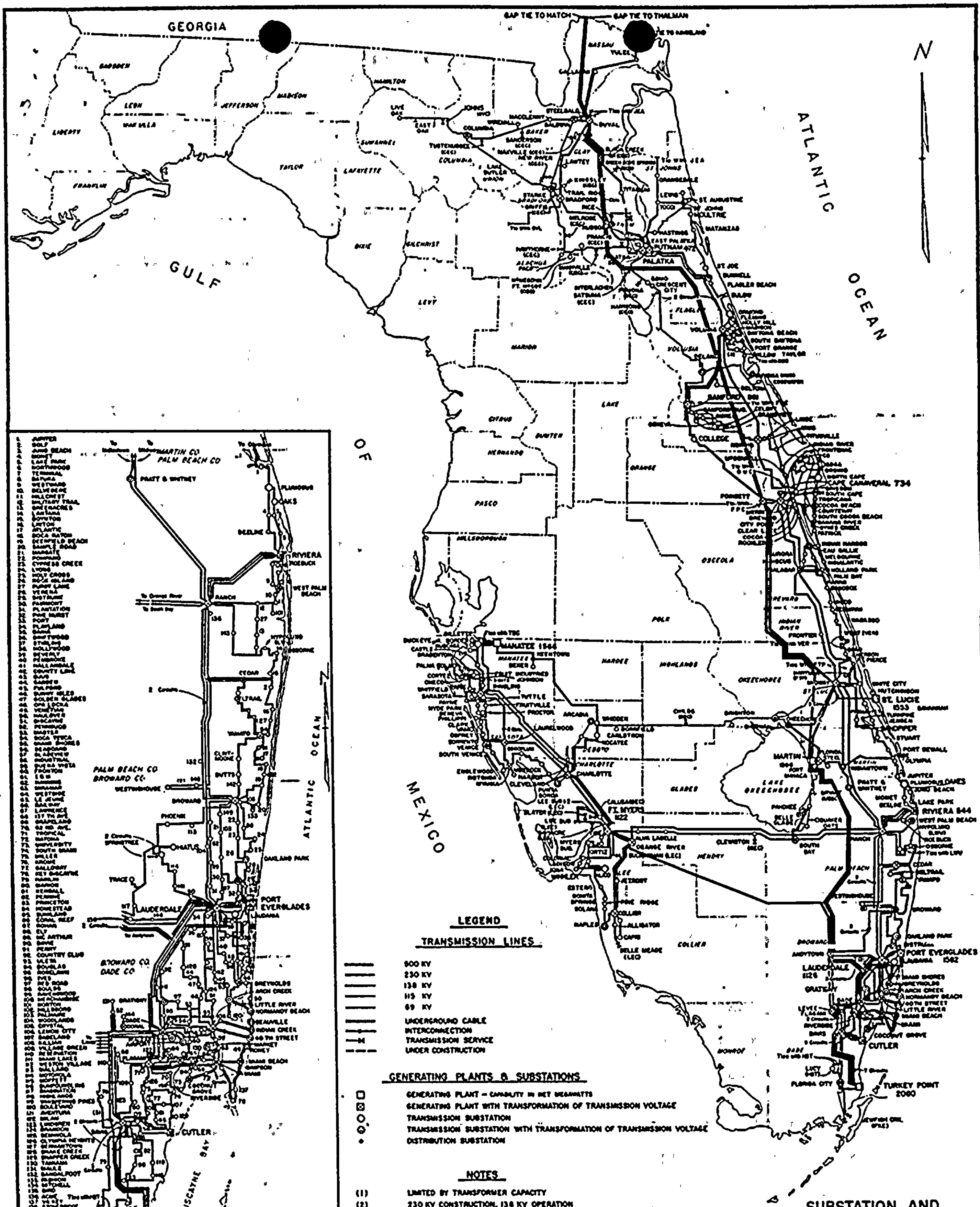
The FERC is considering proposals which would enable states to permit qualifying facilities and other independent power producers to competitively bid for the right to build all new generating capacity. Such proposals, if enacted, could have the effect of causing FPL to avoid or defer some or possibly all of the new generating capacity that might otherwise be constructed by FPL.

In certain cases, operators of qualifying facilities have sought to use utilities' transmission and distribution lines to transport (wheel) power they produce from their generation facility to another facility. FPL has participated in various FPSC proceedings concerning proposals by operators of qualifying facilities to allow the use of FPL's transmission and distribution lines in this manner. Such proposals have been thus far unsuccessful. FPL has in the past, and intends in the future, to study the effect, if any, that such proposals could have on its business.

FPL is taking steps to deal with competition in its industry, including seeking greater flexibility in the rates it charges to industrial and commercial customers.

Franchises. FPL holds franchises to provide electric service in various municipalities and 7 counties in the State of Florida. These franchises have varying provisions and expiration dates. In general, FPL considers its franchises to be adequate for the conduct of its business.

Employee Relations. FPL had approximately 14,600 employees at December 31, 1987. The IBEW represents approximately 39% of FPL employees. The term of the current collective bargaining agreement between FPL and the IBEW extends through October 31, 1988.


GEORGIA
ATLANTIC OCEAN
GULF OF MEXICO
N
LEGEND
TRANSMISSION LINES
500 KV
230 KV
138 KV
115 KV
69 KV
UNDERGROUND CABLE
INTERCONNECTION
TRANSMISSION SERVICE
UNDER CONSTRUCTION
GENERATING PLANTS & SUBSTATIONS
GENERATING PLANT – CAPABILITY IN NET MEGAWATTS
GENERATING PLANT WITH TRANSFORMATION OF TRANSMISSION VOLTAGE
TRANSMISSION SUBSTATION
TRANSMISSION SUBSTATION WITH TRANSFORMATION OF TRANSMISSION VOLTAGE
DISTRIBUTION SUBSTATION
NOTES
(1) LIMITED BY TRANSFORMER CAPACITY
(2) 230 KV CONSTRUCTION, 138 KV OPERATION
(3) 230 KV CONSTRUCTION, 115 KV OPERATION
(4) 230 KV CONSTRUCTION, 69 KV OPERATION
(5) 138 KV CONSTRUCTION, 69 KV OPERATION
(6) 115 KV CONSTRUCTION, 69 KV OPERATION
(7) 500 KV CONSTRUCTION, 230 KV OPERATION
SUBSTATION AND TRANSMISSION SYSTEM OF FLORIDA POWER & LIGHT CO.
SCALE IN MILES
SUBSTATION AND TRANSMISSION SYSTEM MIAMI-PALM BEACH AREA
PALM BEACH CO
BROWARD CO
DADE CO
TURKEY POINT
CUTLER
PORT EVERGLADES
RIVIERA
CAPE CANAVERAL 734
MANATEE 1566
FT. MYERS
ST. LUCIE
PALATKA
SANFORD
TURKEY POINT 2060

OPERATING STATISTICS

	Years ended December 31,				
	1987	1986	1985	1984	1983
Energy Generated and Interchanged (Thousands of kwh):					
Generated—net station output	40,397,609	46,043,044	37,524,573	42,241,488	43,416,701
Interchanges—in and purchased power	30,734,082	22,905,124	30,631,147	20,065,607	17,103,795
Total input	71,131,691	68,948,168	68,155,720	62,307,095	60,520,496
Interchanges—out	9,516,075	10,682,176	12,157,934	9,158,282	8,020,549
Lost—unaccounted for, used, etc.	5,024,089	3,990,458	4,563,363	3,797,576	3,911,170
Energy sold	56,591,527	54,275,534	51,434,423	49,351,237	48,588,777
Energy Sales (Thousands of kwh) (1):					
Residential	28,330,175	27,188,089	25,573,371	23,636,346	23,324,076
Commercial	22,371,689	21,077,615	19,734,050	18,396,769	17,423,200
Industrial	3,962,222	3,999,496	3,885,465	3,706,941	3,544,095
Other sales to public authorities	983,172	970,070	937,640	871,878	852,585
Total general business	55,647,258	53,235,270	50,130,526	46,611,934	45,143,956
Other electric utilities	944,269	1,040,264	1,303,897	2,739,303	3,444,821
Total energy sales	56,591,527	54,275,534	51,434,423	49,351,237	48,588,777
Number of Customers (Average for Period):					
Residential	2,519,694	2,419,770	2,329,678	2,246,834	2,170,686
Commercial	299,634	283,543	268,783	256,304	243,269
Industrial	17,826	17,373	16,431	14,892	13,333
Other sales to public authorities	3,046	2,858	2,652	2,470	2,368
Total general business	2,840,200	2,723,544	2,617,544	2,520,500	2,429,656
Other electric utilities	14	19	25	37	50
Total customers	2,840,214	2,723,563	2,617,569	2,520,537	2,429,706
Residential Services:					
Average annual energy sales per customer (kwh)	11,243	11,236	10,977	10,520	10,745
Average annual revenue from energy sales per customer	$913.19	$911.17	$979.95	$904.96	$777.47
Revenue from energy sales per kwh (cents)	8.12	8.11	8.93	8.60	7.24
Operating Revenues (Thousands of Dollars):					
Residential	$2,300,957	$2,204,817	$2,282,964	$2,033,288	$1,687,645
Commercial	1,552,059	1,463,553	1,536,491	1,403,036	1,111,034
Industrial	235,825	239,571	262,861	242,798	193,664
Other sales to public authorities	80,355	78,748	83,422	75,209	62,665
Total general business	4,169,196	3,986,689	4,165,738	3,754,331	3,055,008
Other electric utilities	53,250	62,921	86,845	172,882	158,147
Interchange power sales (2)	30,575	16,752	37,375	-	-
Total from energy sales	4,253,021	4,066,362	4,289,958	3,927,213	3,213,155
Deferred revenues	75,271	(53,899)	4,797	(18,694)	89,088
Revenues to be refunded	(51,700) (3)	-	(28,840)	-	-
Refund of revenues from prior year (4)	-	28,840	-	-	-
Transition adjustment (5)	-	-	-	-	(11,026)
Miscellaneous electric revenues	73,130	45,900	71,603	31,410	61,318
Total operating revenues	$4,349,722	$4,087,203	$4,337,518	$3,939,929	$3,352,535
Approximate 60-minute net peak demand—kw (6)	12,394,000	12,139,000	12,533,000	10,270,000	10,676,000

(1) Excludes interchange power sales which are reported as a reduction of Energy Generated and Interchanged, under Interchanges—out.
(2) Prior to January 1985 revenues from interchange power sales were recorded as a reduction of interchange power purchases—expense.
(3) See "Note 4."
(4) Represents 1985 revenue refund which was credited to retail customers' bills during the April 1986 billing cycle.
(5) Related to the adoption of a revised fuel adjustment clause in 1980.
(6) The highest 60-minute net peak demand to date of 12,533 mw was reached on January 22, 1985.

Item 2. Properties.

General. The physical properties of FPL are located in the State of Florida. FPL considers that its properties are well maintained and in good operating condition and that there is no excessive obsolescence in its principal plants and other properties. The electric generating, transmission, distribution and general facilities represent approximately 51%, 14%, 30% and 5%, respectively, of FPL's gross investment in electric plant and equipment in service.

Generating Facilities. As of December 31, 1987 FPL had the following generating facilities:

Facility	Location	No. of Units	Fuel	Net Warm Weather Capability (mw)	Plant Net Output for 1987 (%)
STEAM TURBINES (continuous capability)					
Cape Canaveral	Cocoa	2	Oil/Gas	734	6.4
Fort Myers	Fort Myers	2	Oil	504	5.1
Lauderdale	Dania	2	Oil/Gas	274	1.0
Manatee	Parrish	2	Oil	1,566	10.0
Martin	Indiantown	2	Oil/Gas	1,566	8.7
Port Everglades	Port Everglades	4	Oil/Gas	1,142	12.7
Riviera	Riviera Beach	2	Oil/Gas	544	4.2
St. Johns River Power Park	Jacksonville	1	Coal	125*	1.7
St. Lucie	Hutchinson Island	2	Nuclear	1,553**	26.7
Sanford	Lake Monroe	3	Oil/Gas	861	0.7
Turkey Point	Florida City	2	Oil/Gas	734	8.7
		2	Nuclear	1,332	8.7
COMBINED CYCLE (continuous capability)					
Putnam	Palatka	2	Oil/Gas	472	5.1
GAS TURBINES (peak capability)					
Fort Myers	Fort Myers	12	Oil	618	NIL
Lauderdale	Dania	24	Oil/Gas	852	0.2
Port Everglades	Port Everglades	12	Oil/Gas	426	0.1
DIESEL UNITS (peak capability)					
Port Everglades	Port Everglades	5	Oil	14	NIL
Turkey Point	Florida City	5	Oil	14	NIL
			TOTAL	13,331***	100.0

[Notes are on next page]

* Represents FPL's 20% ownership of SJRPP Unit No. 1, located in Jacksonville, Florida. The 624 mw unit is jointly owned by FPL and JEA.

** This rating excludes Orlando Utilities Commission's and Florida Municipal Power Agency's combined share of approximately 15% of St. Lucie Unit No. 2.

*** Excludes Riviera Unit No. 2 (69 mw) and Cutler Units Nos. 5 and 6 (197 mw) which were placed on long-term reserve shutdown status in 1985. Cutler Units Nos. 5 and 6 are planned to be returned to service in mid-1988.

In addition to the installed capability shown above, other resources were available in 1987, consisting of 2,140 mw of coal-fired unit power through a combination of purchased power contracts with the Southern Companies and Tampa Electric Company, and 187 mw of purchased power from SJRPP Unit No. 1 through a purchased power agreement with JEA. In 1988 it is expected that 2,000 mw of coal-fired unit power and 187 mw of purchased power from SJRPP Unit No. 1 will be available through purchased power contracts with the Southern Companies and JEA, respectively. In addition, FPL's capacity entitlement from SJRPP Unit No. 2, which is scheduled for commercial operation in August 1988, is expected to add 125 mw by ownership and 187 mw through the purchased power agreement with JEA. For information on purchased power contracts and the SJRPP project see "Construction Program," "Item 1. Business—Fuel, Purchased Power and Interchange," and "Note 6—Purchased Power Contracts."

Reference is made to "Item 1. Business—Nuclear Units" and "Note 4—Rate Matters" for additional information concerning FPL's nuclear units. See also "Construction Program."

On January 22, 1985 FPL reached its highest 60-minute net peak demand to date of 12,533 mw during a period of extreme cold weather. The highest summer peak to date of 12,394 mw was reached on August 7, 1987. Based on its current load projections and construction plans, FPL's total capability, including unit power purchases, is projected to be adequate to meet peak load for the next several years.

During 1987 FPL's plants operated at the following capacity factors based on net warm weather capability ratings: fossil-fired units, 32.8%; combined cycle units, 48.4%; nuclear units, 57.5%; and gas turbine units, 0.8%.

Transmission and Distribution. Electric transmission and distribution lines owned and in service as of December 31, 1987 are as follows:

Nominal Voltage	Overhead Lines Pole Miles	Trench and Submarine Cable Miles
500 kv.	953*	-
230 kv.	2,016	31
138 kv.	1,297	45
115 kv.	602	-
69 kv.	252	17
Less than 69 kv.	35,389	12,725
Total Miles	40,509	12,818

*Includes approximately 80 miles owned jointly with JEA.

FPL owns and operates 397 substations with a total capacity of 84,420,940 kva.

Other Properties. FPL owns and has a substantial investment in offices and service buildings, district and local headquarters, repair shops, motor vehicles, construction equipment and tools and office furniture and equipment, and also leases offices and storerooms and certain other equipment. It also owns miscellaneous parcels of real estate held for future use in utility operations.

Additions and Retirements. During the five years ended December 31, 1987 construction expenditures (including AFUDC and net nuclear fuel additions) amounted to $3.5 billion and retirements of property amounted to $269 million. During that period, total plant, including nuclear fuel, increased 40%.

Character of Ownership. Substantially all of FPL's properties are subject to the lien of its Mortgage which secures debt securities issued by FPL. Certain pollution control equipment is also subject to security interests under Installment Purchase and Security Contracts. Except for certain property owned by a subsidiary, the principal properties of FPL are held by it in fee and are free from other encumbrances, subject to minor exceptions, none of which is of such a nature as to substantially impair the usefulness to FPL of such properties. Many of the offices in the various communities served are occupied by FPL under leases. All properties are subject to liens for taxes, assessments and undetermined charges (if any) incidental to construction. In general, some of the electric lines are located on land not owned in fee but are covered by necessary consents of various governmental authorities or by appropriate rights obtained from owners of private property. These consents and rights are deemed adequate for the purposes for which the properties are being used. FPL generally does not, however, have specific easements from the owners of property adjacent to public highways over, upon or under which its electric lines are located. At the time each of the principal properties was purchased a title search was made. In general, no examinations of titles as to rights-of-way for electric lines were made, other than examination, in certain cases, to verify the grantors' ownership and the lien status thereof.

Construction Program. FPL maintains a continuous construction program, principally for electric generation, transmission and distribution facilities. FPL's construction expenditures, including net nuclear fuel additions and AFUDC, approximated $671 million during 1987. FPL estimates that such expenditures under its 1988-90 construction program will approximate $2.3 billion. It is estimated that FPL's construction expenditures for 1988 will approximate $690 million in the following categories: $254 million for generating facilities and nuclear fuel, $344 million for transmission and distribution and $92 million for other additions and improvements. All of these estimates are subject to continuing review and adjustment and actual construction expenditures may vary from these estimates due to factors such as changes in customers, energy sales, business and economic conditions, construction and design requirements, fuel supply and costs, availability of labor, supplies and materials, regulatory treatment, environmental and conservation requirements and existing and proposed legislation. FPL is keeping its construction program as flexible as possible with the intention of accommodating those factors that may develop or change. Reference is made to "Nuclear Units," "Energy and Conservation Matters" and "Environmental Matters" under "Item 1. Business" and to "Note 6—Construction Program."

FPL has an agreement with JEA for the joint ownership, construction and operation of the SJRPP, a coal-fired plant in northeast Florida consisting of two units and a terminal to handle coal transported to the site by ship. The total cost of the project is presently estimated to be approximately $1.5 billion, excluding AFUDC. Approximately $53 million (including AFUDC) is included in the 1988-90 construction program to cover FPL's 20% share of the project. At year-end 1987 FPL's share of the construction costs including AFUDC amounted to $297 million. The total cost of FPL's share is expected to be $350 million, including AFUDC. This projection of FPL's share of the aggregate cost

of Units Nos. 1 and 2 is currently $70 million below the original budget. Unit No. 1 was placed in commercial operation in late March 1987. During start-up operations Unit No. 1 exceeded its 550 mw design rating and consequently has been officially rated at a net output of 624 mw. Unit No. 2 is expected to go into commercial operation in August 1988.

Item 3. Legal Proceedings.

Turkey Point Steam Generator Suit. The steam generators at Turkey Point Units Nos. 3 and 4 were replaced and the units returned to service during 1982 and 1983, respectively. In May 1978 in the U.S. District Court for the Southern District of Florida, FPL filed suit for damages against Westinghouse, the supplier of the steam generators, seeking reimbursement of the steam generator replacement costs as well as the cost of replacement power. The cost to replace the steam generators in both units including removal costs totaled approximately $165 million. As a result of motions for summary judgment filed by Westinghouse, FPL's claims for breach of implied warranty and replacement power costs were denied in 1982 and its claim for negligence was denied, after all appeals, in January 1988. FPL is pursuing its remaining claim for breach of express warranty, as to which Westinghouse's motion for summary judgment has been denied. In November 1986 the FPSC authorized FPL to place the steam generator replacement costs, including AFUDC accrued through December 31, 1986, in rate base effective January 1, 1987. See "Note 4."

Other Legal Proceedings. For information concerning a suit filed by FPL in October 1975 against Westinghouse, the supplier of nuclear fuel for Turkey Point Units Nos. 3 and 4, see "Note 6—Spent Nuclear Fuel."

Item 4. Submission of Matters to a Vote of Security Holders.

None

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

All of FPL's common stock is owned by FPL Group.

Item 6. Selected Financial Data.

	Years Ended December 31,				
	1987	1986	1985	1984	1983
	Thousands of Dollars				
Operating revenues	$4,349,722	$4,087,203	$4,337,518	$3,939,929	$3,352,535
Net income available to FPL Group	$377,898	$383,456	$367,932	$305,085	$267,255
Total assets	$8,943,386	$8,566,067	$8,193,532	$8,098,072	$7,679,916
Long-term debt, excluding current maturities	$2,785,952	$2,833,258	$2,890,659	$2,960,538	$2,648,017
Preferred stock with sinking fund requirements, excluding current maturities	$194,350	$187,490	$195,150	$200,700	$206,250

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Although energy sales continued their upward trend, net income in 1987 was lower than in 1986 primarily due to a reduction in AFUDC and higher depreciation expense. In addition in 1987 FPL established a $52 million provision for the potential refund of revenues to customers in accordance with the FPSC's rule related to the effect of corporate income tax rate changes on revenues (Tax Savings Rule). This provision reduced FPL's net income for 1987 by approximately $29 million. FPL's 1986 performance, compared to 1985, improved despite increased operation and maintenance expenses incurred primarily at FPL's nuclear generating units. The principal factors contributing to the 1986 improvement were a 5.5% increase in kwh energy sales and a $29 million reduction in pension expense, from 1985, due to a change in the actuarial cost method used for funding and ratemaking purposes. See "Note 5."

Operating Revenues

The following table summarizes the increase (decrease) in operating revenues by component.

	Years Ended December 31,	
	1987 vs 1986	1986 vs 1985
	Millions of Dollars	
Retail base revenues due to increased energy sales	$132	$ 121
Provision for potential refund	(52)	-
Fuel revenues	105	(345)
Oil-backout revenues	75	(20)
Other	3	(6)
Total change in operating revenues	$263	$(250)

Energy sales increased 4.3% for 1987 as a result of a 4.3% increase in the average number of customers; there was no appreciable change in energy usage per customer. The 1986 increase in energy sales was 5.5% as a result of a 4.0% increase in the average number of customers and a 1.4% increase in energy usage per customer. The 1986 increase in energy usage per customer reflects, among other factors, a decrease in the cost per kwh due to lower average fuel costs.

The provision for potential refund represents 1987 revenues required to be refunded in 1988 in accordance with the Tax Savings Rule. This provision for potential refund is based on certain preliminary estimates and assumptions which are expected to be finalized in 1988. In addition the calculation is subject to any adjustments deemed necessary by the FPSC. The manner in which the refund will be made has not yet been established. See "Note 4."

Based on current projections of customer growth and sales, FPL estimates that the maximum refund for 1988 which could be required by the Tax Savings Rule is approximately $120 million, which is the revenue requirement associated with the total tax savings estimated to be realized in 1988. The ultimate amount of any refund depends on FPL's jurisdictional earnings, capital structure and rate base in 1988. Any required refund for 1988 would be made in 1989.

The increase in fuel revenues in 1987 reflects both higher Fuel adjustment clause factors and higher energy sales. The decrease in fuel revenues in 1986 is primarily the result of lower Fuel adjustment clause factors. The Fuel adjustment clause factors are projected every six months primarily to reflect anticipated changes in fuel expense. See "Note 1—Revenues and Rates."

The increase in oil-backout revenues in 1987 is due to higher Oil-backout clause factors as well as higher energy sales. The Oil-backout clause factors increased to allow for recovery of higher capacity costs and accelerated depreciation on a portion of the 500 kv transmission lines which extend from Miami to the Georgia-Florida border. The Oil-backout clause factors are projected every six months, in conjunction with the Fuel adjustment clause factors, basically to reflect anticipated costs and savings resulting from projects which displace oil-fired generation.

Operating Expenses

Fuel, Purchased Power and Interchange

As oil prices fluctuated during 1987 and 1986, FPL benefited from its ability to shift between different sources of generation to achieve the most economical fuel mix. Fuel-related costs for the past three years are as follows:

	Years Ended December 31,			1987 vs 1986 Increase (Decrease)	1986 vs 1985 Increase (Decrease)
	1987	1986	1985		
	Millions of Dollars				
Fuel expense	$ 850	$ 760	$ 805	$ 90	$ (45)
Purchased power . . .	745	548	753	197	(205)
Interchange.	94	118	166	(24)	(48)
Deferred fuel costs . .	(115)	-	82	(115)	(82)
Total.	$1,574	$1,426	$1,806	$ 148	$(380)

In 1986 FPL took advantage of the substantial decline in oil prices by more than doubling its oil consumption. In addition oil consumption increased to compensate for lower output from the nuclear units due to refueling and maintenance outages. Lower priced natural gas and oil led to a decline in total fuel expense in 1986, despite the increased oil consumption. The shift to less expensive oil-fired power allowed FPL to decrease its purchases of coal-fired power from the Southern Companies.

In 1987 as oil prices rose, FPL decreased its use of oil and shifted to more economical purchased coal-fired power, primarily from the Southern Companies. However, higher priced oil and natural gas led to an increase in total fuel expense in 1987, despite the decreased oil consumption. In addition fuel expense reflects a decrease in nuclear fuel consumption as the result of refueling and maintenance outages at FPL's nuclear units.

The Fuel adjustment clause factors are projected every six months. An over (under) recovery may subsequently occur if, among other factors, actual oil and natural gas prices were lower (higher) than had been projected. The deferred fuel costs for 1985 represent the recovery of costs deferred in a prior period. A deferral of fuel costs was not required at December 31, 1986 since fuel costs in 1986 were over-recovered. The deferral of fuel costs for the period ended December 31, 1987 resulted from the under-recovery of such costs during 1987.

Other Operating Expenses

In 1987 FPL began allocating certain administrative and general expenses to the functional area benefited. As a result, other production, transmission and distribution and maintenance expenses increased by approximately $40 million and administrative and general expenses decreased by an approximately equal amount. See "Note 1—Reclassifications." In addition other production expenses increased due to higher costs at FPL's nuclear units and maintenance expenses reflect increased costs at distribution facilities and the nuclear units. Administrative and general expenses in 1986 reflect a reduction, compared to 1985, in net pension expense of approximately $29 million due to a 1986 change in the actuarial cost method used for funding and ratemaking purposes. See "Note 5." This reduction was partially offset by higher insurance and employment-related costs. Other production and maintenance expenses increased in 1986 primarily as a result of increased operations and maintenance expenses at FPL's nuclear units.

Depreciation expense in 1987 reflects the recording of approximately $46 million of accelerated depreciation representing two-thirds of the net savings associated with the 500 kv transmission lines which extend from Miami to the Georgia-Florida border. In addition revised depreciation rates for 1987 increased depreciation expense by approximately $35 million. See "Note 1."

The decrease in income tax expense in 1987 reflects the reduction in the federal corporate income tax rate in accordance with the Tax Reform Act and lower pre-tax book income.

Interest Charges

The decrease in interest on first mortgage bonds reflects the refunding of higher cost first mortgage bonds. The weighted average interest rate on FPL's first mortgage bonds was 9.45% for 1987 compared to 10.03% for 1986 and 10.47% for 1985. These rates were calculated including the amortization of the excess of reacquisition cost over book value of reacquired bonds, which is included in other interest charges.

Allowance for Funds Used During Construction

The decrease in AFUDC in 1987 is mainly the result of the inclusion in rate base of certain plant in-service costs effective January 1, 1987 and the placement of SJRPP Unit No. 1 in commercial operation in late March 1987.

Liquidity and Capital Resources

For information concerning FPL's capitalization, see the "Consolidated Statements of Capitalization" and for information on rate and regulatory matters with the FPSC, see "Note 4."

The primary capital requirements consist of expenditures under FPL's construction program. FPL's total construction expenditures for the years 1985-87 were approximately $2.0 billion, including net nuclear fuel additions and the allowance for borrowed funds used during construction. FPL's planned construction expenditures for the period 1988-90 are estimated to be $2.3 billion. During this period, it is anticipated that FPL's construction expenditures will be financed with internally generated funds, the issuance of long-term debt and preferred stock, capital contributions from FPL Group and, from time to time, short-term borrowings.

The Charter and Mortgage contain provisions which, under certain conditions, restrict the payment of dividends and other distributions to FPL Group. However, given FPL's current financial condition and level of earnings these restrictions do not currently limit FPL's ability to pay dividends to FPL Group. FPL presently pays to FPL Group as dividends its net income available to FPL Group and, from time to time, receives capital contributions from FPL Group.

Internally generated funds from operations for the years 1985-87 were $2.8 billion. External sources of funds for the same period totaled $1.1 billion, consisting of $698 million principal amount of FPL first mortgage bonds (including bonds issued to refinance higher interest rate bonds), $85 million of FPL preferred stock and $267 million in capital contributions from FPL Group. FPL anticipates that it will be able to meet its cash needs for the foreseeable future.

External Financings

First Mortgage Bonds

In recent years FPL has made a determined effort to reduce interest expense by refunding high-coupon first mortgage bonds with lower interest rate first mortgage bonds. During the period 1985-87 FPL redeemed approximately $806 million principal amount of first mortgage bonds with a weighted average interest rate of 15.2% and issued approximately $698 million principal amount of first mortgage bonds with a weighted average interest rate of 9.5%. In addition FPL has called for redemption in March 1988 all $125 million of its First Mortgage Bonds, 12-3/8% Series due March 1, 2013 with funds obtained largely from the sale in February 1988 of $125 million of First Mortgage Bonds, 9-5/8% Series due February 1, 2018.

There are no significant current limitations under FPL's Charter on the amount of debt securities that can be issued. Under its Mortgage, FPL could issue approximately $2.7 billion of additional first mortgage bonds based on unfunded property additions at December 31, 1987.

Preferred Stock

During 1987 FPL retired 293,900 shares of 14.38% Preferred Stock, Series N, $100 Par Value and issued 500,000 shares of 6.84% Preferred Stock, Series Q, $100 Par Value.

FPL's Charter prohibits the issuance of shares of FPL's $100 par value preferred stock and no par preferred stock (collectively, preferred stocks) unless gross income (after depreciation and taxes) for 12 consecutive months within the 15 months immediately prior thereto shall have been at least one and one-half times the sum of annual interest charges on all indebtedness and annual dividend requirements on the preferred stocks. Under this test, the preferred stock coverage ratio for the 12 months ended December 31, 1987 was 2.10.

Available Bank Credit

FPL's available bank lines of credit aggregated approximately $395 million at December 31, 1987. FPL has used and expects to continue to use short-term borrowings, including bank borrowings and commercial paper, to temporarily finance portions of its construction program and for other corporate purposes.

FPL's Charter limits the amount of unsecured debt which may be incurred by FPL to 20% of the aggregate of secured indebtedness and capital and surplus. Under this test, at December 31, 1987 FPL could issue approximately $1.1 billion of additional unsecured debt.

Income Taxes

In general the modifications to federal income tax law as a result of the Tax Reform Act have an adverse impact on FPL's cash flow. The provisions of the Tax Reform Act having the greatest impact are the repeal of the investment tax credit, the requirement to capitalize certain construction costs, including interest, to use longer depreciation lives and to include in taxable income contributions in aid of construction and unbilled revenues. These changes result in a reduction of cash flow provided by deferred income taxes. Since FPL is fully normalized for all book-tax timing differences, most provisions of the Tax Reform Act did not have a significant impact on earnings in 1987 nor will future years be significantly affected. Any increase in FPL's earnings as a result of the lower tax rate is generally eliminated by the aforementioned Tax Savings Rule, which requires a refund of revenues to customers for the effect of corporate income tax rate changes. However, since the method of refunding under the Tax Savings Rule has not been established, the effect on cash flow of the refund to be made in 1988, or of any future refunds, is not presently determinable.

New Accounting Pronouncements

In November 1987 the FASB issued Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" (SFAS 95). FPL is required to adopt this Statement for the year ending December 31, 1988. SFAS 95 requires FPL to provide a statement of cash flows in place of a statement of changes in financial position. SFAS 95 also requires that specified information about noncash investing and financing transactions and other events be provided separately. Adopting this Statement will have no impact on FPL's results of operations.

In December 1987 the FASB issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS 96). FPL is required to adopt this Statement no later than January 1, 1989. SFAS 96 requires FPL to recognize the amount of current and deferred taxes as a result of all events that are reflected in the financial statements as measured by the provisions of enacted tax laws. It is expected that FPL will be required to adjust its accumulated deferred tax balances to reflect the lower tax rate and potential limitations shown by projecting tax computations for future years. FPL's regulators require that the benefits of the reduction in deferred taxes be passed through to the ratepayers. Thus, due to regulatory considerations, it is anticipated that FPL will not reflect in income the reduction in its deferred tax balances in the period of adoption of SFAS 96. In addition SFAS 96 requires the recognition of a deferred tax liability for the equity component of AFUDC. The amount of such liability has not been presently determined; FPL does not expect this provision of SFAS 96 to have a significant impact on earnings.

Inflation

The rate of inflation has eased considerably over the past few years. However, the inflationary economy of prior years has produced a cumulative effect on FPL's electric utility plant assets such that the cost to replace those assets, upon retirement, will exceed their historical cost. FPL believes that it will be able to recover the higher cost of the replacement facilities and earn a return on such investment. Any increase in the replacement cost of electric utility plant is partially offset by the fact that repayments of FPL's debt are made in dollars of lesser value than the dollars originally borrowed. In addition the regulatory process imposes a time lag during which increased operating expenses are not recovered except to the extent they have been anticipated through the use of forecasting in a prior rate decision or are recoverable through cost recovery clauses.

Item 8. Financial Statements and Supplementary Data.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA POWER & LIGHT COMPANY:

We have examined the consolidated financial statements and supplemental schedules of Florida Power & Light Company and subsidiaries listed in the accompanying index as Item 14(a)(1) and 14(a)(2) of this Annual Report (Form 10-K) to the Securities and Exchange Commission for the year ended December 31, 1987. 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 Florida Power & Light Company and subsidiaries at December 31, 1987 and 1986 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, 1987, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in 1986 in the method of accounting for pension costs as described in Note 5 to the consolidated financial statements. Also, in our opinion, such supplemental schedules, when considered in relation to the basic consolidated financial statements, present fairly in all material respects the information shown therein.

DELOITTE HASKINS & SELLS

Miami, Florida
February 26, 1988

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

Thousands of Dollars

	December 31, 1987	December 31, 1986
ELECTRIC UTILITY PLANT (Notes 1, 4, 6, 7 and 8):		
At original cost	$9,800,593	$9,095,896
Less accumulated depreciation (includes decommissioning reserve of $147,464 at December 31, 1987 and $117,343 at December 31, 1986)	2,912,013	2,544,869
Net	6,888,580	6,551,027
Construction work in progress	329,841	524,989
Nuclear fuel (net of accumulated amortization of $194,345 at December 31, 1987 and $177,939 at December 31, 1986)	354,664	255,463
Electric utility plant—net	7,573,085	7,331,479
INVESTMENTS:		
Storm and property insurance reserve fund (Note 1)	43,147	37,261
Pollution control construction account held by trustee	31,442	54,017
Nuclear decommissioning reserve fund (Note 1)	77,137	60,044
Other	13,255	7,509
Total investments	164,981	158,831
CURRENT ASSETS:		
Cash and temporary investments	8,966	86,479
Accounts receivable:		
Customers (net of allowance for uncollectible accounts of $7,466 at December 31, 1987 and $8,866 at December 31, 1986) (Note 1)	351,695	339,453
Employees and miscellaneous	29,974	27,020
Materials and supplies—at average cost	167,996	165,906
Fossil fuel stock—at average cost	68,785	56,816
Prepaid expenses	30,052	34,131
Other	27,141	7,885
Total current assets	684,609	717,690
DEFERRED DEBITS:		
Deferred litigation items (Notes 4 and 6)	192,527	194,323
Excess of reacquisition cost over book value of bond retirements (Note 1)	120,839	92,085
Deferred fuel expenses (Note 1)	115,510	-
Other (Note 5)	91,835	71,659
Total deferred debits	520,711	358,067
Total	$8,943,386	$8,566,067

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

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

Thousands of Dollars

	December 31, 1987	December 31, 1986
CAPITALIZATION (See Consolidated Statements of Capitalization):		
Common shareholder's equity (Note 1)	$2,588,507	$2,430,179
Preferred stock without sinking fund requirements	346,250	346,250
Preferred stock with sinking fund requirements	194,350	187,490
Long-term debt	2,785,952	2,833,258
Total capitalization	5,915,059	5,797,177
OTHER NONCURRENT LIABILITIES:		
Capital lease obligations (Note 7)	78,300	1,480
Provision for revenue refund (Note 4)	51,700	-
Storm and property insurance (Note 1)	43,147	37,261
Other	17,403	15,024
Total other noncurrent liabilities	190,550	53,765
CURRENT LIABILITIES:		
Current maturities of long-term debt and preferred stock	28,490	21,154
Notes payable—commercial paper (Note 2)	83,000	-
Accounts payable—trade	124,900	119,870
Customers' deposits	184,388	173,376
Income taxes (Note 1)	78,353	143,584
Other taxes	49,675	66,451
Interest accrued	84,103	92,784
Tax collections payable	44,383	42,740
Purchased power and interchange (Note 6)	37,090	29,245
Other	89,127	75,785
Total current liabilities	803,509	764,989
DEFERRED CREDITS:		
Accumulated deferred income taxes (Note 1)	1,438,254	1,331,241
Unamortized investment tax credit (Note 1)	471,383	471,651
Deferred revenues (Note 1)	3,208	78,479
Other (Note 5)	121,423	68,765
Total deferred credits	2,034,268	1,950,136
COMMITMENTS AND CONTINGENCIES (Notes 4, 5, 6 and 7)		
Total	$8,943,386	$8,566,067

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

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION

	Shares Outstanding (December 31, 1987)	Redemption Price (December 31, 1987)	1987 (Thousands of Dollars)	1986 (Thousands of Dollars)
COMMON SHAREHOLDER'S EQUITY:				
Common stock, no par value, 1,000 shares authorized, issued and outstanding (Note 1)			$1,373,069	$1,373,069
Additional contributed capital (Note 3)			260,052	95,873
Retained earnings			955,386	961,237
Total common shareholder's equity			2,588,507	2,430,179
PREFERRED STOCK—Cumulative, $100 Par Value, authorized 19,454,000 shares at December 31, 1987 and 19,944,500 shares at December 31, 1986 (1):				
Preferred stock without sinking fund requirements (2):				
4-1/2% Series	100,000	$101.00	10,000	10,000
4-1/2% Series A	50,000	101.00	5,000	5,000
4-1/2% Series B	50,000	101.00	5,000	5,000
4-1/2% Series C	62,500	103.00	6,250	6,250
4.32% Series D	50,000	103.50	5,000	5,000
4.35% Series E	50,000	102.00	5,000	5,000
7.28% Series F	600,000	102.93	60,000	60,000
7.40% Series G	400,000	104.38	40,000	40,000
9.25% Series H	500,000	104.50	50,000	50,000
8.70% Series K	750,000	104.00	75,000	75,000
8.84% Series L	500,000	107.63	50,000	50,000
8.50% Series P	350,000	108.50	35,000	35,000
Total	3,462,500		346,250	346,250
Preferred stock with sinking fund requirements (3):				
10.08% Series J (4)	412,500	108.00	41,250	48,750
8.70% Series M (5)	419,000	105.39	41,900	46,400
14.38% Series N (6)	35,000	109.59	3,500	32,890
11.32% Series O (7)	650,000	111.32	65,000	65,000
6.84% Series Q (8)	500,000	106.84	50,000	-
			201,650	193,040
Less current maturities			(7,300)	(5,550)
Total	2,016,500		194,350	187,490

(1) FPL's Charter also authorizes the issuance of 10 million shares of preferred stock, no par value and 5 million shares of subordinated preferred stock, no par value, to be known as "preference stock." None of these shares is outstanding.

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

CONSOLIDATED STATEMENTS OF CAPITALIZATION — (Continued)

	December 31, 1987	December 31, 1986
	Thousands of Dollars	
LONG-TERM DEBT (9):		
First Mortgage Bonds (10) (11) (12):		
Maturing through 1992—4-1/8% to 5%	$ 70,000	$ 85,000
Maturing 1993 through 2002—4-5/8% to 8%	605,000	605,000
Maturing 2003 through 2012—7-1/2% to 11.3%	606,289	862,466
Maturing 2013 through 2017—9% to 12-7/8%	975,000	750,000
Pollution Control and Industrial Development Series:		
Maturing through 1992—7-3/4% and 7-7/8%	8,325	8,325
Maturing 2000 through 2020—6.1% to 11-3/8%	458,935	458,935
Installment Purchase and Security Contracts—5.40% to 6.15% due 2004 through 2007	92,090	92,090
Promissory Notes—7-1/2% to 12% due various dates to January 2021	10,620	7,403
Unamortized premium and discount—net	(19,117)	(20,358)
Total long-term debt	2,807,142	2,848,861
Less current maturities	(21,190)	(15,603)
Long-term debt excluding current maturities	2,785,952	2,833,258
Total capitalization	$5,915,059	$5,797,177

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(2) The 350,000 shares of 8.50% Preferred Stock, Series P, $100 Par Value were issued in 1986. There were no other changes in the outstanding number of shares of preferred stock without sinking fund requirements in 1987, 1986 or 1985.

(3) Minimum annual sinking fund requirements are approximately $7 million for 1988, $11 million for 1989 and $9 million for each of the years 1990, 1991 and 1992. In the event that FPL should be in arrears on its sinking fund obligations, FPL may not pay dividends on common stock.

[Notes are continued on next page]

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

CONSOLIDATED STATEMENTS OF CAPITALIZATION — (Concluded)

(4) 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. In accordance with the sinking fund provisions of this series, 75,000 shares and 37,500 shares were retired in 1987 and 1986, respectively. Although no shares were retired in 1985, the 1985 sinking fund requirement was met by purchasing and retiring 37,500 shares in 1984. For 1988 FPL has called 75,000 shares for redemption on April 1, 1988.

(5) Entitled to a sinking fund to retire a minimum of 18,000 shares and a maximum of 45,000 shares annually through 1999 at $100 per share plus accrued dividends 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. In accordance with the sinking fund provisions of this series, 45,000 shares were retired in 1987 and 18,000 shares were retired in each of the years 1986 and 1985. For 1988 FPL has called 18,000 shares for redemption on April 1, 1988.

(6) Entitled to a sinking fund to retire a minimum of 17,500 shares and a maximum of 35,000 shares annually beginning in 1988 at $100 per share plus accrued dividends. In 1987 and 1986 FPL purchased and retired 8,400 shares and 21,100 shares at an average purchase price of $112.55 per share and $115.66 per share, respectively. Also, under the redemption provisions of this series, 285,500 shares were redeemed and retired in 1987 at a redemption price of $109.59 per share plus accrued dividends. No shares were retired in 1985.

(7) Entitled to a sinking fund to retire a minimum of 32,500 shares and a maximum of 65,000 shares annually from 1989 through 2008 at $100 per share plus accrued dividends.

(8) Entitled to a sinking fund to retire a minimum of 15,000 shares and a maximum of 30,000 shares annually from 1993 through 2026 at $100 per share plus accrued dividends.

(9) Annual maturities and sinking fund requirements of long-term debt are approximately $21 million in 1988, $26 million in 1989, $10 million in 1990, $1 million in 1991 and $26 million in 1992.

(10) In March 1987 FPL redeemed all $125 million principal amount of its First Mortgage Bonds, 16-1/2% Series due March 1, 2012; in June 1987 it redeemed the remaining $31.2 million principal amount of its 16-3/8% First Mortgage Bonds due June 1, 2012; and in October 1987 it redeemed all $100 million principal amount of its First Mortgage Bonds, 12-1/2% Series due October 1, 2012. The excess of reacquisition cost over book value on the retirement of these bonds amounted to approximately $33 million.

(11) In April 1987 FPL sold $125 million principal amount of First Mortgage Bonds, 9-3/4% Series due April 1, 2017 and in August 1987 sold $100 million principal amount of First Mortgage Bonds, 10-1/8% Series due August 1, 2017.

(12) In February 1988 FPL sold $125 million principal amount of First Mortgage Bonds, 9-5/8% Series due February 1, 2018. FPL has called for redemption in March 1988 all $125 million principal amount of its First Mortgage Bonds, 12-3/8% Series due March 1, 2013.

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

	Years Ended December 31,		
	1987	1986	1985
	Thousands of Dollars		
OPERATING REVENUES (Notes 1 and 4)	$4,349,722	$4,087,203	$4,337,518
OPERATING EXPENSES (Note 1):			
Operations:			
Fuel, purchased power and interchange	1,573,724	1,425,937	1,806,466
Other production	180,473	148,402	117,187
Transmission and distribution	129,417	105,933	103,334
Customers	141,262	140,016	132,589
Administrative and general	253,222	280,465	281,798
Maintenance	337,581	308,431	258,653
Depreciation	434,106	334,797	331,656
Income taxes	270,567	341,612	334,368
Taxes other than income taxes	352,648	336,086	320,430
Total operating expenses	3,673,000	3,421,679	3,686,481
OPERATING INCOME	676,722	665,524	651,037
OTHER INCOME (DEDUCTIONS):			
Allowance for other funds used during construction (Notes 1 and 4)	14,955	34,784	33,855
Income taxes (Note 1)	4,527	5,411	5,884
Other—net	2,521	(1,979)	(950)
Other income—net	22,003	38,216	38,789
INCOME BEFORE INTEREST CHARGES	698,725	703,740	689,826
INTEREST CHARGES:			
Interest on first mortgage bonds	255,136	282,984	290,602
Interest on other long-term debt	6,181	5,998	4,315
Other interest	27,048	24,962	16,914
Allowance for borrowed funds used during construction (Notes 1 and 4)	(15,833)	(41,327)	(36,352)
Interest charges—net	272,532	272,617	275,479
NET INCOME	426,193	431,123	414,347
PREFERRED STOCK DIVIDEND REQUIREMENTS	48,295	47,667	46,415
NET INCOME AVAILABLE TO FPL GROUP, INC.	$ 377,898	$ 383,456	$ 367,932

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

	Years Ended December 31,		
	1987	1986	1985
	Thousands of Dollars		
BALANCE AT BEGINNING OF YEAR	$ 961,237	$ 940,619	$ 943,424
NET INCOME	426,193	431,123	414,347
Total	1,387,430	1,371,742	1,357,771
DEDUCT:			
Preferred stock dividends:			
4-1/2% Series ($4.50 per share)	450	450	450
4-1/2% Series A ($4.50 per share)	225	225	225
4-1/2% Series B ($4.50 per share)	225	225	225
4-1/2% Series C ($4.50 per share)	281	281	281
4.32% Series D ($4.32 per share)	216	216	216
4.35% Series E ($4.35 per share)	218	218	218
7.28% Series F ($7.28 per share)	4,368	4,368	4,368
7.40% Series G ($7.40 per share)	2,960	2,960	2,960
9.25% Series H ($9.25 per share)	4,625	4,625	4,625
10.08% Series J ($10.08 per share)	4,347	5,008	5,292
8.70% Series K ($8.70 per share)	6,525	6,525	6,525
8.84% Series L ($8.84 per share)	4,420	4,420	4,420
8.70% Series M ($8.70 per share)	3,743	4,076	4,232
14.38% Series N ($14.38 per share)	2,586	5,022	5,033
11.32% Series O ($11.32 per share)	7,358	7,358	7,358
8.50% Series P ($8.50 per share)	2,975	1,512	-
6.84% Series Q ($5.87 per share)	2,936	-	-
Dividends and transfers to FPL Group, Inc.	380,693	362,838	370,737
Total dividends and transfers	429,151	410,327	417,165
Excess of redemption price over book value of preferred stock	3,055	-	-
Increase/(Decrease) in preferred stock dividends accrued	(162)	178	(13)
BALANCE AT END OF YEAR	$ 955,386	$ 961,237	$ 940,619

Dividend Restrictions. The Charter and Mortgage and Deed of Trust contain provisions which, under certain conditions, restrict the payment of dividends and other distributions to FPL Group, Inc. There are no restrictions in effect that currently limit FPL's ability to pay dividends to FPL Group, Inc.

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

	Years Ended December 31,		
	1987	1986	1985
	Thousands of Dollars		
SOURCE OF FUNDS:			
Operations:			
Net income	$ 426,193	$ 431,123	$ 414,347
Depreciation	434,106	334,797	331,656
Amortization of nuclear fuel assemblies	51,229	63,980	70,000
Deferred income taxes	107,012	110,319	101,229
Allowance for other funds used during construction	(14,955)	(34,784)	(33,855)
Other	(6,157)	4,006	5,894
Total	997,428	909,441	889,271
Sale of first mortgage bonds	222,503	378,547	-
Reimbursement by trustee from pollution control financings for construction expenditures	26,055	55,250	123,137
Sale of preferred stock	50,000	35,000	-
Sale of nuclear fuel	23,325	37,341	222
Deferred fuel revenues	-	26,449	87,415
Deferred conservation and oil-backout revenues	-	27,450	2,574
Provision for revenue refund	51,700	-	28,840
Capital contribution from FPL Group, Inc.	165,000	102,000	-
Other sources	64,556	20,305	32,682
Decrease in working capital	71,601	37,569	217,494
Total	$1,672,168	$1,629,352	$1,381,635
APPLICATION OF FUNDS:			
Construction expenditures (1)	$ 579,747	$ 570,862	$ 556,628
Nuclear fuel expenditures (1)	92,691	72,522	94,698
Early retirement of long-term debt and preferred stock	324,623	482,315	140,801
Retirement and current maturities of long-term debt and preferred stock	28,887	21,154	36,109
Preferred stock dividend requirements	48,295	47,667	46,415
Dividends and transfers to FPL Group, Inc.	380,693	362,838	370,737
Refund of revenues from prior year	-	28,840	-
Deferred fuel expenses	147,491	-	-
Deferred conservation and oil-backout expenses	43,289	-	-
Nuclear decommissioning and spent fuel disposal reserve funds	17,093	15,180	13,676
Deferred spent fuel disposal costs—prior burned	-	-	69,585
Other applications	9,359	27,974	52,986
Total	$1,672,168	$1,629,352	$1,381,635
CHANGE IN WORKING CAPITAL EFFECTED BY:			
Increase (Decrease) in current assets:			
Cash and temporary investments	$(77,513)	$ 81,807	$(214,672)
Accounts receivable	15,196	(4,597)	54,014
Materials and supplies	2,090	9,362	14,255
Fossil fuel stock	11,969	(12,425)	(14,817)
Other changes—net	15,177	(4,947)	(10,858)
Decrease (Increase) in current liabilities:			
Notes payable and current maturities of long-term debt and preferred stock	(90,336)	14,955	(33,647)
Accounts payable—trade	(5,030)	16,967	24,079
Customers' deposits	(11,012)	(12,082)	(19,224)
Income taxes	65,231	(136,007)	17,222
Other changes—net	2,627	9,398	(33,846)
DECREASE IN WORKING CAPITAL	$(71,601)	$ (37,569)	$(217,494)

(1) 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

INCOME TAXES

	Years Ended December 31, 1987	1986	1985
	Thousands of Dollars		
FEDERAL:			
Charged to operating expenses:			
Current	$133,557	$187,940	$184,645
Deferred:			
Accelerated depreciation	127,939	124,169	129,497
Debt component of AFUDC	4,128	13,273	13,130
Repair allowance	(1,906)	12,896	14,849
Deferred fuel (revenues) costs	49,353	(26,455)	(9,778)
Unbilled revenues	(12,535)	21,818	27,527
Deferred revenues	(20,156)	-	185
Other	(31,501)	(24,317)	(14,811)
Deferred in prior years:			
Accelerated depreciation	(20,547)	(6,873)	(13,004)
Debt component of AFUDC	(6,438)	(4,362)	(3,475)
Repair allowance	(7,019)	(1,295)	(2,010)
Deferred fuel revenues (costs)	8,157	14,945	(28,397)
Other	9,263	(21,812)	(17,249)
Deferred investment tax credit (1)	23,429	32,484	31,487
Amortization of investment tax credit	(23,513)	(22,484)	(19,271)
Total	232,211	299,927	293,325
Charged to other income:			
Current	880	(770)	605
Deferred—net	(5,281)	(4,435)	(6,219)
Total federal	227,810	294,722	287,711
STATE:			
Charged to operating expenses:			
Current	23,977	28,359	29,300
Deferred:			
Accelerated depreciation	18,068	15,742	16,435
Debt component of AFUDC	616	1,682	1,664
Repair allowance	(304)	1,646	1,841
Deferred fuel (revenues) costs	7,190	(3,347)	(1,156)
Unbilled revenues	(1,826)	2,761	3,946
Deferred revenues	(2,936)	-	21
Other	(5,192)	(3,333)	(3,802)
Deferred in prior years:			
Accelerated depreciation	(1,854)	(635)	(1,349)
Debt component of AFUDC	(738)	(500)	(400)
Repair allowance	(823)	(148)	(230)
Deferred fuel revenues (costs)	922	1,919	(3,268)
Other	1,256	(2,461)	(1,959)
Total	38,356	41,685	41,043
Charged to other income:			
Current	697	353	488
Deferred—net	(823)	(559)	(758)
Total state	38,230	41,479	40,773
Total income taxes	$266,040	$336,201	$328,484

(1) Deferred investment tax credits include amounts payable to the Employee Stock Ownership Plan. These amounts for the years 1986 and 1985 were $2.5 million and $2.4 million, respectively. The Employee Stock Ownership Credit was repealed by the Tax Reform Act of 1986 for compensation paid or accrued after December 31, 1986.

SCHEDULE OF TAXES — (Concluded)

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

	Years Ended December 31,					
	1987		1986		1985	
	Thousands of Dollars					
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Computed at statutory rate	$276,893	40.0%	$352,969	46.0%	$341,702	46.0%
Increases (Reductions) in income taxes resulting from:						
Allowance for other funds during construction	(7,580)	(1.1)	(20,779)	(2.7)	(18,235)	(2.5)
State income taxes—net of federal income tax benefit	22,938	3.3	22,399	2.9	22,017	3.0
Amortization of investment tax credit	(23,513)	(3.4)	(22,484)	(2.9)	(19,271)	(2.6)
Other—net	(2,698)	(0.4)	4,096	.5	2,271	.3
Total income taxes	$266,040	38.4%	$336,201	43.8%	$328,484	44.2%

OTHER TAXES

	Years Ended December 31,		
	1987	1986	1985
	Thousands of Dollars		
Taxes other than federal and state income taxes:			
Federal and state payroll	$ 38,818	$ 35,877	$ 32,445
Real and personal property	87,080	92,003	67,187
State gross receipts	61,911	59,206	57,398
Franchise charges	163,687	164,432	163,742
Miscellaneous	63,309	20,929	22,724
Total other taxes	$414,805	$372,447	$343,496
Charged to:			
Operating expenses—other taxes	$352,648	$336,086	$320,430
Utility plant and other accounts	62,157	36,361	23,066
Total	$414,805	$372,447	$343,496

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

SCHEDULE OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

	Years Ended December 31,		
	1987	1986	1985
	Millions of Dollars		
Monthly average construction work in progress (CWIP)	$361.4	$501.0	$405.9
Less:			
AFUDC capitalized and included in monthly average CWIP (1)	37.9	53.5	29.8
Other	76.5	59.5	57.7
CWIP base for computing AFUDC	247.0	388.0	318.4
Nuclear fuel base for computing AFUDC	59.7	137.4	119.4
Total base for computing AFUDC	306.7	525.4	437.8
Capitalization rate (2)	10.04%	10.30%	10.78%
AFUDC charged to CWIP and nuclear fuel	30.8	54.1	47.2
AFUDC charged to suspended rate base items (Note 4)	-	22.0	23.0
Total AFUDC	30.8	76.1	70.2
Amounts credited to interest charges (3)	15.8	41.3	36.3
Amounts credited to other income (3)	$ 15.0	$ 34.8	$ 33.9

(1) As authorized by the Florida Public Service Commission (FPSC), AFUDC capitalized in prior years is included in the CWIP base for computing AFUDC.

(2) The capitalization rate is a weighted average of the AFUDC rates applicable to the respective FPSC and Federal Energy Regulatory Commission (FERC) jurisdictional portions of CWIP. The AFUDC rate for the FPSC portion is determined by a formula set by the FPSC, based on the embedded cost of each component of capital including short-term borrowings, except common equity, for which an approved rate is used. Accumulated deferred income taxes are included at no cost. The formula provided by the FERC for computing the AFUDC rate for that portion differs from the FPSC formula in that it assumes short-term borrowings are the first source of funds for construction and therefore, receive a greater weighting in the calculation of the embedded cost of capital; also, accumulated deferred income taxes are excluded. The debt components of each rate are not reduced by the applicable income taxes. (See also Note 1.)

(3) As a result of a FERC directive, FPL allocates total AFUDC between borrowed funds and other funds by computing the total borrowed funds component using the FERC formula, with the residual AFUDC being reported as the other funds portion; thus, while the FPSC formula is utilized to compute the total amount of AFUDC, the borrowed funds portion is virtually identical to that which would be reported if the FERC formula were being used for all AFUDC. FPL provides deferred income taxes on the borrowed funds portion of AFUDC determined by the formulas used to compute total AFUDC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 1987, 1986 and 1985

1. Summary of Significant Accounting and Reporting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Florida Power & Light Company (FPL) and its wholly-owned subsidiaries, Land Resources Investment Co. and FPL Enersys, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

FPL is a wholly-owned subsidiary of FPL Group, Inc. (FPL Group). FPL provides certain services to FPL Group, the cost of which is charged to FPL Group on a "full cost" method of allocation. Such costs were not material in any year. FPL Group provides certain direct services to all its subsidiaries, including FPL. The full cost of such services is charged directly to FPL and to the other subsidiaries of FPL Group. In addition certain indirect costs of FPL Group are allocated to all subsidiaries, including FPL. Substantially all indirect costs are allocated based on each subsidiary's equity. Such direct and indirect costs were not material in any year. The balances outstanding at December 31, 1987 and 1986 for such services were not significant.

Regulation

Accounting and reporting policies of FPL are subject to regulation by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). FPL maintains its records in conformity with the accounting and reporting policies of these commissions and generally accepted accounting principles.

Revenues and Rates

Retail and wholesale utility rate schedules are approved by the FPSC and the FERC, respectively. Retail revenues include amounts resulting from a fuel and purchased power cost recovery clause (Fuel adjustment clause) and an energy conservation cost recovery clause which are designed to permit full recovery of costs. The monthly adjustment factors are levelized rates which are projected over each ensuing six-month period. The net under or over recovery of costs during a projection period, plus interest, is used to adjust the rates in effect during succeeding projection periods. FPL achieves current matching of costs and related revenues under cost recovery clauses by deferring the net over or under recovery, and under base rates by recognizing the estimated amount of revenues for energy delivered but not billed.

The FPSC has adopted an oil-backout cost recovery clause (Oil-backout clause) which is designed to allow the recovery of non-fuel related costs and the accelerated recovery of the costs of certain projects that displace oil-fired generation. Depreciation of the costs of the projects is accelerated by an amount equal to two-thirds of the net savings of the projects, if any, while one-third of the net savings is realized by the customers through the Fuel adjustment clause. The Oil-backout clause factors are calculated in conjunction with the Fuel adjustment clause factors, and any over or under recovery is treated in a similar manner. During 1987 certain provisions of the Oil-backout clause became operative and resulted in the recording of approximately $46 million of accelerated depreciation.

Electric Utility Plant, Depreciation and Amortization

The cost of additions, replacements and renewals of units of utility property is added to electric 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 as well as replacements and renewals of items determined to be less than units of property are charged to operating expenses—maintenance.

Book depreciation of utility property, except for generating facilities, is provided primarily on a straight-line average service-life basis by primary accounts as approved by the FPSC. Book depreciation of generating facilities is provided on a straight-line remaining service life basis, as approved by the FPSC. Depreciation expense also includes a provision for nuclear plants decommissioning costs. The weighted annual composite depreciation rate was approximately 3.9%, 3.6% and 3.5% for the years 1987, 1986 and 1985, respectively. These rates exclude depreciation expense related to nuclear decommissioning and accelerated depreciation under the Oil-backout clause and, in 1986 and 1985, adjustments to depreciation expense related to the ratemaking treatment of federal job development investment tax credits (ITC). In 1987 FPL's depreciation rates were revised to reflect the expected remaining useful life of the properties.

The cost of nuclear fuel is amortized to fuel expense on a unit of production method. Also included in fuel expense is a provision for the estimated cost of disposal of spent nuclear fuel which suppliers are not under contract to remove. See "Note 6—Spent Nuclear Fuel."

Substantially all electric utility plant is subject to the lien of the Mortgage and Deed of Trust, as supplemented, securing FPL's first mortgage bonds.

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a non-cash item which represents the allowed cost of capital used to finance a portion of FPL's construction work in progress and nuclear fuel and is capitalized as an additional cost of property. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of interest charges and the remainder is recorded as other income. See the Schedule of Allowance for Funds Used During Construction.

Storm and Property Insurance Reserve Fund

The funded storm and property insurance reserve provides coverage toward storm damage costs and possible retroactive premium assessments stemming from a nuclear incident under the various insurance programs covering FPL's nuclear generating plants. Earnings from the fund, net of taxes, are reinvested in the fund. Securities held in the fund consist of tax-exempt obligations and are carried at cost, which approximates market.

Nuclear Decommissioning Reserve Fund

The decommissioning reserve fund is restricted for the payment of the cost of decommissioning FPL's nuclear units. Amounts reflected in depreciation expense are deposited in the fund, net of taxes, and earnings, net of taxes, are reinvested in the fund.

Securities held in the fund consist of tax-exempt obligations and preferred stock and are carried at cost, which approximates market.

Income Taxes

Deferred income taxes are provided on all significant book-tax timing differences. Investment tax credits are used to reduce current federal income taxes and are deferred and amortized to income over the approximate lives of the related property. FPL's operations are included in the consolidated federal income tax return filed by FPL Group. FPL determines its income tax provision on the "separate return method." See the Schedule of Taxes.

In December 1987 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." FPL will be required to comply with the provisions of this Statement no later than January 1, 1989. Since FPL's regulators require that the benefits of a reduction in deferred taxes be passed through to the ratepayers, this Statement is not expected to have a significant impact on FPL's earnings.

Retirement of Long-Term Debt

The excess of the reacquisition cost over book value of long-term debt is deferred and amortized to expense ratably over the remainder of the life of the original issue.

Reclassifications

In 1987 FPL began allocating certain administrative and general expenses to the functional area benefited. As a result, other production, transmission and distribution and maintenance expenses increased by approximately $40 million and administrative and general expenses decreased by an approximately equal amount. This reallocation had no material effect on total operating expenses or operating income.

2. Short-Term Borrowings

At December 31, 1987 FPL had $83 million of commercial paper outstanding with a weighted average interest rate of 7.8%.

Available bank lines of credit were approximately $395 million at December 31, 1987. Approximately two-thirds of this total is based on firm commitments, with the remainder based on informal arrangements which are subject to cancellation without notice. Compensating balances maintained in connection with certain of these credit lines arise in the normal course of business and are not material to the consolidated financial position and borrowing costs.

3. Additional Contributed Capital

The changes in additional contributed capital are shown below:

	Years Ended December 31,		
	1987	1986	1985
	Thousands of Dollars		
Balances, beginning of year	$ 95,873	$ (5,247)	$(5,234)
Contribution from FPL Group	165,000	102,000	-
Costs incurred on the public offering of preferred stock:			
Series P	-	(442)	-
Series Q	(459)	-	-
Other	(362)	(438)	(13)
Balances, end of year	$260,052	$ 95,873	$(5,247)

4. Rate Matters

In 1986 the FPSC approved a stipulation entered into by FPL and other parties regarding a change in the ratemaking treatment of ITC which resolved all outstanding issues related to ITC in FPL's 1982 and 1984-85 rate orders. The stipulation required FPL to record a total of $40.2 million as depreciation and interest expense. FPL had recorded a total of $26.3 million as depreciation and interest expense in 1985 and the remaining $13.9 million was recorded as depreciation and interest expense in 1986.

In 1986 the FPSC permitted FPL to include in rate base certain plant in service costs which the FPSC had excluded from rate base in previous rate orders. In addition the FPSC determined that FPL should discontinue accruing AFUDC and deferring depreciation expense, effective January 1, 1986 on the costs associated with the repair and enhancement of the Martin Plant reservoir (Martin reservoir costs) and, effective January 1, 1987 on the costs associated with the replacement of the steam generators at Turkey Point Units Nos. 3 and 4 (Turkey Point costs). The Martin reservoir costs and the Turkey Point costs, together with all associated accrued AFUDC and deferred depreciation expense (collectively, Accumulated Deferred Costs), were placed in FPL's rate base effective January 1, 1986 and January 1, 1987, respectively. The Accumulated Deferred Costs are to be recovered over five years commencing with the effective date of new base rates to be established in a general ratemaking proceeding for FPL. The Accumulated Deferred Costs, which are included in deferred debits—deferred litigation items, totaled approximately $111 million at December 31, 1987. The jurisdictional portion of both the Martin reservoir costs and the Turkey Point costs, excluding Accumulated Deferred Costs, are included in electric utility plant and totaled approximately $150 million at December 31, 1987.

In December 1986 the Florida Public Counsel (Public Counsel) filed a petition seeking to reduce FPL's authorized return on equity (ROE) from 15.60%, as allowed in FPL's most recent FPSC rate order, to 12.25% and to use a 12.25% ROE for other rate-setting purposes. In December 1987 the FPSC dismissed the petition.

In January 1987 the FPSC and FPL agreed on an ROE of 13.60% solely for application of the FPSC's rule related to the effect of corporate income tax rate changes on revenues

(Tax Savings Rule) for 1987. Under the Tax Savings Rule any jurisdictional revenues associated with earnings in excess of those required to produce the 13.60% ROE are to be refunded in 1988 to the extent the jurisdictional earnings were generated by a reduction in the corporate income tax rate. In 1987 FPL recorded a provision of $51.7 million for the revenue refund which is to be made in 1988 in accordance with the Tax Savings Rule. The provision for refund is based on certain preliminary estimates and assumptions which are expected to be finalized in 1988. In addition the calculation is subject to any adjustments deemed necessary by the FPSC. The manner in which the refund will be made has not yet been established.

In October 1987 the FPSC and FPL agreed that a 13.60% ROE will be used by FPL in the application of the Tax Savings Rule and calculation of the AFUDC rate for 1988. Based on current projections of customer growth and sales, FPL estimates that the maximum refund for 1988 which could be required by the Tax Savings Rule is approximately $120 million, which is the revenue requirement associated with the total tax savings estimated to be realized in 1988. The ultimate amount of any refund depends on FPL's jurisdictional earnings, capital structure and rate base in 1988. Any required refund for 1988 would be made in 1989.

The agreement with the FPSC with respect to 1988 also provides that the FPSC will use a 13.60% ROE for earnings surveillance purposes during 1988 and that the FPSC may issue, at any time during 1988, an order to show cause why rates should not be reduced. If such an order is issued, jurisdictional revenues in excess of those which would provide a 13.60% jurisdictional ROE would be collected subject to refund, after the provision for refund of the revenues associated with the total tax savings for 1988. FPL agreed not to file for any general rate increases that would become effective prior to January 1, 1989.

In January 1987 the FPSC opened a generic docket to study how authorized ROE for all utilities under the FPSC's jurisdiction could be periodically adjusted; the effect of changing the ROE for interim proceedings, AFUDC and surveillance of earnings; and whether such action is beneficial to ratepayers. The matter is pending.

In June 1987 Public Counsel filed a petition to amend the Tax Savings Rule. Public Counsel requested that the definition of the term midpoint be changed to be the midpoint of the most recently authorized ROE approved for the utility by the FPSC, whether in a rate case or some other proceeding and to use the utility's actual capital structure and debt rate during the year for which the tax savings or deficiency is being calculated. Although the FPSC has not ruled on the matter, the $51.7 million provision for the Tax Savings Rule refund was calculated using FPL's actual capital structure and debt rate in 1987 and the most recently authorized ROE.

5. Employee Retirement Benefits

Substantially all employees of FPL are covered by a noncontributory defined benefit pension plan (Plan). Plan benefits are generally based on years of service and employees' compensation during the last years of employment.

FPL's policy is to fund the pension cost calculated under the entry age normal level percentage of pay actuarial cost method, provided that this amount satisfies the Employee Retirement Income Security Act minimum funding standards and is not greater than the maximum tax deductible amount for the year.

FPL elected to apply the provisions of FASB Statement No. 87, "Employers' Accounting for Pensions" (SFAS 87), as of January 1, 1986. The components of the 1987 and 1986 pension cost are as follows:

	December 31,			
	1987		1986	
	Millions of Dollars			
Benefits earned during the year		$ 33.6		$ 21.0
Interest cost on projected benefit obligation		37.6		32.5
Actual return on plan assets	$(27.3)		$(158.0)	
Less amount deferred	(43.0)		99.5	
Expected return on plan assets		(70.3)		(58.5)
Amortization of unrecognized net asset at January 1, 1986		(23.4)		(23.4)
SFAS 87 negative pension cost		(22.5)		(28.4)
Regulatory adjustment		22.5		28.4
Pension cost recognized in the Consolidated Statements of Income		$ -		$ -

A regulatory adjustment, as shown above, is made to the SFAS 87 pension cost to reflect in the results of operations the pension cost calculated under the actuarial cost method currently used for ratemaking purposes. At December 31, 1987 the cumulative amount of these regulatory adjustments included in other deferred credits was $50.9 million.

Pension cost for 1985 was $36.2 million. In 1986 FPL changed the actuarial cost method used for funding and ratemaking purposes from the entry age normal level dollar method to the entry age normal level percentage of pay method. This change resulted in no pension cost for 1987 and 1986. Had this change not been made, pension cost would have been approximately $36 million for 1986; there would have been no pension cost for 1987.

A reconciliation of the funded status of the Plan under SFAS 87 to the amounts recognized in the Consolidated Balance Sheets is presented below:

	December 31,	
	1987	1986
	Millions of Dollars	
Fair market value of plan assets, invested primarily in equity and fixed-income securities	$1,023.3	$1,013.5
Actuarial present value of benefits for services rendered to date:		
Accumulated benefits based on salaries to date, including vested benefits of $343.8 million and $317.2 million for 1987 and 1986, respectively	359.8	334.0
Additional benefits based on estimated future salary levels	203.6	231.2
Projected benefit obligation	563.4	565.2
Plan assets in excess of projected benefit obligation	459.9	448.3
Unrecognized net asset at January 1, 1986 being amortized over 19 years—net of accumulated amortization	(397.0)	(420.4)
Unrecognized net (gain) loss	(12.0)	.5
Prepaid pension cost included in other deferred debits	$ 50.9	$ 28.4

The weighted-average discount rate and the assumed rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation as of December 31, 1987 were 7.25% and 6.50%, respectively. The corresponding rates as of December 31, 1986 were 6.75% and 6.50%. The expected long-term rate of return on plan assets used in determining the SFAS 87 pension cost for 1987 and 1986 was 7.0%.

In addition to pension benefits, certain health care and life insurance benefits are provided to retired employees. Substantially all employees may become eligible for those benefits upon reaching retirement age while employed. The benefits provided are similar to those of active employees; however, the health care benefits are designed to supplement Medicare, and the life insurance benefits begin reducing to lower amounts upon retirement. Health care and life insurance benefits are administered through insurance companies whose premiums are based on the benefits paid during the year and the maintenance of a required reserve. FPL recognizes the cost of providing these benefits by expensing the annual insurance premiums. The cost, as recognized, of providing the post-retirement health care and life insurance benefits is not material.

6. Commitments and Contingencies

Construction Program

FPL has made certain commitments in connection with its continuous construction program. FPL's construction expenditures for the years 1988-90 are currently estimated at $2.3 billion, including $167 million for nuclear fuel. Actual construction expenditures may vary from these estimates.

Insurance

FPL is a member of certain insurance programs which provide coverage for property damage to members' nuclear generating plants. The coverage limits under those programs currently total approximately $1.5 billion, above which FPL is self-insured. The terms of these programs provide that substantially all insurance proceeds in excess of $500 million must first be used to satisfy decontamination and clean-up costs before they can be used for repair or restoration of the plants. The Nuclear Regulatory Commission (NRC) adopted in 1987 regulations under which nuclear plant license-holders must maintain not less than $1.06 billion of property insurance and must also use the proceeds of that insurance to place a plant in safe and stable condition and to decontaminate it pursuant to a plan submitted to and approved by the NRC before the proceeds can be used for plant repair or restoration. These regulations also require that any of the $1.06 billion of property insurance proceeds not already expended to place the plant in a safe and stable condition be payable to an independent trustee established for the sole purpose of paying the cost of decontamination and radioactive debris removal.

FPL also is a member of a replacement power insurance program which provides coverage for its nuclear generating plants in the event that one or more of the plants is out of service for an extended period of time. This insurance does not cover replacement power costs until a plant has been out of service for twenty-six weeks. Thereafter, the insurance will make weekly payments of 90% of the estimate of the plant's replacement power costs stated in the policy declarations (Base Payments), for up to fifty-two weeks and will make payments for up to an additional fifty-two weeks at half of the Base Payments.

Under both the property and replacement power insurance programs, FPL could be assessed retrospective premiums for losses in current or prior policy years. FPL could be assessed a maximum of approximately $108 million under policies in effect on December 31, 1987, in the event of major accidents at nuclear plants of the utilities participating in these programs (including FPL).

FPL is subject to federal regulations under the Price-Anderson Act (Act) which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. As the first layer of financial protection, FPL purchases $160 million of public liability insurance from pools of commercial insurers. The second layer of financial protection is provided under an industry retrospective payment plan. Under that plan, FPL is subject to an assessment of $5 million per nuclear unit per incident for accidents at any nuclear power plant covered by the Act, with a maximum charge of $10 million for each of FPL's four nuclear units in any one calendar year. The 100th Congress is currently considering several proposals to modify the Act, all of which would significantly increase FPL's post-accident liability limits.

Spent Nuclear Fuel

In 1975 FPL filed suit against Westinghouse Electric Corporation (Westinghouse) alleging that Westinghouse was contractually liable for removal and storage of certain spent fuel supplied by Westinghouse for Turkey Point Units Nos. 3 and 4. The suit was tried in the U.S. District Court for the Eastern District of Virginia. In August 1987 the U.S. Court of Appeals for the Fourth Circuit substantially reversed a 1984 District Court decision which was in FPL's favor. As a consequence of the Court of Appeals' decision, Westinghouse would bear the costs of two modifications of the spent fuel storage pools, which it has already paid or incurred, but would be relieved of any responsibility for the permanent disposal fee for the spent fuel (approximately $83 million). FPL is filing a petition seeking U.S. Supreme Court review of the Court of Appeals' decision.

In 1985, pending the outcome of Westinghouse's appeal of the District Court's decision, FPL paid the U.S. Department of Energy (DOE) $69.6 million, representing the portion of the approximately $83 million permanent disposal fee which pertains to fuel burned prior to April 7, 1983. FPL has been recovering interest on the $69.6 million payment through the Fuel adjustment clause. The remaining portion of the approximately $83 million permanent disposal fee, which pertains to fuel burned after April 7, 1983, is being paid to the DOE in quarterly installments based on fuel consumption. FPL believes that if it is finally determined that Westinghouse is not liable for the removal of the spent fuel, the entire $83 million disposal fee should also be recoverable through the Fuel adjustment clause.

FPL currently is storing spent fuel on site and plans to provide adequate spent fuel storage capacity for all its nuclear units up to and beyond the year 2003, pending removal by the DOE.

Purchased Power Contracts

FPL has a contract with certain of the generating companies of The Southern Company system to receive, subject to certain contingencies, varying amounts of coal-fired power through mid-1995. Under the terms of this contract, as amended in 1987, FPL is required to make, on a take-or-pay basis, subject to certain contingencies, capacity payments which are estimated to be approximately $310 million in 1988, $375 million in 1989, $385 million in 1990, $405 million in 1991 and $415 million in 1992. Purchases, which consist of capacity and energy charges, under this contract for 1987, 1986 and 1985 totaled approximately $661 million, $490 million and $661 million, respectively. Capacity and energy charges are recovered through the Oil-backout clause and the Fuel adjustment clause, respectively.

FPL has an agreement with the Jacksonville Electric Authority (JEA) for the joint ownership, construction and operation of two coal-fired units and a coal terminal at St. Johns River Power Park (SJRPP). FPL owns 20% of the project and a purchased power arrangement with JEA entitles FPL to receive a total of 50% of the output of the SJRPP units. SJRPP Unit No.1 began commercial operation in late March 1987; it is anticipated that SJRPP Unit No.2 will begin commercial operation in August 1988. Under the terms of the agreement with JEA, FPL is obligated to make to JEA, on a take-or-pay basis, capacity payments for these units of approximately $40 million in 1988, $60 million in 1989 and $80 million for each of the years 1990, 1991 and 1992. Purchases from SJRPP Unit No.1, which consist of capacity and energy charges, under this agreement totaled

approximately $46 million for 1987. There were no purchases in 1986 and 1985. Capacity charges are recoverable through base rates and energy charges are recovered through the Fuel adjustment clause.

Natural Gas Contracts

In September 1987 FPL entered into two fifteen-year agreements, one with Citrus Trading Corp. and Enron Corp. and the other with Florida Gas Transmission Company (FGT) for the supply and transportation, respectively, of natural gas beginning in 1989. The agreements are contingent upon the construction of new pipeline facilities by FGT and approval by the FERC. Under the terms of these contracts, FPL will be required to make payments on a take-or-pay basis, subject to certain contingencies. Payments under these contracts are estimated to be approximately $285 million in 1989, $400 million in 1990, $435 million in 1991 and $485 million in 1992. These payments will be substantially reduced in the event of planned or unplanned outages at FPL's plants or facilities. The price of gas under the supply contract will be lower than the delivered cost of residual oil, on a per barrel equivalent basis. No payments will be required in 1988. FPL currently expects that these payments will be recoverable through the Fuel adjustment clause. Citrus Trading Corp. and FGT are subsidiaries of Citrus Corp. Citrus Corp. is owned jointly by Enron Corp. and Sonat Inc.

7. Leases

FPL has a lease arrangement for the nuclear fuel for St. Lucie Unit No. 1. Lease payments, which are based on energy production and which were charged to operating expenses, for the years ended December 31, 1987, 1986 and 1985 were $39.3 million, $49.7 million and $45.7 million, respectively. Under the terms of the lease, the lessor buys nuclear fuel materials from FPL and from third parties. Purchases from FPL during 1987 and 1986 were $23 million and $37 million, respectively. Purchases during 1985 were not material. FPL has full responsibility for management of the fuel. Under certain circumstances of lease termination, FPL is required to purchase, within 270 days, all nuclear fuel in whatever form at a purchase price designed to allow the lessor to recover its net investment cost in the fuel. For ratemaking purposes this lease has been classified as an operating lease. FPL began recording this lease as a capital lease for financial reporting purposes in 1987, in accordance with the effective date established by FASB Statement No. 71, "Accounting for the Effects of Certain Types of Regulation." Recording this lease as a capital lease resulted in additional nuclear fuel and a corresponding capitalized lease obligation at December 31, 1987 of $78 million, reflecting the amount due in the event of lease termination. If the lease had been treated as a capital lease for financial reporting purposes at December 31, 1986, additional nuclear fuel and a corresponding capitalized lease obligation would have been recorded in the amount of $84 million. Recording this lease as a capital lease had no income statement impact to FPL.

The annual lease expense and the minimum rental commitments under operating leases for real property and equipment leases are not material. Excluding the nuclear fuel lease, the amount of assets and capitalized lease obligations of other capital leases is not material.

8. Jointly-Owned Facilities

FPL's percentage ownership and investment in jointly-owned facilities at December 31, 1987 was as follows:

	Percent owned by FPL	Plant in Service	Accumulated Depreciation	Construction Work in Progress
		Thousands of Dollars		
Generating Facilities:				
St. Lucie Unit No. 2. . .	85.1%	$1,207,271	$158,707	-
SJRPP Unit No. 1	20.0%	189,707	6,680	-
SJRPP Unit No. 2	20.0%	-	-	$100,130
Other:				
Coal Terminal for SJRPP Units.	20.0%	-	-	3,648
Total.		$1,396,978	$165,387	$103,778

FPL's share of the operating costs are included in the appropriate expense captions in the consolidated statements of income.

9. Quarterly Data (Unaudited)

Condensed consolidated quarterly financial information for 1987 and 1986 is as follows:

	December 31	September 30	June 30	March 31
	Thousands of Dollars			
1987				
Operating revenues . .	$1,078,605	$1,283,347	$1,037,461	$950,309
Operating income. . .	$139,682	$222,030	$161,334	$153,676
Net income.	$75,583	$156,852	$98,277	$95,481
1986				
Operating revenues . .	$978,013	$1,169,072	$998,168	$941,950
Operating income. . .	$165,215	$218,228	$142,684	$139,397
Net income.	$105,650	$162,792	$82,593	$80,088

In the opinion of FPL, all adjustments, which consist of normal recurring accruals necessary to present a fair statement of such amounts for such periods, have been made.

FPL is of the opinion that quarterly comparisons may not give a true indication of overall trends and changes in the operations of FPL, and may be misleading to an understanding of the results of operations because the revenues and expenses of FPL are subject to periodic fluctuations due to such factors as outages of major generating units, actions of regulatory agencies, changes in weather conditions, customer usage and number of customers.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

DIRECTORS (1)

M. P. ANTHONY, West Palm Beach, Florida. Age 68. Director since 1977. Retired. Formerly President, Anthony's, Inc., a chain of ladies apparel retail stores.

DAVID BLUMBERG, Miami, Florida. Age 62. Director since 1973. Chairman and Chief Executive Officer, Planned Development Company Ltd., a building and development firm. Director, Southeast Banking Corporation and its subsidiary, Southeast Bank N.A. Trustee, University of Miami. Chairman, Florida High Speed Rail Transportation Commission.

J. HYATT BROWN, Ormond Beach, Florida. Age 50. Director since 1986. President and Chief Executive Officer, Brown & Brown, Inc., an insurance agency. Director, Sun Banks of Volusia County, Sun Banks, Inc., SunTrust Banks, Inc., American Pioneer Corporation, Rock-Tenn Company, Southern Bell Telephone & Telegraph Company, and International Speedway Corporation. Member, Board of Regents of the State of Florida. Trustee, Stetson University.

JEAN McARTHUR DAVIS, Miami, Florida. Age 63. Director since 1977. Chairman of the Executive Committee, McArthur Farms, Inc., a company engaged in milk production, beef and citrus. Chairman of the Board, McArthur Management Company. Director, Dean Foods Company and Barnett Banks of Florida, Inc. Trustee, University of Miami, and member of Board of Visitors of Fuqua Graduate School of Business, Duke University.

JOHN J. HUDIBURG, Miami, Florida. Age 59. Director since 1979. Chairman of the Board (since April 1986) and Chief Executive Officer (since April 1983), FPL. Formerly President and Chief Operating Officer, FPL. Director, NCNB National Bank of Florida.

ROBERT B. KNIGHT, Coral Gables, Florida. Age 69. Director since 1977. Retired. Formerly Chairman of the Board, National Food Services, Inc., a restaurant management company.

JOHN M. McCARTY, Fort Pierce, Florida. Age 72. Director since 1973. Citrus grower and rancher. Retired attorney and judge. Director, Ace High Farms, Inc. and Emeritus Director, Barnett Bank of St. Lucie County.

MARSHALL McDONALD, Juno Beach, Florida. Age 69. Director since 1971. President and Chief Executive Officer of FPL Group since September 1984. Formerly Chairman of the Board of Directors and Chief Executive Officer, FPL. Director, FPL Group Capital Inc.

RICHARD W. OHMAN, Philadelphia, Pennsylvania. Age 47. Director since 1984. President and Chief Executive Officer, Colonial Penn Group Inc., since July 1986. Formerly Senior Vice President, MetLife-State Street Investment Services, Inc. a subsidiary of State Street Management Co., an investment company; Senior Vice President, State

Street Research and Management Co., an investment company; Vice Chairman and Chief Executive Officer, Fort Hill Investors Management Corporation, an investment company; Senior Vice President and Chief Investment Officer, Home Insurance Company, an insurance company, and Senior Vice President, Massachusetts Financial Services, an investment company. Director, FPL Group Capital Inc.

EDGAR H. PRICE, JR., Bradenton, Florida. Age 70. Director since 1972. President, The Price Company, Inc., a consulting firm. Formerly Executive Vice President, Tropicana Products, Inc.

ROBERT E. TALLON, Miami, Florida. Age 61. Director since April 1986. President and Chief Operating Officer of FPL since April 1986. Formerly Executive Vice President of FPL. Director, Bank of Palm Beach & Trust Co., and Association of Edison Illuminating Companies. Member of the Board of Trustees, Florida Chamber of Commerce Foundation. Vice Chairman of WPBT Channel 2. Trustee and Chairman of Finance Committee, Florida International University Foundation.

GENE A. WHIDDON, Ft. Lauderdale, Florida. Age 59. Director since 1979. President, Causeway Lumber Company, Inc., a lumber and building materials supply company. Director, Citizens & Southern Florida Corp., Citizens & Southern National Bank, Broward Community College Foundation and Palm Beach Atlantic College.

Colonial Penn Group, Inc. is a subsidiary of FPL Group Capital Inc. FPL Group Capital Inc is a subsidiary of FPL Group.

(1) All of the directors except for Mr. Brown and Mr. Tallon are directors of FPL Group. Each director will serve until the next annual meeting of shareholders, which is scheduled to be held on April 27, 1988, or until the election and qualification of a successor. Ages shown for directors are as of January 1, 1988.

EXECUTIVE OFFICERS

Name	Age as of January 1, 1988	Position(s)	Effective Date of Election to Present Position
J. J. Hudiburg	59	Chairman of the Board of Directors and Chief Executive Officer	April 22, 1986
R. E. Tallon	61	President and Chief Operating Officer	April 22, 1986
W. H. Brunetti	45	Executive Vice President	November 16, 1987
C. O. Woody	49	Executive Vice President	November 16, 1987
J. C. Collier, Jr.	53	Senior Vice President	September 15, 1986
W. F. Conway	56	Senior Vice President	January 11, 1988
J. C. Walden	62	Senior Vice President	September 15, 1986
D. K. Baldwin	50	Group Vice President	January 12, 1987
J. W. Williams, Jr.	62	Group Vice President	April 24, 1984
K. R. Beasley	57	Vice President	April 24, 1984
W. E. Coe	60	Vice President	March 11, 1985
H. J. Dager, Jr.	63	Vice President	September 13, 1976
T. E. Danese	50	Vice President	May 13, 1975
J. W. Dickey	43	Vice President	December 16, 1985
J. H. Francis, Jr.	59	Vice President	June 20, 1977
W. M. Klein	61	Vice President	May 23, 1973
O. F. Pearson	45	Vice President & Assistant Secretary	September 15, 1986
J. S. Woodall	51	Vice President	November 1, 1985
R. W. Wilkins	39	Vice President	January 11, 1988
H. P. Williams, Jr.	58	Comptroller	October 1, 1972
E. L. Hoffman	38	Treasurer	January 12, 1987
Astrid E. Pfeiffer	53	Secretary	May 1, 1974

The present term of office of the above executive officers extends to the first meeting of FPL's Board of Directors after the next annual election of directors scheduled to be held April 27, 1988.

Except for Mr. Conway and Mr. Wilkins, each of the above executive officers has been employed by FPL for more than five years in executive or management positions. Prior to their election to the positions shown above, Mr. Conway was President and Chief Executive Officer of the Vermont Yankee Nuclear Power Corporation prior to March 1, 1986 and Group Vice President - Industry and Government Relations with the Institute of Nuclear Power Operations thereafter; and Mr. Wilkins was employed by a subsidiary of Emerson Electric Company, the Copeland Corporation, a manufacturer of air-conditioning and refrigeration compressors, as Assistant Treasurer prior to January 1984, Director of Marketing prior to April 1985, Vice President of Marketing prior to September 1987, and Senior Vice President of Finance thereafter.

Prior to their election to the positions shown above, the following executive officers held the following other positions with FPL since January 1, 1983: Mr. Hudiburg was President and Chief Operating Officer prior to April 1, 1983 and President and Chief Executive Officer thereafter; Mr. Tallon was Executive Vice President; Mr. Collier was Vice President; Mr. Walden was Director of Project Management prior to March 1, 1983, Director of Power Resources prior to July 11, 1983 and Vice President thereafter; Mr. Baldwin was Vice President prior to August 8, 1986 and Group Vice President and

Treasurer thereafter; Mr. Brunetti was Vice President prior to April 24, 1984, and Group Vice President thereafter; Mr. J. W. Williams, Jr. was Vice President; Mr. Woody was Director of Nuclear Energy prior to April 24, 1984, Vice President prior to December 16, 1985 and Group Vice President thereafter; Mr. Beasley was Division Vice President for Western Division; Mr. Coe was Director of Power Supply; Mr. Dickey was Manager of Power Services prior to March 1, 1985 and Executive Assistant thereafter; Mr. Pearson was on Job Rotation prior to October 1, 1983, Director of Licensing and Assistant Secretary prior to April 9, 1985 and Executive Assistant and Assistant Secretary thereafter; Mr. Woodall was Director of Management Services and Budget prior to February 1, 1985 and Director of Management Control thereafter; Mr. Hoffman was Manager of Financial Analysis and Forecasts prior to December 1, 1985, Manager of Regulatory Accounting and Research prior to June 1, 1986 and Director of Finance and Assistant Treasurer thereafter.

Item 11. Executive Compensation.

The following table sets forth, on an accrual basis, all compensation paid or distributed during 1987 by FPL to (i) each of the five most highly compensated executive officers of FPL, in all capacities in which they served, and to (ii) all executive officers of FPL, in the aggregate.

Cash Compensation Table

Name of individuals or number of persons in group	Capacities in which served	Cash Compensation(1)(2)
J. J. Hudiburg	Chairman of the Board of Directors and Chief Executive Officer	\$536,089
R. E. Tallon	President and Chief Operating Officer and Director	\$374,909
L. C. Hunter	Senior Vice President until February 1988	\$232,360
W. H. Brunetti	Executive Vice President since November 1987 and Group Vice President prior thereto	\$217,640
R. J. Gardner	Senior Vice President until January 1988	\$209,686
All Executive Officers of FPL, in the aggregate, including those listed above (24 persons).		\$4,427,979(3)(4)(5)

(1) Cash Compensation has not been reduced by the amounts charged to FPL Group and its non-utility subsidiaries. See "Note 1—Basis of Consolidation."

(2) Includes amounts paid only for the period served as executive officers.

(3) FPL maintains an Annual Incentive Plan for FPL officers, including during 1987 Messrs. Brunetti and Hunter. Under the plan participants may be awarded annual cash or deferred bonuses based upon both individual and corporate performance during each year measured against pre-established performance goals. The plan is administered and controlled by the Salary and Compensation Committee of both FPL and FPL Group. FPL Group maintains a similar plan in which Messrs. Hudiburg, Tallon and Gardner participate. Bonus awards paid during 1987 for services rendered in 1986 are reflected in the Cash Compensation Table. The following amounts were awarded in 1988 for services rendered in 1987 to the officers named in the Cash Compensation Table: J. J. Hudiburg - $184,371, R. E. Tallon - $149,117, L. C. Hunter - $42,588, W. H. Brunetti - $45,265, R. J. Gardner - $71,734, and all executive officers of FPL as a group - $921,629.

(4) Directors and principal officers of FPL and its affiliates may defer receipt of all or a portion of their fees or compensation. Amounts deferred bear interest at the prime rate and are included in the Cash Compensation Table.

(5) Excludes aggregate moving expenses of $2,433.

Director Compensation

Directors of FPL who are salaried employees of FPL or any of its affiliates do not receive any additional compensation for serving as a director or committee member. Non-employee directors of FPL and any of its affiliates receive one annual retainer of $15,000 and committee chairmen receive an additional annual retainer of $2,400. A fee of $800 is paid to non-employee directors for one meeting of a board of directors or a committee attended on any given day. A fee of $500 is paid for each additional board meeting attended on that day or a board meeting conducted by teleconference call. A fee of $400 is paid for each additional committee meeting attended on that day and for a committee meeting conducted by teleconference call.

FPL Group has established a Retirement Benefits Plan under which a director who retires from the Board of FPL or FPL Group at or after age 65 and is designated by FPL Group's Board as Director Emeritus, will receive an annual retirement benefit equal to 100% of the annual retainer being paid to active directors. The benefit will be paid for life, but only if the director continues to make himself or herself available for consultation with management and the Board.

Directors and officers are also covered by a travel-accident insurance policy, a supplementary medical insurance plan and a dental plan and directors are provided with $10,000 of life and accidental death insurance at no cost. The premiums attributable to the group of directors participating in the foregoing plans were $13,248 for 1987.

Compensation Pursuant To Plans

Employee Stock Ownership Plan (ESOP): Under the ESOP, employer contributions of shares of FPL Group Common Stock or cash for the purchase of such stock were made to a trust for the benefit of employees of FPL and certain of its affiliates hired prior to January 1, 1987. The contribution was intended to be equivalent in amount to the maximum allowable tax credit permitted by the Internal Revenue Code of 1986 (the "Code"). During 1987 contributions of $501 were made with respect to fiscal year 1986 by FPL under the ESOP for each of the executive officers listed in the Cash Compensation Table. For all executive officers of FPL as a group, $11,556 was contributed.

Employee Thrift and Retirement Savings Plan (Thrift Plan): FPL maintains a Thrift Plan for the benefit of its officers and other full-time non-bargaining unit employees who

have completed six months of service. Eligible employees may contribute a percentage of their earnings to the Thrift Plan and have their employer match a portion of such contributions. Participant contributions are invested in one or more funds, including a FPL Group Common Stock fund, a fixed income fund and an equity fund, as directed by each participant. Employer contributions may be made in the form of FPL Group Common Stock (or cash used to purchase FPL Group Common Stock), which the Trustee credits to the participant's company account and which vests in annual increments of 20%. During 1987, for the period during which each was an executive officer, the following amounts were paid as matching contributions for the following executive officers listed in the Cash Compensation Table: J. J. Hudiburg - $13,063, R. E. Tallon - $10,150, L. C. Hunter-$7,879, W. H. Brunetti - $7,068, R. J. Gardner - $6,559, and for all executive officers of FPL as a group - $145,076. As of January 1, 1988 Mr. Gardner's accounts were transferred to a substantially similar plan maintained by FPL Group.

Long-Term Incentive Plan of 1985 (1985 Plan): The 1985 Plan provides for the grant to officers and key employees of FPL Group and its participating subsidiaries, including FPL, of the following types of incentive awards: incentive stock options, nonqualified stock options, stock appreciation rights (SARs), restricted stock and performance shares. The aggregate number of shares for which awards may be granted is 4,000,000. The Compensation Committee has discretion to select the employees to be granted awards and to determine the type, size and terms of such awards, and to modify the terms of such awards. With certain exceptions, including a change in control of FPL Group, or except as otherwise may be determined by the employer, rights to these forms of contingent compensation may be forfeited if a recipient's employment terminates within a specific period following the award. Awards under the 1985 Plan are not transferable except by will or by the laws of descent and distribution.

Incentive stock options and nonqualified stock options are granted at exercise prices at least equal to 100% of the fair market value of the underlying FPL Group Common Stock at the time of grant; may be exercised with cash or with other shares of FPL Group Common Stock; are exercisable at such time and in such installments as determined by the Compensation Committee; and expire no later than ten years after the date on which they are granted, three years after normal retirement (as defined) or 15 months after death. SARs are rights to surrender an option in exchange for cash or FPL Group Common Stock equal in value to the excess of the fair market value of the Common Stock over the option price at the time of such surrender.

A restricted stock award is an award of shares of FPL Group Common Stock that are subject to certain restrictions during a period of three or more years from the date of grant as determined by the Compensation Committee. The employee may not transfer the shares until the restrictions lapse.

Performance shares are conditional grants which are credited to a performance share account of the participant. Each performance share is deemed to be the equivalent of one share of FPL Group Common Stock and is valued at the fair market value of such Common Stock. Payment is made at the end of an award period based on the achievement of performance measures for such period, as determined by the Compensation Committee. Payment is based upon the fair market value of the number of shares of Common Stock equal to the number of performance shares earned, but in no event shall such payment exceed 200% of the fair market value of the performance shares applicable to the date of grant. No participant may receive more than 30% of the maximum number of performance shares which may be granted under the 1985 Plan. Payment for performance shares may be forfeited or reduced pro-rata if a participant does not remain in the employ of FPL Group or its subsidiaries throughout the award period. Performance shares do not entitle participants to ownership, dividend, voting or other rights as a shareholder unless and until distribution is made in the form of Common Stock.

Upon a change in control of FPL Group: (a) all options are immediately exercisable in full for the remainder of their terms; (b) subject to a six-month holding period for options and SARs by officers, all SARs are exercisable in full for cash for a period of sixty days following the change in control for the amount determined pursuant to the 1985 Plan, and optionees may require FPL Group to purchase for such amount in cash, options as to which no SARs have been granted; (c) all restrictions on restricted stock expire; and (d) all performance shares become immediately payable in cash at the designated prices. In addition, for three years after a change in control, to the extent such options have not yet expired, all options remain exercisable for a period of 90 days following (i) termination of a participant's employment other than for cause (as defined), or (ii) resignation for good reason (as defined). The 1985 Plan is scheduled to terminate in December 1995. There were no grants made under the 1985 Plan in 1987 and no options or SARs were exercised in 1987.

Pension Plan: FPL has a non-contributory defined benefit Pension Plan covering substantially all employees. The compensation covered by the Pension Plan includes basic wages, salaries, and compensation deferred under the Thrift Plan. Benefits are based on each member's years of credited service, average monthly base pay, and primary social security benefit (as such terms are defined in the Pension Plan). A member acquires vested rights upon completion of 10 years of service or upon attainment of age 65. A member who retires early with vested rights may elect to receive a reduced pension as early as age 55. Estimated annual benefits payable on a straight-life annuity basis at age 65 to participants retiring in 1988, before application of the offset for estimated primary Social Security benefits, are illustrated in the following table for specified annual compensation and years of service. The Pension Plan provides that upon certain terminations, transfers of assets and other circumstances following a change in control of FPL Group, no reversion to an employer of excess plan assets over the present value of accrued benefits is permitted and any such excess shall be applied to increase employee benefits under the plan.

The following table is intended to relate to the compensation levels of the highest paid executive officers of FPL and therefore is not representative of compensation levels or retirement benefits of employees in general.

Estimated Annual Pension Benefits*

Salary**	Participating Years of Service in the Plan 10	20	30	35	40	45	50
$100,000	$ 31,248	$ 41,443	$ 46,858	$ 47,496	$ 48,233	$ 49,066	$ 49,437
$150,000	48,748	63,943	71,858	72,496	73,233	74,066	74,437
$200,000	66,248	86,443	96,858	97,496	98,233	99,066	99,437
$250,000	83,748	108,943	121,858	122,496	123,233	124,066	124,437
$300,000	101,248	131,443	146,858	147,496	148,233	149,066	149,437
$350,000	118,748	153,943	171,858	172,496	173,233	174,066	174,437
$400,000	136,248	176,443	196,858	197,496	198,233	199,066	199,437
$450,000	153,748	198,943	221,858	222,496	223,233	224,066	224,437
$500,000	171,248	221,443	246,858	247,496	248,233	249,066	249,437
$550,000	188,748	243,943	271,858	272,496	273,233	274,066	274,437
$600,000	206,248	266,443	296,858	297,496	298,233	299,066	299,437
$650,000	223,748	288,943	321,858	322,496	323,233	324,066	324,437

* FPL has adopted a benefit limitation policy for this plan consistent with Section 415 of the Code. As a result, the current maximum annual benefit which may be earned under this plan is $94,023 a year. See discussion of Benefit Restoration Plan below.

** Annual average salary in 5 consecutive highest paid years out of last 10 years preceding retirement.

Participating years of service through December 31, 1987 for the persons named in the Cash Compensation Table are as follows: J. J. Hudiburg - 37 years (current covered compensation - $448,000), R. E. Tallon - 14 years (current covered compensation-$301,000), L. C. Hunter - 38 years (current covered compensation - $215,000), W. H. Brunetti - 23 years (current covered compensation - $211,800), R. J. Gardner - 34 years (current covered compensation $114,800). As of January 1, 1988 Mr. Gardner participates in a substantially similar plan maintained by FPL Group and will receive credit for his years of service under the Pension Plan.

Benefit Restoration Plan: FPL maintains a Benefit Restoration Plan pursuant to which the Board of Directors may select certain executive officers to have benefits restored under the Pension Plan, the Thrift Plan and the ESOP that would otherwise be lost as a result of certain limitations imposed by Section 415 of the Code on annual benefits, in the case of the Pension Plan, and on any contributions in the case of the Thrift Plan and the ESOP. In the event that benefits of participants (including Messrs. Hudiburg, Tallon, Hunter, Brunetti and Gardner) are reduced by the operation of Section 415 of the Code, the Benefit Restoration Plan would provide for payment of the difference between the benefits to which the participants would be entitled if the statutory limitations did not apply (computed as if benefits were based on total base compensation, including all amounts deferred, but excluding any bonuses) and the amounts currently payable under the

respective retirement plans. Benefits are generally payable at the same time and in the same manner as benefits under the plans to which they relate, but no benefits are payable unless the participant is fully vested in all underlying retirement plans and qualified for retirement under the respective retirement plan.

If a participant's employment is terminated as a result of death, disability or a change in control of FPL Group, benefits under the Benefit Restoration Plan become fully vested and payment thereof is made in accordance with the Plan. Such benefits may otherwise be forfeited upon termination of employment. FPL has established a trust to retain assets set aside for payment of all or a portion of the benefits payable pursuant to the plan. Any benefits not paid from such trust are payable from FPL's general funds. The following amounts were reserved in 1987 under the Benefit Restoration Plan for benefits lost under the Thrift Plan in 1986 for the following executive officers listed in the Cash Compensation Table: J. J. Hudiburg - $25,491, R. E. Tallon - $8,308, L. C. Hunter - $640, W. H. Brunetti - $832, R. J. Gardner - $312, and for all executive officers of FPL as a group - $40,151. As of January 1, 1988 Mr. Gardner participates in a substantially similar plan maintained by FPL Group.

Medical and Insurance Plans: Officers and directors of FPL are eligible for wrap-around medical coverage. Generally, this coverage coordinates with FPL's Comprehensive Major Medical Plan to provide up to 100% coverage of medical expenses for such individuals. Officers and directors are covered at no cost to them by travel-accident insurance and officers may participate in a comprehensive personal liability insurance program. During 1987 for the period during which each was an executive officer, amounts paid to or for the executive officers listed in the Cash Compensation Table pursuant to the foregoing plans were: J. J. Hudiburg - $1,686, R. E. Tallon - $1,722, L. C. Hunter- $1,474, W. H. Brunetti - $1,716,, R. J. Gardner - $1,417, and for all executive officers of FPL as a group - $34,680.

Employment Agreements: FPL has entered into employment agreements with certain of its officers, including the individuals named in the Cash Compensation Table, to become effective in the event of a change in control of FPL Group defined as: the acquisition of beneficial ownership of 20% of the voting power of FPL Group, certain changes in FPL Group's Board, or approval by the shareholders of certain mergers or consolidations or of certain transfers of FPL Group's assets. These agreements are intended to assure FPL of the continued services of key executives. The agreements provide that each executive shall be employed by FPL in his or her then current position, with compensation and benefits at least equal to then current base and incentive compensation and benefit levels for an employment period of four, and in certain cases five, years after a change in control occurs.

In the event that the executive's employment is terminated (except for death, disability or cause) or if the executive terminates his or her employment because of a reduction in position, responsibility, salary or for any other good reason, as defined in the agreement, the executive is entitled to severance benefits in the form of monthly installments or a lump sum, at the option of the executive, for the remainder of the employment period or for two years, whichever is longer. Such benefits will be based upon the executive's then base compensation plus a maximum bonus and the maximum amount of employer contributions made to his or her account under the Thrift Plan and the Benefit Restoration Plan (relating to the Thrift Plan). The executive is also entitled to continued participation in all benefit plans (or if barred, payment by the employer), additional supplemental retirement benefits and immediate vesting of incentive stock awards. Any tax penalty incurred by the executive as the result of his or her severance payments will be reimbursed by the employer. The executive is not required to mitigate the amount of benefits under the agreements by seeking other employment.

Other Compensation

With respect to any individual named in the Cash Compensation Table, the aggregate amount of other non-cash compensation does not exceed the lesser of $25,000 or 10% of the compensation reported for such person.

The aggregate amount of other non-cash compensation with respect to the group of executive officers does not exceed the lesser of $25,000 times the number of persons in the group or 10% of the compensation reported in the Cash Compensation Table for the group.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

FPL Group owns 100% of FPL's common stock.

The table below sets forth, as of March 1, 1988 the number of shares of equity securities of FPL Group and FPL beneficially owned by the directors of FPL and all directors and officers of FPL as a group.

Name	Class of Stock	Shares Beneficially Owned
M. P. Anthony	FPL Group Common Stock	3,159 (1)
David Blumberg	FPL Group Common Stock	4,629 (2)
J. Hyatt Brown	FPL Group Common Stock	1,000 (3)
	FPL Preferred Stock	995 (3)
Jean McArthur Davis	FPL Group Common Stock	2,926
John J. Hudiburg	FPL Group Common Stock	23,620 (4)
Robert B. Knight	FPL Group Common Stock	1,339
John M. McCarty	FPL Group Common Stock	1,400 (5)
Marshall McDonald	FPL Group Common Stock	59,107 (6)
Richard W. Ohman	FPL Group Common Stock	9,894 (7)(8)
Edgar H. Price, Jr.	FPL Group Common Stock	2,400
Robert E. Tallon	FPL Group Common Stock	12,007 (9)
Gene A. Whiddon	FPL Group Common Stock	2,000
All directors and officers in the aggregate (32 persons)	FPL Group Common Stock	235,121 (10)(11)
	FPL Preferred Stock	995 (8)

(1) Does not include 2,900 shares held by a profit sharing plan of which Mr. Anthony is a beneficiary, but to which he disclaims any voting or investment powers.

(2) Does not include 200 shares held beneficially by Mr. Blumberg's wife, as to which he disclaims any beneficial ownership.

(3) Beneficially owned by Brown & Brown, Inc., of which Mr. Brown is a majority shareholder.

(4) Includes 8,792 shares held in the Thrift Plan and 5,064 shares held in the ESOP as of December 31, 1987, 1,500 shares of restricted stock over which Mr. Hudiburg has voting power, but not investment power, and 7,083 shares subject to currently exercisable stock options.

(5) Does not include 300 shares held beneficially by members of Mr. McCarty's family to which he disclaims any beneficial ownership.

(6) Includes 31,207 shares held in the Thrift Plan and 5,234 shares held in the ESOP as of December 31, 1987, 6,000 shares of restricted stock over which Mr. McDonald has voting power, but not investment power, and 16,000 shares subject to currently exercisable stock options.

(7) Includes 96 shares held in the thrift plan maintained by Colonial Penn Group, Inc., 1,500 shares of restricted stock over which Mr. Ohman has voting power, but not investment power, and 6,667 shares subject to currently exercisable stock options.

(8) Does not include 49,200 shares of FPL Preferred Stock held by a subsidiary of Colonial Penn Group, Inc. over which Mr. Ohman shares investment power as a member of the Board of Directors of such corporation.

(9) Consists of 3,075 shares held in the Thrift Plan and 3,732 shares held in the ESOP as of December 31, 1987, 1,000 shares of restricted stock over which Mr. Tallon has voting power, but not investment power, and 4,200 shares subject to currently exercisable stock options.

(10) 0.18% of the class. Includes 10,000 shares of restricted stock over which the officer recipients have no investment power. No director or officer owns or has a beneficial interest in as much as 1% of any class of FPL Group's or FPL's equity securities.

(11) Includes currently exercisable option shares of all FPL directors and officers.

Item 13. Certain Relationships and Related Transactions.

In 1981 FPL renewed its lease with Cutler Ridge Regional Center, a partnership in which David Blumberg has an interest. The rent is $11,645.84 per month for 9 years, increasing with changes in the Consumer Price Index. The lease may be cancelled upon six months' notice at the end of the seventh year. FPL believes these terms are at least as favorable as could have been obtained elsewhere for similar facilities.

Interest-free loans were made during 1986 by FPL in the aggregate amount of $103,538 to Executive Vice President C. O. Woody in connection with the relocation of Mr. Woody to FPL facilities at Juno Beach. These loans were repaid in full on June 12, 1987.

In February 1987 R. W. Ohman, President, Chief Executive Officer and Director of Colonial Penn Group, Inc. and Director of FPL, received an interest-free loan in the aggregate amount of $67,000 from Colonial Penn Group, Inc. in connection with the relocation of Mr. Ohman. The loan was repaid in full in May 1987.

In November 1987 an interest-free loan in the aggregate amount of $213,000 was made to J. J. Hudiburg, Chairman of the Board and Chief Executive Officer of FPL, in connection with the relocation of Mr. Hudiburg to FPL facilities at Juno Beach. As of February 1, 1988 the entire amount remained outstanding.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a)1. Financial Statements — Page(s)

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Schedules and Notes to Consolidated Financial Statements for Years Ended December 31, 1987, 1986 and 1985. 30-43

(a)2. Financial Statement Schedules

Schedules for the years ended December 31, 1987, 1986 and 1985

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Schedule VI. Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment. 61-62

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Note:

Information required by Schedule X—supplementary income statement information is shown in the Consolidated financial statements or notes thereto. The following schedules are omitted as not applicable or not required—I, II, III, IV, VII, VIII, XI, XII, XIII and XIV.

Financial statements of FPL's subsidiaries have been omitted as the subsidiaries do not meet the tests of a significant subsidiary.

(a)3. Exhibits including those Incorporated by Reference

Exhibits Filed Herewith

Exhibit Number	Description
3(a)	Bylaws of FPL, as amended February 22, 1988.
10(a)	Deferred Compensation Agreement between FPL and D. K. Baldwin.
10(b)	FPL Group Benefit Restoration Plan.
12(a)	Ratio of Earnings to Fixed Charges.
12(b)	Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
24	Consent of Deloitte Haskins & Sells.

Exhibits Incorporated by Reference

Exhibit Number	Description
3(b)	Restated Articles of Incorporation of FPL dated March 23, 1987 (filed as Exhibit 4(a), File No. 33-12891).
3(c)	Amendment to FPL's Restated Articles of Incorporation dated September 10, 1987 (filed as Exhibit 4(b) to Form 10-Q for the quarter ended September 30, 1987, File No. 1-3545).
4	Mortgage and Deed of Trust dated as of January 1, 1944, and Sixty-six Supplements thereto between FPL and Bankers Trust Company and The Florida National Bank of Jacksonville (now Florida National Bank), Trustees (filed as Exhibit B-3, File No. 2-4845; Exhibit 7(a), File No. 2-7126; Exhibit 7(a), File No. 2-7523; Exhibit 7(a), File No. 2-7990; Exhibit 7(a), File No. 2-9217; Exhibit 4(a)-5, File No. 2-10093; Exhibit 4(c), File No. 2-11491; Exhibit 4(b)-1, File No. 2-12900; Exhibit 4(b)-1, File No. 2-13255; Exhibit 4(b)-1, File No. 2-13705; Exhibit 4(b)-1, File No. 2-13925; Exhibit 4(b)-1, File No. 2-15088; Exhibit 4(b)-1, File No. 2-15677; Exhibit 4(b)-1, File No. 2-20501; Exhibit 4(b)-1, File No. 2-22104; Exhibit 2(c), File No. 2-23142; Exhibit 2(c), File No. 2-24195; Exhibit 4(b)-1, File No. 2-25677; Exhibit 2(c), File No. 2-27612; Exhibit 2(c), File No. 2-29001; Exhibit 2(c), File No. 2-30542; Exhibit 2(c), File No. 2-33038; Exhibit 2(c), File No. 2-37679; Exhibit 2(c), File No. 2-39006; Exhibit 2(c), File No. 2-41312; Exhibit 2(c), File No. 2-44234; Exhibit 2(c), File No. 2-46502; Exhibit 2(c), File No. 2-48679; Exhibit 2(c), File No. 2-49726; Exhibit 2(c), File No. 2-50712; Exhibit 2(c), File No. 2-52826; Exhibit 2(c), File No. 2-53272; Exhibit 2(c), File No. 2-54242; Exhibit 2(c), File No. 2-56228; Exhibits 2(c) and 2(d), File No. 2-60413; Exhibits 2(c) and 2(d), File No. 2-65701; Exhibit 2(c), File No. 2-66524; Exhibit 2(c), File No. 2-67239;

Exhibit Number	Description
	Exhibit 4(c), File No. 2-69716; Exhibit 4(c), File No. 2-70767; Exhibit 4(b), File No. 2-71542; Exhibit 4(b), File No. 2-73799; Exhibits 4(c), 4(d) and 4(e), File No. 2-75762; Exhibit 4(c), File No. 2-77629; Exhibit 4(c), File No. 2-79557; Exhibit 4(c), File No. 2-85633; Exhibit 4(d), File No. 2-87612; Exhibit 4 to Form 8-K dated January 10, 1984, File No. 1-3545; Exhibit 4(c) to Form 10-Q for the quarter ended June 30, 1984, File No. 1-3545; Exhibit 4(c) to Form 10-Q for the quarter ended September 30, 1984, File No. 1-3545; Exhibits 4(d) and 4(e) to Form 10-Q for the quarter ended March 31, 1985, File No. 1-3545; Exhibits 4(c), 4(d) and 4(e) to Form 10-Q for the quarter ended September 30, 1985, File No. 1-3545; Exhibit 4 to Form 8-K dated February 20, 1986, File No. 1-3545; Exhibit 4 to Form 8-K dated April 24, 1986, File No. 1-3545; Exhibit 4 to Form 8-K dated October 2, 1986, File No. 1-3545; Exhibits 4(c) and 4(d) to Form 10-Q for the quarter ended September 30, 1986, File No. 1-3545; Exhibit 4 to Form 8-K dated April 15, 1987, File No. 1-3545; Exhibit 4 to Form 8-K dated August 19, 1987, File No. 1-3545; and Exhibit 4 to Form 8-K dated February 16, 1988, File No. 1-3545).
10(c)	FPL Group Long-Term Incentive Plan of 1985, as amended (filed as Exhibit 10(a) to Annual Report on Form 10-K for the year ended December 31, 1986, File No. 1-3545).
10(d)	Deferred Compensation Agreement between FPL and L. C. Hunter (filed as Exhibit 10(b) to Annual Report on Form 10-K for the year ended December 31, 1986, File No. 1-3545).
10(e)	Employment Agreement between FPL and J. J. Hudiburg (filed as Exhibit 10(c) to Annual Report on Form 10-K for the year ended December 31, 1986, File No. 1-3545).
10(f)	Employment Agreement between FPL and R. E. Tallon (filed as Exhibit 10(d) to Annual Report on Form 10-K for the year ended December 31, 1986, File No. 1-3545).
10(g)	Employment Agreement between FPL and E. A. Adomat (filed as Exhibit 10(e) to Annual Report on Form 10-K for the year ended December 31, 1986, File No. 1-3545).
10(h)	Employment Agreement between FPL and R. J. Gardner (filed as Exhibit 10(f) to Annual Report on Form 10-K for the year ended December 31, 1986, File No. 1-3545).
10(i)	Employment Agreement between FPL and L. C. Hunter (filed as Exhibit 10(g) to Annual Report on Form 10-K for the year ended December 31, 1986, File No. 1-3545).
10(j)	Director and Executive Compensation Deferral Plan, as amended (filed as Exhibit 10(c) to Annual Report on Form 10-K for the year ended December 31, 1984, File No. 1-3545).
10(k)	Benefit Restoration Plan (filed as Exhibit 10 to Annual Report on Form Form 10-K for the year ended December 31, 1983, File No. 1-3545).

(b) Reports on Form 8-K

On October 9, 1987 a Current Report on Form 8-K was filed relating to two events under Item 5. Other Events.

On October 26, 1987 a Current Report on Form 8-K was filed relating to one event under Item 5. Other Events.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance Beginning of Year	Additions at Cost (Note A)	Retirements (Note B)	Other Changes— Add (Deduct)	Balance End of Year
	Thousands of Dollars				
For the Year Ended December 31, 1987					
Electric utility plant, at original cost:					
Electric plant:					
Production plant:					
Steam	$ 1,640,347	$ 217,507	$ (6,972)	$ 654	$ 1,851,536
Nuclear	2,672,710	210,081	(16,442)	(284)	2,866,065
Other	290,040	4,309	(1,117)	45	293,277
Total production plant	4,603,097	431,897	(24,531)	415	5,010,878
Transmission plant	1,314,421	55,246	(2,436)	(8,256)	1,358,975
Distribution plant	2,752,569	238,782	(27,390)	3,721	2,967,682
General plant	386,430	55,266	(29,964)	10,544	422,276
Intangible plant	2,834	10	-	2	2,846
Total electric plant in service	9,059,351	781,201	(84,321)	6,426	9,762,657
Held for future use	36,545	1,608	-	(217)	37,936
Total electric plant	9,095,896	782,809	(84,321)	6,209	9,800,593
Construction work in progress	524,989	(194,498)	-	(650)	329,841
Nuclear fuel	433,402	99,972	(57,847)	73,482 (C)	549,009
Total electric utility plant	$10,054,287	$ 688,283	$(142,168)	$ 79,041	$10,679,443
For the Year Ended December 31, 1986					
Electric utility plant, at original cost:					
Electric plant:					
Production plant:					
Steam	$1,618,312	$ 30,658	$ (8,669)	$ 46	$ 1,640,347
Nuclear	2,544,369	130,108	(1,761)	(6)	2,672,710
Other	289,066	1,801	(769)	(58)	290,040
Total production plant	4,451,747	162,567	(11,199)	(18)	4,603,097
Transmission plant	1,279,646	39,717	(4,254)	(688)	1,314,421
Distribution plant	2,539,858	238,457	(25,922)	176	2,752,569
General plant	310,979	85,039	(9,776)	188	386,430
Intangible plant	2,804	30	-	-	2,834
Total electric plant in service	8,585,034	525,810	(51,151)	(342)	9,059,351
Held for future use	36,378	(123)	-	290	36,545
Total electric plant	8,621,412	525,687	(51,151)	(52)	9,095,896
Construction work in progress	461,399	67,121	-	(3,531)	524,989
Nuclear fuel	404,590	78,971	(44,750)	(5,409)	433,402
Total electric utility plant	$9,487,401	$671,779	$(95,901)	$(8,992)	$10,054,287

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

PROPERTY, PLANT AND EQUIPMENT

Column A Classification	Column B Balance Beginning of Year	Column C Additions at Cost (Note A)	Column D Retirements (Note B)	Column E Other Changes— Add (Deduct)	Column F Balance End of Year
	Thousands of Dollars				
For the Year Ended December 31, 1985					
Electric utility plant, at original cost:					
Electric plant:					
Production plant:					
Steam	$1,607,086	$ 14,903	$ (3,757)	$ 80	$ 1,618,312
Nuclear	2,469,862	83,755	(9,352)	104	2,544,369
Other	287,665	1,439	(95)	57	289,066
Total production plant	4,364,613	100,097	(13,204)	241	4,451,747
Transmission plant	1,198,117	84,858	(2,722)	(607)	1,279,646
Distribution plant	2,329,233	235,189	(25,041)	477	2,539,858
General plant	271,149	46,128	(5,848)	(450)	310,979
Intangible plant	2,385	350	-	69	2,804
Total electric plant in service	8,165,497	466,622	(46,815)	(270)	8,585,034
Held for future use	36,973	(790)	-	195	36,378
Total electric plant	8,202,470	465,832	(46,815)	(75)	8,621,412
Construction work in progress	355,937	110,380	-	(4,918)	461,399
Nuclear fuel	322,655	107,986	(18,171)	(7,880)	404,590
Total electric utility plant	$8,881,062	$684,198	$(64,986)	$(12,873)	$9,487,401

(A) Substantially all additions are originally charged to CWIP and transferred to electric plant accounts upon completion. Additions at cost give effect to such transfers.

(B) The installed cost of individual units of plant retired is not always available. Plant accounts are credited for such retirements on the basis of estimates when the original cost is not available. Nuclear fuel materials sold are reflected as retirements.

(C) Includes $78.3 million for the recording, effective January 1, 1987, of a nuclear fuel lease. See "Note 7."

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES
ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT

SCHEDULE VI

Column A	Column B	Column C		Column D	Column E	Column F
		Additions Charged to Costs and Expenses				
Description	Balance Beginning of Year	Depreciation	Clearing and Other Accounts (Note B)	Retirements	Other Changes— Add (Deduct)	Balance End of Year
	Thousands of Dollars					
For the Year Ended December 31, 1987						
Accumulated provision for depreciation of electric utility plant (Note A):						
Production plant:						
Steam	$ 562,525	$ 82,520	$ 199	$ (5,236)	$ 35,487	$ 675,495
Nuclear	532,391	128,562	-	(17,500)	2,039	645,492 (C)
Other	173,425	9,514	-	(1,148)	(1,011)	180,780
Total production plant	1,268,341	220,596	199	(23,884)	36,515	1,501,767
Transmission plant	321,100	81,618	-	(2,590)	(677)	399,451
Distribution plant	818,595	115,899	-	(27,813)	7,138	913,819
General plant	95,139	20,936	7,456	(28,235)	1,137	96,433
Intangible plant	41,694	2,962	-	-	(44,113)	543
Total electric plant	2,544,869	442,011	7,655	(82,522)	-	2,912,013
Accumulated provision for amortization of nuclear fuel assemblies	177,939	-	51,229	(34,823)	-	194,345
Total	$2,722,808	$442,011	$58,884	$(117,345)	$ -	$3,106,358
For the Year Ended December 31, 1986						
Accumulated provision for depreciation of electric utility plant (Note A):						
Production plant:						
Steam	$ 512,937	$ 56,128	$ -	$ (8,176)	$ 1,636	$ 562,525
Nuclear	422,084	108,898	5,121	(4,125)	413	532,391 (C)
Other	158,672	15,534	-	(771)	(10)	173,425
Total production plant	1,093,693	180,560	5,121	(13,072)	2,039	1,268,341
Transmission plant	291,198	35,376	-	(3,467)	(2,007)	321,100
Distribution plant	742,506	103,089	-	(26,938)	(62)	818,595
General plant	83,626	10,347	9,455	(8,319)	30	95,139
Intangible plant	26,645	15,049	-	-	-	41,694
Total electric plant	2,237,668	344,421	14,576	(51,796)	-	2,544,869
Accumulated provision for amortization of nuclear fuel assemblies	125,021	-	62,026	(9,108)	-	177,939
Total	$2,362,689	$344,421	$76,602	$(60,904)	$ -	$2,722,808

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C		Column D	Column E	Column F
		Additions Charged to Costs and Expenses				
Description	Balance Beginning of Year	Depreciation	Clearing and Other Accounts (Note B)	Retirements	Other Changes—Add (Deduct)	Balance End of Year
	Thousands of Dollars					
For the Year Ended December 31, 1985						
Accumulated provision for depreciation of electric utility plant (Note A):						
Production plant:						
Steam	$ 461,258	$ 54,875	$ 657	$ (4,014)	$ 161	$ 512,937
Nuclear	323,061	105,095	5,140	(11,185)	(27)	422,084 (C)
Other	143,321	15,433	-	(94)	12	158,672
Total production plant	927,640	175,403	5,797	(15,293)	146	1,093,693
Transmission plant	257,714	33,178	-	585	(279)	291,198
Distribution plant	677,654	95,555	-	(30,889)	186	742,506
General plant	71,608	8,298	8,367	(4,928)	281	83,626
Intangible plant	694	26,281	-	4	(334)	26,645
Total electric plant	1,935,310	338,715	14,164	(50,521)	-	2,237,668
Accumulated provision for amortization of nuclear fuel assemblies	73,364	-	70,000	(18,343)	-	125,021
Total	$2,008,674	$338,715	$84,164	$(68,864)	$ -	$2,362,689

(A) This reserve is maintained for all depreciable property. The amount in the Retirements column is net of sale proceeds and other salvage.

(B) Depreciation of transportation equipment is charged to various accounts based on the use of such equipment. Amortization of nuclear fuel assemblies and nuclear fuel disposal cost is charged to operating expenses, operations—fuel, purchased power and interchange. Depreciation of items suspended from rate base was charged to other deferred debits.

(C) Includes decommissioning reserve and related interest of $147.5 million, $117.3 million and $87.6 million at December 31, 1987, 1986 and 1985, respectively.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

SHORT-TERM BORROWINGS (1)

Column A Category of Aggregate Short-Term Borrowings	Column B Balance at End of Period	Column C Weighted Average Interest Rate	Column D Maximum Amount Outstanding During the Period (1)	Column E Weighted Amount Outstanding During the Period (2)	Column F Weighted Average Interest Rate During the Period (3)
	Thousands of Dollars				
For the Year Ended December 31, 1987					
Commercial Paper.	$83,000	7.8%	$133,000	$66,398	6.8%
For the Year Ended December 31, 1986					
Commercial Paper.	-	-	-	$602	7.6%
For the Year Ended December 31, 1985					
Commercial Paper.	-	-	-	$389	7.9%

(1) Represents the maximum amount outstanding at any month end.

(2) The average amount outstanding during the period is based upon the principal amounts weighted by the number of days outstanding.

(3) Computation of weighted average interest rate is based upon the principal amounts weighted by the number of days outstanding.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLORIDA POWER & LIGHT COMPANY

Date March 15, 1988   By R. E. TALLON
R. E. Tallon (President)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
J. J. HUDIBURG J. J. Hudiburg (Chairman of the Board)	Principal Executive Officer and Director	March 15, 1988
D. K. BALDWIN D. K. Baldwin (Group Vice President)	Principal Financial Officer	
H. P. WILLIAMS, JR. H. P. Williams, Jr. (Comptroller)	Principal Accounting Officer	
M. P. ANTHONY M. P. Anthony	Directors	
DAVID BLUMBERG David Blumberg		
J. HYATT BROWN J. Hyatt Brown		
JEAN MCARTHUR DAVIS Jean McArthur Davis		
ROBERT B. KNIGHT Robert B. Knight		
JOHN M. MCCARTY John M. McCarty		
MARSHALL MCDONALD Marshall McDonald		
Richard W. Ohman		
ED H. PRICE, JR. Ed H. Price, Jr.		
ROBERT E. TALLON Robert E. Tallon		
GENE A. WHIDDON Gene A. Whiddon		

Exhibit 12(a)

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Twelve Months Ended December 31,				
	1987	1986	1985	1984	1983
	Thousands of Dollars				
Earnings as defined:					
Net income	$426,193	$ 431,123	$ 414,347	$351,769	$313,963
Income taxes	266,040	336,201	328,485	276,363	238,576
Fixed charges, as below	293,184	319,556	317,704	319,376	304,080
Total earnings, as defined	$985,417	$1,086,880	$1,060,536	$947,508	$856,619
Fixed charges, as defined:					
Interest on first mortgage bonds	$255,136	$282,984	$290,602	$288,719	$274,349
Interest on other long-term debt	6,181	5,998	4,315	5,272	9,881
Other interest charges	27,048	24,962	16,914	17,545	17,374
Rental interest factor	91	131	171	180	55
Fixed charges included in nuclear fuel cost	4,728	5,481	5,702	7,660	2,421
Total fixed charges, as defined	$293,184	$319,556	$317,704	$319,376	$304,080
Ratio of earnings to fixed charges	3.36	3.40	3.34	2.97	2.82

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS

	Twelve Months Ended December 31,				
	1987	1986	1985	1984	1983
	Thousands of Dollars				
Earnings as defined:					
Net income	$426,193	$431,123	$414,347	$351,769	$313,963
Income taxes	266,040	336,201	328,485	276,363	238,576
Fixed charges, as below	293,184	319,556	317,704	319,376	304,080
Total earnings, as defined	$985,417	$1,086,880	$1,060,536	$947,508	$856,619
Fixed charges, as defined:					
Interest on first mortgage bonds	$255,136	$282,984	$290,602	$288,719	$274,349
Interest on other long-term debt	6,181	5,998	4,315	5,272	9,881
Other interest charges	27,048	24,962	16,914	17,545	17,374
Rental interest factor	91	131	171	180	55
Fixed charges included in nuclear fuel cost	4,728	5,481	5,702	7,660	2,421
Total fixed charges, as defined	293,184	319,556	317,704	319,376	304,080
Non-tax deductible preferred stock dividend requirements	48,295	47,667	46,415	46,684	46,708
Ratio of income before income taxes to net income	1.624	1.780	1.793	1.786	1.760
Preferred stock dividend requirements before income taxes	78,431	84,847	83,222	83,378	82,206
Combined fixed charges and preferred stock dividend requirements	$371,615	$404,403	$400,926	$402,754	$386,286
Ratio of earnings to combined fixed charges and preferred stock dividend requirements	2.65	2.69	2.65	2.35	2.22

EXHIBIT 24

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA POWER & LIGHT COMPANY:

We hereby consent to the incorporation by reference in Registration Statement No. 33-5485 on Form S-3, Registration Statement No. 33-12891 on Form S-3 and Registration Statement No. 33-14495 on Form S-3 of our opinion dated February 26, 1988 appearing in this Annual Report on Form 10-K of Florida Power & Light Company for the year ended December 31, 1987.

DELOITTE HASKINS & SELLS

Miami, Florida
March 15, 1988

EXHIBIT 2

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Quarterly Report Under Section 13 or 15(d) of the
Securities Exchange Act of 1934

For Quarter Ended: September 30, 1988 Commission File Number: 1-3545

FLORIDA POWER & LIGHT COMPANY
(Exact name of registrant as specified in its charter)

FLORIDA	59-0247775
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9250 West Flagler Street, Miami, Florida	33174
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: (305) 552-3552

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 8, 1988
Common Stock, No Par Value	1,000 shares

PART I - FINANCIAL INFORMATION

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

Thousands of Dollars

	September 30, 1988 (Unaudited)	December 31, 1987
ELECTRIC UTILITY PLANT:		
At original cost	$10,746,673	$10,349,602
Construction work in progress	271,088	329,841
Less accumulated depreciation and amortization	3,434,096	3,106,358
Electric utility plant—net	7,583,665	7,573,085
INVESTMENTS (Note 2)	181,173	164,981
CURRENT ASSETS:		
Cash and temporary investments	76,128	8,966
Accounts receivable (less allowance for uncollectible accounts of $7,766 at September 30, 1988 and $7,466 at December 31, 1987)	560,533	381,669
Materials and supplies—at average cost	184,740	167,996
Fossil fuel stock—at average cost	57,922	68,785
Prepaid expenses	39,048	30,052
Other current assets	31,797	27,141
Total current assets	950,168	684,609
DEFERRED DEBITS:		
Deferred litigation items (Note 4)	115,685	192,527
Deferred fuel expenses	-	115,510
Other	250,107	212,674
Total deferred debits	365,792	520,711
TOTAL	$ 9,080,798	$ 8,943,386

This report should be read in conjunction with the Notes on Pages 5 through 10 herein and the Notes to Consolidated Financial Statements appearing in FPL's 1987 Annual Report on Form 10-K.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

Thousands of Dollars

	September 30, 1988 (Unaudited)	December 31, 1987
CAPITALIZATION (Note 3):		
Common stock	$1,373,069	$1,373,069
Retained earnings and other shareholder's equity	1,320,520	1,215,439
Preferred stock without sinking fund requirements	346,250	346,250
Preferred stock with sinking fund requirements	180,050	194,350
Long-term debt:		
First mortgage bonds	2,678,549	2,703,549
Other long-term debt	100,558	101,520
Unamortized premium and discount on debt	(19,469)	(19,118)
Total long-term debt	2,759,638	2,785,951
Total capitalization	5,979,527	5,915,059
OTHER NONCURRENT LIABILITIES:		
Capital lease obligations	87,883	78,300
Provision for revenue refund (Note 4)	31,400	51,700
Other	64,878	60,550
Total other noncurrent liabilities	184,161	190,550
CURRENT LIABILITIES:		
Accounts and notes payable	159,688	252,282
Accrued liabilities	355,411	212,131
Other current liabilities	343,950	339,096
Total current liabilities	859,049	803,509
DEFERRED CREDITS:		
Accumulated deferred income taxes	1,379,899	1,438,254
Unamortized investment tax credit	455,444	471,383
Deferred revenues	91,701	3,208
Other	131,017	121,423
Total deferred credits	2,058,061	2,034,268
COMMITMENTS AND CONTINGENCIES (Notes 4 and 5)		
TOTAL	$9,080,798	$8,943,386

This report should be read in conjunction with the Notes on Pages 5 through 10 herein and the Notes to Consolidated Financial Statements appearing in FPL's 1987 Annual Report on Form 10-K.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1988	1987	1988	1987	1988	1987
	Thousands of Dollars					
OPERATING REVENUES (Note 4)	$1,357,267	$1,283,347	$3,549,386	$3,271,117	$4,627,990	$4,249,130
OPERATING EXPENSES:						
Fuel, purchased power and interchange	486,807	494,342	1,315,503	1,180,596	1,708,631	1,501,008
Other operations	195,942	169,663	563,319	512,620	755,072	673,323
Maintenance	95,624	86,483	260,002	243,883	353,699	331,468
Depreciation	116,176	97,442	349,432	288,085	495,453	371,069
Income taxes	100,938	110,481	186,545	241,287	215,826	317,997
Taxes other than income taxes	108,630	102,906	292,145	267,606	377,186	352,010
Total	1,104,117	1,061,317	2,966,946	2,734,077	3,905,867	3,546,875
OPERATING INCOME	253,150	222,030	582,440	537,040	722,123	702,255
ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION (Note 4)	1,441	3,849	5,441	13,519	6,878	21,789
OTHER INCOME—NET	2,227	119	4,318	1,805	9,560	2,652
INCOME BEFORE INTEREST CHARGES	256,818	225,998	592,199	552,364	738,561	726,696
INTEREST CHARGES	70,571	73,250	211,295	216,087	283,574	294,592
ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION (Note 4)	(1,913)	(4,104)	(8,545)	(14,333)	(10,044)	(24,157)
NET INCOME	188,160	156,852	389,449	350,610	465,031	456,261
PREFERRED STOCK DIVIDEND REQUIREMENTS	11,289	11,643	34,229	36,652	45,872	48,826
NET INCOME AVAILABLE TO FPL GROUP, INC.	$ 176,871	$ 145,209	$ 355,220	$ 313,958	$ 419,159	$ 407,435

This report should be read in conjunction with the Notes on Pages 5 through 10 herein and the Notes to Consolidated Financial Statements appearing in FPL's 1987 Annual Report on Form 10-K.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS

OF CHANGES IN FINANCIAL POSITION

(Unaudited)

	Nine Months Ended September 30, 1988	Nine Months Ended September 30, 1987
	Thousands of Dollars	
SOURCE OF FUNDS:		
Current operations (A)	$ 719,510	$ 799,043
Sale of first mortgage bonds	247,188	222,503
Issuance of preferred stock	-	50,000
Provision for refund of 1987 revenues	-	57,700
Provision for refund of 1988 revenues	31,400	-
Sale of nuclear fuel	18,974	-
Deferrals under revenue clauses (C)	204,003	774
Permanent disposal fee for spent nuclear fuel	76,670	-
Capital contribution from FPL Group, Inc.	70,000	110,000
Other sources	32,559	69,251
Total	$1,400,304	$1,309,271
APPLICATION OF FUNDS:		
Construction expenditures (B)	$ 406,577	$ 398,117
Nuclear fuel expenditures (B)	31,976	38,263
Retirement and current maturities of long-term debt and preferred stock	315,293	243,626
Preferred stock dividend requirements	34,229	36,652
Dividends to FPL Group, Inc.	319,901	294,031
Reclassification of revenue refund to current liability (D)	51,700	-
Deferrals under revenue clauses (C)	-	191,299
Other applications	30,609	18,355
Increase in working capital	210,019	88,928
Total	$1,400,304	$1,309,271

(A) Current operations include net income, depreciation and amortization, deferred income taxes, the allowance for other funds used during construction and certain other items which do not affect working capital.

(B) Excluding allowance for other funds used during construction.

(C) Includes the fuel and purchased power, the oil-backout and the energy conservation cost recovery clauses.

(D) Represents the provision recorded in 1987 for the refund of revenues under the Tax Savings Rule. The actual refund of revenues in 1988 amounted to $53.3 million. See "Note 4."

This report should be read in conjunction with the Notes on Pages 5 through 10 herein and the Notes to Consolidated Financial Statements appearing in FPL's 1987 Annual Report on Form 10-K.

NOTES (Unaudited)

The accompanying condensed consolidated financial statements should be read in conjunction with the 1987 Annual Report on Form 10-K of Florida Power & Light Company (FPL). In the opinion of FPL, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of September 30, 1988, the results of operations for the three months, nine months and twelve months ended September 30, 1988 and September 30, 1987 and the changes in financial position for the nine months ended September 30, 1988 and September 30, 1987. The results of operations for any interim period may not give a true indication of results for the full year because the revenues and expenses of FPL are subject to periodic fluctuations due to such factors as outages of major generating units, actions of regulatory agencies, changes in weather conditions, FPL customer usage and number of customers.

1. Income Taxes

In October 1988 the Financial Accounting Standards Board issued an exposure draft proposing an amendment to Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS 96). This amendment would delay the implementation date by one year, requiring FPL to adopt this Statement no later than January 1, 1990. Although the amount of any assets or liabilities stemming from this Statement have not been determined, FPL continues to believe that implementation of SFAS 96 should not have a significant impact on earnings.

2. Nuclear Decommissioning Reserve Fund

In January 1988 FPL elected to treat contributions to nuclear decommissioning reserve funds applicable to tax years 1984 through 1986 as qualified decommissioning contributions in accordance with the Internal Revenue Code. Qualified decommissioning contributions are on a pre-tax basis and, accordingly, FPL Group, Inc. (FPL Group), on behalf of FPL, amended its income tax returns for these years which will provide a refund to FPL of approximately $28 million. When received this refund will be included in investments—nuclear decommissioning reserve fund. A similar election was made for the 1987 tax year. Securities held in a qualified fund are subject to certain investment restrictions. In addition to qualified nuclear decommissioning reserve funds, FPL will continue to maintain a non-qualified nuclear decommissioning reserve fund. During 1988 contributions are being made to the non-qualified nuclear decommissioning reserve fund.

3. Capitalization

Capital Contribution

FPL received from FPL Group capital contributions of $20 million and $50 million in April and July 1988, respectively.

Preferred Stock

The 1988 sinking fund requirements for the 10.08% Preferred Stock, Series J and the 14.38% Preferred Stock, Series N, including the maximum number of optional shares, were met by redeeming and retiring 75,000 shares in April 1988 and 35,000 shares in July 1988, respectively. The 1988 sinking fund requirement for the 8.70% Preferred Stock, Series M was met by redeeming and retiring 18,000 shares in April 1988. There are no additional sinking fund requirements for the remainder of 1988.

Minimum annual sinking fund requirements are approximately $9 million for each of the years 1989 through 1992.

Long-Term Debt

In February 1988 FPL sold $125 million principal amount of First Mortgage Bonds, 9-5/8% Series due February 1, 2018; in July 1988 it sold $125 million principal amount of First Mortgage Bonds, 10-1/4% Series due July 1, 2018; and in November 1988 it sold $125 million principal amount of First Mortgage Bonds, 9.80% Series due November 1, 2018. In March 1988 FPL redeemed all $125 million principal amount of its First Mortgage Bonds, 12-3/8% Series due March 1, 2013; and in September 1988 it redeemed all $125 million principal amount of its First Mortgage Bonds, 12-7/8% Series due September 1, 2013. Net proceeds from the November 1988 issue are expected to be used to redeem $125 million principal amount of FPL's First Mortgage Bonds, 12-7/8% Series due January 1, 2014.

Annual maturities and sinking fund requirements of long-term debt are approximately $26 million in 1989, $10 million in 1990, $1 million in 1991 and $26 million in 1992. Substantially all long-term debt maturities for 1988 have been retired through September 30, 1988.

4. Revenues

Rate Matters

In 1986 the Florida Public Service Commission (FPSC) permitted FPL to include in rate base certain plant in service costs which the FPSC had excluded from rate base in previous rate orders. In addition the FPSC determined that FPL should discontinue accruing allowance for funds used during construction (AFUDC) and deferring depreciation expense, effective January 1, 1986, on the costs associated with the repair and enhancement of the Martin Plant reservoir (Martin reservoir costs) and, effective January 1, 1987, on the costs associated with the replacement of the steam generators at Turkey Point Units Nos. 3 and 4 (Turkey Point costs). Accrued AFUDC and deferred depreciation expense (collectively, Accumulated Deferred Costs) associated with the Martin reservoir costs and the Turkey Point costs, together with the Martin reservoir costs and the Turkey Point costs, were placed in FPL's rate base effective January 1, 1986 and January 1, 1987, respectively. The Accumulated Deferred Costs are to be recovered over five years commencing with the effective date of new base rates to be established in the next general ratemaking proceeding for FPL. The Accumulated Deferred Costs, which are included in deferred debits—deferred litigation items, totaled approximately $111 million at September 30, 1988. The retail portion of both the Martin reservoir costs and the Turkey Point costs, excluding Accumulated Deferred Costs, is included in electric utility plant and totaled approximately $145 million at September 30, 1988.

In January 1987 the FPSC and FPL agreed on a return on equity (ROE) of 13.60% solely for application of the FPSC's rule related to the effect of corporate income tax rate changes on revenues (Tax Savings Rule) for 1987. Under the Tax Savings Rule retail revenues associated with earnings in excess of those required to produce the 13.60% ROE were refunded in 1988 to the extent the retail earnings were generated by a reduction in the corporate income tax rate. In 1987 FPL recorded a provision of $51.7 million for the revenue refund which was made in 1988 in accordance with the Tax Savings Rule. This provision for refund was based on certain preliminary estimates and assumptions. In April 1988 the FPSC ordered a refund in the amount of $53.3 million, plus interest, in the form of a one-time credit to customers' bills which was applied in May 1988. The refund amount is subject to further review and possible adjustment by the FPSC. Certain intervenors and the Florida Public Counsel (Public Counsel) have raised a number of issues

concerning the calculation of this refund. Several of these parties are seeking total refunds of up to approximately $110 million. The matter is pending.

Under the Tax Savings Rule and in conjunction with an agreement with the FPSC, revenues associated with 1988 retail earnings which exceed the 13.60% ROE due to the reduction in the corporate income tax rate will be subject to refund. The ultimate amount of any refund for 1988 depends on FPL's retail earnings, capital structure and rate base during the year. Any required refund for 1988 would be made in 1989.

During the three months ended September 30, 1987 a provision of $58 million was recorded for the potential refund of 1987 revenues which reduced net income for the three months, nine months and twelve months ended September 30, 1987 by approximately $33 million. This estimated provision was subsequently reduced to the actual refund amount of $53.3 million. During the three months and nine months ended September 30, 1988 FPL recorded provisions of $3 million and $31 million, respectively, for the potential refund of 1988 revenues which could be required by the Tax Savings Rule. The effect of recording the potential refund of 1988 revenues was to reduce net income for the three months and nine months ended September 30, 1988 by approximately $2 million and $20 million, respectively. The effect of the provision for the potential refund of 1988 revenues, together with the impact of reducing the provision for refund of 1987 revenues to $53.3 million, was to reduce net income for the twelve months ended September 30, 1988 by $17 million.

The agreement with the FPSC with respect to 1988 also provides that the FPSC will use a 13.60% ROE for earnings surveillance purposes during 1988 and that the FPSC may issue, at any time during 1988, an order to show cause why rates should not be reduced. If such an order is issued, retail revenues in excess of those which would provide a 13.60% retail ROE would be collected subject to refund, after the provision for refund of the revenues associated with the total tax savings for 1988. FPL also agreed to use a 13.60% ROE for calculation of the AFUDC rate for 1988 and not to file for any general rate increases that would become effective prior to January 1, 1989. In early November 1988 FPL filed a proposal with the FPSC to extend this agreement to January 1, 1990 under the same terms and conditions.

In January 1987 the FPSC opened a generic docket to study how authorized ROE for all utilities under the FPSC's jurisdiction could be periodically adjusted; the effect of changing the ROE for interim proceedings, AFUDC and surveillance of earnings; and whether such action would be beneficial to ratepayers. The matter is pending.

In June 1987 Public Counsel filed a petition to amend the Tax Savings Rule. Public Counsel requested that the definition of the term midpoint be changed to be the midpoint of the most recently authorized ROE approved for the utility by the FPSC, whether in a rate case or some other proceeding, and to use the utility's actual capital structure and debt rate during the year for which the tax savings or deficiency is being calculated. Although the FPSC has not ruled on this petition, the $53.3 million refund was calculated using FPL's actual capital structure and debt rate in 1987 and the 13.60% ROE agreed to in January 1987. FPL intends to follow the same calculation procedure for any 1988 revenue refund, pending any ruling by the FPSC.

In 1975 FPL filed suit against Westinghouse Electric Corporation (Westinghouse) alleging that Westinghouse was contractually liable for removal and storage of certain spent fuel supplied by Westinghouse for Turkey Point Units Nos. 3 and 4. In April 1988 the U.S. Supreme Court denied FPL's petition seeking review of a decision by the U.S. Court of Appeals for the Fourth Circuit. As a consequence of the Court of Appeals' decision Westinghouse is relieved of any responsibility to remove and store certain spent fuel for Turkey Point Units Nos. 3 and 4 but remained obligated for the costs of two

modifications of the spent fuel storage pools. In 1985, pending the outcome of this litigation, FPL paid the U.S. Department of Energy (DOE) $69.6 million, representing the portion of the permanent disposal fee which pertains to fuel burned prior to April 7, 1983. The remaining portion of the permanent disposal fee, which amounts to approximately $11.8 million, pertains to fuel burned after April 6, 1983 and has been paid to the DOE in quarterly installments based on fuel consumption. Through June 1988 FPL had been recovering interest on the $69.6 million payment through the fuel and purchased power cost recovery clause (Fuel adjustment clause). In June 1988 the retail portion of the $81.4 million permanent disposal fee (approximately $77 million), which had been included in deferred debits—deferred litigation items, was charged to fuel expense. The FPSC has approved the recovery of this fee through the Fuel adjustment clause, during the six-month period commencing October 1988. In October 1988 FPL began to recover the remaining portion of this fee from the wholesale customers, over a twenty-four month period.

As a result of recently completed decommissioning studies on FPL's nuclear units, FPL filed, in the second quarter of 1988, two petitions with the FPSC. These petitions requested permission to increase, effective January 1, 1989, nuclear decommissioning expense, which is reflected in depreciation expense, by approximately $21 million per year. FPL did not seek an immediate increase in base rates; however, FPL did reserve the right to request an increase in base rates at a future date.

5. Commitments and Contingencies

Construction Program

FPL has made certain commitments in connection with its continuous construction program. FPL's construction expenditures for the years 1988-90 are currently estimated at $2.3 billion, including $195 million for nuclear fuel. Actual construction expenditures may vary from these estimates. The current estimate of 1988 construction expenditures is $655 million, including approximately $44 million for nuclear fuel. Through September 30, 1988 approximately $438 million of construction expenditures had been incurred.

Insurance

FPL is a member of certain insurance programs which provide coverage for property damage to members' nuclear generating plants. The coverage limits under these programs currently total approximately $1.5 billion, above which FPL is self-insured. The terms of these programs provide that substantially all insurance proceeds in excess of $500 million must first be used to satisfy decontamination and clean-up costs before they can be used for repair or restoration of the plants. The Nuclear Regulatory Commission (NRC) adopted in 1987 regulations under which nuclear plant license-holders must maintain not less than $1.06 billion of property insurance and must also use the proceeds of that insurance to place a plant in safe and stable condition and to decontaminate it pursuant to a plan submitted to and approved by the NRC before the proceeds can be used for plant repair or restoration. These regulations require that any of the $1.06 billion of property insurance proceeds that have not been expended to place the plant in a safe and stable condition and that may be needed to carry out the NRC-approved decontamination plan be payable to an independent trustee established for the sole purpose of paying the cost of decontamination and radioactive debris removal. The provisions of the regulations concerning the decontamination priority and the establishment of a trustee were to have become effective on October 4, 1988. However, the NRC is developing a proposed rule to extend that deadline by eighteen months and has granted all nuclear utilities, including FPL, a temporary exemption from these provisions until the proposed rule is adopted or April 1, 1989, whichever occurs first.

FPL also is a member of a replacement power insurance program which provides coverage for its nuclear generating plants in the event that one or more of the plants is out of service for an extended period. This insurance does not cover replacement power costs until a plant has been out of service for twenty-one weeks. Thereafter, the insurance will make weekly payments of 90% of the estimate of the plant's replacement power costs stated in the policy declarations (Base Payments), for up to fifty-two weeks and will make payments for up to an additional fifty-two weeks at half of the Base Payments.

Under both the property and replacement power insurance programs, FPL could be assessed retrospective premiums for losses in current or prior policy years. FPL could be assessed a maximum of approximately $100 million under policies in effect on September 30, 1988, in the event of major accidents at nuclear plants of the utilities participating in these programs (including FPL).

FPL is subject to federal regulation under the Price-Anderson Act which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. As the first layer of financial protection, FPL purchases $200 million of public liability insurance from pools of commercial insurers. The second layer of financial protection is provided under an industry retrospective payment plan. Under that plan, FPL is subject to an assessment of $63 million per incident for each of FPL's four nuclear units with provision for payment of such assessment to be made over time as necessary to limit the payment in any one year to no more than $10 million per nuclear unit.

FPL's contingent liability for retrospective premium assessments is partially offset by the storm and property insurance reserve fund. This fund provides coverage toward storm damage costs and possible retrospective premium assessments stemming from a nuclear incident under the various insurance programs covering FPL's nuclear generating plants. At September 30, 1988 the balance of this fund was approximately $47 million.

Purchased Power Contracts

FPL has a contract with certain of the generating companies of The Southern Company system (Southern Companies) to receive, subject to certain contingencies, varying amounts of coal-fired power through mid-1995. Under the terms of this contract FPL is required to make on a take-or-pay basis, subject to certain contingencies, capacity payments which are estimated to be approximately $310 million in 1988, $375 million in 1989, $385 million in 1990, $405 million in 1991 and $415 million in 1992. Purchases, which consist of capacity and energy charges; under this contract amounted to $150 million, $399 million and $545 million for the three months, nine months and twelve months ended September 30, 1988, respectively; purchases for the corresponding periods ended September 30, 1987 were $184 million, $515 million and $625 million. Capacity and energy charges are recovered through the oil-backout cost recovery clause (Oil-backout clause) and the Fuel adjustment clause, respectively. In July 1988 FPL executed another contract with the Southern Companies to purchase additional coal-fired power beginning in 1993 through mid-2010. Under this agreement FPL will be required to make on a take-or-pay basis, subject to certain contingencies, capacity payments commencing in 1993.

FPL has an agreement with the Jacksonville Electric Authority (JEA) for the joint ownership, construction and operation of two coal-fired units and a coal terminal at St. Johns River Power Park (SJRPP). FPL owns 20% of the project and a purchased power arrangement with JEA entitles FPL to receive a total of 50% of the output of the SJRPP units. SJRPP Unit No. 1 and Unit No. 2 began commercial operation in late March 1987 and late May 1988, respectively. Under the terms of the agreement with JEA, FPL is obligated to make to JEA, on a take-or-pay basis, capacity payments for these units of approximately $40 million in 1988, $60 million in 1989 and $80 million for each of the

years 1990, 1991 and 1992. Purchases from these units, which consist of capacity and energy charges, under this agreement amounted to $32 million, $74 million and $88 million for the three months, nine months and twelve months ended September 30, 1988, respectively; purchases for the corresponding periods ended September 30, 1987 were $15 million, $32 million and $32 million. Capacity charges are recoverable through base rates and energy charges are recovered through the Fuel adjustment clause.

Natural Gas Contracts

In 1987 FPL entered into two fifteen-year agreements, one with Citrus Trading Corp. and Enron Corp. and the other with Florida Gas Transmission Company (FGT) for the firm supply and firm transportation, respectively, of natural gas. These agreements provide for the delivery of up to 280 million cubic feet per day of natural gas from October through April and up to 430 million cubic feet per day from May through September. The agreements are contingent upon the expansion by FGT of its pipeline facilities and approval by the Federal Energy Regulatory Commission (FERC). In August 1988 FPL entered into another agreement with Citrus Trading Corp. for the firm supply of 200 million cubic feet per day of natural gas and also executed an amendment to extend the current firm transportation agreement with FGT until the earlier of the in-service date of the FGT pipeline expansion or June 10, 1995. The August 1988 agreement with Citrus Trading Corp. is contingent upon approval by the FERC of the amendment to the firm transportation agreement with FGT. Under the terms of the 1987 and August 1988 agreements, FPL will be required to make payments on a take-or-pay basis, subject to certain contingencies. Amounts to be paid under these agreements are not presently determinable since FPL is unable to estimate the commencement date of these agreements, due to uncertainties in FERC proceedings and intervention by third parties. The total price of gas under these agreements will be lower than the delivered cost of residual oil, on a per barrel equivalent basis. FPL currently expects that payments under these agreements will be recoverable through the Fuel adjustment clause. Citrus Trading Corp. and FGT are subsidiaries of Citrus Corp. Citrus Corp. is owned jointly by Enron Corp. and Sonat Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the 1987 Annual Report on Form 10-K of FPL.

FPL is of the opinion that quarterly comparisons may not give a true indication of overall trends and changes in FPL's operations, and may be misleading to an understanding of the results of operations because the revenues and expenses of FPL are subject to periodic fluctuations due to such factors as outages of major generating units, actions of regulatory agencies, changes in weather conditions, FPL customer usage and number of customers. The following includes a discussion of factors which had a significant effect on FPL's financial position and results of operations for the three months, nine months and twelve months ended September 30, 1988. All comparisons are with the corresponding period of the prior year.

FINANCIAL CONDITION

For information concerning a proposed amendment to SFAS 96, see "Note 1."

For information regarding FPL's capitalization, see "Note 3."

For information concerning rate and regulatory matters with the FPSC, see "Note 4."

For information regarding FPL's construction program, see "Note 5—Construction Program."

RESULTS OF OPERATIONS

The increase in FPL's earnings during the three months ended September 30, 1988 reflects the impact of recording, in the third quarter of 1987, a $58 million provision for the refund to customers of 1987 revenues, in accordance with the Tax Savings Rule. During the three months ended September 30, 1988, FPL recorded a $3 million provision for the potential refund of 1988 revenues, in accordance with the Tax Savings Rule. FPL also benefited from a lower federal corporate income tax rate.

The increase in earnings for the nine months and twelve months ended September 30, 1988 reflects higher energy sales and the effect of a lower federal corporate income tax rate. This was partially offset by a reduction in AFUDC and higher other operations and maintenance expenses. Also see the table below under Operating Revenues for disclosure of the 1987 and 1988 Tax Savings Rule provision for refunds.

Operating Revenues

The following table summarizes operating revenues by component.

	Three Months Ended September 30,			Nine Months Ended September 30,			Twelve Months Ended September 30,		
	1988	1987	Change	1988	1987	Change	1988	1987	Change
	Millions of Dollars								
Retail base	$ 769	$ 750	$19	$1,971	$1,890	$ 81	$2,527	$2,458	$ 69
Provision for refund:									
1987 revenues . .	-	(58)	58	(1)	(58)	57	5	(58)	63
1988 revenues . .	(3)	-	(3)	(31)	-	(31)	(31)	-	(31)
Other.	113	103	10	281	256	25	359	343	16
Total before fuel and oil-backout revenues.	879	795	84	2,220	2,088	132	2,860	2,743	117
Fuel	383	391	(8)	1,037	891	146	1,350	1,131	219
Oil-backout . . .	95	97	(2)	292	292	-	418	375	43
Total.	$1,357	$1,283	$74	$3,549	$3,271	$278	$4,628	$4,249	$379

The increase in retail base revenues for the periods presented is primarily the result of the increases in energy sales. For the three-month, nine-month and twelve-month periods, energy sales increased 0.9%, 4.1% and 1.7% and the average number of customers increased 4.0%, 4.0% and 4.1%, respectively. Energy usage per customer decreased 3.0%, and 2.3% during the three-month and twelve-month periods, respectively, but increased 0.1% during the nine-month period.

In the third quarter of 1987 FPL recorded a $58 million provision for refund to customers of 1987 revenues relating to the Tax Savings Rule. This estimated provision was subsequently reduced to the actual refund amount of $53 million, plus interest, and was credited to customers' bills in May 1988. Although the FPSC has approved this refund, the amount is subject to further review and possible adjustment by the FPSC. See "Note 4." The provision for refund of 1988 revenues represents estimated 1988 revenues which could be required to be refunded in 1989 in accordance with the Tax Savings Rule. To the extent that 1988 retail earnings exceed the 13.60% ROE as a result of the reduction in the corporate income tax rate, the revenues associated with such excess earnings would be subject to refund. See "Note 4."

The increase in fuel revenues for the nine-month and twelve-month periods is primarily the result of higher Fuel adjustment clause factors. The Fuel adjustment clause factors are projected every six months primarily to reflect anticipated changes in fuel expense.

The increase in oil-backout revenues for the twelve months is due to higher Oil-backout clause factors as well as higher energy sales. The Oil-backout clause factors increased primarily to allow for recovery of accelerated depreciation on a portion of FPL's 500 kilovolt (kv) transmission lines which extend from Miami to the Georgia-Florida border.

Operating Expenses

Fuel, Purchased Power and Interchange

As oil and natural gas prices fluctuated in the past two years, FPL benefited from its ability to shift between different sources of generation to achieve the most economical fuel mix. Fuel-related costs are as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,			Twelve Months Ended September 30,		
	1988	1987	Change	1988	1987	Change	1988	1987	Change
	Millions of Dollars								
Fuel expense . . .	$261	$301	$(40)	$ 675	$ 659	$ 16	$ 866	$ 827	$ 39
Purchased power	183	210	(27)	478	575	(97)	648	699	(51)
Interchange. . . .	10	25	(15)	47	76	(29)	66	104	(38)
Deferred fuel costs	33	(42)	75	116	(129)	245	129	(129)	258
Total.	$487	$494	$ (7)	$1,316	$1,181	$135	$1,709	$1,501	$208

The increase in fuel expense for the nine-month and twelve-month periods is primarily the result of the recording, in June 1988, the retail portion of the $81.4 million permanent disposal fee (approximately $77 million) for certain spent nuclear fuel. This charge resulted from the completion of litigation and had no effect on operating income. See "Note 4." Lower oil and natural gas prices were the primary causes for the decline in fuel expense during the three-month period. During the nine-month and twelve-month periods, lower priced oil and natural gas partially offset the impact of the June 1988 recording.

The decrease in purchased power reflects a reduction in purchases and lower capacity charges from the Southern Companies. This was partially offset by an increase in purchases from and higher capacity charges on the SJRPP units. The decrease in interchange primarily reflects a lower volume of purchases from various suppliers. The primary reasons for the lower volume of Southern Companies and interchange purchases were increased production from the nuclear units and the availability of power from the two SJRPP units, which went into commercial operation in March 1987 and May 1988.

The Fuel adjustment clause factors are projected every six months. An over (under) recovery may subsequently occur if, among other factors, actual fuel-related costs were lower (higher) than had been projected. The deferred fuel costs for the periods ending in 1988 represent the recovery of costs deferred in prior periods. The deferral of fuel costs for the periods ending in 1987 resulted from the under-recovery of such costs during those periods.

Other Operating Expenses

The increase in other operations expense for the three-month period is primarily due to higher costs at FPL's nuclear units. The increase for the nine-month period reflects higher costs at the steam generating units, which includes costs at the reactivated Cutler Unit No. 6 and at the SJRPP units. In addition prolonged outages in 1987 at the Turkey Point nuclear units and higher costs at distribution facilities contributed to the increase for the nine-month period. Other operations expenses in the twelve-month period are also higher due to the impact of a fourth quarter 1986 reversal of pension expense as the result of the 1986 change in the actuarial cost method used for funding and ratemaking

purposes. In an effort to reduce future operating expenses, in October 1988 FPL offered a voluntary early retirement program to approximately 4% of FPL's total work force.

The increase in maintenance expenses for the nine-month and twelve-month periods reflects higher costs at FPL's steam generating units, including costs incurred for the reactivation of the Cutler units, partially offset by lower expenses at the Turkey Point nuclear units. The increase in maintenance expenses for the three-month period is primarily the result of costs incurred during a maintenance and refueling outage at St. Lucie Unit No. 1.

The increase in depreciation expense for the three-month, nine-month and twelve-month periods reflects the recording of approximately $12 million, $42 million and $88 million, respectively, of accelerated depreciation representing two-thirds of the net savings associated with a portion of the 500 kv transmission lines which extend from Miami to the Georgia-Florida border. Higher utility plant in service balances also contributed to the increase.

The decrease in income tax expense reflects a reduction in the federal corporate income tax rate in accordance with the Tax Reform Act of 1986 and, during the nine-month and twelve-month periods, a lower pre-tax book income. The increase in taxes other than income taxes is mainly the result of higher franchise and gross receipts taxes, which are based on revenues, and higher property taxes.

Interest Charges

The decrease in interest charges for the periods presented reflects the redemption of higher cost first mortgage bonds. The weighted average interest rate on FPL's first mortgage bonds was 9.34% for the twelve months ended September 30, 1988 compared to 9.54% for the corresponding period in 1987. These rates were calculated including the amortization of the excess of reacquisition cost over book value of reacquired bonds.

Allowance for Funds Used During Construction

The decrease in AFUDC for the three-month period is primarily the result of the placement of SJRPP Unit No. 2 in commercial operation in May 1988 and the effect of a lower AFUDC rate. The decreases for the nine-month and twelve-month periods reflect the placement of SJRPP Unit No. 1 in commercial operation in March 1987 and, for the twelve-month period, the inclusion in rate base of certain Turkey Point steam generator replacement costs effective January 1, 1987. See "Note 4."

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

(1) Reference is made to Item 1. Business - Competition and Item 3. Legal Proceedings in Florida Power & Light Company's (FPL) 1987 Annual Report on Form 10-K as modified by Item 5 of Form 8-K dated October 14, 1988.

On October 14, 1988 Union Carbide Corporation (Union Carbide) commenced a lawsuit by filing a complaint against FPL and Florida Power Corporation (Florida Power) in the United States District Court for the Middle District of Florida. In August 1988 Union Carbide requested that Florida Power sell power to a Union Carbide facility which is within FPL's service territory, and that FPL transport the power to the plant. FPL refused on the basis of Florida law and public policy. The suit alleges that through existing territorial agreements which define the service area of each utility, FPL and Florida Power have conspired to eliminate competition for the sale of electric power to retail customers, thereby unreasonably restraining trade and commerce in violation of federal antitrust laws as contained in section 1 of the Sherman Antitrust Act. The suit seeks to prevent the utilities from continuing such alleged violation of antitrust laws, and to require Florida Power to sell power, and FPL to wheel power, to the Union Carbide plant. The suit also seeks an award of three times Union Carbide's alleged damages in an unspecified amount based on alleged higher prices paid for electricity and product sales lost by Union Carbide. FPL believes that its actions are lawful and intends to vigorously defend the suit. FPL has until November 15, 1988 to respond.

On October 11, 1988 FPL filed a petition for declaratory statements with the Florida Public Service Commission (FPSC) seeking the FPSC's determination that FPL's denial of Union Carbide's request was proper and that acceding to such request would involve FPL in the provision of electric service in a manner inconsistent with the laws and public policy of the State of Florida. The matter is pending.

ITEM 5. OTHER INFORMATION

(1) Reference is made to Item 1. Business - Nuclear Units in FPL'S 1987 Annual Report on Form 10-K as modified by Item 5 of Form 8-K dated April 18, 1988, Item 5(4) of Form 10-Q for March 1988, Item 5(1) of Form 10-Q for June 1988 and Item 5 of Form 8-K dated August 15, 1988.

St. Lucie Nuclear Unit No. 1 was removed from service in July 1988 for a scheduled refueling and maintenance outage. During the outage, a small number of additional pressurized water circulation tubes in the unit's steam generators showing indications of degradation were plugged. To date, slightly more than 6% of the tubes in the unit's steam generators have been plugged. Based on the most recent analyses by FPL, under the unit's Nuclear Regulatory Commission license, FPL can operate the unit with up to approximately 15% of the tubes plugged without reducing the unit's thermal output. The unit was returned to service in September 1988.

(2) Reference is made to Item 1. Business - Fuel, Purchased Power and Interchange in FPL's 1987 Annual Report on Form 10-K as modified by Item 5(3) of Form 10-Q for June 1988.

• For information on a firm natural gas supply contract with Citrus Trading Corp. and an amendment to the existing firm natural gas transportation contract with Florida Gas Transmission Company (FGT) executed in August 1988, see "Part I, Note 5 - Natural Gas Contracts."

The implementation of the two 15-year agreements entered into in 1987, one with Citrus Trading Corp. and Enron Corp. and the other with FGT, for the firm supply and firm transportation of natural gas, respectively, has been delayed pending consideration and approval by the Federal Energy Regulatory Commission (FERC). See "Part I, Note 5 - Natural Gas Contracts."

The firm natural gas supply contract with Amoco Production Company which was to expire in October 1988 has been extended with the same terms. The extension is until the earlier of January 1, 1989, or commencement of the interim gas supply contract with Citrus Trading Corp.

Until such time as FERC approval is obtained on the above mentioned FGT agreements, FPL's natural gas supply and transportation will be primarily obtained through the interruptible contract with FGT. FPL anticipates obtaining sufficient natural gas supply and transportation to meet its fuel needs.

(3) Reference is made to Item 1. Business - Regulation and Rates - Florida Public Service Commission (FPSC) in FPL's 1987 Annual Report on Form 10-K as modified by Item 5(1) of Form 10-Q for March 1988 and Item 5(2) of Form 10-Q for June 1988.

For information regarding the revenue refunds for 1987 and 1988 in connection with the FPSC's rule related to the effect of corporate income tax rate changes on revenues, see "Part I, Note 4."

(4) Reference is made to Item 2. Properties - Construction Program in FPL's 1987 Annual Report on Form 10-K as modified by Item 5(5) of Form 10-Q for March 1988 and Item 5(5) of Form 10-Q for June 1988.

FPL's current estimate of construction expenditures for 1988 has been changed from $678 million to $655 million. The decrease is due primarily to cost underruns on the St. Johns River Power Park project and changes in the estimated timing of payments associated with certain other projects. The 1988-90 construction program is still currently estimated at $2.3 billion.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLORIDA POWER & LIGHT COMPANY
(Registrant)

Date November 8, 1988

(Signed) H. P. Williams, Jr.
H. P. Williams, Jr., Comptroller
(Chief Accounting Officer)

[illegible]

[illegible]

[illegible]

[illegible] [illegible]

Exhibit 12(a)

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Twelve Months Ended					
	September 30,	December 31,				
	1988	1987	1986	1985	1984	1983
	Thousands of Dollars					
Earnings as defined:						
Net income	$465,031	$426,193	$ 431,123	$ 414,347	$351,769	$313,963
Income taxes.	213,879	266,040	336,201	328,485	276,363	238,576
Fixed charges, as below . .	287,969	293,184	319,556	317,704	319,376	304,080
Total earnings, as defined	$966,879	$985,417	$1,086,880	$1,060,536	$947,508	$856,619
Fixed charges, as defined:						
Interest on first mortgage bonds	$251,510	$255,136	$282,984	$290,602	$288,719	$274,349
Interest on other long-term debt	6,294	6,181	5,998	4,315	5,272	9,881
Other interest charges . . .	25,770	27,048	24,962	16,914	17,545	17,374
Rental interest factor. . . .	91	91	131	171	180	55
Fixed charges included in nuclear fuel cost.	4,304	4,728	5,481	5,702	7,660	2,421
Total fixed charges, as defined	$287,969	$293,184	$319,556	$317,704	$319,376	$304,080
Ratio of earnings to fixed charges.	3.36	3.36	3.40	3.34	2.97	2.82

[illegible]

[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Exhibit 12(b)

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS

	Twelve Months Ended					
	September 30,	December 31,				
	1988	1987	1986	1985	1984	1983
	Thousands of Dollars					
Earnings as defined:						
Net income	$465,031	$426,193	$431,123	$414,347	$351,769	$313,963
Income taxes.	213,879	266,040	336,201	328,485	276,363	238,576
Fixed charges, as below . .	287,969	293,184	319,556	317,704	319,376	304,080
Total earnings, as defined	$966,879	$985,417	$1,086,880	$1,060,536	$947,508	$856,619
Fixed charges, as defined:						
Interest on first mortgage bonds	$251,510	$255,136	$282,984	$290,602	$288,719	$274,349
Interest on other long-term debt	6,294	6,181	5,998	4,315	5,272	9,881
Other interest charges . . .	25,770	27,048	24,962	16,914	17,545	17,374
Rental interest factor. . . .	91	91	131	171	180	55
Fixed charges included in nuclear fuel cost.	4,304	4,728	5,481	5,702	7,660	2,421
Total fixed charges, as defined	287,969	293,184	319,556	317,704	319,376	304,080
Non-tax deductible preferred stock dividend requirements	45,872	48,295	47,667	46,415	46,684	46,708
Ratio of income before income taxes to net income	1.460	1.624	1.780	1.793	1.786	1.760
Preferred stock dividend requirements before income taxes.	66,973	78,431	84,847	83,222	83,378	82,206
Combined fixed charges and preferred stock dividend requirements.	$354,942	$371,615	$404,403	$400,926	$402,754	$386,286
Ratio of earnings to combined fixed charges and preferred stock dividend requirements . . .	2.72	2.65	2.69	2.65	2.35	2.22

EXHIBIT 3

FLORIDA POWER & LIGHT COMPANY

Internal Cash Flow Excluding Retained Earnings

	Actual 12 Months Ended September 30, 1988	Projected 12 Months Ended September 30, 1989
	$ Millions	$ Millions
Depreciation and Amortization	$ 568	$ 569
Deferred Income Taxes and Investment Tax Credits[3]	(100)	(26)
Internal Cash Flow Excluding Retained Earnings Applied Toward Requirements	$ 468	$ 543
Average Quarterly Cash Flow Excluding Retained Earnings[1]	$ 117	$ 136
Percentage Ownership All Operating Nuclear Units:	Turkey Point No. 3	100%
	Turkey Point No. 4	100%
	St. Lucie No. 1	100%
	St. Lucie No. 2	85.10449%[2]
Maximum Total Contingent Liability	$ 40 Million	$ 40 Million

Certified by: E. L. Hoffman

E. L. Hoffman
Director of Finance &
Treasurer

(1) Cash flow per quarter is shown as an average. Under actual conditions, the amount available is greater in the third and fourth quarters.

(2) The Company sold 6.08951% of St. Lucie Unit No. 2 to the Orlando Utilities Commission in January 1981 and 8.806% to the Florida Municipal Power Agency in May 1983.

(3) Negative Deferred Taxes are due primarily to ongoing adjustments in the fuel recovery factor.